晉商银行
Jinshang Bank

JINSHANG BANK CO., LTD.*
晉商銀行股份有限公司*

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2558)

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

The board of directors (the "**Board**") of Jinshang Bank Co., Ltd.* (the "**Bank**") is pleased to announce the unaudited consolidated interim results of the Bank and its subsidiary (the "**Group**") for the six months ended June 30, 2021 (the "**Reporting Period**"). The content of this results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") in relation to preliminary announcements of interim results and the International Financial Reporting Standards (the "**IFRSs**") promulgated by the International Accounting Standards Board (the "**IASB**"). Such interim results have also been reviewed and confirmed by the Board and the audit committee of the Board. Unless otherwise indicated, the financial information set out in this announcement is on a consolidated basis and presented in Renminbi.

1. CORPORATE INFORMATION

1.1 Basic Information

Legal Chinese Name	晉商銀行股份有限公司
Abbreviation in Chinese	晉商銀行
Legal English Name	Jinshang Bank Co., Ltd.
Abbreviation in English	Jinshang Bank
Legal Representative	YAN Junsheng[(1)]
Authorized Representatives	LI Shishan, WONG Wai Chiu
Listing Place of H shares	The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**")
Stock Name	JINSHANG BANK
Stock Code	2558

(1) On January 8, 2020, Mr. YAN Junsheng has tendered his resignation as the chairman of the Board and legal representative of the Bank. Pursuant to the Articles of Association of the Bank, the chairman of the Board of the Bank is the legal representative. Ms. HAO Qiang's qualification as the chairwoman of the Board has been approved by the regulatory authority on July 16, 2021, and the Bank will follow the procedures to make changes to the industrial and commercial registration with the Shanxi Administration for Market Regulation (山西市場監督管理局).

1.2 Contact Persons and Contact Details

Secretary to the Board	LI Weiqiang
Joint Company Secretaries	LI Weiqiang, WONG Wai Chiu
Registered Address and Address of Head Office	No. 59 Changfeng Street, Xiaodian District, Taiyuan City, Shanxi Province, the PRC
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong
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2. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

	For the six months ended June 30,		
	2021	2020 (Restated Note)	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Results of operations			
Interest income Note	**4,999.9**	4,520.1	10.6
Interest expense	**(3,316.5)**	(2,856.5)	16.1
Net interest income Note	**1,683.4**	1,663.6	1.2
Fee and commission income Note	**474.1**	440.7	7.6
Fee and commission expense	**(79.3)**	(76.5)	3.7
Net fee and commission income Note	**394.8**	364.2	8.4
Net trading gains	**150.7**	48.5	210.7
Net gains arising from investment securities	**326.8**	512.7	(36.3)
Other operating income(1)	**5.8**	11.9	(51.3)
Operating income	**2,561.5**	2,600.9	(1.5)
Operating expenses	**(844.0)**	(776.6)	8.7
Impairment losses on credit	**(842.5)**	(1,054.1)	(20.1)
Share of profits of associate	**10.1**	14.3	(29.4)

	For the six months ended June 30,		
	2021	2020 (Restated [Note])	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Profit before tax	**885.1**	784.5	12.8
Income tax expense	**(3.2)**	(9.6)	(66.7)
Net profit	**881.9**	774.9	13.8
Net profit attributable to:			
Equity shareholders of the Bank	**881.8**	779.8	13.1
Non-controlling interests	**0.1**	(4.9)	(102.0)
Earnings per share attributable to equity shareholders of the Bank (RMB per share)			
－Basic	**0.15**	0.13	15.4
－Diluted	**0.15**	0.13	15.4

Note: Pursuant to the requirements in the "Notice on Strictly Implementing Accounting Standards for Business 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 Group reclassified credit card installment income to interest income from fee and commission income, and restated the data for the same period of 2020.

Note:

(1) Consists primarily of non-operating income from government grants, net gains from disposal of property and equipment and penalty income.

	As of June 30, 2021	As of December 31, 2020	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Key indicators for assets/liabilities			
Total assets	**291,519.4**	270,943.6	7.6
Of which: net loans and advances to customers	**143,813.7**	131,836.5	9.1
Total liabilities	**270,169.4**	249,902.2	8.1
Of which: deposits from customers	**192,486.8**	176,781.7	8.9
Share capital	**5,838.7**	5,838.7	–
Equity attributable to equity holders of the Bank	**21,322.1**	21,013.6	1.5
Total equity	**21,350.0**	21,041.4	1.5

	For the six months ended June 30,		
	2021	2020 (Restated Note)	Change
Profitability indicators (%)			
Return on average assets(1)	**0.63**	0.60	0.03
Return on average equity(2)	**8.32**	7.66	0.66
Net interest spread(3) Note	**1.41**	1.63	(0.22)
Net interest margin(4) Note	**1.37**	1.56	(0.19)
Net fee and commission income to operating income Note	**15.41**	14.00	1.41
Cost-to-income ratio(5)	**31.39**	28.56	2.83

	As of June 30, 2021	As of December 31, 2020	Change
Asset quality indicators (%)			
NPL ratio(6)	**1.83**	1.84	(0.01)
Allowance coverage ratio(7)	**193.34**	194.06	(0.72)
Allowance to gross loan ratio(8)	**3.54**	3.58	(0.04)

	As of June 30, 2021	As of December 31, 2020	Change
Capital adequacy indicators (%)(9)			
Core tier-one capital adequacy ratio(10)	**10.02**	10.72	(0.70)
Tier-one capital adequacy ratio(11)	**10.02**	10.72	(0.70)
Capital adequacy ratio(12)	**11.97**	11.72	0.25
Total equity to total assets	**7.32**	7.77	(0.45)

	As of June 30, 2021	As of December 31, 2020	Change
Other indicators (%)			
Loan-to-deposit ratio(13)	**78.74**	78.49	0.25
Liquidity coverage ratio(14)	**214.99**	327.19	(112.20)
Liquidity ratio(15)	**91.86**	102.62	(10.76)

	As of June 30, 2021	As of March 31, 2021	As of December 31, 2020
	(Expressed in millions of RMB, unless otherwise stated)		
Net stable funding ratio(16)			
Total available stable funding	**175,682.5**	170,098.0	164,644.8
Total required stable funding	**130,119.6**	125,235.1	116,608.1
Net stable funding ratio(%)	**135.02**	135.82	141.19

Note: Pursuant to the requirements in the "Notice on Strictly Implementing Accounting Standards for Business 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 Group reclassified credit card installment income to interest income from fee and commission income, and restated the data for the same period of 2020.

Notes:

(1) Calculated by dividing net profit by the average balance of total assets at the beginning and the end of the period, and adjusted on an annualized basis.

(2) Calculated by dividing net profit by the average balance of total equity at the beginning and the end of the period, and adjusted on an annualized basis.

(3) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.

(4) Calculated by dividing net interest income by the average balance of total interest-earning assets, and adjusted on an annualized basis.

(5) Calculated by dividing total operating expenses (net of tax and surcharges) by total operating income.

(6) Calculated by dividing total NPLs by gross loans and advances to customers. Except as otherwise stated, the "gross loans and advances" referred to in this announcement exclude accrued interest.

(7) Calculated by dividing total allowance for impairment losses on loans to customers (including the provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income) by total NPLs.

(8) Calculated by dividing total allowance for impairment losses on loans to customers (including the provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income) by gross loans and advances to customers.

(9) Calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional).

(10) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets.

(11) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.

(12) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.

(13) Calculated by dividing gross loans and advances to customers by total deposits from customers (excluding interest accrued).

(14) Liquidity coverage ratio is calculated in accordance with the formula promulgated by the China Banking and Insurance Regulatory Commission. Liquidity coverage ratio = eligible high-quality liquid assets/net cash outflows for the next 30 days × 100%.

(15) Liquidity ratio is calculated in accordance with the formula promulgated by the China Banking and Insurance Regulatory Commission. Liquidity ratio = balance of current assets/balance of current liabilities × 100%.

(16) Net stable funding ratio is calculated in accordance with the formula stipulated in the Measures for Disclosure of Information on Net Stable Funding Ratio by Commercial Banks (Yin Bao Jian Fa [2019] No. 11) (《商業銀行淨穩定資金比例信息披露辦法》(銀保監發[2019]11號)) as promulgated by the China Banking and Insurance Regulatory Commission. Net stable funding ratio = available stable funding/required stable funding × 100%.

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Review of the Economic, Financial and Policy Environment

In the first half of 2021, with lingering uncertainties of the world economy as affected by the epidemic, the world economy maintained its stable recovery, and the PRC economic recovery showed significant effects with a momentum of steady reinforcement and steady improvement. The gross domestic product (GDP) in the first half of 2021 amounted to RMB53,216.7 billion, representing an increase of 12.7% year-on-year at constant prices, of which, the GDP in the second quarter recorded a year-on-year growth of 7.9% and a two-year average growth of 5.5%, up by 0.5 percentage point as compared with the average growth rate in the first quarter. In the first six months, new RMB-dominated loans amounted to RMB12.76 trillion, representing an increase of RMB667.7 billion year-on-year. As at the end of June 2021, the balance of broad money supply M2 amounted to RMB231.78 trillion, representing an increase of 8.6% year-on-year, 0.3 percentage point higher than that at the end of May. In the first half of 2021, the balance of social financing scale amounted to RMB301.56 trillion, representing an increase of 11.0% year-on-year, remaining the same as compared to that at the end of May. The growth rates of M2 and social financing scale were basically in line with the nominal economic growth rate.

In the first half of 2021, the economy in Shanxi Province continued its steady recovery with significant pickups in major economic indicators, steady enhancement in production and supply, strong growth momentum of new driving forces, accelerated release of effective demands, prominent improvement in development quality and efficiency, and solid assurance of people's livelihood. The provincial GDP amounted to RMB960.67 billion, representing a year-on-year increase of 12.2% at comparable prices; the added value of above-scale industries in the province recorded a year-on-year growth of 15.9% and a two-year average growth of 7.5% over the first half of 2019, 0.5 percentage point higher than the national average growth rate; the completion of fixed asset investment (excluding peasant household) increased by 18.2%, 5.6 percentage points higher than the national average, with a two-year average growth of 13.1%; and total retail sales of consumer goods in the province increased by 30.3%, 7.3 percentage points higher than the national average, with a two-year average growth of 4.4%.

3.2 Business Overview and Development Strategies

In the first half of 2021, the Bank actively aligned our business with the national and regional "14th Five-Year" plans. In particular, we closely centered on the development strategic plan for 2021-2025 of the Bank with a strategic vision of "pursuing safe development, and building an excellent listed bank in the region", and a foothold in our market positioning of "serving the local economy, serving micro and small and medium enterprises, and serving urban and rural residents" and in our business positioning of "strengthening corporate business, refining retails, specializing in the financial market, optimizing businesses for micro and small enterprises", in order to fully advance various strategic work to achieve satisfactory results.

Serving the real economy continued to give effect. In the first half of 2021, the Bank adhered to our responsibility positioning of serving the real economy, and created our own characteristics in the resonance with the economic transformation in Shanxi Province. We strengthened regional finance, and vigorously supported the key fields and industrial development in the province, effectively practicing our responsibility of serving the high-quality economic development in Shanxi Province. We deepened institutional finance, established information database for governments and institutions, overcame the difficulties in key financial and institutional deposits in the region and had achieved new breakthroughs. We optimized inclusive finance, completed the launch of online "Jian Ya Kuai Dai" product, promoted customer acquisition in bulk of the industry chain, and fully enhanced the serving capability of inclusive finance through assessment optimization, implementation of supervision, integrated marketing and other means. We expanded green finance, actively improved top-level designs, launched part of innovative green products, and applied to join the Green Finance Committee of China Society for Finance and Banking (中國金融學會綠色金融專業委員會), to lay a solid foundation for the development of a green bank.

The pace of business transformation continued to accelerate. In the first half of 2021, the Bank accelerated promoting the differentiated development of principal business, and strived to explore a new path of high-quality development. We continued to deepen the transformation of retail business by promoting the construction of uniform view of customers, orderly conducting cross-line linkage marketing, and steadily advancing online business distribution, customer experience improvement and other work. We deeply expanded corporate business by leveraging on our strengths as a legal person bank, selecting and setting up featured branches for institutional business, opening the channels for institutional customer services, consolidating the basis for customer relation management, and optimizing cash management and supply chain products. We continued to enrich the products of small and micro business by centering on core enterprises to launch upstream and downstream credit loan products, delegating to the lower level of the approval authority for some standardized credit loan products for small and micro enterprises, and accelerating the application of products. We continued to improve the quality of financial market and asset management business. We timely adjusted investment direction, structure and scale, enhanced mechanism construction and risk prevention and control, and actively developed a decision-making system and an investment research framework, striving to improve asset profitability and risk resistance level.

Risk control capability continued to improve. In the first half of 2021, the Bank firmly adhered to the bottom line of zero systematic financial risk, and took many measures to assure a safe development. We deeply implemented the decisions and deployments of the central government and the provincial Party Committee, earnestly strengthened the comprehensive leadership of the Party in respect of risk management, and constructed a layout of "risk management by the Party". We established and improved a risk prevention, control and pre-warning mechanism, conducted special audits on credit loan business, stepped efforts on supervision and inspection, and improved risk identification and control capabilities in key fields. We disposed of non-performing assets on a collective basis, organized and carried out special activities of "overcoming the difficulties in asset quality improvement" and achieved staged effects. We consolidated the basis for system management, strengthened the collaboration among discipline inspection, monitoring, audit, compliance and other departments, and enhanced the supervision, inspection and rectification of issues in key businesses, key links and key fields. We fully implemented the primary responsibilities of safe production, organized general inspections on safe production, and refined special rectification and daily management of safe production to achieve a safe development of the Bank with "zero incident".

Technological support level steadily advanced. In the first half of 2021, the Bank continued to explore an innovative mechanism for integration of business and technology with a batch of major technology projects being added or launched, thereby forming a consensus on advancing technology. We continued to focus on operation and maintenance assurance and optimization to ensure stable and efficient operation of the new core systems. We enhanced internet pre-warning, monitoring and active defense abilities to ensure healthy and stable operation of our official website and e-banking system. We promoted the in-depth integration of business and technology, implemented an agile working mechanism, and pushed forward the rapid commencement of operation of a batch of products, such as supply chain financial service platform and children deposit books. We fully advanced data management work, established a data management working group to clarify assignment of responsibilities, improved rules and systems, and strengthened coordination among departments, to improve data management ability and quality.

In the second half of 2021, the Bank will positively respond to internal and external challenges. Focusing on the implementation of "the 14th Five-year" development strategy, the Bank will strive to build a competence system covering corporate business with industry expertise, retail business driven by digitalization, professional financial market business and distinctive, innovative small and micro business. Also, building on a talent system integrating precise and efficient marketing to increase clients, comprehensive quantitative risk management, efficient and sharp technology guidance, concentrated and flexible operating support and professional management, the Bank will make strides in high-quality development in an all-round manner. Firstly, committed to coordinated management, we will review each business line to sort out the positioning of responsibilities, enhance the function of management and control, improve our business marketing and accelerate the public-private interconnection to ensure the steady running for business indicators. Secondly, focusing on distinctive operation, we will establish large excellent retail brand, expand institutional business, strengthen green bank, specialize in the inclusive finance to build advantages of Jinshang Bank brand. Thirdly, empowered by technologies, we will design the unified view of customers, build and improve the capability of operational management, enrich financial scenario ecology, optimize agile development system, improve the quality and efficiency of data governance to enhance the capability to support business development. Fourthly, upholding safety development, we will increase the ability to take an initiative to control risks, improve the compliance management system, build a strong principle of safety production and lay a sound foundation of compliant operation. Fifth, adhering to the people-oriented principle, we will carry forward the great spirit of building the Party, continuously increase the service efficiency, strengthen the building of talents and develop a fighting spirit to work hard with practice.

3.3 Income Statement Analysis

	For the six months ended June 30,		
	2021	2020 (Restated Note)	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Interest income Note	**4,999.9**	4,520.1	10.6
Interest expense	**(3,316.5)**	(2,856.5)	16.1
Net interest income Note	**1,683.4**	1,663.6	1.2
Fee and commission income Note	**474.1**	440.7	7.6
Fee and commission expense	**(79.3)**	(76.5)	3.7
Net fee and commission income Note	**394.8**	364.2	8.4
Net trading gains	**150.7**	48.5	210.7
Net gains arising from investment securities	**326.8**	512.7	(36.3)
Other operating income(1)	**5.8**	11.9	(51.3)
Operating income	**2,561.5**	2,600.9	(1.5)
Operating expenses	**(844.0)**	(776.6)	8.7
Impairment losses on credit	**(842.5)**	(1,054.1)	(20.1)
Share of profits of associate	**10.1**	14.3	(29.4)
Profit before tax	**885.1**	784.5	12.8
Income tax expense	**(3.2)**	(9.6)	(66.7)
Net profit	**881.9**	774.9	13.8

Note: Pursuant to the requirements in the "Notice on Strictly Implementing Accounting Standards for Business 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 Group reclassified credit card installment income to interest income from fee and commission income, and restated the data for the same period of 2020.

Note:

(1) Consists primarily of non-operating income from government grants, net gains from disposal of property and equipment and penalty income.

For the six months ended June 30, 2021, the profit before tax of the Group increased by 12.8% to RMB885.1 million from RMB784.5 million for the six months ended June 30, 2020, and net profit for the same period increased to RMB881.9 million from RMB774.9 million for the six months ended June 30, 2020, representing a year-on-year growth of 13.8%.

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

For the six months ended June 30, 2021, the net interest income of the Group increased by 1.2% to RMB1,683.4 million from RMB1,663.6 million for the six months ended June 30, 2020, mainly due to an increase by 10.6% in interest income for the current period, which was partially offset by an increase in interest expenses for the current period.

The net interest spread of the Group for the six months ended June 30, 2021 was 1.41%, representing a decrease of 0.22 percentage point as compared to the net interest spread for the six months ended June 30, 2020; and the net interest margin for the six months ended June 30, 2021 was 1.37%, representing a decrease of 0.19 percentage point as compared to the net interest margin for the six months ended June 30, 2020, mainly due to a decrease in the yield on assets from 4.24% to 4.07%, together with an increase in the cost on interest-bearing liabilities from 2.61% to 2.66%. The decrease in the yield on assets was primarily due to a decrease in the proportion of trust plans, asset management plans and other debt investments over financial investments as the reduction of the size of such investments according to its risk management policies and investment policies; and a decrease in the interest income caused by the impact of asset quality on part of trust plans. The increase in the cost on liabilities was primarily due to a larger increase in time deposits, which carry higher cost, among deposits from customers.

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

	For the six months ended June 30,					
	2021			2020 (Restated Note)		
	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 Note	**143,969.1**	**3,437.4**	**4.78**	122,334.0	2,922.1	4.78
Financial investments(2)	**61,412.2**	**1,129.3**	**3.68**	61,186.6	1,315.3	4.30
Placements with banks and other financial institutions	**3,104.4**	**38.9**	**2.51**	2,754.5	24.6	1.79
Financial assets held under resale agreement	**18,110.7**	**248.2**	**2.74**	9,536.5	121.3	2.54
Deposits with the central bank(3)	**17,460.3**	**120.1**	**1.38**	15,806.6	112.9	1.43
Deposits with banks and other financial institutions	**1,869.1**	**26.0**	**2.78**	1,699.0	23.9	2.81
Total interest-earning assets	**245,925.8**	**4,999.9**	**4.07**	213,317.2	4,520.1	4.24
Interest-bearing liabilities						
Deposits from customers	**177,033.4**	**2,260.8**	**2.55**	155,075.6	1,870.0	2.41
Deposits from banks and other financial institutions	**1,938.1**	**32.7**	**3.37**	3,767.6	59.6	3.16
Placements from banks and other financial institutions	**1,080.4**	**15.7**	**2.91**	1,111.4	17.9	3.22
Financial assets sold under repurchase agreements	**13,983.7**	**142.6**	**2.04**	11,022.9	94.1	1.71
Debt securities issued(4)	**53,038.1**	**842.7**	**3.18**	47,136.9	801.8	3.40
Borrowing from the central bank	**1,938.1**	**22.0**	**2.27**	962.6	13.1	2.72
Total interest-bearing liabilities	**249,011.8**	**3,316.5**	**2.66**	219,077.0	2,856.5	2.61
Net interest income Note		**1,683.4**			1,663.6	
Net interest spread(5) Note			**1.41**			1.63
Net interest margin(6) Note			**1.37**			1.56

Note: Pursuant to the requirements in the "Notice on Strictly Implementing Accounting Standards for Business 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 Group reclassified credit card installment income to interest income from fee and commission income, and restated the data for the same period of 2020.

Notes:

(1) Calculated by dividing interest income/expense by average balance, and adjusted on an annualized basis.

(2) Consist of financial investments measured at amortized costs and financial investments measured at fair value through other comprehensive income.

(3) Consists primarily of statutory deposit reserves and surplus deposit reserves.

(4) Consists of certificates of interbank deposit, financial bonds and tier-two capital debts.

(5) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.

(6) Calculated by dividing net interest income by the average balance of total interest-earning assets, and adjusted on an annualized basis.

3.3.2 Interest income

For the six months ended June 30, 2021, interest income of the Group increased by 10.6% to RMB4,999.9 million from RMB4,520.1 million for the six months ended June 30, 2020, primarily due to an increase in the average balance of interest-earning assets from RMB213,317.2 million for the six months ended June 30, 2020 to RMB245,925.8 million for the six months ended June 30, 2021, which was partially offset by a decrease in the average yield on interest-earning assets from 4.24% for the six months ended June 30, 2020 to 4.07% for the six months ended June 30, 2021.

Interest income from loans and advances to customers

For the six months ended June 30, 2021, interest income from loans and advances to customers increased by 17.6% from RMB2,922.1 million for the six months ended June 30, 2020 to RMB3,437.4 million for the six months ended June 30, 2021, primarily due to an increase of 17.7% in the average balance of loans and advances to customers from RMB122,334.0 million for the six months ended June 30, 2020 to RMB143,969.1 million for the six months ended June 30, 2021. The increase in the average balance of loans and advances to customers was primarily due to the strengthened efforts on granting of loans to vigorously support Shanxi Province's energy reform construction, state-owned assets and state-owned enterprises reform, people's livelihood and consumption and other key fields and industrial development.

Interest income from financial investments

For the six months ended June 30, 2021, interest income from financial investments decreased by 14.1% from RMB1,315.3 million for the six months ended June 30, 2020 to RMB1,129.3 million for the six months ended June 30, 2021, primarily due to a decrease in the average yield on financial investments from 4.30% for the six months ended June 30, 2020 to 3.68% for the six months ended June 30, 2021. The average balance of financial investments increased by 0.4% from RMB61,186.6 million for the six months ended June 30, 2020 to RMB61,412.2 million for the six months ended June 30, 2021. The decrease in the average yield on financial investments was primarily due to a decrease in the proportion of trust plans, asset management plans and other debt investments over financial investments as the reduction of the size of such investments according to its risk management policies and investment policies; and a fail in acquiring corresponding interest income from part of trust plans as affected by asset quality.

Interest income from placements with banks and other financial institutions

For the six months ended June 30, 2021, interest income from placements with banks and other financial institutions increased by 58.1% to RMB38.9 million from RMB24.6 million for the six months ended June 30, 2020, primary due to an increase of 12.7% in the average balance of placements with banks and other financial institutions from RMB2,754.5 million for the six months ended June 30, 2020 to RMB3,104.4 million for the six months ended June 30, 2021, as well as an increase in the average yield on placements with banks and other financial institutions from 1.79% for the six months ended June 30, 2020 to 2.51% for the six months ended June 30, 2021. The increases in average balance and yield of placements with banks and other financial institutions were primarily due to an increase in short-term placements with non-deposit-taking financial institutions.

Interest income from financial assets held under resale agreements

For the six months ended June 30, 2021, interest income from financial assets held under resale agreements increased by 104.6% to RMB248.2 million from RMB121.3 million for the six months ended June 30, 2020, primarily due to an increase of 89.9% in the average balance of financial assets held under resale agreements from RMB9,536.5 million for the six months ended June 30, 2020 to RMB18,110.7 million, as well as an increase in the average yield from 2.54% to 2.74%. The increase in average balance was primarily due to an increase in the investment in financial assets held under resale agreements by the Bank according to its business strategy and by fully considering liquidity, safety and profitability. The increase in average yield was primarily due to the impact of variations in market interest rate.

Interest income from deposits with the central bank

Interest income from deposits with the central bank increased by 6.4% from RMB112.9 million for the six months ended June 30, 2020 to RMB120.1 million for the six months ended June 30, 2021, primarily due to an increase of 10.5% in the average balance of deposits with the central bank from RMB15,806.6 million for the six months ended June 30, 2020 to RMB17,460.3 million for the six months ended June 30, 2021. The increase in the average balance of deposits with the central bank was primarily due to an increase in statutory deposit reserve as a result of an increase in deposits.

Interest income from deposits with banks and other financial institutions

For the six months ended June 30, 2021, interest income from deposits with banks and other financial institutions increased by 8.8% from RMB23.9 million for the six months ended June 30, 2020 to RMB26.0 million, primarily due to an increase of 10.0% in the average balance of deposits with banks and other financial institutions from RMB1,699.0 million for the six months ended June 30, 2020 to RMB1,869.1 million for the six months ended June 30, 2021, which was partially offset by a decrease in the average yield from 2.81% to 2.78%.

3.3.3 Interest expense

The Group's interest expense increased by 16.1% from RMB2,856.5 million for the six months ended June 30, 2020 to RMB3,316.5 million for the six months ended June 30, 2021, primarily due to an increase of 13.7% in the average balance of interest-bearing liabilities from RMB219,077.0 million for the six months ended June 30, 2020 to RMB249,011.8 million for the six months ended June 30, 2021, as well as an increase of 0.05 percentage point in the average cost of interest-bearing liabilities from 2.61% to 2.66% for the six months ended June 30, 2021.

Interest expense on deposits from customers

Interest expense on deposits from customers increased by 20.9% from RMB1,870.0 million for the six months ended June 30, 2020 to RMB2,260.8 million for the six months ended June 30, 2021, primarily due to the continuous development of deposit-taking business, which resulted in an increase of 14.2% in the daily average balance of deposits from customers from RMB155,075.6 million for the six months ended June 30, 2020 to RMB177,033.4 million for the six months ended June 30, 2021. Meanwhile, the average cost on deposits from customers increased from 2.41% to 2.55%, mainly due to a larger increase in time deposits, which carry higher cost, among deposits from customers.

Interest expense on deposits from banks and other financial institutions

Interest expense on deposits from banks and other financial institutions decreased by 45.1% from RMB59.6 million for the six months ended June 30, 2020 to RMB32.7 million for the six months ended June 30, 2021, primarily due to a decrease of 48.6% in the average balance of deposits from banks and other financial institutions from RMB3,767.6 million for the six months ended June 30, 2020 to RMB1,938.1 million for the six months ended June 30, 2021. The average cost on the liabilities of deposits from banks and other financial institutions increased from 3.16% for the six months ended June 30, 2020 to 3.37% for the six months ended June 30, 2021. The decrease in the average balance of deposits from banks and other financial institutions and the increase in its cost were mainly due to the successive expiry of part of the Bank's business with a short term and low cost during the Reporting Period.

Interest expense on placements from banks and other financial institutions

Interest expense on placements from banks and other financial institutions decreased by 12.3% from RMB17.9 million for the six months ended June 30, 2020 to RMB15.7 million for the six months ended June 30, 2021, primarily due to a decrease in the average balance of placements from banks and other financial institutions from RMB1,111.4 million for the six months ended June 30, 2020 to RMB1,080.4 million for the six months ended June 30, 2021, as well as a decrease of 0.31 percentage point in the average cost of placements from banks and other financial institutions from 3.22% to 2.91%.

Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements increased by 51.5% from RMB94.1 million for the six months ended June 30, 2020 to RMB142.6 million for the six months ended June 30, 2021, primarily due to an increase of 26.9% in the average balance of financial assets sold under repurchase agreements from RMB11,022.9 million for the six months ended June 30, 2020 to RMB13,983.7 million for the six months ended June 30, 2021, as well as an increase of 0.33 percentage point in its average cost from 1.71% to 2.04%. The increase in the average balance was mainly due to an increase in the number of repurchase transaction contracts the Bank entered into in order to reduce its financing costs. The increase in the average cost was mainly due to an increase in the interest rate of interbank market repurchased business from the same period of last year as affected by the fluctuation of market interest rates.

Interest expense on debt securities issued

Interest expense on debt securities issued increased by 5.1% from RMB801.8 million for the six months ended June 30, 2020 to RMB842.7 million for the six months ended June 30, 2021, primarily due to an increase of 12.5% in the average balance of debt securities issued from RMB47,136.9 million for the six months ended June 30, 2020 to RMB53,038.1 million for the six months ended June 30, 2021, which was partially offset by a decrease in the average interest rate of debt securities issued from 3.40% to 3.18%. The increase in the average balance of debt securities issued was mainly due to an increase in the issuance of interbank deposit in order to replenish the working capital for business development. The decrease in the average interest rate of debt securities issued was mainly due to a decrease in the interest rate of interbank deposit issued from the same period of last year as affected by the market.

Interest expense on borrowing from the central bank

Interest expense on borrowing from the central bank increased by 67.9% from RMB13.1 million for the six months ended June 30, 2020 to RMB22.0 million for the six months ended June 30, 2021, primarily due to an increase of 101.3% in the average balance of borrowing from the central bank from RMB962.6 million for the six months ended June 30, 2020 to RMB1,938.1 million for the six months ended June 30, 2021, which was partially offset by a decrease in the average cost of borrowing from the central bank from 2.72% to 2.27%. The increase in the average balance was mainly due to the increased scale of relending loans to small and micro enterprises issued by the central bank. The decrease in the average interest rate of borrowing from the central bank was mainly due to a low interest rate of relending loans issued by the central bank.

3.3.4 Net fee and commission income

The following table sets forth, for the six months ended June 30, 2020 and 2021, the principal components of net fee and commission income of the Group.

	For the six months ended June 30,			
	2021	2020 (Restated Note)	Amount change	Rate of change (%)
	(in millions of RMB, except percentages)			
Fee and commission income				
Agency service fees and others	**172.2**	186.5	(14.3)	(7.7)
Acceptance and guarantee business fees	**105.0**	91.6	13.4	14.6
Wealth management service fees	**82.0**	74.3	7.7	10.4
Bank card service fees Note	**69.9**	56.6	13.3	23.5
Settlement and clearing fees	**45.0**	31.7	13.3	42.0
Subtotal Note	**474.1**	440.7	33.4	7.6
Fee and commission expenses				
Settlement and clearing fees	**(38.7)**	(52.2)	13.5	(25.9)
Bank card service fees	**(31.5)**	(15.2)	(16.3)	107.2
Others	**(9.1)**	(9.1)	0.0	0.0
Subtotal	**(79.3)**	(76.5)	(2.8)	3.7
Net fee and commission income Note	**394.8**	364.2	30.6	8.4

Note: Pursuant to the requirements in the "Notice on Strictly Implementing Accounting Standards for Business 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 Group reclassified credit card installment income to interest income from fee and commission income, and restated the data for the same period of 2020.

Net fee and commission income increased by 8.4% from RMB364.2 million for the six months ended June 30, 2020 to RMB394.8 million for the six months ended June 30, 2021, primarily due to the active development of acceptance and guarantee business, bank card services, settlement and clearance and other intermediary services, resulting in the increase in the fee and commission income. Meanwhile, fee and commission expenses increased by 3.7% from RMB76.5 million for the six months ended June 30, 2020 to RMB79.3 million for the six months ended June 30, 2021, primarily due to the expanded scale of credit card and other business, resulting in an increase in the corresponding fee expenses.

3.3.5 Net trading gains

Net trading gains of the Group increased by 210.7% from RMB48.5 million for the six months ended June 30, 2020 to RMB150.7 million for the six months ended June 30, 2021, primarily due to an increase in the fair value of the mutual funds held.

3.3.6 Net gains arising from investment securities

Net gains arising from investment securities of the Group decreased by 36.3% from RMB512.7 million for the six months ended June 30, 2020 to RMB326.8 million for the six months ended June 30, 2021, primarily due to a year-on-year decrease in the dividends from the mutual funds invested.

3.3.7 Operating expenses

The following table sets forth, for the six months ended June 30, 2020 and 2021, the principal components of operating expenses of the Group.

	For the six months ended June 30,			
	2021	2020	Amount change	Rate of change (%)
	(in millions of RMB, except percentages)			
Staff costs	**502.5**	480.8	21.7	4.5
Depreciation and amortization	**151.6**	131.7	19.9	15.1
Taxes and surcharges	**39.9**	33.8	6.1	18.0
Rental and property management expenses	**21.9**	20.1	1.8	9.0
Other general and administrative expenses(1)	**128.1**	110.2	17.9	16.2
Total operating expenses	**844.0**	776.6	67.4	8.7
Cost-to-income ratio(2)	**31.39%**	28.56%		

Notes:

(1) Consists primarily of insurance premiums, electronic equipment operating cost, banknote shipping fee, business marketing expenses and security expenses.

(2) Calculated by dividing total operating expenses (net of taxes and surcharges) by total operating income.

Operating expenses increased by 8.7% from RMB776.6 million for the six months ended June 30, 2020 to RMB844.0 million for the six months ended June 30, 2021, primarily due to a year-on-year increase in the staff costs, depreciation and amortization, electronic equipment operating cost and other expenses.

The Group's cost-to-income ratio for the six months ended June 30, 2020 and 2021 (excluding taxes and surcharges) were 28.56% and 31.39%, respectively. The increase in cost-to-income ratio was primarily due to a year-on-year increase in the operating expenses, as well as a slight year-on-year decrease in its operating income.

Staff costs

Staff costs increased by 4.5% from RMB480.8 million for the six months ended June 30, 2020 to RMB502.5 million for the six months ended June 30, 2021. The following table sets forth the main components of staff costs for the periods indicated.

	For the six months ended June 30,			
	2021	2020	Amount change	Rate of change (%)
	(in millions of RMB, except percentages)			
Salaries, bonuses and allowances	**338.3**	335.3	3.0	0.9
Social insurance and annuity	**94.0**	87.7	6.3	7.2
Housing allowances	**35.2**	32.1	3.1	9.7
Employee education expenses and labour union expenses	**15.5**	9.7	4.6	47.4
Staff welfare	**14.3**	13.8	1.7	12.3
Supplementary retirement benefits	**3.4**	1.5	1.9	126.7
Others	**1.8**	0.7	1.1	157.1
Total staff costs	**502.5**	480.8	21.7	4.5

Depreciation and amortization

Depreciation and amortization expenses increased by 15.1% from RMB131.7 million for the six months ended June 30, 2020 to RMB151.6 million for the six months ended June 30, 2021, primarily due to the the fact that the Bank constantly promoted the construction of financial technology projects, which resulted in the increase in capital expenses, and the increase in relevant depreciation and amortization expenses.

Taxes and surcharges

Taxes and surcharges increased by 18.0% from RMB33.8 million for the six months ended June 30, 2020 to RMB39.9 million for the six months ended June 30, 2021, primarily due to the Bank's business development and expansion, resulting in an increase in taxable income.

Rental and property management expenses

Rental and property management expenses increased by 9.0% from RMB20.1 million for the six months ended June 30, 2020 to RMB21.9 million for the six months ended June 30, 2021, primarily due to the Bank's continuous expansion of outlets, resulting in an increase in rental expenses of outlets.

Other general and administrative expenses

Other general and administrative expenses consist primarily of insurance premiums, electronic equipment operating cost, banknote shipping fees, business marketing expenses and security expenses. The Group's other general and administrative expenses increased by 16.2% from RMB110.2 million for the six months ended June 30, 2020 to RMB128.1 million for the six months ended June 30, 2021, primarily due to a corresponding increase in electronic equipment operating cost, business marketing expenses, deposit insurance premium and other expenses as compared to the same period of last year as the Bank developed its business.

3.3.8 Impairment losses on credit

The following table sets forth the principal components of the Group's impairment losses on credit for the periods indicated.

	For the six months ended June 30,			
	2021	2020	Amount change	Rate of change (%)
	(in millions of RMB, except percentages)			
Impairment losses on credit				
Financial investments	**224.8**	47.7	177.1	371.3
Loans and advances to customers	**526.6**	824.9	(298.3)	(36.2)
Credit commitments	**87.0**	167.8	(80.8)	(48.2)
Others	**4.1**	13.7	(9.6)	(70.1)
Total	**842.5**	1,054.1	(211.6)	(20.1)

The Group's impairment losses on credit was RMB842.5 million for the six months ended June 30, 2021, representing a decrease of 20.1% from RMB1,054.1 million for the six months ended June 30, 2020, primarily due to the increased efforts on granting quality assets measured at amortised cost based on the risk appetite and investment strategies.

3.3.9 Income tax expense

The following table sets forth the reconciliation between the income tax calculated at the statutory income tax rate applicable to the Group's profit before tax and the Group's actual income tax for the periods indicated.

	For the six months ended June 30,			
	2021	2020	Amount change	Rate of change (%)
	(in millions of RMB, except percentages)			
Profit before tax	**885.1**	784.5	100.6	12.8
Income tax calculated at applicable statutory tax rate of 25%	**221.3**	196.1	25.2	12.9
Non-deductible expenses	**2.3**	15.0	(12.7)	(84.7)
Non-taxable income[(1)]	**(216.0)**	(201.5)	(14.5)	7.2
Others	**(4.4)**	–	(4.4)	–
Income tax expense	**3.2**	9.6	(6.4)	(66.7)

Note:

(1) Non-taxable income mainly represents the interest income arising from the PRC government bonds and dividends from domestic funds.

Income tax expense decreased by 66.7% from RMB9.6 million for the six months ended June 30, 2020 to RMB3.2 million for the six months ended June 30, 2021, primarily due to an increase in the non-taxable income for the six months ended June 30, 2021, as a result of the increased investment in debt securities issued by PRC government and in funds, the interest income arising from the PRC government bonds and dividends from funds investment are tax free according to relevant PRC laws and regulations.

3.4 Statement of Financial Position Analysis

3.4.1 Assets

The following table sets forth the components of the Group'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)			
Cash and deposits with the central bank	**19,362.6**	**6.6**	20,535.8	7.6
Deposits with banks and other financial institutions	**1,992.3**	**0.7**	2,244.0	0.8
Placements with banks and other financial institutions	**2,062.6**	**0.7**	1,100.5	0.4
Derivative financial assets	**–**	**–**	0.1	–
Financial assets held under resale agreement	**25,976.1**	**8.9**	18,915.3	7.0
Net loans and advances to customers	**143,813.7**	**49.3**	131,836.5	48.7
Net financial investments	**93,502.3**	**32.1**	91,659.9	33.9
Investment in associate	**304.2**	**0.1**	294.1	0.1
Property and equipment	**1,421.1**	**0.5**	1,478.9	0.5
Deferred tax assets	**1,799.4**	**0.6**	1,695.6	0.6
Other assets(1)	**1,285.1**	**0.5**	1,182.9	0.4
Total assets	**291,519.4**	**100.0**	270,943.6	100.0

Note:

(1) Consists primarily of accounts receivable and prepayments, right-to-use assets and intangible assets.

The Group's total assets increased by 7.6% from RMB270,943.6 million as of December 31, 2020 to RMB291,519.4 million as of June 30, 2021, primarily due to the Group's increased efforts on granting of credit loans in adherence to its positioning of serving the real economy, resulted in a large increase in net loans and advances to customers.

Loans and Advances to Customers

The following table sets forth the distribution of the Group'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	**92,039.8**	**61.9**	84,459.5	62.1
Personal loans	**25,507.1**	**17.2**	22,044.9	16.2
Discounted bills	**31,003.5**	**20.9**	29,600.4	21.7
Gross loans and advances to customers	**148,550.4**	**100.0**	136,104.8	100.0
Interests accrued	**510.1**		585.9	
Less: Provision for impairment of loans and advances to customers measured at amortised cost	**(5,246.8)**		(4,854.2)	
Net loans and advances to customers	**143,813.7**		131,836.5	

Corporate loans

As of June 30, 2021, the Group's corporate loans amounted to RMB92,039.8 million, representing an increase of 9.0% from RMB84,459.5 million as of December 31, 2020, primarily due to the Group's adherence to its responsibility positioning of serving the real economy by strengthening regional finance, deepening institutional finance, optimizing inclusive finance, expanding green finance, increasing efforts on granting of credit loans, and accurately guiding the investment direction of credit loans, in order to support the key fields and industrial development in Shanxi Province.

The following table sets forth the distribution of the Group's corporate loans by contract maturity 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)			
Short-term loans and advances (one year or below)	**30,815.9**	**33.5**	28,077.7	33.2
Medium-and long-term loans (above one year)	**61,223.9**	**66.5**	56,381.8	66.8
Total corporate loans	**92,039.8**	**100.0**	84,459.5	100.0

Short-term loans and advances as a percentage of total corporate loans increased from 33.2% as of December 31, 2020 to 33.5% as of June 30, 2021, while medium-and long-term loans as a percentage of total corporate loans decreased from 66.8% as of December 31, 2020 to 66.5% as of June 30, 2021. The percentage change of the above-mentioned corporate loan portfolio was primarily due to the Bank's active support of strategic emerging industries by continuously implementing extension of principal and interest payment by medium, small and micro enterprises, credit loans and other policy instruments, and expanding efforts on supporting the resumption of work and production by enterprises, mainly in the form of short-term working capital loans.

The following table sets forth the distribution of the Group's corporate 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)			
Working capital loans	**57,340.4**	**62.3**	55,820.2	66.1
Fixed asset loans	**31,061.1**	**33.7**	26,893.7	31.8
Others(1)	**3,638.3**	**4.0**	1,745.6	2.1
Total corporate loans	**92,039.8**	**100.0**	84,459.5	100.0

Note:

(1) Consists primarily of syndicated loans, merger and acquisition loans.

As of June 30, 2021, working capital loans amounted to RMB57,340.4 million, representing an increase of 2.7% from RMB55,820.2 million as of December 31, 2020, primarily due to the Group's adherence to its responsibility as a local financial institution to continuously improve quality and efficiency in serving the local economy and practicing inclusive finance.

As of June 30, 2021, fixed asset loans amounted to RMB31,061.1 million, representing an increase of 15.5% from RMB26,893.7 million as of December 31, 2020, primarily due to the Group's increased efforts on supporting energy reform, key projects of the government, industrial park construction, reform of state-owned enterprises, heat and water supply and other fundamental industries according to the trend of economic development in Shanxi Province.

As of June 30, 2021, other corporate loans amounted to RMB3,638.3 million, representing an increase of 108.4% from RMB1,745.6 million as of December 31, 2020, primarily due to the Group's expanded scale of syndicated loans, merger and acquisition loans and other business to adjust credit loan structure and reduce risks.

Personal loans

As of June 30, 2021, the Group's personal loans amounted to RMB25,507.1 million, representing an increase of 15.7% from RMB22,044.9 million as of December 31, 2020. The increase was primarily due to the Group's optimization and adjustment to asset structure by continuously expanding efforts on personal loans to promote the products of personal loans, actively practicing the responsibilities of inclusive finance to help the development of small and macro enterprises, constantly improving product serving capability and deeply expanding credit card business with good progress on personal loans.

The table below sets forth the distribution of the Group'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)			
Residential mortgage loans	**17,890.3**	**70.2**	14,340.6	65.1
Personal consumption loans	**1,225.3**	**4.8**	1,705.3	7.7
Personal business loans	**2,307.5**	**9.0**	2,140.6	9.7
Credit card balances	**4,084.0**	**16.0**	3,858.4	17.5
Total personal loans	**25,507.1**	**100.0**	22,044.9	100.0

As of June 30, 2021, residential mortgage loans were RMB17,890.3 million, representing an increase of 24.8% from RMB14,340.6 million as of December 31, 2020. The increase was primarily due to the Group's optimization of asset structure, continuous expansion of the scale of quality assets, and increasing support to customer group with a rigid demand in terms of property mortgage loans, having achieved good results in the transformation and development of second-hand property mortgage, in particular.

As of June 30, 2021, personal consumption loans amounted to RMB1,225.3 million, representing a decrease of 28.1% from RMB1,705.3 million as of December 31, 2020. The decrease was primarily due to the Group's adjustment to product structure by optimizing and upgrading consumer credit loan products, with product customer groups being gradually transformed into advantageous customers with consumption scenarios.

As of June 30, 2021, personal business loans amounted to RMB2,307.5 million, representing an increase of 7.8% from RMB2,140.6 million as of December 31, 2020. The increase was primarily due to the Group's active response to the policy to expand support to small and macro enterprises, support the resumption of work and production by small and macro merchants, and increase the capital investment in credit loans.

As of June 30, 2021, credit card balances amounted to RMB4,084.0 million, representing an increase of 5.8% from RMB3,858.4 million as of December 31, 2020. The increase was primarily due to an increase of 130,000 credit cards from the end of 2020, and concentrated launch of various special offers by the credit cards of the Bank every Saturday in combination with the cardholders' habits and features of gathering and consumption on weekends, with a brand theme of "Jin Xiang Saturday (晉享星期六)", covering scenes of rigid demands, such as supermarket, catering, entertainment, car and others. Cardholders are entitled to enjoy double benefits jointly offered by the credit cards of the Bank and merchants, which significantly increase their enthusiasm of consumption.

Discounted bills

The balance of discounted bills increased by 4.7% from RMB29,600.4 million as of December 31, 2020 to RMB31,003.5 million as of June 30, 2021, primarily because the increase of the scale of bill assets as appropriate based on the market needs and the business strategy.

Financial investments

As of June 30, 2021, the Group's total financial investments reached RMB94,230.2 million, representing an increase of 2.2% from RMB92,226.3 million as of December 31, 2020. The increase was primarily because the increase of the investment in mutual funds according to its risk management policies and investment policies.

The following table sets forth the classification of the Group's financial investments, based on its business model and cash flow characteristics, as of December 31, 2020 and June 30, 2021.

	As of June 30, 2021		As of December 31, 2020	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Financial investments measured at amortized cost	**53,298.0**	**56.5**	53,680.5	58.2
Financial investments measured at fair value through other comprehensive income	**7,680.9**	**8.2**	8,770.7	9.5
Financial investments measured at fair value through profit or loss	**33,251.3**	**35.3**	29,775.1	32.3
Total financial investments	**94,230.2**	**100**	92,226.3	100.0
Interests accrued	**660.3**		984.5	
Less: allowance for impairment losses	**(1,388.2)**		(1,550.9)	
Net financial investments	**93,502.3**		91,659.9	

Debt Securities Investment

The following table sets forth the components of the Group's debt securities investments by issuer as of December 31, 2020 and June 30, 2021.

	As of June 30, 2021		As of December 31, 2020	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Debt securities issued by PRC government	**35,214.1**	**83.0**	35,940.4	84.5
Debt securities issued by policy banks	**3,450.0**	**8.1**	3,756.2	8.8
Debt securities issued by commercial banks and other financial institutions	**1,391.9**	**3.3**	1,238.8	2.9
Debt securities issued by corporate issuers	**2,371.6**	**5.6**	1,620.0	3.8
Total debt securities investment	**42,427.6**	**100.0**	42,555.4	100.0

The Group's investment in debt securities issued by PRC government decreased by 2.0% from RMB35,940.4 million as of December 31, 2020 to RMB35,214.1 million as of June 30, 2021.

The Group's investment in debt securities issued by policy banks decreased by 8.2% from RMB3,756.2 million as of December 31, 2020 to RMB3,450.0 million as of June 30, 2021, primarily due to the impact of expiry of some debt securities issued by policy banks.

As of June 30, 2021, the Group's investment in debt securities issued by commercial banks and other financial institutions and debt securities issued by corporate issuers increased by 12.4% and 46.4%, respectively, as compared to that from December 31, 2020, primarily due to an increase in the investment in debt securities issued by commercial banks and high grade credit bonds after fully taking into account yield, risks and other factors.

SPV Investment

The following table sets forth the distribution of the Group's SPV investment by product type as of December 31, 2020 and June 30, 2021.

	As of June 30, 2021		As of December 31, 2020	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Trust plans	**7,362.9**	**18.6**	7,447.9	19.7
Asset management plans	**4,232.7**	**10.7**	4,906.5	13.0
Wealth management products	**–**	**–**	50.1	0.1
Funds	**27,943.0**	**70.7**	25,376.0	67.2
Total SPV investment	**39,538.6**	**100.0**	37,780.5	100.0

As of June 30, 2021, the total SPV investment increased by 4.7% from RMB37,780.5 million as of December 31, 2020 to RMB39,538.6 million, because of the increase of the investment in mutual funds according to the transaction strategies.

Other Components of the Group's Assets

The following table sets forth the composition of the Group's other components of assets as of December 31, 2020 and June 30, 2021.

	As of June 30, 2021		As of December 31, 2020	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Cash and deposits with the central bank	**19,362.6**	**35.7**	20,535.8	43.3
Deposits with banks and other financial institutions	**1,992.3**	**3.7**	2,244.0	4.7
Placements with banks and other financial institutions	**2,062.6**	**3.8**	1,100.5	2.3
Derivative financial assets	**–**	**–**	0.1	–
Financial assets held under resale agreement	**25,976.1**	**47.9**	18,915.3	39.9
Investment in associate	**304.2**	**0.6**	294.1	0.6
Property and equipment	**1,421.1**	**2.6**	1,478.9	3.1
Deferred tax assets	**1,799.4**	**3.3**	1,695.6	3.6
Other assets[(1)]	**1,285.1**	**2.4**	1,182.9	2.5
Total other components of assets	**54,203.4**	**100.0**	47,447.2	100.0

Note:

(1) Consists primarily of accounts receivable and prepayments, right-to-use assets and intangible assets.

As of June 30, 2021, total other components of assets increased by 14.2% to RMB54,203.4 million from RMB47,447.2 million as of December 31, 2020, primarily due to an increase in financial assets held under resale agreements. In particular, financial assets held under resale agreements increased from RMB18,915.3 million as of December 31, 2020 to RMB25,976.1 million as of June 30, 2021, primarily because the Bank increased financial assets held under resale agreements to improve the utilization efficiency of short capital. Cash and deposits with the central bank decreased by 5.71% to RMB19,362.6 million from RMB20,535.8 million as of December 31, 2020, primarily due to the Bank's reduction in excess reserves as appropriate.

3.4.2 Liabilities

The following table sets forth the components of the Group's total liabilities 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)			
Deposits from customers	**192,486.8**	**71.2**	176,781.7	70.7
Debt securities issued[(1)]	**53,482.5**	**19.8**	52,176.6	20.9
Financial assets sold under repurchase agreements	**14,851.5**	**5.5**	13,430.5	5.4
Deposits from banks and other financial institutions	**1,928.0**	**0.7**	1,905.8	0.8
Borrowing from the central bank	**2,385.7**	**0.9**	1,893.5	0.7
Placements from banks and other financial institutions	**710.6**	**0.3**	800.7	0.3
Income tax payable	**181.2**	**0.1**	274.5	0.1
Other liabilities[(2)]	**4,143.1**	**1.5**	2,638.9	1.1
Total liabilities	**270,169.4**	**100.0**	249,902.2	100.0

Notes:

(1) Consists of interbank deposit, financial bonds and tier-two capital debts.

(2) Consists primarily of provisions, dividend payable and accrued staff cost.

As of June 30, 2021, the Group's total liabilities amounted to RMB270,169.4 million, representing an increase of 8.1% from RMB249,902.2 million as of December 31, 2020, mainly due to an increase in the scale of deposits from customers.

Deposits from Customers

As of June 30, 2021, the Group's deposits from customers amounted to RMB192,486.8 million, representing an increase of 8.9% from RMB176,781.7 million as of December 31, 2020. The increase in deposits from customers was primarily due to the growth of corporate deposits and personal deposits.

The following table sets forth the distribution of the Group's deposits from customers by product type and term structure of deposits as of December 31, 2020 and June 30, 2021.

	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	**42,967.0**	**22.8**	46,339.2	26.7
Time	**37,676.1**	**20.0**	26,882.0	15.5
Subtotal	**80,643.1**	**42.8**	73,221.2	42.2
Personal deposits				
Demand	**11,200.8**	**5.9**	9,783.5	5.6
Time	**78,505.8**	**41.6**	72,330.4	41.7
Subtotal	**89,706.6**	**47.5**	82,113.9	47.3
Others(1)	**18,303.8**	**9.7**	18,058.3	10.5
Total	**188,653.5**	**100.0**	173,393.4	100.0
Interests accrued	**3,833.3**		3,388.3	
Deposits from customers	**192,486.8**		176,781.7	

Note:

(1) Consists primarily of pledged deposits, outward remittances, inward and fiscal deposits.

The amount of corporate deposits increased by 10.1% from RMB73,221.2 million as of December 31, 2020 to RMB80,643.1 million as of June 30, 2021, primarily because the Group continued to enhance customer management, actively expanded institutional customers and marketing enterprise customers, provided customers with quality financial services, and increased capital settlement retained by customers, thereby achieving an increase in corporate deposits.

The amount of personal deposits increased by 9.2% from RMB82,113.9 million as of December 31, 2020 to RMB89,706.6 million as of June 30, 2021, primarily because the Group further displayed its brand strengths, continued to develop and expand basic customer groups of retail business, and improved customer service level, thereby achieving an increase in personal deposits.

Debt Securities Issued

As of June 30, 2021, debt securities issued amounted to RMB53,482.5 million, representing an increase of 2.5% from RMB52,176.6 million as of December 31, 2020. The increase in debt securities issued was primarily due to the issuance of RMB2 billion tier-two capital bonds during the Reporting Period, in order to replenish its capital.

Financial Assets Sold under Repurchase Agreements

As of June 30, 2021, financial assets sold under repurchase agreements amounted to RMB14,851.5 million, representing an increase of 10.6% from RMB13,430.5 million as of December 31, 2020, primarily due to an increase in the number of repurchase transaction contracts entered into to reduce the financing costs.

3.4.3 Equity

The following table sets forth the components of the Group' equity 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)			
Share capital	**5,838.7**	**27.3**	5,838.7	27.7
Capital reserve	**6,627.6**	**31.0**	6,627.6	31.5
Surplus reserve	**3,623.3**	**17.0**	3,623.3	17.2
General reserve	**2,809.4**	**13.2**	2,809.4	13.4
Fair value reserve	**(49.5)**	**(0.2)**	(64.3)	(0.3)
Impairment reserve	**10.9**	**0.1**	12.9	0.1
Deficit on remeasurement of net defined benefit liability	**(2.9)**	**0.0**	(0.8)	0.0
Retained earnings	**2,464.6**	**11.5**	2,166.8	10.3
Equity attributable to equity shareholders of the Bank	**21,322.1**	**99.9**	21,013.6	99.9
Non-controlling interests	**27.9**	**0.1**	27.8	0.1
Total equity	**21,350.0**	**100.0**	21,041.4	100.0

As of June 30, 2021, the total equity of the Group amounted to RMB21,350.0 million, representing an increase of 1.5% from RMB21,041.4 million as of December 31, 2020. As of the same date, the equity attributable to equity holders of the Bank amounted to RMB21,322.1 million, representing an increase of 1.5% from RMB21,013.6 million as of December 31, 2020. The increase in equity was mainly attributable to an increase in retained earnings from realization of net profit, which was partially offset by the dividend distribution in the period. For the six months ended June 30, 2021, the Group realized a net profit of RMB881.9 million. According to the 2020 profit appropriation plan approved at the shareholders' general meeting, cash dividend of RMB583.9 million was distributed to all shareholders.

3.5 Off-balance Sheet Items Analysis

The following table sets forth the contractual amounts of the Group's off-balance sheet commitments as of December 31, 2020 and June 30, 2021.

	As of June 30, 2021	As of December 31, 2020
	(in millions of RMB)	
Loan commitment	**11,218.7**	9,767.4
Credit card commitment	**6,908.7**	6,677.5
Bank acceptance bills	**48,244.9**	42,685.9
Letter of credit	**5,679.1**	4,348.1
Letter of guarantee	**430.9**	709.8
Capital commitments	**144.8**	129.3
Total off-balance sheet commitments	**72,627.1**	64,318.0

As of June 30, 2021, the Group's total off-balance sheet commitments amounted to RMB72,627.1 million, representing an increase of 12.9% from RMB64,318.0 million as of December 31, 2020, primarily because loan commitment, bank acceptance bills, letter of credit and others all increased as compared with the end of 2020.

3.6 Asset Quality Analysis

Distribution of Loans by Five-Category Loan Classification

The following table sets forth the distribution of the Group's loans by the five-category loan classification as of December 31, 2020 and June 30, 2021. According to the current guidelines of risk-based classification of loans, non-performing loans ("**NPL**") are classified as substandard, doubtful and loss.

	As of June 30, 2021		As of December 31, 2020	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Normal	**143,617.9**	**96.7**	130,705.1	96.0
Special Mention	**2,211.3**	**1.5**	2,891.0	2.2
Subtotal	**145,829.2**	**98.2**	133,596.1	98.2
Substandard	**2,116.8**	**1.4**	1,925.2	1.4
Doubtful	**203.7**	**0.1**	328.1	0.2
Loss	**400.7**	**0.3**	255.4	0.2
Subtotal	**2,721.2**	**1.8**	2,508.7	1.8
Gross loans and advances to customers	**148,550.4**	**100.0**	136,104.8	100.0
NPL ratio[1]		**1.83**		1.84

Note:

(1) Calculated by dividing the total NPLs by the gross loans and advances to customers.

As of June 30, 2021, according to the five-category loan classification, the Group's normal loans amounted to RMB143,617.9 million, representing an increase of RMB12,912.8 million from that as of December 31, 2020, accounting for 96.7% of the gross loans and advances to customers. Special mention loans amounted to RMB2,211.3 million, representing a decrease of RMB679.7 million from that as of December 31, 2020, accounting for 1.5% of gross loans and advances to customers. NPLs amounted to RMB2,721.2 million, representing an increase of RMB212.5 million from that as of December 31, 2020. The NPL ratio was 1.83%, representing a decrease of 0.01 percentage point from that as of December 31, 2020. The increase in the total amount of NPLs and decrease in the NPL ratio were primarily due to the fact that part of the loans which failed to meet the requirements were classified into NPLs as the implementation of the requirements for economic transformation and high-quality development in Shanxi Province made some industrial process and technical standards and environmental requirements increasingly strict, which resulted in the increase in the total amount of NPLs; meanwhile, the loan size was increased as appropriate and resolved risk-bearing assets through packaged disposal, write-off, collection in cash, restructuring and other means, which resulted in the decrease in the NPL ratio.

Distribution of Loans by Types of Collateral

The following table sets forth the distribution of the Group's loans and advances to customers by types of collateral as of December 31, 2020 and June 30, 2021.

	As of June 30, 2021		As of December 31, 2020	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Pledged loans[1]	**36,621.6**	**24.7**	34,407.9	25.3
Collateralized loans[1]	**24,195.4**	**16.3**	20,277.7	14.9
Guaranteed loans[1]	**75,326.5**	**50.7**	69,195.1	50.8
Unsecured loans	**12,406.9**	**8.3**	12,224.1	9.0
Gross loans and advances to customers	**148,550.4**	**100.0**	136,104.8	100.0

Note:

(1) Represent the total amount of loans fully or partially secured by collateral, pledges or guarantees in each category. If a loan is secured by more than one form of security interest, the categorization is based on the primary form of security interest.

Distribution of Corporate Loans by Industry

The following table sets forth the distribution of the Group's corporate loans by industry 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)			
Manufacturing	**30,568.5**	**33.2**	28,018.4	33.2
Mining	**19,849.8**	**21.6**	19,032.8	22.5
Real estate	**9,723.2**	**10.6**	10,416.0	12.3
Wholesale and retail	**8,179.4**	**8.9**	5,868.1	6.9
Leasing and business services	**5,349.3**	**5.8**	5,812.2	6.9
Construction	**4,556.6**	**4.9**	4,964.0	5.9
Finance(1)	**3,520.5**	**3.8**	3,594.2	4.2
Water, environment and public utility management(1)	**3,058.1**	**3.3**	1,660.7	2.0
Electricity, gas and water production and supply	**1,281.5**	**1.4**	1,361.8	1.6
Transportation, warehousing and postal services	**867.4**	**0.9**	858.2	1.0
Lodging and catering(1)	**740.7**	**0.8**	761.3	0.9
Agriculture, forestry, animal husbandry and fishery	**483.2**	**0.5**	558.4	0.7
Education	**36.5**	**0.1**	38.2	0.1
Others(1)	**3,825.1**	**4.2**	1,515.2	1.8
Total corporate loans	**92,039.8**	**100.0**	84,459.5	100.0

Note:

(1) The finance, water, environment and public utility management, and lodging and catering were presented as public administration, social security and social organization during the preceding periods.

(2) Consists primarily of the following industries: (i) information transmission, software and information technology services, (ii) health, social security and social welfare, (iii) resident services, maintenance and other services, (iv) culture, sports and entertainment, and (v) scientific research and technical services.

For the six months ended June 30, 2021, the Group further optimized its credit structure and actively supported the development of the real economy. As of June 30, 2021, the Group's five major components of corporate loans were offered to customers in the following industries: manufacturing, mining, real estate, wholesale and retail, and leasing and business services. As of June 30, 2021 and December 31, 2020, the balance of loans to corporate customers in the top five industries amounted to RMB73,670.2 million and RMB69,147.5 million, respectively, accounting for 80.0% and 81.9% of the total corporate loans and advances to customers issued by the Group.

Distribution of Non-Performing Corporate Loans by Industry

The following table sets forth the distribution of the Group's NPLs to corporate customers by industry as of the dates indicated.

	As of June 30, 2021			As of December 31, 2020		
	Amount	**% of total (%)**	**NPL ratio[1] (%)**	Amount	% of total (%)	NPL ratio[1] (%)
	(in millions of RMB, except percentages)					
Manufacturing	**668.0**	**27.8**	**2.19**	760.3	33.9	2.71
Mining	**634.4**	**26.4**	**3.20**	713.5	31.9	3.75
Wholesale and retail	**478.9**	**19.9**	**5.85**	596.6	26.6	10.17
Construction	**279.5**	**11.6**	**6.13**	23.6	1.1	0.48
Transportation, warehousing and postal services	**201.2**	**8.4**	**23.20**	6.5	0.3	0.76
Leasing and business services	**66.0**	**2.7**	**1.23**	63.5	2.8	1.09
Real estate	**37.9**	**1.6**	**0.39**	29.0	1.3	0.28
Lodging and catering[2]	**18.6**	**0.8**	**2.51**	19.3	0.8	2.54
Agriculture, forestry, animal husbandry and fishery	**10.0**	**0.4**	**2.07**	17.7	0.8	3.17
Education	**5.6**	**0.2**	**15.34**	5.6	0.2	14.66
Water, environment and public utility management[2]	**1.5**	**0.1**	**0.05**	1.5	0.1	0.09
Electricity, gas and water production and supply	**–**	**–**	**–**	1.4	0.1	0.10
Others[3]	**1.8**	**0.1**	**0.05**	1.9	0.1	0.13
Total non-performing corporate loans	**2,403.4**	**100.0**	**2.61**	2,240.4	100.0	2.65

Notes:

(1) Calculated by dividing total NPLs to corporate customers in each industry by gross loans to corporate customers in that industry.

(2) The lodging and catering, and water, environment and public utility management were presented as public administration, social security and social organization during the preceding periods.

(3) Consists primarily of resident services, maintenance and other services and culture, sports and entertainment.

As of June 30, 2021, the Group's non-performing corporate loans were mainly from manufacturing, mining, and wholesale and retail industry. As of December 31, 2020 and June 30, 2021, the NPL ratio for corporate loans in the manufacturing industry was 2.71% and 2.19%, respectively. Non-performing corporate loans to borrowers in such industry accounted for 33.9% and 27.8% of the total non-performing corporate loans, respectively. The decrease in the NPL ratio for corporate loans to the manufacturing industry was mainly due to the fact that the Group proactively withdrew from part of backward manufacturing capacity which failed to meet the increasingly strict environmental policy and industrial technical standards while reinforcing the collection, write-off and other disposal of NPLs.

As of December 31, 2020 and June 30, 2021, the NPL ratio for corporate loans in the mining industry was 3.75% and 3.20%, respectively. Non-performing corporate loans to borrowers in such industry accounted for 31.9% and 26.4% of the total non-performing corporate loans, respectively. The decrease in the NPL ratio for corporate loans to the mining industry was mainly due to more efforts on the collection, write-off and other disposal of NPLs.

As of December 31, 2020 and June 30, 2021, the NPL ratio for corporate loans in the wholesale and retail industry was 10.17% and 5.85%, respectively. Non-performing corporate loans to borrowers in such industry accounted for 26.6% and 19.9% of the total non-performing corporate loans, respectively. The decrease in NPL ratio for corporate loans to borrowers in the wholesale and retail industry was primarily due to the increased efforts on disposal of NPLs in wholesale and retail industry, and the collection of non-performing assets in cash, write-off and other disposal of non-performing assets.

Distribution of NPLs by Product Type

The table below sets forth the distribution of NPLs by product type as of the dates indicated.

	As of June 30, 2021			As of December 31, 2020		
	Amount	**% of total (%)**	**NPL ratio[1] (%)**	Amount	% of total (%)	NPL ratio[1] (%)
	(in millions of RMB, except percentages)					
Corporate loans						
Working capital loans	**1,964.1**	**72.2**	**3.43**	1,633.0	65.1	2.93
Fixed asset loans	**428.2**	**15.7**	**1.38**	593.3	23.6	2.21
Other loans[2]	**11.1**	**0.4**	**0.31**	14.1	0.6	0.81
Subtotal	**2,403.4**	**88.3**	**2.61**	2,240.4	89.3	2.65
Personal loans						
Residential mortgage loans	**51.5**	**1.9**	**0.29**	41.8	1.7	0.29
Personal consumption loans	**66.3**	**2.4**	**5.41**	59.8	2.4	3.51
Personal business loans	**59.2**	**2.2**	**2.57**	74.4	3.0	3.48
Credit cards	**138.4**	**5.1**	**3.39**	89.9	3.5	2.33
Subtotal	**315.4**	**11.6**	**1.24**	265.9	10.6	1.21
Discounted bills						
Bank acceptance bills	**2.4**	**0.1**	**0.01**	2.4	0.1	0.01
Subtotal	**2.4**	**0.1**	**0.01**	2.4	0.1	0.01
Total NPLs	**2,721.2**	**100.0**	**1.83**	2,508.7	100.0	1.84

Notes:

(1) Calculated by dividing total NPLs in each product type by gross loans and advances to customers in that product type.

(2) Consists primarily of advances for bank acceptance bills.

The NPL ratio for corporate loans decreased from 2.65% as of December 31, 2020 to 2.61% as of June 30, 2021, while the balance of non-performing corporate loans increased by 7.3% from RMB2,240.4 million to RMB2,403.4 million. The increase in the balance of non-performing corporate loans was primarily because the Bank classified part of the loans which failed to meet the requirements into NPLs as the implementation of the requirements for economic transformation and high-quality development in Shanxi Province made some industrial process and technical standards and environmental requirements increasingly strict.

The NPL ratio for personal loans increased from 1.21% as of December 31, 2020 to 1.24% as of June 30, 2021, and the balance of NPLs for personal loans increased by 18.6% from RMB265.9 million as of December 31, 2020 to RMB315.4 million as of June 30, 2021. The increases in the balance of NPLs and the NPL ratio for personal loans were primarily due to a decline in personal repayment ability and an increase in default rate as the impact on economy from the epidemic has not been fully eliminated. Among them, the NPL ratio for personal consumption loans increased from 3.51% as of December 31, 2020 to 5.41% as of June 30, 2021, primarily due to a decline in the repayment ability of some borrowers of personal consumption loans with high risks and an increase in their default rate as the impact on economy from the epidemic has not been fully eliminated. The NPL ratio for personal business loans decreased from 3.48% as of December 31, 2020 to 2.57% as of June 30, 2021, primarily due to the Group's optimization of personal credit loan portfolio, and increased efforts on the collection in cash and write-off of personal non-performing assets, which resulted in the decrease in the NPL ratio for personal business loans.

Distribution of NPLs by Geographical Region

The following table sets forth the distribution of the Group's NPLs by geographical region as of December 31, 2020 and June 30, 2021.

	As of June 30, 2021			As of December 31, 2020		
	Amount	**% of total (%)**	**NPL ratio[1] (%)**	Amount	% of total (%)	NPL ratio[1] (%)
	(in millions of RMB, except percentages)					
Taiyuan	**2,113.5**	**77.7**	**1.92**	2,006.4	80.0	1.94
Outside Taiyuan	**607.7**	**22.3**	**1.58**	502.3	20.0	1.53
Total NPLs	**2,721.2**	**100.0**	**1.83**	2,508.7	100.0	1.84

Note:

(1) Calculated by dividing total NPLs in each region by gross loans and advances to customers in that region.

Borrowers Concentration

Loans to the Ten Largest Single Borrowers

In accordance with applicable PRC banking guidelines, the Group is subject to a lending limit of 10% of its net capital base to any single borrower. As of June 30, 2021, the Group's loans to the largest single borrower accounted for 8.0% of its net capital base, which was in compliance with regulatory requirements.

The following table sets forth the Group's loan exposure to the ten largest single borrowers as of the date indicated, which were all classified as normal on that date.

		As of June 30, 2021			
	Industry	Amount	% of total loans (%)	% of net capital base[1] (%)	Classification
		(in millions of RMB, except percentages)			
Borrower A	Finance	**2,028.3**	**1.4**	**8.0**	Normal
Borrower B	Manufacturing	**1,595.0**	**1.0**	**6.3**	Normal
Borrower C	Manufacturing	**1,519.5**	**1.0**	**6.0**	Normal
Borrower D	Mining	**1,497.5**	**1.0**	**6.0**	Normal
Borrower E	Information transmission, software and information technology services	**1,431.4**	**1.0**	**5.7**	Normal
Borrower F	Manufacturing	**1,350.0**	**0.9**	**5.4**	Normal
Borrower G	Manufacturing	**1,294.0**	**0.9**	**5.1**	Normal
Borrower H	Manufacturing	**1,270.0**	**0.9**	**5.0**	Normal
Borrower I	Manufacturing	**1,270.0**	**0.9**	**5.0**	Normal
Borrower J	Manufacturing	**1,269.2**	**0.8**	**5.0**	Normal
Total		**14,524.9**	**9.8**	**57.5**	

Note:

(1) Represents loan balances as a percentage of the net capital base. The net capital base is calculated in accordance with the requirements of the Capital Administration Measures and based on the financial statements prepared in accordance with PRC General Accepted Accounting Principles.

As of June 30, 2021, the balance of the Group's loan to the largest single borrower amounted to RMB2,028.3 million, accounting for 1.4% of the gross loans and advances to customers; the total loans to the ten largest single borrowers amounted to RMB14,524.9 million, accounting for 9.8% of the gross loans and advances to customers.

Loan Aging Schedule

The following table sets forth the Group's loan aging schedule 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)			
Current loan	**142,921.3**	**96.2**	133,430.2	98.0
Loans past due for				
Up to 3 months[1]	**2,944.1**	**2.0**	493.1	0.4
Over 3 months up to 6 months[1]	**545.8**	**0.4**	829.7	0.6
Over 6 months up to 1 year[1]	**1,008.8**	**0.7**	716.2	0.5
Over 1 year up to 3 years[1]	**944.5**	**0.6**	461.4	0.4
Over 3 years[1]	**185.9**	**0.1**	174.2	0.1
Subtotal	**5,629.1**	**3.8**	2,674.6	2.0
Gross loans and advances to customers	**148,550.4**	**100.0**	136,104.8	100.0

Note:

(1) Represents the principal amount of the loans on which principal or interest overdue as of the dates indicated.

Changes to Allowance for Impairment Losses

Allowance for impairment losses on loans to customers increased by 8.1% from RMB4,868.5 million as of January 1, 2021 to RMB5,261.1 million as of June 30, 2021, primarily because the allowance for impairment losses of the Bank was made based on the corresponding increase in new loans of RMB12,445.6 million as of June 30, 2021.

	As of June 30, 2021 Amount	As of December 31, 2020 Amount
	(in millions of RMB)	
Beginning of the period (January 1)	**4,868.5**[(1)]	4,283.0[(3)]
Charge for the period	**526.6**	1,000.3
Released for the period	**–**	(7.8)
Transfer out	**(36.0)**	(353.7)
Recoveries	**9.8**	21.1
Write-offs	**(70.8)**	(15.0)
Other changes	**(37.0)**	(59.4)
End of the period	**5,261.1**[(2)]	4,868.5[(1)]

Notes:

(1) Including (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB4,854.2 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB14.3 million.

(2) Including (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB5,246.8 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB14.3 million.

(3) Including (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB4,260.9 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB22.1 million.

3.7 Geographical Segments Report

In presenting information on the basis of geographic segments, operating income is gathered according to the locations of the branches or subsidiary that generated the income. For the purpose of presentation, the Group categorizes such information by geographic regions.

The table below sets forth the total operating income of each geographical region for the periods indicated.

	For the six months ended June 30,			
	2021		2020	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Taiyuan	**2,148.2**	**83.9**	2,234.8	85.9
Outside Taiyuan	**413.3**	**16.1**	366.1	14.1
Total operating income	**2,561.5**	**100.0**	2,600.9	100.0

3.8 Capital Adequacy Ratio Analysis

The Group is subject to capital adequacy requirements as promulgated by the China Banking and Insurance Regulatory Commission (the "**CBIRC**"). The following table sets forth, as of the dates indicated, relevant information relating to the Group's capital adequacy ratio, calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) of the CBIRC and PRC General Accepted Accounting Principles.

	As of June 30, 2021	As of December 31, 2020
	(in millions of RMB, except percentages)	
Core tier-one capital		
– Share capital	**5,838.7**	5,838.7
– Qualifying portion of capital reserve	**6,627.6**	6,627.6
– Surplus reserve	**3,623.3**	3,623.3
– General reserve	**2,809.4**	2,809.4
– Other comprehensive income	**(41.6)**	(52.2)
– Retained earnings	**2,464.8**	2,166.8
– Qualifying portions of non-controlling interests	**10.0**	14.9
Total core tier-one capital	**21,323.2**	21,028.5
Core tier-one capital deductions	**(185.7)**	(186.8)
Net core tier-one capital	**21,146.5**	20,841.7
Other tier-one capitals	**1.3**	2.0
Net tier-one capital	**21,147.8**	20,843.7
Tier-two capital	**4,117.0**	1,958.1
Net capital base	**25,264.8**	22,801.8
Total risk-weighted assets	**211,109.6**	194,498.5
Core tier-one capital adequacy ratio (%)	**10.02**	10.72
Tier-one capital adequacy ratio (%)	**10.02**	10.72
Capital adequacy ratio (%)	**11.97**	11.72

As of June 30, 2021, the Group's capital adequacy ratio was 11.97%, up by 0.25 percentage point from the end of 2020, mainly due to the issuance of RMB2 billion tier-two capital bonds in January 2021. Both the tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 10.02%, down by 0.70 percentage point from the end of 2020, primarily due to an increase in risk-weighted assets resulting from business expansion.

As of June 30, 2021, the Group's leverage ratio was 6.11%, representing a decrease of 0.42 percentage point from 6.53% as of December 31, 2020. Pursuant to the Administrative Measures on the Leverage Ratio of Commercial Banks (Revision) issued by the CBIRC, which has been effective since April 2015, the minimum leverage ratio shall be no lower than 4%.

3.9 Risk Management

The primary risks related to the Bank's operations include: credit risk, market risk, liquidity risk, operational risk, information technology risk, reputational risk and strategic risk. In the first half of 2021, the Bank continued to strengthen its comprehensive risk management system and adhered to a prudent risk appetite to constantly promote and improve a vertical and independent risk management system. Through this system, the Bank was able to satisfy the relevant regulatory requirements and to ensure the sustainable development of its business. In particular, the Bank was committed to maintaining a risk management system for a balance between risk and return, to maintain flexibility while strictly controlling the risks faced by the Bank, and to achieve business innovation while controlling asset quality.

Credit Risk

Credit risk refers to the risk of loss that may arise from the default by, or downgrade of credit rating of, an obligor or counterparty, or from its reduced capacity of fulfilling its contractual obligations. The Bank is exposed to credit risks primarily associated with corporate loan business, personal loan business and financial market business.

The Bank has built and continually improves its bank-wide credit risk management system to identify, measure, monitor, mitigate and control risks that arise from its credit extension business. The Bank has established an effective credit management system, which covers the entire credit extension process, from application and pre-loan investigation to disbursement of funds and post-loan monitoring. The Bank implemented a unified credit system covering credit business and financial market business. All types of credit granting method and credit granting categories are included in the unified credit management, and the approver who has obtained the corresponding authorization exercises the credit approval authority.

In addition, the Bank closely monitors the quality of loans and may reclassify its loans based on the results of routine and ad hoc inspections. The Bank also attaches great importance to the disposal of non-performing assets and invests in the continual improvement of non-performing assets disposal mechanism through a broad range of measures such as establishing and updating policy according to the prevailing regulatory environment, innovation of collection scheme, introduction of professional staff, and enhancing its review of collection by its branches and sub-branches.

The Bank is committed to using advanced information technology systems to improve our credit risk management. The Bank's credit management system enables account managers to efficiently collect and analyze customer data, such as historical records and financial conditions, and provides close monitoring and timely alert on loans reaching maturity. The information technology system automatically matches credit applications to the corresponding approval procedures based on the amount of credit requested, which reduces the risk of unauthorized approval. In addition, account managers and management departments at all levels can access real-time information of overdue loans through the Bank's information technology system to control risks stemming from overdue loans.

The Bank is dedicated to striking a balance between achieving steady loan growths and maintaining a prudent culture of risk management. The Bank prepared detailed credit facility policies and guidelines based on the national, international and Shanxi's economic conditions, as well as government policies and regulatory requirements. In formulating the credit policies, the Bank studies the macroeconomic environments in the PRC and Shanxi Province and analyzes the risks and uncertainties relevant to the Bank's operations. The Bank also closely follows the updates in national and local economic development plans, financial regulations and monetary policies, and adjusts the Bank's credit guidelines accordingly.

Market Risk

Market risk refers to the risk of changes in market prices caused by interest rates, exchange rates and other market factors. The Bank is exposed to market risks primarily through the assets and liabilities on the balance sheet and the commitments and guarantees off-balance sheet. The Bank's market risk management involves the identification, measuring, monitoring and control of market risks. The Bank primarily employs risk sensitivity and stress tests in measuring and monitoring market risks. The Bank adopts different quantitative measures to manage various types of market risks in the Bank's banking and trading books.

Specifically, the Bank has formulated and implemented relevant interest rate management policies to manage interest rate risks. The Bank sets the pricing of deposit and loan products following relevant laws and regulations. The Bank uses the PBoC benchmark interest rates, funding costs, asset risks and other indicators as the basis for pricing, and determines the prices of products by considering the demand and business operations of customers, the industry in which the customers operate, the prices of competitors' similar products as well as the business relationship between the customers and the Bank. In light of changing market interest rates, the Bank makes dynamic adjustments to the size and structure of assets in response to changes in the market environment, so that the maturities of the Bank's assets and liabilities can match and its various market risk indicators can meet regulatory requirements and operational needs.

As of June 30, 2021, the Bank operated a small foreign exchange business and held an insignificant amount of U.S. dollars and other currencies. The Bank has put together various policies and operational procedures for its foreign exchange businesses, such as foreign currency settlement, sales and payment, and foreign currency trading, to control the relevant exchange rate risk.

Liquidity Risk

Liquidity risk is the risk of failure to obtain sufficient funds in a timely manner or at a reasonable cost to fulfill payment obligations when due. The liquidity management of the Bank is primarily to provide timely payment of funds for lending, trading and investment activities in business development to meet capital needs, and to fulfill payment obligations when due.

The Bank has established a liquidity risk management system and an organizational structure where its Board bears the ultimate responsibilities for the Bank's liquidity risk management and the senior management is responsible for formulating liquidity risk management strategies and policies. The Bank manages liquidity risk through monitoring the maturities of assets and liabilities to ensure it has sufficient funds readily available or at a reasonable cost to fulfill the payment obligations as they become due. The Assets and Liabilities Management Department monitors the Bank's capital position on a daily basis, and provides risk alerts and reminders in a timely manner. The Bank strictly observes the relevant regulatory requirements, closely monitors each liquidity indicator, formulates crisis management plans, enhances daily liquidity risk management and regularly applies stress tests.

In the first half of 2021, the Bank closely monitored the changes in the market interest rates, strengthened monitoring and management of the regular liquidity risks, and rationally adjusted the strategies of liquidity risk management by strengthening its day time fund position management and rationally matching the maturity structures of its assets and liabilities based on external market environment, to ensure that the liquidity risk is safe and controllable. Liquidity risk management was strengthened mainly in the following aspects: 1. The Bank strengthened the routine monitor of liquidity risks. The Bank improved the monitor and analysis of large-amount fund through the information system of liquidity risks, rationally adjusted and controlled its day time excess reserves level to ensure that payment and settlement and other businesses can be operated normally. Meanwhile, the Bank strengthened the management and control of liquidity risk indicators and rationally adjusted the structure of its assets and liabilities to ensure that the Bank's liquidity indicators continued to be stable and meet regulatory requirements. 2. The Bank adopted the management of liquidity risk limit indicators, and set the limit indicators based on the external market and the actual development of the Bank's business. 3. The Bank strengthened the management of quality liquidity assets to ensure that there were sufficient reserves of quality liquidity assets to meet external financing needs under stress scenarios. 4. The Bank had erected a liquidity risk monitoring table reporting mechanism to ensure that the Board and senior management can understand the Bank's liquidity status in a timely manner. 5. The Bank regularly conducted liquidity stress tests and timely adjusted the structure of assets and liabilities based on the results of the stress tests to ensure that there were sufficient high-quality liquid assets to cope with external liquidity pressures.

Operational Risk

Operational risk is the risk of losses arising from inadequate or defective internal procedures, personnel and information systems, or external events, mainly covering internal and external frauds, misconduct of employees, security failure, business interruptions, information system breakdown, and so on.

The Bank has established an operational risk management and governance structure with the Board of Directors, the Board of Supervisors and senior management, and clarified "three lines of defense" of operational risk management system for various business departments at our head office and branches, the Legal and Compliance Department and the Audit Department. The Bank continued to improve the operational risk management system, optimized operational risk procedures and methods, organized and implemented safekeeping, operation agency risk review, business process review and off-site monitoring, identified and analyzed operational risks, and optimized and improved internal control measures, so as to enhance its capabilities of risk prevention.

On the basis of strengthening internal control and compliance management, the Bank continuously strengthened risk management during its business operation through actively conducting policy study and judgment, compliance improvement, inspection regulation, behavior management and responsibility investigation, etc. Meanwhile, the Bank continued to improve its business continuity plan and risk pre-warning system, implemented business impact analysis and risk assessment, and organized two-center shift drills for new core business system to continuously enhance the Bank's capabilities to response emergency.

Information Technology Risk

Information technology risks include operational risk, reputational risk, legal risk and other types of risks caused by natural factors, human errors, technical loopholes and management failure arising from the Bank's use of information technology. The Bank has set up an Information Technology Management Committee and the Legal and Compliance Department and Information Technology Department at the head office which are responsible for managing information technology risks. The Bank strives to continuously improve the information technology infrastructure and the Bank's information technology management system to comply with the national standards and regulatory requirements.

To ensure the security of information technology, the Bank has hired professionals to supervise the information security system and established a series of information security management measures to prevent any unauthorized network intrusions, attacks, data leakage or third-party tampering with the Bank's information system. As part of the Bank's business continuity management measures, the Bank has established a disaster backup and recovery system comprising two local active application-level centers and one off-site data-level disaster recovery center. The Bank has also established detailed contingency plans regarding the potential breakdown of the information system to ensure the continuity of operations. The Bank conducts periodic disaster drills for business continuity for important businesses.

Reputational Risk

Reputational risk refers to the risk of negative publicity and comments on the Bank due to the Bank's operations, management, and other activities or external events. The Bank takes its reputation seriously and has established an effective reputational risk management mechanism to monitor, identify, report, control, and assess the reputational risk, and at the same time manage the reputational risk emergency handling, and minimize any loss and negative impact on the Bank due to such incidents.

The Office of the Board of the Bank is responsible for undertaking management of overall reputational risks, including establishing a bank-wide reputational risk management system, and formulating basic internal policies. The Bank has also set up reputational risk incidents emergency response teams at the branches and sub-branches, so that the head office can be promptly informed upon the occurrence of material and urgent incidents and take appropriate actions accordingly.

Strategic Risk

Strategic risk is caused by inappropriate business strategies or changes in the external operating environment during the establishing and implementing of the strategy, which may have a negative impact on the current or future, profit, capital, reputation or market position of the Bank.

The Bank formulated and completed its strategic plan for 2021-2025 in a scientific manner, and always maintained the adaptability of such strategic plan to external environment, so as to enhance the Bank's adaptability in the face of unexpected market changes. Meanwhile, the Bank strengthened the promotion of such strategies, enhanced supervision on strategy assessment, and promoted the steady implementation of various strategic key works in the first half of the year. The office under the Board is responsible for managing the Bank's strategic risks. The Bank identifies risk factors through cooperation between the office under the Board and the Risk Management Department, conducts regular review and study on prevailing market conditions and the Bank's business operation status to timely identify potential risks, conducts regular assessments on execution of the strategies, makes adjustment to the strategies and relevant implementation measures accordingly, and closely monitors the implementation of the strategies.

3.10 Business Review

For the six months ended June 30, 2021, the Group's principal business lines comprised corporate banking, retail banking and financial markets.

For corporate banking business, the Bank focuses on serving the governmental and institutional customers as well as enterprises in high-quality industries, continuously improves the level of corporate customers management by measures such as enriching trade financial products, building a professional team for corporate banking business, broadening inter-bank cooperation channels, and accelerating the development of investment banking; for retail banking business, the Bank adheres to the philosophy of "building a bank founded on the basis of deposit" and continues to consolidate the foundation of personal deposits, promotes the rapid development of businesses such as credit card, personal loan, and wealth management services, and significantly improves the market competitiveness and influence of retail banking; for financial market business, the Bank adjusts the asset structure of its bond and bill business proactively, expands credit granting to peer institutions actively, and strengthens the management of counterparties.

The following table sets forth the breakdown of the Group's operating income by business line for the six months ended June 30, 2020 and 2021.

	For the six months ended June 30,			
	2021		2020	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Corporate banking	**1,910.3**	**74.6**	1,830.8	70.4
Retail banking	**317.2**	**12.4**	270.3	10.4
Financial markets	**328.6**	**12.8**	484.9	18.6
Others[(1)]	**5.4**	**0.2**	14.9	0.6
Total operating income	**2,561.5**	**100.0**	2,600.9	100.0

Note:

(1) Consists primarily of income that is not directly attributable to any specific segment.

Corporate banking

The Group positions itself as a "financial steward" and a "partner of the real economy" for local governments in Shanxi Province, whereby it proactively participates in projects with key importance for local economic development in Shanxi Province, and provides corporate banking customers with a wide range of products and services, including loans and advances, trade financing, deposit taking activities, agency services, wealth management services, financial consulting and advisory services, remittance and settlement services, and guarantee services.

For the six months ended June 30, 2021, the Group's operating income from corporate banking was RMB1,910.3 million, representing a year-on-year increase of 4.3% and accounting for 74.6% of the total operating income for the same period. The increase in operating income from corporate banking was primarily due to an increase in the interest income from loans resulting from the Bank's increased efforts on investment in credit loan assets.

For the six months ended June 30, 2021, the Group continued to improve its ability of catering to corporate banking customers' needs for differentiated financial products, and also focused on the development of fee and commission-based corporate banking business and services, such as bonds underwriting, trade financing and acceptances, continuously optimized the business structure, and enriched its product portfolio.

Retail banking

Capitalizing on its deep knowledge of the local market and the preferences of retail banking customers, the Group focused on developing and launching various well-received retail banking products and services and established strong competitiveness in terms of distribution channels, customer base, product mix, and innovative capacities. The Group provided a range of products and services to retail banking customers, including personal loans, deposit taking services, personal wealth management services and remittance services.

For the six months ended June 30, 2021, the Group's operating income from retail banking was RMB317.2 million, representing a year-on-year increase of 17.4% and accounting for 12.4% of the total operating income for the same period. As of June 30, 2021, the personal loan balance was RMB25,507.1 million, accounting for 17.2% of the gross loans and advances to customers. As of June 30, 2021, residential mortgage loans, personal consumption loans, personal business loans, and credit card balance were RMB17,890.3 million, RMB1,225.3 million, RMB2,307.5 million and RMB4,084.0 million, accounting for 70.2%, 4.8%, 9.0% and 16.0% of the total personal loans of the Bank, respectively.

Relying on quality services, the number of retail banking customers of the Group further increased during the Reporting Period, from 2,683.6 thousand as of June 30, 2020 to 2,877.7 thousand as of June 30, 2021. After years of persistent efforts, the Bank has established an extensive business network in regions within Shanxi Province showing strong economic growth. As of June 30, 2021, the Bank had one head office, ten branches, 149 sub-branches (including four sub-branches directly administered by the head office, 125 city-level sub-branches, and 20 county-level sub-branches) and one 51.0% owned subsidiary, Qingxu Jinshang Village and Township Bank Co., Ltd. In total, the Bank had 159 outlets, which covered all 11 prefecture-level cities in Shanxi Province.

During the Reporting Period, based on the comprehensive coverage of the business network, the Group is committed to making use of advanced technologies to provide customers with convenient online and mobile financial products and services. During the Reporting Period, the Group continuously enriched its online banking services and attracted customers with a good tailor-made user experience through technological upgrade. In addition, by integrating high-quality resources, the Group provided professional and comprehensive financial services to high net worth individuals in the province. The established private banking center won the 2021 China Golden Award - "Best China Private Banking Brand Award" issued by Wealth magazine for its outstanding services in the family trust field.

In order to brand the private banking and maintain customers of private banking properly, the Private Banking Center focuses on the service system of "promoting the future", "promoting various privileges", "promoting the level of wellbeing", and "promoting extraordinary experience", actively explores the development model of private banking in line with its own development strategy, scale and management capabilities, deepens the service market of family wealth planning, creates a differentiated and distinctive private banking brand, and accelerates the steady and robust development of private banking in the region.

Financial markets

The financial market business of the Group includes inter-bank money market transactions, repurchases transactions, inter-bank investments, bond investment and trading. It also covers management of the Group's overall liquidity position, including the issuance of debts.

During the Reporting Period, the Group closely monitored the changes in the macroeconomic situation, adhered to the direction of financial market policies, strengthened the monitoring and analysis of market conditions, seized business development opportunities, and rationally formulated investment strategies and actively carried out innovative business under the premise of risk control, while continuously optimizing the investment portfolio, increasing the investment in standardized bonds, and gradually adjusting the asset structure.

The financial market business continued to optimize diversified financing channels, focus on liquidity management, construct a comprehensive evaluation system for credit risks, continuously strengthen risk prevention and control, and actively promote the conducting of new business. For the six months ended June 30, 2021, the Bank was granted the qualification of "2021 Renminbi Financial Bond Underwriting Market-Making Group of National Development Bank". The acquisition of such qualification further expanded the scope of the bond underwriting and distribution business and credit risk prevention and control capabilities.

For the six months ended June 30, 2021, operating income from the Group's financial markets business amounted to RMB328.6 million, accounting for 12.8% of its total operating income, representing a decrease of 32.2% from RMB484.9 million in the same period in 2020, primarily due to the reduction of the size of trust plans, asset management plans and other debt investments according to the risk management policies and investment policies, and the decrease in interest income from part of trust plans as affected by asset quality.

Interbank Market Transactions

The Group's interbank market transactions business primarily consists of: (i) interbank deposits; (ii) interbank placements; and (iii) purchase under resale agreements and sale under repurchase agreements, which mainly involves bonds and bills.

As of June 30, 2021, deposits with banks and other financial institutions were RMB1,992.3 million, accounting for 0.7% of the Group's total assets as of June 30, 2021. As of the same date, deposits from banks and other financial institutions amounted to RMB1,928.0 million, accounting for 0.7% of the Group's total liabilities as of June 30, 2021.

As of June 30, 2021, placements with banks and other financial institutions were RMB2,062.6 million, accounting for 0.7% of the Group's total assets as of June 30, 2021. As of the same date, placements from banks and other financial institutions amounted to RMB710.6 million, accounting for 0.3% of the Group's total liabilities as of June 30, 2021.

As of June 30, 2021, financial assets held under resale agreements were RMB25,976.1 million, accounting for 8.9% of the Group's total assets as of June 30, 2021. As of the same date, financial assets sold under resale agreements amounted to RMB14,851.5 million, accounting for 5.5% of the Group's total liabilities as of June 30, 2021.

Investment Management

The Group's investment management business mainly consists of debt securities investment and SPV investment. Specifically, debt securities include debt securities issued by PRC government, policy banks, commercial banks and other financial institutions, and enterprises. SPV investment refers to investments in trust plans, asset management plans, wealth management products, and investment funds. When making debt securities investment and SPV investment, the Bank takes into account a broad range of factors, including but not limited to risk appetite, capital consumption level and expected yields of relevant products, as well as overall economic conditions and relevant regulatory development, to achieve a better balance between risk and return.

As of June 30, 2021, the balance of debt securities investment was RMB42,427.6 million, representing a decrease of 0.3% from that as of December 31, 2020, primarily because the Bank's size of debt securities assets basically remained unchanged when taking the market and debt securities yield and other factors into consideration.

As of June 30, 2021, the balance of SPV investment was RMB39,538.6 million, representing an increase of 4.7% from that as of December 31, 2020, primarily because the Bank increased the investment in mutual funds when taking the market and assets yield and other factors into consideration as its asset size gradually expanded.

Wealth Management

During the Reporting Period, the Bank actively expanded its wealth management products and services to attract a wider range of customers with different financial needs and risk tolerance, and effectively respond to the challenges of traditional banking services amid interest rate marketization. For the six months ended June 30, 2021, the amount of wealth management products issued by the Group was RMB56,072.6 million, representing an increase of 36.8% for the six months ended June 30, 2020, primarily because the Bank improved its product system in a stable and orderly manner according to the regulatory requirements and the local market and customer needs, with further enriched types of open-ended products, and increased subscription amount by customers thereof. As of June 30, 2021, the Group had more than 310,000.0 wealth management customers, a further increase from the end of 2020.

As of June 30, 2021, the outstanding balance of the non-principal guaranteed and non-interest guaranteed wealth management products issued by the Group was RMB39,086.6 million, representing an increase of 2.0% from that as of June 30, 2020, primarily because the Bank actively implemented new regulations on asset management, continuously promoted the transformation of wealth management business, and continued to optimize product structure, meeting the investment needs of local customers. For the six months ended June 30, 2021, the net fee and commission income from the wealth management products issued by the Group was RMB82.0 million, representing an increase of 10.4% for the six months ended June 30, 2020, primarily due to a further growth of management fee income as driven by the basic completion of transformation of net worth of wealth management products and the stable increase in the issuance and holding of wealth management products.

Debt Securities Distribution

The Bank's investment banking team provides customers with comprehensive financial services through the debt securities distribution business, to further leverage the Bank's strong capacity in managing capital market transactions, and to broaden its customer base.

The Bank obtained the preliminary and Class-B qualification for underwriting debt financing instruments issued by non-financial enterprises in October 2016 and February 2019, respectively, the latter of which allows the Bank to act as a lead underwriter in the regional market. For the six months ended June 30, 2021, the aggregate principal amount of debt securities the Bank distributed amounted to RMB23,057.0 million, representing a decrease of 40.6% for the six months ended June 30, 2020, primarily due to the below reasons: in the first quarter of 2020, as affected by the epidemic, the gathering places of financial institutions such as Beijing and Shanghai returned to work late, the Bank secured a large amount of distribution business with a significant increase in its debt securities distribution, and with the gradual containment of the epidemic and the work resumption of financial institutions in the said places, the debt securities distribution business of the Bank gradually fell to the normal level.

Small and micro enterprise

During the Reporting Period, the Bank actively implemented the relevant decisions and deployments of the Central Party Committee, the State Council and the provincial Party Committee and provincial government of Shanxi Province to lower the financing costs of small and micro enterprises, fully support the epidemic prevention and control and assist the micro and small enterprises in returning to work and production, which promoted the development of the small and micro business effectively.

As of June 30, 2021, our head office and branches have set up small and micro financial departments or small and micro financial teams, and three small and micro business franchised subbranches in our institution outlets.

As of June 30, 2021, the balance of inclusive loans to small and micro enterprises of the Bank amounted to RMB5,250 million, representing a net increase of RMB750 million from the beginning of the year, or a growth rate of 16.7%, 6.1 percentage points higher than that of general loans; the number of inclusive small and micro enterprise customers with balances was 3,103, representing an increase of 294 from the beginning of the year, achieving the target of "two increases".

As of June 30, 2021, the annualized interest rate of accumulative inclusive loans to small and micro enterprises of the Bank was 5.3%, representing a decrease of 0.03 percentage point from the beginning of the year, with the lending interest rate maintained at a reasonable level.

4. ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER

During the Reporting Period, the Bank was not engaged in any material acquisition or disposal of assets or business merger.

Substantial Investments

The Bank had no substantial investments in the first half of 2021.

5. OTHER INFORMATION

5.1 Corporate Governance Code

During the Reporting Period, the Bank continued to improve the transparency and accountability of its corporate governance and ensured high standards of corporate governance practices to protect the interests of shareholders and enhance corporate value and commitment.

The Bank has established a relatively comprehensive corporate governance structure in accordance with the requirements of the Hong Kong Listing Rules. The compositions of the Board and the special committees of the Board are in compliance with the requirements of the Hong Kong Listing Rules. The Bank clearly splits the responsibilities among the shareholders' general meeting, the Board, the Board of Supervisors and the senior management. The shareholders' general meeting is the highest organ of authority of our Bank. The Board is accountable to the shareholders' general meeting. The Board has established six special committees, which operate under the leadership of the Board and advise on board decisions. The Board of Supervisors is responsible for supervising performance of the Board and senior management, and the financial activities, risk management and internal control of the Bank. Under the leadership of the Board, senior management is responsible for implementing the resolutions of the Board and for the daily operation and management of the Bank, and reports to the Board and the Board of Supervisors on a regular basis. The President of the Bank is appointed by the Board and is responsible for the overall operations and management of the Bank.

The Bank has adopted the Corporate Governance Code (the "**Code**") in Appendix 14 to the Hong Kong Listing Rules and has also met the requirements of the administrative measures and corporate governance for domestic commercial banks, establishing a sound corporate governance system. During the Reporting Period, the Bank has complied with all applicable code provisions set out in Appendix 14 to the Hong Kong Listing Rules.

The Bank is committed to maintaining a high standard of corporate governance. The Bank will continue to review and enhance its corporate governance, so as to ensure compliance with the Code and meet the expectations of its shareholders and potential investors.

5.2 Directors, Supervisors and Senior Management of the Bank

As at the date of this announcement, the composition of the Bank's Board, Board of Supervisors and senior management is as follows:

The Bank's Board of Directors consists of thirteen directors, including two executive directors, namely, Ms. HAO Qiang, chairwoman of the Board and Mr. ZHANG Yunfei*, vice chairman△; five non-executive directors, namely, Mr. LI Shishan, Mr. XIANG Lijun, vice chairman△, Mr. LIU Chenhang, Mr. LI Yang* and Mr. WANG Jianjun; and six independent non-executive directors, namely, Mr. JIN Haiteng, Mr. SUN Shihu, Mr. WANG Liyan, Mr. DUAN Qingshan*, Mr. SAI Zhiyi and Mr. YE Xiang.

△ Subject to the approval of his qualification as the vice chairman by the relevant regulatory authorities, including the regulatory authorities for the banking industry.

* Directorships subject to the approval by the CBIRC Shanxi Office to come into effect.

The Bank's Board of Supervisors consists of eight supervisors, including three employees' representative supervisors, namely, Mr. XIE Liying, chairman of the Board of Supervisors, Mr. WEN Qingquan and Mr. GUO Zhenrong; two shareholders' representative supervisors, namely, Mr. BI Guoyu and Mr. XIA Guisuo; and three external supervisors, namely, Mr. LIU Shoubao, Mr. WU Jun and Mr. LIU Min.

The Bank's senior management consists of eight members, namely, Mr. ZHANG Yunfei, Mr. ZHAO Jiquan, Ms. HOU Xiuping, Mr. WEN Gensheng, Mr. LI Weiqiang, Mr. NIU Jun, Mr. SHANGGUAN Yujiang and Ms. LI Wenli.

5.3 Changes in Directors, Supervisors and Senior Management during the Reporting Period

Changes in Directors

On January 20, 2021, due to retirement, Mr. WANG Peiming resigned as the Bank's executive director and a member of the Related Party Transactions Control Committee of the Board with effect from January 20, 2021. For details, please refer to the announcement entitled "RESIGNATION OF EXECUTIVE DIRECTOR" issued by the Bank on January 20, 2021.

On April 26, 2021, due to work re-arrangement, Mr. WANG Junbiao resigned as an executive director, the chairman of the Board, the chairperson and a member of the Development and Strategy Committee of the Board, and a member of the Nomination, Remuneration and HR Committee of the Board of the Bank with effect from April 26, 2021. For details, please refer to the announcement entitled "RESIGNATION OF EXECUTIVE DIRECTOR AND CHAIRMAN" issued by the Bank on April 26, 2021.

On April 30, 2021, the Board considered and approved the proposed appointment of Ms. HAO Qiang as an executive director of the Bank, and Mr. ZHANG Yunfei as an executive director and the vice president of the Bank, taking up duties and responsibilities of the president of the Bank. On June 10, 2021, as approved at the 2020 annual general meeting of the Bank, Ms. HAO Qiang and Mr. ZHANG Yunfei were appointed as executive directors, and as elected by the Board, Ms. HAO Qiang was elected as the chairwoman, and Mr. ZHANG Yunfei was elected as the vice chairman. For details, please refer to the announcement entitled "PROPOSED APPOINTMENT OF EXECUTIVE DIRECTORS" issued on April 30, 2021 and the announcement entitled "(I) POLL RESULTS OF THE 2020 ANNUAL GENERAL MEETING HELD ON JUNE 10, 2021 (THURSDAY); (II) APPOINTMENT OF EXECUTIVE DIRECTORS; (III) ELECTION OF CHAIRWOMAN AND VICE CHAIRMAN; (IV) CHANGE OF BOARD COMMITTEE MEMBERS; (V) RESIGNATION OF SHAREHOLDERS' REPRESENTATIVE SUPERVISOR" issued by the Bank on June 10, 2021.

Changes in Supervisors

On June 10, 2021, Ms. Xu Jin tendered her resignation as a Shareholders' representative supervisor of the Bank due to work re-arrangement. The resignation took effect on the same day. Please refer to the Bank's announcement titled "(I) POLL RESULTS OF THE 2020 ANNUAL GENERAL MEETING HELD ON JUNE 10, 2021 (THURSDAY); (II) APPOINTMENT OF EXECUTIVE DIRECTORS; (III) ELECTION OF CHAIRWOMAN AND VICE CHAIRMAN; (IV) CHANGE OF BOARD COMMITTEE MEMBERS; (V) RESIGNATION OF SHAREHOLDERS' REPRESENTATIVE SUPERVISOR" issued on June 10, 2021 for details.

Changes in Senior Management

On March 19, 2021, Mr. GAO Jiliang tendered his resignation as a vice president of the Bank due to work re-arrangement with effect from March 19, 2021.

Since March 26, 2021, Ms. Yeung Ching Man ceased to serve as joint company secretary and authorized representative of the Bank. The Board appointed Mr. WONG Wai Chiu as the new joint company secretary and authorized representative of the Bank with effect from March 26, 2021. For details, please refer to the announcement entitled "CHANGE OF JOINT COMPANY SECRETARY, AUTHORIZED REPRESENTATIVE AND PROCESS AGENT AND WAIVER FROM STRICT COMPLIANCE WITH RULES 3.28 AND 8.17 OF THE LISTING RULES AND CHANGE OF BUILDING NAME OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG" issued by the Bank on March 26, 2021.

On March 26, 2021, Ms. LI Wenli was appointed as the chief audit officer by the Board, which is subject to the qualification approval by the CBIRC Shanxi Office.

On April 9, 2021, Mr. ZHAO Fu tendered his resignation as a chief marketing officer of the Bank due to work re-arrangement with effect from April 9, 2021.

On April 30, 2021, Ms. HAO Qiang tendered her resignation as a vice president of the Bank due to work re-arrangement with effect from April 30, 2021.

On April 30, 2021, Mr. ZHANG Yunfei tendered his resignation as the chief risk officer of the Bank due to work re-arrangement with effect from April 30, 2021.

On April 30, 2021, Mr. ZHANG Yunfei was appointed by the Board as a vice president, taking up duties and responsibilities of the president, whose qualification of such appointment is subject to the approval by CBIRC Shanxi Office.

On April 30, 2021, Mr. ZHAO Jiquan was appointed by the Board as a vice president, whose qualification of such appointment is subject to the approval by CBIRC Shanxi Office.

Save as disclosed above, there is no other relevant information required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules during the Reporting Period.

5.4 Securities Transaction by Directors, Supervisors and Relevant Employees

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Hong Kong Listing Rules as its code of conduct for regulating securities transactions by directors, supervisors and relevant employees of the Bank. Having made enquiry with all directors and supervisors, all of the directors and supervisors confirmed that they have been in compliance with the above Model Code throughout the Reporting Period. The Bank is not aware of any violations of the Model Code by the employees concerned.

5.5 Profits and Dividends

The Group's revenue for the six months ended June 30, 2021 and the Bank's financial position as of the same date are set out in the section headed "Interim Financial Information" in this interim results announcement.

The shareholders of the Bank has considered and approved the 2020 profit distribution plan at the 2020 annual general meeting held by the Bank on June 10, 2021. The final dividend for 2020 was RMB10.0 (tax inclusive) per 100 shares, totaling RMB583.9 million, and has been distributed to the holders of H shares and domestic shares by July 30, 2021.

The Bank neither recommends paying interim dividends for the six months ended June 30, 2021 nor transfers any capital reserve to increase its share capital.

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

During the period from January 1, 2021 to the date of this interim results announcement, neither the Bank nor its subsidiary purchased, sold or redeemed any listed securities of the Bank.

5.7 Review of Interim Results

The interim financial information disclosed in this interim results announcement have not been audited. Ernst & Young has, in accordance with the International Standards on Review Engagements, reviewed the interim financial information for the six months ended June 30, 2021 prepared by the Bank in accordance with International Accounting Standard 34, "Interim Financial Reporting" issued by the International Accounting Standards Board. Nothing has come to Ernst & Young's attention that causes it to believe that the interim financial information as at June 30, 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

The interim results of the Bank have been reviewed and approved by the Board and its Audit Committee.

5.8 Use of Proceeds

The proceeds from issuance of H shares of the Bank have been used according to the intended use as disclosed in the prospectus of the Bank. All of the net proceeds from the Global Offering of the Bank (after deduction of the underwriting fees and commissions and estimated expenses payable by the Bank in connection with the Global Offering) amounted to approximately RMB3,171 million (including net proceeds from over-allotment), which have been used to expand the capital of the Bank to support the ongoing business growth.

As approved by the preparatory team of CBIRC Shanxi Office, the Bank issued financial bonds in the national inter-bank bond market on December 13, 2018 and the payment was completed on December 17, 2018. This tranche of bonds totaled RMB5.00 billion with a maturity of three years at a fixed interest rate and a coupon interest rate of 4.00%. All funds raised from this tranche of bonds have been used to optimize the matching structure of medium-to-long-term assets and liabilities, increase the source of stable medium-to-long-term liabilities and support the development of new medium-to-long-term asset business in accordance with applicable laws and approvals from regulatory authorities.

As approved by the CBIRC Shanxi Office, the Bank issued financial bonds in the national inter-bank bond market on April 15, 2020 and the payment was completed on April 17, 2020. This tranche of bonds totaled RMB4.00 billion with a maturity of three years at a fixed interest rate and a coupon interest rate of 3.00%. All funds raised from this tranche of bonds have been used to optimize the matching structure of medium-to-long-term assets and liabilities, increase the source of stable medium-to-long-term liabilities and support the development of new medium-to-long-term asset business in accordance with applicable laws and approvals from regulatory authorities.

As approved by the People's Bank of China and the CBIRC Shanxi Office, the Bank issued tier-two capital bonds in the national inter-bank bond market on January 20, 2021, and the payment was completed on January 22, 2021. This tranche of bonds totaled RMB2.00 billion with a maturity of ten years at a fixed interest rate, and the right of redemption with pre-conditions at the end of the fifth year. With prior approval by the regulatory authorities, the Bank is entitled to redeem part or all of such bonds at par value. All funds raised from this tranche of bonds have been used to replenish the tier-two capital of the Bank in accordance with applicable laws and approvals from regulatory authorities.

5.9 Subsequent Events

The Group had no other significant event subsequent to the Reporting Period.

5.10 Number of Employees, Remuneration Policies, Equity Incentive Plan and Training Programs

As of June 30, 2021, the total number of employees of the Group reached 4,571, of which 33.2% were employees aged 30 and below, and 85.9% were employees with bachelor's degree or above. Excellent age distribution and professional talent team can help cultivate a positive and innovative corporate culture and strengthen the ability to respond to market changes and seize market opportunities. As of June 30, 2021, the Bank had 345 employees qualified for AFP certification; 45 had CFP certificates.

Believing that its sustainable growth relies on the capability and dedication of its employees, the Bank has invested significant resources in talent development. The Bank offers a variety of training programs tailored for its employees at different levels. The Bank combines regular training with certificate for job by comprehensively adopting the forms of online + offline, intensive teaching + on-job learning, etc. The training tailored for personnel with managerial functions focuses on improving the comprehensive quality and knowledge structure of the managers, and enhancing their managerial capabilities and strategy execution capabilities; the training tailored for professional and technical personnel focuses on improving their technical and theoretical level and professional skills, and strengthening their abilities at product research and development, process optimization and technological innovation; and the training tailored for personnel with operational functions focuses on enhancing their business and operational skills, and improving their abilities to perform job responsibilities.

In compliance with the PRC laws and regulations, the Bank contributes to employees' social security and other benefits program including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, housing allowances, corporate annuity and supplementary medical insurance. The Bank has a labor union established in accordance with PRC laws and regulations, which represents the interests of its employees and works closely with the Bank's management on labor-related issues.

6. CONTINUING CONNECTED TRANSACTIONS AND RETIREMENT PLANS

Reference is made to the annual report for the year ended December 31, 2020 ("**2020 Annual Report**") published by the Bank on April 29, 2021. In addition to the information contained in the 2020 Annual Report, the Bank wishes to provide the information concerning the related party transactions and non-exempt continuing connected transactions of the Bank as well as the retirement plans.

Note 36 to the consolidated financial statements in the 2020 Annual Report sets out the related party transactions conducted by the Bank in the ordinary and usual course of business prepared in accordance with IFRSs. In particular, the transactions between the Bank and other related parties disclosed in Note 36(b)(iv), "financial investments" includes the fund management schemes issued by associates of Huaneng Capital Services Co., Ltd. (華能資本服務有限公司) that the Bank participated, and such transactions constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules; "fee and commission income" includes the provision of fee-and commission-based products and services to associates of Huaneng Capital Services Co., Ltd. (華能資本服務有限公司), Shanxi State-owned Capital Operation Co., Ltd. (山西省國有資本運營有限公司), Shanxi Financial Investment Holdings Limited (山西金融投資控股集團有限公司) and Changzhi Nanye Industry Group Co., Ltd. (長治市南燁實業集團有限公司), and such transactions constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. For details of such continuing connected transactions, please see pages 122-129 of the 2020 Annual Report. The Bank confirmed that it has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules for the above continuing connected transactions.

As disclosed on page 178 of the 2020 Annual Report, the defined contribution plans of the Bank are arranged or regulated by the local government in the PRC, and pursuant to the applicable laws and regulations, the Bank could not use any forfeited contribution to reduce the existing level of contribution.

For the defined benefit plans (including early retirement plan and supplemental retirement plan) as disclosed on page 179 of the 2020 Annual Report, the Bank has appointed Willis Towers Watson Consulting Company Limited ("**Willis Watson**"), an independent qualified actuary, to evaluate the financial impact of the defined benefit plans. The undersigned actuary of Willis Watson is Wu Haichuan, who is a fellow of the Society of Actuaries and a fellow of the China Association of Actuaries.

7. INTERIM FINANCIAL INFORMATION

Report on Review of Interim Financial Information

To the Board of Directors of Jinshang Bank Co., Ltd.
(Established in the People's Republic of China with limited liability)

Introduction

We have reviewed the accompanying interim financial information set out on pages 66 to 151, which comprises the condensed consolidated statement of financial position of Jinshang Bank Co., Ltd. (the "**Bank**") and its subsidiary (the "**Group**") as at 30 June 2021 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. *The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("**IAS 34**") issued by the International Accounting Standards Board.

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

Scope of review

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

Conclusion

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

Ernst & Young
Certified Public Accountants

Hong Kong
27 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

		For the six months ended 30 June	
	Note	**2021**	2020 (Restated)
Interest income		**4,999,869**	4,520,046
Interest expense		**(3,316,517)**	(2,856,459)
Net interest income	*4*	**1,683,352**	1,663,587
Fee and commission income		**474,084**	440,677
Fee and commission expense		**(79,299)**	(76,466)
Net fee and commission income	*5*	**394,785**	364,211
Net trading gains	*6*	**150,738**	48,491
Net gains arising from investment securities	*7*	**326,812**	512,653
Other operating income	*8*	**5,761**	11,920
Operating income		**2,561,448**	2,600,862
Operating expenses	*9*	**(843,991)**	(776,613)
Impairment losses on credit	*10*	**(842,452)**	(1,054,122)
Share of profits of an associate		**10,106**	14,356
Profit before income tax		**885,111**	784,483
Income tax expense	*11*	**(3,180)**	(9,551)
Net profit		**881,931**	774,932
Net profit attributable to:			
Equity holders of the Bank		**881,864**	779,795
Non-controlling interests		**67**	(4,863)

The accompanying notes form an integral part of this interim financial information.

	Note	For the six months ended 30 June 2021	2020
Net Profit		**881,931**	774,932
Other comprehensive income:			
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, net of tax	*31(d)*	**14,791**	(6,493)
– net movement in the impairment reserve, net of tax	*31(e)*	**(2,014)**	(466)
Items that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit liability, net of tax	*31(f)*	**(2,175)**	(997)
Other comprehensive income for the period, net of tax		**10,602**	(7,956)
Total comprehensive income		**892,533**	766,976
Total comprehensive income attributable to:			
Equity holders of the Bank		**892,466**	771,839
Non-controlling interests		**67**	(4,863)
Total comprehensive income		**892,533**	766,976
Basic and diluted earnings per share (in RMB)	*12*	**0.15**	0.13

The accompanying notes form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2021 – unaudited
(Amounts in thousands of Renminbi, unless otherwise stated)

	Note	**As at 30 June 2021**	As at 31 December 2020
ASSETS			
Cash and deposits with the central bank	*13*	**19,362,625**	20,535,802
Deposits with banks and other financial institutions	*14*	**1,992,330**	2,244,037
Placements with banks and other financial institutions	*15*	**2,062,620**	1,100,435
Derivative financial assets		**2**	86
Financial assets held under resale agreements	*16*	**25,976,106**	18,915,305
Loans and advances to customers	*17*	**143,813,723**	131,836,512
Financial investments:	*18*		
– Financial investments at fair value through profit or loss		**33,251,273**	29,775,086
– Financial investments at fair value through other comprehensive income		**7,776,441**	8,898,454
– Financial investments at amortised cost		**52,474,549**	52,986,363
Interest in an associate	*19*	**304,225**	294,119
Property and equipment	*21*	**1,421,094**	1,478,916
Deferred tax assets	*22*	**1,799,406**	1,695,630
Other assets	*23*	**1,285,032**	1,182,852
Total assets		**291,519,426**	270,943,597
LIABILITIES			
Borrowings from the central bank		**2,385,698**	1,893,459
Deposits from banks and other financial institutions	*24*	**1,928,069**	1,905,784
Placements from banks and other financial institutions	*25*	**710,600**	800,730
Financial assets sold under repurchase agreements	*26*	**14,851,464**	13,430,473
Deposits from customers	*27*	**192,486,750**	176,781,696
Income tax payable		**181,178**	274,558
Debt securities issued	*28*	**53,482,470**	52,176,626
Other liabilities	*29*	**4,143,158**	2,638,900
Total liabilities		**270,169,387**	249,902,226

The accompanying notes form an integral part of this interim financial information.

	Note	**As at 30 June 2021**	As at 31 December 2020
EQUITY			
Share capital	*30*	**5,838,650**	5,838,650
Capital reserve	*31(a)*	**6,627,602**	6,627,602
Surplus reserve	*31(b)*	**3,623,310**	3,623,310
General reserve	*31(c)*	**2,809,363**	2,809,363
Fair value reserve	*31(d)*	**(49,544)**	(64,335)
Impairment reserve	*31(e)*	**10,878**	12,892
Deficit on remeasurement of net defined benefit liability	*31(f)*	**(2,940)**	(765)
Retained earnings	*32*	**2,464,810**	2,166,811
Total equity attributable to equity holders of the Bank		**21,322,129**	21,013,528
Non-controlling interests		**27,910**	27,843
Total equity		**21,350,039**	21,041,371
Total liabilities and equity		**291,519,426**	270,943,597

Approved and authorised for issue by the Board of Directors on 27 August 2021.

Hao Qiang
Chairwoman of the Board

Wang Liyan
Director

Hou Xiuping
Chief Financial Officer

(Company chop)

The accompanying notes form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

		Attributable to equity holders of the Bank										
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total
As at 1 January 2021		5,838,650	6,627,602	3,623,310	2,809,363	(64,335)	12,892	(765)	2,166,811	21,013,528	27,843	21,041,371
Changes in equity for the period:												
Net profit		-	-	-	-	-	-	-	881,864	881,864	67	881,931
Other comprehensive income		-	-	-	-	14,791	(2,014)	(2,175)	-	10,602	-	10,602
Total comprehensive income		-	-	-	-	14,791	(2,014)	(2,175)	881,864	892,466	67	892,533
Appropriation of profit												
– Appropriation to surplus reserve	*32*	-	-	-	-	-	-	-	-	-	-	-
– Appropriation to general reserve	*32*	-	-	-	-	-	-	-	-	-	-	-
– Dividends paid to shareholders	*32*	-	-	-	-	-	-	-	(583,865)	(583,865)	-	(583,865)
As at 30 June 2021		5,838,650	6,627,602	3,623,310	2,809,363	(49,544)	10,878	(2,940)	2,464,810	21,322,129	27,910	21,350,039

The accompanying notes form an integral part of this interim financial information.

		Attributable to equity holders of the Bank										
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total
As at 1 January 2020		5,838,650	6,627,602	3,467,020	2,788,427	(23,204)	18,320	(1,223)	1,419,577	20,135,169	24,180	20,159,349
Changes in equity for the period:												
Net profit		–	–	–	–	–	–	–	779,795	779,795	(4,863)	774,932
Other comprehensive income		–	–	–	–	(6,493)	(466)	(997)	–	(7,956)	–	(7,956)
Total comprehensive income		–	–	–	–	(6,493)	(466)	(997)	779,795	771,839	(4,863)	766,976
Appropriation of profit												
– Appropriation to surplus reserve	*32*	–	–	–	–	–	–	–	–	–	–	–
– Appropriation to general reserve	*32*	–	–	–	–	–	–	–	–	–	–	–
– Dividends paid to shareholders	*32*	–	–	–	–	–	–	–	(642,252)	(642,252)	–	(642,252)
As at 30 June 2020		5,838,650	6,627,602	3,467,020	2,788,427	(29,697)	17,854	(2,220)	1,557,120	20,264,756	19,317	20,284,073

The accompanying notes form an integral part of this interim financial information.

		Attributable to equity holders of the Bank										
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Surplus/ (deficit) on remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total
As at 30 June 2020		5,838,650	6,627,602	3,467,020	2,788,427	(29,697)	17,854	(2,220)	1,557,120	20,264,756	19,317	20,284,073
Changes in equity for the period:												
Net profit		–	–	–	–	–	–	–	786,917	786,917	9,016	795,933
Other comprehensive income		–	–	–	–	(34,638)	(4,962)	1,455	–	(38,145)	–	(38,145)
Total comprehensive income		–	–	–	–	(34,638)	(4,962)	1,455	786,917	748,772	9,016	757,788
Appropriation of profit												
– Appropriation to surplus reserve	*32*	–	–	156,290	–	–	–	–	(156,290)	–	–	–
– Appropriation to general reserve	*32*	–	–	–	20,936	–	–	–	(20,936)	–	–	–
– Dividends paid to shareholders	*32*	–	–	–	–	–	–	–	–	–	–	–
– Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(490)	(490)
As at 31 December 2020		5,838,650	6,627,602	3,623,310	2,809,363	(64,335)	12,892	(765)	2,166,811	21,013,528	27,843	21,041,371

The accompanying notes form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

	For the six months ended 30 June	
	2021	2020
Cash flows from operating activities		
Profit before income tax	**885,111**	784,483
Adjustments for:		
Impairment losses on credit	**842,452**	1,054,122
Depreciation and amortization	**151,600**	131,733
Accreted interest on credit-impaired	**(37,012)**	(30,786)
Unrealised foreign exchange losses/(gains)	**362**	(2,977)
Net gains on disposal of property and equipment and other assets	**(470)**	(3)
Net trading gains	**(151,100)**	(45,514)
Net gains on disposal of investment securities	**(326,812)**	(512,653)
Share of profits of an associate	**(10,106)**	(14,356)
Interest expense on debts securities issued	**842,719**	801,831
Interest expense on lease liabilities	**8,036**	9,301
	2,204,780	2,175,181
Changes in operating assets		
Net (increase)/decrease in deposits with the central bank	**(1,034,806)**	442,004
Net increase in deposits and placements with banks and other financial institutions	**(1,027,049)**	(550,012)
Net increase in loans and advances to customers	**(12,520,315)**	(19,873,831)
Net increase in financial assets held under resale agreements	**(7,060,815)**	(621,026)
Net (increase)/decrease in other operating assets	**(1,361,698)**	183,758
	(23,004,683)	(20,419,107)

The accompanying notes form an integral part of this interim financial information.

	For the six months ended 30 June	
	2021	2020
Changes in operating liabilities		
Net increase in borrowings from the central bank	**491,633**	247,200
Net increase in deposits from banks and other financial institutions	**16,553**	2,501,548
Net decrease in placements from banks and other financial institutions	**(90,000)**	(510,000)
Net increase in financial assets sold under repurchase agreements	**1,425,236**	2,739,474
Net increase in deposits from customers	**15,260,090**	15,583,147
Income tax paid	**(203,870)**	(200,404)
Net increase in other operating liabilities	**1,486,683**	697,287
	18,386,325	21,058,252
Net cash flows (used in)/from operating activities	**(2,413,578)**	2,814,326
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	**47,486,986**	72,593,097
Gains received from investment activities	**501,467**	564,513
Proceeds from disposal of property and equipment and other assets	**46**	2,981
Payments on acquisition of investments	**(48,447,887)**	(72,971,885)
Payments on acquisition of property and equipment, intangible assets and other assets	**(37,160)**	(21,141)
Net cash flows (used in)/from investing activities	**(496,548)**	167,565

The accompanying notes form an integral part of this interim financial information.

	Note	For the six months ended 30 June **2021**	2020
Cash flows from financing activities			
Proceeds from debt securities issued		**40,585,252**	29,242,576
Repayment of debt securities issued		**(39,360,000)**	(32,120,000)
Interest paid on debt securities issued		**(762,127)**	(620,312)
Dividends paid		**(31,375)**	(4)
Repayment of lease liabilities		**(53,574)**	(31,654)
Interest paid on lease liabilities		**(8,036)**	(9,301)
Net cash flows used in financing activities		**(370,140)**	(3,538,695)
Effect of exchange rate changes on cash and cash equivalents		**(717)**	3,129
Net decrease in cash and cash equivalents	*33(a)*	**(2,540,703)**	(553,675)
Cash and cash equivalents at the beginning of the period		**9,088,656**	7,894,947
Cash and cash equivalents at the end of the period	*33(b)*	**6,547,953**	7,341,272
Interest received		**5,041,150**	4,443,808
Interest paid (excluding interest expense on debt securities issued)		**(2,026,870)**	(1,357,906)

The accompanying notes form an integral part of this interim financial information.

1 Background Information

Jinshang Bank Co., Ltd. (the "**Bank**") (formerly Taiyuan City Commercial Bank Co., Ltd.) commenced business as a city commercial bank on 16 October 1998, according to the *Approval on Commencement of Taiyuan City Commercial Bank Co., Ltd.*《關於太原市商業銀行開業的批覆》(YinFu [1998] No. 323) issued by the People's Bank of China (the "**PBoC**"). According to the *Approval on Change of Name for Taiyuan City Commercial Bank Co., Ltd.*《關於太原市商業銀行更名的批覆》(YinJianFu [2008] No. 569) issued by the former China Banking Regulatory Commission (the former "**CBRC**"), Taiyuan City Commercial Bank Co., Ltd. was renamed as Jinshang Bank Co., Ltd. on 30 December 2008.

The Bank has been approved by the former CBRC (Shanxi Branch) to hold the financial business permit (No. B0116H214010001) and approved by the Shanxi Provincial Administration for Industry and Commerce to hold the business license (credibility code: 911400007011347302). As at 30 June 2021, the registered capital of the Bank was RMB5,838,650,000, with its registered office located at No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province. The Bank is regulated by the China Banking and Insurance Regulatory Commission (the "**CBIRC**") which was authorized by the State Council.

In July 2019, the Bank's H shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 2558).

The principal activities of the Bank and its subsidiary (collectively the "**Group**") are the provision of corporate and personal deposits, loans and advances, settlement, financial market business and other banking services as approved by the CBIRC.

2 Basis of Preparation

This interim financial information 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 34 *Interim Financial Reporting* ("**IAS 34**"), issued by the International Accounting Standards Board ("**IASB**") and should be read in conjunction with the annual financial statements for the year ended 31 December 2020.

The interim financial information 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 report. Details of any changes in accounting policies are set out in Note 3.

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

This interim financial information contains condensed consolidated 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 consolidated interim financial statements and notes thereon do not include all the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The interim financial information is unaudited but has been reviewed by Ernst & Young in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.*

3 Changes in Accounting Policies

Except as described below, the accounting policies applied in the preparation of the unaudited interim financial information are the same as those applied in the last annual financial statements.

On 1 January 2021, the Group adopted the following standards, amendments and interpretations.

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

The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address the accounting issues that arise when financial instruments that reference Interbank Offered Rates ("**IBOR**") transition to nearly risk-free rates ("**RFRs**"). The amendments include a practical expedient for modifications, which permits contractual changes, or changes to cash flows that are directly required by the IBOR reform, to be treated as changes to a floating interest rate. The amendments also permit changes required by IBOR reform to be made to hedge designations and hedge documentation under both IFRS 9 and IAS 39 without the hedging relationship being discontinued. In addition, while IFRS 9 and IAS 39 require that a risk component (or a designated portion) is "separately identifiable" to be eligible for hedge accounting, the amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates is required by the amendments.

The adoption of the above amendments will have no material impact on the Group's interim financial information.

4 Net Interest Income

	For the six months ended 30 June	
	2021	2020 (Restated)
Interest income arising from		
Deposits with the central bank	**120,076**	112,941
Deposits with banks and other financial institutions	**25,956**	23,831
Placements with banks and other financial institutions	**38,861**	24,579
Loans and advances to customers		
– Corporate loans and advances	**2,403,395**	2,016,625
– Personal loans	**558,079**	442,108
– Discounted bills	**475,962**	463,288
Financial assets held under resale agreements	**248,235**	121,334
Financial investments	**1,129,305**	1,315,340
Subtotal	**4,999,869**	4,520,046
Interest expense arising from		
Borrowings from the central bank	**(22,037)**	(13,092)
Deposits from banks and other financial institutions	**(32,641)**	(59,587)
Placements from banks and other financial institutions	**(15,741)**	(17,879)
Deposits from customers	**(2,260,754)**	(1,870,008)
Financial assets sold under repurchase agreements	**(142,625)**	(94,062)
Debt securities issued	**(842,719)**	(801,831)
Subtotal	**(3,316,517)**	(2,856,459)
Net interest income	**1,683,352**	1,663,587

Interest income arising from loans and advances to customers included RMB37 million for the six months ended 30 June 2021 with respect to the accreted interest on credit-impaired loans (six months ended 30 June 2020: RMB31 million).

5 Net Fee and Commission Income

(a) Income and expense streams:

	For the six months ended 30 June 2021	2020 (Restated)
Fee and commission income		
Agency service fees and others	**172,207**	186,526
Acceptance and guarantee service fees	**105,045**	91,580
Wealth management business fees	**81,953**	74,291
Bank card service fees	**69,861**	56,569
Settlement and clearing fees	**45,018**	31,711
Subtotal	**474,084**	440,677
Fee and commission expense		
Settlement and clearing fees	**(38,717)**	(52,233)
Bank card service fees	**(31,483)**	(15,208)
Others	**(9,099)**	(9,025)
Subtotal	**(79,299)**	(76,466)
Net fee and commission income	**394,785**	364,211

(b) Disaggregation of income:

	For the six months ended 30 June 2021		2020 (Restated)	
	At a point in time	**Over time**	At a point in time	Over time
Agency service fees and others	**124,147**	**48,060**	143,590	42,936
Acceptance and guarantee service fees	**–**	**105,045**	–	91,580
Wealth management business fees	**–**	**81,953**	–	74,291
Bank card service fees	**65,512**	**4,349**	52,125	4,444
Settlement and clearing fees	**45,018**	**–**	31,711	–
Total	**234,677**	**239,407**	227,426	213,251

6 Net Trading Gains

	For the six months ended 30 June 2021	2020
Net gains from funds	**202,739**	46,551
Net losses from equity investments	**(155)**	(853)
Net losses from derivative financial assets	**(164)**	–
Exchange (losses)/gains	**(362)**	2,977
Net (losses)/gains from investment management products	**(24,525)**	16,215
Net losses from debt securities	**(26,795)**	(16,399)
Total	**150,738**	48,491

7 Net Gains Arising from Investment Securities

	For the six months ended 30 June 2021	2020
Net gains on financial investments at fair value through profit or loss	**299,306**	474,860
Net gains on financial investments at fair value through other comprehensive income	**27,506**	37,793
Total	**326,812**	512,653

8 Other Operating Income

	For the six months ended 30 June 2021	2020
Government grants	**4,419**	–
Net gains on disposal of property and equipment and other assets	**470**	3
Penalty income	**355**	807
Income from long-term unwithdrawn items	**330**	387
Rental income	**6**	594
Others	**181**	10,129
Total	**5,761**	11,920

9 Operating Expenses

	For the six months ended 30 June 2021	2020
Staff costs		
– Salaries, bonuses and allowances	**338,256**	335,304
– Social insurance and annuity	**93,943**	87,667
– Housing allowances	**35,207**	32,128
– Employee education expenses and labour union expenses	**15,514**	13,779
– Staff welfare	**14,340**	9,707
– Supplementary retirement benefits	**3,440**	1,530
– Others	**1,772**	693
Subtotal	**502,472**	480,808
Depreciation and amortization	**151,600**	131,733
Taxes and surcharges	**39,944**	33,809
Rental and property management expenses	**21,911**	20,101
Interest expense on lease liabilities	**8,036**	9,301
Other general and administrative expenses	**120,028**	100,861
Total	**843,991**	776,613

10 Impairment Losses on Credit

	For the six months ended 30 June 2021	2020
Loans and advances to customers	**526,647**	824,868
Financial investments	**224,820**	47,704
Credit commitments	**86,954**	167,845
Placements with banks and other financial institutions	**329**	(8)
Deposits with banks and other financial institutions	**106**	55
Others	**3,596**	13,658
Total	**842,452**	1,054,122

11 Income Tax Expense

(a) Income tax:

	For the six months ended 30 June	
	2021	2020
Current tax	**110,490**	244,603
Deferred tax	**(107,310)**	(235,052)
Total	**3,180**	9,551

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

		For the six months ended 30 June	
		2021	2020
Profit before tax		**885,111**	784,483
Statutory tax rate		**25%**	25%
Income tax calculated at the statutory tax rate		**221,278**	196,121
Non-deductible expenses		**2,343**	14,889
Non-taxable income	*(i)*	**(216,007)**	(201,459)
Others		**(4,434)**	–
Income tax		**3,180**	9,551

(i) The non-taxable income mainly represents the interest income arising from the People's Republic of China (the "**PRC**") government bonds, and dividends from domestic funds.

12 Basic and Diluted Earnings Per Share

		For the six months ended 30 June	
		2021	2020
Net profit attributable to equity holders of the Bank		**881,864**	779,795
Weighted average number of ordinary shares (in thousands)	*(a)*	**5,838,650**	5,838,650
Basic and diluted earnings per share attributable to equity holders of the Bank (in RMB)		**0.15**	0.13

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

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

	For the six months ended 30 June	
	2021	2020
Number of ordinary shares at the beginning of the period	**5,838,650**	5,838,650
Weighted average number of ordinary shares issued during the period	**–**	–
Weighted average number of ordinary shares	**5,838,650**	5,838,650

13 Cash and Deposits with the Central Bank

	Note	**30 June 2021**	31 December 2020
Cash on hand		**401,831**	346,696
Deposits with the central bank			
– Statutory deposit reserves	*(a)*	**14,463,431**	13,595,756
– Surplus deposit reserves	*(b)*	**4,261,475**	6,524,372
– Fiscal deposits		**229,401**	62,270
Subtotal		**18,954,307**	20,182,398
Accrued interest		**6,487**	6,708
Total		**19,362,625**	20,535,802

(a) The Group places statutory deposit reserves with the PBoC in accordance with relevant regulations. As at the end of each of the reporting periods, the statutory deposit reserve ratios applicable to the Bank were as follows:

	30 June 2021	31 December 2020
Reserve ratio for RMB deposits	**8.0%**	8.0%
Reserve ratio for foreign currency deposits	**7.0%**	5.0%

The statutory deposit reserves are not available for the Bank's daily business. The subsidiary of the Bank is required to place statutory RMB deposit 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

Analysed by type and location of counterparty

	30 June 2021	31 December 2020
Deposits in mainland China		
– Banks	**942,555**	1,384,789
– Other financial institutions	**1,000,057**	813,010
Subtotal	**1,942,612**	2,197,799
Deposits outside mainland China		
– Banks	**32,093**	32,798
Accrued interest	**18,384**	14,093
Less: Provision for impairment losses	**(759)**	(653)
Total	**1,992,330**	2,244,037

15 Placements with Banks and Other Financial Institutions

Analysed by type and location of counterparty

	30 June 2021	31 December 2020
Placements in mainland China		
– Banks	**350,000**	1,100,000
– Other financial institutions	**1,700,000**	–
Subtotal	**2,050,000**	1,100,000
Accrued interest	**12,999**	485
Less: Provision for impairment losses	**(379)**	(50)
Total	**2,062,620**	1,100,435

16 Financial Assets Held under Resale Agreements

(a) Analysed by type and location of counterparty

	30 June 2021	31 December 2020
In mainland China		
– Banks	**23,493,876**	17,127,861
– Other financial institutions	**2,481,590**	1,786,790
Subtotal	**25,975,466**	18,914,651
Accrued interest	**641**	655
Less: Provision for impairment losses	**(1)**	(1)
Total	**25,976,106**	18,915,305

(b) Analysed by type of collateral held

	30 June 2021	31 December 2020
Securities		
– Government	**2,083,480**	3,510,640
– Policy Banks	**1,580,800**	846,171
– Commercial banks and other financial institutions	**99,000**	–
Subtotal	**3,763,280**	4,356,811
Bank acceptances	**22,212,186**	14,557,840
Subtotal	**25,975,466**	18,914,651
Accrued interest	**641**	655
Less: Provision for impairment losses	**(1)**	(1)
Total	**25,976,106**	18,915,305

As at 30 June 2021 and 31 December 2020, certain financial assets held under buyout resale agreements were pledged for repurchase agreements (Note 40(f)).

17 Loans and Advances to Customers

(a) Analysed by nature

	30 June 2021	31 December 2020
Loans and advances to customers measured at amortised cost:		
Corporate loans and advances	**92,039,817**	84,459,556
Personal loans		
– Residential mortgage loans	**17,890,287**	14,340,584
– Personal consumption loans	**1,225,277**	1,705,336
– Personal business loans	**2,307,597**	2,140,593
– Credit cards	**4,083,951**	3,858,360
Subtotal	**25,507,112**	22,044,873
Accrued interest	**510,092**	585,848
Less: Provision for loans and advances to customers measured at amortised cost	**(5,246,761)**	(4,854,175)
Subtotal	**112,810,260**	102,236,102
Loans and advances to customers measured at fair value through other comprehensive income:		
Discounted bills	**31,003,463**	29,600,410
Subtotal	**31,003,463**	29,600,410
Net loans and advances to customers	**143,813,723**	131,836,512

(b) **Loans and advances to customers (excluding accrued interest) analysed by industry sector**

	30 June 2021		
	Amount	**Percentage**	**Loans and advances secured by collateral**
Manufacturing	**30,568,465**	**20.58%**	**4,521,962**
Mining	**19,849,827**	**13.36%**	**3,476,180**
Real estate	**9,723,232**	**6.55%**	**3,536,386**
Wholesale and retail trade	**8,179,396**	**5.51%**	**2,743,149**
Leasing and commercial services	**5,349,347**	**3.60%**	**1,018,410**
Construction	**4,556,642**	**3.07%**	**498,846**
Financial services	**3,520,525**	**2.37%**	**98,718**
Water, environment and public utility management	**3,058,039**	**2.06%**	**10,000**
Production and supply of electric power, gas and water	**1,281,464**	**0.86%**	**258,926**
Transportation, storage and postal services	**867,356**	**0.58%**	**39,007**
Lodging and catering	**740,731**	**0.50%**	**435,973**
Agriculture, forestry, animal husbandry and fishery	**483,156**	**0.33%**	**36,498**
Education	**36,534**	**0.02%**	**21,434**
Others	**3,825,103**	**2.57%**	**1,995,305**
Subtotal of corporate loans and advances	**92,039,817**	**61.96%**	**18,690,794**
Personal loans	**25,507,112**	**17.17%**	**11,122,700**
Discounted bills	**31,003,463**	**20.87%**	**31,003,463**
Gross loans and advances to customers	**148,550,392**	**100.00%**	**60,816,957**

	31 December 2020		
	Amount	Percentage	Loans and advances secured by collateral
Manufacturing	28,018,543	20.59%	4,326,494
Mining	19,032,833	13.98%	2,370,984
Real estate	10,415,971	7.65%	4,082,473
Wholesale and retail trade	5,868,055	4.31%	2,461,447
Leasing and commercial services	5,812,215	4.27%	706,627
Construction	4,963,959	3.65%	556,471
Financial services	3,594,190	2.64%	113,240
Water, environment and public utility management	1,660,691	1.22%	12,450
Production and supply of electric power, gas and water	1,361,798	1.00%	156,900
Transportation, storage and postal services	858,159	0.63%	44,929
Lodging and catering	761,353	0.56%	455,093
Agriculture, forestry, animal husbandry and fishery	558,427	0.41%	79,328
Education	38,197	0.03%	24,997
Others	1,515,165	1.11%	1,399,739
Subtotal of corporate loans and advances	84,459,556	62.05%	16,791,172
Personal loans	22,044,873	16.20%	8,294,083
Discounted bills	29,600,410	21.75%	29,600,410
Gross loans and advances to customers	136,104,839	100.00%	54,685,665

(c) Analysed by type of collateral

	30 June 2021	31 December 2020
Unsecured loans	**12,406,914**	12,224,097
Guaranteed loans	**75,326,521**	69,195,077
Collateralised loans	**24,195,344**	20,277,695
Pledged loans	**36,621,613**	34,407,970
Subtotal	**148,550,392**	136,104,839
Accrued interest	**510,092**	585,848
Gross loans and advances to customers	**149,060,484**	136,690,687
Less: Provision for loans and advances to customers measured at amortised cost	**(5,246,761)**	(4,854,175)
Net loans and advances to customers	**143,813,723**	131,836,512

(d) Overdue loans (excluding accrued interest) analysed by overdue period

	30 June 2021				
	Overdue within three months (inclusive)	**Overdue for more than three months to one year (inclusive)**	**Overdue for more than one year to three years (inclusive)**	**Overdue for more than three years**	**Total**
Unsecured loans	**61,775**	**91,072**	**70,432**	**4,019**	**227,298**
Guaranteed loans	**2,828,006**	**990,912**	**691,235**	**133,934**	**4,644,087**
Collateralised loans	**54,347**	**466,626**	**171,452**	**45,517**	**737,942**
Pledged loans	**–**	**6,000**	**11,400**	**2,400**	**19,800**
Total	**2,944,128**	**1,554,610**	**944,519**	**185,870**	**5,629,127**
As a percentage of gross loans and advances to customers	**1.98%**	**1.05%**	**0.64%**	**0.13%**	**3.80%**

	31 December 2020				
	Overdue within three months (inclusive)	Overdue for more than three months to one year (inclusive)	Overdue for more than one year to three years (inclusive)	Overdue for more than three years	Total
Unsecured loans	53,530	70,523	34,318	542	158,913
Guaranteed loans	291,498	881,745	242,904	132,172	1,548,319
Collateralised loans	142,725	591,709	174,687	38,422	947,543
Pledged loans	5,330	1,900	9,500	3,122	19,852
Total	493,083	1,545,877	461,409	174,258	2,674,627
As a percentage of gross loans and advances to customers	0.36%	1.14%	0.34%	0.13%	1.97%

Overdue loans represent loans of which the whole or part of the principal or interest was overdue for one day or more.

(e) Loans and advances and provision for impairment losses

	30 June 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 losses**	**Credit-impaired loans and advances that are assessed for lifetime expected credit losses *(i)***	**Total**
Total loans and advances to customers measured at amortised cost	**112,111,322**	**3,226,888**	**2,718,811**	**118,057,021**
Less: Provision for impairment losses	**(3,184,603)**	**(735,427)**	**(1,326,731)**	**(5,246,761)**
Carrying amount of loans and advances to customers measured at amortised cost	**108,926,719**	**2,491,461**	**1,392,080**	**112,810,260**
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	**31,001,063**	**–**	**2,400**	**31,003,463**
Net loans and advances to customers	**139,927,782**	**2,491,461**	**1,394,480**	**143,813,723**

	31 December 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 losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses *(i)*	Total
Total loans and advances to customers measured at amortised cost	101,686,785	2,897,228	2,506,264	107,090,277
Less: Provision for impairment losses	(2,980,705)	(718,958)	(1,154,512)	(4,854,175)
Carrying amount of loans and advances to customers measured at amortised cost	98,706,080	2,178,270	1,351,752	102,236,102
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	29,598,010	–	2,400	29,600,410
Net loans and advances to customers	128,304,090	2,178,270	1,354,152	131,836,512

(i) The loans and advances are "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the loans and advances have occurred. Evidence which shows that loans and advances are credit-impaired includes the following observable data: significant financial difficulty of the borrower or issuer; a breach of contract, such as a default or delinquency in interest or principal payments; for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that otherwise would not consider; it is probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or debts overdue for more than 90 days.

(f) Movements in provision for impairment losses

(i) Movements in provision for impairment losses on loans and advances to customers measured at amortised cost

	For the six months ended 30 June 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 losses**	**Credit-impaired loans and advances that are assessed for lifetime expected credit losses**	**Total**
As at 1 January	**2,980,705**	**718,958**	**1,154,512**	**4,854,175**
Transferred:				
– to expected credit losses over the next 12 months	**2,831**	**(2,786)**	**(45)**	**–**
– to lifetime expected credit losses: not credit-impaired loans	**(37,711)**	**39,604**	**(1,893)**	**–**
– to lifetime expected credit losses: credit-impaired loans	**(4,986)**	**(76,233)**	**81,219**	**–**
Charge for the period	**243,764**	**55,884**	**226,942**	**526,590**
Transfer out	**–**	**–**	**(35,962)**	**(35,962)**
Recoveries	**–**	**–**	**9,819**	**9,819**
Write-offs	**–**	**–**	**(70,849)**	**(70,849)**
Other changes	**–**	**–**	**(37,012)**	**(37,012)**
As at 30 June	**3,184,603**	**735,427**	**1,326,731**	**5,246,761**

	Year ended 31 December 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 losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses	Total
As at 1 January	2,223,034	906,674	1,131,210	4,260,918
Transferred:				
– to expected credit losses over the next 12 months	22,649	(21,428)	(1,221)	–
– to lifetime expected credit losses: not credit-impaired loans	(10,582)	14,512	(3,930)	–
– to lifetime expected credit losses: credit-impaired loans	(21,503)	(298,619)	320,122	–
Charge for the year	767,107	117,819	115,365	1,000,291
Transfer out	–	–	(353,707)	(353,707)
Recoveries	–	–	21,103	21,103
Write-offs	–	–	(15,032)	(15,032)
Other changes	–	–	(59,398)	(59,398)
As at 31 December	2,980,705	718,958	1,154,512	4,854,175

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

	For the six months ended 30 June 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 losses**	**Credit-impaired loans and advances that are assessed for lifetime expected credit losses**	**Total**
As at 1 January	**4,708**	**–**	**9,600**	**14,308**
Charge for the period	**57**	**–**	**–**	**57**
As at 30 June	**4,765**	**–**	**9,600**	**14,365**

	Year ended 31 December 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 losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses	Total
As at 1 January	12,506	–	9,600	22,106
Reversal for the year	(7,798)	–	–	(7,798)
As at 31 December	4,708	–	9,600	14,308

Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of loans and advances to customers presented in the statement of financial position, and impairment loss or gain is recognised in profit or loss.

(g) Disposal of loans and advances to customers

During the six months ended 30 June 2021, the Group transferred loans and advances with a gross amount of RMB211 million (31 December 2020: RMB1,757 million) to independent third parties, and the transfer price was RMB179 million (31 December 2020: RMB1,368 million).

During the six months ended 30 June 2021 and the year ended 31 December 2020, the Group did not transfer any portfolio of customer loans and advances through the asset securitisation business.

18 Financial Investments

	Note	**30 June 2021**	31 December 2020
Financial investments measured at fair value through profit or loss	*(a)*	**33,251,273**	29,775,086
Financial investments measured at fair value through other comprehensive income	*(b)*	**7,776,441**	8,898,454
Financial investments measured at amortised cost	*(c)*	**52,474,549**	52,986,363
Total		**93,502,263**	91,659,903

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

	30 June 2021	31 December 2020
Debt securities issued by the following institutions in mainland China		
– Government	**589,367**	694,844
– Policy banks	**662,791**	98,255
– Commercial Banks and other financial institutions	**646,165**	738,782
– Corporates	**541,882**	208,394
Subtotal	**2,440,205**	1,740,275
Investment funds	**27,942,955**	25,375,979
Investment management products	**2,604,820**	2,608,677
Other investments	**263,293**	50,155
Total	**33,251,273**	29,775,086

As at 30 June 2021 and 31 December 2020, there were no investments subject to material restrictions in the realization.

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

	30 June 2021	31 December 2020
Debt securities issued by the following institutions in mainland China		
– Government	**3,382,662**	4,766,504
– Policy banks	**704,512**	1,525,382
– Commercial banks and other financial institutions	**575,718**	499,978
– Corporates	**657,791**	300,609
Subtotal	**5,320,683**	7,092,473
Accrued interest	**80,936**	95,507
Subtotal	**5,401,619**	7,187,980
Interbank deposits	**1,581,982**	884,407
Investment management products	**657,532**	658,382
Accrued interest	**14,608**	32,232
Subtotal	**672,140**	690,614
Equity investments	**120,700**	135,453
Total	**7,776,441**	8,898,454

(i) As at 30 June 2021 and 31 December 2020, there were no investments subject to material restrictions in the realisation.

(ii) Movements in provision for impairment of financial investments measured at fair value through other comprehensive income during the period

	For the six months ended 30 June 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 1 January	**2,882**	**–**	**–**	**2,882**
Reversal for the period	**(2,742)**	**–**	**–**	**(2,742)**
Balance at 30 June	**140**	**–**	**–**	**140**

	Year ended 31 December 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 1 January	2,321	–	–	2,321
Charge for the year	561	–	–	561
Balance at 31 December	2,882	–	–	2,882

Provision for impairment losses on financial investments measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of financial investments presented in the statement of financial position, and impairment loss or gain is recognised in profit or loss.

(c) Financial investments measured at amortised cost

		30 June 2021	31 December 2020
Debt securities issued by the following institutions in mainland China	*(i)*		
– Government		**31,242,144**	30,479,109
– Policy banks		**2,082,648**	2,132,540
– Commercial banks and other financial institutions		**170,000**	–
– Corporates		**1,171,896**	1,110,994
Accrued interest		**464,255**	461,078
Subtotal		**35,130,943**	34,183,721
Interbank deposits		**296,155**	685,866
Investment management products		**18,335,218**	19,272,015
Accrued interest		**100,461**	395,713
Subtotal		**18,435,679**	19,667,728
Less: Provision for impairment losses	*(ii)*	**(1,388,228)**	(1,550,952)
Total		**52,474,549**	52,986,363

(i) As at 30 June 2021 and 31 December 2020, certain debt securities were pledged for repurchase agreements (Note 40(f)).

(ii) Movements in provision for impairment losses on financial investments measured at amortised cost

	For the six months ended 30 June 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 1 January	**418,975**	**232,000**	**899,977**	**1,550,952**
Transfers:				
– to lifetime expected credit losses not credit-impaired	**–**	**98,598**	**(98,598)**	**–**
– to lifetime expected credit losses credit-impaired	**–**	**(112,000)**	**112,000**	**–**
Charge/(reversal) for the period	**(52,440)**	**(34,223)**	**314,225**	**227,562**
Transfer out	**–**	**(37,770)**	**(352,516)**	**(390,286)**
Balance at 30 June	**366,535**	**146,605**	**875,088**	**1,388,228**

	Year ended 31 December 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 1 January	489,084	1,975	969,813	1,460,872
Transfers:				
– to lifetime expected credit losses credit-impaired	–	(1,975)	1,975	–
Charge/(reversal) for the year	(70,109)	232,000	(71,811)	90,080
Balance at 31 December	418,975	232,000	899,977	1,550,952

(d) Financial investments analysed as follows

	30 June 2021	31 December 2020
Financial investments measured at fair value through profit or loss		
Debt securities		
– Listed	**2,348,502**	1,631,868
– Unlisted	**91,703**	108,407
Fund investments and others		
– Listed	**263,293**	–
– Unlisted	**30,547,775**	28,034,811
Subtotal	**33,251,273**	29,775,086
Financial investments measured at fair value through other comprehensive income		
Debt securities		
– Listed	**5,401,619**	7,187,980
Interbank deposits		
– Listed	**1,581,982**	884,407
Equity investments and investment management products		
– Unlisted	**792,840**	826,067
Subtotal	**7,776,441**	8,898,454
Financial investments measured at amortised cost		
Debt securities		
– Listed	**34,826,379**	33,681,601
– Unlisted	**244,026**	381,100
Interbank deposits		
– Listed	**296,154**	685,435
Investment management products		
– Unlisted	**17,107,990**	18,238,227
Subtotal	**52,474,549**	52,986,363
Total	**93,502,263**	91,659,903
Listed	**44,717,929**	44,071,291
Unlisted	**48,784,334**	47,588,612
Total	**93,502,263**	91,659,903

Debt securities traded in the mainland China interbank market are classified as "Listed". Interbank deposits traded in the mainland China interbank market are included in "Listed".

19 Interest In an Associate

	30 June 2021	31 December 2020
Interest in an associate	**304,225**	294,119

The following table contains information about the Group's associate which is immaterial to the Bank and is an unlisted corporate entity whose quoted market price is not available:

Name	**Percentages of equity/voting rights** **30 June 2021**	31 December 2020	**Place of incorporation/ registration**	**Business sector**
Jinshang Consumer Finance Co., Ltd.	40%	40%	Shanxi, China	Consumer finance

In February 2016, the Bank and other third-party shareholders jointly established Jinshang Consumer Finance Co., Ltd. (Jinshang Consumer Finance), which was registered in Taiyuan, Shanxi, China with its main business operating in China. The registered capital of Jinshang Consumer Finance amounted to RMB500 million and the Bank holds 40% of the equity of Jinshang Consumer Finance. As at 30 June 2021, Jinshang Consumer Finance has share capital of RMB500 million.

20 Investment In a Subsidiary

	30 June 2021	31 December 2020
Qingxu Jinshang Village and Township Bank Co., Ltd.	**25,500**	25,500

Qingxu Jinshang Village and Township Bank Co., Ltd. (Qingxu Village and Township Bank) was incorporated on 19 January 2012, which was registered in Taiyuan, Shanxi, China with registered capital of RMB50 million. The principal activities of Qingxu Village and Township Bank are in China, and it is a corporate legal entity and a non-wholly-owned subsidiary of the Bank. As at 30 June 2021 and 31 December 2020, the Bank holds the provision of 51% of equity interests and voting rights of Qingxu Village and Township Bank. As at 30 June 2021, Qingxu Village and Township Bank has share capital of RMB50 million.

21 Property and Equipment

	Premises	Office equipment	Motor vehicles	Electronic equipment	Leasehold improvement	Total
Cost						
As at 1 January 2020	1,589,052	39,821	14,716	429,860	354,941	2,428,390
Additions	65,910	16,288	2,032	54,797	19,598	158,625
Disposals	–	(1,412)	(3,287)	(17,390)	(2,754)	(24,843)
As at 31 December 2020	1,654,962	54,697	13,461	467,267	371,785	2,562,172
Additions	699	1,797	–	18,719	155	21,370
Disposals	–	(32)	–	(1,370)	–	(1,402)
As at 30 June 2021	**1,655,661**	**56,462**	**13,461**	**484,616**	**371,940**	**2,582,140**
Accumulated depreciation						
As at 1 January 2020	(280,017)	(28,435)	(13,660)	(339,175)	(302,448)	(963,735)
Additions	(77,246)	(3,152)	(624)	(41,228)	(21,007)	(143,257)
Disposals	–	1,365	3,188	16,816	2,367	23,736
As at 31 December 2020	(357,263)	(30,222)	(11,096)	(363,587)	(321,088)	(1,083,256)
Additions	(38,902)	(3,192)	(353)	(26,500)	(10,199)	(79,146)
Disposals	–	32	–	1,324	–	1,356
As at 30 June 2021	**(396,165)**	**(33,382)**	**(11,449)**	**(388,763)**	**(331,287)**	**(1,161,046)**
Net book value						
As at 31 December 2020	1,297,699	24,475	2,365	103,680	50,697	1,478,916
As at 30 June 2021	**1,259,496**	**23,080**	**2,012**	**95,853**	**40,653**	**1,421,094**

As at 30 June 2021, the net book values of premises of which title deeds were not yet finalized were RMB636 million (31 December 2020: RMB653 million). The Group is still in the progress of applying for the outstanding title deeds for the above premises. The directors of the Bank are of the opinion that there would be no significant costs in obtaining the title deeds.

The net book values of premises as at the end of each of the reporting periods are analysed by the remaining terms of the leases as follows:

	30 June 2021	31 December 2020
Held in mainland China		
– Medium-term leases (10-50 years)	**1,259,496**	1,297,699

22 Deferred Tax Assets

(a) Analysed by nature

	30 June 2021		31 December 2020	
	Deductible/ (taxable) temporary differences	**Deferred income tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
– Allowance for impairment losses	**6,122,756**	**1,530,689**	5,754,328	1,438,582
– Accrued staff costs	**580,964**	**145,241**	628,040	157,010
– Others	**782,320**	**195,580**	533,528	133,382
Subtotal	**7,486,040**	**1,871,510**	6,915,896	1,728,974
Deferred income tax liabilities				
– Fair value changes of financial assets	**(288,416)**	**(72,104)**	(133,376)	(33,344)
Subtotal	**(288,416)**	**(72,104)**	(133,376)	(33,344)
Net balances	**7,197,624**	**1,799,406**	6,782,520	1,695,630

(b) Movements in deferred tax

	Allowance for impairment losses *(i)*	**Accrued staff costs**	**Change in fair value** *(ii)*	**Others**	**Net balance of deferred tax assets**
As at 1 January 2020	1,234,285	149,448	(77,489)	134,867	1,441,111
Recognised in profit or loss	204,297	7,714	30,435	(1,485)	240,961
Recognised in other comprehensive income	–	(152)	13,710	–	13,558
As at 31 December 2020	1,438,582	157,010	(33,344)	133,382	1,695,630
Recognised in profit or loss	92,107	(12,494)	(33,830)	62,198	107,981
Recognised in other comprehensive income	–	725	(4,930)	–	(4,205)
As at 30 June 2021	1,530,689	145,241	(72,104)	195,580	1,799,406

(i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of the reporting period, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.

(ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.

23 Other Assets

		30 June 2021	31 December 2020
Accounts receivable and prepayments		**540,157**	433,405
Right-of-use assets	*(a)*	**389,101**	412,964
Intangible assets	*(b)*	**185,747**	186,781
Repossessed assets	*(c)*	**82,212**	59,480
Land use rights	*(d)*	**62,685**	63,568
Interest receivables	*(e)*	**39,778**	40,633
Long-term deferred expenses		**15,109**	15,806
Subtotal		**1,314,789**	1,212,637
Less: Provision for impairment losses		**(29,757)**	(29,785)
Total		**1,285,032**	1,182,852

(a) Right-of-use assets

	Premises
Cost	
As at 1 January 2020	599,569
Additions	49,103
Deductions	(42,244)
As at 31 December 2020	606,428
Additions	40,858
Deductions	(11,248)
As at 30 June 2021	**636,038**
Accumulated depreciation	
As at 1 January 2020	(96,098)
Additions	(100,141)
Deductions	2,775
As at 31 December 2020	(193,464)
Additions	(54,640)
Deductions	1,167
As at 30 June 2021	**(246,937)**
Net book value	
As at 31 December 2020	412,964
As at 30 June 2021	**389,101**

(b) Intangible assets

	Computer software and system development
Cost	
As at 1 January 2020	303,487
Additions	51,253
Disposals	(13,451)
As at 31 December 2020	341,289
Additions	14,825
Disposals	–
As at 30 June 2021	**356,114**
Accumulated amortization	
As at 1 January 2020	(135,516)
Additions	(29,754)
Disposals	10,762
As at 31 December 2020	(154,508)
Additions	(15,859)
Disposals	–
As at 30 June 2021	**(170,367)**
Book value	
As at 31 December 2020	186,781
As at 30 June 2021	**185,747**

(c) Repossessed assets

	30 June 2021	31 December 2020
Land use right and buildings	**82,212**	59,480
Less: Provision for impairment losses	**(1,709)**	(1,709)
Net balances	**80,503**	57,771

(d) Land use rights

The carrying value of land use rights is analysed based on the remaining terms of the leases as follows:

	30 June 2021	31 December 2020
Located in mainland China:		
10-50 years	**62,685**	63,568

The Group's right-of-use assets include the above fully prepaid land use rights and other right-of-use assets disclosed in note 23(a).

The amortization period for the Group's land-use rights is between 25 and 50 years.

(e) Interest receivables

	30 June 2021	31 December 2020
Interest receivables arising from:		
Loans and advances to customers	**39,778**	40,633
Total	**39,778**	40,633

As at 30 June 2021 and 31 December 2020, interest receivables only included 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 the corresponding financial instruments.

24 Deposits from Banks and Other Financial Institutions

Analysed by type and location of counterparty

	30 June 2021	31 December 2020
Deposits in mainland China		
– Banks	**1,798,009**	1,877,799
– Other financial institutions	**115,681**	19,338
Subtotal	**1,913,690**	1,897,137
Accrued interest	**14,379**	8,647
Total	**1,928,069**	1,905,784

25 Placements from Banks and Other Financial Institutions

Analysed by type and location of counterparty

	30 June 2021	31 December 2020
Placements in mainland China		
– Banks	**710,000**	800,000
Accrued interest	**600**	730
Total	**710,600**	800,730

26 Financial Assets Sold under Repurchase Agreements

(a) Analysed by type and location of counterparty

	30 June 2021	31 December 2020
In mainland China		
– Banks	**13,915,590**	11,996,600
– Other financial institutions	**929,310**	1,423,064
Subtotal	**14,844,900**	13,419,664
Accrued interest	**6,564**	10,809
Total	**14,851,464**	13,430,473

(b) Analysed by type of collateral held

	30 June 2021	31 December 2020
Debt securities	**10,716,000**	11,996,600
Bank acceptances	**3,934,900**	1,423,064
Interbank deposits	**194,000**	–
Subtotal	**14,844,900**	13,419,664
Accrued interest	**6,564**	10,809
Total	**14,851,464**	13,430,473

27 Deposits from Customers

	30 June 2021	31 December 2020
Demand deposits		
– Corporate customers	**42,966,969**	46,339,221
– Individual customers	**11,200,827**	9,783,440
Subtotal	**54,167,796**	56,122,661
Time deposits		
– Corporate customers	**37,676,113**	26,882,027
– Individual customers	**78,505,817**	72,330,403
Subtotal	**116,181,930**	99,212,430
Pledged deposits		
– Acceptances	**15,418,231**	15,736,964
– Letters of credit and guarantees	**1,580,368**	1,322,195
– Letters of guarantees	**91,867**	43,286
– Others	**1,063,210**	830,328
Subtotal	**18,153,676**	17,932,773
Fiscal deposits	**1,078**	17
Inward and outward remittances	**148,997**	125,506
Accrued interest	**3,833,273**	3,388,309
Total	**192,486,750**	176,781,696

28 Debt Securities Issued

		30 June 2021	31 December 2020
Interbank deposits issued	*(a)*	**42,310,382**	43,084,271
Financial bonds issued	*(b)*	**8,999,217**	8,998,985
Tier-two capital bonds issued	*(c)*	**1,998,909**	–
Subtotal		**53,308,508**	52,083,256
Accrued interest		**173,962**	93,370
Total		**53,482,470**	52,176,626

(a) Interbank deposits issued

(i) During the six months ended 30 June 2021, the Bank issued a number of certificates of interbank deposits with a total nominal amount of RMB38,600 million and duration between 1 to 12 months. The coupon interest rates ranged from 2.40% to 3.30% per annum.

(ii) In 2020, the Bank issued a number of certificates of interbank deposits with a total nominal amount of RMB66,490 million and duration between 1 to 12 months. The coupon interest rates ranged from 1.35% to 3.60% per annum.

(iii) As at 30 June 2021, the fair value of interbank deposits issued was RMB41,939 million (31 December 2020: RMB42,730 million).

(b) Financial bonds issued

(i) In April 2020, the Bank issued three-year financial bonds with a face value of RMB4,000 million. The coupon interest rate per annum is 3.00%. In December 2018, the Bank issued three-year financial bonds with a face value of RMB5,000 million. The coupon interest rate per annum is 4.00%.

(ii) As at 30 June 2021, the fair value of financial bonds issued was RMB9,004 million (31 December 2020: RMB8,960 million).

(c) Tier-two capital bonds issued

(i) In January 2021, the Bank issued 10-year fixed interest rate tier-two capital bonds with a face value of RMB2,000 million. The coupon interest rate per annum is 4.78%. The Bank had an option to redeem the bonds at the end of the fifth year.

(ii) As at 30 June 2021, the fair value of the tier-two capital bonds issued was RMB1,899 million (31 December 2020: None).

29 Other Liabilities

		30 June 2021	31 December 2020
Accounts payable in the process of clearance and settlement		**1,593,144**	603,388
Provisions	*(a)*	**764,725**	677,771
Dividend payable		**680,317**	127,827
Accrued staff cost	*(b)*	**625,816**	667,725
Lease liabilities		**357,355**	368,622
Contract liabilities	*(c)*	**87,271**	95,883
Other taxes payable		**34,530**	97,684
Total		**4,143,158**	2,638,900

(a) Provisions

		30 June 2021	31 December 2020
Expected credit losses	*(i)*	**764,725**	677,771

(i) Movements in provisions for expected credit losses are as follows:

	For the six months ended 30 June 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 1 January	**660,151**	**16,378**	**1,242**	**677,771**
Transfers				
– to expected credit losses over the next 12 months	**246**	**(246)**	**–**	**–**
– to lifetime expected credit losses not credit-impaired	**(57)**	**57**	**–**	**–**
– to lifetime expected credit losses credit-impaired	**(26)**	**(444)**	**470**	**–**
Charge/(reversal) for the period	**83,341**	**4,544**	**(931)**	**86,954**
Balance at 30 June	**743,655**	**20,289**	**781**	**764,725**

	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit – impaired	Lifetime expected credit losses credit – impaired	Total
	Year ended 31 December 2020			
Balance at 1 January	308,738	21,732	1,892	332,362
Transfers				
– to expected credit losses over the next 12 months	252	(252)	–	–
– to lifetime expected credit losses not credit-impaired	(26)	26	–	–
– to lifetime expected credit losses credit-impaired	(22)	(79)	101	–
Charge/(reversal) for the year	351,209	(5,049)	(751)	345,409
Balance at 31 December	660,151	16,378	1,242	677,771

(b) Accrued staff cost

	30 June 2021	31 December 2020
Salary, bonuses and allowances payable	**382,444**	491,535
Pension and annuity payable	**87,565**	34,414
Supplementary retirement benefits payable	**41,693**	42,629
Other social insurance payable	**23,141**	17,811
Housing fund payable	**15,024**	13,471
Others	**75,949**	67,865
Total	**625,816**	667,725

Defined contribution retirement plan

The defined contribution retirement plans of the Group mainly include social pension schemes and an annuity plan. The contributions to the defined contribution plans of the pension schemes are calculated at the applicable rates based on the amount stipulated by the PRC government or in proportion to the employees' total salaries and bonuses, which were charged to profit or loss of the Group when the contributions are made. Such schemes are arranged or regulated by PRC local government and pursuant to the applicable laws and regulations, the Group could not use any forfeited contributions to reduce the existing level of contributions.

Supplementary retirement benefits

The supplementary retirement benefits of the Group include an early retirement plan and a supplementary retirement plan. The early retirement plan 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 Group's eligible employees.

The Group's obligations in respect of the supplementary retirement benefits as at the end of the reporting period were calculated by a qualified external actuary, Willis Towers Watson Consulting Co., Ltd. (Fellow of Society of Actuaries).

(c) Contract liabilities

As at 30 June 2021, the aggregate amount of the transaction prices allocated to the remaining performance obligations under the Group's existing contracts was RMB87 million (31 December 2020: RMB96 million). This amount represents income expected to be recognised in the future from acceptance and guarantee services. The Group will recognise the expected income in future when the services are provided.

30 Share Capital

Authorised and issued share capital

	30 June 2021	31 December 2020
Number of shares authorised, issued and fully paid at par value of RMB1 each	**5,838,650**	5,838,650

31 Reserves

(a) Capital reserve

	30 June 2021	31 December 2020
Share premium	**6,568,558**	6,568,558
Other capital reserve	**59,044**	59,044
Total	**6,627,602**	6,627,602

(b) Surplus reserve

The surplus reserve at the end of each of the reporting periods represented statutory surplus reserve and discretionary surplus reserve.

Pursuant to the Company Law of the PRC and the Articles of Association of the Bank, the Bank is required to appropriate 10% of its net profit on an annual basis under the People's Republic of China Generally Accepted Accounting Principles (PRC GAAP) after making good of the prior year's accumulated losses, to statutory surplus reserve until the balance reaches 50% of its registered capital.

The Bank may also appropriate discretionary surplus reserve in accordance with the resolution of the shareholders. For the six months ended 30 June 2021, no resolution of discretionary surplus reserve was made by 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) Fair value reserve

	For the six months ended 30 June 2021	Year ended 31 December 2020
As at 1 January	**(64,335)**	(23,204)
Changes in fair value recognised in other comprehensive income	**66,685**	46,133
Transfer to profit or loss upon disposal	**(46,964)**	(100,974)
Less: Deferred tax	**(4,930)**	13,710
As at 30 June/31 December	**(49,544)**	(64,335)

(e) Impairment reserve

	For the six months ended 30 June 2021	Year ended 31 December 2020
As at 1 January	**12,892**	18,320
Impairment losses recognised in other comprehensive income	**(2,685)**	(7,237)
Less: Deferred tax	**671**	1,809
As at 30 June/31 December	**10,878**	12,892

(f) (Deficit)/surplus on remeasurement of net defined benefit liability

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

	For the six months ended 30 June 2021	Year ended 31 December 2020
As at 1 January	**(765)**	(1,223)
Changes in fair value recognised in other comprehensive income	**(2,900)**	610
Less: Deferred tax	**725**	(152)
As at 30 June/31 December	**(2,940)**	(765)

32 Retained Earnings

(a) Appropriation of profits

In accordance with the resolution at the Bank's Annual General Meeting on 10 June 2021, the shareholders approved the following profit appropriations for the year ended 31 December 2020 as follows:

- Appropriation of statutory surplus reserve based on 10% of the net profit;
- Appropriation of general reserve amounted to approximately RMB21 million; and
- Declaration of cash dividends in an aggregate amount of approximately RMB584 million to all existing shareholders.

In accordance with the resolution at the Bank's Annual General Meeting on 9 June 2020, the shareholders approved the following profit appropriations for the year ended 31 December 2019 as follows:

- Appropriation of statutory surplus reserve based on 10% of the net profit; and
- Declaration of cash dividends in an aggregate amount of approximately RMB642 million to all existing shareholders.

33 Notes to the Consolidated Statement of Cash Flows

(a) Net decrease in cash and cash equivalents

	For the six months ended 30 June 2021	2020
Cash and cash equivalents at the end of the period	**6,547,953**	7,341,272
Less: Cash and cash equivalents at the beginning of the period	**(9,088,656)**	(7,894,947)
Net decrease in cash and cash equivalents	**(2,540,703)**	(553,675)

(b) Cash and cash equivalents

	30 June 2021	31 December 2020
Cash on hand	**401,831**	346,696
Deposits with the central bank other than restricted deposits	**4,261,475**	6,524,372
Deposits with banks and other financial institutions	**934,647**	1,417,588
Placements with banks and other financial institutions	**950,000**	800,000
Total	**6,547,953**	9,088,656

34 Capital Management

The Group's capital management includes capital adequacy ratio management and capital financing 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 CBIRC 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 collateral 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 the 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.

The Group's capital adequacy ratios at 30 June 2021 and 31 December 2020 calculated in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the former CBRC are as follows:

	30 June 2021	31 December 2020
Total core tier-one capital		
– Share capital	**5,838,650**	5,838,650
– Qualifying portion of capital reserve	**6,627,602**	6,627,602
– Surplus reserve	**3,623,310**	3,623,310
– General reserve	**2,809,363**	2,809,363
– Other comprehensive income	**(41,606)**	(52,208)
– Retained earnings	**2,464,810**	2,166,810
– Qualifying portions of non-controlling interests	**10,095**	14,950
Core tier-one capital	**21,332,224**	21,028,477
Core tier-one capital deductions	**(185,747)**	(186,781)
Net core tier-one capital	**21,146,477**	20,841,696
Other tier-one capital	**1,350**	1,993
Net tier-one capital	**21,147,827**	20,843,689
Tier-two capital		
– Instruments issued and share premium	**2,000,000**	–
– Surplus provision for loan impairment	**2,114,293**	1,954,147
– Qualifying portions of non-controlling interests	**2,701**	3,987
Net tier-two capital	**4,116,994**	1,958,134
Net capital base	**25,264,821**	22,801,823
Total risk weighted assets	**211,109,610**	194,498,525
Core tier-one capital adequacy ratio	**10.02%**	10.72%
Tier-one capital adequacy ratio	**10.02%**	10.72%
Capital adequacy ratio	**11.97%**	11.72%

35 Related Party Relationships and Transactions

(a) Related parties of the Group

(i) Major shareholders

Major shareholders of the Bank refer to shareholders holding or controlling 5% or more of shares or voting right of the Bank, or holding less than 5% of total capital or total shares of the Bank but having significant impact on the operational management of the Bank.

The significant impact mentioned above includes but not limited to dispatching directors, supervisors or senior management to a commercial bank, influencing the financial and operational management decisions of commercial banks through agreements or other means and other circumstances identified by the CBRC or its local offices.

Shareholdings in the Bank:

	30 June 2021	31 December 2020
Shanxi Finance Bureau (山西省財政廳)	**12.25%**	N/A
Shanxi Financial Investment Holdings Group Co., Ltd.* (山西金融投資控股集團有限公司)	**N/A**	12.25%
Huaneng Capital Services Co., Ltd. (華能資本服務有限公司)	**10.28%**	10.28%
Taiyuan Municipal Finance Bureau (太原市財政局)	**7.98%**	7.98%
Changzhi Nanye Industry Group Co., Ltd. (長治市南燁實業集團有限公司)	**7.72%**	7.72%
Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司)	**6.15%**	6.15%
Shanxi International Electricity Group Limited Company (山西國際電力集團有限公司)	**5.14%**	5.14%
Shanxi Coking Coal Group Co., Ltd.** (山西焦煤集團有限責任公司)	**N/A**	4.99%
Changzhi Huashengyuan Mining Industry Co., Ltd. (長治市華晟源礦業有限公司)	**4.02%**	4.02%
Jinneng Holding Equipment Manufacturing Group Co., Ltd. (晉能控股裝備製造集團有限公司)	**3.43%**	3.43%

* On 28 December 2020, the CBIRC Shanxi Office approved Shanxi Finance Bureau to become the shareholder of the Bank. Shanxi Financial Investment Holding Group Co., Ltd., the current shareholder of the Bank, gave all its domestic shares (accounting for 12.25% of the total issued shares of the Bank) to the Shanxi Finance Bureau for nil consideration. During the reporting period, the registration procedures had been processed. Shanxi Finance Bureau became the new shareholder and held 715,109,200 domestic shares of the Bank.

** Shanxi Coking Coal Group Co., Ltd. had ceased to be a major shareholder of the Bank during the reporting period.

The official names of these related parties are in Chinese. The English translations are for reference only.

(ii) ***Subsidiary of the Bank***

The detailed information of the Bank's subsidiary is set out in Note 20.

(iii) ***Associate of the Bank***

The detailed information of the Bank's associate is set out in Note 19.

(iv) ***Other related parties***

Other related parties can be individuals or enterprises, which include: members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiary) controlled or jointly controlled by members of the board of directors, the board of supervisors 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 35(a) or their controlling shareholders.

(b) Transactions with related parties other than key management personnel

(i) ***Transactions between the Bank and its major shareholders:***

	For the six months ended 30 June	
	2021	2020
Transactions during the period		
Interest income	**13,032**	10,300
Interest expense	**6,495**	11,447
Net fee and commission income	**3,783**	6

	30 June 2021	31 December 2020
Balances at the end of the period/year		
Loans and advances to customers	**167,063**	157,899
Financial investments	**218,611**	91,047
Deposits from customers	**6,304,556**	572,350

(ii) ***Transactions between the Bank and its subsidiary:***

The subsidiary of the Bank is its related party. The transactions between the Bank and its subsidiary are eliminated on combination.

	For the six months ended 30 June	
	2021	2020
Transactions during the period		
Interest expense	**595**	1,593

	30 June 2021	31 December 2020
Balances at the end of the period/year		
Deposits from banks and other financial institutions	**53,059**	55,791

(iii) Transactions between the Bank and its associate:

	For the six months ended 30 June **2021**	2020
Transactions during the period		
Interest income	**15,779**	18,024
Interest expense	**17**	431
Net fee and commission income	**2,920**	11

	30 June 2021	31 December 2020
Balances at the end of the period/year		
Deposits with banks and other financial institutions	**1,001,222**	750,986
Deposits from banks and other financial institutions	**6,798**	9,264

(iv) Transactions between the Bank and other related parties:

	For the six months ended 30 June **2021**	2020
Transactions during the period		
Interest income	**382,977**	325,446
Interest expense	**84,875**	97,160
Net fee and commission income	**61,664**	18,502
Operating expenses	**175**	75
Debt securities investments	**272,488**	204,369
Debt securities transferring	**619,467**	1,759,267

	30 June 2021	31 December 2020
Balances at the end of the period/year		
Loans and advances to customers	**9,195,311**	10,101,453
Financial investments	**6,513,277**	7,421,671
Deposits from customers	**5,379,315**	9,766,264
Deposits from banks and other financial institutions	**30,757**	118,391
Bank acceptances	**7,588,456**	8,439,056
Letters of credit	**1,840,900**	1,107,530

(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

	For the six months ended 30 June	
	2021	2020
Transactions during the period		
Interest income	**22**	63
Interest expense	**63**	257

	30 June 2021	31 December 2020
Balances at the end of the period/year		
Loans and advances to customers	**1,263**	477
Deposits from customers	**8,073**	10,966

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is as follows:

	For the six months ended 30 June	
	2021	2020
Key management personnel compensation	**9,045**	9,380

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

	30 June 2021	31 December 2020
Aggregate amount of relevant loans outstanding at the end of the period/year	**1,263**	477
Maximum aggregate amount of relevant loans outstanding during the period/year	**1,263**	477

36 Segment Reporting

The Group manages its business by business lines. Being 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, deposit taking activities, agency services, wealth management 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, deposit taking activities, personal wealth management services and remittance services.

Treasury business

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

Others

These represent assets, liabilities, income and expenses which cannot be 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 arising from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

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

	For the six months ended 30 June 2021				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income/(expense)	2,117,226	(939,539)	505,665	–	1,683,352
Internal net interest (expense)/income	(400,597)	1,133,857	(733,260)	–	–
Net interest income/(expense)	1,716,629	194,318	(227,595)	–	1,683,352
Net fee and commission income	193,623	122,923	78,239	–	394,785
Net trading gains	–	–	151,100	(362)	150,738
Net gains arising from investment securities	–	–	326,812	–	326,812
Other operating income	–	–	–	5,761	5,761
Operating income	1,910,252	317,241	328,556	5,399	2,561,448
Operating expenses	(399,159)	(372,919)	(71,631)	(282)	(843,991)
Impairment losses on credit	(605,620)	(11,577)	(225,255)	–	(842,452)
Share of profits of an associate	–	–	–	10,106	10,106
Profit/(loss) before tax	905,473	(67,255)	31,670	15,223	885,111
Other segment information					
Depreciation and amortization	71,722	67,007	12,871	–	151,600
Capital expenditure	17,580	16,425	3,155	–	37,160

	30 June 2021				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	121,522,038	24,997,811	143,200,171	–	289,720,020
Deferred tax assets	–	–	–	1,799,406	1,799,406
Total assets	121,522,038	24,997,811	143,200,171	1,799,406	291,519,426
Segment liabilities	106,329,629	90,332,460	73,507,298	–	270,169,387
Total liabilities	106,329,629	90,332,460	73,507,298	–	270,169,387

	For the six months ended 30 June 2020				
	Corporate banking	Retail banking (Restated)	Treasury business	Others	Total (Restated)
Operating income					
External net interest income/(expense)	1,878,832	(796,908)	581,663	–	1,663,587
Internal net interest (expense)/income	(191,283)	960,403	(769,120)	–	–
Net interest income/(expense)	1,687,549	163,495	(187,457)	–	1,663,587
Net fee and commission income	143,236	106,848	114,127	–	364,211
Net trading gains	–	–	45,514	2,977	48,491
Net gains arising from investment securities	–	–	512,653	–	512,653
Other operating income	–	–	–	11,920	11,920
Operating income	1,830,785	270,343	484,837	14,897	2,600,862
Operating expenses	(346,047)	(323,374)	(62,112)	(45,080)	(776,613)
Impairment losses on credit	(834,441)	(171,930)	(47,751)	–	(1,054,122)
Share of profits of an associate	–	–	–	14,356	14,356
Profit/(loss) before tax	650,297	(224,961)	374,974	(15,827)	784,483
Other segment information					
Depreciation and amortization	62,316	58,233	11,184	–	131,733
Capital expenditure	10,001	9,345	1,795	–	21,141

	31 December 2020				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	112,972,235	21,526,045	134,749,687	–	269,247,967
Deferred tax assets	–	–	–	1,695,630	1,695,630
Total assets	112,972,235	21,526,045	134,749,687	1,695,630	270,943,597
Segment liabilities	96,788,080	82,781,568	70,332,578	–	249,902,226
Total liabilities	96,788,080	82,781,568	70,332,578	–	249,902,226

37 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.

Risk management system

The Group's risk management policies were established to identify and analyse 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 Board of Directors is responsible for establishing and maintaining a robust and effective risk management system and determining general risk preference and risk tolerance of the Group. Based on the general strategy of the Group, the Committee of Risk Management under the Board reviews the Group's risk management system and basic principles, risk management strategies and internal control system framework. Senior management led by the president will be responsible for the control of credit risk, market risk, operational risk and approval of related rules and regulations; and the Chief Risk Officer will be led by the president of the Bank. In addition, the Group set up the Department of Risk Management, Department of Credit Examination, Department of Asset and Liability Management, Department of Law and Compliance and the Audit Department based on the requirements of general risk management to perform respective functions in risk management, strengthen risk-covering portfolio management capabilities and conduct inspection on compliance with risk management policy of internal control system on a regular or irregular basis.

(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

To identify, assess, monitor and manage credit risks, the Group has designed effective system frameworks, credit policies and processes for credit risk management and implemented systematic control procedures. The responsible departments for credit risk management include the Risk Management Department and the Credit Approval Department. The Risk Management Department is responsible for implementing the Group's overall risk management system, as well as risk monitoring and control the Risk Management Department is also responsible for formulating risk management policies. The Credit Approval Department is independent from customer relationship and product management departments, which ensures the independence of credit approval. Front office departments including the Department of Corporate Finance and the Department of Personal Credit Assets 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.

For corporate and institutional businesses, the Group has established industry-specific limits for credit approval. 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 applications 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.

Stages of risks in financial instruments

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

Stage 1: Financial assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12-month 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;

– decrease in value of the collateral (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 borrowing 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 management for appropriateness.

As at 30 June 2021 and 31 December 2020, 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.

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 securities because of financial difficulties of the issuer; or

– overdue for 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 ("ECLs")

The Group adopts the ECL model to measure the provision for impairment losses on 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 Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, overdue situations, repayments, etc.) and forward-looking information in order to establish the models for estimating PD, LGD and EAD.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 collateral or other credit support;

– The discount rate used in the calculation of the ECLs is the initial effective interest rate or its approximate value.

Forward-looking information included in the expected credit loss model is as follows:

Both the assessment of significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including gross domestic product (GDP), broad measure of money supply (M2), consumer price index (CPI), and producer price index (PPI), etc. The Group identified the relations between these economic indicators and the probability of default historically by conducting regression analysis and regularly identified the expected probability of default by predicting the future economic indicators. In addition to a base economic scenario, the Group conducts statistical analysis with experts' judgement to determine other possible scenarios and their weights. The Group measures relevant provision for loss by the weighted 12-month ECL (for stage 1) or the weighted lifetime ECL (for stage 2 and stage 3). The above weighted credit losses are calculated from multiplying the ECLs under the different scenarios by the weight of the corresponding scenarios.

Similar to other economic forecasts, there is highly inherent uncertainty in the assessment of estimated economic indicators and the probability of occurrence, and therefore, the actual results may be materially different from the forecasts. The Group believes that these forecasts reflect the Group's best estimate of possible outcomes.

Other forward-looking factors not incorporated in the above scenarios, such as the impact of regulatory and legal changes, have also been taken into account. However, they were not considered to have significant impacts, and the expected credit losses were not adjusted accordingly. The Group reviews and monitors the appropriateness of the above assumptions on a regularly basis.

The Group assessed the expected credit losses as at 30 June 2021 and comprehensively considered the impact of the current economic condition on the expected credit losses, including: the operating and financial conditions of the borrowers and the extent of impact COVID-19. The Group has made deferred repayment arrangements for the borrowers affected by the COVID-19 pandemic, but would not make judgement that their credit risk would inevitably increase significantly based on such deferred repayment arrangements; combining the analysis of the impact of factors such as COVID-19 on economic development trends, performed forward-looking forecasts to key macroeconomic indicators.

As at 30 June 2021 and 31 December 2020, there have been no significant changes in the estimate techniques and key assumptions of the Group.

(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 of the reporting periods.

(ii) *Financial assets analysed by credit quality are summarised as follows:*

	30 June 2021				
	Loans and advances to customers	**Deposits/ placements with banks and other financial institutions**	**Financial assets held under resale agreements**	**Financial investments***	**Others****
Balance of financial assets that are assessed for expected credit losses over the next 12 months					
– Overdue but not credit-impaired	**2,290,967**	**–**	**–**	**–**	**–**
– Neither overdue nor credit-impaired	**140,315,905**	**4,024,705**	**25,975,466**	**91,668,431**	**6,403**
Subtotal	**142,606,872**	**4,024,705**	**25,975,466**	**91,668,431**	**6,403**
Balance of financial assets that are not credit-impaired and assessed for lifetime expected credit losses					
– Overdue but not credit-impaired	**643,779**	**–**	**–**	**–**	**–**
– Neither overdue nor credit-impaired	**2,578,530**	**–**	**–**	**495,532**	**246,495**
Subtotal	**3,222,309**	**–**	**–**	**495,532**	**246,495**
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses					
– Overdue and credit-impaired	**2,694,381**	**–**	**–**	**1,682,275**	**–**
– Credit-impaired but not overdue	**26,830**	**–**	**–**	**–**	**4,438**
Subtotal	**2,721,211**	**–**	**–**	**1,682,275**	**4,438**
Accrued interest	**510,092**	**31,383**	**641**	**660,260**	**–**
Less: Provision for impairment losses	**(5,246,761)**	**(1,138)**	**(1)**	**(1,388,228)**	**(28,048)**
Net value	**143,813,723**	**4,054,950**	**25,976,106**	**93,118,270**	**229,288**

	31 December 2020				
	Loans and advances to customers	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Financial investments*	Others**
Balance of financial assets that are assessed for expected credit losses over the next 12 months					
– Overdue but not credit-impaired	14,663	–	–	–	–
– Neither overdue nor credit-impaired	130,684,320	3,330,597	18,914,651	89,342,893	33,155
Subtotal	130,698,983	3,330,597	18,914,651	89,342,893	33,155
Balance of financial assets that are not credit-impaired and assessed for lifetime expected credit losses					
– Overdue but not credit-impaired	259,273	–	–	800,000	–
– Neither overdue nor credit-impaired	2,637,919	–	–	100,000	272,942
Subtotal	2,897,192	–	–	900,000	272,942
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses					
– Overdue and credit-impaired	2,400,691	–	–	1,613,276	–
– Credit-impaired but not overdue	107,973	–	–	234,703	4,173
Subtotal	2,508,664	–	–	1,847,979	4,173
Accrued interest	585,848	14,578	655	984,530	–
Less: Provision for impairment losses	(4,854,175)	(703)	(1)	(1,550,952)	(28,075)
Net value	131,836,512	3,344,472	18,915,305	91,524,450	282,195

* Financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments measured at amortised cost.

** Others comprise interest receivables and other receivables in other assets.

Financial assets (excluding interest accrued) analysed by credit quality

	30 June 2021							
	Balance				Provision for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	19,356,138	–	–	19,356,138	–	–	–	–
Deposits with banks and other financial institutions	1,974,705	–	–	1,974,705	(759)	–	–	(759)
Placements with banks and other financial institutions	2,050,000	–	–	2,050,000	(379)	–	–	(379)
Financial assets held under resale agreements	25,975,466	–	–	25,975,466	(1)	–	–	(1)
Loans and advances to customers	111,605,809	3,222,309	2,718,811	117,546,929	(3,184,603)	(735,427)	(1,326,731)	(5,246,761)
Financial investments	51,120,254	495,532	1,682,275	53,298,061	(366,535)	(146,605)	(875,088)	(1,388,228)
Other assets	6,403	246,495	4,438	257,336	(68)	(24,615)	(3,365)	(28,048)
Total	212,088,775	3,964,336	4,405,524	220,458,635	(3,552,345)	(906,647)	(2,205,184)	(6,664,176)
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	31,001,063	–	2,400	31,003,463	(4,765)	–	(9,600)	(14,365)
Financial investments	7,560,197	–	–	7,560,197	(140)	–	–	(140)
Total	38,561,260	–	2,400	38,563,660	(4,905)	–	(9,600)	(14,505)
Credit commitments	72,079,050	399,754	3,473	72,482,277	(743,655)	(20,289)	(781)	(764,725)

	31 December 2020							
	Balance				Provision for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	20,529,094	–	–	20,529,094	–	–	–	–
Deposits with banks and other financial institutions	2,230,597	–	–	2,230,597	(653)	–	–	(653)
Placements with banks and other financial institutions	1,100,000	–	–	1,100,000	(50)	–	–	(50)
Financial assets held under resale agreements	18,914,651	–	–	18,914,651	(1)	–	–	(1)
Loans and advances to customers	101,100,973	2,897,192	2,506,264	106,504,429	(2,980,705)	(718,958)	(1,154,512)	(4,854,175)
Financial investments	50,932,545	900,000	1,847,979	53,680,524	(418,975)	(232,000)	(899,977)	(1,550,952)
Other assets	33,155	272,942	4,173	310,270	(100)	(25,408)	(2,567)	(28,075)
Total	194,841,015	4,070,134	4,358,416	203,269,565	(3,400,484)	(976,366)	(2,057,056)	(6,433,906)
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	29,598,010	–	2,400	29,600,410	(4,708)	–	(9,600)	(14,308)
Financial investments	8,635,262	–	–	8,635,262	(2,882)	–	–	(2,882)
Total	38,233,272	–	2,400	38,235,672	(7,590)	–	(9,600)	(17,190)
Credit commitments	63,822,548	360,833	5,302	64,188,683	(660,151)	(16,378)	(1,242)	(677,771)

Financial assets analysed by expected credit losses ratio of credit quality

	30 June 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financial assets measured at amortised cost	**1.67%**	**22.87%**	**50.05%**	**3.02%**
Financial assets at fair value through other comprehensive income	**0.01%**	**N/A**	**80.00%**	**0.04%**
Credit commitments	**1.03%**	**5.08%**	**22.49%**	**1.06%**

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	1.75%	23.99%	47.20%	3.17%
Financial assets at fair value through other comprehensive income	0.02%	N/A	80.00%	0.04%
Credit commitments	1.03%	4.54%	23.43%	1.06%

As at 30 June 2021, the fair value of collateral held against loans and advances that are not credit-impaired and assessed for lifetime expected credit losses amounted to RMB2,384 million (31 December 2020: RMB1,838 million). The fair value of collateral held against loans and advances that are credit-impaired and assessed for lifetime expected credit losses amounted to RMB2,577 million (31 December 2020: RMB1,800 million). The collateral mainly includes land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(iii) Rescheduled loans and advances to customers

The Group had no rescheduled loans and advances to customers at 30 June 2021 and 31 December 2020.

(iv) Credit rating

The Group adopts a credit rating approach for managing the credit risk arising from 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 (excluding accrued interest) analysed by the rating agency designations as at the end of the reporting period are as follows:

	30 June 2021	31 December 2020
Neither overdue nor impaired		
Ratings		
– AAA	**40,101,570**	40,769,324
– AA- to AA+	**2,005,665**	1,253,048
– Below AA-	**–**	280,000
Subtotal	**42,107,235**	42,302,372
Unrated	**231,704**	108,407
Total	**42,338,939**	42,410,779

(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 Group has especially built up a market risk management structure and team. The Department of Risk Management takes the major responsibility for the exposure of market risk and preparation of relevant market risk management policies to submit to the Committee of Risk Management. According to the established standards and current management capabilities, the Group measures market risk with the major adoption of sensitivity analysis. Before the new products or new businesses are launched, their market risks will be identified according to regulations.

The major source of market risk of the Group is the asset and liability businesses involved in market operation and the risks in interest rate and exchange rate relating to products.

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 major and 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 bank 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.

Trading interest rate risk

Trading interest rate risk mainly arises from investment portfolios of treasury businesses. 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 fair value of investment portfolios given a 100 basis points (1%) movement in the interest rates.

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

	30 June 2021					
	Total	**Non-interest bearing**	**Less than three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**
Assets						
Cash and deposits with the central bank	**19,362,625**	**637,719**	**18,724,906**	**–**	**–**	**–**
Deposits with banks and other financial institutions	**1,992,330**	**18,384**	**953,889**	**1,020,057**	**–**	**–**
Placements with banks and other financial institutions	**2,062,620**	**12,999**	**1,399,913**	**649,708**	**–**	**–**
Derivative financial assets	**2**	**2**	**–**	**–**	**–**	**–**
Financial assets held under resale agreements	**25,976,106**	**641**	**23,944,259**	**2,031,206**	**–**	**–**
Loans and advances to customers [(1)]	**143,813,723**	**510,092**	**41,647,217**	**51,827,506**	**34,369,448**	**15,459,460**
Financial investments [(2)]	**93,502,263**	**29,136,933**	**3,704,468**	**16,712,799**	**32,437,484**	**11,510,579**
Others	**4,809,757**	**4,809,757**	**–**	**–**	**–**	**–**
Total assets	**291,519,426**	**35,126,527**	**90,374,652**	**72,241,276**	**66,806,932**	**26,970,039**
Liabilities						
Borrowings from the central bank	**2,385,698**	**1,405**	**579,420**	**1,804,873**	**–**	**–**
Deposits from banks and other financial institutions	**1,928,069**	**14,379**	**513,690**	**1,400,000**	**–**	**–**
Placements from banks and other financial institutions	**710,600**	**600**	**–**	**210,000**	**500,000**	**–**
Financial assets sold under repurchase agreements	**14,851,464**	**6,564**	**14,844,900**	**–**	**–**	**–**
Deposits from customers	**192,486,750**	**3,833,273**	**82,738,542**	**34,185,876**	**71,729,059**	**–**
Debt securities issued	**53,482,470**	**173,962**	**16,446,014**	**30,864,368**	**3,999,217**	**1,998,909**
Others	**4,324,336**	**3,983,377**	**148**	**6,666**	**174,633**	**159,512**
Total liabilities	**270,169,387**	**8,013,560**	**115,122,714**	**68,471,783**	**76,402,909**	**2,158,421**
Asset-liability gap	**21,350,039**	**27,112,967**	**(24,748,062)**	**3,769,493**	**(9,595,977)**	**24,811,618**

	31 December 2020					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	20,535,802	415,674	20,120,128	–	–	–
Deposits with banks and other financial institutions	2,244,037	14,093	1,579,934	650,010	–	–
Placements with banks and other financial institutions	1,100,435	435	800,000	300,000	–	–
Derivative financial assets	86	86	–	–	–	–
Financial assets held under resale agreements	18,915,305	655	18,224,398	690,252	–	–
Loans and advances to customers (1)	131,836,512	585,848	44,826,617	46,000,404	30,552,831	9,870,812
Financial investments (2)	91,659,903	27,480,459	4,219,439	13,490,485	32,142,825	14,326,695
Others	4,651,517	4,651,517	–	–	–	–
Total assets	270,943,597	33,148,767	89,770,516	61,131,151	62,695,656	24,197,507
Liabilities						
Borrowings from the central bank	1,893,459	799	209,340	1,683,320	–	–
Deposits from banks and other financial institutions	1,905,784	8,647	337,137	1,560,000	–	–
Placements from banks and other financial institutions	800,730	730	300,000	500,000	–	–
Financial assets sold under repurchase agreements	13,430,473	10,809	13,344,022	75,642	–	–
Deposits from customers	176,781,696	3,388,309	77,676,690	31,198,000	64,518,697	–
Debt securities issued	52,176,626	93,370	17,558,304	30,525,943	3,999,009	–
Others	2,913,458	2,913,458	–	–	–	–
Total liabilities	249,902,226	6,416,122	109,425,493	65,542,905	68,517,706	–
Asset-liability gap	21,041,371	26,732,645	(19,654,977)	(4,411,754)	(5,822,050)	24,197,507

(1) As at 30 June 2021, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB2,844 million (31 December 2020: RMB1,331 million).

(2) Financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments measured at amortised cost.

(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. The following table sets forth the results of the Group's interest rate sensitivity analysis on net profit and equity with an assumption that all other variables held constant.

	30 June 2021	31 December 2020
	(Decrease)/ Increase	(Decrease)/ Increase
Change in net profit		
Up 100 bps parallel shift in yield curves	**(208,909)**	(189,250)
Down 100 bps parallel shift in yield curves	**208,974**	189,315

	30 June 2021	31 December 2020
	(Decrease)/ Increase	(Decrease)/ Increase
Change in equity		
Up 100 bps parallel shift in yield curves	**(221,482)**	(202,929)
Down 100 bps parallel shift in yield curves	**221,657**	203,104

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 annualised net profit or loss and equity would have been affected by repricing the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

– Interest rate movements at the end of the reporting period apply to non-derivative financial instruments of the Group;

– At the end of the reporting period, an interest rate movement of 100 basis points is based on the assumption of interest rate 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 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.

Foreign currency risk

The majority of the business of the Group is related to Renminbi, except for a small amount of business related to United States dollars and other foreign currencies.

The changes in exchange rates will affect the financial position and cash flows of the Group. Due to the small amount of foreign currency business of the Group, the effect of foreign currency risk on the Group would be immaterial. The major principle of the Group's control on foreign currency risk is to achieve matching of assets and liabilities in each currency and to conduct daily monitoring on currency exposure.

The Group adopts sensitivity analysis to measure the possible effects of changes in exchange rates on net gains and losses and interests of the Group. As the foreign currency assets and liabilities account for an immaterial part of the total assets and total liabilities of the Group, the effect of changes in exchange rates on net gains and losses and interests of the Group would be immaterial.

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

	30 June 2021			
	RMB	*USD (RMB equivalent)*	*Others (RMB equivalent)*	*Total (RMB equivalent)*
Assets				
Cash and deposits with the central bank	**19,362,472**	**67**	**86**	**19,362,625**
Deposits with banks and other financial institutions	**1,925,871**	**34,346**	**32,113**	**1,992,330**
Placements with banks and other financial institutions	**2,062,620**	**–**	**–**	**2,062,620**
Derivative financial assets	**2**	**–**	**–**	**2**
Financial assets held under resale agreements	**25,976,106**	**–**	**–**	**25,976,106**
Loans and advances to customers	**143,813,723**	**–**	**–**	**143,813,723**
Financial Investments *(i)*	**93,502,263**	**–**	**–**	**93,502,263**
Others	**4,809,757**	**–**	**–**	**4,809,757**
Total assets	**291,452,814**	**34,413**	**32,199**	**291,519,426**
Liabilities				
Borrowings from the central bank	**2,385,698**	**–**	**–**	**2,385,698**
Deposits from banks and other financial institutions	**1,928,069**	**–**	**–**	**1,928,069**
Placements from banks and other financial institutions	**710,600**	**–**	**–**	**710,600**
Financial assets sold under repurchase agreements	**14,851,464**	**–**	**–**	**14,851,464**
Deposits from customers	**192,485,751**	**878**	**121**	**192,486,750**
Debt securities issued	**53,482,470**	**–**	**–**	**53,482,470**
Others	**4,292,028**	**32,308**	**–**	**4,324,336**
Total liabilities	**270,136,080**	**33,186**	**121**	**270,169,387**
Net position	**21,316,734**	**1,227**	**32,078**	**21,350,039**
Off-balance sheet credit commitments	**72,482,277**	**–**	**–**	**72,482,277**

	31 December 2020			
	RMB	*USD (RMB equivalent)*	*Others (RMB equivalent)*	*Total (RMB equivalent)*
Assets				
Cash and deposits with the central bank	20,535,668	46	88	20,535,802
Deposits with banks and other financial institutions	2,176,678	34,541	32,818	2,244,037
Placements with banks and other financial institutions	1,100,435	–	–	1,100,435
Derivative financial assets	86	–	–	86
Financial assets held under resale agreements	18,915,305	–	–	18,915,305
Loans and advances to customers	131,836,512	–	–	131,836,512
Financial investments *(i)*	91,659,903	–	–	91,659,903
Others	4,651,517	–	–	4,651,517
Total assets	270,876,104	34,587	32,906	270,943,597
Liabilities				
Borrowings from the central bank	1,893,459	–	–	1,893,459
Deposits from banks and other financial institutions	1,905,784	–	–	1,905,784
Placements from banks and other financial institutions	800,730	–	–	800,730
Financial assets sold under repurchase agreements	13,430,473	–	–	13,430,473
Deposits from customers	176,780,688	886	122	176,781,696
Debt securities issued	52,176,626	–	–	52,176,626
Others	2,880,382	33,076	–	2,913,458
Total liabilities	249,868,142	33,962	122	249,902,226
Net position	21,007,962	625	32,784	21,041,371
Off-balance sheet credit commitments	64,188,683	–	–	64,188,683

(i) Financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, and financial investments measured at amortised cost.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet its repayment obligations.

The Group plays an active part in managing liquidity risks and improves the related management system in terms of organisation, institution, system, management and mechanism. The organisational structure of the Group's liquidity risk management consists of the Board of Directors, senior management and its Risk Management Committee and Asset and Liability Management Committee, Department of Risk Management, Department of Asset and Liability Management, Department of Corporate Finance, Department of Personal Credit Assets, Department of Trade Finance, Department of Credit Examination, Department of Financial Market, Department of Information Technology and Audit Department, which are responsible for formulating liquidity risk management strategies and establishing internal control mechanism to support the implementation and supervision of liquidity risk management strategies.

The measurement of liquidity risk of the Group adopts liquidity indicator and cash flow gap calculation. By stress testing, the Group sets up mild, moderate and severe scenarios to examine the capacity to withstand liquidity or liquidity crises and improve liquidity contingency measures. In terms of response to liquidity risks, the Group strengthens management and monitoring of liquidity limits; establishes related liquidity emergency leading groups, early-warning indicators for internal and external liquidity risks and indicators that could trigger contingency plans and monitors these indicators; builds up quality liquidity assets reserves and financing capability management; and erects liquidity risk reporting mechanism, in which the asset and liability management department reports to the Asset and Liability Management Committee, senior management and the Board of Directors on issues related to the status, stress testing and contingency plans of liquidity risks on a regular basis.

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:

	30 June 2021							
	Indefinite *(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	14,692,832	4,663,306	6,487	–	–	–	–	19,362,625
Deposits with banks and other financial institutions	–	933,738	–	20,174	1,038,418	–	–	1,992,330
Placements with banks and other financial institutions	–	–	1,257,690	151,518	653,412	–	–	2,062,620
Derivative financial assets	–	–	–	–	–	2	–	2
Financial assets held under resale agreements	–	–	17,916,260	6,028,640	2,031,206	–	–	25,976,106
Loans and advances to customers	4,338,747	2,884,332	4,484,416	13,690,041	51,722,917	34,587,103	32,106,167	143,813,723
Financial investments	1,119,306	27,955,447	1,444,131	1,817,628	15,344,157	33,633,296	12,188,298	93,502,263
Others	4,446,433	363,324	–	–	–	–	–	4,809,757
Total assets	24,597,318	36,800,147	25,108,984	21,708,001	70,790,110	68,220,401	44,294,465	291,519,426
Liabilities								
Borrowings from the central bank	–	–	3,420	577,405	1,804,873	–	–	2,385,698
Deposits from banks and other financial institutions	–	149,381	102,864	271,949	1,403,875	–	–	1,928,069
Placements from banks and other financial institutions	–	–	–	600	210,000	500,000	–	710,600
Financial assets sold under repurchase agreements	–	–	14,234,803	616,661	–	–	–	14,851,464
Deposits from customers	–	63,444,091	8,021,607	12,359,601	35,328,649	73,332,802	–	192,486,750
Debt securities issued	–	–	5,942,725	10,503,289	31,038,330	3,999,217	1,998,909	53,482,470
Others	–	3,296,897	592,407	9,753	152,912	222,068	50,299	4,324,336
Total liabilities	–	66,890,369	28,897,826	24,339,258	69,938,639	78,054,087	2,049,208	270,169,387
Net position	24,597,318	(30,090,222)	(3,788,842)	(2,631,257)	851,471	(9,833,686)	42,245,257	21,350,039

	31 December 2020							
	Indefinite *(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	13,658,026	6,871,068	6,708	–	–	–	–	20,535,802
Deposits with banks and other financial institutions	–	1,279,985	104,591	200,661	658,800	–	–	2,244,037
Placements with banks and other financial institutions	–	–	800,060	–	300,375	–	–	1,100,435
Derivative financial assets	–	–	–	–	–	86	–	86
Financial assets held under resale agreements	–	–	13,615,032	4,610,021	690,252	–	–	18,915,305
Loans and advances to customers	2,614,488	3,288,856	8,870,557	14,573,381	46,473,166	32,312,294	23,703,770	131,836,512
Financial investments	1,509,399	25,375,979	655,327	3,636,466	13,237,435	32,833,947	14,411,350	91,659,903
Others	4,131,976	519,541	–	–	–	–	–	4,651,517
Total assets	21,913,889	37,335,429	24,052,275	23,020,529	61,360,028	65,146,327	38,115,120	270,943,597
Liabilities								
Borrowings from the central bank	–	–	–	210,139	1,683,320	–	–	1,893,459
Deposits from banks and other financial institutions	–	138,019	202,536	1,394	1,563,835	–	–	1,905,784
Placements from banks and other financial institutions	–	–	–	730	300,000	500,000	–	800,730
Financial assets sold under repurchase agreements	–	–	12,277,375	1,077,455	75,643	–	–	13,430,473
Deposits from customers	–	62,600,942	6,506,371	9,879,542	31,722,189	66,072,652	–	176,781,696
Debt securities issued	–	–	249,867	17,339,915	30,580,667	4,006,177	–	52,176,626
Others	–	2,432,235	14,931	14,113	150,193	241,476	60,510	2,913,458
Total liabilities	–	65,171,196	19,251,080	28,523,288	66,075,847	70,820,305	60,510	249,902,226
Net position	21,913,889	(27,835,767)	4,801,195	(5,502,759)	(4,715,819)	(5,673,978)	38,054,610	21,041,371

(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 includes all the impaired loans, as well as those overdue for more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of "repayable on demand". Indefinite amount of investments represents impaired investments or those overdue for more than one month. Equity investments are listed in the category of "indefinite".

The following tables provide an analysis of the contractual undiscounted cash flows of the non-derivative liabilities of the Group at the end of the reporting period:

	30 June 2021							
	Carrying amount	**Contractual undiscounted cash flows**	**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 liabilities								
Borrowings from the central bank	**2,385,698**	**2,414,931**	**–**	**3,420**	**587,871**	**1,823,640**	**–**	**–**
Deposits from banks and other financial institutions	**1,928,069**	**1,952,349**	**149,381**	**103,101**	**285,462**	**1,414,405**	**–**	**–**
Placements from banks and other financial institutions	**710,600**	**757,044**	**–**	**–**	**5,517**	**238,180**	**513,347**	**–**
Financial assets sold under repurchase agreements	**14,851,464**	**14,864,373**	**–**	**14,245,217**	**619,156**	**–**	**–**	**–**
Deposits from customers	**192,486,750**	**201,736,537**	**63,444,091**	**8,028,306**	**12,406,918**	**35,944,646**	**81,912,576**	**–**
Debt securities issued	**53,482,470**	**55,226,000**	**–**	**5,950,000**	**10,560,000**	**31,735,600**	**4,502,400**	**2,478,000**
Other liabilities	**4,324,336**	**4,352,143**	**3,282,023**	**593,477**	**10,975**	**161,620**	**247,447**	**56,601**
Total non-derivative liabilities	**270,169,387**	**281,303,377**	**66,875,495**	**28,923,521**	**24,475,899**	**71,318,091**	**87,175,770**	**2,534,601**

	31 December 2020							
	Carrying amount	Contractual undiscounted cash flows	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 liabilities								
Borrowings from the central bank	1,893,459	1,923,210	–	–	219,986	1,703,224	–	–
Deposits from banks and other financial institutions	1,905,784	1,955,658	138,019	202,863	11,403	1,603,373	–	–
Placements from banks and other financial institutions	800,730	840,352	–	–	5,975	313,194	521,183	–
Financial assets sold under repurchase agreements	13,430,473	13,432,971	–	12,279,873	1,077,455	75,643	–	–
Deposits from customers	176,781,696	185,640,179	62,606,323	7,361,735	10,356,990	33,638,833	71,676,298	–
Debt securities issued	52,176,626	53,068,343	–	250,018	17,401,706	31,142,432	4,274,187	–
Other liabilities	2,913,458	2,963,147	2,432,235	16,944	16,015	157,688	271,598	68,667
Total non-derivative liabilities	249,902,226	259,823,860	65,176,577	20,111,433	29,089,530	68,634,387	76,743,266	68,667

This analysis of the non-derivative liabilities by contractual undiscounted cash flows might be different from actual results.

(d) Operational risk

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

The Group has specified issues of operational risks, including its manifestation, management mode, reporting procedure, reporting cycle and statistics of loss and improved comprehensive risk management system, with major initiatives as follows:

– Establishment of operational risk management system in a crisscrossing manner. On the one hand, the Group establishes an operational risk management framework that is compatible with its nature, scale, complexity and risk characteristics, including the operational risk management mechanism that involves its board of directors, board of supervisors, senior management, head office and branches. On the other hand, a three-tier risk prevention system for the front office, middle office and back office has been established for every major risk faced by the Group.

– Formation of business philosophy of compliance and robustness. The Group fosters favourable control environment, including constant advances and promotion in operational risk culture by the board of directors and senior management.

– Preference to low operational risk under the framework of "robust" risk preference. By conducting controls on operational risk including identification, measurement, resolution, monitoring and reporting, the Group establishes mechanisms for risk avoidance, loss prediction, prevention, control, reduction, financing to control operational risk within the carrying capacity of the Group and maximise its profits.

– Prevention of operational risks based on the means of inspection and supervision. All departments and branches of the head office actively perform their duties of supervision and management, conduct routine and special inspections on operational risks in major businesses, and establish ledgers of all problems identified for rectification and check-off. Based on the inspection by departments, the internal audit department fully uses the off-site audit system, business risk early-warning system and remote monitoring system to detect violations and pay constant attention to risk-prone problems to prevent operational risks. In the meantime, inspections and investigations are exercised on key businesses, key institutions and key personnel to prevent operational risks.

– Combination of punishment and incentives to encourage compliance and standard operations. Integral management will be implemented on personnel who violate operational standards for strict ascertainment of responsibility; employees are encouraged to spontaneously disclose and actively report operational risks; internal management, compliance operation, inspection and supervision and swindle prevention and control of the head office and branches shall be quantitatively assessed for penalty points; innovative implementation of compliance and internal control management of institutions shall be assessed for bonus points.

– Substantive achievements in carrying out system training and improving staff operation skills have been effective in preventing operational risks for the Group.

38 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 the reporting period. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

(ii) Receivables 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.

(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, and financial investments.

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

Loans and advances to customers are mostly priced at floating rates close to the PBoC rates. Accordingly, the carrying amounts approximate to the fair values.

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 amounts of financial investments at amortised cost are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently.

(ii) Financial liabilities

The Group's financial liabilities mainly include deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

The book value and fair value of debt securities issued are presented in Note 28. The carrying amounts of other financial liabilities approximate to their fair values.

(c) Fair value hierarchy

The following table presents the fair value of 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 techniques 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, credit spreads and exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is by reference to another instrument that is substantially the same.

	30 June 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Assets				
Financial investments at fair value through profit or loss				
– debt securities	**–**	**2,348,502**	**91,703**	**2,440,205**
– fund investments	**–**	**27,942,955**	**–**	**27,942,955**
– investment management products	**–**	**417,165**	**2,187,655**	**2,604,820**
– other investments	**–**	**263,293**	**–**	**263,293**
Financial investments at fair value through other comprehensive income				
– debt securities and interbank deposits	**–**	**6,983,601**	**–**	**6,983,601**
– investment management products	**–**	**672,140**	**–**	**672,140**
– equity investments	**–**	**–**	**120,700**	**120,700**
Loans and advances to customers measured at fair value through other comprehensive income				
– discounted bills	**–**	**31,003,463**	**–**	**31,003,463**
Total	**–**	**69,631,119**	**2,400,058**	**72,031,177**

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Financial investments at fair value through profit or loss				
– debt securities	–	1,631,868	108,407	1,740,275
– fund investments	–	25,375,979	–	25,375,979
– investment management products	–	368,609	2,240,068	2,608,677
– other investments	–	–	50,155	50,155
Financial investments at fair value through other comprehensive income				
– debt securities and interbank deposits	–	8,072,387	–	8,072,387
– investment management products	–	690,614	–	690,614
– equity investments	–	–	135,453	135,453
Loans and advances to customers measured at fair value through other comprehensive income				
– discounted bills	–	29,600,410	–	29,600,410
Total	–	65,739,867	2,534,083	68,273,950

The movements during the six months ended 30 June 2021 in the balance of Level 3 fair value measurements are as follows:

				Total gains or losses		Purchases, issues, sales and settlements					
	1 January 2021	Transfer into Level 3	Transfer out of Level 3	Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales	Settlements	30 June 2021	Unrealised gains or losses for the period included in profit or loss for assets held at the end of the period
Assets											
Financial assets at fair value through profit or loss											
– debt securities	108,407	–	–	(16,704)	–	–	–	–	–	91,703	(16,704)
– investment management products	2,240,068	–	–	(52,413)	–	–	–	–	–	2,187,655	(52,413)
– other investments	50,155	–	–	(155)	–	–	–	–	(50,000)	–	–
Subtotal	2,398,630	–	–	(69,272)	–	–	–	–	(50,000)	2,279,358	(69,117)
Financial investments at fair value through other comprehensive income											
– equity investments	135,453	–	–	–	(14,753)	–	–	–	–	120,700	–
Total	2,534,083	–	–	(69,272)	(14,753)	–	–	–	(50,000)	2,400,058	(69,117)

The movements during the year ended 31 December 2020 in the balance of Level 3 fair value measurements are as follows:

				Total gains or losses		Purchases, issues, sales and settlements					
	1 January 2020	Transfer into Level 3	Transfer out of Level 3	Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales	Settlements	31 December 2020	Unrealised gains or losses for the period included in profit or loss for assets and liabilities held at the end of the period
Assets											
Financial assets at fair value through profit or loss											
– debt securities	149,297	–	–	(40,890)	–	–	–	–	–	108,407	(40,890)
– investment management products	2,276,444	–	–	(35,376)	–	–	–	–	(1,000)	2,240,068	(35,376)
– other investments	59,097	–	–	(853)	–	–	–	–	(8,089)	50,155	(853)
Subtotal	2,484,838	–	–	(77,119)	–	–	–	–	(9,089)	2,398,630	(77,119)
Financial investments at fair value through other comprehensive income											
– equity investments	151,190	–	–	–	(15,737)	–	–	–	–	135,453	–
Total	2,636,028	–	–	(77,119)	(15,737)	–	–	–	(9,089)	2,534,083	(77,119)

During the six months ended 30 June 2021 and the year ended 31 December 2020, there were no significant transfers among instruments in Level 1, Level 2 and Level 3.

39 Fiduciary Activities

(a) 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 recognised in the statement of financial position. Surplus funding is accounted for as other liabilities.

	30 June 2021	31 December 2020
Entrusted loans	**9,600,985**	8,239,963
Entrusted funds	**9,601,321**	8,240,332

(b) Intermediary matchmaking service

Intermediary matchmaking service refers to the Group's signing agreements with customers and financing parties respectively, and providing intermediary matchmaking, information registration, agent interest payment or redemption and information disclosure services. As for the intermediary matchmaking service, the Group only fulfills its management duties and collects corresponding service fees in accordance with the relevant agreements and does not bear the relevant default risk arising from the intermediary matchmaking service. Therefore, the relevant intermediary matchmaking service is recorded as an off-balance sheet item.

As at 30 June 2021 and 31 December 2020, the balances of intermediary matchmaking service business were as follows:

	30 June 2021	31 December 2020
Intermediary matchmaking service business	**6,299,642**	7,222,838

40 Commitments and Contingent Liabilities

(a) Credit commitments

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

The contractual amounts of loan 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.

	30 June 2021	31 December 2020
Loan commitments		
– Original contractual maturity within one year	**1,212,924**	2,163,216
– Original contractual maturity more than one year (inclusive)	**10,005,823**	7,604,160
Credit card commitments	**6,908,654**	6,677,521
Subtotal	**18,127,401**	16,444,897
Acceptances	**48,244,866**	42,685,919
Letters of credit	**5,679,084**	4,348,112
Letters of guarantees	**430,926**	709,755
Total	**72,482,277**	64,188,683

The Group may be exposed to credit risk in all the above credit businesses. The Group's 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 the expected future cash outflows.

(b) Credit risk-weighted amount for credit commitments

	30 June 2021	31 December 2020
Risk-weighted amounts for credit commitments	**33,045,284**	30,556,100

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

(c) Capital commitments

As at the end of the reporting period, the Group's authorised capital commitments were as follows:

	30 June 2021	31 December 2020
Contracted but not paid for	**144,775**	129,275
Authorised but not contracted for	**–**	–
Total	**144,775**	129,275

(d) Outstanding litigations and disputes

As at 30 June 2021, the Group was the defendant in certain outstanding litigations and disputes with an estimated gross amount of RMB4 million (31 December 2020: RMB10 million). The Group has assessed the impact of the above outstanding litigation and disputes that may lead to an outflow of economic benefits. In the opinion of the Group's lawyers and external lawyers, it is unlikely for the Group to receive unfavourable ruling in these cases. Therefore, the Group did not make provision for the litigation. The directors of the Bank are of the view that these litigations will not have any material adverse effects on the Group's businesses, financial condition, results of operations or prospects.

(e) Bonds underwriting commitments and redemption obligations

The Group had no outstanding bonds underwriting commitments at the end of the reporting period.

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back its bonds if the holders decide to early redeem the bonds. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payable to the bond holders is calculated in accordance with relevant rules of the Ministry of Finance ("**MOF**") and the PBoC. The redemption price may be different from the fair value of similar instruments traded in the markets at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at 30 June 2021 or 31 December 2020:

	30 June 2021	31 December 2020
Redemption obligations	**3,087,553**	2,969,900

(f) Pledged assets

(i) Assets pledged as collateral

	30 June 2021	31 December 2020
For repurchase agreements:		
– Financial investments measured at amortised cost	**11,461,033**	13,102,283
– Discounted bills	**3,863,916**	1,391,874
– Financial investments measured at fair value through other comprehensive income	**198,196**	–
Total	**15,523,145**	14,494,157

Financial assets pledged by the Group as collateral for liabilities are mainly debt securities for repurchase agreements.

(ii) Pledged assets received

The Group conducts resale agreements under standard terms of placements and holds collateral for these transactions. The Group's balance of the financial assets held under resale agreements is disclosed in Note 16. The fair value of such collateral accepted by the Group was RMB26,047 million as at 30 June 2021 (31 December 2020: RMB19,127 million). These transactions were conducted under standard terms in the normal course of business.

41 Involvement with Unconsolidated Structured Entities

(a) Structured entities sponsored by third party institutions in which the Group holds interests:

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 funds, trust schemes and asset management plans 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.

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 statement of financial position in which relevant assets were recognised as at 30 June 2021 and 31 December 2020:

	30 June 2021		31 December 2020	
	Carrying amount	**Maximum exposure**	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	**30,547,775**	**30,547,775**	28,034,811	28,034,811
Financial investments at fair value through other comprehensive income	**672,140**	**672,140**	690,614	690,614
Financial investments at amortised cost	**17,107,990**	**17,107,990**	18,238,227	18,238,227
Total	**48,327,905**	**48,327,905**	46,963,652	46,963,652

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

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

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. Interests held by the Group include investments in units issued by these structured entities and fees charged by providing management services. As at 30 June 2021 and 31 December 2020, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised are not material in the statement of financial position.

For the six months ended 30 June 2021, the amount of fee and commission income received from the above-mentioned structured entities by the Group was RMB82 million (six months ended 30 June 2020: RMB74 million).

As at 30 June 2021, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, was RMB39,087 million (31 December 2020: RMB38,335 million).

In July 2020, the regulatory authorities made a decision on extending the transition period for the Guiding Opinions on Regulating Asset Management Business of Financial Institutions to the end of 2021 and encouraged orderly disposal of legacy assets in a variety of ways such as undertaking by new wealth management products, market-based transfer, and transferring assets back to the balance sheet. According to the regulatory requirements, the Group has promoted the disposal of the legacy wealth management business in a pragmatic way in order to achieve a smooth transition of the wealth management business.

(c) Unconsolidated structured entities sponsored by the Group during the period in which the Group does not have interests as at 30 June 2021:

For the six months ended 30 June 2021, the aggregate amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January but matured before 30 June was RMB916 million (six months ended 30 June 2020: RMB2,147 million).

42 Subsequent Events

The Group has no material events for disclosure subsequent to the end of the reporting period.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
(Amounts in thousands of Renminbi, unless otherwise stated)

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

In accordance with the Listing Rules and Banking (Disclosure) Rules, the Group discloses the unaudited supplementary financial information as follows:

1 Liquidity Coverage Ratio, Leverage Ratio and Net Stable Funding Ratio

(a) Liquidity coverage ratio

	30 June 2021	**Average for the six months ended 30 June 2021**
Liquidity coverage ratio (RMB and foreign currencies)	**214.99%**	**226.09%**

	31 December 2020	Average for the year ended 31 December 2020
Liquidity coverage ratio (RMB and foreign currencies)	327.19%	229.90%

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks, the minimum regulatory requirement of liquidity coverage ratio is 100%.

(b) Leverage ratio

	30 June 2021	31 December 2020
Leverage ratio	**6.11%**	6.53%

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

(c) Net Stable Funding Ratio

	30 June 2021	31 March 2021	31 December 2020
Net stable funding ratio	**135.02%**	135.82%	141.19%

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks, a minimum net stable funding ratio of 100% is required.

The above liquidity coverage ratio, leverage ratio and net stable funding 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 Currency Concentrations

	30 June 2021			
	US Dollars (RMB equivalent)	***HK Dollars (RMB equivalent)***	***Others (RMB equivalent)***	***Total***
Spot assets	**34,413**	**31,985**	**214**	**66,612**
Spot liabilities	**(33,793)**	**(29,837)**	**(228)**	**(63,858)**
Net position	**620**	**2,148**	**(14)**	**2,754**

	31 December 2020			
	US Dollars (RMB equivalent)	*HK Dollars (RMB equivalent)*	*Others (RMB equivalent)*	*Total*
Spot assets	34,587	32,698	209	67,494
Spot liabilities	(33,962)	(30,572)	(223)	(64,757)
Net position	625	2,126	(14)	2,737

As at 30 June 2021, the Group‘s structural position was RMB32 million.

3 International Claims

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

International claims include loans and advances to customers, balances with the central bank, and amounts due from banks and other financial institutions.

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

	30 June 2021		
	Banks and other financial institutions	**Non-bank private sector**	**Total**
Asia Pacific	**31,937**	**–**	**31,937**
Europe	**156**	**–**	**156**
Total	**32,093**	**–**	**32,093**

	31 December 2020		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	32,650	–	32,650
Europe	149	–	149
Total	32,799	–	32,799

4 Gross Amounts of Overdue Loans and Advances

	30 June 2021	31 December 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)	**545,774**	829,674
– between 6 months and 1 year (inclusive)	**1,008,836**	716,203
– between 1 year and 3 years (inclusive)	**944,519**	461,409
– over 3 years	**185,870**	174,258
Total	**2,684,999**	2,181,544
Percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	**0.37%**	0.61%
– between 6 months and 1 year (inclusive)	**0.68%**	0.53%
– between 1 year and 3 years (inclusive)	**0.64%**	0.34%
– over 3 years	**0.13%**	0.13%
Total	**1.82%**	1.61%

8. PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

This interim results announcement is prepared in both English and Chinese languages. If there is any inconsistency between Chinese and English versions, the Chinese version shall prevail.

By order of the Board
Jinshang Bank Co., Ltd.*
Joint company secretary
LI Weiqiang

Taiyuan, August 27, 2021

As at the date of this announcement, the Board comprises Ms. HAO Qiang and Mr. ZHANG Yunfei as executive directors; Mr. LI Shishan, Mr. XIANG Lijun, Mr. LIU Chenhang, Mr. LI Yang and Mr. WANG Jianjun as non-executive directors; Mr. JIN Haiteng, Mr. SUN Shihu, Mr. WANG Liyan, Mr. DUAN Qingshan, Mr. SAI Zhiyi and Mr. YE Xiang as independent non-executive directors.

* *Jinshang 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.*