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**BANK OF GANSU CO., LTD.\***  
**甘肅銀行股份有限公司\***

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

**(Stock Code: 2139)**

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

The board of directors (the “**Board of Directors**” or the “**Board**”) of Bank of Gansu Co., Ltd. (the “**Bank**”) is pleased to announce the unaudited interim results (the “**Interim Results**”) of the Bank and its subsidiary (collectively the “**Group**”) for the six months ended June 30, 2021 (the “**Reporting Period**”) prepared in accordance with the International Financial Reporting Standards (the “**IFRSs**”) promulgated by the International Accounting Standards Board. The Board and its audit committee have reviewed and confirmed the Interim Results.

# I. FINANCIAL HIGHLIGHTS

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2021	2020	Percentage change (%)	Year ended December 31, 2020
<b>Results of operations</b>				
Interest income	6,918.7	7,095.0	(2.5)	14,752.9
Interest expenses	(4,527.8)	(4,607.2)	(1.7)	(9,002.5)
<b>Net interest income</b>	<b>2,390.9</b>	<b>2,487.8</b>	<b>(3.9)</b>	<b>5,750.4</b>
Fee and commission income	191.3	202.0	(5.3)	379.3
Fee and commission expenses	(24.5)	(15.5)	58.1	(50.4)
<b>Net fee and commission income</b>	<b>166.8</b>	<b>186.5</b>	<b>(10.6)</b>	<b>328.9</b>
Net trading gains	415.0	498.3	(16.7)	716.3
Net gains/(losses) arising from investment securities	64.4	7.0	820.0	(1.4)
Net exchange (losses)/gains	(59.1)	66.1	(189.4)	(279.7)
Other operating income/ (expense), net	2.2	(2.4)	(191.7)	(21.2)
<b>Operating income</b>	<b>2,980.2</b>	<b>3,243.3</b>	<b>(8.1)</b>	<b>6,493.3</b>
Operating expenses	(922.5)	(958.2)	(3.7)	(2,319.5)
Impairment losses on assets, net of reversals	(1,692.4)	(1,889.8)	(10.4)	(3,754.5)
<b>Operating profit</b>	<b>365.3</b>	<b>395.3</b>	<b>(7.6)</b>	<b>419.3</b>
Share of results of an associate	0.3	0.6	(50.0)	1.3
<b>Profit before tax</b>	<b>365.6</b>	<b>395.9</b>	<b>(7.7)</b>	<b>420.6</b>
Income tax credit/ (expense)	17.1	(27.4)	(162.4)	141.8
<b>Profit for the period</b>	<b>382.7</b>	<b>368.5</b>	<b>3.9</b>	<b>562.4</b>
<b>Profit for the period attributable to:</b>				
– Owners of the Bank	381.4	366.2	4.2	558.2
– Non-controlling interests	1.3	2.3	(43.5)	4.2
<b>Profit for the period</b>	<b>382.7</b>	<b>368.5</b>	<b>3.9</b>	<b>562.4</b>
Basic earnings per share (RMB)	0.03	0.04	(25.0)	0.06
Diluted earnings per share (RMB)	0.03	0.04	(25.0)	0.06

\* The financial data of the Bank for the interim period have not been audited.

(Expressed in millions of RMB, unless otherwise stated)	As at June 30, 2021	As at December 31, 2020	Percentage change (%)	
Major indicators of assets/liabilities				
Total assets	349,581.6	342,363.8	2.1	
Of which: total loans and advances to customers	194,465.7	181,825.7	7.0	
Total liabilities	317,742.6	310,899.0	2.2	
Of which: deposits from customers	254,555.7	249,677.7	2.0	
Total equity	31,839.0	31,464.8	1.2	
	Six months ended June 30, 2021 (%)	2020 (%)	Percentage change (%)	
Profitability indicators (%)				
Return on assets <sup>(1)(14)</sup>	0.22	0.22	0.00	
Return on equity <sup>(2)(14)</sup>	2.42	2.96	(18.24)	
Net interest spread <sup>(3)(14)</sup>	1.63	1.76	(7.39)	
Net interest margin <sup>(4)(14)</sup>	1.66	1.78	(6.74)	
Net fee and commission income to operating income ratio <sup>(5)</sup>	5.60	5.75	(2.61)	
Cost-to-income ratio <sup>(6)</sup>	29.15	28.05	3.92	
	As at June 30, 2021 (%)	As at December 31, 2020 (%)	Percentage Change (%)	As at June 30, 2020 (%)
Capital adequacy indicators (%)				
Core tier-one capital adequacy ratio <sup>(7)</sup>	12.30	12.85	(4.28)	9.86
Tier-one capital adequacy ratio <sup>(8)</sup>	12.30	12.85	(4.28)	9.86
Capital adequacy ratio <sup>(9)</sup>	12.83	13.39	(4.28)	11.63
Shareholders' equity to total assets ratio	9.11	9.19	(0.87)	7.40
Assets quality indicators (%)				
Non-performing loan ratio	2.14	2.28	(6.14)	2.32
Provision coverage ratio <sup>(10)</sup>	132.60	131.23	1.04	131.20
Provision to total loan ratio <sup>(11)(12)</sup>	2.84	2.99	(5.02)	3.05
Other indicators (%)				
Loan to deposit ratio <sup>(13)</sup>	76.39	72.82	4.90	68.48

*Notes:*

- (1) Calculated by dividing the net profit for a period by the average balance of total assets at the beginning and the end of that period.
- (2) Calculated by dividing the net profit for a period by the average balance of total equity at the beginning and the end of that period.
- (3) Represents the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing net fee and commission income by operating income.
- (6) Calculated by dividing total operating expenses (net of business tax and surcharges) by operating income.
- (7) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (8) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (9) Capital adequacy ratio = (total capital – corresponding capital deductions)/risk-weighted assets.
- (10) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans and advances.
- (11) Provision to total loan ratio = provision for impairment losses on loans/total loans and advances to customers.
- (12) In accordance with the relevant regulatory requirements, as a non-systematically important bank in China, the Bank made a provision to total loans at the minimum standard ratio of 2.5%.
- (13) Calculated by dividing total loans and advances to customers by total customer deposits. The loan to deposit ratio is no longer a regulatory ratio for PRC commercial banks under the amended Commercial Banking Law of the People's Republic of China, which became effective on October 1, 2015.
- (14) The ratio for the six months ended June 30, 2020 and 2021, respectively, is calculated on an annual basis.

## **II. MANAGEMENT DISCUSSION AND ANALYSIS**

### **1. ENVIRONMENT AND PROSPECT**

Since the second quarter, the global economy has been on an accelerated recovery track, and international institutions have generally raised their forecasts for the annual economic growth. In the first half of 2021, the economy maintained steady and stable development. The GDP was RMB53,216.7 billion, representing a year-on-year increase of 12.7%, a two-year average increase of 5.3%, and 0.3 percentage point higher than that of the first quarter. By industry, the secondary industry experienced the fastest recovery among the three major industries, and the tertiary industry still has much room for recovery. In the first half of the year, the growth of the primary, secondary and tertiary industries increased by 7.8%, 14.8% and 11.8% year-on-year, with a two-year average increase of 4.3%, 6.1% and 4.9%, respectively. The increases in the primary and secondary industries are already higher than the normal level before the pandemic, among which the industrial and manufacturing production has recovered well, while the tertiary industry has not yet recovered to the pre-pandemic level.

In the first half of the year, Gansu Province saw an accelerated recovery in its economic operation which was generally stable and showed steady progress and a positive trend. Gansu's gross regional product was RMB474.82 billion, representing a year-on-year increase of 10.5%, a two-year average increase of 5.9%, and 1.3 percentage points higher than that of the first quarter. By industry, the growth of the primary industry was RMB33.77 billion, representing a year-on-year increase of 11.6% and a two-year average increase of 8.7%; the growth of the secondary industry was RMB161.32 billion, representing a year-on-year increase of 9.9% and a two-year increase of 5.8%; the growth of the tertiary industry was RMB279.73 billion, representing a year-on-year increase of 10.7%, and a two-year increase of 5.7%.

The national economy continued to recover steadily in the first half of the year, laying a sound foundation for the economic operation in the second half of the year. From the perspective of factors affecting the economic trend, the factors which will contribute to the further recovery and further positive growth of economy in the second half of the year have gradually accumulated and gradually increased. Firstly, the endogenous dynamics of economy gradually strengthened. In the first half of this year, the contribution rate of domestic demand to national economic growth reached 80.9%, increasing by 4.9 percentage points as compared to the first quarter. Secondly, the confidence of main market players continues to grow. In June, the manufacturing purchasing manager's index (PMI), the non-manufacturing business activity index and the composite PMI output index were all in the relatively promising range. Thirdly, the global economic recovery has continued, laying a foundation for the growth of external demand. The global composite PMI in June was 56.6%, remaining at a 15-year high. Fourthly, from the perspective of financial operation, the financial operation remained stable in the first half of this year, and the financial structure continued to be optimized. The prudent monetary policy remains flexible, precise and reasonably moderate. The liquidity has been reasonable and sufficient. Significant results have been achieved in stabilizing the macro leverage ratio and reducing the financing costs for real economy.

## **2. DEVELOPMENT STRATEGY**

The Bank will set value creation in a prominent position, continuously enhance profitability, further improve the management of assets and liabilities, and pay more attention to the balance of scale and efficiency, with a view to build itself into “a listed urban commercial bank with high-quality development and a comprehensive financial service provider of the first choice in the region”.

To achieve the aforesaid goals, the Bank plans to: (i) vigorously expand six strategic businesses, including retail finance, inclusive finance, corporate finance, municipal finance, financial market and asset management and special asset operation; (ii) continuously improve its technology and digitalization capabilities, omni-channel management capability, organizational and talent capabilities, risk and internal control and compliance capabilities, assets and liabilities and assets allocation capabilities, corporate governance and shareholder returns, corporate culture capabilities, and cooperative and collaborative capabilities; (iii) strengthen risk management and control and improve asset quality; (iv) promote the transformation to light capital and optimize the revenue structure; (v) give play to the advantages of provincial urban commercial banks and take the path of characteristics; (vi) strengthen customer management and enhance profit contribution; and (vii) optimize the structure of the talent team to empower high-quality development.

### **3. OVERALL BUSINESS REVIEW**

The Bank's total operating income was RMB2,980.2 million for the six months ended June 30, 2021, representing a decrease of 8.1% as compared with RMB3,243.3 million for the six months ended June 30, 2020. The Bank's net profit increased by 3.9% from RMB368.5 million for the six months ended June 30, 2020 to RMB382.7 million for the six months ended June 30, 2021. The year-on-year decrease in the Bank's operating income was mainly attributable to the impact of the macro-economic downturn, the operating income decreased slightly; the net profit recorded a slightly year-on-year increase.

As at June 30, 2021, the Bank's total assets amounted to RMB349,581.6 million, representing an increase of 2.1% as compared with the end of 2020; total loans and advances to customers amounted to RMB194,465.7 million, representing an increase of 7.0% as compared with the end of 2020; the non-performing loan ratio was 2.14%, representing a decrease of 0.14 percentage point as compared with the beginning of 2021; total deposits from customers amounted to RMB254,555.7 million, representing an increase of 2.0% as compared with the end of 2020.

**(a) Analysis of the Consolidated Statements of Profit or Loss**

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Increase or decrease	Percentage change (%)
	2021	2020		
Interest income	6,918.7	7,095.0	(176.3)	(2.5)
Interest expenses	(4,527.8)	(4,607.2)	79.4	(1.7)
<b>Net interest income</b>	<b>2,390.9</b>	<b>2,487.8</b>	<b>(96.9)</b>	<b>(3.9)</b>
Fee and commission income	191.3	202.0	(10.7)	(5.3)
Fee and commission expenses	(24.5)	(15.5)	(9.0)	58.1
<b>Net fee and commission income</b>	<b>166.8</b>	<b>186.5</b>	<b>(19.7)</b>	<b>(10.6)</b>
Net trading gains	415.0	498.3	(83.3)	(16.7)
Net gains arising from investment securities	64.4	7.0	57.4	820.0
Net exchange (losses)/ gains	(59.1)	66.1	(125.2)	(189.4)
Other operating income/ (expense), net	2.2	(2.4)	4.6	(191.7)
Operating income	2,980.2	3,243.3	(263.1)	(8.1)
Operating expenses	(922.5)	(958.2)	35.7	(3.7)
Impairment losses on assets, net of reversals	(1,692.4)	(1,889.8)	197.4	(10.4)
<b>Operating profit</b>	<b>365.3</b>	<b>395.3</b>	<b>(30.0)</b>	<b>(7.6)</b>
Share of results of an associate	0.3	0.6	(0.3)	(50.0)
<b>Profit before tax</b>	<b>365.6</b>	<b>395.9</b>	<b>(30.3)</b>	<b>(7.7)</b>
Income tax credit/ (expense)	17.1	(27.4)	44.5	(162.4)
<b>Profit for the period</b>	<b>382.7</b>	<b>368.5</b>	<b>14.2</b>	<b>3.9</b>
<b>Profit for the period attributable to:</b>				
– Owners of the Bank	381.4	366.2	15.2	4.2
– Non-controlling interests	1.3	2.3	(1.0)	(43.5)
<b>Profit for the period</b>	<b>382.7</b>	<b>368.5</b>	<b>14.2</b>	<b>3.9</b>

For the first half of 2021, the Bank's profit before tax was RMB365.6 million, representing a year-on-year decrease of 7.7%; profit for the period was RMB382.7 million, the net profit recorded a slightly year-on-year increase.



(i) *Net interest income*

The net interest income was the largest component of the Bank's operating revenue, accounting for 76.7% and 80.2% of the operating income for the six months ended June 30, 2020 and 2021, respectively. The table below sets forth the Bank's interest income, interest expenses and net interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Percentage change (%)
	2021	2020	Increase or decrease	
Interest income	6,918.7	7,095.0	(176.3)	(2.5)
Interest expenses	<u>(4,527.8)</u>	<u>(4,607.2)</u>	<u>79.4</u>	<u>(1.7)</u>
<b>Net interest income</b>	<b><u>2,390.9</u></b>	<b><u>2,487.8</u></b>	<b><u>(96.9)</u></b>	<b><u>(3.9)</u></b>

The table below sets forth the average balances of interest-earning assets and interest-bearing liabilities, the related interest income or expenses and the average yield of related assets or average cost of related liabilities of the Bank for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2021			Six months ended June 30, 2020		
	Average balance <sup>(1)</sup>	Interest income	Average yield <sup>(2)</sup> (%)	Average balance <sup>(1)</sup>	Interest income	Average yield <sup>(2)</sup> (%)
<b>Interest-earning assets</b>						
Loans and advances to customers	183,500.7	5,178.3	5.64	173,585.7	4,858.7	5.60
Investment securities and other financial assets <sup>(3)</sup>	100,688.9	1,660.7	3.30	108,018.5	2,249.1	4.16
Deposits with banks	837.8	13.3	3.17	1,568.9	27.1	3.45
Financial assets held under resale agreements and placements with banks and other financial institutions	17,546.1	200.3	2.28	16,022.0	178.0	2.22
Deposits with the central bank <sup>(4)</sup>	<u>22,646.1</u>	<u>167.7</u>	<u>1.48</u>	<u>24,139.0</u>	<u>178.8</u>	<u>1.48</u>
<b>Total interest-earning assets</b>	<b><u>325,219.6</u></b>	<b><u>7,220.3</u></b>	<b><u>4.44</u></b>	<b><u>323,334.1</u></b>	<b><u>7,491.7</u></b>	<b><u>4.63</u></b>

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2021			Six months ended June 30, 2020		
	Average balance <sup>(1)</sup>	Interest expense	Average cost <sup>(2)</sup> (%)	Average balance <sup>(1)</sup>	Interest expense	Average cost <sup>(2)</sup> (%)
<b>Interest-bearing liabilities</b>						
Deposits from customers	260,820.6	3,671.3	2.82	257,778.6	3,592.2	2.79
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	5,624.6	61.9	2.20	4,646.2	48.5	2.09
Debt securities issued <sup>(5)</sup>	25,439.5	414.9	3.26	41,564.4	727.8	3.50
Deposits from banks and other financial institutions	23,612.8	312.8	2.65	15,681.1	218.7	2.79
Borrowings from the central bank	6,098.3	64.2	2.11	1,377.2	16.9	2.45
Lease liabilities	240.0	2.7	2.25	302.6	3.1	2.05
<b>Total interest-bearing liabilities</b>	<b>321,835.8</b>	<b>4,527.8</b>	<b>2.81</b>	<b>321,350.1</b>	<b>4,607.2</b>	<b>2.87</b>
<b>Net interest income</b>		<b>2,692.5</b>			<b>2,884.5</b>	
<b>Net interest spread <sup>(6)</sup></b>			<b>1.63</b>			<b>1.76</b>
<b>Net interest margin <sup>(7)</sup></b>			<b>1.66</b>			<b>1.78</b>

**Notes:**

- (1) The average balances of interest-earning assets and interest-bearing liabilities are derived from the unaudited management accounts of the Bank.
- (2) Calculated by dividing interest income/expense by average balance.
- (3) Primarily includes financial assets at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss. Interest income includes the interest income calculated in net trading gains of financial assets at fair value through profit or loss.
- (4) Primarily includes statutory deposit reserves, surplus deposit reserves and fiscal deposits reserves.
- (5) Primarily includes interbank certificates and tier-two capital bonds.
- (6) Represents the difference between the average yield of total interest-earning assets and the average cost of total interest-bearing liabilities.
- (7) Calculated by dividing net interest income by the average balance of interest-earning assets.

The table below sets forth the changes in interest income and interest expense attributable to changes in amount and interest rate of the Bank for the periods indicated. Changes in amount are measured by changes in average balances, and changes in interest rate are measured by changes in average interest rates. Changes caused by both amount and interest rate have been allocated to changes in amount.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2021 vs 2020 Increase/ (decrease)		Net increase/ (decrease) <sup>(3)</sup>
	Amount <sup>(1)</sup>	Interest rate <sup>(2)</sup>	
<b>Interest-earning assets</b>			
Loans and advances to customers	279.6	34.7	319.6
Investment securities and other financial assets	(120.9)	(464.5)	(588.4)
Deposits with banks	(11.6)	(2.2)	(13.8)
Financial assets held under resale agreements and placements with banks and other financial institutions	17.4	4.8	22.3
Deposits with the central bank	(11.0)	0.0	(11.1)
<b>Change in interest income</b>	<b>41.9</b>	<b>(307.2)</b>	<b>(271.4)</b>
<b>Interest-bearing liabilities</b>			
Deposits from customers	42.9	38.7	79.1
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	10.8	2.6	13.4
Debt securities issued	(262.8)	(49.9)	(312.9)
Deposits from banks and other financial institutions	105.1	(11.0)	94.1
Borrowings from the central bank	49.8	(2.3)	47.3
Lease liabilities	(0.7)	0.3	(0.4)
<b>Change in interest expense</b>	<b>6.8</b>	<b>(96.4)</b>	<b>(79.4)</b>
<b>Change in net interest income</b>	<b>35.1</b>	<b>(210.8)</b>	<b>(192.0)</b>

*Notes:*

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

*(ii) Interest income*

The table below sets forth the principal components of interest income of the Bank for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2021		2020	
	Amount	% of total (%)	Amount	% of total (%)
Loans and advances to customers	5,178.3	71.7	4,858.7	64.8
Investment securities and other financial assets <sup>(1)</sup>	1,660.7	23.0	2,249.1	30.0
Deposits with banks	13.3	0.2	27.1	0.4
Financial assets held under resale agreements and placements with banks and other financial institutions	200.3	2.8	178.0	2.4
Deposits with the central bank	167.7	2.3	178.8	2.4
<b>Total</b>	<b>7,220.3</b>	<b>100.0</b>	<b>7,491.7</b>	<b>100.0</b>

*Note:*

- (1) Interest income included the interest income calculated in net trading gains of financial assets at fair value through profit or loss.

Interest income decreased by 3.6% from RMB7,491.7 million for the six months ended June 30, 2020 to RMB7,220.3 million for the six months ended June 30, 2021, primarily due to the average yield of interest-earning assets decreased to 4.44% from 4.63% in the same period of last year.

(A) Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 64.8% and 71.7% of total interest income for the six months ended June 30, 2020 and 2021, respectively. The table below sets forth the average balance, interest income and average yield of loans and advances to customers of the Bank by product for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Average balance <sup>(1)</sup>	Six months ended June 30,				
		2021	Average yield (%)	Average balance <sup>(1)</sup>	2020	Average yield (%)
		Interest income			Interest income	
Corporate loans	113,653.0	3,445.0	6.06	112,933.6	3,370.5	5.97
Retail loans	41,696.0	1,289.4	6.18	34,554.4	1,065.9	6.17
Discounted bills	28,151.7	443.9	3.15	26,097.7	422.3	3.24
<b>Total loans and advances to customers</b>	<b>183,500.7</b>	<b>5,178.3</b>	<b>5.64</b>	<b>173,585.7</b>	<b>4,858.7</b>	<b>5.60</b>

*Note:*

- (1) Represents the average of daily balances based on the unaudited management accounts of the Bank.

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

Interest income from investment securities and other financial assets decreased by 26.2% from RMB2,249.1 million for the six months ended June 30, 2020 to RMB1,660.7 million for the six months ended June 30, 2021, primarily due to a 6.8% decrease in the average balance of investment securities and other financial assets, from RMB108,018.5 million for the six months ended June 30, 2020 to RMB100,688.9 million for the six months ended June 30, 2021, the average yield of investment securities and other financial assets decreased from 4.16% for the six months ended June 30, 2020 to 3.30% for the six months ended June 30, 2021. The decrease in average yield was mainly due to the impact of the economic downturn.

(C) Interest income from deposits with banks

Interest income from deposits with banks decreased by 50.9% from RMB27.1 million for the six months ended June 30, 2020 to RMB13.3 million for the six months ended June 30, 2021, primarily due to a 46.6% decrease in the average balance of deposits with banks, from RMB1,568.9 million for the six months ended June 30, 2020 to RMB837.8 million for the six months ended June 30, 2021, and a decrease in the average yield of deposits with banks, from 3.45% for the six months ended June 30, 2020 to 3.17% for the six months ended June 30, 2021. The decrease in average balance was due to the adjustment of asset allocation structure of the Bank. The decrease in average yield was primarily due to the fluctuations in the market interest rates.

(D) Interest income from financial assets held under resale agreements and placements with banks and other financial institutions

Interest income from financial assets held under resale agreements and placements with banks and other financial institutions increased by 12.5% from RMB178.0 million for the six months ended June 30, 2020 to RMB200.3 million for the six months ended June 30, 2021, primarily due to a 9.5% increase in the average balance of financial assets held under resale agreements and placements with banks and other financial institutions, from RMB16,022.0 million for the six months ended June 30, 2020 to RMB17,546.1 million for the six months ended June 30, 2021, and an increase in the average yield of financial assets held under resale agreements and placements with banks and other financial institutions, from 2.22% for the six months ended June 30, 2020 to 2.28% for the six months ended June 30, 2021. The increase in average balance was primarily due to the adjustment of asset allocation structure of the Bank. The increase in average yield was primarily due to the fluctuations in the market interest rates.

(E) Interest income from deposits with the central bank

Interest income from deposits with the central bank decreased by 6.2% from RMB178.8 million for the six months ended June 30, 2020 to RMB167.7 million for the six months ended June 30, 2021, primarily due to a 6.2% decrease in the average balance of deposits with the central bank, from RMB24,139.0 million for the six months ended June 30, 2020 to RMB22,646.1 million for the six months ended June 30, 2021. The decrease in average balance was primarily due to the improvement of the fund utilisation efficiency, the decrease of the average daily balance of deposit reserve with the central bank.

(iii) *Interest expense*

The table below sets forth the principal components of interest expense of the Bank for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2021		2020	
	Amount	% of total (%)	Amount	% of total (%)
Deposits from customers	3,671.3	81.0	3,592.2	77.9
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	61.9	1.4	48.5	1.1
Debt securities issued	414.9	9.2	727.8	15.8
Deposits from banks and other financial institutions	312.8	6.9	218.7	4.7
Borrowings from the central bank	64.2	1.4	16.9	0.4
Lease liabilities	2.7	0.1	3.1	0.1
Total	<u>4,527.8</u>	<u>100.0</u>	<u>4,607.2</u>	<u>100.0</u>

Interest expense decreased by 1.7% from RMB4,607.2 million for the six months ended June 30, 2020 to RMB4,527.8 million for the six months ended June 30, 2021, primarily due to a decrease in the average cost of interest-bearing liabilities, from 2.87% for the six months ended June 30, 2020 to 2.81% for the six months ended June 30, 2021 as a result of repayment of certain issued bonds due at higher interest rate in the interest-bearing liabilities.



(A) Interest expense on deposits from customers

Interest expense on deposits from customers increased by 2.2% from RMB3,592.2 million for the six months ended June 30, 2020 to RMB3,671.3 million for the six months ended June 30, 2021, primarily due to the average cost of deposits from customers increased from 2.79% for the six months ended June 30, 2020 to 2.82% for the six months ended June 30, 2021, as well as an increase of 1.2% in the average balance of deposits from customers, from RMB257,778.6 million for the six months ended June 30, 2020 to RMB260,820.6 million for the six months ended June 30, 2021.

(B) Interest expense on financial assets sold under repurchase agreements and placements from banks and other financial institutions

Interest expense on financial assets sold under repurchase agreements and placements from banks and other financial institutions increased by 27.6% from RMB48.5 million for the six months ended June 30, 2020 to RMB61.9 million for the six months ended June 30, 2021, primarily due to a 21.1% increase in the average balance of financial assets sold under repurchase agreements and placements from banks and other financial institutions, from RMB4,646.2 million for the six months ended June 30, 2020 to RMB5,624.6 million for the six months ended June 30, 2021, and an increase in the average cost of financial assets sold under repurchase agreements and placements from banks and other financial institutions, from 2.09% for the six months ended June 30, 2020 to 2.20% for the six months ended June 30, 2021. The increase in average balance was primarily due to the adjustment of liability allocation structure of the Bank and the increase of the allocation of financial assets sold under repurchase agreements.

(C) Interest expense on debt securities issued

Interest expense on debt securities issued decreased by 43.0% from RMB727.8 million for the six months ended June 30, 2020 to RMB414.9 million for the six months ended June 30, 2021, primarily due to a 38.8% decrease in the average balance of debt securities issued, from RMB41,564.4 million for the six months ended June 30, 2020 to RMB25,439.5 million for the six months ended June 30, 2021 and a decrease in the average cost of debt securities issued, from 3.50% for the six months ended June 30, 2020 to 3.26% for the six months ended June 30, 2021. The decrease in average balance was primarily due to the maturity for repayment of certain issued bonds. The decrease in average cost was primarily due to the maturity for repayment of certain issued bonds with higher interest rates, which lowered the average cost of debt securities issued in general.

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

Interest expense on deposits from banks and other financial institutions increased by 43.0% from RMB218.7 million for the six months ended June 30, 2020 to RMB312.8 million for the six months ended June 30, 2021, primarily due to a 50.6% increase in the average balance of deposits from banks and other financial institutions, from RMB15,681.1 million for the six months ended June 30, 2020 to RMB23,612.8 million for the six months ended June 30, 2021, the increase in the average balance was primarily because fund raising through deposits from banks and other financial institutions was increased.

(E) Interest expense on borrowings from the central bank

Interest expense on borrowings from the central bank increased by 279.9% from RMB16.9 million for the six months ended June 30, 2020 to RMB64.2 million for the six months ended June 30, 2021, primarily due to a 342.8% increase in the average balance of borrowings from the central bank, from RMB1,377.2 million for the six months ended June 30, 2020 to RMB6,098.3 million for the six months ended June 30, 2021, and the increase in the average balance was due to the increase in the re-discounted business of and the loans from the central bank.

(iv) *Net interest spread and net interest margin*

Net interest spread decreased from 1.76% for the six months ended June 30, 2020 to 1.63% for the six months ended June 30, 2021, and net interest margin decreased from 1.78% for the six months ended June 30, 2020 to 1.66% for the six months ended June 30, 2021, primarily due to a decrease in average yield of interest-earning assets, from 4.63% to 4.44% as a result of the decrease in the average yield due to the impact of the economic downturn; the average cost of interest-bearing liabilities decreased from 2.87% to 2.81%, which was mainly because of repayment of certain due issued bonds with high interest rate in the interest-bearing liabilities, which lowered the average cost for the interest-bearing liabilities in general.

(v) *Non-interest income*

(A) Net fee and commission income

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Increase or decrease	Percentage change (%)
	2021	2020		
<b>Fee and commission income</b>				
Wealth management service fees	11.1	26.8	(15.7)	(58.6)
Agency service fees	33.2	27.6	5.6	20.3
Settlement and clearing fees	67.7	108.2	(40.5)	(37.4)
Bank acceptance bill service fees	17.5	8.9	8.6	96.6
Letters of guarantee fees	-	1.4	(1.4)	(100.0)
Others <sup>(1)</sup>	61.8	29.1	32.7	112.4
	<u>191.3</u>	<u>202.0</u>	<u>(10.7)</u>	<u>(5.3)</u>
<b>Subtotal</b>	<u>191.3</u>	<u>202.0</u>	<u>(10.7)</u>	<u>(5.3)</u>
<b>Fee and commission expenses</b>	<u>(24.5)</u>	<u>(15.5)</u>	<u>(9.0)</u>	<u>58.1</u>
<b>Net fee and commission income</b>	<u>166.8</u>	<u>186.5</u>	<u>(19.7)</u>	<u>(10.6)</u>

*Note:*

(1) Primarily include guarantee fees and advisory service income.

Net fee and commission income decreased by 10.6% from RMB186.5 million for the six months ended June 30, 2020 to RMB166.8 million for the six months ended June 30, 2021, primarily due to the year-on-year decrease in settlement and clearing fees as a result of the increase in online business and the natural decline in offline business as the Bank is actively building the online “Second Bank”.

Fee and commission expenses mainly included settlement and clearing fees paid to third parties and debit card service fees. Fee and commission expenses increased by 58.1% from RMB15.5 million for the six months ended June 30, 2020 to RMB24.5 million for the six months ended June 30, 2021, primarily due to the increase in fees for certain channels as the Bank is actively building the online “Second Bank”.

(B) Net trading gains

Net trading gains primarily included gains from selling, and the fair value changes of, financial assets held for trading. The Bank had net gains of RMB498.3 million for the six months ended June 30, 2020 and net gains of RMB415.0 million for the six months ended June 30, 2021. The decrease was primarily due to the decrease in trading volume of financial assets held for trading during the period.

(C) Net gains arising from investment securities

The net gains arising from investment securities and other financial assets included net gains arising from selling investment securities and other financial assets and revaluation gains arising from the reclassification of other comprehensive income to profit or loss upon the disposal of assets. The Bank had net gains arising from investment securities and other financial assets of RMB7.0 million for the six months ended June 30, 2020, and RMB64.4 million for the six months ended June 30, 2021.

(D) Net exchange (losses)/ gains

Net exchange (losses)/ gains mainly included net gains arising out of foreign exchange settlement and foreign exchange transactions. The Bank had net exchange gains of RMB66.1 million for the six months ended June 30, 2020 and net exchange losses of RMB59.1 million for the six months ended June 30, 2021. The exchange losses were primarily due to changes in foreign exchange rates.

(E) Other operating income/ (expense)

Other operating income/ (expense) mainly included net amount of government subsidies and disposal income from fixed assets after deducting non-operating expenses. For the six months ended June 30, 2020, other operating expense of the Bank amounted to RMB2.4 million. For the six months ended June 30, 2021, the Bank recorded other operating income of RMB2.2 million.

(vi) *Operating expenses*

Operating expenses decreased by 3.7% from RMB958.2 million for the six months ended June 30, 2020 to RMB922.5 million for the six months ended June 30, 2021. The decrease was mainly due to the decrease in premises and equipment expenses. The table below sets forth the principal components of operating expense of the Bank for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Increase or decrease	Percentage change (%)
	2021	2020		
Staff costs	499.5	437.0	62.5	14.3
Premises and equipment expenses	197.7	295.6	(97.9)	(33.1)
General management and administrative expenses	171.6	177.1	(5.5)	(3.1)
Business tax and surcharges	53.7	48.5	5.2	10.7
<b>Total</b>	<b>922.5</b>	<b>958.2</b>	<b>(35.7)</b>	<b>(3.7)</b>
<b>Cost-to-income ratio<sup>(1)</sup>(%)</b>	<b>29.15</b>	<b>28.05</b>	<b>1.1</b>	<b>3.9</b>

*Note:*

- (1) Calculated by dividing total operating expenses (net of business tax and surcharge) by total operating income.

(A) Staff costs

The table below sets forth the components of staff cost for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2021	2020	Increase or decrease	Percentage change (%)
Salaries and bonuses	335.1	283.7	51.4	18.1
Social insurance	106.1	99.2	6.9	7.0
Housing allowances	36.4	35.9	0.5	1.4
Labour union and staff education expenses	5.0	4.0	1.0	25.0
Staff welfares	16.2	13.1	3.1	23.7
Others	0.7	1.1	(0.4)	(36.4)
<b>Total staff costs</b>	<b>499.5</b>	<b>437.0</b>	<b>62.5</b>	<b>14.3</b>

Staff costs increased by 14.3% from RMB437.0 million for the six months ended June 30, 2020 to RMB499.5 million for the six months ended June 30, 2021. The increase in staff costs was primarily due to the low level of pay for performance in the same period of last year due to the impact of the pandemic and the lower staff costs in the same period of last year caused by the introduction of the national policy on social security exemptions.

(B) Premises and equipment expenses

Premises and equipment expenses decreased by 33.1% from RMB295.6 million for the six months ended June 30, 2020 to RMB197.7 million for the six months ended June 30, 2021. The decrease in premises and equipment expenses was primarily due to the decrease in depreciation and amortization expense as a result of the Bank's reassessment of the remaining useful lives of assets and adjustment of the depreciable lives of assets.

(C) General management and administrative expenses

General management and administrative expenses primarily included business promotion fees, administrative fees, transportation fee and repair expenses. General management and administrative expenses decreased by 3.1% from RMB177.1 million for the six months ended June 30, 2020 to RMB171.6 million for the six months ended June 30, 2021. The general management and administrative expenses slightly decreased.

(D) Business tax and surcharges

The Bank pays taxes on interest income from loans, fee and commission income and securities trading gains. Business tax and surcharges increased steadily due to business growth, which were RMB48.5 million and RMB53.7 million for the six months ended June 30, 2020 and 2021, respectively.



(vii) *Impairment losses on credit/assets*

The table below sets forth the principal components of impairment losses on credit/assets for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Increase or decrease	Percentage change (%)
	2021	2020		
Loans and advances to customers	1,109.0	1,556.7	(447.7)	(28.8)
Investment assets	583.4	324.5	258.9	79.8
Acceptance bills, letters of guarantees and unused credit card commitments	0.0	8.6	(8.6)	(100.0)
<b>Total impairment losses on credit/assets</b>	<b>1,692.4</b>	<b>1,889.8</b>	<b>(197.4)</b>	<b>(10.4)</b>

Impairment losses on credit/assets decreased by 10.4% from RMB1,889.8 million for the six months ended June 30, 2020 to RMB1,692.4 million for the six months ended June 30, 2021 mainly due to the decrease in provisions for credit impairment loss as a result of the improvement of assets quality.

Credit impairment losses on loans and advances to customers decreased by 28.8% from RMB1,556.7 million for the six months ended June 30, 2020 to RMB1,109.0 million for the six months ended June 30, 2021, mainly due to the improvement of assets quality of loans and advances to customers.

Credit impairment losses of investment assets increased by 79.8% from RMB324.5 million for the six months ended June 30, 2020 to RMB583.4 million for the six months ended June 30, 2021, which was mainly due to the increase in provision for debt investment assets.

*(viii) Income tax credit/ (expense)*

Income tax expense was RMB27.4 million for the six months ended June 30, 2020 and the income tax credit was RMB17.1 million for the six months ended June 30, 2021. The income tax was negative, primarily due to the increase in write-off assets during the Reporting Period, forming a temporary difference of deductible loss, while recognizing the deferred income tax assets and deferred income tax expense, resulting in the occurrence of income tax credit.

***(b) Analysis of the Consolidated Statement of Financial Position***

*(i) Assets*

As of June 30, 2021 and December 31, 2020, the total assets of the Bank were RMB349,581.6 million and RMB342,363.8 million, respectively. Major components of total assets include (i) loans and advances to customers; (ii) investment securities and other financial assets; (iii) deposits with banks; (iv) cash and deposits with the central bank; and (v) financial assets held under resale agreements. The table below sets forth the components of total assets as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total (%)	Amount	% of total (%)
<b>Assets</b>				
Loans and advances to customers, gross	194,465.7	55.6	181,825.7	53.0
Provision for impairment losses	(5,517.2)	(1.6)	(5,438.9)	(1.6)
Loans and advances to customers, net	188,948.5	54.0	176,386.8	51.4
Investment securities and other financial assets <sup>(1)</sup>	103,483.1	29.6	105,982.7	31.0
Deposits with banks	5,561.2	1.6	3,716.1	1.1
Cash and deposits with the central bank	23,785.6	6.8	26,666.7	7.8
Financial assets held under resale agreements	16,205.8	4.6	19,150.1	5.6
Other assets <sup>(2)</sup>	11,597.4	3.4	10,461.4	3.1
<b>Total assets</b>	<b>349,581.6</b>	<b>100.0</b>	<b>342,363.8</b>	<b>100.0</b>

*Notes:*

- (1) Include financial assets at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.
- (2) Primarily consist of property and equipment, other assets, deferred tax assets, interests receivables, interest in an associate and right-of-use assets.

(A) Loans and advances to customers

As of June 30, 2021, the total loans and advances to customers of the Bank were RMB194,465.7 million, representing an increase of 7.0% as compared with December 31, 2020. Net loans and advances to customers accounted for 54.0 % of the total assets of the Bank, representing an increase as compared with the beginning of the year.

The table below sets forth loans and advances to customers by product as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total (%)	Amount	% of total (%)
Corporate loans	115,926.5	59.6	110,853.4	61.0
Retail loans	46,878.6	24.1	41,359.8	22.7
Discounted bills	31,660.6	16.3	29,612.5	16.3
<b>Total loans and advances to customers</b>	<b>194,465.7</b>	<b>100.0</b>	<b>181,825.7</b>	<b>100.0</b>

Loans and advances to customers are the largest component of total assets. The Bank offers a variety of loan products, substantially all of which are denominated in Renminbi. Loans and advances to customers, net of provisions for impairment losses, represented 54.0% and 51.4% of total assets as of June 30, 2021 and December 31, 2020, respectively.

The Bank's corporate loans increased from RMB110,853.4 million as of December 31, 2020 to RMB115,926.5 million as of June 30, 2021, representing an increase as compared with the beginning of the year.

The Bank's retail loans mainly comprise of personal business loans, personal consumption loans and residential and commercial mortgage loans. The Bank's retail loans increased by 13.3% from RMB41,359.8 million as of December 31, 2020 to RMB46,878.6 million as of June 30, 2021, primarily due to the Bank's active adjustment of asset allocation structure towards retail loans and the increase of investment in credit card overdrafts and personal loans.

#### Loans and advances to customers by type of collateral

The table below sets forth loans and advances to customers by type of collateral as of the dates indicated. If a loan is secured by multiple forms of collateral, the classification is based on the primary form of collateral.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total (%)	Amount	% of total (%)
Collateralized loans	81,098.1	41.6	83,120.4	45.7
Pledged loans	13,748.6	7.1	14,706.2	8.1
Guaranteed loans	74,006.5	38.1	60,822.4	33.5
Unsecured loans	25,612.5	13.2	23,176.7	12.7
<b>Total loans and advances to customers</b>	<b>194,465.7</b>	<b>100.0</b>	<b>181,825.7</b>	<b>100.0</b>

As of June 30, 2021 and December 31, 2020, collateralized loans, pledged loans and guaranteed loans in aggregate represented 86.8% and 87.3% of total loans and advances to customers, respectively. Collateralized loans and pledged loans are subject to loan-to-value ratio limits based on the type of collateral. The Bank usually only accepts guarantees provided by listed companies, guarantee companies or guarantor with strong guarantee capacity and in compliance with guarantee conditions. The Bank evaluates a guarantee company based on its size, credit history and risk-resistance level, as well as the value and quality of any collateral provided by the borrower.

Unsecured loans increased by 10.5% from RMB23,176.7 million as of December 31, 2020 to RMB25,612.5 million as of June 30, 2021. The rapid growth in unsecured loans mainly reflected that the Bank transformed towards retail loans, and increased allocation for credit card business and other unsecured loans.

Change to the provisions for impairment losses on loans and advances to customers

The table below sets forth the change to the provision for impairment losses on loans and advances to customers as of the dates indicated.

<b>(Expressed in millions of RMB, unless otherwise stated)</b>	<b>As of June 30, 2021</b>	<b>As of December 31, 2020</b>
As at the beginning of the Reporting Period	<b>5,438.9</b>	5,682.4
Charge for the period/year	<b>1,109.0</b>	3,104.9
Write-off and others for the period/year	<b>(1,040.7)</b>	(3,463.1)
Reversal of write-offs for the previous years	<b>10.0</b>	114.7
<b>As of June 30/December 31</b>	<b><u>5,517.2</u></b>	<b><u>5,438.9</u></b>

Provisions for impairment losses on loans and advances to customers increased by 1.4% from RMB5,438.9 million as of December 31, 2020 to RMB5,517.2 million as of June 30, 2021, representing a slight increase in loan provision balance as compared with the beginning of the year.

**(B) Investment securities and other financial assets**

As of June 30, 2021 and December 31, 2020, the Bank's investment securities and other financial assets (original value without deducting provisions for impairment) were RMB105,094.8 million and RMB107,339.9 million, representing 30.1% and 31.4% of the total assets, respectively.

Investment securities and other financial assets primarily include debt securities, asset management plans issued by other financial institutions, trust plans, wealth management products and fund products.

Investment securities and other financial assets (original value without deducting provisions for impairment) decreased by RMB2,245.1 million from RMB107,339.9 million as of December 31, 2020 to RMB105,094.8 million as of June 30, 2021, mainly due to the natural decline in the size of non-standard investments upon maturity .

*(ii) Liabilities*

As of June 30, 2021 and December 31, 2020, the total liabilities of the Bank were RMB317,742.6 million and RMB310,899.0 million, respectively. Major components of the liabilities include (i) deposits from customers; (ii) deposits from banks and other financial institutions; (iii) financial assets sold under repurchase agreements; (iv) debt securities issued; (v) borrowings from the central bank; (vi) placements from banks and other financial institutions; and (vii) other liabilities. The table below sets forth the components of total liabilities as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total (%)	Amount	% of total (%)
Deposits from customers	254,555.7	80.1	249,677.7	80.4
Deposits from banks and other financial institutions	12,437.9	3.9	11,625.7	3.7
Financial assets sold under repurchase agreements	6,791.7	2.1	8,730.1	2.8
Debt securities issued	27,598.5	8.7	23,551.5	7.6
Borrowings from the central bank	6,904.6	2.2	6,620.2	2.1
Other liabilities <sup>(1)</sup>	9,454.2	3.0	10,693.8	3.4
<b>Total liabilities</b>	<b>317,742.6</b>	<b>100.0</b>	<b>310,899.0</b>	<b>100.0</b>

*Note:*

- (1) Primarily include interests payable, taxes payable, accrued staff costs, deferred tax liabilities, lease liabilities and other liabilities.

(A) Deposits from customers

Deposits from customers are the largest component of total liabilities. As of June 30, 2021 and December 31, 2020, deposits from customers represented 80.1% and 80.4% of the total liabilities, respectively.

The Bank offers RMB-denominated demand and time deposit products to corporate and retail customers. The table below sets forth deposits from customers by product and customer type as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total (%)	Amount	% of total (%)
<b>Corporate deposits</b>				
Demand deposits	58,131.8	22.9	60,133.9	24.1
Time deposits	23,015.7	9.1	22,260.6	8.9
<b>Subtotal</b>	<b>81,147.5</b>	<b>32.0</b>	<b>82,394.5</b>	<b>33.0</b>
<b>Retail deposits</b>				
Demand deposits	31,079.2	12.2	31,259.5	12.5
Time deposits	126,861.7	49.9	117,781.6	47.2
<b>Subtotal</b>	<b>157,940.9</b>	<b>62.1</b>	<b>149,041.1</b>	<b>59.7</b>
<b>Pledged deposits</b>	<b>11,027.3</b>	<b>4.3</b>	<b>11,845.7</b>	<b>4.7</b>
<b>Others</b>	<b>4,440.0</b>	<b>1.7</b>	<b>6,396.4</b>	<b>2.6</b>
<b>Total deposits from customers</b>	<b>254,555.7</b>	<b>100.0</b>	<b>249,677.7</b>	<b>100.0</b>

Total deposits from customers increased by 2.0% from RMB249,677.7 million as of December 31, 2020 to RMB254,555.7 million as of June 30, 2021, primarily attributable to the steady increase of customer deposits in line with the business growth as a result of the enhancement of deposit marketing effort by the Bank.

(B) Debts securities issued

In April 2017, the Bank issued financial bonds in an aggregate principal amount of RMB1,000.0 million. The bonds have a term of five years and bear an interest rate of 5.00% per annum.

From January 1, 2021 to June 30, 2021, the Bank issued several tranches of interbank certificates in an aggregate face value of RMB29,840.0 million. These interbank certificates have terms of one month to one year and bear effective interest rates between 2.53% and 3.60% per annum.

(iii) Shareholders' equity

The table below sets forth the change in shareholders' equity of the Bank as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total (%)	Amount	% of total (%)
Share capital	15,069.8	47.4	15,069.8	47.9
Capital reserve	5,956.0	18.7	5,955.5	18.9
Defined benefit plan reserve	(2.8)	–	(2.8)	–
Investment revaluation reserve	129.0	0.4	137.2	0.4
Surplus reserve	1,671.1	5.2	1,616.0	5.2
General reserve	4,539.0	14.3	4,539.0	14.4
Retained earnings	4,440.3	13.9	4,113.9	13.1
Non-controlling interests	36.6	0.1	36.2	0.1
<b>Total equity</b>	<b>31,839.0</b>	<b>100.0</b>	<b>31,464.8</b>	<b>100.0</b>



**(c) Asset quality analysis**

**(i) Breakdown of loans by the five-category classification**

For the Bank, the non-performing loans are classified into loans and advances to customers of substandard, doubtful and loss. As of June 30, 2021, the Bank's non-performing loans amounted to RMB4,160.9 million. The table below sets forth loans and advances to customers by loan classification as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total (%)	Amount	% of total (%)
Normal	182,545.6	93.9	170,790.3	93.9
Special mention	7,759.2	4.0	6,890.8	3.8
Substandard	990.4	0.5	1,055.9	0.6
Doubtful	2,479.1	1.3	2,553.2	1.4
Loss	691.4	0.3	535.5	0.3
<b>Total loans and advances to customers</b>	<b>194,465.7</b>	<b>100.0</b>	<b>181,825.7</b>	<b>100.0</b>
<b>Non-performing loans and non-performing loan ratio<sup>(1)</sup></b>	<b>4,160.9</b>	<b>2.14</b>	<b>4,144.6</b>	<b>2.28</b>

*Note:*

- (1) Calculated by dividing non-performing loans by total loans and advances to customers.

As of June 30, 2021 and December 31, 2020, the non-performing loan ratios of the Bank were 2.14% and 2.28%, respectively, representing a decrease of 0.14%.

(ii) *Concentration of loans*

(A) Concentration by industry and structure of non-performing loans

The table below sets forth the breakdown of loans and non-performing loans by industry as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021				As of December 31, 2020			
	Loan amount	% of total (%)	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	% of total (%)	Non- performing loan amount	Non- performing loan ratio (%)
<b>Corporate loans</b>								
Wholesale and retail	13,115.3	6.7	931.3	7.10	15,077.9	8.3	814.7	5.40
Manufacturing	21,869.0	11.2	795.4	3.64	21,603.0	11.9	636.7	2.95
Agriculture, forestry, animal husbandry and fishing	8,369.8	4.3	237.8	2.84	7,955.7	4.4	349.3	4.39
Construction	10,276.6	5.3	362.7	3.53	12,364.9	6.8	320.9	2.60
Real estate	12,048.7	6.2	45.0	0.37	13,176.7	7.2	45.0	0.34
Mining	5,386.5	2.8	13.0	0.24	5,186.1	2.9	13.1	0.25
Water, environment and public facility management	4,915.5	2.5	0.0	0.00	2,494.2	1.4	0.0	0.00
Culture, sports and entertainment	4,630.1	2.4	1.7	0.04	3,428.7	1.9	29.6	0.86
Leasing and business services	13,031.2	6.7	96.9	0.74	10,080.6	5.5	42.7	0.42
Electricity, heating power, gas and water production and supply	2,061.7	1.1	8.8	0.43	3,064.6	1.7	23.4	0.76
Transportation, storage and postal services	8,607.7	4.4	15.7	0.18	5,344.8	2.9	23.0	0.43
Education	1,582.1	0.8	0.3	0.02	1,585.9	0.9	0.0	0.00
Accommodation and catering	2,762.8	1.4	35.8	1.30	2,654.1	1.4	66.1	2.49
Financial	3,770.0	1.9	0.0	0.00	1,860.0	1.0	0.0	0.00
Health and social services	2,072.0	1.1	0.0	0.00	2,230.1	1.2	3.8	0.17
Residents and other services	489.5	0.3	18.6	3.8	1,215.3	0.7	1.1	0.09
Scientific research, technical service and geological prospecting	743.3	0.4	20.0	2.69	1,315.6	0.7	20.0	1.52
Information transmission, computer service and software	118.3	0.1	18.5	15.64	118.5	0.1	9.7	8.18
Public administration, social security and social organizations	76.5	0.0	0.0	0.00	96.7	0.1	0.0	0.00
<b>Retail loans</b>	<b>46,878.6</b>	<b>24.1</b>	<b>1,559.4</b>	<b>3.33</b>	<b>41,359.8</b>	<b>22.7</b>	<b>1,745.5</b>	<b>4.22</b>
<b>Discounted bills</b>	<b>31,660.5</b>	<b>16.3</b>	<b>0.0</b>	<b>0.00</b>	<b>29,612.5</b>	<b>16.3</b>	<b>0.0</b>	<b>0.00</b>
<b>Total amount</b>	<b>194,465.7</b>	<b>100.0</b>	<b>4,160.9</b>	<b>2.14</b>	<b>181,825.7</b>	<b>100.0</b>	<b>4,144.6</b>	<b>2.28</b>

*Note:*

Non-performing loan ratio of an industry is calculated by dividing the balance of non-performing loans of the industry by the balance of loans granted to the industry.

Loans to borrowers in the manufacturing, wholesale and retail, leasing and business services industries, real estate and construction represented the largest components of the Bank's corporate loan portfolio. Loans to these industries accounted for 65.2% and 60.7% of total corporate loans as of December 31, 2020 and June 30, 2021, respectively.

As of June 30, 2021, non-performing loans of the Bank's corporate loans were mainly concentrated in the wholesale and retail industry with a non-performing loan ratio of 7.10%.

(B) Borrower concentration

*Loans to the 10 largest single borrowers*

The following table sets forth the 10 largest single borrowers (excluding group borrowers) as reported to the PRC regulator as of June 30, 2021 and the balances of loans to these borrowers. All of these loans were classified as normal.

(Expressed in millions of RMB, unless otherwise stated)		As of June 30, 2021	
Customers	Industries involved	Amount	% of total loans (%)
Borrower A	Manufacturing	3,000.0	1.5
Borrower B	Construction	2,109.3	1.1
Borrower C	Leasing and business services	1,720.4	0.9
Borrower D	Manufacturing	1,600.0	0.8
Borrower E	Financial	1,500.0	0.8
Borrower F	Leasing and business services	1,483.0	0.8
Borrower G	Transportation, storage and postal services	1,400.0	0.7
Borrower H	Real estate	1,063.1	0.6
Borrower I	Manufacturing	1,000.0	0.5
Borrower J	Leasing and business services	<u>1,000.0</u>	<u>0.5</u>

(C) Non-performing loans by product

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021			As of December 31, 2020		
	Loan amount	Non- performing Loan amount	Non- performing loan ratio <sup>(1)</sup> (%)	Loan amount	Non- performing Loan amount	Non- performing loan ratio <sup>(1)</sup> (%)
<b>Corporate loans</b>						
Fixed asset loans	41,723.3	145.0	0.35	41,330.0	45.0	0.11
Working capital loans	73,691.4	1,944.6	2.64	68,982.6	1,842.3	2.67
Others <sup>(2)</sup>	511.9	511.9	100.00	540.8	511.8	94.64
<b>Sub-total</b>	<b>115,926.6</b>	<b>2,601.5</b>	<b>2.24</b>	<b>110,853.4</b>	<b>2,399.1</b>	<b>2.16</b>
<b>Retail loans</b>						
Personal business loans	6,032.6	1,111.9	18.43	6,572.6	1,246.3	18.96
Personal consumption loans	16,906.2	134.2	0.79	13,877.0	234.9	1.69
Residential and commercial mortgage loans	23,939.8	313.3	1.31	20,910.2	264.3	1.26
<b>Sub-total</b>	<b>46,878.6</b>	<b>1,559.4</b>	<b>3.33</b>	<b>41,359.8</b>	<b>1,745.5</b>	<b>4.22</b>
<b>Discounted bills</b>	<b>31,660.5</b>	<b>0.0</b>	<b>0.00</b>	<b>29,612.5</b>	<b>0.00</b>	<b>0.00</b>
<b>Total non-performing loans</b>	<b>194,465.7</b>	<b>4,160.9</b>	<b>2.14</b>	<b>181,825.7</b>	<b>4,144.6</b>	<b>2.28</b>

Notes:

- (1) Calculated by dividing non-performing loans by loans and advances to customers of each product category.
- (2) Primarily consist of advances for bank acceptance bill.

The non-performing loan ratio of corporate loans decreased from 2.16% as of December 31, 2020 to 2.24% as of June 30, 2021, representing an increase of 0.08%.

The non-performing loan ratio of retail loans increased from 4.22% as of December 31, 2020 to 3.33% as of June 30, 2021, representing a decrease of 0.89%.

(D) Loan aging schedule

The table below sets forth the loan aging of loans and advances to customers as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total (%)	Amount	% of total (%)
Loans not overdue	<u>185,848.9</u>	<u>95.6</u>	<u>171,082.8</u>	<u>94.1</u>
Loans past due for:				
1 to 90 days	5,165.0	2.7	7,011.9	3.9
91 days to 1 year	1,237.9	0.6	1,607.7	0.9
1 to 3 years	1,977.2	1.0	1,897.0	1.0
3 years or more	<u>236.7</u>	<u>0.1</u>	<u>226.3</u>	<u>0.1</u>
Subtotal	<u>8,616.8</u>	<u>4.4</u>	<u>10,742.9</u>	<u>5.9</u>
Total loans and advances to customers	<u><u>194,465.7</u></u>	<u><u>100.0</u></u>	<u><u>181,825.7</u></u>	<u><u>100.0</u></u>

**(d) Segments information**

**(i) Summary of business segment**

We operate three principal lines of business: corporate banking, retail banking and financial market operations. The table below sets forth the operating income for each of our principal business segments for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2021		2020	
	Amount	% of total (%)	Amount	% of total (%)
Corporate banking	1,274.0	42.7	1,558.5	48.1
Retail banking	914.0	30.7	623.6	19.2
Financial market operations	787.4	26.4	968.4	29.8
Others <sup>(1)</sup>	4.8	0.2	92.9	2.9
<b>Total operating income</b>	<b>2,980.2</b>	<b>100.0</b>	<b>3,243.4</b>	<b>100.0</b>

*Note:*

- (1) Primarily represent assets, liabilities, income and expenses which cannot be directly attributable or cannot be allocated to a segment on a reasonable basis.

**(ii) Summary of geographical segment information**

No geographical information is presented as most of the Group's operations are conducted and all non-current assets are located in Gansu Province of the PRC and therefore revenue is derived from activities in Gansu Province of the PRC.

**(e) Off-balance sheet commitments**

Off-balance sheet commitments primarily consist of loan commitments, bank acceptances, letters of guarantee and capital commitments. The table below sets forth our contractual amounts of off-balance sheet commitments as of the dates indicated.

<b>(Expressed in millions of RMB, unless otherwise stated)</b>	<b>As of June 30, 2021</b>	<b>As of December 31, 2020</b>
<b>Credit commitments:</b>		
Bank acceptances <sup>(1)</sup>	<b>16,107.1</b>	18,488.8
Letters of guarantee <sup>(2)</sup>	<b>1,667.9</b>	1,686.5
Letters of credit	<b>1,789.8</b>	903.8
Unused credit card commitments	<b>7,592.2</b>	5,857.3
<b>Subtotal</b>	<b>27,157.0</b>	26,936.4
<b>Capital commitments</b>	<b>58.4</b>	30.2
<b>Total</b>	<b>27,215.4</b>	26,966.6

*Notes:*

- (1) Bank acceptances refer to undertakings of the Bank to pay bank bills drawn on its customers.
- (2) The Bank issues letters of credit and letters of guarantee to third parties to guarantee its customers' contractual obligations.

Off-balance sheet commitments increased by 0.9% from RMB26,966.6 million as of December 31, 2020 to RMB27,215.4 million as of June 30, 2021. The increase in off-balance sheet commitments was mainly due to the increase in unused credit card commitments, but the decrease in bank acceptances offset the increase in off-balance sheet commitments.

***(f) Miscellaneous***

During the interim Reporting Period, the Bank launched the business related to the sub-loan (“**ADB Sub-loan**”) of Asian Development Bank (“**ADB**”). ADB Sub-loan refers to the RMB denominated loans extended by the Bank to the final borrowers who meet the requirements of the ADB and the Bank leveraging on the capital funded by the ADB to the Chinese government, which shall be used to satisfy the production and operation needs of such borrowers. The ADB Sub-loan consists of two parts, with one part directly channeled from ADB funds and the other supported by the self-owned capital of the Bank. As of June 30, 2021, the Group has granted a total of RMB20.7 million ADB Sub-loan. Currently, it has applied for 4 reimbursement withdrawals totaling US\$3,144,800.

**4. BUSINESS REVIEW**

***(a) Corporate banking***

The Bank offers corporate customers a broad range of financial products and services, including loans, discounted bills, deposits and fees and commission-based products and services. The Bank’s corporate customers primarily include government agencies, public organizations, SOEs, private enterprises and foreign-invested enterprises. The Bank is committed to serving local customers with a focus on small and micro enterprises.

In addition, the Bank commits to seeking to develop long-term business relationships with customers by closely monitoring their financial needs and offering tailored financial solutions. As of June 30, 2021, the Bank had 1,467 corporate borrowers with total loans of RMB115,926.5 million, and 79,337 corporate deposit customers with total deposits of RMB81,147.5 million. For the six months ended June 30, 2020 and 2021, operating income from the Bank’s corporate banking business accounted for 48.1% and 42.7% of its total operating income, respectively. The table below sets forth the financial performance of the Bank’s corporate banking for the periods indicated.



(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Percentage change (%)
	2021	2020	
External interest income, net <sup>(1)</sup>	2,237.7	2,262.3	(1.1)
Inter-segment interest expenses, net <sup>(2)</sup>	(1,040.2)	(825.5)	26.0
Net interest income	1,197.5	1,436.8	(16.7)
Net fees and commission income	76.5	121.6	(37.1)
<b>Operating income</b>	<b>1,274.0</b>	<b>1,558.4</b>	<b>(18.2)</b>
Operating expenses	(394.4)	(460.4)	(14.3)
Impairment losses on assets	(294.8)	(1,418.7)	(79.2)
<b>Operating profit/ (loss)</b>	<b>584.8</b>	<b>(320.7)</b>	<b>(282.4)</b>
<b>Profit/ (loss) before tax</b>	<b>584.8</b>	<b>(320.7)</b>	<b>(282.4)</b>

*Notes:*

- (1) Represents net income and expenses from third parties.
- (2) Represents inter-segment expenses and consideration of transfer.

*(i) Corporate loans*

Corporate loans constituted the largest component of the Bank's loan portfolio. As of June 30, 2021 and December 31, 2020, corporate loans amounted to RMB115,926.5 million and RMB110,853.4 million, accounting for 59.6% and 61% of the Bank's total loans and advances to customers, respectively.

*(ii) Discounted bills*

The Bank purchases bank and commercial acceptance bills with remaining maturities of up to one year at discounted prices to satisfy the short-term funding needs of banks and corporate customers. As of June 30, 2021 and December 31, 2020, discounted bills totaled RMB31,660.6 million and RMB29,612.5 million, accounting for 16.3% and 16.3% of the Bank's total loans and advances to customers, respectively.

*(iii) Corporate deposits*

The Bank accepts demand and time deposits denominated in Renminbi and major foreign currencies (including HKD, USD and Euros) from corporate customers. As of June 30, 2021 and December 31, 2020, corporate deposits totaled RMB81,147.5 million and RMB82,394.5 million, accounting for 31.9% and 33.0% of the Bank's total customer deposits, respectively.

*(iv) Fees and commission-based products and services*

The Bank offers corporate customers a broad range of fees and commission-based products and services, primarily including wealth management services, entrusted loans, settlement services, etc.

*(A) Wealth management services*

The Bank offers corporate customers a broad range of wealth management products based on their risk and return preferences. The Bank invests funds from these wealth management products primarily in bonds, interbank deposits, money market instruments and other fixed income products portfolio.

For the six months ended June 30, 2020 and 2021, wealth management products sold by the Bank to corporate customers totaled RMB70.2 million and RMB106.2 million, respectively.

*(B) Entrusted loans*

The Bank provides loans to borrowers designated by corporate customers, who determine the use of loans, principal amount and interest rates for these loans. The Bank monitors the use of entrusted loans by borrowers and assists corporate customers in recovering these loans.

The Bank charges agency fees based on the principal amount of entrusted loans. The Bank's corporate customers bear the risk of default associated with these loans. For the six months ended June 30, 2020 and 2021, service fees charged by the Bank to corporate customers for entrusted loans totaled RMB8.09 million and RMB10.97 million, respectively.

(C) Settlement services

The Bank offers corporate customers domestic and international settlement services.

**Domestic Settlement Services:** The Bank provides domestic settlement services in the form of bank acceptance bills, collections and telegraphic transfers. As of June 30, 2021 and December 31, 2020, the Bank's total domestic settlement transaction volumes were approximately RMB451.45 billion and RMB840.28 billion, respectively.

**International Settlement Services:** The Bank obtained approval to provide international settlement services in January 2014. The Bank's international settlement services primarily include remittance, collection, letters of credit and letters of guarantee. As of June 30, 2021 and December 31, 2020, the Bank's international settlement transaction volumes were US\$103.1 million and US\$103.0 million, respectively.

(D) Other fees and commission-based products and services

The Bank offers other fees and commission-based products and services to corporate customers, such as guarantee services, foreign exchange services and bond underwriting and distribution.

**(b) *Retail banking***

The Bank offers retail customers a wide range of financial products and services, including loans, deposits, bank card services and fees and commission-based products and services. The Bank has a large retail customer base.

As of June 30, 2021, the Bank had 162,636 retail borrowers with total loans of RMB46,878.6 million and over 7.73 million retail deposit customers with total deposits of RMB157,940.9 million. For the six months ended June 30, 2020 and 2021, operating income from the Bank's retail banking business accounted for 19.2% and 30.7% of its total operating income, respectively.

The Bank categorizes retail banking customers into regular customers (with average financial asset balances of less than RMB50,000), wealth management customers (with average financial asset balances of RMB50,000 or more but less than RMB200,000), wealthy customers (with average financial asset balances of RMB200,000 or more but less than RMB3.0 million) and private banking customers (with average financial asset balances of RMB3.0 million or more).

As of June 30, 2021, the Bank had 247,188 wealthy customers and 1,858 private banking customers. The Bank continues to grow its wealthy customer and private banking customer base by expanding its product and service portfolio. The table below sets forth the financial performance of the Bank's retail banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Percentage change (%)
	2021	2020	
External interest expenses, net <sup>(1)</sup>	(1,174.7)	(1,418.2)	(17.2)
Inter-segment interest income, net <sup>(2)</sup>	<u>2,077.6</u>	<u>2,015.0</u>	<u>3.1</u>
Net interest income	<u>902.9</u>	<u>596.8</u>	<u>51.3</u>
Net fee and commission income	<u>11.1</u>	<u>26.8</u>	<u>(58.6)</u>
<b>Operating income</b>	<b><u>914.0</u></b>	<b><u>623.6</u></b>	<b><u>46.6</u></b>
Operating expenses	(282.9)	(184.2)	53.6
Impairment losses on assets	(801.9)	(193.3)	314.8
<b>Operating (loss)/profit</b>	<b><u>(170.9)</u></b>	<b><u>246.1</u></b>	<b><u>(169.4)</u></b>
<b>(Loss)/profit before tax</b>	<b><u>(170.9)</u></b>	<b><u>246.1</u></b>	<b><u>(169.4)</u></b>

*Notes:*

- (1) Represents net income and expenses from third parties.
- (2) Represents inter-segment expenses and consideration of transfer.

*(i) Retail loans*

The Bank offers retail customers personal business loans, personal consumption loans and personal residential and commercial mortgage loans. As of June 30, 2021 and December 31, 2020, total retail loans were RMB46,878.6 million and RMB41,359.8 million, accounting for 24.1% and 22.7% of the Bank's total loans and advances to customers, respectively.

*(ii) Retail deposits*

The Bank accepts demand and time deposits denominated in Renminbi and major foreign currencies from retail customers. As of June 30, 2021 and December 31, 2020, retail deposits totaled RMB157,940.9 million and RMB149,041.1 million, accounting for 62.1% and 59.7% of the Bank's total customer deposits, respectively.

*(iii) Bank card services*

*(A) Debit cards*

The Bank issues debit cards denominated in Renminbi to retail customers holding deposit accounts with it. Customers may use debit cards for a variety of purposes, such as cash deposits and withdrawals, transfers, payments, settlements, consumption, bill payments, financing and wealth management. The Bank provides cardholders with differentiated services by classifying debit cards into basic cards, gold cards, platinum cards and diamond cards based on a bank cardholder's deposit balances.

To expand its customer base and service scope, the Bank issues the following debit cards in cooperation with government agencies and public organizations:

- Social Security Card (社會保障卡): The Bank works with the Department of Human Resources and Social Security of Gansu Province (甘肅省人力資源和社會保障廳) to issue Social Security Cards, which can be used for making social security contributions and social security information inquiries.

- **Housing Provident Fund Co-branded Card (公積金聯名卡):** The Bank works with the local housing provident fund management center to issue Housing Provident Fund Co-branded Cards, which can be used for withdrawal and transfer of housing provident funds, loan distribution and account inquiries.
- **Longyuan Transportation Card (隴原交通卡):** The Bank works with the Gansu Provincial Expressway Administration to issue IC financial cards, which can be used for paying expressway tolls electronically.
- **Veteran Card (退役軍人保障卡):** The IC financial cards issued by the Bank in partnership with Gansu Provincial Veterans Affairs Office, which targets veterans and soldiers' dependents in the province, providing exclusive financial management, savings products, exclusive guarantees and exclusive VIP services for cardholders.
- **Longjing Card (隴警卡):** The IC financial cards issued by the Bank in partnership with the Gansu Public Security Department, which targets public security officers and their immediate family members in the province, providing exclusive financial management, savings products and exclusive VIP services for cardholders.

In addition, to enhance its brand recognition, the Bank cooperates with local governments to issue theme cards based on regional characteristics of Gansu Province, such as the Golden Tower Golden Poplar Card (金塔金胡楊卡), Xionguan Card (雄關卡), the Journey of Xuanzang Card (玄奘之路卡) and Long Nan Landscape Card (隴南山水卡). The Bank also cooperates with various institutions in issuing co-branded cards, including the Gansu Police Vocational College Co-branded Card (甘肅警察職業學校聯名卡), Tianshui Reli Co-branded Card (天水熱力聯名卡) and Qingyang Labor Benefit Card (慶陽工惠卡).

As of June 30, 2021, the Bank had issued approximately 8.89 million debit cards. As of June 30, 2021 and December 31, 2020, holders of these debit cards conducted transactions of approximately RMB37,704.9 million and RMB57,813.3 million, respectively.

(B) Credit cards

On the basis of a thorough investigation of the market, the Bank integrated and upgraded the credit card system by using leading financial technology and big data and officially issued credit cards with a certain credit limit to the public on November 11, 2019. Cardholders can consume by the card within the credit line first and then make payment to the Bank, and are entitled to financial services such as consumer credit, cash deposit and withdrawal and settlement by transfer of account. Credit cards issued by the Bank are classified into basic cards, gold cards, platinum cards and diamond cards according to different credit ratings.

As of June 30, 2021, the Bank had issued 459,053 credit cards, including 438,475 credit cards and 20,578 business cards. The revolving credit card line was RMB9,416 million, of which RMB8,963 million and RMB453 million were granted to credit cards and business cards, respectively. Balance of overdraft recorded was RMB2,071,214,500, of which RMB2,036,422,300 and RMB34,792,200 were made by holders of credit cards and business cards, respectively. Overdraft accounts reached 187,269, including 184,582 credit card accounts and 2,687 business card accounts. The total credit card income amounted to RMB57,795,000, of which RMB36,268,800 was recorded by intermediary business, and RMB21,526,200 was included in interest income.

(C) POS settlement services

As a payment settlement service provider, the Bank provides selected merchants with transaction fund settlement services. As of June 30, 2021, the Bank had 85,200 merchant customers for settlement services with 53,436,800 transactions, the total amount of transactions of merchant customers was approximately RMB14,490 million.

*(iv) Fees and commission-based products and services*

The Bank offers retail customers a wide range of fees and commission-based products and services, primarily including wealth management services, agency services and payroll and payment agency services.

**(A) Wealth management services**

The Bank offers retail customers wealth management products under its Huifu (匯福) series based on their risk and return preferences. The Bank invests funds from these wealth management products primarily in bonds, interbank deposits, money market instruments and other fixed income products.

For the six months ended June 30, 2021 and 2020, wealth management products sold to retail customers totaled RMB27,822.77 million and RMB22,028.34 million, respectively. As of June 30, 2021, the Bank had 352,980 retail wealth management clients and the return rate of its retail wealth management products was between 3.80% and 4.33% for the six months ended June 30, 2021.

**(B) Agency services**

The Bank sells insurance and precious metal products to retail customers as an agent.

**Insurance Products:** as of June 30, 2021, the Bank had entered into agency agreements with five nationwide insurance companies to promote and distribute their insurance products.

**Precious Metal Products:** the Bank received approval to distribute precious metals in China in August 2015. For the six months ended June 30, 2021 and 2020, the Bank sold an aggregate of RMB68.72 million and RMB63.77 million of precious metal products, respectively.



In October 2017, Dunhuang Research Academy granted the Bank an exclusive license to jointly develop and sell precious metal products featuring Mogao Grottoes. In addition, the Bank has completed the development of a fund agent system and fund qualification training for its employees.

(C) Payroll and payment agency services

**Payroll Services:** the Bank provides payroll services to governmental agencies, public organizations and enterprises customers. As of June 30, 2021, the Bank had over 4,114,286 payroll customers. For the six months ended June 30, 2021 and 2020, the Bank paid, in the role of paying agent, average monthly salaries of approximately RMB3,707.18 million and RMB3,624.65 million, respectively.

**Payment Agency Services:** the Bank offers customers payment agency services related to daily living expenses (such as utilities costs) through its broad distribution network.

(D) Other fees and commission-based products and services

The Bank offers other fees and commission-based products and services to retail customers, such as fund transfer, remittance and acceptance services.

**(c) Financial market operations**

The Bank's financial market operations primarily include money market transactions, investment business and wealth management business, and are one of its most important revenue sources. For the six months ended June 30, 2021 and 2020, operating income from financial market operations accounted for 26.4% and 29.8% of its total operating income, respectively. The table below sets forth the financial performance of the Bank's financial market operations for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Percentage change (%)
	2021	2020	
External interest income, net <sup>(1)</sup>	<b>1,327.9</b>	1,643.7	(19.2)
Inter-segment interest expenses, net <sup>(2)</sup>	<b>(1,037.4)</b>	(1,189.5)	(12.8)
Net interest income	<b>290.5</b>	454.2	(36.0)
Net fee and commission income	<b>17.5</b>	8.9	96.6
Net trading gains	<b>415.0</b>	498.3	(16.7)
Net gains arising from investment securities	<b>64.4</b>	7.0	820.0
<b>Operating income</b>	<b><u>787.4</u></b>	<b><u>968.4</u></b>	<b><u>(18.7)</u></b>
Operating expenses	<b>(243.7)</b>	(286.1)	(14.8)
Impairment losses on assets	<b>(595.6)</b>	(269.2)	121.2
<b>Operating (loss)/profit</b>	<b><u>(52.0)</u></b>	<b><u>413.1</u></b>	<b><u>(112.6)</u></b>
<b>(Loss)/profit before tax</b>	<b><u>(52.0)</u></b>	<b><u>413.1</u></b>	<b><u>(112.6)</u></b>

*Notes:*

- (1) Represents net income and expenses from third parties.
- (2) Represents inter-segment expenses and consideration of transfer.

*(i) Money market transactions*

The Bank adjusts its liquidity by using various monetary market instruments and earns interest income from money market transactions. Money market transactions primarily include (i) interbank placements; (ii) placements with banks and other financial institutions; and (iii) repurchase and reverse repurchase transactions.

**(A) Interbank deposits**

The Bank deposits and withdraws funds from banks and other financial institutions to manage its assets and liabilities. The Bank accepts deposits from banks and other financial institutions and deposit money in banks and other financial institutions, and also engages in other interbank transactions with certain of these banks and financial institutions.

As of June 30, 2021 and December 31, 2020, deposits from banks and other financial institutions totaled RMB12,437.9 million and RMB11,625.7 million, and deposits of the Bank at banks and other financial institutions (original value without deducting provisions for impairment) totaled RMB5,561.2 million and RMB3,716.1 million, respectively.

**(B) Interbank placements**

As of June 30, 2021 and December 31, 2020, the Bank did not make any placements with banks and other financial institutions. As of the same dates, no other banks made any placements with the Bank.

**(C) Repurchase and reverse repurchase transactions**

The securities underlying the Bank's repurchase and reverse repurchase transactions are mainly RMB-denominated PRC government bonds and policy financial bonds. As of June 30, 2021 and December 31, 2020, financial assets held under resale agreements totaled RMB16,205.8 million and RMB19,150.1 million, respectively, and financial assets sold under repurchase agreements totaled RMB6,791.7 million and RMB8,730.1 million, respectively.

(ii) *Investment securities and other financial assets*

Investment securities and other financial assets primarily include debt securities, asset management plans issued by other financial institutions, trust plans, wealth management products and fund products.

(A) Security investment by holding purpose

The table below sets forth investment securities and other financial assets by investment intention as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total (%)	Amount	% of total (%)
Financial assets at fair value through profit or loss	29,052.7	28.1	25,837.5	24.4
Financial assets at amortised costs	64,963.5	62.8	68,932.1	65.0
Financial assets at fair value through other comprehensive income	9,145.3	8.8	10,891.5	10.3
Other equity instrument investments	321.6	0.3	321.6	0.3
<b>Total amount of investment securities and other financial assets</b>	<b>103,483.1</b>	<b>100.0</b>	<b>105,982.7</b>	<b>100.0</b>

Total amount of investment securities and other financial assets decreased by 2.4% from RMB105,982.7 million as of December 31, 2020 to RMB103,483.1 million as of June 30, 2021.

(B) Maturity profile of the Bank's investment portfolio

The table below sets forth investment securities and other financial assets by remaining maturity as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total (%)	Amount	% of total (%)
Repayable on demand	22,160.4	21.4	20,065.4	18.9
Due in three months or less	10,282.3	9.9	8,187.1	7.7
Due between three months and one year	13,956.7	13.5	23,288.7	22.0
Due between one year and five years	36,391.0	35.2	38,121.3	36.0
Due over five years	13,067.2	12.6	13,529.7	12.8
Indefinite <sup>(1)</sup>	7,625.5	7.4	2,790.5	2.6
Total	<u>103,483.1</u>	<u>100.0</u>	<u>105,982.7</u>	<u>100.0</u>

*Note:*

- (1) Refers to impaired investments, investments overdue for more than one month and equity investments.

The Bank's securities investment with a remaining maturity between one year and five years represent the largest portion of the Bank's investment securities.

(C) Holding of government bonds

As of June 30, 2021, the balance of face value of government bonds held by the Bank amounted to RMB26,207.3 million. The table below sets forth the top 10 government bonds with the highest face value held by the Bank as of June 30, 2021.

Name of the bond	Face value (in millions of RMB)	Interest rate per annum (%)	Maturity date
19 Interest-bearing treasury bond 09 (19 附息國債 09)	3,900.00	2.7400	July 11, 2021
19 Interest-bearing treasury bond 03 (19 附息國債 03)	2,070.00	2.6900	March 7, 2022
20 Gansu bond 16 (20 甘肅債 16)	1,420.00	3.5700	May 29, 2040
20 Interest-bearing treasury bond 10 (20 附息國債 10)	1,120.00	2.1500	July 16, 2021
18 Gansu 01 (18 甘肅 01)	1,040.00	3.3900	April 24, 2023
19 Interest-bearing treasury bond 11 (19 附息國債 11)	1,020.00	2.7500	August 8, 2022
20 Gansu bond 14 (20 甘肅債 14)	850.00	3.5700	May 29, 2040
19 Interest-bearing treasury bond 04 (19 附息國債 04)	750.00	3.1900	April 11, 2024
18 Gansu 02 (18 甘肅 02)	700.00	3.7900	June 15, 2023
16 Gansu Targeted 02 (16 甘肅定向 02)	677.60	3.2600	April 21, 2023

(D) Holding of financial bonds

As of June 30, 2021, the balance of face value of the financial bonds (mainly the financial bonds issued by policy banks, commercial banks and other financial institutions) held by the Bank amounted to RMB17,160 million. The table below sets forth the top 10 financial bonds with the highest face value held by the Bank as of June 30, 2021.

Name of the bond	Face value (in millions of RMB)	Interest rate per annum (%)	Maturity date
18 ADBC bond 01 (18農發01)	1,110.00	4.9800	January 12, 2025
18 ADBC bond 08 (18農發08)	1,080.00	4.3700	May 25, 2023
19 EIBC bond 05 (19進出05)	1,000.00	3.2800	February 11, 2024
15 CDB bond 16 (15國開16)	750.00	3.9400	July 10, 2022
16 ADBC bond 21 (16農發21)	570.00	2.9600	July 27, 2021
19 CDB bond 15 (19國開15)	550.00	3.4500	September 20, 2029
20 Bank of Lanzhou perpetual bond (20蘭州銀行永續債)	500.00	4.8000	–
14 CDB bond 21 (14國開21)	500.00	5.1000	August 7, 2021
16 ADBC bond 18 (16農發18)	500.00	3.5800	April 22, 2026
18 EIBC bond 03 (18進出03)	450.00	4.9700	January 29, 2023

**(d) Distribution network**

**(i) Physical outlets**

As of June 30, 2021, the Bank had 1 head office operational department, 12 branches, 184 sub-branches, 5 micro-to-small sub-branches and 3 community sub-branches. The Bank branch network covered all of Gansu's cities and prefectures and approximately 95% of its counties and districts. The details of branches are shown in the following table.

Name of organisation	Business address (PRC)	Postcode	Number of organization
Head office operational department	No. 525-1 Donggangxi Road, Chengguan District, Lanzhou City	730000	9
Baiyin Branch	No. 35 Lanzhou Road, Baiyin District, Baiyin City	730900	18
Pingliang Branch	No. 38 East Street, Kongtong District, Pingliang City	744000	21
Qingyang Branch	Gansu Bank Building, Honghua West Road, Xifeng District, Qingyang City	735000	15
Dingxi Branch	No. 13 Zhonghua Road, Anding District, Dingxi City	743000	12
Tianshui Branch	Floor 1-2, Tianlin Longcheng Mingzhu Building, Jihebei Road, Qinzhou District, Tianshui City	741000	14
Longnan Branch	No.1 Building, Jing'an Mingdu, South End of Jianshe Road, Chengguan Town, Wudu District, Longnan City	746000	13
Jiuquan Branch	No. 2 Suzhou Road, Suzhou District, Jiuquan City	735000	16
Jiayuguan Branch	No. 1289 Yingbin East Road, Jiayuguan City	735100	5
Zhangye Branch	No. 37 West Street, Ganzhou District, Zhangye City	734000	10
Wuwei Branch	No. 7 Xihuan Road, Liangzhou District, Wuwei City	733000	10
Linxia Branch	No. 49 Hongyuan Road, Linxia City	731100	11
Gannan Branch	No. 125 Dangzhou Street, Hezuo City, Gannan Prefecture	747000	4
Jinchang Sub-branch	No. 4 Tianjin Road, Jinchang City	737100	5
Lanzhou Chengguan Sub-branch	Family Accommodation, Quality Supervision Bureau, Nanchang Road, Chengguan District, Lanzhou City	730000	11
Lanzhou Jincheng Sub-branch	No. 613 Railway Station West Road, Chengguan District, Lanzhou City	730000	21
Lanzhou Anning Sub-branch	No.1952-1956 Jianning West Road, Anning District, Lanzhou City	730070	4
Lanzhou Xigu Sub-branch	No. 2 East Fourth Block, Fuli West Road, Xigu District, Lanzhou City	730060	2
Lanzhou New District Sub-branch	Security Housing B50, Weiyi Road, Lanzhou New District, Lanzhou City	730000	4



(ii) *Electronic banking business*

(A) Internet banking

Through the internet, the Bank offers customers account management, information inquiry, remittance and transfer, payment, investment and wealth management and other financial services. As of June 30, 2021, the Bank had over 3,549,600 internet banking customers, consisting of 52,100 corporate customers and over 3,497,500 retail customers. As of June 30, 2021, the Bank's corporate customers conducted over 1,568,600 million online transactions with a total transaction amount of approximately RMB276,581 million, while retail customers conducted approximately 6,326,200 online transactions with a total transaction amount of approximately RMB9,352,900.

(B) Direct banking platform

The Bank launched its direct banking platform in August 2016. Through the platform, our customers can achieve electronic account management, smart saving, investment and financing, and purchases of financial products and services. As of June 30, 2021, the Bank's direct banking platform had over 1,087,100 registered users. The AUM of customers of direct banking is approximately RMB2.701 billion.

(C) Mobile phone banking

The Bank provides customers with various financial services, such as account inquiries and management, transfers, payments and loan management. As of June 30, 2021, the Bank had approximately 2,890,600 mobile phone banking customers that had conducted approximately 5,631,400 transactions through mobile phones, with total transaction amounts of approximately RMB70,137 million.

(D) Telephone banking

The Bank provides customers with loan and deposit account inquiries, personal debit card account transfers, bill inquiries, lost declarations and business inquiry services through an interactive self-service voice system and live customer service. As of June 30, 2021, the Bank had 497,553 registered telephone banking customers, which were all individual customers.

(E) Self-service banking

The Bank provides convenient banking services to customers at lower operating costs through self-service facilities. The Bank's self-service banking services include balance inquiries, cash withdrawals and deposits, transfers and public utilities payments. As of June 30, 2021, the Bank had 205 outlets, 114 off-bank self-service zones, 730 self-service facilities.

(F) WeChat banking

WeChat has become an important channel that provides value-added services to retail customers. Through WeChat banking, customers can access the Bank's products and services; accounts management, transaction inquiries, payment and convenience services; and the Bank's outlet locations inquiry service. As of June 30, 2021, the Bank had over 905,400 WeChat banking customers.

(G) E-commerce platform

In June 2017, the Bank formally launched its e-commerce platform "Longyin Commerce", which provides merchants with comprehensive services. These services include purchasing, sales and inventory management, and online B2B and B2C transactions. As of June 30, 2021, the platform had 774 merchants and 550,000 users.

**(e) Information on the subsidiary**

*Jingning Chengji Rural Bank*

In September 2008, Pingliang City Commercial Bank established Jingning Chengji Rural Bank with 4 other legal entities and 7 individuals. As of June 30, 2021, the Bank held an approximately 62.7% equity interest in Jingning Chengji Rural Bank. Jingning Chengji Rural Bank, a joint stock company with limited liability incorporated in the PRC, carries out its business in the PRC, primarily engaging in offering financial products and services, including loans, deposits and fee and commission-based products and services to local corporate and retail customers.

As of June 30, 2021, Jingning Chengji Rural Bank had 34 corporate loan customers, 851 corporate deposit customers, 5,615 retail loan customers and 92,461 retail deposit customers. As of June 30, 2021, Jingning Chengji Rural Bank had 12 outlets and 116 employees.

As of June 30, 2021, Jingning Chengji Rural Bank had total assets of RMB1,584.84 million, total deposits of RMB1,398.14 million and total loans of RMB983.91 million. In 2020, operating income attributable to Jingning Chengji Rural Bank totaled RMB43.86 million, accounting for 0.68% of the Bank's total operating income. For the six months ended 30 June, 2021, operating income attributable to Jingning Chengji Rural Bank totaled RMB22.28 million, accounting for 0.75% of the Bank's total operating income.

The Bank assists Jingning Chengji Rural Bank by providing strategic guidance and employee training. The Bank also dispatches professional staff to improve employees' business skills, and share experience to innovate products and services to diversify its business.

***(f) Operation and safety of IT systems***

The Bank regularly optimizes and upgrades its IT system to support the operation and management of its businesses. For the six months ended June 30, 2020 and 2021, investments in its IT system totaled RMB56.8 million and RMB74.9 million, respectively.

In order to be proactively adapted to the development situation, and accelerate the digitalization of the Bank, the Bank has formulated the Digital Transformation Plan of Bank of Gansu for 2021 on the basis of the stage of cementing the foundation in 2020. 2021 digital transformation work closely focused on the strategy of "strengthening Party building, reinforce weak links, cementing foundation, adjusting structure, preventing risks, improving efficiency, and promoting development " to achieve the construction goal of "second online bank", and focused on "smart retail" and "intelligent risk control" to exert itself to promote the construction of eighteen key projects. The eighteen key projects are divided into three parts, namely digital smart retail, digital intelligent risk control, and digital decision-making support. The eighteen key projects are now progressing in a well-planned way in accordance with the plan formulated at the beginning of the year.

The Bank continued to carry out the work on the basis of the system of data governance which had been already established in 2020. It further rationalized the work mechanism and improved the data management process; continuously carried out the recognition of responsibility for the emerging basic data items, data indicators and data standards; continuously promoted the work of anti-money laundering, financial basic data and EAST data quality improvement; continued to improve the management and control platform in the unified data asset portal, improve the metadata generation mechanism of each transaction system to ensure accurate metadata generation, data archiving and data warehousing; improved data standard management, continued to conduct data standardization work and data warehouse data standardization work.

The Bank launched out Mobile Banking 5.0 in May 2021 for trial operation. Mobile Banking 5.0 has made significant changes in four aspects, namely user experience improvement, digital operation and marketing, ecological construction and technical development and research efficiency, which enriched the product portfolio, improved the functions, optimized the transaction processes, and was able to conduct user behavior analysis via the client-side, forming a new generation of mobile banking featuring wide product coverage, good transaction experience and good data application.

In the mid-November of 2020, the Bank completed the IPv6 improvement and upgrading work through the support of a total of seven public-targeted Internet applications, namely mobile banking, Internet banking, corporate Internet banking, rural bank, mobile payment, Longyin Mall and online customer service, with the same business continuity safeguarding measures as that prior to the IPv6 improvement, accomplishing the phased improvement task ahead of schedule.

The Bank has also implemented safeguards to maintain the confidentiality, integrity and availability of information. These safeguards include firewalls, anti-virus measures, data encryption, user authentication and authorization, desktop security, intrusion prevention and detection, filing and evaluation of the classified protection of important information systems, key information infrastructure protection and information system security assessment. During the Reporting Period, the Bank did not suffer any material IT system failures.

## 5. RISK MANAGEMENT

### *(a) Risk management of the Bank*

The Bank is primarily exposed to credit risk, market risk, operational risk and liquidity risk in its business. It is also exposed to other risks such as reputational risk, information technology risk, money-laundering risk and legal and compliance risk.

Since its inception, the Bank has implemented comprehensive risk management strategies to enhance its risk management systems.

#### *(i) Credit risk management*

Credit risk is the risk of loss due to (i) failure by a debtor or counterparty to meet its contractual obligations or (ii) a decrease in credit ratings or repayment ability. The Bank's credit risks arise mainly from loans, investments, guarantees, commitments and other on- or off-balance-sheet credit risks exposures.

The Bank determines the direction and amount of credit extended each year based on national and regional economic development plans, market conditions and macroeconomic control measures. It also considers its asset and liability structure and trends in deposit and loan growth. It formulates annual credit policy guidelines to provide detailed guidance for extending credit to different industries, customer types and geographic regions.

In accordance with relevant guidelines, extension of credit in areas more susceptible to changes in macroeconomic conditions and regulatory policies (such as local government financing platforms, as well as borrowers in the real estate sector or industries involving high-pollution, high-power consumption and over-capacity) must comply with all regulatory requirements. It also encourages the extension of credit to emerging technology sectors, such as Internet, big data, artificial intelligence, in accordance with national policy directives. In addition, it may issue notices of adjustments to credit policy guidelines in a timely manner in response to changes in government policies, the economic environment and risk preferences of the Bank.

The Bank categorizes the industries in which a loan applicant operates into the following four categories and adopt a different credit policy for each industry category.

## Industries

## Credit Policies

Pharmaceutical manufacturing, seed and seedling propagation & plantation activities, advanced manufacturing industry, health industry, higher education, press and publishing industry, software and IT service industry, environmental treatment industry, power supply and internet-related fields (“**aggressive growth**” industries)

- prioritize credit allocation and increase credit exposure to borrowers in these industries.

Modern logistics, modern agriculture, catering industry, retail industry, general equipment manufacturing industry, solar power generation, accommodation industry, food & beverage and culture and art industry (“**selective growth**” industries)

- selectively distribute credit to borrowers in these industries.

Papermaking and paper product industry, metal products industry, construction, black metal smelting and rolling processing industry, automobile manufacturing industry, mining and wholesale industries (“**presence maintaining**” industries)

- focus on preventing risks by granting loans to high-quality customers and adjusting the proportion of loans to borrowers in these industries.

## Industries

Coking, flat glass, iron alloy smelting, calcium carbide, electrolytic aluminum, and high pollution, high energy-consumption and overcapacity industries (“**shrinking exit**” industries)

## Credit Policies

- strictly prohibit new credit extension and gradually compress existing businesses.

The Bank has also adopted detailed credit policies for small and micro enterprise loans and retail loans based on the type of product, customer group and investment field. It generally updates these policies on an annual basis.

### (ii) *Market risk management*

Market risk is the risk of loss in on-balance sheet and off-balance sheet arising from fluctuations in market prices. The Bank is exposed to market risks primarily through its banking book and trading book.

#### (A) Interest rate risk management

Interest rate risk is the exposure of the Bank’s financial condition to adverse movements in interest rates. Its primary source of interest rate risk is the repricing of on- and off-balance sheet assets and liabilities due to mismatches in maturities.

Maturity or repricing date mismatches may cause changes in net interest income due to fluctuations in prevailing interest rates. The Bank is exposed to interest rate risk through its day-to-day lending and deposit-taking activities and its financial market operations.

The Bank places great emphasis on analyzing the general economic situation and policies, particularly the changes in currency policies. The Bank conducts analysis and studies on interest rate trends in financial markets, based on the results and forecast of which it formulates and adjusts interest rates, in order to better control interest rate risks and reduce losses arising from interest rate fluctuations.



The Bank manages the interest rate risk exposure of its RMB-denominated assets and liabilities on its balance sheet primarily by adjusting interest rates and optimizing the maturity profile of its assets and liabilities. The Bank seeks to reduce maturity mismatches by adjusting repricing frequency and establishing a pricing structure for corporate deposits.

The Bank uses various measures to evaluate interest rate risks arising from its banking book, including but not limited to techniques and measures such as duration analysis, sensitivity analysis, scenario analysis and stress tests, to measure its interest rate risk. For example, it regularly conducts sensitivity analysis and duration analysis on its bond business under different circumstances, to measure the potential effects on its profitability. Under unfavorable external conditions, it will also conduct special stress tests analyses on the interest rate benchmark on loans and deposits. Based on such analyses, it may adjust its terms on repricing to control interest rate risk.

(B) Exchange rate risk management

The Bank is exposed to exchange rate risks primarily derived from mismatches in the currency denominations of on- and off-balance sheet assets and liabilities and in the trading positions of foreign exchange transactions. It manages exchange rate risks by matching the sources and uses of funds.

The Bank seeks to keep the adverse impact of exchange rate fluctuations within an acceptable range by managing risk exposure limits and the currency structure of its assets and liabilities. In addition, it endeavors to limit transactions involving high exchange rate risks, monitor major indicators, and inspect the positions of major foreign currencies on a daily basis.



*(iii) Operational risk management*

Operational risk refers to the risk of loss caused by incomplete internal control procedures, failures of employees and IT systems or external events. Operational risk events include internal and external fraud, safety accidents in the workplace, damage to tangible assets, risk or implementation, settlement and procedure management failures relating to customers, products and operations, as well as errors or malfunctions in IT systems.

The Board of Directors is ultimately responsible for monitoring the effectiveness of the Bank's operational risk management. It determines the Bank's operational risk appetite based on its overall business strategies, and reviews and oversees the implementation of operational risk management strategies and policies.

The senior management of the Bank is responsible for coordinating operational risk management through its risk management and internal control committee.

The risk management department of the Bank formulates operational risk management procedures for identifying, evaluating, monitoring and controlling operational risks under the supervision of the Board and senior management. The audit department supervises and evaluates the management of operational risks and is responsible for independently examining and evaluating the appropriateness, effectiveness and efficiency of operational risk management policies, systems and procedures.

The Bank has established a GRC system for managing internal control and operational risks. Through the system, it utilizes operational risk management tools to identify, measure and monitor operational risks.

*(iv) Liquidity risk*

(A) Liquidity risk management

Liquidity risk refers to the risk of failing to liquidate a position in a timely manner or failing to acquire sufficient funds at a reasonable cost to fulfill payment obligations. Factors affecting the liquidity of the Bank include the term structure of its assets and liabilities and changes to financial market policies, such as changes in the requirements relating to its statutory deposit reserve ratio. The Bank is exposed to liquidity risk primarily in its lending, trading and investment activities, as well as in the management its cash flow positions.

The organizational framework of the liquidity risk management of the Bank focuses on formulating, implementing and supervising the separation of duties in relation to liquidity risk management policies and procedures. As the ultimate decision-making institution for the liquidity risk management, the Board assumes ultimate responsibility for the liquidity risk management of the Bank.

Senior management is responsible for liquidity management, and the assets and liabilities management committee is responsible for implementing liquidity management policies and procedures. The supervisory committee is responsible for supervising and evaluating the implementation of liquidity risk management by the Board of Directors and senior management. The financial planning department is responsible for the daily liquidity risk management of the Bank.

The objective of the liquidity risk management of the Bank is, by establishing timely, reasonable and effective liquidity risk management mechanisms, to identify, measure, monitor and control liquidity risks, meet the liquidity needs of its assets, liabilities and off-balance businesses on a timely basis, and control liquidity risks at an acceptable level to maintain sustained and healthy operations.

According to the Measures for the Management of Liquidity Risks of Commercial Banks (effective as from July 1, 2018) issued by the CBIRC, the Bank continually improves liquidity risk management, strictly implements regulatory rules, closely monitors liquidity indicators, enhances maturity management of its cash flows, formulates emergency plans and enhances liquidity risk management and stress tests.

The Bank manages liquidity risks with instruments such as position provisioning and monitoring, cash flow analysis, liquidity stress tests, liquidity risk limits and liquidity risk indicators.

(B) Liquidity risk analysis

The Bank's liquidity coverage ratio

	<b>June 30, 2021</b>	<b>December 31, 2020</b>
Liquidity coverage ratio (%)	<b><u>279.20</u></b>	<b><u>268.73</u></b>

The Bank's net stable funding ratio

<b>(Expressed in millions of RMB, unless otherwise stated)</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Closing amount of available stable funding	<b>236,833.1</b>	<b>234,606.9</b>	232,804.6
Closing amount of required stable funding	<b>191,707.9</b>	<b>185,636.0</b>	182,925.2
Net stable funding ratio (%)	<b><u>123.54</u></b>	<b><u>126.38</u></b>	<b><u>127.27</u></b>

(v) *Reputation risk management*

Reputation risk refers to the risk of negative evaluation of the Bank by stakeholders, the public and the media due to the Bank's operation and management, the behavior of its employees or external events such as complaints, penalties and cases, which hurts the brand value and affects the normal operations or even the market stability. The general office of the Bank's head office is primarily responsible for the management of reputation risk, and the Board, Board of Supervisors and senior management assume the ultimate responsibility, supervisory responsibility and management responsibility for reputation risk management, respectively.

(vi) *Legal compliance risk management*

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, financial losses and reputational harm resulting from the failure to comply with laws and regulations. The Bank has a three-tier legal and compliance risk management structure at its head office, branches and sub-branches.

The legal and compliance department at its head office is in charge of managing our overall legal and compliance risks. In addition, the Bank has established discipline inspection, legal and compliance departments at the tier-one branches and sub-branches in charge of the matters in respect of legal compliance and risk management.

The Bank's risk management and internal control committee supervises and leads its legal and compliance work. The Bank systematically manages our internal control compliance and legal affairs by building a management system for internal control compliance and operational risks. The Bank manages legal and compliance risks primarily through the following measures:

- formulating our rules, systems and annual plans, and leading and urging the formulation and amendment thereof;
- enhancing the compliance review mechanism to identify and evaluate compliance risks associated with our business activities;

- developing, coordinating, reviewing and incorporating the Bank's operation authorization plans and revised plans and putting them into implementation;
- uniformly managing standard contracts and other legal documents;
- managing and tracking our legal proceedings;
- formulating an annual compliance management plan, stipulating the focus for annual compliance work;
- managing related parties and connected transactions to control connected transactions in advance;
- optimizing the management mechanism for rectifications upon inspection, and enhancing the supervision and management of our rectifications upon inspection;
- closely monitoring regulatory changes and reporting compliance information and risks to our senior management and the relevant business lines; and
- enhancing internal training on legal and compliance, and issuing compliance alerts and reminders to employees through compliance proposals and internal publications.

*(vii) IT risk management*

IT risk refers to operational, reputational, legal and other risks arising from information technology application due to natural factors, human factors, technical constraints, management defects and other factors. The IT risk management of the Bank aims to identify, measure, monitor and control IT risks through the development of effective systems.

The IT management committee supervises and guides IT activities of the Bank. The risk management department formulates IT risk management procedures under the supervision of the Board and senior management. The audit department audits IT risks. The IT department and relevant business departments are responsible for the implementation of specific risk management measures, plans and proposals.

*(viii) Anti-money laundering management*

The Bank has formulated comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and the regulations of the PBoC.

The Board of Directors oversees bank-wide implementation of anti-money laundering policies, supervises senior management with respect to the formulation and implementation of anti-money laundering rules and procedures, reviews reports from senior management on any major anti-money laundering matters and the overall money-laundering risk profile, and adjusts anti-money laundering policies of the Bank on a timely basis.

The Bank has established anti-money laundering leadership groups at its head office, branches and sub-branches.

The anti-money laundering leadership group at its head office leads and coordinates the bank-wide anti-money laundering efforts. It is primarily responsible for:

- formulating anti-money laundering plans;
- reviewing rules and internal controls regarding anti-money laundering;
- ensuring the effective implementation of internal controls for anti-money laundering;
- analyzing significant issues relating to anti-money laundering;
- formulating solutions and responsive measures; and
- reporting to our Board of Directors.

This leadership group is led by the president of the Bank, the members of which are comprised of the responsible person from each department of the Bank.

The Bank conducts due diligence on the customers in accordance with anti-money laundering laws and regulations. The Bank reports large-scale and suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center on a daily basis through its anti-money laundering management system. The Bank also reports major reasonably suspected money laundering activities to the local branch of the PBoC and cooperates with their investigations, and reports to local public security units when necessary.

The Bank provides bank-wide anti-money laundering training on a regular basis based on employees' position and seniority. The Bank also requires all new employees to participate in mandatory anti-money laundering training before commencing employment.

*(ix) Internal audits*

The Bank believes internal audits are essential to its stable operations and achievement of business objectives. It conducts internal audits to monitor the compliance with laws and regulations and the implementation of its internal policies and procedures, with the objective of controlling risks at an acceptable level.

The Bank also aims to conduct effective risk management as well as optimizes internal control compliance and its corporate governance structure, in an effort to improve its operations. It adheres to the principles of independence, importance, prudence, objectiveness and relevance for internal audits.

The Bank has adopted an independent and vertical internal audit management system, consisting of the audit committee of the Board of Directors and the audit department of the head office.

## 6. ANALYSIS ON CAPITAL ADEQUACY RATIO

The Bank is required to comply with the CBIRC's capital adequacy ratio requirements. It has calculated and disclosed capital adequacy ratios in accordance with the Capital Administrative Measures for Commercial Banks (Trial) (China Banking Regulatory Commission Order [2012] No.1).

The table below sets forth certain information relating to its capital adequacy ratio as of the dates indicated.

<b>(Expressed in millions of RMB, unless otherwise stated)</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>
<b>Core capital</b>		
Paid-up capital	15,069.8	15,069.8
Qualifying portion of capital reserve	5,956.0	5,955.5
Defined benefit plan reserve	(2.8)	(2.8)
Investment revaluation reserve	129.0	137.2
Surplus reserve	1,671.1	1,616.0
General risk reserve	4,539.0	4,539.0
Retained earnings	4,440.3	4,113.9
Qualifying portion of non-controlling interest	22.8	20.5
Core tier-one capital deductions <sup>(1)</sup>	(228.0)	(249.0)
<b>Net core tier-one capital</b>	<b>31,597.2</b>	<b>31,200.1</b>
Other tier-one capital <sup>(2)</sup>	3.0	2.7
<b>Net tier-one capital</b>	<b>31,600.2</b>	<b>31,202.8</b>
<b>Tier-two capital</b>		
Surplus reserve for loan impairment	1,362.4	1,294.3
Eligible portion of non-controlling interest	6.1	5.5
<b>Net capital base</b>	<b>32,968.7</b>	<b>32,502.6</b>
<b>Total risk-weighted assets</b>	<b>256,991.3</b>	<b>242,733.5</b>
Core tier-one capital adequacy ratio (%)	12.30	12.85
Tier-one capital adequacy ratio (%)	12.30	12.85
Capital adequacy ratio (%)	12.83	13.39



*Notes:*

- (1) Primarily include computer software and intangible assets.
- (2) Primarily includes tier-one capital instruments such as preference shares and their premiums.

### III. ISSUANCE OF BONDS

#### *Interbank certificates*

During the period from January 1, 2021 to June 30, 2021, the Bank issued several tranches of interbank certificates in an aggregate principal amount of RMB29,840.0 million. The interbank certificates have terms of one month to one year and bear effective interest rates between 2.53% and 3.60% per annum.

#### *Financial bonds*

At the meeting of the Board convened on March 27, 2019, the Board advised the Bank to issue capital bonds with indefinite maturity date to the public in an aggregate amount of no more than RMB5 billion (inclusive). The proposal was considered and approved at the 2018 annual general meeting convened on June 3, 2019 and the authorizing resolution shall be valid for 36 months from the date of approval at the 2018 annual general meeting (i.e. June 3, 2019).

At the meeting of the Board convened on March 30, 2020, the Board advised the Bank to issue tier 2 capital bonds to the public in an aggregate amount of no more than RMB5 billion. The proposal was considered and approved at the 2019 annual general meeting convened on June 3, 2020 and the authorizing resolution shall be valid for 18 months from the date of approval at the 2019 annual general meeting (i.e. June 3, 2020).

As of the date of this announcement, the Bank has not issued any bonds as per the aforesaid authorization. The Bank will, according to relevant applicable laws and regulations and the The Rules Governing the Listing of Securities (“**Hong Kong Listing Rules**”) on The Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”), disclose the progress of issuing financial bonds to the shareholders of the Bank (the “**Shareholders**”) of the Bank and potential investors in a prompt manner.

## IV. OTHER INFORMATION

### 1 Corporate Governance

The Bank believes that maintaining high standards of corporate governance mechanisms and high quality corporate governance is one of the key factors to improve its core competitiveness and to build a modern urban commercial bank. Therefore, the Bank focuses on high quality of corporate governance, and abides by the best domestic and international corporate governance practice, to protect the rights and interests of the Shareholders and increase the value of the Bank.

The Bank has established a modern corporate governance structure in line with the requirements of the Articles of Association, the PRC laws and regulations and Hong Kong Listing Rules. The Board is accountable to the Shareholders as a whole and is responsible for, among others, determining the Group's business development strategies, business plans and investment proposals, appointing or removing senior management, and deciding matters such as establishment of internal management structure. The Board has established committees to perform specified functions consisting of the strategy and development committee, audit committee, nomination and remuneration committee, connected transaction and risk management committee and consumer rights protection committee. The board of supervisors is accountable to the Shareholders as a whole and has the responsibility and power to supervise the directors and senior management and oversee the Group's financial activities, risk management and internal control.

The Bank has incorporated the Corporate Governance Code (the “**Corporate Governance Code**”) as set out in Appendix 14 to the Hong Kong Listing Rules and the Guidelines on Corporate Governance of Commercial Banks (the “**Guidelines**”) issued by former CBRC into the Bank's governance structure and policies. The Corporate Governance Code and Guidelines are well reflected in the Articles of Association, and the Rules of Procedure of the Shareholders' General Meeting, the Board and Board committees, respectively. The Bank's Shareholders' general meeting, the Board and the board of supervisors perform their respective duties and form good corporate governance structure. The Bank closely monitors its operation to ensure it complies with the relevant requirements under applicable laws, regulations, codes, guidelines and the Bank's internal policies.

The Bank has established and improved the corporate governance structure and established a series of corporate governance systems according to the relevant Corporate Governance Code and Guidelines. The directors of the Bank believe that, during the Reporting Period, the Bank has complied with all compulsory provisions contained in the Corporate Governance Code. The Bank has also strictly complied with the provisions regarding management of inside information required by applicable laws and regulations and the Hong Kong Listing Rules.

The Bank will review its corporate governance and strengthen management constantly to ensure compliance with the Corporate Governance Code and the Guidelines and meet the higher expectations from its Shareholders and potential investors.

## **2 Securities Transactions by Directors, Supervisors and Senior Management**

The Bank has adopted, in respect of securities transactions by directors, supervisors and members of the senior management, a code of conduct on terms no less rigorous than the required standards set out in 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.

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

## **3 Dividend**

The Bank’s revenue for the six months ended June 30, 2021 and the Bank’s financial position as at the same date are set out in the interim financial statements of this announcement.

### ***(1) 2020 final dividend***

At the Board meeting of the Bank convened on March 29, 2021, the Board, after taking into consideration the need for adequate capital to support the future business development of the Bank, recommended no distribution of any 2020 final dividend or any capitalisation of capital reserve.

Such proposals were considered and approved at the 2020 annual general meeting convened on May 24, 2021.

***(2) 2021 interim dividend***

The Board recommended no distribution of 2021 interim dividend or any capitalisation of capital reserve.

**4 Purchase, Sale and Redemption of Listed Securities of the Bank**

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

**5 Events after the Reporting Period**

The Bank has no other discloseable events subsequent to the Reporting Period.

**6 Review of Interim Financial Statements**

The financial statements disclosed in this interim results announcement have not been audited. The interim financial statements of the Bank for the six months ended June 30, 2021 were prepared in accordance with IFRSs issued by the International Accounting Standards Board. The Board and its audit committee have reviewed and approved the Group's unaudited consolidated interim financial data for the six months ended June 30, 2021.

## V. FINANCIAL REPORT

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2021

		Six months ended June 30,	
		2021	2020
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Interest income		6,918,686	7,094,997
Interest expenses		(4,527,758)	(4,607,188)
Net interest income	4	2,390,928	2,487,809
Fee and commission income		191,306	202,026
Fee and commission expenses		(24,453)	(15,513)
Net fee and commission income	5	166,853	186,513
Net trading gains	6	414,985	498,285
Net gains arising from investment securities	7	64,362	7,030
Net exchange (losses)/gains		(59,125)	66,145
Other operating income/ (expense), net		2,177	(2,384)
Operating income		2,980,180	3,243,398
Operating expenses	8	(922,504)	(958,234)
Impairment losses on assets, net of reversals	9	(1,692,421)	(1,889,827)
Operating profit		365,255	395,337
Share of profit of an associate		331	617
Profit before tax		365,586	395,954
Income tax credit/ (expense)	10	17,135	(27,425)
<b>Profit for the period</b>		<b>382,721</b>	<b>368,529</b>

	<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit for the period</b>	<b>382,721</b>	<b>368,529</b>
<b>Other comprehensive (expense)/ income for the period:</b>		
<i><b>Items that will not be reclassified subsequently to profit or loss:</b></i>		
– Remeasurement of defined benefit obligations	–	(70)
– Income tax relating to item that will not be reclassified to profit or loss	–	18
	–	(52)
<i><b>Items that may be reclassified subsequently to profit or loss:</b></i>		
Debt instrument at fair value through other comprehensive income		
– Movement of provision for impairment losses	(65)	(422)
– Change in fair value recognised in investment revaluation reserve	(10,758)	14,280
– Income tax relating to items that may be reclassified subsequently	2,706	(3,465)
	(8,117)	10,393
<b>Other comprehensive (expenses)/ income for the period, net of income tax</b>	<b>(8,117)</b>	<b>10,341</b>
<b>Total comprehensive income for the period</b>	<b>374,604</b>	<b>378,870</b>

		Six months ended June 30,	
		2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note</i>	(Unaudited)	(Unaudited)
<b>Profit for the period attributable to:</b>			
– Owners of the Bank		381,447	366,183
– Non-controlling interests		1,274	2,346
		<u>382,721</u>	<u>368,529</u>
<b>Total comprehensive income for the period attributable to:</b>			
– Owners of the Bank		373,330	376,524
– Non-controlling interests		1,274	2,346
		<u>374,604</u>	<u>378,870</u>
Earnings per share			
– Basic and diluted ( <i>RMB cents</i> )	11	<u>2.53</u>	<u>3.64</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2021

		At June 30, 2021 <i>RMB'000</i> (Unaudited)	At December 31, 2020 <i>RMB'000</i> (Audited)
	Notes		
<b>Assets</b>			
Cash and deposits with the central bank		23,785,552	26,666,680
Deposits with banks		5,561,158	3,716,145
Financial assets held under resale agreements		16,205,811	19,150,091
Financial assets at amortised cost	12	64,963,516	68,932,101
Interests receivables		5,076,052	4,151,959
Loans and advances to customers	13	188,948,514	176,386,767
Financial assets at fair value through profit or loss	14	29,052,684	25,837,489
Financial assets at fair value through other comprehensive income	15	9,466,886	11,213,115
Interest in an associate		10,555	10,224
Property and equipment		2,970,738	2,959,332
Right-of-use assets		288,770	338,438
Deferred tax assets		1,839,216	1,833,475
Other assets		1,412,128	1,167,972
<b>Total assets</b>		<b>349,581,580</b>	<b>342,363,788</b>



		At June 30, 2021 <i>RMB'000</i> (Unaudited)	At December 31, 2020 <i>RMB'000</i> (Audited)
	<i>Note</i>		
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Borrowings from the central bank		<b>6,904,576</b>	6,620,195
Deposits from banks and other financial institutions		<b>12,437,945</b>	11,625,724
Financial assets sold under repurchase agreements		<b>6,791,700</b>	8,730,070
Deposits from customers		<b>254,555,657</b>	249,677,701
Accrued staff costs		<b>448,371</b>	551,265
Taxes payable		<b>1,383</b>	3,662
Interests payable		<b>6,570,445</b>	7,629,663
Debts securities issued	16	<b>27,598,477</b>	23,551,545
Deferred tax liabilities		<b>8,295</b>	23,698
Lease liabilities		<b>239,974</b>	282,817
Other liabilities		<b>2,185,780</b>	2,202,702
<b>Total liabilities</b>		<b>317,742,603</b>	310,899,042

	At June 30, 2021 <i>RMB'000</i> (Unaudited)	At December 31, 2020 <i>RMB'000</i> (Audited)
<b>Equity</b>		
Share capital	15,069,791	15,069,791
Capital reserve	5,956,011	5,955,483
Defined benefit plan reserve	(2,762)	(2,762)
Investment revaluation reserve	129,040	137,157
Surplus reserve	1,671,055	1,615,945
General reserve	4,538,992	4,538,992
Retained earnings	4,440,254	4,113,917
	<hr/>	<hr/>
Total equity attributable to owners of the Bank	31,802,381	31,428,523
Non-controlling interests	36,596	36,223
	<hr/>	<hr/>
<b>Total equity</b>	31,838,977	31,464,746
	<hr/>	<hr/>
<b>Total liabilities and equity</b>	<u>349,581,580</u>	<u>342,363,788</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2021

	Attributable to owners of the Bank									
	Share Capital RMB'000	Capital reserve RMB'000	Defined benefit plan reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2021	15,069,791	5,955,483	(2,762)	137,157	1,615,945	4,538,992	4,113,917	31,428,523	36,223	31,464,746
Profit for the period	-	-	-	-	-	-	381,447	381,447	1,274	382,721
Other comprehensive expense for the period	-	-	-	(8,117)	-	-	-	(8,117)	-	(8,117)
Total comprehensive (expense)/ income for the period	-	-	-	(8,117)	-	-	381,447	373,330	1,274	374,604
Shareholders' injection	-	528	-	-	-	-	-	528	-	528
Appropriation of profits	-	-	-	-	55,110	-	(55,110)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(901)	(901)
At June 30, 2021 (Unaudited)	15,069,791	5,956,011	(2,762)	129,040	1,671,055	4,538,992	4,440,254	31,802,381	36,596	31,838,977

Attributable to owners of the Bank

	Share Capital RMB'000	Capital reserve RMB'000	Defined benefit plan reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	Total RMB'000
<b>At January 1, 2020</b>	10,069,791	4,660,417	(3,399)	219,469	1,560,835	4,471,044	3,678,816	24,656,973	32,029	24,689,002
Profit for the period	-	-	-	-	-	-	366,183	366,183	2,346	368,529
Other comprehensive (expense)/ income for the period	-	-	(52)	10,393	-	-	-	10,341	-	10,341
Total comprehensive (expense)/ income for the period	-	-	(52)	10,393	-	-	366,183	376,524	2,346	378,870
Shareholders' injection	-	582	-	-	-	-	-	582	-	582
<b>At June 30, 2020 (Unaudited)</b>	10,069,791	4,660,999	(3,451)	229,862	1,560,835	4,471,044	4,044,999	25,034,079	34,375	25,068,454

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2021

	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>OPERATING ACTIVITIES</b>		
Profit before tax	365,586	395,954
<b>Adjustments for:</b>		
Depreciation of property and equipment	109,030	199,642
Depreciation of right-of-use assets	73,559	73,193
Amortisation of intangible assets	3,363	2,914
Impairment losses on assets, net of reversals	1,692,421	1,889,827
Interest expense on lease liabilities	2,736	3,139
Interest expense on debts securities issued	414,919	727,779
Loss on disposal of repossessed assets	–	11
(Gain)/ loss on disposal of property and equipment	(292)	2
Net unrealised trading losses	29,172	33,373
Net gains arising from investment securities	(64,362)	(7,030)
Government grants	(780)	(3,747)
Interest income on financial investments	(1,359,076)	(1,852,450)
Share of profit of an associate	(331)	(617)
	<u>1,265,945</u>	<u>1,461,990</u>
<b>Changes in operating assets</b>		
Net decrease/ (increase) in deposits with the central bank	623,172	(99,502)
Net decrease/ (increase) in deposits with the banks	68,131	(37,061)
Net (increase)/ decrease in financial assets at fair value through profit or loss	(3,244,367)	3,316,083
Net increase in loans and advances to customers	(13,670,791)	(5,026,519)
Net increase in other operating assets	(2,062,037)	(3,551,090)
	<u>(18,285,892)</u>	<u>(5,398,089)</u>

	<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Changes in operating liabilities</b>		
Net increase/ (decrease) in borrowings from the central bank	<b>284,381</b>	(617,395)
Net increase/ (decrease) in deposits and placements from banks and other financial institutions	<b>812,221</b>	(7,030,352)
Net decrease in financial assets sold under repurchase agreements	<b>(1,938,370)</b>	(1,537,924)
Net increase in deposits from customers	<b>4,877,956</b>	16,519,806
Net decrease in other operating liabilities	<b>(1,110,017)</b>	(478,644)
	<b><u>2,926,171</u></b>	<u>6,855,491</u>
Cash (used in)/ generated from operations	<b>(14,093,776)</b>	2,919,392
Income tax paid	<b>(3,582)</b>	(678)
<b>NET CASH (USED IN)/ FROM OPERATING ACTIVITIES</b>	<b><u>(14,097,358)</u></b>	<u>2,918,714</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of investments	<b>23,075,911</b>	12,492,595
Interest income received from financial investments	<b>1,086,049</b>	823,268
Proceeds from disposal of property and equipment	<b>2,007</b>	177
Payments on acquisition of investments	<b>(16,727,425)</b>	(13,491,246)
Payments on acquisition of property and equipment and intangible assets	<b>(122,209)</b>	(37,366)
<b>NET CASH FROM/ (USED IN) INVESTING ACTIVITIES</b>	<b><u>7,314,333</u></b>	<u>(212,572)</u>

	<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>FINANCING ACTIVITIES</b>		
Government grants received	<b>780</b>	3,747
Proceeds from capital contribution by equity shareholder	<b>528</b>	582
Proceeds from issue of new debt securities	<b>29,465,994</b>	18,179,085
Repayment of debt securities issued	<b>(25,780,000)</b>	(22,260,000)
Repayment of lease liabilities	<b>(66,734)</b>	(60,227)
Interest paid on debts securities issued	<b>(123,006)</b>	(218,750)
Interest paid on lease liabilities	<b>(2,736)</b>	(3,139)
Dividends paid	<b>(52)</b>	(1,884)
Dividends paid to non-controlling interests	<b>(841)</b>	—
<b>NET CASH FROM/ (USED IN) FINANCING ACTIVITIES</b>	<b><u>3,493,933</u></b>	<b><u>(4,360,586)</u></b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b><u>(3,289,092)</u></b>	<b><u>(1,654,444)</u></b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b><u>28,478,667</u></b>	<b><u>25,171,047</u></b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b><u><u>25,189,575</u></u></b>	<b><u><u>23,516,603</u></u></b>
Interest received	<b><u><u>6,296,163</u></u></b>	<b><u><u>6,577,089</u></u></b>
Interest paid (excluding interest expense on debts securities issued and lease liabilities)	<b><u><u>(5,100,296)</u></u></b>	<b><u><u>(4,212,832)</u></u></b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended June 30, 2021*

## 1. GENERAL

Bank of Gansu Co., Ltd. (the “**Bank**”) was established in Lanzhou, Gansu Province, the People’s Republic of China (the “**PRC**”) on September 27, 2011 with the approval of China Banking and Insurance Regulatory Commission (the “**CBIRC**”). Prior to its establishment, the banking business was carried out by two city commercial banks (the “**Predecessor Entities**”), each being located in Gansu Province.

Pursuant to reorganisation initiated by the People’s Government of Gansu Province, the Bank was established through the merger and reorganisation of the Predecessor Entities.

The Bank obtained its finance permit No. B1228H262010001 from the CBIRC, and obtained its business license No. 91620000585910383X from the Gansu Administration of Industry and Commerce. The legal representative is Liu Qing and the address of the registered office is No. 122, Gannan Road, Chengguan District, Lanzhou, Gansu Province.

On January 18, 2018, the Bank’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (Stock code: 2139).

As at June 30, 2021, the Bank has a head office, 12 branches, 184 sub-branches, 5 micro-to-small enterprise sub-branches, 3 community sub-branches and a subsidiary. The principal activities of the Bank and its subsidiary (hereinafter collectively referred to as the “**Group**”) are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the CBIRC. The Group operates in Gansu Province of Mainland China.

The condensed consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Bank and its subsidiary.



## **2. BASIS OF PREPARATION**

The condensed consolidated financial statements of the Group for the six months ended June 30, 2021 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange, and with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”, issued by the International Accounting Standards Board (“IASB”).

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

This interim financial report 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 of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

## **3. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2020.

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB which are effective for the Group’s financial year beginning January 1, 2021.

Amendments to IFRS 16	COVID-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to IFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## Changes of Accounting Estimates

### Change of depreciation rate

		<b>Change in depreciation policy effective from January 1, 2021</b>
<b>Classes</b>	<b>Prior to change in depreciation policy</b>	<b>Useful lives</b>
Premises	20 years	20 to 30 years
Electronic equipment	5 years	3 to 5 years
Motor vehicles	5 years	5 to 8 years
Leasehold improvement	Shorter of 5 years or economic useful lives	Shorter of 5 to 10 years or economic useful lives
Computer software	Shorter of 3 years or economic useful lives	Shorter of 5 to 8 years or economic useful lives
Office equipment	5 years	5 to 8 years

The change of depreciation policy as a result of more reliable estimation to reflect the financial and operation position of the Bank, with an accurate depreciation policy to match with the useful lives of property and equipment of the Bank. This change in depreciation rate has decreased the depreciation charge for the six months ended June 30, 2021 by approximately RMB55,729,000. The changes in useful lives of the Group's property and equipment are considered as changes in accounting estimates and are to be accounted for prospectively without retrospective adjustment. Therefore, such changes will not have any impact on the Group's condensed consolidated financial statements for previous years.

#### 4. NET INTEREST INCOME

	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income arising from		
– Deposits with the central bank	167,682	178,838
– Deposits with banks	13,337	27,104
– Placements with banks and other financial institutions	91	696
– Loans and advances to customers:		
Corporate loans and advances	3,444,993	3,370,459
Personal loans and advances	1,289,365	1,065,901
Discounted bills	443,946	422,291
– Financial assets held under resale agreements	200,196	177,258
– Financial assets at fair value through other comprehensive income	195,566	278,544
– Financial assets at amortised cost	1,163,510	1,573,906
	<u>6,918,686</u>	<u>7,094,997</u>
Less: Interest expenses arising from		
– Borrowings from the central bank	(64,155)	(16,866)
– Deposits from banks and other financial institutions	(312,697)	(218,677)
– Placements from banks and other financial institutions	–	(11,958)
– Deposits from customers:		
Corporate customers	(1,207,260)	(1,108,124)
Individual customers	(2,464,076)	(2,484,094)
– Financial assets sold under repurchase agreements	(61,915)	(36,551)
– Debts securities issued	(414,919)	(727,779)
– Lease liabilities	(2,736)	(3,139)
	<u>(4,527,758)</u>	<u>(4,607,188)</u>
	<u><u>2,390,928</u></u>	<u><u>2,487,809</u></u>

## 5. NET FEE AND COMMISSION INCOME

	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Fee and commission income		
– Wealth management service fees	11,127	26,801
– Bank acceptance bills service fees	17,466	8,929
– Agency services fees	33,231	27,567
– Settlement and clearing fees	67,705	108,214
– Letter of guarantee service fees	–	1,373
– Others	61,777	29,142
	<u>191,306</u>	<u>202,026</u>
Fee and commission expenses		
– Settlement and clearing fees	(3,577)	(432)
– Bank card service fees	(15,115)	(14,406)
– Others	(5,761)	(675)
	<u>(24,453)</u>	<u>(15,513)</u>
	<u><u>166,853</u></u>	<u><u>186,513</u></u>

## 6. NET TRADING GAINS

	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Trading financial instruments		
– Realised gains from debt securities	142,587	134,978
– Unrealised losses from debt securities	(29,172)	(33,373)
Interest income arising from financial asset at FVTPL	<u>301,570</u>	<u>396,680</u>
	<u><u>414,985</u></u>	<u><u>498,285</u></u>

## 7. NET GAINS ARISING FROM INVESTMENT SECURITIES

	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net gains on disposal of debt instruments at fair value through other comprehensive income	<b>64,362</b>	7,030

## 8. OPERATING EXPENSES

	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Staff costs (including directors' emoluments)		
– Salaries and bonuses	<b>335,060</b>	283,746
– Staff welfares	<b>16,195</b>	13,067
– Social insurance	<b>106,074</b>	99,209
– Housing allowances	<b>36,418</b>	35,874
– Labor union and staff education expenses	<b>5,004</b>	4,030
– Others	<b>742</b>	1,068
	<b>499,493</b>	436,994
Premises and equipment expenses		
– Depreciation of property and equipment	<b>109,030</b>	199,642
– Depreciation of right-of-use assets	<b>73,559</b>	73,193
– Amortisation of intangible assets	<b>3,363</b>	2,914
– Rental and property management expenses	<b>11,671</b>	19,896
	<b>197,623</b>	295,645
Business tax and surcharges	<b>53,747</b>	48,478
Other general and administrative expenses	<b>171,641</b>	177,117
	<b>922,504</b>	958,234

## 9. IMPAIRMENT LOSSES ON ASSETS, NET OF REVERSALS

	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Impairment losses on assets, net of reversals:		
Financial assets at FVTOCI	(65)	(422)
Financial assets at amortised cost	583,442	324,898
Loans and advances to customers	1,109,044	1,556,748
Acceptance bills, letters of guarantees and unused credit card commitments	—	8,603
	<u>1,692,421</u>	<u>1,889,827</u>

## 10. INCOME TAX (CREDIT) EXPENSE

	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax		
– PRC Enterprise Income Tax	<u>1,302</u>	<u>1,051</u>
Deferred tax		
– Current year	<u>(18,437)</u>	<u>26,374</u>
	<u>(17,135)</u>	<u>27,425</u>

Pursuant to the Law of the People's Republic of China on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25%. Pingliang Jingning Chengji Rural Bank Co., Ltd. (“平涼市靜寧成紀村鎮銀行股份有限公司”, “**Jingning Chengji Rural Bank**”), a subsidiary of the Bank, obtained approvals from tax authorities to adopt the preferential income tax rate of 15%.

## 11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Bank is based on the following data:

	<b>Six months ended June 30,</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
Profit for the period attributable to owners of the Bank ( <i>RMB'000</i> )	<u><b>381,447</b></u>	<u>366,183</u>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ( <i>'000</i> )	<u><b>15,069,791</b></u>	<u>10,069,791</u>

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the six months ended June 30, 2021 and 2020.

## 12. FINANCIAL ASSETS AT AMORTISED COST

	At At June 30, 2021 <i>RMB'000</i> (Unaudited)	December 31, 2020 <i>RMB'000</i> (Audited)
<b>Financial asset measured at amortised cost</b>		
Debt securities issued by the following institutions in Mainland China		
– Government	22,747,870	22,687,965
– Banks and other financial institutions	11,295,577	13,905,876
– Corporations	3,831,088	4,647,611
Trust plans	17,295,244	17,490,179
Asset management plans	11,168,700	11,308,700
Asset-backed securities issued by bank and other institutions	236,785	249,000
	66,575,264	70,289,331
Less: Provision for impairment losses	(1,611,748)	(1,357,230)
	<b>64,963,516</b>	<b>68,932,101</b>
Analysed as:		
Listed outside Hong Kong	36,002,345	38,189,110
Unlisted outside Hong Kong	28,961,171	30,742,991
	<b>64,963,516</b>	<b>68,932,101</b>
Fair value	<b>65,027,559</b>	<b>68,792,814</b>



### 13. LOANS AND ADVANCES TO CUSTOMERS

	At June 30, 2021 <i>RMB'000</i> (Unaudited)	At December 31, 2020 <i>RMB'000</i> (Audited)
<b>Gross loans and advances to customers</b>		
Corporate loans and advances	<u>115,926,591</u>	<u>110,853,360</u>
Personal loans and advances		
– Personal business loans	6,032,604	6,572,616
– Personal consumption loans	16,906,194	13,876,986
– Residential and commercial mortgage loans	<u>23,939,772</u>	<u>20,910,149</u>
	<u>46,878,570</u>	<u>41,359,751</u>
Discounted bills	<u>31,660,561</u>	<u>29,612,546</u>
	<u>194,465,722</u>	<u>181,825,657</u>
<b>Less: Provision for impairment losses</b>	<u>(5,517,208)</u>	<u>(5,438,890)</u>
	<u><u>188,948,514</u></u>	<u><u>176,386,767</u></u>

# 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At At June 30, 2021 <i>RMB'000</i> (Unaudited)	December 31, 2020 <i>RMB'000</i> (Audited)
Financial assets held for trading ( <i>Note (i)</i> )	2,849,925	2,351,893
Trust plans	1,609,690	1,635,851
Asset management plans	12,783,499	14,363,297
Investment funds	11,809,570	7,486,448
	<u>29,052,684</u>	<u>25,837,489</u>
Analysed as:		
Listed outside Hong Kong	2,849,925	2,351,893
Unlisted outside Hong Kong	26,202,759	23,485,596
	<u>29,052,684</u>	<u>25,837,489</u>

*Note:*

(i) Financial assets held for trading:

	At At June 30, 2021 <i>RMB'000</i> (Unaudited)	December 31, 2020 <i>RMB'000</i> (Audited)
Debt securities issued by the following institutions in Mainland China:		
– Banks and other financial institutions	2,077,423	1,970,881
– Corporations	772,502	381,012
	<u>2,849,925</u>	<u>2,351,893</u>

As at June 30, 2021, no financial assets at FVTPL were subject to material restrictions on the realisation (December 31, 2020: nil).

The above debt securities traded on the China Interbank Bond Market are included in “Listed outside Hong Kong”.

## 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At At June 30, 2021 <i>RMB'000</i> (Unaudited)	December 31, 2020 <i>RMB'000</i> (Audited)
<b>Debt instruments at FVTOCI</b>		
Debt securities issued by the following institutions in Mainland China		
– Government	3,565,013	3,645,248
– Banks and other financial institutions	5,257,360	6,920,507
– Corporations	322,935	325,782
	<b>9,145,308</b>	10,891,537
<b>Unlisted equity investments designated at FVTOCI</b>	<b>321,578</b>	321,578
	<b>9,466,886</b>	11,213,115
Analysed as:		
Listed in Hong Kong	200,833	382,564
Listed outside Hong Kong	8,944,475	10,508,973
Unlisted outside Hong Kong	321,578	321,578
	<b>9,466,886</b>	11,213,115

## 16. DEBT SECURITIES ISSUED

	At At June 30, 2021 <i>RMB'000</i> (Unaudited)	December 31, 2020 <i>RMB'000</i> (Audited)
Fixed rates financial bonds	999,804	2,499,512
Interbank deposits	26,598,673	21,052,033
	<b>27,598,477</b>	23,551,545

## **17. DIVIDENDS**

No dividend was paid or proposed during the six months ended June 30, 2021, nor has any dividend been proposed since the end of the reporting period (six months ended June 30, 2020: nil).

## **18. SEGMENT REPORTING**

The Group manages its business by business lines and geographical areas. 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 and government agencies. These products and services include corporate loans and advances, deposit taking activities, agency services, consulting and advisory services, remittance and settlement services and guarantee services.

### **Retail banking**

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

### **Financial market operations**

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

## **Others**

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

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

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense earned 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, with the exception of deferred tax assets and liabilities and dividend payable. Segment income and expenses, assets and liabilities are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment, right-of-use assets and intangible assets.

**(a) Segment results, assets and liabilities**

	Six months ended June 30, 2021				
	Corporate	Retail	Financial	Others	Total
	banking	banking	market		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating income					
External net interest income/ (expense)	2,237,733	(1,174,711)	1,327,906	-	2,390,928
Internal net interest (expense)/ income	(1,040,209)	2,077,569	(1,037,360)	-	-
Net interest income	1,197,524	902,858	290,546	-	2,390,928
Net fee and commission income	76,483	11,127	17,466	61,777	166,853
Net trading gains	-	-	414,985	-	414,985
Net gains arising from investment securities	-	-	64,362	-	64,362
Net exchange losses	-	-	-	(59,125)	(59,125)
Other operating income, net	-	-	-	2,177	2,177
Operating income	1,274,007	913,985	787,359	4,829	2,980,180
Operating expenses	(394,364)	(282,920)	(243,724)	(1,496)	(922,504)
Impairment losses on assets, net of reversals	(294,834)	(801,944)	(595,643)	-	(1,692,421)
Operating profit/ (loss)	584,809	(170,879)	(52,008)	3,333	365,255
Share of profit of an associate	-	-	-	331	331
Profit/ (loss) before tax	584,809	(170,879)	(52,008)	3,664	365,586
Segment assets	113,885,722	46,649,656	186,443,567	763,419	347,742,364
Deferred tax assets	-	-	-	1,839,216	1,839,216
Total assets	113,885,722	46,649,656	186,443,567	2,602,635	349,581,580
Segment liabilities	87,484,992	164,009,135	65,953,181	263,276	317,710,584
Dividend payable	-	-	-	23,724	23,724
Deferred tax liabilities	-	-	-	8,295	8,295
Total liabilities	87,484,992	164,009,135	65,953,181	295,295	317,742,603
Other segment information					
- Depreciation and amortisation	60,579	24,814	99,174	1,385	185,952
- Capital expenditure	39,813	16,308	65,178	910	122,209

	Six months ended June 30, 2020				
	Corporate banking RMB'000 (Unaudited)	Retail banking RMB'000 (Unaudited)	Financial market operations RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Operating income					
External net interest income/ (expense)	2,262,336	(1,418,193)	1,643,666	–	2,487,809
Internal net interest (expense)/ income	(825,497)	2,014,971	(1,189,474)	–	–
Net interest income	1,436,839	596,778	454,192	–	2,487,809
Net fee and commission income	121,642	26,801	8,929	29,141	186,513
Net trading gains	–	–	498,285	–	498,285
Net gains arising from investment securities	–	–	7,030	–	7,030
Net exchange gain	–	–	–	66,145	66,145
Other operating expense, net	–	–	–	(2,384)	(2,384)
Operating income	1,558,481	623,579	968,436	92,902	3,243,398
Operating expenses	(460,440)	(184,231)	(286,116)	(27,447)	(958,234)
Impairment losses on assets	(1,418,745)	(193,253)	(269,226)	(8,603)	(1,889,827)
Operating (loss)/ profit	(320,704)	246,095	413,094	56,852	395,337
Share of profit of an associate	–	–	–	617	617
(Loss)/ profit before tax	<u>(320,704)</u>	<u>246,095</u>	<u>413,094</u>	<u>57,469</u>	<u>395,954</u>
Segment assets	112,690,769	36,905,009	186,922,645	591,894	337,110,317
Deferred tax assets	–	–	–	1,608,476	1,608,476
Total assets	<u>112,690,769</u>	<u>36,905,009</u>	<u>186,922,645</u>	<u>2,200,370</u>	<u>338,718,793</u>
Segment liabilities	102,901,205	147,138,391	63,421,979	72,483	313,534,058
Dividend payable	–	–	–	23,811	23,811
Deferred tax liabilities	–	–	–	92,470	92,470
Total liabilities	<u>102,901,205</u>	<u>147,138,391</u>	<u>63,421,979</u>	<u>188,764</u>	<u>313,650,339</u>
Other segment information					
– Depreciation and amortisation	91,740	30,044	152,174	1,791	275,749
– Capital expenditure	<u>94,201</u>	<u>30,849</u>	<u>156,253</u>	<u>1,839</u>	<u>283,142</u>

	As at December 31, 2020				
	Corporate banking <i>RMB'000</i> (Audited)	Retail banking <i>RMB'000</i> (Audited)	Financial market operations <i>RMB'000</i> (Audited)	Others <i>RMB'000</i> (Audited)	Total <i>RMB'000</i> (Audited)
Segment assets	109,721,562	41,564,659	188,696,218	547,874	340,530,313
Deferred tax assets	—	—	—	1,833,475	1,833,475
Total assets	<u>109,721,562</u>	<u>41,564,659</u>	<u>188,696,218</u>	<u>2,381,349</u>	<u>342,363,788</u>
Segment liabilities	90,430,662	156,258,449	64,023,809	138,708	310,851,628
Dividend payable	—	—	—	23,716	23,716
Deferred tax liabilities	—	—	—	23,698	23,698
Total liabilities	<u>90,430,662</u>	<u>156,258,449</u>	<u>64,023,809</u>	<u>186,122</u>	<u>310,899,042</u>

**(b) Geographical information**

No geographical information is presented as most of the Group's operations are conducted in Gansu Province of the PRC and all non-current assets are located and therefore revenue is derived from activities in Gansu Province of the PRC.

**(c) Information about major customers**

During the six months ended June 30, 2021 and 2020, no operating income from a customer contributes over 10% of the total operating income of the Group.



## 19. COMMITMENTS

### (a) Credit commitments

The Group's credit commitments take the form of bank acceptances, letters of credit and financial guarantees and unused credit card commitment.

The Group provides letters of guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. The amounts disclosed in respect of unused credit card commitments are under the assumption that the amounts will be fully advanced.

	At June 30, 2021 <i>RMB'000</i> (Unaudited)	At December 31, 2020 <i>RMB'000</i> (Audited)
Bank acceptance	16,107,063	18,488,830
Letters of guarantees	1,667,904	1,686,482
Unused credit card commitments	7,592,221	5,857,325
Letters of credit	1,789,796	903,816
	<u>27,156,984</u>	<u>26,936,453</u>

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

**(b) Capital commitments**

At June 30, 2021 and December 31, 2020, the Group's authorised capital commitments are as follows:

	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)
Purchase of property and equipment – Contracted for but not provided	<u>58,437</u>	<u>30,248</u>

**VI. PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND 2021 INTERIM REPORT**

This interim results announcement has been published on the HKEXnews website of Hong Kong Stock Exchange (www.hkexnews.hk) and website of the Bank (www.gsbankchina.com). The 2021 Interim Report of the Bank prepared in accordance with the Hong Kong Listing Rules and IFRSs will be published on the HKEXnews website of Hong Kong Stock Exchange (www.hkexnews.hk) and website of the Bank (www.gsbankchina.com) and will be despatched to the H shareholders of the Bank in due course.

By Order of the Board  
**Bank of Gansu Co., Ltd.\***  
**Liu Qing**  
Chairman

Lanzhou, Gansu  
August 27, 2021

*As at the publication date of this announcement, the Board of the Bank comprises Mr. LIU Qing and Mr. WANG Wenyong as executive Directors; Ms. WU Changhong, Mr. GUO Jirong, Mr. ZHANG Youda and Mr. LIU Wanxiang\*\* as non-executive Directors; and Ms. TANG Xiuli, Ms. LUO Mei, Mr. WONG Sincere and Mr. DONG Ximiao as independent non-executive Directors.*

\* Bank of Gansu 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.

\*\* The qualification of Mr. LIU Wanxiang as a director is subject to approval of the competent regulatory authority.