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Bank of Zhengzhou Co., Ltd.*

鄭州銀行股份有限公司*

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

(H Shares Stock Code: 6196)

(Preference Shares Stock Code: 4613)

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

The board of directors (the **“Board”**) of Bank of Zhengzhou Co., Ltd.* (the **“Bank”**) is pleased to announce the unaudited consolidated interim results (the **“Interim Results”**) of the Bank and its subsidiaries for the six months ended June 30, 2021. This results announcement, containing the full text of the 2021 interim report of the Bank, complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of interim results. The Board and the audit committee of the Board have reviewed and confirmed the Interim Results.

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

By order of the Board
Bank of Zhengzhou Co., Ltd.*
Wang Tianyu
Chairman

Zhengzhou, Henan, the PRC
August 29, 2021

As at the date of this announcement, the Board comprises Mr. WANG Tianyu, Mr. SHEN Xueqing and Mr. XIA Hua as executive directors, Mr. JI Hongjun and Mr. WANG Shihao as non-executive directors, and Mr. XIE Taifeng, Mr. WU Ge, Ms. CHAN Mei Bo Mabel and Ms. LI Yanyan as independent non-executive directors.

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

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* This Report is prepared in both Chinese and English. If there are any discrepancies between the Chinese and English versions, the Chinese version shall prevail.

IMPORTANT NOTICE

The Board of Directors, Board of Supervisors and Directors, Supervisors and senior management of the Bank hereby warrant the truthfulness, accuracy and completeness of the contents of this interim report and that there are no false representations, misleading statements or material omissions, and jointly and severally assume liability for the information hereof.

The 2021 interim report (the “**Report**”) and the announcement of interim results were reviewed and approved at the Bank’s second meeting of the seventh session of the Board of Directors held on 27 August 2021; 9 Directors were eligible to attend the meeting and 9 of them attended in person, with several Supervisors of the Bank being in attendance.

Unless otherwise specified, the financial information set out in this Report represents data from the consolidated financial statements of the Bank and its subsidiaries, namely Henan Jiuding Financial Leasing Co., Ltd., Fugou Zhengyin County Bank Co., Ltd., Xinmi Zhengyin County Bank Co., Ltd., Xunxian Zhengyin County Bank Co., Ltd. and Queshan Zhengyin County Bank Co., Ltd.

The 2021 interim financial report prepared in accordance with China Accounting Standards for Business Enterprises and International Financial Reporting Standards by the Bank was unaudited. KPMG Huazhen LLP and KPMG had reviewed the Report in accordance with the PRC and Hong Kong Review Standards, respectively.

Mr. WANG Tianyu, the legal representative and chairman of the Board, Mr. SHEN Xueqing, the president, Mr. FU Chungqiao, the person-in-charge of accounting, and Ms. GAO Chenxin, the head of accounting department of the Bank hereby declare and warrant the truthfulness, accuracy, and completeness of the financial statements in this Report.

The Bank had no plan to distribute cash dividend, bonus share, or issue new shares by way of conversion of capital reserve for the first half of 2021.

Forward-looking statements such as future plans mentioned in this Report do not constitute actual commitments of the Bank to investors. Investors and parties concerned should be fully aware of the risks, and understand the differences among plans, estimates and commitments.

During the Reporting Period, the Bank was not aware of any material risk that would adversely affect its future development strategies and business targets. The details of the major risks to which the Bank was exposed in its operations and management and the corresponding measures adopted by the Bank are described in this Report. For details, please refer to the information in the section headed “Risk Management” in the chapter headed “Management Discussion and Analysis” of this Report.

DEFINITIONS

In this Report, unless the context otherwise requires, the following terms shall have the meanings set forth below:

“2020 AGM”	the annual general meeting of the Bank convened on 17 June 2021
“Articles of Association”	the articles of association of the Bank, as amended from time to time
“A Share(s)”	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Bank, which are listed and traded on the SZSE (stock code: 002936)
“Bank”, “Bank of Zhengzhou”, or “we”	Bank of Zhengzhou Co., Ltd.* (鄭州銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability on 16 November 1996 in accordance with the PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBIRC Henan Office”	China Banking and Insurance Regulatory Commission Henan Office
“Company Law”	the Company Law of the People’s Republic of China
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Stock Exchange Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Bank
“Former CBRC”	the former China Banking Regulatory Commission
“Fugou Zhengyin County Bank”	Fugou Zhengyin County Bank Co., Ltd.

DEFINITIONS

“Group”	the Bank and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	overseas-listed foreign share(s) in the share capital of the Bank, with a nominal value of RMB1.00 each, which are listed and traded on the Main Board of the Hong Kong Stock Exchange (stock code: 6196)
“Jiuding Financial Leasing Company”	Henan Jiuding Financial Leasing Co., Ltd.
“Latest Practicable Date”	25 August 2021, being the latest practicable date prior to the printing of this Report for the purpose of ascertaining certain information contained hereof
“Macao”	the Macao Special Administrative Region of the PRC
“MOF”	the Ministry of Finance of the People’s Republic of China
“Offshore Preference Shares”	59,550,000 shares of non-cumulative perpetual offshore preference shares with a nominal value of RMB100 each issued by the Bank and listed on the Hong Kong Stock Exchange (stock code: 4613)
“PRC” or “China”	the People’s Republic of China, and for the purpose of this Report only, excluding Hong Kong, Macao and Taiwan regions
“Queshan Zhengyin County Bank”	Queshan Zhengyin County Bank Co., Ltd.
“Reporting Period”	the six months from 1 January 2021 to 30 June 2021
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)” or “Ordinary Share(s)”	the A Share(s) and the H Share(s)
“Shareholders”	the holders of the A shares and H Shares
“Stock Exchange Listing Rules”	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Supervisor(s)”	the supervisor(s) of the Bank
“SZSE”	the Shenzhen Stock Exchange
“SZSE Listing Rules”	the Rules Governing the Listing of Stocks on the SZSE
“Xinmi Zhengyin County Bank”	Xinmi Zhengyin County Bank Co., Ltd.
“Xinzheng Zhengyin County Bank”	Xinzheng Zhengyin County Bank Co., Ltd.
“Xunxian Zhengyin County Bank”	Xunxian Zhengyin County Bank Co., Ltd.
“Yanling Zhengyin County Bank”	Yanling Zhengyin County Bank Co., Ltd.
“Zhongmu Zhengyin County Bank”	Zhongmu Zhengyin County Bank Co., Ltd.
*	<i>The Bank is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), and not subject to the supervision of the Hong Kong Monetary Authority, nor being authorized to carry out banking and/or deposit-taking business in Hong Kong.</i>

CHAPTER I CORPORATE INFORMATION

1 BASIC INFORMATION

Legal name in Chinese:	鄭州銀行股份有限公司(Abbreviation: 鄭州銀行)
Legal name in English:	Bank of Zhengzhou Co., Ltd. (Abbreviation: ZHENGZHOU BANK)
Legal representative:	Mr. WANG Tianyu
Authorised representatives:	Mr. WANG Tianyu, Mr. XIA Hua ⁽¹⁾
Board secretary and contact details:	Mr. XIA Hua ⁽¹⁾ Contact address: 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China Tel: +86-371-6700 9056 Fax: +86-371-6700 9898 E-mail: ir@zzbank.cn
Joint company secretaries:	Ms. LEUNG Wing Han Sharon ⁽¹⁾
Securities affairs representative and contact details:	Mr. WANG Yongfeng Contact address: 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China Tel: +86-371-6700 9056 Fax: +86-371-6700 9898 E-mail: ir@zzbank.cn
Places of listing, stock abbreviations and codes:	A Shares: SZSE BANK OF ZHENGZHOU 002936 H Shares: Hong Kong Stock Exchange BANK OF ZHENGZHOU 6196 Offshore Preference Shares: Hong Kong Stock Exchange ZZBNK 17USDPRF 4613
Unified Social Credit Code:	914100001699995779
Financial licence number:	B1036H241010001
Registered address and office address:	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China
Postal code of the registered address and office address:	450018

CHAPTER I CORPORATE INFORMATION

Principal place of business in Hong Kong:	40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong
Contact address:	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China
Tel:	+86-371-6700 9199
Fax:	+86-371-6700 9898
E-mail:	ir@zzbank.cn
Website:	www.zzbank.cn
Newspapers for information disclosure:	Securities Times, China Securities Journal, Shanghai Securities News, Securities Daily
Websites for information disclosure:	Website for publishing the interim report of A Shares: www.cninfo.com.cn Website for publishing the interim report of H Shares: www.hkexnews.hk
Places where the Report can be obtained:	The General Office of the Board and principal place(s) of business of the Bank
Domestic auditor:	KPMG Huazhen LLP
Address of domestic auditor:	8th Floor, KPMG Tower, Oriental Plaza, 1 East Chang An Avenue, Beijing, China
Undersigned accountants:	Mr. GONG Kai, Ms. LIU Jie
International auditor:	KPMG (<i>Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance</i>)
Address of international auditor:	8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
Sponsor for continuous supervision:	China Merchants Securities Co., Ltd.
Address of sponsor for continuous supervision:	38-45F, Block A, Jiangsu Building, Yitian Road, Futian District, Shenzhen, China
Sponsor representatives:	Ms. MA Jianhong and Mr. HUANG Rendong ⁽²⁾
Continuous supervision period:	From 27 November 2020 to 31 December 2021
PRC legal advisor:	King & Wood Mallesons (Beijing)
Hong Kong legal advisor:	King & Wood Mallesons
Registrar for A Shares:	China Securities Depository and Clearing Corporation Limited, Shenzhen Branch
Registrar for H Shares:	Computershare Hong Kong Investor Services Limited

Notes:

- (1) On 27 August 2021, due to internal job reallocation of the Bank, Mr. FU Chunqiao ceased to serve as the Board secretary, a joint company secretary and an authorised representative of the Bank. On the same day, the Board considered and approved the appointment of Mr. XIA Hua as the Board secretary, a joint company secretary and an authorised representative of the Bank. He has obtained the waiver granted from the Hong Kong Stock Exchange for his qualifications as a company secretary under the Stock Exchange Listing Rules.
- (2) Due to the resignation of Ms. LV Yingxia, China Merchants Securities Co., Ltd. appointed Mr. HUANG Rendong to replace Ms. LV Yingxia as the sponsor representative for the Bank's non-public A Share issuance project for the remaining supervision period and he shall continue to perform continuous supervision duties from 24 August 2021.

CHAPTER I CORPORATE INFORMATION

2 COMPANY PROFILE

Bank of Zhengzhou is a regional joint stock commercial bank incorporated in November 1996 upon the approval by the People's Bank of China, based on 48 city credit cooperatives in Zhengzhou City. The Bank was renamed as Zhengzhou Commercial Bank Co., Ltd. (鄭州市商業銀行股份有限公司) in December 2000 and was officially renamed as Bank of Zhengzhou Co., Ltd. in October 2009. The Bank was listed on the Main Board of the Hong Kong Stock Exchange in December 2015 and the SZSE in September 2018, respectively, and became the first domestic city commercial bank with both its A and H Shares listed. Currently, the Bank has established Jiuding Financial Leasing Company and manages seven county banks at Zhongmu, Xinmi, Yanling, Fugou, Queshan, Xunxian and Xinzheng, with its comprehensive operation progressing smoothly.

The Bank is principally engaged in: receiving deposits from the public; short, medium and long-term lending; domestic and international settlement; bill acceptance and discounting; issuing financial bonds; acting as an agent for issuance, honoring and underwriting of government bonds; purchase and sale of government bonds and financial bonds; interbank lending and borrowing; taking foreign currency deposits, providing foreign currency loans, foreign exchange remittances and foreign currency exchange services; bank card business; provision of letter of credit services and guarantees; acting as a collection and payment agent and an insurance agent; providing safe deposit box services and other business activities approved by the banking regulatory authority under the State Council (business activities subject to approval according to law may be carried out only after being approved by the competent authorities).

As at the end of the Reporting Period, the Bank had 5,015 employees and 174 service outlets, including 14 branches, 159 sub-branches (including those under the operation department of the head office), and one dedicated institution. The Bank's total assets, deposits and loans amounted to RMB571,970 million, RMB323,625 million and RMB268,176 million, respectively, and its capital adequacy ratio, non-performing loan ("NPL") ratio and allowance to NPL ratio were 12.95%, 1.97% and 158.01%, respectively. All the major indicators met regulatory requirements. Total assets, deposit balance, loan balance and net profit ranked 19th, 22nd, 18th, and 12th, respectively, among city commercial banks in China. The Bank was awarded "Advanced Unit of the Year for Promoting the Listing of Enterprises and Supporting Local Economic Development as a Banking Financial Institution", "2020 Advanced Enterprise for Economic Contribution Award", "Outstanding Enterprise for Transformation and Innovation", and other honorary titles.

3 ANALYSIS OF CORE COMPETITIVENESS

Leveraging regional advantages to build a "commerce and logistics bank". Against the backdrop of promoting domestic and international dual circulation, the Bank leverages Zhengzhou's geographical advantages as an important national transportation hub, a national central city, a core city in the Central Plains Economic Zone and an important node city in the Belt and Road Initiative to build a financial, transactional and service-oriented commerce and logistics banking platform under the guideline of building a commerce and logistics bank. The Bank's "Five Clouds" platforms, i.e. cloud trading, cloud financing, cloud logistics, cloud business and cloud service, have all been put into operation, which focus on the entire chain of transaction settlement, logistics and warehousing, capital management and asset appreciation for commerce enterprises. They cover enterprises' platform-based financial service demands, jointly build a commerce and logistics finance ecosystem, achieve the "integration of four flows": commerce flow, logistics, information flow, and cash flow, and explore the distinctive development of commerce and logistics finance.

CHAPTER I CORPORATE INFORMATION

Practicing social responsibility and becoming an “Small Medium Enterprises (SMEs) financial service expert”. To support Zhengzhou’s technological innovation, scale the development of scientific innovation enterprises, and promote industrial structure upgrade, the Bank focused on technology, cultural and creative industries, concentrated advantageous resources, appointed designated sub-branches, established specific product plans for scientific innovation finance, formulated a three-year development plan for scientific innovation finance, and launched the “1,000-Sail Program” to simplify, refine and consolidate its scientific innovation finance business with dedicated, specialized, and professional financial services. It enhanced the integrated financial services that combine “financing + financial intelligence” and fully supported the construction of Zhongyuan Science and Technology City. The Bank rigorously implemented the work plans of the Municipal Party Committee and Municipal Government of Zhengzhou for the high-quality development of small and micro enterprise parks, and actively explored special ways to support the high-quality development of small and micro industrial parks by formulating and developing exclusive financial service plans and products, establishing a lump sum service mechanism, and strengthening the service support from the head office. The Bank supported the development of small, medium and micro enterprises with concrete actions and gradually become a role model in providing financial services for SMEs in Henan Province.

Developing inclusive finance to build a “boutique bank for residents”. As a local financial institution in Zhengzhou, the Bank adheres to the principle of “honoring the responsibility to defend the homeland” and focuses on citizens’ basic necessities in life to pursue the digital transformation featuring “scenario-based products and accelerated online and intelligent services”, so as to integrate smart financial services into citizens’ daily life, continuously enhance service efficiency and customer experience, and establish itself as a “boutique bank for residents” well trusted by the public. It extends agriculture-supporting financial services to rural villages and towns by extensively building rural service outlets and expanding online service channels. By doing so, the Bank builds a comprehensive, multi-level, multi-dimensional service network for urban and township residents to solve the “last mile” problem of financial services.

Managing compliance risks carefully to ensure sound operations. The Bank has set the bottom line of “compliance-based development”, created a good atmosphere for “compliance-based operations and sound development”, and continuously improved compliance management and internal control. In particular, the Bank regularly reviews relevant measures and compliance issues, and inspects all aspects of operational and managerial activities from the beginning to end, thus consolidating the foundation for compliance and internal control. It promotes swindle prevention and control and employee behavior management, and implements swindle prevention responsibilities at all levels to develop an inclination for proactive compliance. It also strengthens employees’ compliance awareness and compliance skills education to build the cornerstone of compliance-based development and promote the healthy development of various business lines. It also adheres to the goal of “zero risk event”, continuously strengthens the construction of the three lines of defense, increases accountability for violations, and eliminates hidden risks in a timely manner.

CHAPTER I CORPORATE INFORMATION

Developing innovative thinking to accelerate innovation output. The Bank attaches great importance to financial innovations, establishes crisis awareness, and actively creates systems suitable for innovation. To this end, the Bank has the chief information officer serving as the director of its innovative business, optimizes the innovation system by overhauling the overall innovation process, and establishes an efficient and clear innovation management mechanism and an innovation assessment and reward mechanism with equal rights and responsibilities to stimulate the innovation passion of all departments and employees and promote the implementation of high-quality innovation philosophy and projects. Moreover, the Bank strengthens the integration of technology and business to accelerate innovation output, and builds a two-wheeled innovation model driven by “agile innovation & steady innovation”. It intensifies external cooperation, and leverages fintech including big data and artificial intelligence to steadily improve its capabilities in risk control and comprehensive financial services, with a view to integrate innovations into all aspects of the Bank’s development strategies, business processes, products and services.

Establishing an awareness of talent nurturing and emphasizing personnel training. The Bank carries out the “Falcon Plan” to recruit and attract high-caliber talent from the fields of investment banking, risk management, credit review and human resources through headhunting. It carries out the management trainee plan to recruit graduates from key universities. It also builds a “talent database”, improves the personnel structure, and gradually improves the training mechanism for talent, so as to lay a solid human resource foundation for future high-quality development.

Creating a corporate culture and adhering to the corporate vision. The Bank upholds the core values of “compliance, innovation and integrity”, and strives to build a distinctive corporate culture of pursuing excellence and overcoming difficulties in various aspects such as work style construction, learning & innovation, publicity & education, and setting of role models. The Bank lays emphasis on cultural inheritance, innovation and practice, and integrates its corporate culture into the daily behavior of employees and all aspects of customer services, business operations and compliance management. An excellent corporate culture can serve as an endogenous driving force for the Bank to achieve its corporate vision of “building a boutique bank with a century of prosperity” and to become a competitive “century-old bank” with top-notch management, services, employees and first-class brand.

4 MAJOR AWARDS DURING THE FIRST HALF OF 2021

In January 2021, the Bank was awarded “Advanced Unit of the Year for Promoting the Listing of Enterprises and Supporting Local Economic Development as a Banking Financial Institution” by the People’s Government of Zhengzhou;

In February 2021, the Bank was awarded “Advanced Unit for Preventing and Dealing with Illegal Fund-raising and Preventing and Mitigating Financial Risks” by the People’s Government of Zhengzhou;

In April 2021, the Bank was awarded “2020 Advanced Enterprise for Economic Contribution Award” by Zhengdong New District Administrative Committee.

CHAPTER II HIGHLIGHTS OF ACCOUNTING DATA AND MAJOR FINANCIAL INDICATORS

1 MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

The financial data and indicators set forth in this Report are prepared in accordance with the International Financial Reporting Standards. Unless otherwise specified, such information represents the data of the Group stated in RMB.

Unit: RMB'000

Major accounting data	For the six months ended 30 June			
	2021	2020 (restated) ⁽¹²⁾	Increase/ decrease for the Reporting Period as compared to the same period of the previous year (%)	2019
Operating results				
Operating income ⁽¹⁾	6,944,864	7,680,524	(9.58)	6,231,585
Total profit	3,161,181	3,082,420	2.56	3,058,914
Net profit attributable to Shareholders of the Bank	2,453,871	2,417,853	1.49	2,469,317
Net cash flow (used in)/generated from operating activities	(5,563,807)	6,320,762	(188.02)	(4,299,941)
Calculated on a per Share basis (RMB/Share)				
Basic earnings per Share ⁽²⁾	0.33	0.37	(10.81)	0.38
Diluted earnings per Share ⁽²⁾	0.33	0.37	(10.81)	0.38
Scale indicators	As at 30 June 2021			
	As at 30 June 2021	As at 31 December 2020	Increase/ decrease as at the end of the Reporting Period as compared to the end of the previous year (%)	As at 31 December 2019
Total assets	571,969,580	547,813,444	4.41	500,478,127
Gross loans and advances to customers (excluding accrued interest)	268,175,633	237,959,190	12.70	195,911,665
Provision for impairment losses on loans and advances to customers ⁽³⁾	8,364,774	7,931,775	5.46	7,424,847
Total liabilities	523,029,301	501,841,523	4.22	460,586,505
Total deposits from customers (excluding accrued interest)	323,625,350	314,230,420	2.99	289,216,860
Share capital	7,514,125	7,514,125	–	5,921,932
Shareholders' equity	48,940,279	45,971,921	6.46	39,891,622
Including: equity attributable to shareholders of the Bank	47,380,529	44,494,897	6.49	38,590,322
Net assets per Share attributable to ordinary shareholders of the Bank ⁽⁴⁾ (RMB/Share)	5.26	4.88	7.79	4.72
Net capital ⁽⁵⁾	55,962,633	52,679,369	6.23	46,215,496
Including: net tier-one capital ⁽⁵⁾	47,632,580	44,492,918	7.06	38,353,128
Net risk-weighted assets ⁽⁵⁾	432,193,811	409,505,750	5.54	381,759,225

CHAPTER II HIGHLIGHTS OF ACCOUNTING DATA AND MAJOR FINANCIAL INDICATORS

Major financial indicators	As at 30 June 2021	As at 31 December 2020	Change as at the end of the Reporting Period as compared to the end of the previous year	As at 31 December 2019
Capital adequacy ratio (%)				
Core tier-one capital adequacy ratio ⁽⁵⁾	9.17	8.92	0.25	7.98
Tier-one capital adequacy ratio ⁽⁵⁾	11.02	10.87	0.15	10.05
Capital adequacy ratio ⁽⁵⁾	12.95	12.86	0.09	12.11
Asset quality indicators (%)				
Non-performing loan ratio ⁽⁶⁾	1.97	2.08	(0.11)	2.37
Allowance to non-performing loans ⁽⁶⁾	158.01	160.44	(2.43)	159.85
Allowance to total loans ⁽⁶⁾	3.12	3.33	(0.21)	3.79
For the six months ended 30 June				
	2021	2020	Change for the Reporting Period as compared to the same period of the previous year	2019
Profitability indicators (%)				
Weighted average return on net assets ⁽²⁾ (annualized)	12.88	15.16	(2.28)	16.50
Return on total assets ⁽⁷⁾ (annualized)	0.91	0.96	(0.05)	1.06
Cost-to-income ratio ⁽⁸⁾	18.75	17.58	1.17	26.66
Net interest spread ⁽⁹⁾ (annualized)	2.20	2.32	(0.12)	1.88
Net interest margin ⁽¹⁰⁾ (annualized)	2.24	2.32	(0.08)	1.86
	As at 30 June 2021	As at 31 December 2020	Change as at the end of the Reporting Period as compared to the end of the previous year	As at 31 December 2019
Other financial indicators (%)				
Leverage ratio ⁽¹¹⁾	6.98	6.63	0.35	6.34
Liquidity ratio ⁽¹¹⁾	52.73	70.41	(17.68)	56.44
Liquidity coverage ratios ⁽¹¹⁾	179.26	353.94	(174.68)	300.37
Loan-to-deposit ratio ⁽¹¹⁾	90.83	82.63	8.20	72.33
Percentage of loans to the single largest customer ⁽¹¹⁾	3.40	3.61	(0.21)	4.11
Percentage of loans to the top ten single customers ⁽¹¹⁾	26.33	26.17	0.16	26.94
Percentage of credit granted to the single largest group customer ⁽¹¹⁾	5.79	6.15	(0.36)	7.01
Normal loan migration ratio ⁽¹¹⁾	2.16	4.68	(2.52)	3.43
Special mention loan migration ratio ⁽¹¹⁾	8.46	33.16	(24.70)	28.96
Substandard loan migration ratio ⁽¹¹⁾	1.03	68.76	(67.73)	97.76
Doubtful loan migration ratio ⁽¹¹⁾	3.23	–	3.23	0.34

CHAPTER II HIGHLIGHTS OF ACCOUNTING DATA AND MAJOR FINANCIAL INDICATORS

Notes:

1. Operating income includes net interest income, net fee and commission income, net trading gains, net gains arising from investments and other operating income.
2. Basic earnings per Share, diluted earnings per Share and weighted average return on net assets were calculated according to Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No.9): Calculation and Disclosure of Rate of Return on Equity and Earnings per Share (2010 Revision).

During the Reporting Period, the Bank did not distribute dividends on the Offshore Preference Shares. No dividend of the Offshore Preference Shares had to be deducted from the “net profit attributable to shareholders of the Bank”, and net proceeds raised from the Offshore Preference Shares issuance were deducted from the “weighted average net assets”.
3. Including the provision for impairment losses on the loans and advances to customers measured at amortized costs and the loans and advances to customers at fair value through other comprehensive income.
4. Representing the equity attributable to ordinary shareholders of the Bank after deducting other equity instruments divided by the number of Ordinary Shares at the end of the period.
5. Calculated based on the “Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)” published by the Former CBRC on 7 June 2012.
6. Non-performing loan ratio was calculated by dividing total non-performing loan principal (excluding accrued interests) by gross loan and advance principal to customers (excluding accrued interest); the allowance to non-performing loans was calculated by dividing allowance for impairment losses on loans and advances to customers by total non-performing loan principal (excluding accrued interest); and the allowance to total loans was calculated by dividing allowance for impairment losses on loans and advances to customers by gross loan and advance principal to customers (excluding accrued interest).
7. Representing the net profit for the Reporting Period as a percentage to the average balance of the total assets as at the beginning and end of the Reporting Period.
8. Calculated by dividing operating expenses (excluding tax and surcharges) by operating income.
9. Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities, calculated based on daily average of the interest-earning assets and the interest-bearing liabilities.
10. Calculated by dividing net interest income by the daily average balance of interest-earning assets.
11. Percentage of loans to the single largest customer and percentage of loans to the top ten single customers were recalculated in accordance with regulatory criteria based on reviewed data. Other indicators represent data reported to regulatory authorities. Loan migration ratio was based on the criteria of the parent of the Bank.
12. According to the requirements of the Notice on Strictly Implementing Accounting Standards for Business Enterprises and Effectively Enhancing the 2020 Annual Reports of Enterprises (Cai Kuai [2021] No. 2) 《關於嚴格執行企業會計準則切實加強企業 2020 年年報工作的通知》(財會[2021]2 號文)) jointly issued by the MOF, State-owned Assets Supervision and Administration Commission of the State Council, CBIRC and CSRC, the Bank recognises the credit card holder instalment income in interest income, and has adjusted the corresponding comparison figures.

2 DIFFERENCE IN ACCOUNTING DATA UNDER DOMESTIC AND INTERNATIONAL ACCOUNTING STANDARDS

Neither the Bank's net assets as at the end of the Reporting Period nor the net profit during the Reporting Period calculated in accordance with China Accounting Standards for Business Enterprises differs from that calculated in accordance with the International Financial Reporting Standards.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

1 REVIEW OF THE ECONOMY AND MACRO-ENVIRONMENT

As the global landscape and the pandemic were undergoing new changes in the first half of 2021, China continued to reach and expand its achievements in pandemic prevention and control as well as economic and social development. There is continuous achievement and national economy continued to revive steadily and economic development improving continuously. Firstly, total economic volume resumed growth. The gross domestic product ("GDP") in the first half of 2021 reached RMB53,216.7 billion, representing a year-on-year increase of 12.7%. In particular, the first quarter of the year experienced a year-on-year increase of 18.3%, while the second quarter of the year recorded a year-on-year increase of 7.9%. GDP of the primary, secondary and tertiary sectors grew by 7.8%, 14.8% and 11.8% year-on-year, respectively. Secondly, industrial manufacturing was increasing steadily and the growth of high-tech manufacturing sector also accelerated. The added-value of industries above designated size across the country increased by 15.9% year-on-year, and that of the high-tech manufacturing sector increased by 22.6% year-on-year. Thirdly, the service industry was picking up steadily, with market expectations continuing to improve. The added-value of the tertiary industry in the second quarter increased by 8.3% year-on-year, while that in the first quarter increased by 15.6% year-on-year. In June 2021, the production index for the nationwide service industry increased by 10.9% year-on-year, and the service industry's business activity index was 52.3%, which is above the critical point for 16 months in a row. Fourthly, market sales were improving gradually with rapid growth in consumer-upgraded goods. In the first half of the year, the total retail sales of consumer goods was RMB21,190.4 billion, representing a year-on-year increase of 23.0%. Fifthly, investment in fixed assets continued to pick up. In the first half of the year, the national investment in fixed assets (excluding rural households) was RMB25,590.0 billion, representing a year-on-year increase of 12.6%. In particular, investment in the primary, secondary and tertiary sectors increased by 21.3%, 16.3% and 10.7% year-on-year, respectively. Sixthly, the import and export of goods were growing rapidly, with the composition of trade continuing to optimize. In the first half of the year, the imports and exports of goods amounted to RMB18,065.1 billion in value, representing a year-on-year increase of 27.1%. In particular, exports amounted to RMB9,849.3 billion, representing a year-on-year increase of 28.1%, while imports amounted to RMB8,215.7 billion, representing a year-on-year increase of 25.9%. Seventhly, residents' consumer prices rose moderately, with residents' income continuing to increase. China's Consumer Price Index ("CPI") rose 0.5% year-on-year in the first half of the year and remained unchanged year-on-year in the first quarter. China's per capita disposable income of residents was RMB17,642, representing a year-on-year increase of 12.6%. The per capita income ratio of urban and rural residents was 2.61, decreased by 0.07 from the same period last year. In the first half of 2021, the national economy continued to pick up steadily, strengthening and improving itself steadily. However, the global pandemic remained challenging, global recovery substantially widened economic divide, international financial market encountered increased uncertainty and the Chinese domestic economy was still recovering, but imbalances remained in the recovery.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

China has been applying a prudent monetary policy since the outbreak of the pandemic in 2020. In light of the pandemic prevention and control as well as the domestic economic and financial situations, China has got hold of the intensity and pace of its policy execution by stepping up its support for the key areas and weaknesses in the real economy in a flexible, accurate, reasonable and appropriate manner, while prioritising stability. As at the end of June 2021, total stock of social financing amounted to RMB301.56 trillion, representing an increase of 11% year-on-year, and the growth rate was 1.8 percentage points lower than the same period last year, while increments of social financing amounted to RMB17.74 trillion for the first half of 2021, representing a decrease of RMB3.13 trillion from the same period last year. As at the end of June 2021, the balance of broad money (M2) was RMB231.78 trillion, representing a year-on-year increase of 8.6%, and the growth rate was 2.5 percentage points lower than the same period last year. The balance of RMB and foreign currency loans reached RMB191.62 trillion, representing a year-on-year increase of 11.9%. In particular, the balance of RMB loans was RMB185.5 trillion, representing a year-on-year increase of 12.3% or RMB12.76 trillion (representing a year-on-year increase of RMB667.7 billion). The balance of RMB and foreign currency deposits reached RMB233.2 trillion, representing a year-on-year increase of 9.5%. In particular, the balance of RMB deposits was RMB226.62 trillion, representing a year-on-year increase of 9.2% or RMB14.05 trillion (representing a slight year-on-year increase of RMB506.4 billion). In the interbank RMB market, a total of RMB626.15 trillion was traded through interbank lending, spot trading and repo. The weighted average interest rates of interbank lending and pledge repo were 2.13% and 2.17%, respectively, both of which were 0.28 percentage point higher than those for the same period last year.

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In the first half of 2021, Henan Province consolidated and expanded its achievements in pandemic prevention and control as well as economic and social development, leading to stable and positive recovery of its economic performance. Firstly, the gap between the growth rate of the province's main economic indicators and the national economic indicators narrowed overall. The province's GDP was RMB2,892.796 billion in the first half of the year, representing a year-on-year increase of 10.2%, being 2.5 percentage points lower than the national average. In particular, the added-value of the primary, secondary and tertiary sectors increased by 7.8%, 8.1% and 12.4% year-on-year, respectively. Secondly, industrial production was picking up continuously, with the leading industries growing faster and the emerging industries developing in a positive direction. In the first half of the year, the added-value of the province's industries above designated size increased by 10.5% year-on-year, while that of the five leading industries increased by 12.4% year-on-year and that of the high-tech manufacturing sector and the strategic emerging industries above designated size increased by 27.5% and 16.2% year-on-year, respectively. Thirdly, the service industry was picking up steadily. In the first half of the year, the added-value of the province's service industry increased by 12.4% year-on-year, being 0.6 percentage point higher than the national level. Fourthly, investments in fixed assets were reviving steadily. In particular, industrial investments were reviving rapidly. In the first half of the year, the province's industrial investment increased by 7.7% year-on-year, while infrastructure and real estate development investment increased faster. In the first half of the year, the province's infrastructure and real estate development investments increased by 9.6% and 11.5% year-on-year, respectively. Investment growth momentum was strengthened as 1,713 new projects which were worth more than RMB100 million were carried out across the province in the first half of the year, indicating that the actual investment funds in place increased by 14.9% year-on-year. Fifthly, the consumer goods market continued with its recovery trend. Demand for commodity consumption was fuelled steadily. In the first half of the year, the province's retail sales of commodities above designated size increased by 18.4% year-on-year; the accommodation and catering industry as well as tourism consumption were picking up rapidly as the province's retail sales of the accommodation and catering industry above designated size increased by 30.8% year-on-year in the first half of the year. Sixthly, imports and exports continued to grow faster. In the first half of the year, the province's total import and export value was RMB365.66 billion, representing an increase of 60.0% year-on-year, of which exports amounted to RMB229.61 billion, representing an increase of 56.7%, while imports amounted to RMB136.05 billion, representing an increase of 65.8%.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

2021 marks the beginning of the “14th Five-Year Plan”. While pushing forward with high-quality development and deepening structural reform of the financial sector on the supply side as the main targets, the banking industry will continue to maintain “stability in the six key areas and assurance in another six key areas” so as to provide strong and effective financial support for accelerating the creation of a new development pattern. Generally speaking, the banking industry has maintained a good momentum of stable operation since the beginning of 2021, with the key operating and regulatory indicators falling within a reasonable range. The total assets of China’s commercial banks were growing steadily as the local and foreign currency assets of financial institutions in the banking industry reached RMB336 trillion, representing an increase of 8.6% year-on-year. The quality of credit assets remained generally stable, with a NPL balance of RMB2.8 trillion and a NPL ratio of 1.76%, representing a decrease of 0.08 percentage point from the end of the previous year. Profits continued to rise, with a total net profit amounting to RMB1.1 trillion, representing an average capital profit margin of 10.39% and an average return on assets of 0.83%. Risk compensation capability remained relatively strong. The balance of provisions for non-performing loans of commercial banks was RMB5.4 trillion, with the provision coverage ratio and loan provision ratio standing at 193.23% and 3.39% respectively. Financial services continued to expand as the balance of loans from banking financial institutions to small and micro enterprises reached RMB47.6 trillion, and loans to affordable housing projects amounted to RMB6.5 trillion. Liquidity remained at a stable level, with liquidity coverage ratio, liquidity ratio, RMB excess reserve ratio and loan-to-deposit ratio standing at 141.21%, 57.62%, 1.52% and 78.08%, respectively. Currently, the macroeconomy is showing signs of recovery, and the credit risk of the banking industry has somewhat lowered, but the foundation for recovery remains weak. Given the recent impact of the repeated pandemic in some parts of China, it is possible to see a rebound in non-performing assets over a period of time in the future. Financial institutions, especially small- and medium-sized banks, should make adequate preparations in this regard.

2 BUSINESS REVIEW

The business indicators remained stable. As at end of the Reporting Period, the Bank’s total assets amounted to RMB571,970 million, representing an increase of RMB24,156 million or 4.41% from the beginning of the year; its deposits were RMB323,625 million, representing an increase of RMB9,395 million or 2.99% from the beginning of the year; its loans were RMB268,176 million, representing an increase of RMB30,216 million or 12.70% from the beginning of the year. During the Reporting Period, the Bank’s net profit was RMB2,540 million, representing a year-on-year increase of RMB67 million or 2.71%; net profits attributable to the shareholders of the Bank was RMB2,454 million, representing a year-on-year increase of RMB36 million or 1.49%. The NPL ratio was 1.97%, decreased by 0.11 percentage point from the beginning of the year. The capital adequacy ratio and the allowance to NPL ratio were 12.95% and 158.01%, respectively, which met the regulatory requirements.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Deepened the internal control and compliance build-up. The Bank improved the organizational structure and work responsibilities of the risk management committee for the senior management; introduced and proceeded with the business management plans for the financial market; and strengthened management and control in terms of decision-making mechanism, quota management, reporting policy and system build-up. It revamped the compliance manager assignment policy by assigning compliance managers to 34 branches, conducted Party Committee's inspections on branches and affiliated institutions, carried out special audit projects and audit projects for branches and held branches accountable for non-compliance and misconducts.

The Bank adopted multiple measures to support the real economy. We followed closely the major decisions and deployments by the central and local governments by valuing the "three new finances" (rural finance, finance for innovation parks for small and micro enterprises as well as science and technology innovation finance) as a major starting point for high-quality development. Special work teams and review mechanisms were set up to speed up all the work. At present, the Bank has accepted deposits amounting to RMB110 million from 101 agriculture beneficiary outlets, with which it has signed up. The Bank first rolled out loans for scientific and technical talented people in Henan Province, signed strategic cooperation agreement with Zhongyuan Science and Technology City, and added new credit line of RMB2,179 million to small and micro enterprise parks during the Reporting Period. The Bank offered full support to flood prevention, disaster relief and post-disaster reconstruction by launching the "flood prevention and disaster relief emergency loan", for which speeded approval procedures were allowed, credit granting process was streamlined and customers' financing costs were lowered. The Bank also provided special fund support for various enterprises engaged in flood prevention, disaster relief and people's livelihood protection. The first batch of planned quota was RMB1 billion.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3 FINANCIAL STATEMENT ANALYSIS

3.1 Income Statement Analysis

During the Reporting Period, under the leadership of the Board, the Bank proactively navigated through the complex and harsh economic challenges through consolidating its advantages and bolstering weak spots, so as to address the adversities in development and press ahead for high-quality growth. It continued to consolidate its positioning with features of “finance for commerce and logistics, finance for residents, and finance for small and micro enterprises” and maintained the healthy and sound momentum. During the Reporting Period, the Bank recorded net profit of RMB2,540 million, representing a year-on-year increase of 2.71%; and net profit attributable to shareholders of the Bank of RMB2,454 million, representing a year-on-year increase of 1.49%. Major items of and changes in the Bank’s income statement are set out as follows:

Unit: RMB’000

Item	For the six months ended 30 June			
	2021	2020 (restated) ^(Note)	Change	Rate of change (%)
Net interest income	5,768,589	5,447,307	321,282	5.90
Non-interest income	1,176,275	2,233,217	(1,056,942)	(47.33)
Operating income	6,944,864	7,680,524	(735,660)	(9.58)
Less: Operating expenses	1,379,839	1,418,500	(38,661)	(2.73)
Less: Impairment losses on assets	2,410,934	3,209,685	(798,751)	(24.89)
Operating profit	3,154,090	3,052,339	101,751	3.33
Share of profits of associates	7,090	30,081	(22,991)	(76.43)
Profit before taxation	3,161,181	3,082,420	78,761	2.56
Less: Income tax expenses	621,154	609,420	11,734	1.93
Net profit	2,540,027	2,473,000	67,027	2.71
Including: Shareholders of the Bank	2,453,871	2,417,853	36,018	1.49
Non-controlling interests	86,156	55,147	31,009	56.23

Note: According to the requirements of the Notice on Strictly Implementing Accounting Standards for Business Enterprises and Effectively Enhancing the 2020 Annual Reports of Enterprises (Cai Kuai [2021] No. 2) (《關於嚴格執行企業會計準則切實加強企業 2020 年年報工作的通知》(財會[2021]2 號文)) jointly issued by the MOF, State-owned Assets Supervision and Administration Commission of the State Council, CBIRC and CSRC, the Bank recognises the credit card holder instalment income as interest income, and has adjusted the corresponding comparison figures.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.1.1 Net Interest Income, Net Interest Spread and Net Interest Margin

During the Reporting Period, the Bank recorded net interest income of RMB5,769 million, representing a year-on-year increase of RMB321 million or 5.90% and accounted for 83.06% of the operating income. In particular, business scale adjustment resulted in an increase of RMB913 million in net interest income and changes in yield or cost rate resulted in a decrease of RMB592 million in net interest income.

The following table sets forth the average balance of the Bank's interest-earning assets and interest-bearing liabilities, interest income and expenses, average yield of these interest-earning assets and average cost rate of these interest-bearing liabilities during the Reporting Period:

Unit: RMB'000

Item	For the six months ended 30 June					
	2021			2020 (restated) ⁽⁷⁾		
	Average balance ⁽⁶⁾	Interest income/ expenses	Annualized average yield/ cost rate (%)	Average balance ⁽⁶⁾	Interest income/ expenses	Annualized average yield/ cost rate (%)
Interest-earning assets						
Loans and advances to customers	253,750,971	6,908,743	5.45	207,054,849	5,940,976	5.74
Investment securities and other financial assets ⁽¹⁾	192,975,017	4,513,275	4.68	208,726,126	4,936,852	4.73
Deposits with central bank	25,564,632	181,803	1.42	26,377,807	207,609	1.57
Amounts due from banks and other financial institutions ⁽²⁾	15,421,496	86,932	1.13	13,095,465	111,439	1.70
Lease receivables	27,171,264	924,272	6.80	14,561,619	473,425	6.50
Total interest-earning assets	514,883,380	12,615,025	4.90	469,815,866	11,670,301	4.97
Interest-bearing liabilities						
Deposits from customers	314,914,248	3,959,357	2.51	298,643,524	3,789,038	2.54
Amounts due to banks and other financial institutions ⁽³⁾	75,840,884	1,157,894	3.05	60,651,228	716,923	2.36
Debt securities issued	89,607,958	1,370,359	3.06	95,655,706	1,498,551	3.13
Due to central bank	26,028,813	358,826	2.76	14,069,359	218,482	3.11
Total interest-bearing liabilities	506,391,903	6,846,436	2.70	469,019,817	6,222,994	2.65
Net interest income		5,768,589			5,447,307	
Net interest spread ⁽⁴⁾ (annualized)			2.20			2.32
Net interest margin ⁽⁵⁾ (annualized)			2.24			2.32

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. Consists of financial investments at amortized cost and bonds at fair value through other comprehensive income.
2. Consists of deposits and placements with banks and other financial institutions and financial assets held under resale agreements.
3. Consists of deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements.
4. Calculated as the difference between the average yield on total interest-earning assets and the average cost rate of total interest-bearing liabilities based on the average daily interest-earning assets and interest-bearing liabilities.
5. Calculated by dividing the net interest income by the average balance of interest-earning assets based on the average daily interest-earning assets.
6. Calculated as the average daily balance of the Bank.
7. According to the requirements of the Notice on Strictly Implementing Accounting Standards for Business Enterprises and Effectively Enhancing the 2020 Annual Reports of Enterprises (Cai Kuai [2021] No. 2) (《關於嚴格執行企業會計準則切實加強企業 2020 年年報工作的通知》(財會[2021]2 號文)) jointly issued by the MOF, State-owned Assets Supervision and Administration Commission of the State Council, CBIRC and CSRC, the Bank recognises the credit card holder instalment income as interest income, and has adjusted the corresponding comparison figures.

During the Reporting Period, changes in the volume and interest rate of the Bank led to changes in interest income and interest expenses. Changes in volume are measured by changes in the average balance of the interest-earning assets and interest-bearing liabilities while changes in interest rate are measured by changes in the average interest rate of the interest-earning assets and interest-bearing liabilities. Combined effects of the changes in volume and interest rate were included in changes in interest.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	For the six months ended 30 June		
	2021 vs. 2020		Net increase/ (decrease) ⁽³⁾
	Increase/(decrease) due to Volume ⁽¹⁾	Interest rate ⁽²⁾	
Interest-earning assets			
Loans and advances to customers	1,339,841	(372,074)	967,767
Investment in securities and other financial assets	(372,550)	(51,027)	(423,577)
Deposits with central bank	(6,400)	(19,406)	(25,806)
Amounts due from banks and other financial institutions	19,794	(44,301)	(24,507)
Lease receivables	409,963	40,884	450,847
Changes in interest income	1,390,648	(445,924)	944,724
Interest-bearing liabilities			
Deposits from customers	206,435	(36,116)	170,319
Amounts due to banks and other financial institutions	179,548	261,423	440,971
Debt securities issued	(94,745)	(33,447)	(128,192)
Due to central bank	185,717	(45,373)	140,344
Changes in interest expenses	476,955	146,487	623,442

Notes:

1. Represents the average balance for the Reporting Period minus the average balance for the previous period, multiplied by the average yield/cost rate for the previous period.
2. Represents the average revenue/(expenses) for the Reporting Period minus the average revenue/(expenses) for the previous period, multiplied by the average balance for the Reporting Period.
3. Represents the interest income/(expenses) for the Reporting Period minus the interest income/(expenses) for the previous period.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Net interest spread and net interest margin

During the Reporting Period, the Bank's net interest spread amounted to 2.20%, representing a decrease of 0.12 percentage point as compared to the same period of the previous year, while the Bank's net interest margin amounted to 2.24%, representing a decrease of 0.08 percentage point as compared to the same period of the previous year. The main reasons for the decrease in net interest spread and net interest margin are (1) the Bank proactively responded to State policies to support the real economy through multiple measures, thus resulting in a year-on-year decrease in average yield of interest-earning assets; and (2) interest-bearing liabilities recorded a year-on-year increase in average cost rate due to volatilities in market capital costs.

3.1.2 Interest Income

During the Reporting Period, the Bank achieved interest income of RMB12,615 million, representing a year-on-year increase of RMB945 million or 8.10%, mainly due to the increase in interest-earning assets.

Interest income from loans and advances to customers

During the Reporting Period, the Bank steadily promoted credit granting. The average balance of loans and advances to customers issued by the Bank increased by RMB46,696 million as compared to the same period of the previous year. The interest income from loans amounted to RMB6,909 million, representing an increase of RMB968 million or 16.29% as compared to the same period of the previous year. Set out below are the average balance, interest income and average yield for each component of the Bank's loans and advances to customers during the Reporting Period:

Unit: RMB'000

Item	For the six months ended 30 June					
	2021			2020		
	Average balance	Interest income	Annualized average yield (%)	Average balance	Interest income	Annualized average yield (%)
Corporate loans	170,164,825	4,916,020	5.78	133,709,426	3,990,846	5.97
Personal loans	69,655,721	1,790,878	5.14	63,513,634	1,801,827	5.67
Discounted bills	13,930,425	201,845	2.90	9,831,789	148,303	3.02
Gross loans and advances to customers	253,750,971	6,908,743	5.45	207,054,849	5,940,976	5.74

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Interest income from investment in securities and other financial assets

During the Reporting Period, interest income from investment in securities and other financial assets of the Bank amounted to RMB4,513 million, representing a year-on-year decrease of RMB424 million or 8.58%, which was principally attributable to the combined effects of the decrease in investment securities and other financial assets and drop in average yield.

Interest income from deposits with the central bank

During the Reporting Period, interest income from deposits with the central bank of the Bank was RMB182 million, representing a year-on-year decrease of RMB26 million or 12.43%, mainly attributable to the combined effects of year-on-year decrease in the deposit ratio of RMB statutory deposit reserve and the interest rate of excess deposit reserve during the Reporting Period.

Interest income from amounts due from banks and other financial institutions

During the Reporting Period, the Bank's interest income from amounts due from banks and other financial institutions decreased by RMB25 million or 21.99% year-on-year to RMB87 million, which was primarily attributable to the decrease in the average yield rate of amounts due from banks and other financial institutions during the Reporting Period.

Interest income from lease receivables

During the Reporting Period, interest income from lease receivables of the Bank increased by RMB451 million or 95.23% as compared to the same period of the previous year to RMB924 million, which was primarily attributable to the increase in the scale and average yield of lease receivables of Jiuding Financial Leasing Company, a subsidiary of the Bank.

3.1.3 Interest Expenses

During the Reporting Period, the Bank's interest expense amounted to RMB6,846 million, representing an increase of RMB623 million or 10.02% as compared to the same period of the previous year, which was affected by the increase in the average cost rate of interest-bearing liabilities.

Interest expenses on deposits from customers

During the Reporting Period, the Bank's interest expense on deposits from customers amounted to RMB3,959 million, representing a year-on-year increase of RMB170 million or 4.50%, and accounted for 57.83% of all interest expenses. The increase was mainly due to the overall growth of the deposit business as a result of the Bank's vigorous efforts in building its customer base. The decrease in the average cost of deposits from customers was mainly due to fluctuations in market interest rates and the Bank's optimisation of the liability structure and improvement of cost management.

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Unit: RMB'000

Item	For the six months ended 30 June					
	2021			2020		
	Average balance	Interest expenses	Annualized average cost rate (%)	Average balance	Interest expenses	Annualized average cost rate (%)
Corporate deposits						
Demand	71,587,551	220,846	0.62	75,979,429	219,734	0.58
Time	104,149,844	1,774,939	3.41	91,602,508	1,666,239	3.64
Subtotal	175,737,395	1,995,785	2.27	167,581,937	1,885,973	2.25
Personal deposits						
Demand	25,479,801	110,987	0.87	23,020,960	95,957	0.83
Time	82,341,935	1,581,865	3.84	79,126,647	1,601,484	4.05
Subtotal	107,821,736	1,692,852	3.14	102,147,607	1,697,441	3.32
Others	31,355,117	270,720	1.73	28,913,980	205,624	1.42
Total deposits from customers	314,914,248	3,959,357	2.51	298,643,524	3,789,038	2.54

Interest expense on amounts due to banks and other financial institutions

During the Reporting Period, the Bank's interest expense on amounts due to banks and other financial institutions amounted to RMB1,158 million, representing a year-on-year increase of RMB441 million or 61.51%, which was primarily attributable to the increase in scale and average cost rate of amounts due to banks and other financial institutions during the Reporting Period.

Interest expenses on debt securities issued

During the Reporting Period, the Bank's interest expense on debt securities issued amounted to RMB1,370 million, representing a decrease of RMB128 million as compared to the same period of the previous year, which was primarily attributable to the decrease in amount and cost rate of deposits in inter-banks during the Reporting Period.

Interest expense arising from amounts due to central bank

During the Reporting Period, interest expense arising from amounts due to central bank amounted to RMB359 million, representing an increase of RMB140 million or 64.24% as compared to the same period of the previous year, which was primarily attributable to the increase in medium-term lending facilities, and special refinancing for pandemic prevention and combat during the Reporting Period as compared to the same period of the previous year.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.1.4 Non-interest Income

During the Reporting Period, the Bank achieved non-interest income of RMB1,176 million, representing a decrease of RMB1,057 million or 47.33% as compared to the same period of the previous year and accounted for 16.94% of the operating income. Such income includes net fee and commission income of RMB723 million, decreased by RMB309 million as compared to the same period of the previous year. The Bank recorded other non-interest income of RMB453 million, decreased by RMB748 million as compared to the same period of the previous year.

Net fee and commission income

Unit: RMB'000

Item	For the six months ended 30 June			
	2021	2020 (restated) ^(Note)	Change	Rate of change (%)
Fee and commission income				
Agency and custody services fees	522,381	776,229	(253,848)	(32.70)
Underwriting and advisory fees	121,367	148,515	(27,148)	(18.28)
Acceptance and guarantee services fees	70,585	101,927	(31,342)	(30.75)
Bank card services fees	58,413	58,772	(359)	(0.61)
Others	21,398	16,929	4,469	26.40
Subtotal	794,144	1,102,372	(308,228)	(27.96)
Fee and commission expenses	71,428	70,331	1,097	1.56
Net fee and commission income	722,716	1,032,041	(309,325)	(29.97)

Note: According to the requirements of the Notice on Strictly Implementing Accounting Standards for Business Enterprises and Effectively Enhancing the 2020 Annual Reports of Enterprises (Cai Kuai [2021] No. 2) (《關於嚴格執行企業會計準則切實加強企業2020年年報工作的通知》(財會[2021]2號文)) jointly issued by the MOF, State-owned Assets Supervision and Administration Commission of the State Council, CBIRC and CSRC, the Bank recognises the credit card holder instalment income as interest income, and has adjusted the corresponding comparison figures.

During the Reporting Period, the Bank's net fee and commission income amounted to RMB723 million, representing a decrease of RMB309 million or 29.97% as compared to the same period of the previous year, which was primarily attributable to the change in the scale of the agency and custody business, guarantee and commitment business and corporate securities underwriting business.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Other non-interest income

Unit: RMB'000

Item	For the six months ended 30 June			
	2021	2020	Change	Rate of change (%)
Net trading gains	279,268	402,118	(122,850)	(30.55)
Net gains arising from investment	141,207	792,343	(651,136)	(82.18)
Other operating income	33,084	6,715	26,369	392.69
Total	453,559	1,201,176	(747,617)	(62.24)

During the Reporting Period, other non-interest income amounted to RMB453 million, representing a decrease of RMB748 million or 62.24% as compared to the same period of the previous year, which was primarily due to the change in gains arising from financial investments at fair value through profit or loss.

3.1.5 Operating Expenses

During the Reporting Period, the Bank strengthened cost control and effectively implemented financial resources allocation to record operating expenses of RMB1,380 million, a decrease of RMB39 million, or 2.73%, from the corresponding period of last year.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

For the six months ended 30 June				
Item	2021	2020	Change	Rate of change (%)
Staff costs	746,211	838,624	(92,413)	(11.02)
Depreciation and amortization	228,031	218,201	9,830	4.51
Rental and property management expenses	39,276	34,316	4,960	14.45
Office expenses	21,899	17,921	3,978	22.20
Tax and surcharges	77,771	68,505	9,266	13.53
Others	266,651	240,933	25,718	10.67
Total operating expenses	1,379,839	1,418,500	(38,661)	(2.73)

The following table sets forth the major components of staff costs of the Bank during the Reporting Period:

Unit: RMB'000

For the six months ended 30 June				
Item	2021	2020	Change	Rate of change (%)
Salaries, bonuses and allowances	456,701	646,479	(189,778)	(29.36)
Social insurance and annuity	147,128	70,692	76,436	108.13
Supplementary retirement benefits	19,387	3,169	16,218	511.77
Staff welfare	54,565	52,742	1,823	3.46
Housing allowances	56,370	48,072	8,298	17.26
Others	12,060	17,470	(5,410)	(30.97)
Total	746,211	838,624	(92,413)	(11.02)

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.1.6 Impairment Losses on Assets

During the Reporting Period, the Bank's impairment losses on assets decreased by RMB799 million or 24.89% from the previous year to RMB2,411 million. The impairment losses of loans and advances to customers was RMB1,468 million, representing a decrease of RMB796 million or 35.16% as compared to the same period of the previous year. This is mainly due to the fact that the Bank enhanced efforts to write off non-performing assets to gradually improve asset quality in line with changes in market operating conditions and asset structure.

Unit: RMB'000

Item	For the six months ended 30 June			
	2021	2020	Change	Rate of change (%)
Impairment losses on loans and advances to customers	1,468,028	2,263,981	(795,953)	(35.16)
Impairment losses on financial investments measured at amortized cost	864,755	786,722	78,033	9.92
Impairment losses on lease receivables	169,247	130,000	39,247	30.19
Impairment losses on off-balance sheet credit commitments	980	27,905	(26,925)	(96.49)
Impairment losses on financial investments at fair value through other comprehensive income	(92,285)	1,035	(93,320)	(9,016.43)
Others ^(Note)	209	42	167	400.00
Total provision for assets impairment losses	2,410,934	3,209,685	(798,751)	(24.89)

Note: Others consist of impairment losses on items such as deposits with banks and other financial institutions, financial assets held under resale agreements, placements with banks and other financial institutions, etc..

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.1.7 Income Tax Expenses

During the Reporting Period, the Bank's income tax expenses amounted to RMB621 million, representing an increase of RMB12 million or 1.93% as compared to the same period of the previous year. During the Reporting Period, the Bank's effective tax rate was 19.65%, which is lower than the statutory tax rate of 25% and was mainly due to the fact that the interest income from state-owned bonds and local government bonds held by the Bank was tax-exempt income according to the relevant PRC tax law.

Unit: RMB'000

Item	For the six months ended 30 June			
	2021	2020	Change	Rate of change (%)
Current tax	991,753	1,017,312	(25,559)	(2.51)
Deferred tax	(474,765)	(460,614)	(14,151)	3.07
Adjustment for prior years	104,166	52,722	51,444	97.58
Total income tax expenses	621,154	609,420	11,734	1.93

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.2 Balance Sheet Analysis

3.2.1 Assets

As at the end of the Reporting Period, the Bank's total assets amounted to RMB571,970 million, representing an increase of RMB24,156 million or 4.41% from the end of the previous year. The increase in total assets was mainly due to the increase in loans and advances to customers and lease receivables. The balances (after provision) of the components of the Bank's total assets and their respective percentages are as follows:

Unit: RMB'000

Item	As at 30 June 2021		As at 31 December 2020		Change	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Assets						
Cash and deposits with central bank	30,114,089	5.26	36,492,083	6.66	(6,377,994)	(1.40)
Deposits with banks and other financial institutions	3,120,376	0.55	2,357,591	0.43	762,785	0.12
Placements with banks and other financial institutions	3,884,939	0.68	3,083,574	0.56	801,365	0.12
Derivative financial assets	41,072	0.01	362,970	0.07	(321,898)	(0.06)
Financial assets held under resale agreements	5,251,418	0.92	8,585,647	1.57	(3,334,229)	(0.65)
Loans and advances to customers	261,229,036	45.67	231,250,013	42.21	29,979,023	3.46
Financial investments						
– Financial investments at fair value through profit or loss	42,207,944	7.38	46,463,308	8.48	(4,255,364)	(1.10)
– Financial investments at fair value through other comprehensive income	22,941,962	4.01	21,983,430	4.01	958,532	–
– Financial investments at amortized cost	164,207,949	28.71	164,230,569	29.98	(22,620)	(1.27)
Lease receivables	28,047,988	4.90	22,565,825	4.12	5,482,163	0.78
Investments in associates	407,340	0.07	400,250	0.07	7,090	–
Property and equipment	2,707,282	0.47	2,686,802	0.49	20,480	(0.02)
Deferred tax assets	4,049,197	0.71	3,718,962	0.68	330,235	0.03
Other assets	3,758,988	0.66	3,632,420	0.67	126,568	(0.01)
Total assets	571,969,580	100.00	547,813,444	100.00	24,156,136	–

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Loans and advances to customers

As at the end of the Reporting Period, the Bank's total loans and advances to customers amounted to RMB268,176 million, representing an increase of RMB30,216 million or 12.70% from the end of the previous year. The Bank's loans and advances to customers were mainly composed of corporate loans, personal loans and discounted bills. Set out below is a breakdown of the Bank's loans by business line:

Unit: RMB'000

Item	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total (%)	Amount	% of total (%)
Corporate loans ⁽¹⁾	180,092,416	67.15	156,954,032	65.96
Personal loans	73,363,663	27.36	67,328,937	28.29
Discounted bills	14,719,554	5.49	13,676,221	5.75
Total loans and advances to customers	268,175,633	100.00	237,959,190	100.00
Add: Accrued interest	1,171,149		1,046,446	
Less: Provision for impairment losses ⁽²⁾	8,117,746		7,755,623	
Book value of loans and advances to customers	261,229,036		231,250,013	

Notes:

1. Forfeiting is included in the corporate loans.
2. Excluding provision for impairment losses on forfeiting and discounted bills, which was included in other comprehensive income.

(1) Corporate loans

Corporate loan is the largest component of the Bank's loans and advances to customers. As at the end of the Reporting Period, the Bank's corporate loans amounted to RMB180,092 million, accounted for 67.15% of the Bank's total loans and advances to customers and representing an increase of RMB23,138 million or 14.74% from the end of the previous year. During the Reporting Period, the Bank closely focused on the three features of its positioning as "finance for commerce and logistics, finance for small and micro enterprises and finance for citizens", thereby achieving steady growth in corporate loans.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth a breakdown of the Bank's corporate loans by collateral:

Unit: RMB'000

Item	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total (%)	Amount	% of total (%)
Unsecured loans	34,087,114	18.93	25,996,452	16.56
Guaranteed loans	92,535,945	51.38	78,812,696	50.21
Loans secured by tangible assets other than monetary assets	35,133,553	19.51	33,346,976	21.25
Loans secured by intangible assets or monetary assets	18,335,804	10.18	18,797,908	11.98
Total corporate loan principal	180,092,416	100.00	156,954,032	100.00

(2) Personal loans

As at the end of the Reporting Period, the Bank's personal loans amounted to RMB73,364 million, accounted for 27.36% of the Bank's total loans and advances to customers and representing an increase of RMB6,035 million or 8.96% from the end of the previous year, which was primarily attributable to the growth of personal business loans and personal residential mortgage loan businesses. In particular, personal business loans amounted to RMB28,317 million, representing an increase of 10.44% from the end of the previous year; personal residential mortgage loans amounted to RMB39,194 million, representing an increase of 8.98% from the end of the previous year.

The following table sets forth a breakdown of the Bank's personal loans by product type:

Unit: RMB'000

Item	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total (%)	Amount	% of total (%)
Personal business loans	28,317,054	38.60	25,639,981	38.08
Personal residential mortgage loans	39,193,956	53.42	35,964,974	53.42
Personal consumption loans	2,820,882	3.85	2,769,512	4.11
Credit card loans	3,031,771	4.13	2,954,470	4.39
Total personal loan principal	73,363,663	100.00	67,328,937	100.00

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

(3) Discounted bills

As at the end of the Reporting Period, the Bank's discounted bills amounted to RMB14,720 million, representing an increase of RMB1,043 million or 7.63% from the end of the previous year. During the Reporting Period, the Bank flexibly adjusted the scale of bill financing according to the needs of business development and the financing needs of customers.

Investments in securities and other financial assets

As at the end of the Reporting Period, the Bank's total investments in securities and equity instruments amounted to RMB232,093 million, representing a decrease of RMB2,360 million or 1.01% from the end of the previous year. Details are set out as follows:

Unit: RMB'000

Item	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total (%)	Amount	% of total (%)
Financial investments at amortized cost	167,258,102	72.06	166,298,387	70.93
Financial investments at fair value through other comprehensive income	22,626,877	9.75	21,691,216	9.25
Financial investments at fair value through profit or loss	42,207,944	18.19	46,463,308	19.82
Total investments in securities and other financial assets	232,092,923	100.00	234,452,911	100.00
Add: Accrued interest	1,961,048		2,106,004	
Less: Provision for impairment losses ^(Note)	4,696,116		3,881,608	
Book value of investments in securities and other financial assets	229,357,855		232,677,307	

Note: Excluding provision for impairment losses on financial investments at fair value through other comprehensive income.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

The Bank's investment in securities is classified into debt instruments and equity instruments. Set out below is a breakdown of the Bank's investment in securities by product:

Unit: RMB'000

Item	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total (%)	Amount	% of total (%)
Debt securities investments				
Government bonds	47,332,419	20.41	40,538,719	17.29
Debt securities issued by policy banks	40,560,653	17.49	39,543,998	16.87
Debt securities issued by banks and other financial institutions	1,455,904	0.63	1,865,371	0.80
Debt securities issued by corporate issuers	4,709,575	2.03	6,356,024	2.71
Subtotal	94,058,551	40.56	88,304,112	37.67
Investment products under trust scheme	62,532,729	26.97	67,275,604	28.70
Investment products managed by securities companies	55,011,010	23.72	55,741,447	23.78
Others ^(Note)	20,283,401	8.75	23,123,348	9.85
Total debt instruments	231,885,691	100.00	234,444,511	100.00
Equity instruments	207,232		8,400	
Total investments in securities and other financial assets	232,092,923		234,452,911	

Note: Others consist of debt financing schemes.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth a breakdown of the top ten financial bonds by nominal value balance held by the Bank as at the end of the Reporting Period:

Unit: RMB'000

No.	Type of bonds	Nominal value balance	Interest rate (%)	Maturity date	Impairment
1	2016 financial bonds	3,250,000	3.33	2026-02-22	129
2	2021 financial bonds	2,531,612	3.66	2031-03-01	96
3	2020 financial bonds	2,516,175	3.09	2030-06-18	97
4	2016 financial bonds	2,490,000	3.33	2026-01-06	100
5	2020 financial bonds	2,220,000	3.07	2030-03-10	88
6	2016 financial bonds	2,200,000	3.24	2023-02-25	88
7	2016 financial bonds	1,900,000	3.32	2023-01-06	76
8	2020 financial bonds	1,870,000	3.79	2030-10-26	76
9	2019 financial bonds	1,360,000	3.45	2029-09-20	55
10	2019 financial bonds	1,170,000	3.74	2029-07-12	48

Derivative financial instruments

During the Reporting Period, amid the two-way fluctuations in the exchange rate between the US dollar and RMB, the Bank rationally used non-deliverable forwards to effectively mitigate market risks with a sound trading style.

Unit: RMB'000

Derivative financial instrument	As at 30 June 2021			As at 31 December 2020		
	Contractual/ notional amount	Fair value of assets	Fair value of liabilities	Contractual/ notional amount	Fair value of assets	Fair value of liabilities
Non-deliverable forwards	7,558,317	41,072	(5,463)	6,002,908	362,970	-
Total	7,558,317	41,072	(5,463)	6,002,908	362,970	-

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.2.2 Liabilities

As at the end of the Reporting Period, the Bank's total liabilities amounted to RMB523,029 million, representing an increase of RMB21,188 million or 4.22% from the end of the previous year, which was mainly due to the increase in liabilities such as deposits from customers, deposits and placements from banks and other financial institutions and amounts due to central bank.

Unit: RMB'000

Item	As at 30 June 2021		As at 31 December 2020		Change	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Due to central bank	27,024,291	5.17	25,966,645	5.17	1,057,646	-
Deposits from banks and other financial institutions	32,639,097	6.24	20,210,404	4.03	12,428,693	2.21
Placements from banks and other financial institutions	27,178,315	5.20	20,467,593	4.08	6,710,722	1.12
Derivative financial liabilities	5,463	-	-	-	5,463	-
Financial assets sold under repurchase agreements	16,342,651	3.12	21,303,430	4.25	(4,960,779)	(1.13)
Deposits from customers	325,977,048	62.32	316,512,735	63.07	9,464,313	(0.75)
Tax payable	1,012,636	0.19	653,304	0.13	359,332	0.06
Debt securities issued	89,466,121	17.11	93,164,057	18.56	(3,697,936)	(1.45)
Other liabilities ^(Note)	3,383,679	0.65	3,563,355	0.71	(179,676)	(0.06)
Total	523,029,301	100.00	501,841,523	100.00	21,187,778	-

Note: Other liabilities primarily consist of payment and collection clearance accounts, staff costs payable, lease liabilities and estimated liabilities.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Deposits from customers

As at the end of the Reporting Period, the Bank's gross deposits from customers amounted to RMB323,625 million, representing an increase of RMB9,395 million or 2.99% from the end of the previous year. The steady growth in the Bank's deposits from customers was mainly attributable to the overall growth of the deposit business as a result of the Bank's vigorous efforts in building its customer base. Set out below is a breakdown of the Bank's deposits from customers by product type and maturity profile:

Unit: RMB'000

Item	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total (%)	Amount	% of total (%)
Corporate deposits				
Demand	71,707,778	22.16	73,645,804	23.44
Time	105,735,439	32.66	102,023,433	32.47
Subtotal	177,443,217	54.82	175,669,237	55.91
Personal deposits				
Demand	28,022,444	8.66	30,426,964	9.68
Time	84,450,474	26.10	77,347,598	24.61
Subtotal	112,472,918	34.76	107,774,562	34.29
Other deposits	33,709,215	10.42	30,786,621	9.80
Gross deposits from customers	323,625,350	100.00	314,230,420	100.00
Add: Accrued interest	2,351,698		2,282,315	
Total deposits from customers	325,977,048		316,512,735	

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.2.3 Shareholders' Equity

As at the end of the Reporting Period, the Bank's total Shareholders' equity amounted to RMB48,940 million, representing an increase of RMB2,968 million or 6.46% from the end of the previous year. The total equity attributable to shareholders of the Bank amounted to RMB47,381 million, representing an increase of RMB2,886 million or 6.49% from the end of the previous year. The increase in Shareholders' equity was mainly due to sustained profit of the Bank.

Unit: RMB'000

Item	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total (%)	Amount	% of total (%)
Shareholders' equity				
Share capital	7,514,125	15.35	7,514,125	16.35
Capital reserve	8,203,903	16.76	8,203,903	17.85
Surplus reserve	2,976,573	6.08	2,976,573	6.47
General reserve	7,078,451	14.46	7,078,451	15.40
Fair value reserve	(264,616)	(0.54)	(698,206)	(1.52)
Remeasurement of net defined benefit liability	(62,782)	(0.13)	(60,953)	(0.13)
Retained earnings	14,109,367	28.83	11,655,496	25.35
Other equity instruments	7,825,508	15.99	7,825,508	17.02
Total equity attributable to Shareholders of the Bank	47,380,529	96.80	44,494,897	96.79
Non-controlling interests	1,559,750	3.20	1,477,024	3.21
Total Shareholders' equity	48,940,279	100.00	45,971,921	100.00

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.2.4 Off-balance Sheet Commitments

The following table sets forth a breakdown of the Bank's off-balance sheet credit commitments as at the end of the Reporting Period:

Unit: RMB'000

Item	As at 30 June 2021	As at 31 December 2020
Credit commitments		
Bank acceptances	109,567,990	118,049,727
Letters of credit	13,250,601	9,814,187
Guarantees	1,507,188	2,217,397
Unused credit card commitments	4,597,626	3,890,102
Total	128,923,405	133,971,413

In addition, as at the end of the Reporting Period, there was no material litigation in which the Bank or any subsidiary of the Bank was a defendant. As at the Latest Practicable Date, the Bank had no significant contingent liabilities. Details of off-balance sheet commitments are disclosed in "Credit Commitment" of Commitment or Contingent Liabilities in Note 41 to the financial statements in the chapter headed "Independent Auditor's Review Report" of this Report.

3.2.5 Asset Right Restriction as at the End of the Reporting Period

As at the end of the Reporting Period, the Bank pledged certain of its assets as the collateral of the repurchase agreement. Details of pledged assets are disclosed in "Pledged Assets" of Commitment or Contingent Liabilities in Note 41 to the financial statements in the chapter headed "Independent Auditor's Review Report" of this Report.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.3 Loan Quality Analysis

During the Reporting Period, the Bank continuously strengthened its credit risk management and accelerated the disposal of non-performing loans, thus keeping the overall quality of loans under control. As at the end of the Reporting Period, the balance of non-performing loans amounted to RMB5,294 million and the non-performing loan ratio was 1.97%, decreased by 0.11 percentage point from the end of the previous year.

3.3.1 Distribution of Loans by Five-Category Loan Classification

Unit: RMB'000

Item	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total (%)	Amount	% of total (%)
Normal	257,040,178	95.85	228,182,443	95.89
Special mention	5,841,563	2.18	4,832,965	2.03
Substandard	4,236,108	1.58	3,318,730	1.40
Doubtful	1,015,628	0.38	1,591,666	0.67
Loss	42,156	0.01	33,386	0.01
Total loans and advances to customers	268,175,633	100.00	237,959,190	100.00
NPLs and NPL ratio^(Note)	5,293,892	1.97	4,943,782	2.08

Note: NPL ratio is calculated by dividing the total principal of the non-performing loans (excluding accrued interest) by the total principal of loans and advance to customers (excluding accrued interest).

According to the five-category loan classification system, the Bank classified its non-performing loans into substandard, doubtful and loss categories.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.3.2 Distribution of Loans and Non-Performing Loans by Product Type

Unit: RMB'000

Item	As at 30 June 2021				As at 31 December 2020			
	Amount	% of the total (%)	NPL amount	NPL ratio (%)	Amount	% of the total (%)	NPL amount	NPL ratio (%)
Corporate loans								
Short-term loans	52,154,729	19.45	1,298,046	2.49	47,708,603	20.05	1,579,417	3.31
Medium and long-term loans	127,937,687	47.71	2,416,731	1.89	109,245,429	45.91	1,856,239	1.70
Subtotal	180,092,416	67.16	3,714,777	2.06	156,954,032	65.96	3,435,656	2.19
Discounted bills	14,719,554	5.49	-	-	13,676,221	5.75	-	-
Personal loans								
Personal business loans	28,317,054	10.56	1,021,028	3.61	25,639,981	10.78	1,033,789	4.03
Personal residential mortgage loans	39,193,956	14.61	307,798	0.79	35,964,974	15.11	185,795	0.52
Personal consumption loans	2,820,882	1.05	188,595	6.69	2,769,512	1.16	226,720	8.19
Credit card balance	3,031,771	1.13	61,694	2.03	2,954,470	1.24	61,822	2.09
Subtotal	73,363,663	27.35	1,579,115	2.15	67,328,937	28.29	1,508,126	2.24
Total	268,175,633	100.00	5,293,892	1.97	237,959,190	100.00	4,943,782	2.08

During the Reporting Period, the Bank adhered to high-quality development, intensified risk management, and strengthened the effort on the collection and disposal of non-performing assets. As at the end of the Reporting Period, the NPL ratio of corporate loans (excluding discounted bills) was 2.06%, decreased by 0.13 percentage point from the end of the previous year; the NPL ratio of personal loans was 2.15%, decreased by 0.09 percentage point from the end of the previous year.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.3.3 Distribution of Loans and Non-Performing Loans by Industry

Unit: RMB'000

Item	As at 30 June 2021				As at 31 December 2020			
	Amount	% of the total (%)	NPL amount	NPL ratio (%)	Amount	% of the total (%)	NPL amount	NPL ratio (%)
Wholesale and retail	29,901,069	11.15	847,702	2.84	30,468,072	12.80	1,121,197	3.68
Manufacturing	15,995,661	5.96	1,164,921	7.28	14,981,932	6.30	965,069	6.44
Construction	18,161,994	6.77	254,329	1.40	14,887,663	6.26	329,452	2.21
Real estate	34,668,259	12.93	656,870	1.89	30,557,324	12.84	381,888	1.25
Leasing and commercial services	20,209,702	7.54	389,404	1.93	17,666,268	7.42	387,064	2.19
Water, environment and public facility management	34,587,514	12.90	5,000	0.01	25,683,307	10.79	-	-
Agriculture, forestry, animal husbandry and fishery	2,936,659	1.10	164,688	5.61	1,926,802	0.81	124,315	6.45
Transportation, storage and postal services	6,811,727	2.54	175,962	2.58	4,982,485	2.09	29,655	0.60
Production and supply of electricity, heating power, gas and water	2,693,594	1.00	-	-	2,581,881	1.09	-	-
Accommodation and catering	1,307,385	0.49	22,085	1.69	1,311,417	0.55	41,586	3.17
Mining	1,030,795	0.38	5,970	0.58	807,252	0.34	9,070	1.12
Culture, sports and entertainment	1,616,698	0.60	3,797	0.23	1,660,210	0.70	2,860	0.17
Others	10,171,359	3.79	24,049	0.24	9,439,419	3.97	43,500	0.46
Total corporate loans	180,092,416	67.15	3,714,777	2.06	156,954,032	65.96	3,435,656	2.19
Total personal loans	73,363,663	27.36	1,579,115	2.15	67,328,937	28.29	1,508,126	2.24
Discounted bills	14,719,554	5.49	-	-	13,676,221	5.75	-	-
Total	268,175,633	100.00	5,293,892	1.97	237,959,190	100.00	4,943,782	2.08

As at the end of the Reporting Period, the non-performing corporate loans of the Bank were mainly concentrated in (1) the manufacturing industry; (2) the wholesale and retail industry; and (3) the real estate industry, with NPL ratios of 7.28%, 2.84% and 1.89%, respectively.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.3.4 Distribution of Loans and Non-Performing Loans by Collateral

The following table sets forth a breakdown of the Bank's loans and non-performing loans by collateral:

Unit: RMB'000

Item	As at 30 June 2021				As at 31 December 2020			
	Amount	% of the total (%)	NPL amount	NPL ratio (%)	Amount	% of the total (%)	NPL amount	NPL ratio (%)
Unsecured loans	39,777,430	14.83	225,760	0.57	31,664,029	13.31	133,808	0.42
Guaranteed loans	95,396,806	35.57	2,732,180	2.86	82,094,342	34.49	2,501,079	3.05
Loans secured by tangible assets other than monetary assets	97,926,268	36.52	2,201,619	2.25	89,660,694	37.68	2,163,748	2.41
Loans secured by intangible assets or monetary assets	35,075,129	13.08	134,333	0.38	34,540,125	14.52	145,147	0.42
Total	268,175,633	100.00	5,293,892	1.97	237,959,190	100.00	4,943,782	2.08

3.3.5 Borrower Concentration

As at the end of the Reporting Period, the Bank's loan balance to any single borrower did not exceed 10% of the Bank's net capital. The following table sets forth, as at the end of the Reporting Period, the Bank's loan balance to the ten largest single borrowers (excluding group borrowers), none of which was non-performing loan.

Unit: RMB'000

Item	Industry	As at 30 June 2021		
		Principal balance	% of total loans (%)	% of net capital (%)
Borrower A	Water, environment and public facility management	1,900,000	0.71	3.40
Borrower B	Real estate	1,814,000	0.68	3.24
Borrower C	Leasing and commercial services	1,795,490	0.67	3.21
Borrower D	Real estate	1,599,000	0.60	2.86
Borrower E	Leasing and commercial services	1,395,000	0.52	2.49
Borrower F	Agriculture, forestry, animal husbandry and fishery	1,358,119	0.51	2.43
Borrower G	Transportation, storage and postal services	1,299,900	0.48	2.32
Borrower H	Manufacturing	1,220,000	0.45	2.18
Borrower I	Water, environment and public facility management	1,200,000	0.45	2.14
Borrower J	Real estate	1,154,510	0.43	2.06
Total		14,736,019	5.50	26.33

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.3.6 Overdue Loans

Unit: RMB'000

Item	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total (%)	Amount	% of total (%)
Current loans	259,687,384	96.83	230,718,299	96.96
Loans past due for ^(Note)				
3 months (inclusive) or less	3,598,759	1.34	2,489,278	1.04
3 months to 1 year (inclusive)	1,704,946	0.64	1,803,362	0.76
1 year or more	3,184,544	1.19	2,948,251	1.24
Subtotal	8,488,249	3.17	7,240,891	3.04
Gross loan principal	268,175,633	100.00	237,959,190	100.00

Note: Representing the principal amount of the loans on which principal or interest is overdue.

As at the end of the Reporting Period, the Bank's overdue loans amounted to RMB8,488 million, representing an increase of RMB1,247 million or 17.23% as compared with the end of the previous year. Overdue loans accounted for 3.17% of the total loans, increased by 0.13 percentage point as compared with the end of the previous year.

3.3.7 Repossessed Assets and Provision for Impairment

As at the end of the Reporting Period, the Bank had no repossessed assets.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.3.8 Provision and Write-off of Allowance for Impairment Losses on Loans

During the Reporting Period, the Bank made a loss reserve of RMB1,468 million, with RMB1,397 million provided for loans and advances to customers measured at amortized cost, and RMB71 million for loans and advances to customers measured at fair value through other comprehensive income. RMB1,305 million of non-performing loans was written off, and RMB270 million of written-off loans was recovered. As at the end of the Reporting Period, the balance of the Bank's loan loss reserve was RMB8,365 million, of which the balance of impairment losses on loans and advances to customers measured at amortized cost was RMB8,118 million and the balance of impairment losses on loans and advances to customers measured at fair value through other comprehensive income was RMB247 million.

Changes in provision for impairment losses on loans and advances to customers at amortized cost are set out as follows:

Unit: RMB'000

Item	As at 30 June 2021	As at 31 December 2020
Opening balance	7,755,623	7,327,846
Provision for the period	1,397,152	5,407,911
Write-off and disposal for the period	(1,304,570)	(5,355,940)
Recovery of written-off loans	269,541	375,806
Closing balance	8,117,746	7,755,623

Changes in provision for impairment losses on loans and advances to customers at fair value through other comprehensive income are set out as follows:

Unit: RMB'000

Item	As at 30 June 2021	As at 31 December 2020
Opening balance	176,152	97,001
Provision for the period	70,876	79,151
Closing balance	247,028	176,152

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.4 Cash Flow Statement Analysis

During the Reporting Period, the Bank's net cash outflow from operating activities was RMB5,564 million, where the cash inflow was RMB44,927 million, representing a decrease of RMB8,536 million from the same period of the previous year, mainly due to the decrease in the net increment of deposits from customers from the same period of the previous year; and the cash outflow was RMB50,491 million, representing an increase of RMB3,349 million from the same period of the previous year, mainly due to the increase in loans and advances to customers.

During the Reporting Period, the Bank's net cash inflow from investing activities was RMB5,355 million, where the cash inflow was RMB105,257 million, representing a decrease of RMB36,887 million from the same period of the previous year, mainly due to the decrease in cash flow received from the recovery of investments; the cash outflow was RMB99,901 million, representing a decrease of RMB39,679 million from the same period of the previous year, mainly due to the decrease in cash outflow for investment payments.

During the Reporting Period, the Bank's net cash outflow from financing activities was RMB5,133 million, where the cash inflow was RMB56,582 million, representing an increase of RMB10,833 million from the same period of the previous year, mainly due to the increase in cash inflows received from the issuance of interbank deposits; the cash outflow was RMB61,715 million, representing an increase of RMB3,191 million from the same period of the previous year, mainly due to the increase in cash outflows for the repayment of the interbank deposits due.

Unit: RMB'000

Item	For the six months ended 30 June		
	2021	2020	Year-on-year change
Subtotal of cash inflows from operating activities	44,927,234	53,463,071	(8,535,837)
Subtotal of cash outflows from operating activities	50,491,041	47,142,309	3,348,732
Net cash flows (used in)/generated from operating activities	(5,563,807)	6,320,762	(11,884,569)
Subtotal of cash inflows from investing activities	105,256,575	142,143,184	(36,886,609)
Subtotal of cash outflows from investing activities	99,901,116	139,580,122	(39,679,006)
Net cash flows generated from investing activities	5,355,459	2,563,062	2,792,397
Subtotal of cash inflows from financing activities	56,581,824	45,748,581	10,833,243
Subtotal of cash outflows from financing activities	61,715,275	58,524,159	3,191,116
Net cash flows used in from financing activities	(5,133,451)	(12,775,578)	7,642,127
Effect of exchange rate changes on cash and cash equivalents	(40,469)	14,688	(55,157)
Net decrease in cash and cash equivalents	(5,382,268)	(3,877,066)	(1,505,202)

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.5 Business Segment Report

The following table sets forth the Bank's total operating income by business segment for the periods indicated.

Unit: RMB'000

Item	For the six months ended 30 June			
	2021		2020	
	Amount	% of total (%)	Amount	% of total (%)
Corporate banking business	3,823,067	55.05	3,402,161	44.30
Retail banking business	994,708	14.32	1,025,623	13.35
Treasury business	2,094,005	30.15	3,246,025	42.26
Others ^(Note)	33,084	0.48	6,715	0.09
Total operating income	6,944,864	100.00	7,680,524	100.00

Note: This segment consists primarily of equity investments and the corresponding income, and any other businesses that on their own do not constitute a reporting segment.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.6 Significant Accounting Policies, Accounting Estimates and Accounting Methods

3.6.1 Explanation of changes in accounting policies, accounting estimates and accounting methods as compared with the financial report of the previous accounting period

During the Reporting Period, the Bank's significant accounting policies, accounting estimates and accounting methods had not been changed.

3.6.2 Explanation of major accounting errors correction during the Reporting Period that require retrospective restatement

During the Reporting Period, the Bank did not have any major accounting errors correction that need to be retrospectively restated.

3.6.3 Explanation of changes in the scope of the consolidated statements as compared with the financial report of the previous accounting period

There is no change in the consolidation scope of the financial statements of the Bank as compared with the financial statements for the previous accounting period.

3.7 Assets and Liabilities at Fair Value

Unit: RMB'000

Item	Opening balance	Net gains from changes in fair value for the period	Accumulated changes in fair value recognised in equity	Impairment accrued during the period	Closing balance
Financial investments at fair value through profit or loss (excluding derivative financial assets)	46,463,308	103,514	–	–	42,207,944
Derivative financial assets	362,970	(321,898)	–	–	41,072
Financial investments at fair value through other comprehensive income	21,983,430	–	(463,070)	92,285	22,941,962
Subtotal of financial assets	68,809,708	(218,384)	(463,070)	92,285	65,190,978
Derivative financial liabilities	–	5,463	–	–	5,463
Subtotal of financial liabilities	–	5,463	–	–	5,463

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.8 Major Statement Items and Financial Indicators with Changes of More than 30% and the Main Reasons for the Changes

Unit: RMB'000

Item	For the six months ended 30 June			Analysis of the major reasons
	2021	2020	Changes compared to the same period of the previous year (%)	
Net trading gains	279,268	402,118	(30.55)	Due to the exchange rate fluctuations of US dollar against RMB and the changes in gains from trading bonds during the Reporting Period.
Net gains arising from investments	141,207	792,343	(82.18)	Due to the change in gains arising from financial investments at fair value through profit or loss.
Other operating income	33,084	6,715	392.69	The increase in government grants as compared with the previous period.
Share of profits of associates	7,090	30,081	(76.43)	Mainly due to the decrease in profits of associates as compared with the previous period.
Net profit attributable to non-controlling interests	86,156	55,147	56.23	Mainly due to the increase in the profits of subsidiaries during the period as compared with the previous period.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	As at 30 June 2021	As at 31 December 2020	Changes compared to the end of the previous year (%)	Analysis of the major reasons
Deposits with banks and other financial institutions	3,120,376	2,357,591	32.35	The Bank adjusted the structure of such assets in consideration of asset-liability matching and market liquidity.
Financial assets held under resale agreements	5,251,418	8,585,647	(38.83)	
Deposits from banks and other financial institutions	32,639,097	20,210,404	61.50	
Placements from banks and other financial institutions	27,178,315	20,467,593	32.79	
Derivative financial assets	41,072	362,970	(88.68)	Due to maturity of certain derivative financial assets as at the end of the Reporting Period.
Tax payable	1,012,636	653,304	55.00	Enterprise income tax payable increased as at the end of the Reporting Period from the end of previous year.
Investment revaluation reserve	(264,616)	(698,206)	(62.10)	Mainly due to fair value change of financial assets at fair value through other comprehensive income as at the end of the Reporting Period.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

4 INVESTMENT ANALYSIS

4.1 Overview

The following table sets out the details of the Bank's equity investments as at the end of the Reporting Period:

Unit: RMB'000

Item	As at 30 June 2021	As at 31 December 2020	The Bank's share of the interest the investee (%)
Jiuding Financial Leasing Company	1,020,000	1,020,000	51.00
Fugou Zhengyin County Bank	30,120	30,120	50.20
Xinmi Zhengyin County Bank	64,000	64,000	51.20
Xunxian Zhengyin County Bank	51,000	51,000	51.00
Queshan Zhengyin County Bank	25,500	25,500	51.00
Zhongmu Zhengyin County Bank	208,000	208,000	18.53
Yanling Zhengyin County Bank	34,950	34,950	49.58
Xinzheng Zhengyin County Bank	17,280	17,280	25.00
China UnionPay Co., Ltd.	8,000	8,000	0.27
Service Centre for City Commercial Banks	400	400	1.29
Total	1,459,250	1,459,250	

For details of the Bank's other investments as at the end of the Reporting Period, please refer to the paragraphs headed "Balance Sheet Analysis" in the chapter headed "Management Discussion and Analysis".

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

4.2 Significant Equity Investments Made During the Reporting Period

During the Reporting Period, the Bank did not make any significant equity investment.

4.3 Significant Non-equity Investments in Progress During the Reporting Period

During the Reporting Period, the Bank did not have any significant non-equity investment in progress.

4.4 Use of Proceeds

During the Reporting Period, there was no use of proceeds by the Bank.

4.5 Significant Investments Funded by Non-Proceeds

During the Reporting Period, the Bank did not have any significant investments which are funded by non-proceeds.

4.6 Financial Assets at Fair Value

For details of the Bank's fair value measurement methods and items measured at fair value as at the end of the Reporting Period, please refer to the information contained in the paragraph headed "3.7 Assets and Liabilities at Fair Value" in the chapter headed "Management Discussion and Analysis".

4.7 Operations of Subsidiaries

4.7.1 Operations of Subsidiaries

Jiuding Financial Leasing Company

As at the end of the Reporting Period, the Bank held 51.00% equity interest in Jiuding Financial Leasing Company, a subsidiary of the Bank with a registered capital of RMB2 billion. Jiuding Financial Leasing Company was established in the PRC where it carries out its business. Its principal businesses include: (1) financial leasing business; (2) outward or inward transfer of financial leasing assets; (3) fixed income securities investment business; (4) acceptance of leasing deposits from lessees; (5) taking time deposits with a term of three months or more from non-banking shareholders; (6) interbank lending; (7) borrowing from financial institutions; (8) offshore borrowing; (9) sale and disposal of leased assets; (10) economic consultancy; (11) other business approved by the CBRC (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Jiuding Financial Leasing Company had total assets of RMB29,135 million, net assets of RMB2,931 million, and total leasing business of RMB28,580 million. During the Reporting Period, it recorded operating income of RMB421 million, operating profit of RMB213 million and net profit of RMB160 million.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Fugou Zhengyin County Bank

As at the end of the Reporting Period, the Bank held 50.20% equity interest in Fugou Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB60 million. Fugou Zhengyin County Bank was established in the PRC where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) interbank lending; (6) debit card business; (7) acting as issuing agent, cashing agent and underwriter of government bonds; (8) acting as collection and payment agent; (9) other business approved by the banking regulatory authority of the PRC (business activities requiring licensing shall be carried out with valid permits or qualification certificates). As at the end of the Reporting Period, Fugou Zhengyin County Bank had total assets of RMB971 million, net assets of RMB68 million, total loans and advances to customers of RMB630 million, and total deposits from customers of RMB814 million. During the Reporting Period, it recorded operating income of RMB8 million, operating loss of RMB5 million, and net loss of RMB1 million.

Xinmi Zhengyin County Bank

As at the end of the Reporting Period, the Bank held 51.20% equity interest in Xinmi Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB125 million. Xinmi Zhengyin County Bank was established in the PRC where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) interbank lending; (6) banking card business; (7) acting as issuing agent, cashing agent and underwriter of government bonds; (8) acting as collection and payment agent and insurance agent; (9) other business approved by the banking regulatory authority (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Xinmi Zhengyin County Bank had total assets of RMB1,002 million, net assets of RMB160 million, total loans and advances to customers of RMB702 million, and total deposits from customers of RMB819 million. During the Reporting Period, it recorded operating income of RMB13 million, operating profit of RMB770,800, and net profit of RMB480,000.

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Xunxian Zhengyin County Bank

As at the end of the Reporting Period, the Bank held 51.00% equity interest in Xunxian Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB100 million. Xunxian Zhengyin County Bank was established in the PRC where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) acting as issuing agent, cashing agent and underwriter of government bonds; (6) interbank lending; (7) debit card business; (8) acting as collection and payment agent and insurance agent; (9) other business approved by the banking regulatory authority (business operations requiring permits shall be carried out after obtaining relevant permits from the competent authorities) (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Xunxian Zhengyin County Bank had total assets of RMB1,411 million, net assets of RMB117 million, total loans and advances to customers of RMB790 million, and total deposits from customers of RMB1,194 million. During the Reporting Period, it recorded operating income of RMB28 million, operating profit of RMB11 million, and net profit of RMB7 million.

Queshan Zhengyin County Bank

As at the end of the Reporting Period, the Bank held 51.00% equity interest in Queshan Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB50 million. Queshan Zhengyin County Bank was established in the PRC where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) interbank lending; (6) banking card business; (7) acting as issuing agent, cashing agent and underwriter of government bonds; (8) acting as collection and payment agent and insurance agent; (9) other business approved by the banking regulatory authority (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Queshan Zhengyin County Bank had total assets of RMB561 million, net assets of RMB51 million, total loans and advances to customers of RMB309 million, and total deposits from customers of RMB480 million. During the Reporting Period, it recorded operating income of RMB8 million, operating profit of RMB671,100, and net profit of RMB1,956,600.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

4.7.2 Operations of Investee Companies

As at the end of the Reporting Period, the Bank held 18.53%, 49.58% and 25.00% equity interest in Zhongmu Zhengyin County Bank, Yanling Zhengyin County Bank and Xinzheng Zhengyin County Bank, respectively. The three county banks had total assets of RMB24,523 million, total loans and advances to customers of RMB15,621 million, and total deposits from customers of RMB21,213 million.

Zhengyin county banks have always committed to serving “agriculture, farmers and rural areas” and supporting “medium and small-sized enterprises”. With a growing asset size and an increasingly balanced structure of deposits and loans, the banks have stepped up their efforts to support rural areas and agriculture and increased shareholders’ return year by year, of which, Zhongmu Zhengyin County Bank is ranked at the forefront among all county banks in the country in terms of comprehensive strength.

4.7.3 Acquisition and Disposal of Subsidiaries During the Reporting Period

During the Reporting Period, the Bank did not acquire or dispose of any subsidiary.

4.8 Structured Entities Controlled by the Bank

Details of the structured entities controlled by the Bank are set out in Note 52 to the financial statements in the chapter headed “Independent Auditor’s Review Report” in this Report.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

5 CAPITAL MANAGEMENT

The Bank's goals of capital management include: (1) satisfying regulatory requirements on an ongoing basis, and making reasonable room for normal operations and development of the Bank from a capital perspective; (2) ensuring that the capital level of the Bank is commensurate with major risk exposure and risk management capacity; (3) ensuring that capital planning of Bank is in line with the status of operation, risk movement trends, and long-term development strategy; (4) using a variety of capital tools to optimize the scale and structure of capital of the Bank, continuously strengthening the endogenous capacity of capital of the Bank, and controlling the cost of capital with the support of reasonable financing strategies; (5) implementing Bank-wide capital performance evaluation, enhancing the efficiency of capital use, and fully guaranteeing the level of return on capital through capital allocation, risk pricing and performance evaluation; (6) appropriately implementing counter-cyclical capital management, and smoothing the impact of cyclical fluctuations on sustainable and stable operations of the Bank through active capital management.

Capital adequacy ratio management is at the core of the Bank's capital management. In accordance with the requirements of the CBIRC, the Bank monitors its capital adequacy ratio regularly and submits the required information to the CBIRC Henan Office quarterly. The Bank carries out capital adequacy ratio forecasts monthly to ensure that the indicators meet regulatory requirements via stress tests. Through promoting the construction of comprehensive risk management, the Bank can further improve its risk identification and assessment capability and calculate risk-weighted assets more accurately based on the business nature.

Capital financing management aims to further strengthen capital capacity, improve capital structure and enhance capital quality. The Bank focuses on the endogenous growth of capital; strives to realize the balance and coordination between expansion, profitability and capital constraints; replenishes capital via measures like profit growth, keeping surplus reserve and allocating sufficient provision for impairment losses on loans; optimizes capital structure and raises capital adequacy ratio level, so as to further improve the Bank's capability to resist risks and support the development of the real economy.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

5.1 Capital Adequacy Ratios Analysis

The Bank continued to refine its business structure and strengthened its capital management. Set out below are the Bank's capital adequacy ratios as at the end of the Reporting Period and the end of the previous year calculated in accordance with the Administrative Measures for Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) issued by the Former CBRC in 2012 and other relevant requirements issued:

Unit: RMB'000

Item	As at 30 June 2021	As at 31 December 2020
Core tier-one capital		
Share capital	7,514,125	7,514,125
Valid portion of capital reserve	8,203,903	8,203,903
Fair value reserve	(264,616)	(698,206)
Re-measurement of net defined benefit liability	(62,782)	(60,953)
Surplus reserve	2,976,573	2,976,573
General risk reserve	7,078,451	7,078,451
Retained earnings	14,109,367	11,655,496
Valid portion of minority interests	1,183,690	947,757
Total core tier-one capital	40,738,711	37,617,146
Core tier-one capital deductions	(1,088,246)	(1,074,912)
Net core tier-one capital	39,650,465	36,542,234
Additional tier-one capital		
Additional tier-one capital instruments and related premium	7,825,508	7,825,508
Valid portion of minority interests	156,607	125,176
Net tier-one capital	47,632,580	44,492,918
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	5,000,000	5,000,000
Surplus provision for loan impairment	3,013,417	2,932,817
Valid portion of minority interests	316,636	253,634
Net tier-two capital	8,330,053	8,186,451
Net capital base	55,962,633	52,679,369
Total risk-weighted assets	432,193,811	409,505,750
Core tier-one capital adequacy ratio (%)	9.17	8.92
Tier-one capital adequacy ratio (%)	11.02	10.87
Capital adequacy ratio (%)	12.95	12.86

Note: For details, please refer to the column headed "Financial Summary" under the "Investor Relations" section on the Bank's website.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

5.2 Leverage Ratios Analysis

Unit: RMB'000

Item	As at 30 June 2021	As at 31 March 2021	As at 31 December 2020	As at 30 September 2020
Net tier-one capital	49,359,419	46,900,943	45,574,048	42,223,905
Balance of on/off-balance sheet assets after adjustment	706,962,293	689,256,045	686,993,391	678,584,802
Leverage ratio (%)	6.98	6.80	6.63	6.22

Note: Indicators related to leverage ratio as at the end of the Reporting Period, the end of the first quarter of 2021, the end of 2020 and the end of the third quarter of 2020 are calculated based on the requirements of the Administrative Measures for Leverage Ratio Management of Commercial Banks (Amended) (《商業銀行槓桿率管理辦法(修訂)》) (Former CBRC Order [2015] No. 1) which came into effect on 1 April 2015 and are consistent with the data reported to the regulatory authorities. For details, please refer to the column headed “Financial Summary” under the “Investor Relations” section of the Bank’s website.

6 BUSINESS OPERATION

6.1 Corporate Banking Business

6.1.1 Corporate Deposits

During the Reporting Period, the Bank vigorously promoted the steady development of the corporate business. It actively improved the construction and operation of the “Five Clouds” platforms by launching dozens of financial and capital management functions and continuously upgrading electronic channels, cash management, and scenario-based finance, thereby effectively driving the transformation and development of the corporate deposit business. Boosted by the corporate capability enhancement project, the small and micro enterprise park project, the advancement of scientific innovation finance, and the backing of strategic customers, the Bank constantly optimized the structure of corporate customer base, facilitated financial technology innovations, and greatly strengthened the marketing and management of corporate deposits. As at the end of the Reporting Period, the balance of the Bank’s RMB corporate deposit was RMB211,152 million, representing an increase of RMB4,697 million or 2.27% from the end of the previous year.

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6.1.2 Corporate Loans

During the Reporting Period, the Bank proactively fulfilled its social responsibilities. Focusing on key areas and weak spots of social and economic development, it vigorously strengthened support for infrastructure construction, assisted enterprises in resuming work and production and pandemic prevention and control, and improved the quality and efficiency of serving the real economy. Under the guidance of its new strategic plan, the Bank gave full play to its geographical advantages, actively seized market opportunities, expanded its basic customer base and optimized asset structure, achieving a reasonable and appropriate growth of corporate loans and steady improvement of asset quality. As at the end of the Reporting Period, the total principal of corporate loans (including advances, forfeiting and discounted bills) of the Bank amounted to RMB194,812 million, representing an increase of RMB24,182 million or 14.17% from the end of the previous year.

6.1.3 Corporate Customers

During the Reporting Period, the Bank continuously optimized the management of customer base and improved online and intelligent operations. It pushed forward the development of the sales assistant module of the mobile operating platform, intensified potential customer sourcing and sales lead management, and refined marketing process management. It integrated the customer relationship management (CRM+) system, further aggregated customer information, and promoted unified management of Group customers to improve customer services. Through a variety of marketing methods such as basic customer base enhancement, personal and corporate banking coordination, and upstream and downstream customer mapping, it actively expanded the scale of the corporate customer base, optimized the structure of corporate customer base, and effectively promoted the stable and healthy development of customer base construction.

6.1.4 Institutional Business

During the Reporting Period, the Bank's institutional business grew against market downturn with an expanding customer base. We steadily implemented the government finance strategy, gradually deployed dedicated institutional account managers across the Bank, and continuously diversified scenarios of smart government finance. The number of registered customers of e-government services products reached 321, representing an increase of 92 from the end of the previous year. The Bank further strengthened refined business management and established a three-tiered (including the head office, branches and sub-branches) management mechanism for target customer base and marketing process of institutional customers. The business of branches in other places developed rapidly, with daily average addition for the first half of the year amounting to 1.9 times of that for the whole year last year. The Bank further promoted convenient access to government services for the public, actively cooperated with Henan Social Insurance Center to build service outlets for integration of social security card and bank card, and won the bid for the correspondent bank for fixed term deposits of the first tranche of Henan Provincial Fiscal Special Account Fund in 2021. As at the end of the Reporting Period, we had 4,436 institutional customers, representing an increase of 262 customers as compared with that at the end of the previous year; while deposit balance of institutions amounted to RMB54,002 million, representing an increase of RMB4,692 million from the end of the previous year.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

6.2 Retail Banking Business

6.2.1 Personal Deposits

The Bank has always assumed its “duty to safeguard our homeland”, upheld its corporate spirit of “building up trust with integrity and reaching for the future with morality”, and focused on its strategic vision of becoming a “leading bank with high-quality development”, vigorously enforcing its featured positioning in building a “boutique bank for residents”. With individual customers as its main business focus, the Bank constantly improved service systems to enhance basic customer base; innovated and upgraded products to expand key customer base; strengthened wealth management, increased customer stickiness, and continuously enhanced its deposit structure. As at the end of the Reporting Period, the Bank’s total balance of personal deposits amounted to RMB112,473 million, representing an increase of RMB4,698 million or 4.36% as compared with that at the end of the previous year.

6.2.2 Personal Loans

During the Reporting Period, the Bank enhanced product functions and ramped up efforts in project research and development. It continuously refined “Preferential Loan”, upgraded product process systems, reshaped product operation maps, and facilitated marketing activities through a combination of community operation, promotion events, and data analysis. We launched the popular product “Housing E-financing”, which was directly connected with notary offices and real estate centres, in order to launch the online notarization and mortgage services. To solve customers’ financing problems during the pandemic, we launched online contract signing and online video features. We developed the “E-financing for Tax” business to provide customers with credit lines based mainly on their tax information together with industrial and commercial as well as judicial information. These tax-based loans provide full online revolving credit loans for short-term production and operation turnover. As at the end of the Reporting Period, the personal loan balance of the Bank amounted to RMB73,364 million, representing an increase of RMB6,035 million or 8.96% from the end of the previous year.

6.2.3 Bank Cards

With Shangding Card (商鼎卡) as its basic debit card, the Bank constantly diversifies the debit card types and improves their functions. During the Reporting Period, the Bank issued a series of featured cards including Shangding Fumin Card (商鼎富民卡) and Shangding Cloud Logistics Card (商鼎雲物流卡), with a steady growth in new card issuances. As at the end of the Reporting Period, the Bank had issued a total of 6,508,700 debit cards, representing an increase of 238,600 cards as compared with that at the end of the previous year.

For the credit card business, the Bank upholds the principle of “discovering customers’ needs faster and satisfying them better” and adheres to the operating strategy of high-quality development. As at the end of the Reporting Period, the Bank issued a total of 543,200 credit cards. During the Reporting Period, credit card consumption amounted to RMB11,391 million, achieving revenue of RMB89 million.

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6.3 Treasury Business

6.3.1 Money Market Transactions

In 2021, the Chinese economy recovered steadily. With “stability” being the priority of monetary policies of the central bank, deferred fiscal response became a notable characteristic. The liquidity environment remained stable in general. The interest rate of the money market moved in tandem with the short-term policy interest rate of the central bank. The Bank improved the management of the inter-bank debt business, diversified the models of the money business, and dynamically adjusted the maturity structure of inter-bank debts. While ensuring liquidity stability, it effectively controlled the financial costs. Moreover, on the basis of ensuring its own liquidity security, the Bank actively lent out funds through the money market. As at the end of the Reporting Period, the total balance of the Bank’s deposits with banks and other financial institutions and financial assets held under resale agreements was RMB12,257 million, accounting for 2.15% of the Bank’s total assets; and the balance of deposits from banks and other financial institutions and financial assets sold under repurchase agreements was RMB76,160 million, accounting for 14.56% of the Bank’s total liabilities.

6.3.2 Investment in Securities and Other Financial Assets

During the Reporting Period, the Bank paid close attention to the changes in international dynamics, changes in the domestic and international economic environment and macro policies, strengthened the study and trend analysis on the capital market, bond market, external regulatory policies and the impact of the pandemic on the domestic and international macroeconomic environment, timely adjusted the direction of capital investment and business development strategies, and seized appropriate business opportunities, so as to carry out prudent investments while keeping risks under control. As at the end of the Reporting Period, the Bank’s total investment in bonds, trust products, investment products managed by securities companies and other securities financial assets amounted to RMB231,886 million, representing a decrease of RMB2,559 million from the end of the previous year. Among them, the total investment of the Bank in bonds was RMB94,059 million, representing an increase of 6.52% from the end of the previous year; and the total investment in trust products and investment products managed by securities companies was RMB117,544 million, representing a decrease of 4.45% from the end of the previous year.

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6.3.3 *Investment Banking Business*

During the Reporting Period, affected by the regional economic environment, the scale of the Bank's lead underwriting business of non-financial corporate debt financing instruments decreased as compared with that in the same period of last year. However, the Bank proactively adjusted the structure of businesses and customers, recorded an issuance amount of RMB3,300 million during the Reporting Period. The Bank acted as one of the joint lead underwriters for Henan's first equity-funded privately-placed debt financing instrument, and made headway in innovative businesses such as debt financing instruments for public housing and asset-backed securities.

6.3.4 *Wealth Management Business*

During the Reporting Period, pursuant to regulatory requirements, the Bank continued to scale down interbank and principal-guaranteed wealth management products and develop personal non-principal-guaranteed wealth management business, thus enhancing the liquidity management for wealth management business while achieving the strategic transformation goal of reducing interbank wealth management products. As at the end of the Reporting Period, the balance of the Bank's interbank wealth management products was RMB2 billion, decreased by 50% from the end of the previous year; the balance of principal-guaranteed wealth management products has been reduced to nil; and the balance of non-principal-guaranteed wealth management products was RMB46,289 million, increased by 2.74% from the end of the previous year. During the Reporting Period, the Bank issued a total of 77 wealth management products, raising RMB38,521 million in total. As at the end of the Reporting Period, the scale of the Bank's existing wealth management products was RMB48,289 million, decreased by 3.29% from the end of the previous year. Meanwhile, the Bank sped up the shift to net-worth wealth management business in an effort to shift to 100% net-worth products during the transition period. As at the end of the Reporting Period, the scale of net-worth wealth management products was RMB41,294 million, representing an increase of 7.49% from the end of the previous year and accounting for 85.51% of the total.

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6.4 Featured Business

6.4.1 Commerce and Logistics Finance

During the Reporting Period, adhering to its featured positioning, the Bank enhanced quality and efficiency with differentiated operations, refined process management, and focused on improving the business quality and quantity of the “Five Clouds”. The “Five-Clouds” system consists of Cloud Trading, Cloud Financing, Cloud Business, Cloud Logistics and Cloud Service. With a focus on customers’ all-dimensional core demand, efficient response mechanism, premium product plans and professional service capabilities, it is designed to provide key enterprises in industrial chains and their upstream and downstream customers with comprehensive financial service solutions integrating payment, settlement, and financing, thereby establishing a commerce and logistics banking brand.

Cloud Trading

The “Cloud Trading” platform is a payment settlement and cash management service platform offering “tailored” financial solutions for customers. With diversified products and services, it caters to the transaction settlement and treasury management needs of customers of different sizes and industries. As of the end of the Reporting Period, the Bank’s corporate online banking had nearly 45,000 customers signed up; its cash management platform had provided treasury management solutions for over 2,800 large and medium-sized enterprises and public institutions; its bank-enterprise direct link had connected with over 100 large and medium-sized group customers; the Bank had issued over 3,900 corporate settlement cards in total.

Cloud Financing

The “Cloud Financing” platform is an open online supply chain financing platform powered by innovative financial technologies such as electronic signatures, big data applications and Internet technology. Through customized or standard mode, it efficiently satisfies the needs of upstream and downstream customers of core enterprises for quick financing and serves the supply chain eco-system. As at the end of the Reporting Period, the Cloud Financing platform had helped over 800 upstream and downstream customers raise a total of over RMB18,000 million.

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Cloud Business

The “Cloud Business” platform is an online supply chain management and financing service platform that extends the credit of key enterprises to multiple layers of upstream suppliers through the electronic settlement voucher, thereby resolving the financing issues of medium and small suppliers. As at the end of the Reporting Period, the Cloud Business platform had more than 1,700 registered members, and had helped over 1,000 upstream partners of the key enterprises to raise over RMB11,000 million in total.

Cloud Logistics

The “Cloud Logistics” platform is an online platform that provides “one-stop” financial services for the logistics industry. It helps logistics companies utilize working capital and recover funds efficiently through products and services such as treasury management, financing services and logistics support. During the Reporting Period, the first “freight payment agency” financing transaction was completed on the online freight platform, marking the creation of a new model of the Bank’s financing for enterprises on online freight platforms. As at the end of the Reporting Period, 320,000 payments had been made under the D+0 payment agency service with a total amount of RMB4,420 million; an aggregate of 559,000 entrusted logistics transactions had been completed with a total transaction amount of RMB1,060 million.

Cloud Service

The “Cloud Service” platform is a scenario-based financial service platform serving medium and small enterprises. It relies on the “Zhengzhou Bank Commerce and Trade Finance” WeChat public account and cloud service APP to push targeted industry insight reports and forward-looking industry analysis to customers and provide financial value-added services such as corporate account management, online account opening appointment, electronic invoices, electronic receipts, bank-enterprise reconciliation, bulk commodity inquiry, and non-financial value-added services such as smart office. It also provides customers with value-added and tailored services by developing different financial products and bespoke solutions for a variety of scenarios. During the Reporting Period, the supporting system launched for scenarios such as migrant workers’ salary agency payment, tuition and catering fee collection, centralized drug purchase prepayment, and home purchase intention money management developed steadily, meeting customers’ needs for tailored services.

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6.4.2 *Financial Services for Small and Micro Enterprises*

During the Reporting Period, the Bank adhered to the original intention of “serving the real economy”. By enhancing the small and micro finance model and reverting to the nature of small and micro credit business, the Bank re-enforced its small and micro credit business, continuously improved the influence of the its small and micro credit business, built a characteristic brand, and increased market share in the province. Firstly, with building popular products as the core purpose, the Bank aimed to make its operations more digital, online and intelligent and continuously innovated small and micro products focusing on five major customer groups: real estate customers, data scenario customers, technological innovation customers, supply chain customers, and long-tail customers. Secondly, the Bank built an intelligent risk control system to achieve full-process management and control. By establishing a cultural system for small and micro credit risks, it disseminated the risk culture throughout the entire process of small and micro business. It endeavored to build an intelligent risk control system backed by big data platforms to manage and control risks throughout the entire process, creating a digital and online intelligent risk control model group. Thirdly, the Bank obtained strong technological support and expanded the application of big data. It prudently implemented credit-loan joint operations, attempted to establish cooperation with Internet technology giants to jointly develop products, control risk, and operate business through differentiated cooperation, so as to achieve data and channel sharing, increase marginal customer reach rate, and jointly build a new inclusive finance ecosystem. As at the end of the Reporting Period, the balance of inclusive loans to small and micro enterprises was RMB36,452 million, representing an increase of 15.46% as compared with the end of the previous year. The number of small and micro enterprises receiving loans was 65,220.

6.4.3 *Financial Services for Residents*

The Bank continues to position itself distinctively as a “boutique bank for residents” in the market, improves its product portfolio, enhances customer rights and interests and meets customers’ diverse investment needs. We catered to the needs of residents’ for capital liquidity by rolling out a low-risk and low-threshold net worth wealth management product “Golden Wutong Zhengyinbao” with flexible subscription. Following research and development through various means, we launched exclusive wealth management products for agency customers, credit card customers, union card customers, etc. We successively launched “Yuexiang Deposit” and “Zhengxinbao”, which were savings products carrying flexible deposit periods and protected by the deposit insurance system. Upon approval of our qualifications from the People’s Bank of China for the issuance of social security cards carrying resident cards in Zhengzhou City, we launched the online operation of our provincial social security card system. Relying on the set-up of a digital platform for customers combined with diverse financial and life scenarios, we acquired customers through points activities and activated them with nodal activities, boosted conversion rate by upgrading benefits and created social benefits by charitable activities to meet the financial and service needs of customers in every aspect.

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6.5 Distribution Channels

6.5.1 Physical outlets

As at the end of the Reporting Period, the Bank established its head office in Zhengzhou, Henan, 14 branches in Nanyang, Xinxiang, Luoyang, Anyang, Xuchang, Shangqiu, Luohe, Xinyang, Puyang, Pingdingshan, Zhumadian, Kaifeng, Zhoukou and Hebi of Henan Province, 159 sub-branches and one special entity. The Bank enhanced the layout of its self-service equipment outlets, established a network of 174 internal and 35 external self-service equipment outlets, forming proper regional coverage and providing convenient 24-hour services.

6.5.2 Electronic banking

Self-service banking

Focusing on customer needs, the Bank continuously develops self-service equipment with new functions, and vigorously transforms and upgrades self-service equipment. As at the end of the Reporting Period, the Bank had a total of 1,611 self-service devices, including 208 automatic cash dispensers, 334 automatic teller machines, 340 smart counters, 251 online banking terminals, 159 easy payment terminals, 169 queuing machines and 150 mobile pad terminals. During the Reporting Period, the automatic cash dispensers and automatic teller machines processed 2,566,800 transactions amounting to RMB8,078 million; and the smart counters processed 1,051,000 transactions amounting to RMB3,935 million.

Online banking

The Bank's personal online banking provides various functions such as account management, transfer and remittance, online banking interconnection, self-service bill payment, investment and wealth management, credit card services, personal loans, and customer service. During the Reporting Period, the number of the Bank's personal online banking accounts increased by 152,100, a decrease of 27.25% year-on-year; the number of transfers involved amounted to 706,700, representing a year-on-year decrease of 23.56%; the total transaction amount was RMB32,940 million, representing a year-on-year increase of 26.12%. As at the end of the Reporting Period, the total number of the Bank's personal online banking accounts reached 1,941,200. During the Reporting Period, the number of the Bank's registered corporate online banking accounts reached approximately 45,000, the number of transactions involved amounted to 2,020,000 and the total transaction amount exceeded RMB0.6 trillion.

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Mobile banking

The Bank's mobile banking provides customers with safe and efficient financial and utilities services. Financial services include mobile payment, remittance express, wealth management supermarket, insurance supermarket, fund supermarket, precious metals, credit card and personal loan; utilities services include utility payments, gas refilling and value top-up, charity donations, travelling, electronic trade union cards, movie and video memberships and takeaways, creating a financial ecosystem with local characteristics. During the Reporting Period, the Bank had 287,100 new mobile bank customers, contributing to 4,422,700 transactions and transaction amount of RMB87,361 million. As at the end of the Reporting Period, the accumulative number of mobile banking accounts was 2,242,800.

Online payment

The Bank's online payment business has covered the mainstream payment platforms such as Alipay, Tenpay (財付通), Baifubao (百付寶), JD.com online (京東網銀在線) and Yifubao (易付寶), constantly diversifying payment channels for bank cards to enhance customers' payment experience. During the Reporting Period, the number and amount of online payment transactions of the Bank amounted to 55,833,700 and RMB19,273 million, respectively, representing a year-on-year increase of 47.8% and a year-on-year increase of 34.29%, respectively.

Telephone banking

The Bank offers uninterrupted 7x24 telephone banking services to customers through the nationwide customer service hotline 95097. The services include account inquiries, loss reporting, bill payment, loan services, PIN services, credit card services, customer service inquiries and outbound calls. The Bank extended care to the elderly customer groups and launched the exclusive menu for elderly customers; and provided outbound call services such as bank-enterprise reconciliation, so as to continuously improve customer experience in a multi-channel, all-round and three-dimensional manner. During the Reporting Period, the total number of telephone banking calls reached 1,851,000, of which 464,800 were outbound calls.

Online customer service

The Bank's online customer service connects with the Bank's official website, online banking, mobile banking, and WeChat public account channels to answer business inquiries online, accept customer complaints, and integrate featured functions such as intelligent knowledge bases, 7x24 self-service responses, and multi-channel marketing, providing customers with intelligent online services. During the Reporting Period, the Bank's manual customer service handled a total of 14,600 cases and its automated response handled a total of 161,200 cases.

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Video banking

The Bank launched video banking that connects with its mobile banking and online banking to provide scenario-based services including review, consultation and guidance. During the Reporting Period, video banking had delivered 11,000 service transactions.

WeChat banking

The Bank's WeChat banking business provides customers with extensive online functions, including personal account balance enquiry, transaction details enquiry, free account activity alert, credit card online application, online application for personal loans, physical outlet enquiry, special section for labour union cards, and delivers new business, new functions and marketing activity information on a regular basis. As at the end of the Reporting Period, we had 1,581,000 customers with bank cards bound to WeChat banking.

7 RISK MANAGEMENT

During the Reporting Period, the Bank proactively responded to changes in the regulatory and market environment based on internal and external circumstances, and upheld the "prudent, rational and sound" risk management philosophy. Guided by the strategy of quality development, the Bank constantly strengthened its comprehensive risk management, enhanced its risk management structure and management mechanism, improved its risk management systems and procedures, and steadily boosted its risk management capabilities to assure the continuous and stable development of the Bank. The primary risks faced by the Bank in its operation and its risk management measures are as follows.

7.1 Credit Risk

Credit risk refers to the risk of incurring loss by banks due to debtors' or counterparties' failure to perform contractual obligations or responsibilities. The Bank's credit risk exposure mainly comes from loan portfolios, investment portfolios, guarantees and other types of on- and off-balance sheet credit risk exposure. The Bank has built a comprehensive credit risk management framework covering all credit business processes, and developed policies and procedures to accurately identify, assess, measure, monitor, mitigate and control credit risks. The Bank's main measures for credit risk management during the Reporting Period are as follows:

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Firstly, we emphasized credit policy guidance. During the Reporting Period, the Bank held six Bank-wide lectures on credit policies for the presidents of corporate banking business lines, branches and sub-branches to familiarize them with credit policies including external regulatory policies, internal credit policies, industry policy guidance and guidelines on industry review and approval. Secondly, we reinforced risk control in key areas. The Bank strictly followed the regulatory requirements for real estate and non-local businesses, and formulated plans to reduce the concentration of real estate loans and the business volume outside the province. It managed large customers on a centralized basis and established an account for risk tracking and monitoring to forestall risk exposure of large-value assets. Thirdly, we revised the post-loan management system. The Bank revised basic systems such as the Basic Rules for Post-Loan (Investment) Management and the Measures for Post-Loan Management of Large-Value Corporate Banking Business and such product systems as the Measures for Post-Investment Management of Non-Standard Debt Financing Business to further improve the three-level post-loan management system. Fourthly, we optimized post-loan early warning management. The Bank continued to optimize the post-loan early warning management system and post-loan system modules such as post-loan management meetings, management of events with major credit risks and watch list management. Fifthly, we further disposed of non-performing assets. The Bank enhanced the standards for transferring non-performing assets, ameliorated the pricing mechanism for batch transfer, optimized sellers' external due diligence process, and stepped up the quality and efficiency of litigation by engagement of both risk agency and general agency.

As at the end of the Reporting Period, the Bank's single customer loan concentration was 3.40%, in compliance with the 10% cap requirement stipulated by the CBIRC; single group customer credit concentration was 5.79%, in compliance with the 15% cap requirement stipulated by the CBIRC; the balance of loans to the top ten customers was RMB14,736 million, and the loan concentration of the top ten customers was 26.33%; the outstanding balance of credit facilities to a single related party customer was RMB1,102 million, with a credit concentration of 1.97%; and the credit concentration of all related party customers was 22.31%, in compliance with the 50% cap requirement stipulated by the CBIRC.

7.2 Market Risk

Market risk refers to the risk of on- or off-balance-sheet loss arising from adverse changes in market prices. The market risks exposed to the Bank are mainly interest rate risk and exchange rate risk. The Bank's market risk management covers the whole process of identifying, measuring and monitoring market risks. Main measures adopted during the Reporting Period are as follows:

Firstly, we improved the mechanism to manage market risks. A professional risk management committee for financial market business was set up under the risk management committee of senior management, in order to coordinate the Bank-wide decisions on market risk management such as market risk limit and stress test. Eight systems including Measures for Market Risk Management were sorted out and the Rules for Market Risk Emergency Management were laid down to further improve the market risk management system. Secondly, we optimized market risk limit management. Four limits for bond business and one limit for net value of wealth management business were newly added. Standardized template and reporting path for daily, monthly and quarterly market risk reports were in place to further unblock the path for reporting risk information. Thirdly, we upgraded the market risk management system. Core applications such as limit monitoring, internal statements and valuation tools in the market risk management system were put into operation, thus further improving market risk management tools.

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7.3 Operational Risk

Operational risk refers to the risk of loss caused by imperfect or problematic internal procedures, personnel or information technology systems, or external events, mainly including internal and external fraud, workplace safety failures, business interruptions, damage of tangible assets and information technology system failures. The Bank's main measures for operational risk management during the Reporting Period are as follows:

Firstly, we strengthened internal control management. The Bank issued the 2021 Management Plan for Compliance Risk and the Plan for Year of Internal Control and Compliance Management, and collaborated with all business lines to carry out internal control and compliance management throughout the year. It also constantly reviewed the system and assigned compliance managers to branches and sub-branches to offer close supervision and guidance on compliance. Secondly, we strictly controlled processes. Relying on the GRC system, the Bank used the Risk Control Self-Assessment (RCSA) to identify key operational risks in management procedures, and established a model comprising institutional self-inspection, spot check on business lines, compliance inspection and internal audit inspection. Thirdly, we were strict with accountability. A Performance Evaluation Center and a special team for due diligence were established to distinguish the nature, details, impact and loss of violations under the principles of equal emphasis on education and punishment, exemption of liability for those who duly perform their duties and accountability for violations. A long-term accountability mechanism was established to deter violations and dereliction of duty.

7.4 Liquidity Risk

Liquidity risk refers to the risk of failure to obtain sufficient funds in time or failure to obtain sufficient funds at a reasonable cost to pay off debts falling due, to perform other payment obligations and to meet other capital requirements for normal business operations. During the Reporting Period, the Bank strengthened capital management, adjusted the maturity structure of assets and liabilities and enhanced liquidity risk monitoring. Main measures adopted are as follows:

Firstly, we tightened up cash position management. The Bank paid close attention to the impact of changes in economic and monetary policies on liquidity, enhanced Bank-wide monitoring on changes in cash, made reasonable financing arrangements, and smoothed cash flow fluctuations, thereby maintaining a safe cash position while ensuring the normal settlement of Bank-wide businesses. Secondly, we adjusted the asset-liability structure. The Bank comprehensively used assessment, pricing and other means to guide branches and sub-branches, strengthen deposit-taking and source funds through multiple channels. It also strove for central bank policy funds, optimized debt structure, reduced derivative deposits and improved debt stability. The Bank continued to reduce investment in non-standard credit assets, increase loan-lending and acquire current assets as appropriate. Thirdly, we intensified liquidity risk monitoring. According to risk preferences, the Bank improved the system to manage liquidity risk limits and regularly monitored the liquidity limit indicators. It transformed the asset-liability management system to enhance the ability to measure and monitor liquidity risk indicators, and conducted regular stress tests to assess liquidity risks, identify potential risks, and make timely warning and adjustment.

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As at the end of the Reporting Period, the Bank's liquidity ratio was 52.73%, in compliance with the 25% minimum requirement stipulated by the CBIRC; its liquidity coverage rate was 179.26%, in compliance with the 100% minimum requirement stipulated by the CBIRC; its net stable funding ratio was 107.51%, in compliance with the 100% minimum requirement stipulated by the CBIRC. Overall, the Bank's key liquidity indicators met the regulatory requirements and its overall liquidity risk was under control.

7.5 Information Technology Risk

Information technology risk refers to the operational, legal, reputational and other risks caused by natural factors, human factors, technical loopholes and management flaws in the course of applying information technology. During the Reporting Period, the Bank continuously improved its sci-tech risk management system and the methods to monitor and assess information technology risks. Main measures adopted are as follows:

Firstly, we continuously strengthened information security protection. The Bank promptly upgraded the system and database, and continuously updated and optimized rule-based strategies of information security equipment to ensure the safe operation of business systems. It performed virus detection and security control on terminal systems in a timely manner to ensure data security. Secondly, we strengthened information technology risk monitoring and assessment. The Bank continuously monitored information technology risks and reported the monitoring results on a quarterly basis. It refined the system for assessing information technology risks and carried out risk assessments in key stages of sci-tech projects on an on-going basis. Based on the actual situation of its science and technology, the Bank refined the information technology risk assessment manual by business line and sector. Thirdly, we tightened business continuity management. The Bank organized branches, sub-branches and departments of the head office to hold training on business continuity management with more than 60 participations. It planned for the 2021 business continuity drill, revised the business continuity plan, held special training on the drills, and made drill plans.

7.6 Reputational Risk

Reputational risk refers to the risk of negative reporting and comments about the Bank due to its operations, management and other activities or external events. The Bank has established a positive, reasonable and effective mechanism for reputational risk management to identify, monitor, control and eliminate reputational risk. During the Reporting Period, the Bank mainly adopted the following measures:

Firstly, we continuously monitored public opinions. By monitoring public opinions in real time, the Bank promptly identified and properly handled negative public opinions, leveraging media publicity to guide public opinions in a positive direction. Secondly, we made clear management responsibilities. In principle, public opinion events are handled by branches and sub-branches at the front line, while relevant departments of the head office offer close collaboration, so as to constantly strengthen the joint prevention and control of public opinion events and petition complaints events and cases. Thirdly, we further publicized our brand. The Bank sponsored the 2021 First Children's Online Spring Festival Gala in Zhengzhou, and jointly launched large-scale events such as "100 Cities, 100 Flavors" and "Gift to the Party's Centenary" with Henan Traffic Radio, with a view to building up the Bank's brand image and gaining good public opinions.

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7.7 Anti-Money Laundering Management

In strict compliance with the Anti-Money Laundering Law of the People's Republic of China and other applicable laws and regulations and with adherence to the "risk-based" anti-money laundering method, the Bank has established a sound institutional structure, improved the internal control system, enhanced anti-money laundering business system, continued to carry out publicity and training, and duly performed various anti-money laundering obligations. The Bank's main measures for anti-money laundering during the Reporting Period are as follows:

Firstly, the Bank continued to enhance the monitoring and reporting system for anti-money laundering and strengthened risk monitoring and early warning, so as to ensure the stable submission of anti-money laundering data. Secondly, the Bank provided business guidance and organized business self-examination to discover and rectify weak links and potential risks in a timely manner and to step up the quality and efficiency of anti-money laundering. Thirdly, in terms of dealing with doubts, difficulties and new regulatory requirements in the anti-money laundering business, the Bank arranged business training to comprehensively enhance staff's awareness, knowledge and skills for anti-money laundering and to promote the anti-money laundering risk management culture. Fourthly, by continuous publicity of anti-money laundering, the Bank promoted knowledge on anti-money laundering and anti-terrorism to the public to improve their understanding of anti-money laundering.

8 RECEIVING RESEARCH DELEGATIONS, COMMUNICATION AND INTERVIEW ACTIVITIES

During the Reporting Period, the Bank did not receive any research delegations, and had no communication and interview activities.

9 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

9.1 Significant Environmental Protection Issues

The Bank and its subsidiaries are not recognised as key waste discharge units as disclosed by the environmental protection authorities.

During the Reporting Period, no administrative punishment was imposed on the Bank for environmental issues.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

9.2 Social Responsibility

Based on top-level design and with a focus on credit support, the Bank continued to launch special credit products, and had all business lines and departments work together to consolidate the achievements in poverty alleviation. Starting from product R&D under new service models, the Bank continued to optimize loans for mass entrepreneurship and innovation, loans for poverty alleviation and loans with guarantee insurance, and provide customers with richer poverty alleviation products. The Bank developed the “3+1” program (i.e. “government + bank + enterprise + poverty alleviation target”), and cooperated with agricultural guarantee companies to build a special credit and guarantee system, helping rural customers with light assets for guarantees to obtain loans. In response to the government’s call, the Bank connected with a cooperative and carried out on-the-spot investigation to better understand how it operates, its demand for capital turnover, financial status and other information, and in turn to design customized products for the cooperative. During the Reporting Period, RMB302.76 million of new loans was granted through this product. As at the end of the Reporting Period, the Bank had issued agriculture-related loans of RMB65,784 million.

During the Reporting Period, in accordance with the overall strategic plan for rural revitalization and the development objectives of rural financial business and the financial environment in rural areas, the Bank further developed rural businesses and contributed to rural revitalization. Steady progress was made in building up payment service outlets for rural inclusive finance, and the goal to develop rural businesses in the first half of the year was completed. At the same time, the Bank formulated a mechanism to promote, construct the system for and safeguard the operation of rural businesses, and established its staff echelon for rural businesses. By building a comprehensive management platform for rural businesses, upgrading rural POS machines and tools and innovating rural financial products, the Bank strove to carry out rural businesses in diverse scenarios and strengthen the role of financial businesses in boosting rural revitalization and development, so as to ensure steady follow-ups of rural businesses.

10 OUTLOOK

In the second half of 2021, the Bank will continue to build itself into “a commerce and logistics bank, a financing expert for SMEs, and a boutique bank for residents” as three strategic priorities. Under the major strategy of “high-quality development” and based on “three new types of finance” (i.e. finance for rural areas, finance for small and micro enterprises, and finance for science and innovation), the Bank will strictly control risks and consolidate business foundation to strengthen core competitiveness and accelerate the transformation and upgrading of business model.

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1 CHANGES IN ORDINARY SHARES

1.1 Table of Changes in Ordinary Shares

Unit: Shares

	As at 31 December 2020		Increase/decrease during the Reporting Period (+/-)					As at 30 June 2021	
	Number	Proportion ⁽¹⁾ (%)	Issuance of new shares	Bonus shares	Capitalization issue	Others	Sub-total	Number	Proportion ⁽¹⁾ (%)
I. Shares subject to trading moratorium	4,187,717,028	55.73	-	-	-	-543,155,199	-543,155,199	3,644,561,829	48.50
1. State-owned shares	539,995,230	7.18	-	-	-	-	-	539,995,230	7.19
2. Shares held by state-owned legal persons	1,688,951,983	22.48	-	-	-	-165,000,000	-165,000,000	1,523,951,983	20.28
3. Shares held by other domestic investors	1,958,769,815	26.07	-	-	-	-378,155,199	-378,155,199	1,580,614,616	21.03
Including: Shares held by domestic legal persons	1,925,254,244	25.62	-	-	-	-378,155,200	-378,155,200	1,547,099,044	20.59
Shares held by domestic natural persons ⁽²⁾	33,515,571	0.45	-	-	-	+1	+1	33,515,572	0.44
4. Shares held by foreign investors	-	-	-	-	-	-	-	-	-
Including: Shares held by overseas legal persons	-	-	-	-	-	-	-	-	-
Shares held by overseas natural persons	-	-	-	-	-	-	-	-	-
II. Shares not subject to trading moratorium	3,326,408,062	44.27	-	-	-	+543,155,199	+543,155,199	3,869,563,261	51.50
1. Ordinary Shares denominated in RMB	1,656,608,062	22.05	-	-	-	+543,155,199	+543,155,199	2,199,763,261	29.28
2. Domestically-listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas-listed foreign shares	1,669,800,000	22.22	-	-	-	-	-	1,669,800,000	22.22
4. Others	-	-	-	-	-	-	-	-	-
III. Total	7,514,125,090	100	-	-	-	-	-	7,514,125,090	100.00

Notes:

- The minor differences in the last digits are caused by rounding.
- During the Reporting Period, the Bank did not conduct any Share repurchase.
- As the securities registration and clearing institution recalculated the number of A Shares transferable by the senior management of the Bank at the beginning of the year in accordance with relevant regulations, the number of Shares held by domestic natural persons subject to trading moratorium increased by 1 Share while there is a corresponding decrease of 1 Share in Shares not subject to trading moratorium.

As at the end of the Reporting Period, the Bank had 7,514,125,090 issued Ordinary Shares, including 5,844,325,090 A Shares and 1,669,800,000 H Shares.

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1.2 Description of Changes in Ordinary Shares

Changes in Ordinary Shares were mainly because (1) the Shareholders changed the class identification of holders; and (2) the Bank's non-publicly issued A Shares were listed on SZSE on 27 November 2020, and a total of 543,155,200 A Shares with a lockup period of 6 months held by 23 target subscribers including Zhengzhou High-tech Investment Holding Group Co., Ltd. (鄭州高新投資控股集團有限公司) were lifted from trading moratorium and listed for circulation on 27 May 2021.

1.3 The Impact of Changes in Ordinary Shares on Financial Indicators Such as Earnings per Share and Net Assets per Share in the Previous Year and the Latest Period

The changes in Ordinary Shares had no impact on financial indicators such as earnings per share and net assets per share in the previous year and the latest period.

1.4 Changes in Shares Subject to Trading Moratorium during the Reporting Period

Unit: Shares

Name of Shareholder	Number of Shares subject to trading moratorium at the beginning of the period	Increase in the number of Shares subject to trading moratorium during the current period	Number of Shares lifted from trading moratorium during the current period	Number of Shares subject to trading moratorium at the end of the period	Reasons for being subject to trading moratorium	Date of lifting from trading moratorium
23 target subscribers of the non-public issuance including Zhengzhou High-tech Investment Holding Group Co., Ltd. (鄭州高新投資控股集團有限公司)	543,155,200	-	543,155,200	-	Share subscription from non-public issuance	27 May 2021
LI Hong (李紅)	22,065	1	-	22,066	Locked shares held by senior management	-
Total	543,177,265	1	543,155,200	22,066	-	-

Note: Ms. LI Hong is a senior management of the Bank. The A Shares held by her are locked and lifted from trading moratorium in accordance with the Guidelines for the Standard Operation of Listed Companies on the Shenzhen Stock Exchange. The increase of 1 Share subject to trading moratorium during the period was due to the securities registration and clearing institution's recalculation of the number of A Shares transferable by her at the beginning of the year in accordance with relevant regulations.

2 ISSUANCE AND LISTING OF SECURITIES

During the Reporting Period, the Bank did not issue any Ordinary Shares and Preference Shares and did not have any corporate bonds which were publicly issued and listed on any stock exchanges.

For details of other bond issuance of the Bank and its subsidiaries, please refer to "Issuance and Repurchase of Bonds" in the chapter headed "Significant Events" of this report.

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

3 INFORMATION ON ORDINARY SHAREHOLDERS

As at the end of the Reporting Period, the Bank had a total of 107,365 ordinary Shareholders, of whom 107,309 were holders of A Shares and 56 were holders of H Shares.

The following table sets out the direct shareholdings of the top 10 ordinary Shareholders of the Bank as at the end of the Reporting Period:

Unit: Shares

Name of Shareholder	Nature of Shareholder	Class of Shares	Shareholdings percentage (%)	Number of Ordinary Shares held at the end of the Reporting Period	Changes over the Reporting Period (+/-)	Number of Ordinary Shares held subject to trading moratorium	Number of Ordinary Shares held not subject to trading moratorium	Pledged, marked or frozen Status of Shares	Number
HKSCC Nominees Limited (香港中央結算(代理人)有限公司)	Overseas legal person	H Shares	22.22	1,669,619,413	+35,268,200	-	1,669,619,413	Unknown	-
Zhengzhou Finance Bureau	State-owned	A Shares	7.23	543,178,769	-	539,995,230	3,183,539	Pledged	242,990,000
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	State-owned legal person	A Shares	5.44	408,918,926	-	408,746,640	172,286	-	-
Bridge Trust Co., Ltd. (百瑞信託有限公司)	State-owned legal person	A Shares	4.24	318,951,163	+7,439,500	311,511,663	7,439,500	-	-
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Domestic non-state-owned legal person	A Shares	4.24	318,951,121	-	318,951,121	-	Pledged	164,450,000
Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)	Domestic non-state-owned legal person	A Shares	3.84	288,200,000	-	288,200,000	-	Pledged Frozen	288,200,000 288,200,000
Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)	Domestic non-state-owned legal person	A Shares	3.66	275,000,200	-	275,000,000	200	Pledged	137,500,000
Zhongyuan Trust Co., Ltd. (中原信託有限公司)	State-owned legal person	A Shares	3.50	263,369,118	-	263,369,118	-	-	-
Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司)	Domestic non-state-owned legal person	A Shares	3.31	248,600,000	-	248,600,000	-	Pledged	124,299,998
Henan Shengrun Holding Group Co., Ltd. (河南盛潤控股集團有限公司)	Domestic non-state-owned legal person	A Shares	1.46	110,000,000	-	110,000,000	-	Pledged Frozen	110,000,000 110,000,000
Henan Zhenghong Real Estate Co., Ltd. (河南正弘置業有限公司)	Domestic non-state-owned legal person	A Shares	1.46	110,000,000	-	110,000,000	-	Pledged	108,911,000
Strategic investors or ordinary legal persons becoming top 10 Shareholders by way of placing of new Shares (if any)			None						
Description of related party relationships or concerted actions of the above shareholders			Zhengzhou Finance Bureau wholly owns Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), which in turn wholly owns Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司). Mr. FAN Yutao, deputy director of Zhengzhou Finance Bureau, was a director of Bridge Trust Co., Ltd. The Bank is not aware of any related party relationship among the above other Shareholders or whether they are parties acting in concert under the Administrative Measures on the Acquisition of Listed Companies (《上市公司收購管理辦法》).						
Description of entrusting/being entrusted voting rights or waiving voting rights of the above Shareholders			During the Reporting Period, Henan Investment Group Co., Ltd. (河南投資集團有限公司) entered into the Voting Rights Entrustment Agreement with Zhongyuan Trust Co., Ltd. (中原信託有限公司) and entrusted the voting rights represented by the 98,746,133 A Shares of the Bank held by Henan Investment Group Co., Ltd. (河南投資集團有限公司) to Zhongyuan Trust Co., Ltd. (中原信託有限公司).						
Special description of the special accounts for repurchase held by the top 10 Shareholders			None						
Description of the top 10 ordinary Shareholders participating in margin financing and securities lending business (if any)			None						

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

The following table sets out the direct shareholdings of the top 10 ordinary Shareholders not subject to trading moratorium of the Bank as at the end of the Reporting Period:

Unit: Shares

Name of Shareholder	Number of Ordinary Shares held not subject to trading moratorium at the end of the Reporting Period	Type of Shares Class of Shares	Number
HKSCC Nominees Limited (香港中央結算(代理人)有限公司)	1,669,619,413	H Shares	1,669,619,413
Shangqiu City Development Investment Group Co., Ltd. (商丘市發展投資集團有限公司)	50,000,000	A Shares	50,000,000
Zhengzhou High-tech Investment Holding Group Co., Ltd. (鄭州高新投資控股集團有限公司)	50,000,000	A Shares	50,000,000
Henan Communications Industrial Development Co., Ltd. (河南交通實業發展有限公司)	46,075,157	A Shares	46,075,157
Henan Shenli Concrete Co., Ltd. (河南神力混凝土有限公司)	33,000,000	A Shares	33,000,000
Zhengzhou Hailong Industrial Co., Ltd. (鄭州海龍實業有限公司)	33,000,000	A Shares	33,000,000
Wugang Sino-Canada Mining Development Co., Ltd. (舞鋼中加礦業發展有限公司)	33,000,000	A Shares	33,000,000
Gongyi State-owned Assets Investment and Operation Co., Ltd. (鞏義市國有資產投資經營有限公司)	30,000,000	A Shares	30,000,000
Group LLC of Henan Province The First Construction Work (河南省第一建築工程集團有限責任公司)	30,000,000	A Shares	30,000,000
Xinyang Hongxin State-owned Capital Operation Group Co., Ltd. (信陽市宏信國有資本運營集團有限公司)	30,000,000	A Shares	30,000,000
Hebi Shancheng Huimin Urban Construction and Development Co., Ltd. (鶴壁市山城區惠民城市建設開發有限公司)	30,000,000	A Shares	30,000,000
Luoyang High-tech Industrial Group Co., Ltd. (洛陽高新實業集團有限公司)	30,000,000	A Shares	30,000,000
Kaifeng State-owned Assets Investment and Operation Limited Company (開封國有資產投資經營有限責任公司)	30,000,000	A Shares	30,000,000
Henan Wanbang International Agricultural Products Logistics Co., Ltd. (河南萬邦國際農產品物流股份有限公司)	30,000,000	A Shares	30,000,000
Henan Wanshunda Industry Group Co. Ltd (河南省萬順達實業集團有限公司)	30,000,000	A Shares	30,000,000
Description of related party relationships or concerted actions among the top 10 ordinary Shareholders not subject to trading moratorium, and between the top 10 ordinary Shareholders not subject to trading moratorium and the top 10 ordinary Shareholders	The Bank is not aware of any related party relationship among the top 10 ordinary Shareholders not subject to trading moratorium, and between the top 10 ordinary Shareholders not subject to trading moratorium and the top 10 ordinary Shareholders or whether they are parties acting in concert under the Administrative Measures on the Acquisition of Listed Companies (《上市公司收購管理辦法》).		

Notes:

- The above data is sourced from the register of members of the Bank as at 30 June 2021.
- The Shares held by HKSCC Nominees Limited are held by it in the capacity of an agent and represent the aggregate number of H Shares held by all institutional and individual investors registered in HKSCC Nominees Limited as at the end of the Reporting Period.

During the Reporting Period, none of the top 10 ordinary Shareholders and the top 10 Shareholders of Ordinary Shares not subject to trading moratorium carried out any agreed buy-back transactions.

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

4 INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS

Based on the knowledge of the Directors, Supervisors and chief executive of the Bank, as at the end of the Reporting Period, the following persons, other than Directors, Supervisors and chief executive of the Bank, had, or were deemed or taken to have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Bank under section 336 of the SFO:

Name of substantial Shareholder	Class of Shares	Long/Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued Ordinary Shares (%)
Zhengzhou Finance Bureau	A Shares	Long	Beneficial owner and interest of controlled corporation ⁽¹⁾	1,133,882,575	19.40	15.09
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	A Shares	Long	Beneficial Owner	408,918,926	7.00	5.44
Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司)	A Shares	Long	Interest of controlled corporation ⁽¹⁾	408,918,926	7.00	5.44
Henan Investment Group Co., Ltd. (河南投資集團有限公司)	A Shares	Long	Beneficial owner and interest of controlled corporation ⁽²⁾	362,115,251	6.20	4.82
Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	A Shares	Long	Beneficial Owner	318,951,163	5.46	4.24
SPIC Capital Holding Co., Ltd. (國家電投集團資本控股有限公司)	A Shares	Long	Interest of controlled corporation ⁽³⁾	318,951,163	5.46	4.24
SPIC Dongfang New Energy Corp. (國家電投集團東方新能源股份有限公司)	A Shares	Long	Interest of controlled corporation ⁽³⁾	318,951,163	5.46	4.24
State Power Investment Corporation Limited (國家電力投資集團有限公司)	A Shares	Long	Interest of controlled corporation ⁽³⁾	318,951,163	5.46	4.24
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	A Shares	Long	Beneficial Owner	318,951,121	5.46	4.24
ZHU Zhihui (朱志輝)	A Shares	Long	Interest of controlled corporation ⁽⁴⁾	318,951,121	5.46	4.24
China Goldjoy Securities Limited (中國金洋證券有限公司)	H Shares	Long	Custodian	414,891,400	24.85	5.52
Yunnan International Holding Group Limited	H Shares	Long	Beneficial Owner	250,098,886	14.98	3.33
Yunnan Energy Investment (HK) Co. Limited	H Shares	Long	Interest of controlled corporation ⁽⁵⁾	250,098,886	14.98	3.33
Yunnan Provincial Energy Investment Group Co., Ltd	H Shares	Long	Interest of controlled corporation ⁽⁵⁾	250,098,886	14.98	3.33
Hong Kong Oriental Sage Limited (香港東智有限公司)	H Shares	Long	Beneficial Owner	245,300,000	14.69	3.26
Oriental Sage Limited (東智有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁶⁾	245,300,000	14.69	3.26
Beijing Shang Finance Management Co. Ltd. (北京尚融資本管理有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁷⁾	141,900,000	8.50	1.89
WEI Lidong (尉立東)	H Shares	Long	Interest of controlled corporation ⁽⁷⁾	141,900,000	8.50	1.89
Hong Kong Xingrui International Investment Co., Ltd. (香港興瑞國際投資有限公司)	H Shares	Long	Beneficial Owner	110,000,000	6.59	1.46
Zhengzhou Airport Zone Xingrui Industrial Group Co., Ltd. (鄭州航空港區興瑞實業集團有限公司), formerly known as Zhengzhou Airport Zone Xingrui Industrial Co., Ltd. (鄭州航空港區興瑞實業有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁸⁾	110,000,000	6.59	1.46
Zhengzhou Airport Xinggang Investment Group Co., Ltd. (鄭州航空港興港投資集團有限公司), formerly known as Zhengzhou Xinzhen Integrated Free Trade Zone (Zhengzhou Airport Zone) Xinggang Investment and Development Co., Limited (鄭州新鄭綜合保稅區(鄭州航空港區)興港投資發展有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁸⁾	110,000,000	6.59	1.46

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Name of substantial Shareholder	Class of Shares	Long/Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued Ordinary Shares (%)
Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Ltd. (深圳前海瑞茂通供應鏈平台服務有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁸⁾	110,000,000	6.59	1.46
Jiangsu Jinhe Electricity and Fuel Co., Ltd. (江蘇晉和電力燃料有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁸⁾	110,000,000	6.59	1.46
Ruimaotong Supply Chain Management Co., Ltd. (瑞茂通供應鏈管理股份有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁸⁾	110,000,000	6.59	1.46
Zhengzhou Ruimaotong Supply Chain Management Co., Ltd. (鄭州瑞茂通供應鏈有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁸⁾	110,000,000	6.59	1.46
Zhengzhou Zhongrui Industrial Group Co., Ltd. (鄭州中瑞實業集團有限公司), formerly known as Henan Zhongrui Investment Co., Ltd. (河南中瑞投資有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁸⁾	110,000,000	6.59	1.46
Henan Zhongrui Holding Co., Ltd. (河南中瑞控股有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁸⁾	110,000,000	6.59	1.46
Zhengzhou Ruichang Enterprise Management Consulting Co., Ltd. (鄭州瑞昌企業管理諮詢有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁸⁾	110,000,000	6.59	1.46
WAN Yongxing (萬永興)	H Shares	Long	Interest of controlled corporation ⁽⁸⁾	110,000,000	6.59	1.46
Zhengzhou Zhengdong New District Construction, Development & Investment Co., Ltd. (鄭州市鄭東新區建設開發投資總公司)	H Shares	Long	Beneficial owner ⁽⁹⁾	110,000,000	6.59	1.46
Haitong International Financial Products (Singapore) Pte. Ltd.	H Shares	Long	Person having a security interest ⁽¹⁰⁾	110,000,000	6.59	1.46
Haitong International Securities Group (Singapore) Pte. Ltd.	H Shares	Long	Person having a security interest Interest of controlled corporation ⁽¹⁰⁾	110,000,000	6.59	1.46
Haitong International Securities Group Limited	H Shares	Long	Person having a security interest Interest of controlled corporation ⁽¹¹⁾	113,500,000	6.80	1.51
Haitong International Holdings Limited	H Shares	Long	Person having a security interest Interest of controlled corporation ⁽¹¹⁾	113,500,000	6.80	1.51
Haitong Securities Co., Ltd.	H Shares	Long	Person having a security interest Interest of controlled corporation ⁽¹¹⁾	113,500,000	6.80	1.51
CITIC Securities Company Limited	H Shares	Long	Interest of controlled corporation ⁽¹²⁾	564,587,523	33.81	7.51
	H Shares	Short	Interest of controlled corporation ⁽¹²⁾	567,402,881	33.98	7.55
Goncius I Limited	H Shares	Long	Beneficial owner ⁽¹³⁾	115,501,859	6.92	1.54
	H Shares	Short	Beneficial owner ⁽¹³⁾	115,501,859	6.92	1.54
Chinalines Holding Group Co., Ltd. (萊華控股集團有限公司)	H Shares	Long	Beneficial Owner	159,916,000	9.58	2.13
Shenzhen Chinalines Industrial Co., Ltd. (深圳萊華實業有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁴⁾	159,916,000	9.58	2.13
YAO Jianhui (姚建輝)	H Shares	Long	Interest of controlled corporation ⁽¹⁵⁾	160,998,000	9.64	2.14
Huarong International Financial Holdings Limited	H Shares	Long	Beneficial owner ⁽¹⁶⁾	90,957,714	5.45	1.21
China Huarong Asset Management Co., Ltd.	H Shares	Long	Interest of controlled corporation ⁽¹⁶⁾	90,957,714	5.45	1.21

As far as the Bank is aware, the above number of Shares represents the respective Shareholders' interests and short positions as at the end of the Reporting Period, but the relevant number of Shares and information may be different from the summary of DI Forms submitted to the Hong Kong Stock Exchange by relevant Shareholders. This is mainly because the Bank made the calculation based on public information disclosed such as summary of DI Forms and the register of members of the Bank as well as the issuance of one Share for every 10 Shares to the Shareholders in accordance with the capitalization issue plan which was completed in June 2020.

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Notes:

1. These 1,133,882,575 Shares are directly or indirectly held by Zhengzhou Finance Bureau, including 543,178,769 Shares directly held by Zhengzhou Finance Bureau, 408,918,926 Shares held by Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), 71,784,880 Shares held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), 55,000,000 Shares held by Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and 55,000,000 Shares held by Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司). Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) is wholly-owned by Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), which is in turn wholly-owned by Zhengzhou Finance Bureau (鄭州市財政局). Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) are directly or indirectly wholly-owned by Zhengzhou Finance Bureau. By virtue of the SFO, Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司) is deemed to be interested in the Shares held by Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), while Zhengzhou Finance Bureau is deemed to be interested in the Shares held by Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司). Mr. FAN Yutao (樊玉濤) and Mr. LIANG Songwei (梁嵩巍), non-executive Directors of the sixth session of the Board of Directors who retired at the conclusion of the 2020 Annual General Meeting, are the deputy director of Zhengzhou Finance Bureau and the chairman and general manager of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) respectively. Ms. WANG Dan (王丹) and Mr. LIU Bingheng (劉炳恆), non-executive Directors of the seventh session of the Board of Directors who were elected at the 2020 Annual General Meeting, are a proposed member of the senior management of Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司) and the director of the financial operation center of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) respectively. The qualifications of Ms. WANG Dan (王丹) and Mr. LIU Bingheng (劉炳恆) are pending approval by the CBIRC Henan Office.
2. These 362,115,251 Shares are directly or indirectly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司), including 98,746,133 Shares directly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司) and 263,369,118 Shares held through Zhongyuan Trust Co., Ltd. (中原信託有限公司). Zhongyuan Trust Co., Ltd. (中原信託有限公司) is held as to 58.97% by Henan Investment Group Co., Ltd. (河南投資集團有限公司). By virtue of the SFO, Henan Investment Group Co., Ltd. (河南投資集團有限公司) is deemed to be interested in the Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司). Mr. JI Hongjun (姬宏俊), a non-executive Director of the Bank, is a vice president of Zhongyuan Trust Co., Ltd. (中原信託有限公司).
3. Bridge Trust Co., Ltd. (百瑞信託有限責任公司) is owned as to 50.24% by SPIC Capital Holdings Co., Ltd. (國家電投集團資本控股有限公司), which is in turn wholly-owned by SPIC Dongfang New Energy Corp. (國家電投集團東方新能源股份有限公司), while SPIC Dongfang New Energy Corp. (國家電投集團東方新能源股份有限公司) is owned as to 58.10% by State Power Investment Corporation Limited (國家電力投資集團有限公司). By virtue of the SFO, SPIC Capital Holdings Co., Ltd. (國家電投集團資本控股有限公司), SPIC Dongfang New Energy Corp. (國家電投集團東方新能源股份有限公司) and State Power Investment Corporation Limited (國家電力投資集團有限公司) are deemed to be interested in the Shares held by Bridge Trust Co., Ltd. (百瑞信託有限責任公司).
4. Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) is owned as to 90% and 10% by Mr. ZHU Zhihui (朱志暉) and his spouse Ms. WANG Linhui (王林輝), respectively. By virtue of the SFO, Mr. ZHU Zhihui (朱志暉) is deemed to be interested in the Shares held by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司). Mr. ZHU Zhihui (朱志暉), a Supervisor of the Bank, is the legal representative, executive director and general manager of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司).
5. These 250,098,886 Shares are directly held by Yunnan International Holding Group Limited, which is owned as to 40% by Yunnan Energy Investment (HK) Co., Limited, while Yunnan Energy Investment (HK) Co., Limited is wholly-owned by Yunnan Provincial Energy Investment Group Co., Ltd. By virtue of the SFO, Yunnan Energy Investment (HK) Co., Limited and Yunnan Provincial Energy Investment Group Co., Ltd. are deemed to be interested in the Shares held by Yunnan International Holding Group Limited.

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6. These 245,300,000 Shares are directly held by Hong Kong Oriental Sage Limited (香港東智有限公司), which is wholly-owned by Oriental Sage Limited (東智有限公司). By virtue of the SFO, Oriental Sage Limited (東智有限公司) is deemed to be interested in the Shares held by Hong Kong Oriental Sage Limited (香港東智有限公司).
7. Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司) is owned as to 99.90% by Mr. WEI Lidong (尉立東) and Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司) holds a total of 141,900,000 Shares through certain subsidiaries. By virtue of the SFO, Mr. WEI Lidong (尉立東) is deemed to be interested in the Shares held by Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司).
8. Hong Kong Xingrui International Investment Co., Ltd. (香港興瑞國際投資有限公司) ("**Hong Kong Xingrui**") is wholly-owned by Zhengzhou Airport Zone Xingrui Industrial Group Co., Ltd. (鄭州航空港區興瑞實業集團有限公司), formerly known as Zhengzhou Airport Zone Xingrui Industrial Co., Ltd. (鄭州航空港區興瑞實業有限公司) ("**Xingrui Industrial**"), being a state-owned company under the Zhengzhou Airport Zone Economic Integrated Experimental Zone (Zhengzhou Xinzheng Integrated Free Trade Zone) Management Committee (鄭州航空港經濟綜合實驗區(鄭州新鄭綜合保稅區)管理委員會), formerly known as Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Management Committee (鄭州新鄭綜合保稅區(鄭州航空港區)管理委員會)). Xingrui Industrial is owned as to 51% and 49% by Zhengzhou Airport Xinggang Investment Holdings Co., Ltd. (鄭州航空港興港投資集團有限公司) (formerly known as: Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Xinggang Investment and Development Co., Ltd. (鄭州新鄭綜合保稅區(鄭州航空港區)興港投資發展有限公司)) ("**Zhengzhou Xinggang**"), and Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Ltd. (深圳前海瑞茂通供應鏈平台服務有限公司) ("**Ruimaotong**"). Ruimaotong is wholly-owned by Jiangsu Jinhe Electricity and Fuel Co., Ltd. (江蘇晉和電力燃料有限公司) ("**Jiangsu Jinhe**"), which is in turn wholly-owned by a company (being listed on the Shanghai Stock Exchange) under Ruimaotong Supply Chain Management Co., Ltd. (瑞茂通供應鏈管理股份有限公司) ("**Ruimaotong Supply Chain Management**"). Ruimaotong Supply Chain Management is owned as to 57.65% by Zhengzhou Ruimaotong Supply Chain Management Co., Ltd. (鄭州瑞茂通供應鏈有限公司) ("**Zhengzhou Ruimaotong**"), which is wholly-owned by Zhengzhou Zhongrui Industrial Group Co., Ltd. (鄭州中瑞實業集團有限公司) (formerly known as Henan Zhongrui Investment Co., Ltd. (河南中瑞投資有限公司) ("**Zhengzhou Zhongrui**")). Zhengzhou Zhongrui is owned as to 90% by Henan Zhongrui Holding Co., Ltd. (河南中瑞控股有限公司) ("**Henan Zhongrui Holding**"), while Henan Zhongrui Holding is wholly-owned by Zhengzhou Ruichang Enterprise Management Consulting Co., Ltd. (鄭州瑞昌企業管理諮詢有限公司) ("**Zhengzhou Ruichang**"), which is owned as to 70% by Mr. WAN Yongxing (萬永興). By virtue of the SFO, each of Xingrui Industrial, Zhengzhou Xinggang, Ruimaotong, Jiangsu Jinhe, Ruimaotong Supply Chain Management, Zhengzhou Ruimaotong, Zhengzhou Zhongrui, Henan Zhongrui Holding, Zhengzhou Ruichang and Mr. WAN Yongxing (萬永興) are deemed to be interested in the Shares held by Hong Kong Xingrui.
9. Zhengzhou Zhengdong New District Construction Development Investment Co., Ltd. (鄭州市鄭東新區建設開發投資總公司) was established by the Zhengzhou Zhengdong New District Management Committee (鄭州市鄭東新區管理委員會).
10. Haitong International Financial Product (Singapore) Pte. Ltd. has a security interest in these 110,000,000 Shares. Haitong International Financial Products (Singapore) Pte. Ltd. is wholly-owned by Haitong International Securities Group (Singapore) Pte. Ltd., which is in turn wholly-owned by Haitong International (BVI) Limited. By virtue of the SFO, Haitong International Securities Group (Singapore) Pte. Ltd. and Haitong International (BVI) Limited are deemed to be interested in the Shares held by Haitong International Financial Products (Singapore) Pte. Ltd.

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11. These 3,500,000 Shares are directly held by Haitong International Securities Company Limited, which is wholly-owned by Haitong International (BVI) Limited. By virtue of the SFO, Haitong International (BVI) Limited is deemed to be interested in the Shares held by Haitong International Securities Company Limited. As mentioned in note 10 of this table, Haitong International Securities Group (Singapore) Pte. Ltd. is wholly-owned by Haitong International (BVI) Limited. Accordingly, Haitong International (BVI) Limited is deemed to be interested in a total of 113,500,000 Shares. Haitong International (BVI) Limited is wholly-owned by Haitong International Securities Group Limited, which is 64.40% owned by Haitong International Holdings Limited, which is in turn wholly-owned by Haitong Securities Co., Ltd. By virtue of the SFO, Haitong International Securities Group Limited, Haitong International Holdings Limited and Haitong Securities Co., Ltd. are all deemed to be interested in a total of 113,500,000 Shares held by Haitong International Financial Products (Singapore) Pte. Ltd. and Haitong International Securities Company Limited.
12. CITIC Securities Company Limited held 564,587,523 H Shares (long position) of the Bank and 567,402,881 H Shares (short position) of the Bank through certain of its wholly-owned subsidiaries. These 564,587,523 H Shares (long position) and 567,402,881 H Shares (short position) involve derivatives in the classes below:

349,465,311 H Shares (long position)	– Convertible instruments (on-exchange transaction)
215,122,212 H Shares (long position) and	
567,402,881 H Shares (short position)	– Settled in cash (curb trading)
13. These 115,501,859 H Shares (long position) and 115,501,859 H Shares (short position) held by Goncius I Limited involve derivatives in the classes below:

115,501,859 H Shares (long position)	– Convertible instruments (on-exchange transaction)
115,501,859 H Shares (short position)	– Settled in cash (curb trading)

As the relevant interests involve derivatives, the information disclosed has not taken into account the calculation made by the Bank regarding the issuance of one Share for every 10 Shares held pursuant to the 2019 Capitalization Issue completed on 30 June 2020.
14. These 159,916,000 Shares are directly held by Chinalines Holding Group Co., Ltd. (萊華控股集團有限公司), which is in turn wholly-owned by Shenzhen Chinalines Industrial Co., Ltd. (深圳萊華實業有限公司), while Shenzhen Chinalines Industrial Co., Ltd. (深圳萊華實業有限公司) is owned as to 99.50% by Mr. YAO Jianhui (姚建輝). By virtue of the SFO, Shenzhen Chinalines Industrial Co., Ltd. (深圳萊華實業有限公司) and Mr. YAO Jianhui (姚建輝) are deemed to be interested in the Shares held by Chinalines Holding Group Co., Ltd. (萊華控股集團有限公司).

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15. The 1,082,000 Shares are directly held by Tinmark Development Limited, which is in turn wholly-owned by Mr. YAO Jianhui (姚建輝). By virtue of the SFO, Mr. YAO Jianhui (姚建輝) is deemed to be interested in the Shares held by Tinmark Development Limited. As mentioned in note 14 of this table, Mr. YAO Jianhui (姚建輝) is deemed to be interested in the Shares held by Chinalines Holding Group Co., Ltd. (萊華控股集團有限公司). Accordingly, Mr. YAO Jianhui (姚建輝) is deemed to be interested in 160,998,000 Shares.
16. Huarong International Financial Holdings Limited is owned as to 51% by Camellia Pacific Investment Holding Limited, which is wholly-owned by China Huarong International Holdings Limited. China Huarong International Holdings Limited is owned as to 88.10% and 11.90% by Huarong Real Estate Co., Ltd. (華融置業有限責任公司) and Huarong Zhiyuan Investment & Management Co., Ltd., respectively, while Huarong Real Estate Co., Ltd. (華融置業有限責任公司) and Huarong Zhiyuan Investment & Management Co., Ltd. are both wholly-owned by China Huarong Asset Management Co., Ltd. By virtue of the SFO, China Huarong Asset Management Co., Ltd. is deemed to be interested in the Shares held by Huarong International Financial Holdings Limited. Furthermore, such 90,957,714 H Shares (long position) involve derivatives in the class below:

90,957,714 H Shares (long position)

– Others (on-exchange transaction)

As the relevant interests involve derivatives, the information disclosed has not taken into account the calculation made by the Bank regarding the issuance of one Share for every 10 Shares held pursuant to the 2019 Capitalization Issue completed on 30 June 2020.

Save as disclosed above, as at the end of the Reporting Period, the Bank is not aware of any other person (other than the Directors, Supervisors and the chief executive of the Bank) having any interests or short positions in the Shares or underlying shares as recorded in the register required to be kept by the Bank pursuant to section 336 of the SFO.

5 INFORMATION ON CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

As at the end of the Reporting Period, the Bank did not have any controlling Shareholders or de facto controllers. During the Reporting Period, there were no changes in controlling Shareholders or de facto controllers.

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6 SUBSTANTIAL SHAREHOLDERS

6.1 Holders with 5% or More Shareholding in the Bank

Zhengzhou Finance Bureau: Unified Social Credit Code is 11410100005252522X; the person in charge is Mr. ZHAO Xinmin (趙新民). As at the end of the Reporting Period, Zhengzhou Finance Bureau directly held 543,178,769 A Shares, accounting for 7.23% of the total issued Ordinary Shares of the Bank. In addition, Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) which are directly or indirectly wholly-owned by Zhengzhou Finance Bureau hold a total of 590,703,806 A Shares. These Shares in total accounted for 1,133,882,575 A Shares and 15.09% of the total issued Ordinary Shares of the Bank. Mr. FAN Yutao (樊玉濤), a non-executive Director of the sixth session of the Board of Directors who retired at the conclusion of the 2020 Annual General Meeting, is the deputy director of Zhengzhou Finance Bureau. Ms. WANG Dan (王丹), a non-executive Director of the seventh session of the Board of Directors who was elected at the 2020 Annual General Meeting, is a proposed member of the senior management of Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), a company held by Zhengzhou Finance Bureau. The related parties of Zhengzhou Finance Bureau include Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), and Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司). The ultimate beneficiary of Zhengzhou Finance Bureau is itself.

Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司): incorporated on 25 October 2005; the registered capital is RMB3.51 billion; the Unified Social Credit Code is 91410100780545414U; the legal representative is Mr. LIANG Songwei (梁嵩巍); the main business scope covers investment and management of state-owned assets, real estate development and sales as well as house leasing. As at the end of the Reporting Period, Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) held 408,918,926 A Shares, accounting for 5.44% of the total issued Ordinary Shares of the Bank. Mr. LIANG Songwei (梁嵩巍), a non-executive Director of the sixth session of the Board of Directors who retired at the conclusion of the 2020 Annual General Meeting, is the chairman and general manager of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司). Mr. LIU Bingheng (劉炳恆), a non-executive Director of the seventh session of the Board of Directors who was elected at the 2020 Annual General Meeting, is the director of the financial operation center of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司). The controlling shareholder of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) is Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), and the de facto controller is Zhengzhou Finance Bureau. Related parties include Zhengzhou State-owned Holding Xicheng Construction Co., Ltd. (鄭州國控西城建設有限公司), Zhengzhou National Investment Real Estate Co., Ltd. (鄭州國投置業有限公司) and Zhengzhou Industry Development Guidance Fund Co., Ltd. (鄭州市產業發展引導基金有限公司), etc. The ultimate beneficiary of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) is itself.

Note: The qualifications of Ms. WANG Dan (王丹) and Mr. LIU Bingheng (劉炳恆) are pending approval by the CBIRC Henan Office.

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6.2 Other Substantial Shareholders

According to the requirement of the Provisional Measures on the Management of the Equity of Commercial Banks (《商業銀行股權管理暫行辦法》) (Former CBRC Order 2018 No. 1), information on other substantial Shareholders is as below:

Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司): incorporated on 5 December 2005; the registered capital is RMB200 million; the Unified Social Credit Code is 91410100783405337J; the legal representative is Mr. ZHU Zhihui (朱志暉); the main business scope covers the sales of building and decorative materials, mechanical and electrical products (excluding automobiles), hardware and electrical equipment etc.; house leasing; wholesale and retail as well as prepackaged food. As at the end of the Reporting Period, Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) held 318,951,121 A Shares, accounting for 4.24% of the total issued Ordinary Shares of the Bank. Mr. ZHU Zhihui (朱志暉), a Supervisor of the Bank, is the legal representative, executive director and general manager of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司). The controlling shareholder and de facto controller of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) is Mr. ZHU Zhihui (朱志暉). Related parties include Zhengzhou Huida Industrial Development Co., Ltd. (鄭州暉達實業發展有限公司), Henan Huida Construction & Investment Co., Ltd. (河南暉達建設投資有限公司) and Huida Holdings Co., Ltd. (暉達控股有限公司), etc. The ultimate beneficiary of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) is itself.

Zhongyuan Trust Co., Ltd. (中原信託有限公司): incorporated on 27 November 2002; the registered capital is RMB4 billion; the Unified Social Credit Code is 91410000169953018F; the legal representative is Mr. ZHAO Weihua (趙衛華); the main business scope covers the trusting of funds, movable property, immovable property, negotiable securities, other property or property rights; and engaging in investment fund business, etc. as an investment fund or a sponsor of a fund management company. As at the end of the Reporting Period, Zhongyuan Trust Co., Ltd. (中原信託有限公司) held 263,369,118 A Shares, accounting for 3.50% of the total issued Ordinary Shares of the Bank. Mr. JI Hongjun (姬宏俊), a non-executive Director of the Bank, is a vice president of Zhongyuan Trust Co., Ltd. (中原信託有限公司). The controlling shareholder of Zhongyuan Trust Co., Ltd. (中原信託有限公司) is Henan Investment Group Co., Ltd. (河南投資集團有限公司), and the de facto controller is Henan Provincial Department of Finance (河南省財政廳). Related parties include Henan Investment Group Co., Ltd. (河南投資集團有限公司), Henan Zhongyuan Expressway Co., Ltd. (河南中原高速公路股份有限公司) and Great Wall Fund Management Co., Ltd. (長城基金管理有限公司). The ultimate beneficiary of Zhongyuan Trust Co., Ltd. (中原信託有限公司) is itself.

7 RESTRICTIONS ON REDUCTION OF SHAREHOLDINGS OF CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLERS, PARTIES TO RESTRUCTURING OR OTHER ENTITIES WITH UNDERTAKINGS

During the Reporting Period, the Bank had no cases involving restrictions on reduction of shareholdings of controlling Shareholders, de facto controllers, parties to restructuring or other entities with undertakings.

8 PLEDGE AND FREEZING OF SHARES OF THE BANK

As at the end of the Reporting Period, to the knowledge of the Bank, 2,158,981,997 Ordinary Shares of the Bank (accounting for 28.73% of the total issued Ordinary Shares) were subject to pledges and 433,089,180 Ordinary Shares were subject to freezing. No Shares were subject to judicial auction during the Reporting Period. The Bank has no controlling Shareholders and therefore, there is no pledging of Shares of the Bank by controlling Shareholders.

9 PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OR REDEEMABLE SECURITIES OF THE BANK

During the Reporting Period, none of the Bank and its subsidiaries had purchased, sold or redeemed any listed securities or redeemable securities of the Bank.

CHAPTER V ISSUANCE OF PREFERENCE SHARES

1 ISSUANCE AND LISTING OF OFFSHORE PREFERENCE SHARES

The Bank issued non-cumulative perpetual Offshore Preference Shares in the amount of USD1,191 million at a dividend rate of 5.50% on 18 October 2017 through a private offering in the overseas market. The Offshore Preference Shares (abbreviation of preference shares: ZZBNK 17USDPREF; stock code: 04613) were listed on the Hong Kong Stock Exchange on 19 October 2017 with a nominal value of RMB100 per share at an offering price of USD20 per share. The total number of shares issued was 59,550,000, all of which were issued and fully paid in US dollars.

Based on the Renminbi central parity rate against the US dollar published by the China Foreign Exchange Trade System on 18 October 2017, the gross proceeds from the offering of the Offshore Preference Shares were approximately RMB7,860 million. Pursuant to applicable laws and regulations and approvals from the CBIRC, the CSRC and other relevant regulatory authorities, the proceeds raised from the Offshore Preference Shares issuance, after deduction of the issuance expenses, have been fully used to replenish the additional tier-one capital of the Bank, which is consistent with the specific use disclosed earlier.

For the issuance terms and relevant details of the Offshore Preference Shares, please refer to the relevant announcements and circulars of the Bank published on the websites of the Hong Kong Stock Exchange and the Bank.

2 NUMBER OF SHAREHOLDERS OF OFFSHORE PREFERENCE SHARES AND PARTICULARS OF SHAREHOLDING

As at the end of the Reporting Period, the total number of shareholders (or nominees) of Offshore Preference Shares of the Bank was one.

The following table sets out shareholdings of the top 10 shareholders (or nominees) of Offshore Preference Shares of the Bank as at the end of the Reporting Period:

Unit: shares

Name of shareholder	Type of shareholder	Shareholding percentage ⁽³⁾ (%)	Number of shares held as at the end of the Reporting Period	Changes over the Reporting Period	Shares pledged or frozen Status of shares	Number
The Bank of New York Depository (Nominees) Limited	Overseas legal person	100	59,550,000	–	Unknown	Unknown
Description of different requirements on other terms of preference shares held other than dividend distribution and residual property distribution		None				
Description of the related party relationships or concerted actions among top 10 shareholders of preference shares and between top 10 shareholders of preference shares and top 10 ordinary Shareholders		The Bank is not aware of any related party relationship between the above shareholders of preference shares and the top 10 ordinary Shareholders or whether they are parties acting in concert under the Administrative Measures on the Acquisition of Listed Companies (《上市公司收購管理辦法》).				

CHAPTER V ISSUANCE OF PREFERENCE SHARES

Notes:

1. The above data is sourced from the register of the shareholders of Offshore Preference Shares of the Bank as at 30 June 2021.
2. The above Offshore Preference Shares were issued through a private offering, and information of nominees of the allottees was recorded on the register of shareholders of preference shares.
3. “Shareholding percentage” refers to the percentage of Offshore Preference Shares held by shareholders of preference shares in the total issued Offshore Preference Shares.

3 PROFIT DISTRIBUTION OF OFFSHORE PREFERENCE SHARES

During the Reporting Period, the Bank did not implement any profit distribution of Offshore Preference Shares.

4 REPURCHASE OR CONVERSION OF OFFSHORE PREFERENCE SHARES

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

5 RESUMPTION AND EXERCISE OF VOTING RIGHTS OF OFFSHORE PREFERENCE SHARES DURING THE REPORTING PERIOD

During the Reporting Period, no voting rights of the Offshore Preference Shares were resumed or exercised.

6 ACCOUNTING POLICIES ADOPTED FOR OFFSHORE PREFERENCE SHARES AND REASONS

In accordance with Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments and Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments promulgated by the MOF, as well as International Financial Reporting Standards No. 9 – Financial Instruments and International Accounting Standards No. 32 – Financial Instruments: Presentation, the provisions of the issued and existing Offshore Preference Shares conform to the requirements as equity instruments, and will be calculated as equity instruments.

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR DIRECT SHAREHOLDINGS

Directors

Name	Gender	Date of birth	Position	Status	Term of office	Class of Shares	Number of			Number of Shares held as at the beginning of the Reporting Period	Number of restricted Shares		
							Shares held as at the beginning of the Reporting Period	Increase in the number of Shares held during the Reporting Period	Decrease in the number of Shares held during the Reporting Period		Shares granted as at the beginning of the Reporting Period	Number of restricted Shares granted during the Reporting Period	Number of restricted Shares granted as at the end of the Reporting Period
WANG Tianyu (王天宇)	M	March 1966	Chairman Executive Director	In office In office	2011.3.9-2024.6.16 2005.12.16-2024.6.16	A Share	27,503	-	-	27,503	-	-	-
SHEN Xueqing (申學清)	M	July 1965	President Executive Director	In office In office	Since 5 April 2012 2012.7.12-2024.6.16	-	-	-	-	-	-	-	-
XIA Hua (夏華)	M	August 1967	Vice Chairman Executive Director	In office In office	2020.7.2-2024.6.16 2020.7.2-2024.6.16	-	-	-	-	-	-	-	-
Ji Hongjun (姬宏俊)	M	June 1963	Non-executive Director	In office	2012.7.12-2024.6.16	-	-	-	-	-	-	-	-
WANG Shihao (王世豪)	M	April 1950	Non-executive Director	In office	2018.7.5-2024.6.16	-	-	-	-	-	-	-	-
XIE Taifeng (謝太峰)	M	August 1958	Independent non- executive Director	In office	Since 8 September 2015	-	-	-	-	-	-	-	-
WU Ge (吳革)	M	May 1967	Independent non- executive Director	In office	Since 8 September 2015	-	-	-	-	-	-	-	-
CHAN Mei Bo Mabel (陳美寶)	F	November 1971	Independent non- executive Director	In office	Since 8 September 2015	-	-	-	-	-	-	-	-
LI Yanyan (李燕燕)	F	January 1968	Independent non- executive Director	In office	2018.7.5-2024.6.16	-	-	-	-	-	-	-	-
FAN Yutao (樊玉濤)	M	May 1966	Non-executive Director	Retired	2015.9.8-2021.6.17	-	-	-	-	-	-	-	-
ZHANG Jingguo (張敬國)	M	July 1963	Non-executive Director	Retired	2012.7.12-2021.6.17	-	-	-	-	-	-	-	-
LIANG Songwei (梁嵩巍)	M	August 1968	Non-executive Director	Retired	2012.7.12-2021.6.17	-	-	-	-	-	-	-	-

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Notes:

1. The starting dates of the term of office represent the dates on which the relevant qualifications are approved by the banking regulatory authority.
2. At the 2020 AGM, 12 Directors were elected to the seventh session of the Board of Directors of the Bank. In particular, assumption of office by non-executive Directors Ms. WANG Dan, Mr. LIU Bingheng and Mr. SU Xiaojun, and independent non-executive Directors Mr. LI Xiaojian, Mr. SONG Ke and Ms. LI Shuxian is subject to obtaining approval of their qualifications from the regulatory authorities. In order to meet the requirements on the proportion of independent non-executive directors and ensure the normal operation of the Board of Directors, the independent non-executive Directors who were not re-elected, Mr. XIE Taifeng, Mr. WU Ge and Ms. CHAN Mei Bo Mabel, will continue to perform their duties till the date when new independent non-executive Directors obtain approval of their qualifications from the regulatory authorities and begin to officially perform their duties.
3. After the Reporting Period, Mr. WANG Shihao, a non-executive Director, increased his holding by 10,000 A Shares through centralized bidding via the trading system of SZSE.

Supervisors

Name	Gender	Date of birth	Position	Status	Term of office	Class of Shares	Number of			Number of restricted			Number of restricted
							Shares held as at the beginning of the Reporting Period	Increase in the number of Shares held during the Reporting Period	Decrease in the number of Shares held during the Reporting Period	Number of Shares held as at the end of the Reporting Period	Shares granted as at the beginning of the Reporting Period	Number of restricted Shares granted during the Reporting Period	Shares granted as at the end of the Reporting Period
ZHAO Lijuan (趙麗娟)	F	September 1962	Chairwoman of the Board of Supervisors	In office	2016.6.17-2024.6.16	-	-	-	-	-	-	-	-
			Employee Supervisor	In office	2018.6.15-2024.6.16								
ZHU Zhihui (朱志輝)	M	August 1969	Shareholder Supervisor	In office	2015.6.18-2024.6.16	-	-	-	-	-	-	-	-
MA Baojun (馬寶軍)	M	March 1963	External Supervisor	In office	2018.1.19-2024.1.18	-	-	-	-	-	-	-	-
XU Changsheng (徐長生)	M	October 1963	External Supervisor	In office	2021.6.17-2024.6.16	-	-	-	-	-	-	-	-
LI Huaibin (李懷斌)	M	September 1969	Employee Supervisor	In office	2018.6.15-2024.6.16	-	-	-	-	-	-	-	-
CHEN Xinxiu (陳新秀)	F	June 1973	Employee Supervisor	In office	2021.6.17-2024.6.16	-	-	-	-	-	-	-	-
SONG Ke (宋科)	M	April 1982	External Supervisor	Retired	2017.5.19-2021.6.17	-	-	-	-	-	-	-	-
CHENG Jie (成潔)	F	December 1968	Employee Supervisor	Retired	2018.6.15-2021.6.17	A Share	6,940	-	-	6,940	-	-	-

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Senior Management

Name	Gender	Date of birth	Position	Status	Term of office	Class of Shares	Number of			Number of Shares held as at the end of the Reporting Period	Number of restricted Shares		
							Shares held as at the beginning of the Reporting Period	Increase in the number of Shares held during the Reporting Period	Decrease in the number of Shares held during the Reporting Period		Shares granted as at the beginning of the Reporting Period	Number of restricted Shares granted during the Reporting Period	Number of restricted Shares granted as at the end of the Reporting Period
SHEN Xueqing (申學清)	M	July 1965	President	In office	Since 5 April 2012	-	-	-	-	-	-	-	-
GUO Zhibin (郭志彬)	M	October 1968	Vice President	In office	Since 30 December 2015	A Share	41,052	-	-	41,052	-	-	-
SUN Haigang (孫海剛)	M	August 1977	Vice President	In office	Since 28 February 2018	-	-	-	-	-	-	-	-
FU Chungqiao (傅春喬)	M	October 1973	Vice President	In office	Since 29 March 2019	-	-	-	-	-	-	-	-
			Secretary of the Board	Resigned	18 October 2013 to 27 August 2021	-	-	-	-	-	-	-	-
LI Lei (李磊)	M	August 1973	Assistant to President	In office	Since 21 November 2017	A Share	81,778	-	-	81,778	-	-	-
ZHANG Houlin (張厚林)	M	June 1976	Assistant to President	In office	Since 21 November 2017	-	-	-	-	-	-	-	-
LI Hong (李紅)	F	February 1973	Assistant to President	In office	Since 29 March 2019	A Share	29,421	-	-	29,421	-	-	-
LIU Jiuqing (劉久慶)	M	March 1978	Assistant to President	In office	Since 29 March 2019	-	-	-	-	-	-	-	-
JIANG Tao (姜濤)	M	April 1972	Chief Information Officer	In office	Since 31 December 2015	A Share	5,500	-	-	5,500	-	-	-
WANG Yanli (王豔麗)	F	October 1970	Chief Risk Officer	In office	Since 12 February 2018	A Share	122,666	-	-	122,666	-	-	-
WANG Zhaoqi (王兆琪)	F	November 1967	Chief Auditor	In office	Since 8 March 2018	A Share	77,679	-	-	77,679	-	-	-
ZHANG Wenjian (張文建)	M	June 1965	Vice President	Resigned	2018.2.28-2021.4.20	-	-	-	-	-	-	-	-

Note: The starting dates of the term of office represent the dates on which the relevant qualifications are approved by the banking regulatory authority.

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

2 CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Type	Date	Reason
FAN Yutao (樊玉濤)	Non-executive Director	Retired	2021.6.17	Retired due to term expiration
ZHANG Jingguo (張敬國)	Non-executive Director	Retired	2021.6.17	Retired due to term expiration
LIANG Songwei (梁嵩巍)	Non-executive Director	Retired	2021.6.17	Retired due to term expiration
XU Changsheng (徐長生)	External Supervisor	Elected	2021.6.17	
CHEN Xinxiu (陳新秀)	Employee Supervisor	Elected	2021.6.17	
SONG Ke (宋科)	External Supervisor	Retired	2021.6.17	Retired due to term expiration
CHENG Jie (成潔)	Employee Supervisor	Retired	2021.6.17	Retired due to term expiration
ZHANG Wenjian (張文建)	Vice Chairman	Resigned	2021.4.20	Resigned due to age
FU Chunqiao (傅春喬)	Board Secretary	Retired	2021.8.27	Work adjustment
XIA Hua (夏華)	Board Secretary	Appointed	2021.8.27	

2.1 Changes of Particulars of Directors During the Reporting Period

The term of the sixth session of the Board of Directors of the Bank had expired. Upon re-election or election at the 2020 AGM of the Bank, 12 directors were elected to the seventh session of the Board of Directors. In particular, Mr. WANG Tianyu, Mr. SHEN Xueqing and Mr. XIA Hua are executive Directors; Ms. WANG Dan, Mr. LIU Bingheng, Mr. SU Xiaojun, Mr. JI Hongjun and Mr. WANG Shihao are non-executive Directors; Ms. LI Yanyan, Mr. LI Xiaojian, Mr. SONG Ke and Ms. LI Shuxian are independent non-executive Directors. The qualifications of Ms. WANG Dan, Mr. LIU Bingheng, Mr. SU Xiaojun, Mr. LI Xiaojian, Mr. SONG Ke and Ms. LI Shuxian are pending approval by CBIRC Henan Office. Mr. FAN Yutao, Mr. ZHANG Jingguo and Mr. LIANG Songwei had retired from the posts of non-executive Directors after the 2020 AGM concluded. In accordance with the relevant laws and regulations and the Articles of Association, Mr. XIE Taifeng, Mr. WU Ge and Ms. CHAN Mei Bo Mabel will continue to perform their duties as independent non-executive Directors until the qualifications of new independent non-executive Directors are approved by CBIRC Henan Office. For details, please refer to the announcements dated 17 May 2021 and 18 June 2021 published by the Bank on CNINFO, as well as the announcements dated 17 May 2021 and 17 June 2021 and the circular dated 17 May 2021 published by the Bank on the website of the Hong Kong Stock Exchange.

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

2.2 Changes of Particulars of Supervisors During the Reporting Period

Approved by of the 2nd plenary meeting of the 3rd session of the Committee of the Labour Union of the Bank held on 25 May 2021, Ms. ZHAO Lijuan, Mr. LI Huaibin and Ms. CHEN Xinxiu were elected as employee Supervisors. Their term of office is the same as that of the seventh session of the Board of Supervisors. For details, please refer to the announcements dated 26 May 2021 published by the Bank on the websites of CNINFO and the Hong Kong Stock Exchange. Ms. CHENG Jie ceased to serve as an employee Supervisor after the 2020 AGM concluded.

The term of the sixth session of the Board of Supervisors of the Bank had expired. Upon the re-election or election at the 2020 AGM of the Bank, 3 supervisors were elected to the sixth session of the Board of Supervisors. In particular, Mr. ZHU Zhihui is the shareholder Supervisor; Mr. MA Baojun and Mr. XU Changsheng are external Supervisors. Mr. SONG Ke ceased to serve as an external Supervisor after the 2020 AGM concluded. For details, please refer to the announcements dated 17 May 2021 and 18 June 2021 published by the Bank on CNINFO, as well as the announcements dated 17 May 2021 and 17 June 2021 and the circular dated 17 May 2021 published by the Bank on the website of the Hong Kong Stock Exchange.

2.3 Changes of Particulars of Senior Management Officer During the Reporting Period

On 20 April 2021, Mr. ZHANG Wenjian resigned from his position as the vice president of the Bank due to age. For details, please refer to the announcements dated 21 April 2021 published by the Bank on the websites of CNINFO and the Hong Kong Stock Exchange.

2.4 Changes after the Reporting Period

On 27 August 2021, due to internal job reallocation of the Bank, Mr. FU Chunqiao ceased to serve as the Board secretary of the Bank. On the same day, the Board considered and approved the appointment of Mr. XIA Hua as the Board secretary of the Bank.

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

3 CHANGES IN THE INFORMATION OF DIRECTORS AND SUPERVISORS DURING THE REPORTING PERIOD

Ms. ZHAO Lijuan, chairperson of the Board of Supervisors, ceased to serve as the chairperson of the Labor Union of the Bank from April 2021.

Mr. MA Baojun, an external Supervisor, has served as executive director and general manager of Deyou (Hainan) Investment Co., Ltd. (德祐(海南)投資有限公司) since February 2021, and chairman and general manager of Beijing Muse Financial Service Asset Management Co., Ltd. (北京繆斯金服資產管理有限公司) since May 2021.

Save as disclosed above, there is no other change of particulars of Directors and Supervisors of the Bank during the Reporting Period.

4 SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Bank has adopted a code of conduct on terms no less exacting than the required standards in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Stock Exchange Listing Rules as its code of conduct governing securities transactions conducted by the Directors, Supervisors and relevant employees of the Bank. After having made inquiries to all Directors and Supervisors, they confirmed that they had complied with the above code during the Reporting Period. The Bank is not aware of any breach of the code by any relevant employee.

Other than those disclosed in this Report and other announcements of the Bank, the Bank is not aware of any breach of the restrictive share trading requirements under the Guidelines of the Shenzhen Stock Exchange for the Standard Operation of Listed Companies and other regulatory documents by any Director, Supervisor or senior management personnel.

In March 2021, Mr. Li, the spouse of Ms. WANG Zhaoqi, a senior management member of the Bank, was found to have committed short-swing transactions due to misoperation during the period between January 2021 and March 2021. The gain of RMB150.00 from such short-swing transaction has been handed over to the Bank in full. The Bank has reprimanded Ms. WANG Zhaoqi, demanding that she enhance the study of relevant laws and regulations, strictly restrain her personal and relatives' transactions, and prevent the recurrence of similar incidents. Ms. WANG Zhaoqi has expressed deep remorse for failing to perform her supervision obligations in a timely manner. She conducted profound reflection, submitted an incident report to the Bank, and undertook to further study relevant laws and regulations, so as to regulate her personal and relatives' transactions, strengthen securities account management, voluntarily safeguard the order of the securities market, and prevent the recurrence of similar incidents. For details, please refer to the announcement published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange dated 9 March 2021.

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

5 INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

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

Name	Position	Class of Shares	Nature	Number of Shares held directly or indirectly (Shares) (Long position)	Percentage of the relevant class of Shares in issue (%)	Percentage of all Ordinary Shares in issue (%)
WANG Tianyu	Director	A Share	Beneficial owner	27,503	0.00047	0.00037
ZHU Zhihui	Supervisor	A Share	Interest of controlled Corporation ⁽¹⁾	318,951,121	5.46	4.24

Note:

1. 318,951,121 A Shares of the Bank are held directly by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司), which is owned as to 90% by Mr. ZHU Zhihui, a Supervisor of the Bank. By virtue of the SFO, Mr. ZHU Zhihui is deemed to be interested in the Shares held by Henan Guoyuan Trade Co., Ltd.
2. After the Reporting Period, Mr. WANG Shihao increased his holding by 10,000 A Shares through centralized bidding via the trading system of Shenzhen Stock Exchange.

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

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

6 STAFF

6.1 Composition

As at the end of the Reporting Period, the Bank had 5,015 employees, and its subsidiaries had 369 employees. The Group had a total of 5,384 employees.

By department/function

Job category	Number of employees	Percentage
Corporate banking	706	13%
Retail banking	1,577	29%
Risk management, internal audit and compliance	496	9%
Finance and accounting	1,429	27%
Information technology	245	5%
Business management and support	931	17%
Total	5,384	100%

By age

Age group	Number of employees	Percentage
30 and below	1,870	35%
31-40	2,656	49%
41-50	646	12%
Above 50	212	4%
Total	5,384	100%

By level of education

Highest level of education	Number of employees	Percentage
Master's degree or above	996	18%
Bachelor's degree	3,928	73%
Non-degree tertiary	417	8%
Others	43	1%
Total	5,384	100%

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

6.2 Staff Training Plan

The Bank formulated a comprehensive training plan based on the annual development strategies and the business development needs. The Bank enhanced its training system to provide a strong talent pool and institutional support for the long-term development of the Bank. During the Reporting Period, the Bank carried out capability enhancement training for employees of all levels, improved the capacity building of talent echelons; focused on the cultivation of reserve cadres and the capability enhancement training for second-level sub-branch presidents, continued to improve the overall quality, management ability and risk control ability of cadres, so as to expand their professional vision; carried out internal trainer training projects cum internal trainer competition planning, built a high-level and professional teacher team with excellent business skills and distinctive characteristics; upgraded the online learning platform, iteratively upgrading the Dingxueyuan (鼎學苑) online learning platform, so as to improve functional modules and expand the capacity to cover employees of affiliated institutions; conducted professional capability enhancement training for the corporate, retail and operations lines to boost their professional capabilities, so as to improve our talent base for business development of the whole Bank; carried out ongoing training for new recruits, job-switch training, training for reserve cadres of headquarters, and training for middle and senior management staff.

6.3 Remuneration Policy for Staff

The Bank adheres to the principles of “fairness, competition and motivation” in formulating its remuneration policy. In other words, the remuneration policy reflects external, internal and individual fairness of salary; and it is conducive to enhancing our market competitiveness and attractiveness to talents. When adjusting its remuneration structure, the Bank will increase the level of remuneration for positions with remunerations far below the market level based on surveys on market salary levels, so as to ensure that the level of remuneration offered by us is competitive; it will also make our salary a better incentive in motivating our employees by incorporating floating wages and performance-based bonus and other incentive components into our salary packages. The Bank provides employees at different positions with equal promotion opportunities by designing different promotion channels. The Bank makes social insurance contributions and housing provident fund contributions and provides other employee benefit packages in accordance with applicable laws, rules and regulations of the PRC.

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

7 BASIC INFORMATION OF INSTITUTIONS UNDER THE BANK

The following table sets out the branches and sub-branches of the Bank as at the end of the Reporting Period:

Region	Name of branch	Business address (China)	Number of institutions under the Bank	Number of employees	Asset size (RMB'000)
Zhengzhou, Henan	Headquarters	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province	In charge of 116 branch institutions in districts of Zhengzhou for conducting external business and 58 institutions in other prefectural-level cities in Henan for conducting external business	5,015	541,039,346
Zhengzhou, Henan	Branch institutions in districts of Zhengzhou for conducting external business directly managed by the headquarters	–	99	3,550	451,600,966
Zhengzhou, Henan	Small Business Financial Service Center	Room 102, 1-2/F and Room 301-309, 3/F, 4A, North of Longhu Zhonghuan South Road and East of Jiuru Road, Zhengdong New District, Zhengzhou City, Henan Province	In charge of 17 institutions for conducting external business	336	4,570,562
Nanyang, Henan	Nanyang	The junction of Zhongjing Road and Fanli Road, Wancheng District, Nanyang City, Henan Province	In charge of 10 institutions for conducting external business	158	10,004,897
Xinxiang, Henan	Xinxiang	No. 278, Xiangyang Road, Xinxiang City, Henan Province	In charge of 7 institutions for conducting external business	119	6,159,646

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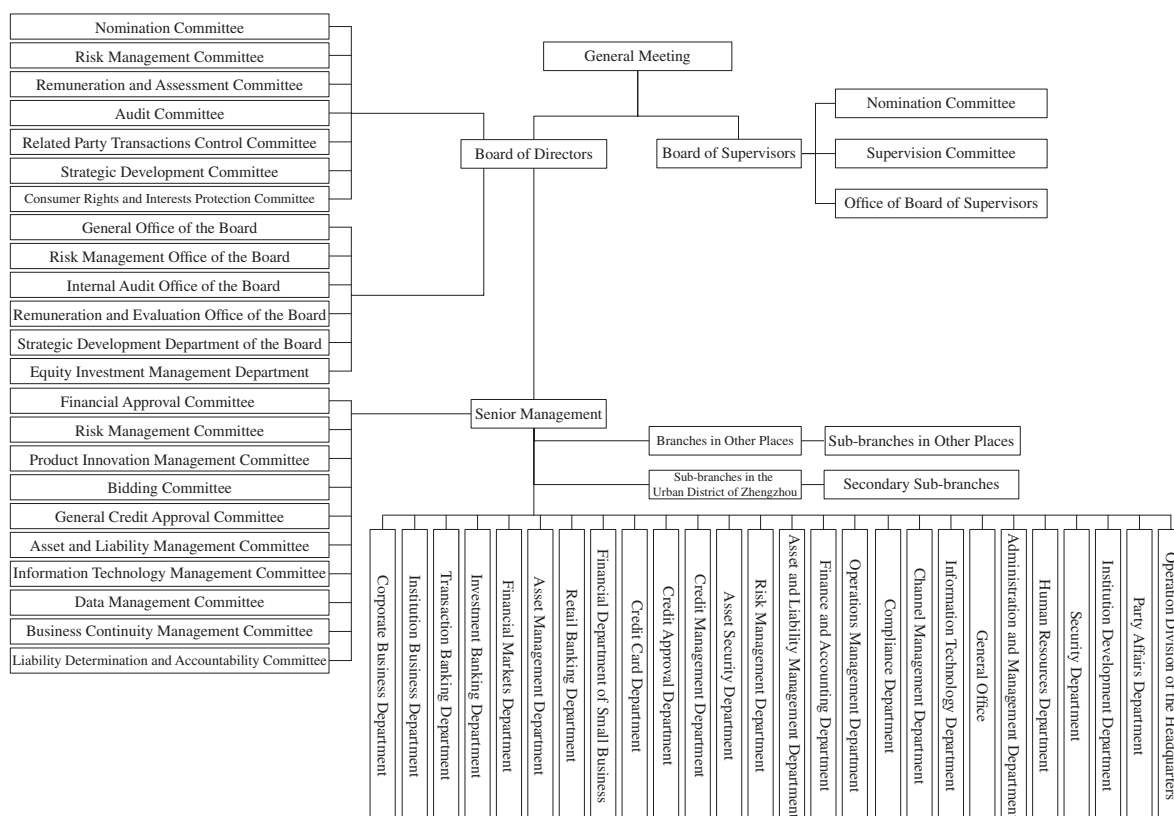
Region	Name of branch	Business address (China)	Number of institutions under the Bank	Number of employees	Asset size (RMB'000)
Luoyang, Henan	Luoyang	Longan Building (隆安大廈), the junction of Guanlin Road and Houzaimen Street, Luolong District, Luoyang City, Henan Province	In charge of 7 institutions for conducting external business	124	14,078,214
Anyang, Henan	Anyang	Yiwu International Business & Trade Mansion, the junction of Zhonghua Road and Delong Street, Andong New District, Anyang City, Henan Province	In charge of 7 institutions for conducting external business	93	7,269,530
Shangqiu, Henan	Shangqiu	Floor A2B, Siji Harbour, Wenhua Road North and Zhongzhou Road East, Liangyuan District, Shangqiu City, Henan Province	In charge of 5 institutions for conducting external business	107	8,057,646
Xuchang, Henan	Xuchang	Juncheng International Building (亨通君成國際大廈), the southwest junction of Liancheng Avenue and Weiwen Road, Weidu District, Xuchang City, Henan Province	In charge of 4 institutions for conducting external business	83	5,911,360
Luohe, Henan	Luohe	Floor 1-5, Changjian International (昌建國際), the junction of Songshan West Branch Road and Mudanjiang Road, Yancheng District, Luohe City, Henan Province	In charge of 3 institutions for conducting external business	55	3,765,166
Xinyang, Henan	Xinyang	Floor 1-2, Zhongle Baihua Mansion (中樂百花公館), the junction of Xinqi Avenue and Xinba Street, Yangshan New District, Xinyang City, Henan Province	In charge of 4 institutions for conducting external business	79	2,822,794
Puyang, Henan	Puyang	The northwest of junction of Renmin Road and Kaizhou Road, Longhua District, Puyang City, Henan Province	In charge of 3 institutions for conducting external business	72	4,532,267

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Region	Name of branch	Business address (China)	Number of institutions under the Bank	Number of employees	Asset size (RMB'000)
Pingdingshan, Henan	Pingdingshan	The southeast of junction of Kaiyuan Road and Qinggong Road, Zhanhe District, Pingdingshan City, Henan Province	In charge of 2 institutions for conducting external business	54	6,565,495
Zhumadian, Henan	Zhumadian	The southwest of junction of Huaihe Avenue and Tianzhongshan Avenue, Zhumadian City, Henan Province	In charge of 2 institutions for conducting external business	50	4,118,012
Kaifeng, Henan	Kaifeng	The southeast of junction of Jinming Avenue and Hanxing Road, Kaifeng City, Henan Province	In charge of 2 institutions for conducting external business	57	5,366,786
Zhoukou, Henan	Zhoukou	The southeast of junction of Jiaotong Avenue and Bayi Avenue, Zhoukou City, Henan Province	In charge of 1 institution for conducting external business	41	4,144,365
Hebi, Henan	Hebi	The northeast of junction of Qishui Avenue and Zihuai Lane, Qibin District, Hebi City, Henan Province	In charge of 1 institution for conducting external business	37	2,071,640

CHAPTER VII CORPORATE GOVERNANCE

1 COMPANY STRUCTURE DIAGRAM



2 OVERVIEW OF CORPORATE GOVERNANCE

The Bank has established a sound corporate governance structure, including the general meeting, the Board, the Board of Supervisors, and senior management, to regulate operation, specify duties and maintain effective balance, so as to fully protect and safeguard the legitimate rights and interests of domestic and international Shareholders and other stakeholders. During the Reporting Period, the Bank continued to optimize its corporate governance structure, improved various systems of corporate governance, and enhanced corporate governance level, in strict accordance with the requirements of the Company Law, the Securities Law, the Corporate Governance Guidelines for Listed Companies issued by the CSRC, the SZSE Listing Rules, the Guidelines for the Standardized Operation of Listed Companies on the Shenzhen Stock Exchange, the Stock Exchange Listing Rules, and the Code of Corporate Governance together with the Bank's corporate governance practice. As at the end of the Reporting Period, there was no significant inconsistency between the Bank's actual corporate governance practice and the requirements of the Company Law and relevant provisions of the CSRC, nor did the Bank receive relevant documents on administrative or regulatory measures from the regulatory authorities requiring rectification within a time limit. Meanwhile, the Bank strictly abided by the code provisions of the Corporate Governance Code and the Listing Rules relating to inside information disclosure. Other than those disclosed in this Report and other announcements of the Bank, the Directors are not aware of any information indicating that the Bank had not complied with the code provisions set out in the Corporate Governance Code during the Reporting Period.

CHAPTER VII CORPORATE GOVERNANCE

3 CONVENING OF GENERAL MEETING

Session and type of meeting	Investor participation ratio	Date of convening	Date of disclosure	Meeting resolution
2020 AGM	54.03%	17 June 2021	17 June 2021	The website of the Hong Kong Stock Exchange (www.hkexnews.hk) The website of the Bank (www.zzbkbank.cn) CNINFO (www.cninfo.com.cn)
2021 first A Shareholders class meeting	68.01%	17 June 2021	17 June 2021	The website of the Hong Kong Stock Exchange (www.hkexnews.hk) The website of the Bank (www.zzbkbank.cn) CNINFO (www.cninfo.com.cn)
2021 first H Shareholders class meeting	18.79%	17 June 2021	17 June 2021	The website of the Hong Kong Stock Exchange (www.hkexnews.hk) The website of the Bank (www.zzbkbank.cn) CNINFO (www.cninfo.com.cn)

During the Reporting Period, the Bank held one annual general meeting, one A Shareholders class meeting and one H Shareholders class meeting, the particulars of which are as follows:

On 17 June 2021, the Bank held the 2020 AGM in Zhengzhou, Henan. In the meeting, 19 resolutions regarding, among other things, the work report of the Board, the work report of the Board of Supervisors, financial accounts, financial budget, engagement of external audit agency, the estimated quota on recurring related party transactions, and the plan for profit distribution and capitalization issue, were considered and approved;

On 17 June 2021, the Bank held the 2021 first A Shareholders class meeting in Zhengzhou, Henan. In the meeting, one resolution regarding the plan for profit distribution and capitalization issue was considered and approved; and

On 17 June 2021, the Bank held the 2021 first H Shareholders class meeting in Zhengzhou, Henan. In the meeting, one resolution regarding the plan for profit distribution and capitalization issue was considered and rejected.

CHAPTER VII CORPORATE GOVERNANCE

The convening, notices, holding and voting procedures of the above general meetings were in line with the relevant provisions of the relevant laws and regulations and the Articles of Association.

During the Reporting Period, the Bank did not have any situation in which the shareholders of Offshore Preference Shares whose voting rights were resumed requested to convene extraordinary general meetings, convene and chair general meetings, or submit provisional proposals for general meetings.

4 MEETINGS HELD BY THE BOARD OF DIRECTORS AND ITS SPECIAL COMMITTEES

During the Reporting Period, the Board of Directors held five meetings, at which 48 resolutions were considered and approved. The special committees of the Board of Directors held 14 meetings in total, at which 41 resolutions were considered and approved. In particular, the strategic development committee held one meeting at which one resolution was considered and approved; the risk management committee held three meetings at which 13 resolutions were considered and approved; the related party transactions control committee held one meeting at which 13 resolutions were considered and approved; the audit committee held three meetings at which 15 resolutions were considered and approved; the nomination committee held three meetings at which three resolutions were considered and approved; the remuneration and assessment committee held two meetings at which four resolutions were considered and approved; and the consumer rights and interests protection committee held one meeting at which two resolutions were considered and approved.

5 MEETINGS HELD BY THE BOARD OF SUPERVISORS AND ITS SPECIAL COMMITTEES

During the Reporting Period, the Board of Supervisors held a total of four meetings, at which 20 resolutions were considered and approved. The nomination committee of the Board of Supervisors held four meetings at which eight resolutions were considered and approved; the supervision committee of the Board of Supervisors held two meetings at which three resolutions were considered and approved.

6 AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, the Bank, based on its actual conditions, amended certain provisions in the Articles of Association in compliance with the Company Law, the Guidelines for Articles of Association of Listed Companies, the Formulation and Administrative Measures for the Articles of Association of State-owned Enterprises, and the Corporate Governance Guidelines for Commercial Banks as well as other relevant laws and regulations and supervision requirements. The amendments were considered and approved at the 2020 AGM, subject to the approval from banking regulatory authorities. For details about the amendments, please refer to the announcements of the Bank dated 31 March 2021 and 17 May 2021 published on the website of CNINFO and announcement dated 30 March 2021 and the announcement and circular dated 17 May 2021 published on the website of the Hong Kong Stock Exchange.

CHAPTER VII CORPORATE GOVERNANCE

7 INTERNAL CONTROL AND INTERNAL AUDIT

Internal Control

During the Reporting Period, the Bank strengthened the guidance of party building, actively promoted the construction of compliance culture, eliminated the weakness on internal control and compliance, and laid a solid foundation for sound operation. First, we carried out activities to build a compliance culture, such as organizing and carrying out compliance training, compliance culture publicity, warning education, subject essay collection, etc., so as to promote the internalization and externalization of internal control compliance requirements. Second, we improved the system process. We continued to carry out system combing, process risk identification and evaluation, developed improvement measures for business links with insufficient risk control, optimized the process, and embedded internal control compliance requirements into each business process. Third, we carried out solid internal control compliance inspection, and built risk prevention and control barriers. We sent full-time compliance managers to branches, made full use of big data risk control technology and mode, constantly optimized compliance monitoring model, and effectively empowered the internal control compliance management of the whole Bank. Fourth, we improved the organizational structure of internal control and supervision. We set up the party committee inspection office at the party committee level and the discipline inspection team at the discipline inspection commission level; coupled with the internal audit department at the board level and the legal compliance management department at the operation and management level, we had formed an internal control and supervision structure covering all levels and institutions.

Internal Audit

In accordance with the requirements of the Guidelines on Internal Audit of Commercial Banks and Guidelines on Internal Control of Commercial Banks, the Bank has established an independent and vertical internal audit management system. The internal audit department of the Bank is subordinated to the Board of Directors and works under the specific guidance of the audit committee of the Board of Directors. Adhering to the principles of independence, objectivity and significance, the internal audit department conscientiously performs its duties, regularly reports to the Board of Directors and the Board of Supervisors on the progress of the audit work, and timely submits audit reports and informs the senior management in accordance with regulatory requirements and relevant system requirements. It establishes the overall planning and annual work plan for internal audit of the Bank, and makes arrangements for and implements the audit of the Bank's various business activities, operation status and financial obligations of key staff members during their tenure of service; inspects and evaluates internal and external regulations and rules and suggests improvements to the management.

CHAPTER VIII SIGNIFICANT EVENTS

1 PROFIT DISTRIBUTION AND CAPITALISATION ISSUE DURING THE REPORTING PERIOD

The Board proposed not to distribute cash dividends for 2020, and planned to issue one new Share for every 10 Shares to the Ordinary Shareholders whose names appear on the register of Shareholders as at the dividend distribution registration date by way of conversion of capital reserve. The Profit Distribution and Capitalization Issue Plan was approved by the 2020 AGM, the 2021 first class meeting of the A Shareholders but was voted down by the 2021 first class meeting of the H Shareholders. In accordance with the Articles of Association and other provisions, as the resolution failed to be approved by the 2020 AGM, the 2021 first class meeting of the A Shareholders and the 2021 first class meeting of the H Shareholders simultaneously, the Bank will not implement the capitalization issue based on the 2020 Profit Distribution and Capitalization Issue Plan of the Bank of Zhengzhou.

The Bank has no plan to distribute cash dividends and bonus shares or transfer capital reserves fund into its capital for the first half of 2021.

2 ISSUANCE AND REPURCHASE OF BONDS

The Bank issued the tier II capital bonds (Bonds code: 1620066), whose date of value was 21 December 2016, in an amount of RMB3 billion in the national interbank bond market on 19 December 2016, with a fixed rate for a term of 10 years. The Bank has issuer redemption right at the end of the fifth year and the coupon rate is 4.10%.

The Bank issued the tier II capital bonds (Bonds code: 1720014), whose date of value was 31 March 2017, in an amount of RMB2 billion in the national interbank bond market on 30 March 2017, with a fixed rate for a term of 10 years. The Bank has issuer redemption right at the end of the fifth year and the coupon rate is 4.80%.

The Bank issued the 2019 first tranche of green financial bonds (Bonds code: 1920043), whose book – building was recorded in the national interbank bond market, in an amount of RMB2 billion on 3 June 2019, for a maturity term of three years and a coupon rate of 3.70%. The proceeds from the issuance of the bonds were specially used for green industry projects as defined in the List of Projects Supported by Green Financial Bonds formulated by the Green Finance Committee of China Society of Finance & Banking.

Jiuding Financial Leasing Company, a subsidiary of the Bank, issued the financial bonds (Bonds code: 2022047), whose date of value was 24 November 2020, in an amount of RMB1.4 billion in the national interbank bond market on 20 November 2020, with a fixed rate for a term of 3 years and a coupon rate of 4.20%.

The Bank issued the 2021 innovative and entrepreneurial financial bonds (Bonds code: 2120070), which bookkeeping has been filed on 19 August 2021, and the issuance has been completed on 23 August 2021 with an issuing size of RMB5 billion. The bonds are fixed rate bonds with a term of three years and a coupon rate of 3.16%. The proceeds from the issuance of the bonds will be specifically used for credit extension in the fields of innovation and entrepreneurship.

CHAPTER VIII SIGNIFICANT EVENTS

3 UNDERTAKINGS FULLY PERFORMED BY THE BANK'S DE FACTO CONTROLLER, SHAREHOLDERS, RELATED PARTIES, PURCHASERS AND THE BANK DURING THE REPORTING PERIOD AND UNDERTAKINGS OVERDUE BUT NOT FULLY PERFORMED AS AT THE END OF THE REPORTING PERIOD

All undertakings given by the de facto controller, shareholders, related parties, purchasers and/or the Bank as set out in the Bank's 2020 annual report were still being performed, and there were neither undertakings fully performed during the Reporting Period nor undertakings overdue but not fully performed as at the end of the Reporting Period.

4 SIGNIFICANT RELATED PARTY TRANSACTIONS

In accordance with the Administrative Measures for Related Party Transactions Between Commercial Banks and Insiders or Shareholders, the SZSE Listing Rules, the Accounting Standards for Business Enterprises, and other laws, administrative rules, departmental regulations and regulatory documents, the Bank continuously improved the Administrative Measures for Related Party Transactions and other systems, constantly improved the management mechanism of related party transactions, continuously boosted the technology support for the management of related party transactions, and prudently executed related party transactions, so as to practically prevent the risk of related party transactions. During the Reporting Period, related party transactions between the Bank and its related parties were conducted in the ordinary course of its business with terms and prices agreed in accordance with the principles of fairness and marketization as well as on conditions no better than non-related party transactions of the same type. Such related party transactions had no significant impact on the operation results and financial conditions of the Bank and the indicators on the control of related party transactions were in compliance with related regulations of regulatory authorities.

4.1 Related Parties Directly or Indirectly Holding 5% or More Shares of the Bank

Name of the related party	Relationship with the related party	Place of registration	Organization type	Registered capital	Legal representative	Principal business	Change(s) in the Reporting Period
Zhengzhou Finance Bureau (鄭州市財政局)	Shareholder	N/A	Government departments	N/A	N/A	N/A	Nil
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	Shareholder	Zhengzhou, Henan	Company with limited liability	RMB3.51 billion	LIANG Songwei	Investment and operation of state-owned asset; development and sales of real estate; house leasing.	Nil

CHAPTER VIII SIGNIFICANT EVENTS

4.2 Significant Related Party Transactions

In accordance with the relevant requirements of the Administrative Measures for Related Party Transactions Between Commercial Banks and Insiders or Shareholders and the Administrative Measures for Related Party Transactions of the Bank, the definitions of related party transactions are as follows:

A general related party transaction shall refer to a transaction between the Bank and a single related party with an amount of no more than 1% of the net capital of the Bank and the balance of the transactions between the Bank and the related party after such transaction shall constitute no more than 5% of the net capital of the Bank. A significant related party transaction shall refer to a transaction between the Bank and a single related party with an amount of more than 1% of the net capital of the Bank or the balance of the transactions between the Bank and the related party after such transaction shall constitute more than 5% of the net capital of the Bank. If the transaction is non-credit-grant-type, the transaction amount shall be the cumulative amount of all relevant transaction balances between the Bank and the same related party conducted within a consecutive 12-month period; if the transaction is credit-grant-type, the transaction amount shall be the credit balance between the Bank and the same related party; if the transaction involves both non-credit – grant-type and credit-grant-type, the transaction amount shall be summarized and calculated. In calculating the amount of transactions between a natural person related party and the Bank, the transactions between the person's close relatives and the Bank shall be aggregated; in calculating the amount of transactions between a legal person related party or other organizations and the Bank, the transactions between the legal persons or other organizations constituting a group client and the Bank shall be aggregated.

4.3 Implementations of Related Party Transactions

During the Reporting Period, the Bank strictly complied with related requirements of the Company Law and the SZSE Listing Rules, and executed recurring operation related party transactions with related parties, within the estimated quota on recurring related party transactions approved by the general meeting. Details of the transactions are shown in the table below. Other than the following transactions, the Bank did not have other major related party transactions that meet the above requirements.

CHAPTER VIII SIGNIFICANT EVENTS

4.3.1 Related party transactions of corporation credit grant type

Unit: RMB'000

No.	Related client	Estimated quota on recurring related party transactions	Actual total credit granted	Related legal persons	Credit granted
1	Zhengzhou Construction Investment Group Co., Ltd. (鄭州市建設投資集團有限公司) and its related parties	3,700,000	3,200,000	Zhengzhou Construction Investment Group Co., Ltd. Zhengzhou Road and Bridge Construction Investment Group Co., Ltd. (鄭州路橋建設投資集團有限公司) Zhengzhou Highway Engineering Company (鄭州市公路工程公司) Zhengzhou Songyue Highway Development Co., Ltd. (鄭州嵩岳公路開發有限公司)	672,000 1,236,500 601,500 690,000
2	Zhengzhou Transportation Construction Investment Co., Ltd. (鄭州交通建設投資有限公司) and its related parties	1,000,000	800,000	Zhengzhou Transportation Construction Investment Co., Ltd.	800,000
3	Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) and its related parties	450,000	420,000	Zhengzhou Municipal Construction Engineering General Corporation Henan Kanghui Cement Products Co., Ltd. (河南康暉水泥製品有限公司)	300,000 120,000
4	Henan Investment Group Co., Ltd. (河南投資集團有限公司) and its related parties	3,200,000	1,336,729.77	Henan Investment Group Co., Ltd. Henan Yicheng Holdings Co., Ltd. (河南頤城控股有限公司) Zhumadian Yulong Tongli Cement Co., Ltd. (駐馬店市豫龍同力水泥有限公司) Henan Development Gas Co., Ltd. (河南省發展燃氣有限公司)	1,000,000 260,000 50,000 26,729.77

CHAPTER VIII SIGNIFICANT EVENTS

No.	Related client	Estimated quota on recurring related party transactions	Actual total credit granted	Related legal persons	Credit granted
5	Henan Zhengyang Construction Engineering Group Co., Ltd. (河南正陽建設工程集團有限公司) and its related parties	3,300,000	1,325,012.80	Henan Zhengyang Construction Engineering Group Co., Ltd. Zensun Enterprises Limited (正商實業有限公司) Henan Zensun Zhongyue Real Estate Co., Ltd. (河南正商中嶽置業有限公司)	550,000 475,012.80 300,000
6	Henan Huida Jiarui Real Estate Co., Ltd. (河南輝達嘉睿置業有限公司) and its related parties	3,300,000	2,884,310	Zhengzhou Huida Industrial Development Co., Ltd. (鄭州輝達實業發展有限公司) Henan Huida Construction Investment Co., Ltd. (河南輝達建設投資有限公司) Zhengzhou Yingshou Trading Co., Ltd. (鄭州盈首商貿有限公司) Henan Xincheng Real Estate Co., Ltd. (河南新城置業有限公司) Henan Yingshuo Construction Engineering Co., Ltd. (河南盈碩建築工程有限公司) Henan Kairui Real Estate Co., Ltd. (河南凱睿置業有限公司)	498,500 1,266,610 150,000 144,000 525,200 300,000
7	Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司) and its related parties	3,500,000	3,093,500	Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) Zhengzhou Guotou Industrial Development Fund (Limited Partnership) (鄭州國投產業發展基金(有限合夥)) Zhengzhou State-owned Holding Xicheng Construction Co., Ltd. (鄭州國控西城建設有限公司) Zhengzhou Tianjianhu Big Data Industrial Park Development Co., Ltd. (鄭州天健湖大數據產業園發展有限公司)	1,000,000 880,000 400,000 313,500 500,000

CHAPTER VIII SIGNIFICANT EVENTS

No.	Related client	Estimated quota on recurring related party transactions	Actual total credit granted	Related legal persons	Credit granted
8	Henan Asset Management Company Limited (河南資產管理有限公司) and its related parties	1,200,000	1,170,000	Henan Asset Management Company Limited	1,170,000
9	Bank of Lanzhou Co., Ltd. (蘭州銀行股份有限公司)	2,000,000	1,000,000	Bank of Lanzhou Co., Ltd.	1,000,000
10	Bank of Guizhou Co., Ltd. (貴州銀行股份有限公司)	2,000,000	2,000,000	Bank of Guizhou Co., Ltd.	2,000,000
11	Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	1,500,000	1,500,000	Bridge Trust Co., Ltd.	1,500,000

4.3.2 Credit-grant-type Related Transactions of Subsidiaries

Unit: RMB'000

No.	Related client	Estimated quota on recurring related party transactions	Credit granted
1	Jiuding Financial Leasing Company	4,500,000	4,000,000
2	Fugou Zhengyin County Bank	400,000	420,000
3	Xinmi Zhengyin County Bank	400,000	200,000
4	Xunxian Zhengyin County Bank	400,000	250,000
5	Queshan Zhengyin County Bank	400,000	200,000
6	Zhongmu Zhengyin County Bank	400,000	300,000
7	Yanling Zhengyin County Bank	400,000	200,000
8	Xinzheng Zhengyin County Bank	400,000	300,000

Note: The credit granted of RMB420 million of Fugou Zhengyin County Bank' is the existing credit granted of 2020. The estimated credit line of Fugou Zhengyin County Bank approved by the 2020 Annual General Meeting is RMB500 million.

CHAPTER VIII SIGNIFICANT EVENTS

4.3.3 Credit-grant-type Related Transactions of Natural Persons

As at the end of the Reporting Period, the credit balance of natural person related parties in the Bank was RMB114,665,900, which did not exceed the limit of RMB300 million for the aggregate quota of natural person related parties under estimated quota on recurring related party transactions for 2021.

4.3.4 Other Related Party Transactions

A total of RMB95 million of credit assets was transferred to Henan Asset Management Company Limited (河南資產管理有限公司); a total amount of service-related transactions including trust custody and supervision fees of RMB1,833,500 was provided to Bridge Trust Co., Ltd.; a total amount of service-related transactions including trust custody and supervision fees of RMB98,731,000 was provided to Zhongyuan Trust Co., Ltd. The largest single transaction of bonds traded in cash and pledged repurchase, which are financial market transactions at public market prices, conducted between the Bank and each of the Bank of Lanzhou Co., Ltd., the Bank of Guizhou Co., Ltd. (貴州銀行股份有限公司), Central China Securities Co., Ltd. (中原證券股份有限公司), Great Wall Fund Management Co., Ltd. (長城基金管理有限公司) and Bank of Jinzhou Co., Ltd. (錦州銀行股份有限公司) amounted to RMB700 million, RMB1 billion, RMB200 million, RMB220.80 million and RMB206.80 million, respectively. None of the above transactions exceeded the estimated quota on recurring related party transactions for 2021.

5 SIGNIFICANT CONTRACTS AND INFORMATION ON THEIR PERFORMANCE

5.1 Entrustment, Contracting and Leasing Matters

During the Reporting Period, the Bank had no significant contracts on significant entrustment, contracting and leasing matters.

5.2 Significant Guarantees

During the Reporting Period, the Bank did not have any material guarantee that needed to be disclosed save for the financial guarantees within the business scope as approved by the People's Bank of China and the CBIRC.

During the Reporting Period, the Bank did not have any non-compliant external guarantees.

5.3 Entrusted Wealth Management

During the Reporting Period, there was no event in respect of entrusted wealth management beyond the Bank's normal business.

5.4 Material Contracts in Day-to-day Operations

During the Reporting Period, the Bank did not have any material contracts in day-to-day operations required to be disclosed.

CHAPTER VIII SIGNIFICANT EVENTS

5.5 Other Significant Contracts

During the Reporting Period, the Bank had no other significant contractual matters required to be disclosed, other than those disclosed in this Report, other announcements and circulars of the Bank.

6 LOAN AGREEMENTS OR FINANCIAL ASSISTANCE OF THE BANK

During the Reporting Period, the Bank did not provide any of its affiliated companies with any financial assistance or guarantees required to be disclosed under Rule 13.16 of the Stock Exchange Listing Rules. The Bank does not have controlling Shareholders or de facto controllers, nor has it entered into any loan agreements with covenants relating to specific performance of the controlling Shareholders of the Bank or breached the terms of any loan agreements.

7 SIGNIFICANT ACQUISITION, DISPOSAL AND ABSORPTION OF ASSETS AND EQUITY

During the Reporting Period, the Bank had no significant acquisition, disposal or absorption of assets and equity.

8 SIGNIFICANT LITIGATION AND ARBITRATION

The Bank is involved in certain litigation and arbitration matters arising from its ordinary course of business due to the recovery of borrowings and other reasons. As at the end of the Reporting Period, the total amount of the pending litigations and arbitrations in which the Bank acted as the plaintiff or the applicant was RMB1,120 million; while the total amount of the pending litigation and arbitration of the Bank acting as the defendant or the respondent was RMB9 million. During the Reporting Period, the Bank had no material litigation or arbitration matters that had material adverse impact on its financial position and operating results.

9 OTHER SIGNIFICANT SOCIAL SECURITY ISSUES

During the Reporting Period, the Bank and its subsidiaries had no other significant social security issues.

10 MATTERS RELATED TO MEDIA SKEPTICISM

During the Reporting Period, the Bank had no matters related to widespread media skepticism.

CHAPTER VIII SIGNIFICANT EVENTS

11 PUNISHMENT AND REMEDIAL ACTIONS OF THE BANK AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND SHAREHOLDERS HOLDING MORE THAN 5% OF THE SHARES

During the Reporting Period, to the best knowledge of the Bank, none of the Bank, its current and former Directors, Supervisors, senior management personnel of the Bank or shareholders with shareholding of more than 5% was subject to investigation by competent authorities, and enforcement actions by judiciary authorities or disciplinary departments; was brought before relevant judiciary authorities or prosecuted for criminal responsibilities; was subject to investigations or administrative punishments by the CSRC; was prohibited against entry into the market or identified as an inappropriate person; or was the subject of any material administrative punishments imposed by other administrative authorities or public reprimands by any stock exchanges.

12 INTEGRITY OF THE BANK AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

As at the end of the Reporting Period, the Bank did not have any controlling Shareholders or de facto controllers. During the Reporting Period, the Bank and the Bank's largest Shareholder were not involved in any cases, in which other effective judgments by any courts were not satisfied, or debts carrying a large amount of money were due but not yet paid off.

13 CAPITAL OCCUPATION BY CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES FOR NON-OPERATING PURPOSES

During the Reporting Period, there was no non-operating capital occupation of the Bank by its controlling Shareholders and other related parties.

14 CAPITAL FLOWS WITH CONTROLLING SHAREHOLDERS AND THEIR RELATED PARTIES

During the Reporting Period, the Bank did not have any controlling Shareholders, and there were no capital flows with controlling Shareholders and their related parties.

15 SPECIAL STATEMENT AND INDEPENDENT OPINION OF INDEPENDENT NON-EXECUTIVE DIRECTORS ON EXTERNAL GUARANTEES OF THE BANK AND CAPITAL OCCUPATION BY THE CONTROLLING SHAREHOLDERS AND RELATED PARTIES OF THE BANK

Guarantee business is one of the regular banking businesses of the Bank, which is approved by the People's Bank of China and the CBIRC. The Bank attached great importance to the risk management of this business, strictly implemented relevant operation processes and approval procedures, and effectively controlled the risk of external guarantee business. During the Reporting Period, the Bank meticulously implemented the relevant requirements of Zheng Jian Fa [2003] No. 56 Document (證監發[2003]56 號文件) and had no unlawful guarantees.

As at the end of the Reporting Period, there was no capital occupation by the controlling Shareholders and related parties of the Bank.

CHAPTER VIII SIGNIFICANT EVENTS

16 SHARE OPTION SCHEME, EMPLOYEE SHARE OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR ACTUAL IMPLEMENTATIONS DURING THE REPORTING PERIOD

During the Reporting Period, the Bank did not implement any forms of share option scheme, employee share ownership scheme or other employee incentive measures.

17 MATTERS RELATED TO BANKRUPTCY AND REORGANIZATION

There was no matter related to bankruptcy and reorganization of the Bank during the Reporting Period.

18 APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

As considered and approved at the 2020 AGM, the Bank re-appointed KPMG Huazhen LLP and KPMG as its domestic and overseas auditors for 2021, respectively, and their term shall last until the conclusion of the 2021 annual general meeting of the Bank.

19 AUDIT REVIEW

The financial statements for the six months ended 30 June 2021, prepared by the Bank according to China Accounting Standards for Business Enterprises and IFRS, and were unaudited. KPMG Huazhen LLP and KPMG had reviewed such financial statements, respectively. The Report was reviewed by the audit committee of the Board and the Board of the Bank.

20 EXPLANATION ON OTHER SIGNIFICANT EVENTS

During the Reporting Period, the Bank had no other significant events, other than those disclosed in this Report, other announcements and circulars of the Bank.

21 SIGNIFICANT EVENTS OF THE BANK'S SUBSIDIARIES

During the Reporting Period, the Bank's subsidiaries had no significant events.

22 SUBSEQUENT EVENTS

For details of subsequent events, please refer to Note 45 to the chapter headed "Independent Auditor's Review Report" of this report.

CHAPTER IX INDEPENDENT AUDITOR'S REVIEW REPORT

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

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 116 to 233 which comprises the consolidated statement of financial position of Bank of Zhengzhou Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Group") as of 30 June 2021 and the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim financial reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 August 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

	Note	Six months ended 30 June	
		2021 (unaudited)	2020 (unaudited)
Interest income		12,615,025	11,670,301
Interest expense		(6,846,436)	(6,222,994)
Net interest income	4	5,768,589	5,447,307
Fee and commission income		794,144	1,102,372
Fee and commission expense		(71,428)	(70,331)
Net fee and commission income	5	722,716	1,032,041
Net trading gains	6	279,268	402,118
Net gains arising from investments	7	141,207	792,343
Other operating income	8	33,084	6,715
Operating income		6,944,864	7,680,524
Operating expenses	9	(1,379,839)	(1,418,500)
Impairment losses on assets	10	(2,410,934)	(3,209,685)
Operating profit		3,154,091	3,052,339
Share of profits of associates	20	7,090	30,081
Profit before taxation		3,161,181	3,082,420
Income tax expense	11	(621,154)	(609,420)
Profit for the period		2,540,027	2,473,000
Net profit attributable to:			
Equity shareholders of the Bank		2,453,871	2,417,853
Non-controlling interests		86,156	55,147
		2,540,027	2,473,000

The notes on pages 125 to 233 form part of these financial reports.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

	Note	Six months ended 30 June	
		2021 (unaudited)	2020 (unaudited)
Profit for the period		2,540,027	2,473,000
Other comprehensive income:			
Other comprehensive income net of tax attributable to equity shareholders of the Bank			
Item that may be reclassified subsequently to profit or loss			
– Change in fair value/credit losses from debt investments measured at fair value through other comprehensive income		433,590	(139,129)
Item that will not be reclassified subsequently to profit or loss			
– Remeasurement of net defined benefit liability		(1,829)	(891)
Non-controlling interests		–	13
Other comprehensive income net of tax		431,761	(140,007)
Total comprehensive income		2,971,788	2,332,993
Total comprehensive income attributable to:			
Equity shareholders of the Bank		2,885,632	2,277,833
Non-controlling interests		86,156	55,160
		2,971,788	2,332,993
Basic and diluted earnings per share (in RMB)	12	0.33	0.37

The notes on pages 125 to 233 form part of these financial reports.

Consolidated Statement of Financial Position

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

	Note	30 June 2021 (unaudited)	31 December 2020 (audited)
Assets			
Cash and deposits with central bank	13	30,114,089	36,492,083
Deposits with banks and other financial institutions	14	3,120,376	2,357,591
Placements with banks and other financial institutions	15	3,884,939	3,083,574
Derivative financial assets	27	41,072	362,970
Financial assets held under resale agreements	16	5,251,418	8,585,647
Loans and advances to customers	17	261,229,036	231,250,013
Financial investments:			
Financial investments at fair value through profit or loss	18	42,207,944	46,463,308
Financial investments at fair value through other comprehensive income	18	22,941,962	21,983,430
Financial investments measured at amortised cost	18	164,207,949	164,230,569
Lease receivables	19	28,047,988	22,565,825
Interest in associates	20	407,340	400,250
Property and equipment	21	2,707,282	2,686,802
Deferred tax assets	22	4,049,197	3,718,962
Other assets	23	3,758,988	3,632,420
Total assets		571,969,580	547,813,444
Liabilities			
Due to central bank	24	27,024,291	25,966,645
Deposits from banks and other financial institutions	25	32,639,097	20,210,404
Placements from banks and other financial institutions	26	27,178,315	20,467,593
Derivative financial liabilities	27	5,463	–
Financial assets sold under repurchase agreements	28	16,342,651	21,303,430
Deposits from customers	29	325,977,048	316,512,735
Tax payable		1,012,636	653,304
Debt securities issued	30	89,466,121	93,164,057
Other liabilities	31	3,383,679	3,563,355
Total liabilities		523,029,301	501,841,523

The notes on pages 125 to 233 form part of these financial reports.

Consolidated Statement of Financial Position

at 30 June 2021 – unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2021 (unaudited)	31 December 2020 (audited)
Equity			
Share capital	32	7,514,125	7,514,125
Other equity instruments			
Include: preference shares	35	7,825,508	7,825,508
Capital reserve	33	8,203,903	8,203,903
Surplus reserve	33	2,976,573	2,976,573
General reserve	33	7,078,451	7,078,451
Fair value reserve	33	(264,616)	(698,206)
Remeasurement of net defined benefit liability	33	(62,782)	(60,953)
Retained earnings	34	14,109,367	11,655,496
Total equity attributable to equity shareholders of the Bank		47,380,529	44,494,897
Non-controlling interests		1,559,750	1,477,024
Total equity		48,940,279	45,971,921
Total liabilities and equity		571,969,580	547,813,444

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

Wang Tianyu
Chairman of the
Board of Directors
Executive Director

Shen Xueqing
President
Executive Director

Fu Chunqiao
Chief accountant

Gao Chenxin
*General Manager of the Planning and
Finance Department*

(Company chop)

The notes on pages 125 to 233 form part of these financial reports.

Consolidated Statement of Changes in Equity

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

Attributable to equity shareholders of the Bank												
	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Sub-total	Non-controlling interests	Total equity
Balance at 1 January 2020		5,921,932	7,825,508	5,163,655	2,675,548	6,619,553	97,063	(46,424)	10,333,487	38,590,322	1,301,300	39,891,622
Profit for the period		-	-	-	-	-	-	-	2,417,853	2,417,853	55,147	2,473,000
Other comprehensive income	33(d)(e)	-	-	-	-	-	(139,129)	(891)	-	(140,020)	13	(140,007)
Total comprehensive income		-	-	-	-	-	(139,129)	(891)	2,417,853	2,277,833	55,160	2,332,993
Appropriation of profit:												
– Cash dividends on ordinary shares		-	-	-	-	-	-	-	(592,193)	(592,193)	(2,092)	(594,285)
Share capital converted from capital reserve		592,193	-	(592,193)	-	-	-	-	-	-	-	-
Sub-total		592,193	-	(592,193)	-	-	-	-	(592,193)	(592,193)	(2,092)	(594,285)
Balance at 30 June 2020 (unaudited)		6,514,125	7,825,508	4,571,462	2,675,548	6,619,553	(42,066)	(47,315)	12,159,147	40,275,962	1,354,368	41,630,330

The notes on pages 125 to 233 form part of these financial reports.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2021 - unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank											
	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value of net defined benefit liability	Retained earnings	Sub-total	Non-controlling interests	Total equity	
Balance at 1 July 2020		6,514,125	7,825,508	4,571,462	2,675,548	6,619,553	(42,066)	(47,315)	12,159,147	40,275,962	1,354,368	41,630,330
Profit for the period		-	-	-	-	-	-	-	749,714	749,714	98,157	847,871
Other comprehensive income	33(d)(e)	-	-	-	-	-	(656,140)	(13,638)	-	(669,778)	(1)	(669,779)
Total comprehensive income		-	-	-	-	-	(656,140)	(13,638)	749,714	79,936	98,156	178,092
Capital invested by shareholders:												
– Share capital invested by Private A-Share holders		1,000,000	-	3,632,441	-	-	-	-	-	4,632,441	-	4,632,441
– Capital invested by non-controlling interests		-	-	-	-	-	-	-	-	-	24,500	24,500
Appropriation of profit:												
– Appropriation to surplus reserve	33(b)	-	-	-	301,025	-	-	-	(301,025)	-	-	-
– Appropriation to general reserve	33(c)	-	-	-	-	458,898	-	-	(458,898)	-	-	-
– Cash dividends on preference shares	34(b)	-	-	-	-	-	-	-	(493,442)	(493,442)	-	(493,442)
Sub-total		1,000,000	-	3,632,441	301,025	458,898	-	-	(1,253,365)	4,138,999	24,500	4,163,499
Balance at 31 December 2020 (audited)		7,514,125	7,825,508	8,203,903	2,976,573	7,078,451	(698,206)	(60,953)	11,655,496	44,494,897	1,477,024	45,971,921

The notes on pages 125 to 233 form part of these financial reports.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2021 - unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Attributable to equity shareholders of the Bank									Non-controlling interests	Total equity
		Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Sub-total		
Balance at 1 January 2021		7,514,125	7,825,508	8,203,903	2,976,573	7,078,451	(698,206)	(60,953)	11,655,496	44,494,897	1,477,024	45,971,921
Profit for the period		-	-	-	-	-	-	-	2,453,871	2,453,871	86,156	2,540,027
Other comprehensive income	33(d)(e)	-	-	-	-	-	433,590	(1,829)	-	431,761	-	431,761
Total comprehensive income		-	-	-	-	-	433,590	(1,829)	2,453,871	2,885,632	86,156	2,971,788
Appropriation of profit:												
– Cash dividends on ordinary shares		-	-	-	-	-	-	-	-	-	(3,430)	(3,430)
Balance at 30 June 2021 (unaudited)		7,514,125	7,825,508	8,203,903	2,976,573	7,078,451	(264,616)	(62,782)	14,109,367	47,380,529	1,559,750	48,940,279

The notes on pages 125 to 233 form part of these financial reports.

Consolidated Cash Flow Statement

for the six months ended 30 June 2021 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)
Cash flows from operating activities		
Profit before tax	3,161,181	3,082,420
<i>Adjustments for:</i>		
Impairment losses on assets	2,410,934	3,209,685
Depreciation and amortisation	228,031	218,201
Unrealised foreign exchange losses/(gains)	436,366	(42,864)
Net losses from disposal of long-term assets	1,140	593
Net trading gains of financial investments at fair value through profit or loss	(80,024)	(104,893)
Net gains arising from investments	(626,578)	(892,859)
Share of profits of associates	(7,090)	(30,081)
Interest expense on debt securities issued	1,370,359	1,498,551
Interest income on financial investments	(4,513,275)	(4,936,852)
	2,381,044	2,001,901
<i>Changes in operating assets</i>		
Net (increase)/decrease in deposits with central bank	(490,099)	2,577,727
Net (increase)/decrease in deposits and placements with banks and other financial institutions	(80,000)	103,450
Net decrease/(increase) in financial investments at fair value through profit or loss	2,490,780	(7,404,646)
Net increase in loans and advances to customers	(31,260,720)	(22,044,797)
Net decrease/(increase) in financial assets held under resale agreements	3,333,638	(4,670,887)
Net increase in lease receivables	(5,602,711)	(5,115,838)
Net decrease/(increase) in other operating assets	18,623	(322,721)
	(31,590,489)	(36,877,712)
<i>Changes in operating liabilities</i>		
Net increase in amounts due to central bank	960,363	6,348,110
Net increase in deposits and placements from banks and other financial institutions	18,975,723	4,587,852
Net (decrease)/increase in financial assets sold under repurchase agreements	(4,957,994)	3,239,637
Net increase in deposits from customers	9,394,930	27,976,454
Net increase/(decrease) in other operating liabilities	59,734	(81,243)
	24,432,756	42,070,810
Cash (used in)/generated from operations	(4,776,689)	7,194,999
Income tax paid	(787,118)	(874,237)
Net cash flows (used in)/generated from operating activities	(5,563,807)	6,320,762

The notes on pages 125 to 233 form part of these financial reports.

Consolidated Cash Flow Statement

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

		Six months ended 30 June	
	Note	2021 (unaudited)	2020 (unaudited)
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		100,005,254	134,268,978
Proceeds from disposal of property and equipment and other assets		2,917	287
Payments on acquisition of investments		(99,684,591)	(139,445,847)
Dividends and interest received		5,248,404	7,873,919
Payments on acquisition of property and equipment and other assets		(216,525)	(134,275)
Net cash flows generated from investing activities		5,355,459	2,563,062
Cash flows from financing activities			
Proceeds received from debt securities issued		56,581,824	45,748,581
Repayment of debt securities issued		(60,504,211)	(57,750,000)
Interest paid on debt securities issued		(1,145,909)	(160,171)
Dividends paid		(3,430)	(562,978)
Cash flows from other financing activities		(61,725)	(51,010)
Net cash flows used in financing activities		(5,133,451)	(12,775,578)
Net decrease in cash and cash equivalents		(5,341,799)	(3,891,754)
Cash and cash equivalents as at 1 January		19,600,052	17,766,563
Effect of foreign exchange rate changes on cash and cash equivalents		(40,469)	14,688
Cash and cash equivalents as at 30 June	36(a)	14,217,784	13,889,497
Net cash flows generated from operating activities include:			
Interest received		8,389,118	7,890,156
Interest paid		(5,175,274)	(5,149,044)

The notes on pages 125 to 233 form part of these financial reports.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

1 BACKGROUND INFORMATION

Bank of Zhengzhou Co., Ltd., formerly known as City Commercial Bank of Zhengzhou Co., Ltd., is a joint-stock commercial bank established with the approval of the People's Bank of China (the "PBOC") in accordance with the notice of JiYinFu [2000] No. 64. The Bank changed its name to Bank of Zhengzhou Co., Ltd. in October 2009. The registered address is No.22 Business Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province. The Bank operates in Henan Province of the PRC.

The Bank obtained its financial institution license No. B1036H241010001 from the former China Banking Regulatory Commission ("the former CBRC"), and obtained its business license No. 410000100052554 from the State Administration for Industry and Commerce of the People's Republic of China (the "PRC"). The Bank is regulated by the China Banking Insurance Regulatory Commission (the "CBIRC") authorized by the State Council.

In December 2015, the Bank's H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 06196). In September 2018, the Bank's A-share was listed on the SME Board of the Shenzhen Stock Exchange (Stock code: 002936).

The principal activities of the Bank and its subsidiaries (collectively the "Group") includes receiving deposits from the public; short, medium and long-term lending; domestic and international settlement; bill acceptance and discounting; issuing financial bonds; acting as an agent for issuance, honoring and underwriting of government bonds; purchase and sale of government bonds and financial bonds; interbank lending and borrowing; taking foreign currency deposits, providing foreign currency loans, foreign exchange remittances and foreign currency exchange services; bank card business; provision of letter of credit services and guarantees; acting as a collection and payment agent and an insurance agent; providing safe deposit box services; financial leasing and other business activities approved by the banking regulatory authority under the State Council (business activities subject to approval according to law may be carried out only after being approved by the competent authorities).

For subsidiaries of the Bank, refer to note 20 for more information.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION

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

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

4 NET INTEREST INCOME

	Six months ended 30 June	
	2021	2020 (Restated)
Interest income arising from		
Deposits with central bank	181,803	207,609
Deposits and placements with banks and other financial institutions	17,984	53,290
Loans and advances to customers		
– Corporate loans and advances	4,916,020	3,990,846
– Personal loans and advances	1,790,878	1,801,827
– Discounted bills	201,845	148,303
Financial assets held under resale agreements	68,948	58,149
Financial investments	4,513,275	4,936,852
Lease receivables	924,272	473,425
Sub-total	12,615,025	11,670,301
Interest expense arising from		
Amounts due to central bank	(358,826)	(218,482)
Deposits and placements from banks and other financial institutions	(940,022)	(526,517)
Deposits from customers	(3,959,357)	(3,789,038)
Financial assets sold under repurchase agreements	(217,872)	(190,406)
Debt securities issued	(1,370,359)	(1,498,551)
Sub-total	(6,846,436)	(6,222,994)
Net interest income	5,768,589	5,447,307

In accordance with the requirements of the Notice on Strictly Implementing Accounting Standards for Enterprises and Effectively Strengthening the Work of Enterprises' 2020 Annual Reports issued by the Ministry of Finance of the PRC, State-owned Assets Supervision and Administration Commission of the State Council, the CBIRC and the China Securities Regulatory Commission, the Bank included the credit card holder instalment income into the interest income, and has adjusted the corresponding comparison figures.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

5 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2021	2020 (Restated)
Fee and commission income		
Agency and custody services fees	522,381	776,229
Underwriting and advisory fees	121,367	148,515
Acceptance and guarantee services fees	70,585	101,927
Bank card services fees	58,413	58,772
Others	21,398	16,929
Sub-total	794,144	1,102,372
Fee and commission expense	(71,428)	(70,331)
Net fee and commission income	722,716	1,032,041

In accordance with the requirements of the Notice on Strictly Implementing Accounting Standards for Enterprises and Effectively Strengthening the Work of Enterprises' 2020 Annual Reports issued by the Ministry of Finance of the PRC, State-owned Assets Supervision and Administration Commission of the State Council, the CBIRC and the China Securities Regulatory Commission, the Bank included the credit card holder instalment income into the interest income, and has adjusted the corresponding comparison figures.

6 NET TRADING GAINS

	Note	Six months ended 30 June	
		2021	2020
Net gains from debt securities and investment funds	(a)	222,962	236,196
Net foreign exchange gains	(b)	56,306	165,922
Total		279,268	402,118

- (a) Net gains from debt securities and funds include gains arising from the buying and selling of, net gains arising from and changes in the fair value of financial assets held for trading.
- (b) Net foreign exchange gains mainly included gains from purchase and sale of foreign currency spot, net gains arising from and changes in the fair value of foreign currency derivatives, and translation of foreign currency monetary assets and liabilities into Renminbi.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

7 NET GAINS ARISING FROM INVESTMENTS

	Six months ended 30 June	
	2021	2020
Net gains from debt securities	8,436	321,554
Net gains from other debt instruments	132,771	470,789
Total	141,207	792,343

8 OTHER OPERATING INCOME

	Six months ended 30 June	
	2021	2020
Rental income	2,761	3,107
Government grants	26,707	873
Net losses on disposal of property and equipment	(1,140)	(593)
Others	4,756	3,328
Total	33,084	6,715

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

9 OPERATING EXPENSES

	Six months ended 30 June	
	2021	2020
Staff costs		
– Salaries, bonuses and allowances	456,701	646,479
– Social insurance and annuity	147,128	70,692
– Supplementary retirement benefits	19,387	3,169
– Staff welfare	54,565	52,742
– Housing allowances	56,370	48,072
– Others	12,060	17,470
Sub-total	746,211	838,624
Depreciation and amortisation	228,031	218,201
– Depreciation of right-of-use assets	70,231	61,491
– Others	157,800	156,710
Rental and property management expenses	39,276	34,316
Office expenses	21,899	17,921
Tax and surcharges	77,771	68,505
Interest expense of lease liabilities	7,376	7,177
Other general and administrative expenses	259,275	233,756
Total	1,379,839	1,418,500

10 IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2021	2020
Loans and advances to customers measured at amortised cost	1,397,152	2,230,087
Loans and advances to customers measured at fair value through other comprehensive income	70,876	33,894
Financial investments measured at amortised cost	864,755	786,722
Financial investments at fair value through other comprehensive income	(92,285)	1,035
Lease receivables	169,247	130,000
Financial assets held under resale agreements	19	193
Placements with banks and other financial institutions	52	(194)
Deposits with banks and other financial institutions	138	43
Off-balance sheet credit commitments	980	27,905
Total	2,410,934	3,209,685

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

11 INCOME TAX EXPENSE

(a) Income tax for the period:

	Six months ended 30 June	
	2021	2020
Current tax	991,753	1,017,312
Deferred tax	(474,765)	(460,614)
Adjustment for prior years	104,166	52,722
Total	621,154	609,420

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

	Note	Six months ended 30 June	
		2021	2020
Profit before tax		3,161,181	3,082,420
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		790,295	770,605
Non-deductible expenses		16,880	6,297
Non-taxable income	(1)	(290,885)	(220,204)
Tax effect of unrecognised deductible temporary differences		698	—
Adjustment for prior years		104,166	52,722
Income tax		621,154	609,420

- (1) Non-taxable income consists of interest income from the PRC government bonds, municipal debts and share of profits of associates, which are exempted from income tax under the PRC tax regulations.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

12 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share of the Group is based on the following:

	Note	Six months ended 30 June	
		2021	2020
Earnings:			
Profit for the period attributable to ordinary shareholders of the Bank		2,453,871	2,417,853
Shares:			
Weighted average number of ordinary shares (in thousand shares)	(a)	7,514,125	6,514,125
Basic and diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB)		0.33	0.37

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

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

	Six months ended 30 June	
	2021	2020
Number of ordinary shares as at 1 January	7,514,125	5,921,932
Increase in weighted average number of ordinary shares	–	592,193
Weighted average number of ordinary shares	7,514,125	6,514,125

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

13 CASH AND DEPOSITS WITH CENTRAL BANK

	Note	30 June 2021	31 December 2020
Cash on hand		990,035	1,054,965
Deposits with central bank			
– Statutory deposit reserves	(a)	21,988,537	21,576,190
– Surplus deposit reserves	(b)	6,601,810	13,403,352
– Fiscal deposits		523,437	445,685
– Interest accrued		10,270	11,891
Sub-total		29,124,054	35,437,118
Total		30,114,089	36,492,083

- (a) The Bank and its subsidiaries place statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of the relevant period/year, the statutory deposit reserve ratios applicable to the Bank were as follows:

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

The statutory deposit reserves are not available for the Group's daily business.

The subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

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

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

14 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2021	31 December 2020
Deposits in mainland China		
– Banks	1,978,766	2,041,119
Sub-total	1,978,766	2,041,119
Deposits outside mainland China		
– Banks	1,141,553	316,902
Sub-total	1,141,553	316,902
Total	3,120,319	2,358,021
Interest accrued	811	186
Less: provision for impairment losses	(754)	(616)
Total	3,120,376	2,357,591

15 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2021	31 December 2020
Placements in mainland China		
– Banks	3,785,619	2,283,715
– Other financial institutions	100,000	800,000
Total	3,885,619	3,083,715
Interest accrued	361	848
Less: provision for impairment losses	(1,041)	(989)
Total	3,884,939	3,083,574

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(Expressed in thousands of Renminbi, unless otherwise stated)

16 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	30 June 2021	31 December 2020
In mainland China		
– Banks	590,460	4,875,647
– Other financial institutions	4,660,211	3,708,662
Total	5,250,671	8,584,309
Interest accrued	876	1,448
Less: provision for impairment losses	(129)	(110)
Total	5,251,418	8,585,647

(b) Analysed by type of collateral

	30 June 2021	31 December 2020
Debt securities	5,250,671	8,584,309
Interest accrued	876	1,448
Less: provision for impairment losses	(129)	(110)
Total	5,251,418	8,585,647

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	30 June 2021	31 December 2020
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	173,225,584	151,647,964
Personal loans and advances		
– Residential mortgage	39,193,956	35,964,974
– Personal business loans	28,317,054	25,639,981
– Credit card	3,031,771	2,954,470
– Personal consumption loans	2,820,882	2,769,512
Sub-total	73,363,663	67,328,937
Total amount of loans and advances to customers measured at amortised cost	246,589,247	218,976,901
Loans and advances to customers measured at fair value through other comprehensive income		
– Corporate loans and advances-Forfeiting	6,866,832	5,306,068
– Discounted bills	14,719,554	13,676,221
Sub-total	21,586,386	18,982,289
Gross loans and advances to customers	268,175,633	237,959,190
Interest accrued	1,171,149	1,046,446
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(8,117,746)	(7,755,623)
Net loans and advances to customers	261,229,036	231,250,013

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by economic sector

	30 June 2021		
	Amount	Percentage	Loans and advances secured by collaterals
Real estate	34,668,259	12.93%	17,018,320
Water, environment and public facility management	34,587,514	12.90%	3,188,222
Wholesale and retail	29,901,069	11.15%	11,826,226
Leasing and commercial services	20,209,702	7.54%	4,098,867
Construction	18,161,994	6.77%	5,135,036
Manufacturing	15,995,661	5.96%	4,013,288
Transportation, storage and postal services	6,811,727	2.54%	2,587,789
Agriculture, forestry, animal husbandry and fishery	2,936,659	1.10%	449,639
Production and supply of electric and heating power, gas and water	2,693,594	1.00%	650,406
Culture, sports and entertainment	1,616,698	0.60%	1,198,950
Accommodation and catering	1,307,385	0.49%	1,205,997
Mining	1,030,795	0.38%	110,970
Others	10,171,359	3.79%	1,985,647
Sub-total of corporate loans and advances	180,092,416	67.15%	53,469,357
Personal loans and advances	73,363,663	27.36%	64,812,486
Discounted bills	14,719,554	5.49%	14,719,554
Gross loans and advances to customers	268,175,633	100.00%	133,001,397

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(Expressed in thousands of Renminbi, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by economic sector (Continued)

	31 December 2020		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail	30,468,072	12.80%	11,996,544
Real estate	30,557,324	12.84%	16,058,561
Water, environment and public facility management	25,683,307	10.79%	2,901,260
Construction	14,981,932	6.30%	4,064,878
Manufacturing	14,887,663	6.26%	4,455,438
Leasing and commercial services	17,666,268	7.42%	4,445,055
Transportation, storage and postal services	4,982,485	2.09%	2,486,530
Production and supply of electric and heating power, gas and water	2,581,881	1.09%	546,485
Culture, sports and entertainment	1,660,210	0.70%	1,235,700
Agriculture, forestry, animal husbandry and fishery	1,926,802	0.81%	433,574
Accommodation and catering	1,311,417	0.55%	1,196,331
Mining	807,252	0.34%	216,870
Others	9,439,419	3.97%	2,107,657
Sub-total of corporate loans and advances	156,954,032	65.96%	52,144,883
Personal loans and advances	67,328,937	28.29%	58,379,715
Discounted bills	13,676,221	5.75%	13,676,221
Gross loans and advances to customers	237,959,190	100.00%	124,200,819

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(Expressed in thousands of Renminbi, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Analysed by type of collateral

	30 June 2021	31 December 2020
Unsecured loans	39,777,430	31,664,029
Guaranteed loans	95,396,806	82,094,342
Collateral loans		
– Loans secured by tangible assets other than monetary assets	97,926,268	89,660,694
– Loans secured by intangible assets or monetary assets	35,075,129	34,540,125
Gross loans and advances to customers	268,175,633	237,959,190
Interest accrued	1,171,149	1,046,446
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(8,117,746)	(7,755,623)
Net loans and advances to customers	261,229,036	231,250,013

(d) Overdue loans analysed by overdue period

	30 June 2021				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	342,103	162,554	34,260	9,007	547,924
Guaranteed loans	2,456,005	877,274	1,248,928	440,511	5,022,718
Loans secured by tangible assets other than monetary assets	627,041	620,766	571,966	367,393	2,187,166
Loans secured by intangible assets or monetary assets	173,610	44,352	454,460	58,019	730,441
Total	3,598,759	1,704,946	2,309,614	874,930	8,488,249
As a percentage of gross loans and advances to customers	1.34%	0.64%	0.86%	0.33%	3.17%

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(Expressed in thousands of Renminbi, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) Overdue loans analysed by overdue period (Continued)

	31 December 2020				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	70,998	115,286	10,304	8,084	204,672
Guaranteed loans	1,097,994	983,686	1,117,857	342,703	3,542,240
Loans secured by tangible assets other than monetary assets	1,289,983	654,893	432,147	480,850	2,857,873
Loans secured by intangible assets or monetary assets	30,303	49,497	556,306	–	636,106
Total	2,489,278	1,803,362	2,116,614	831,637	7,240,891
As a percentage of gross loans and advances to customers	1.04%	0.76%	0.89%	0.35%	3.04%

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(Expressed in thousands of Renminbi, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(e) Loans and advances and provision for impairment losses

	30 June 2021			Total
	Loans and advances that are assessed for 12-month ECL	Not credit-impaired loans and advances that are assessed for lifetime ECL	Credit-impaired loans and advances that are assessed for lifetime ECL	
Total loans and advances to customers measured at amortised cost	230,432,888	9,875,581	6,280,778	246,589,247
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(2,911,156)	(2,008,796)	(3,197,794)	(8,117,746)
Carrying amount of loans and advances to customers measured at amortised cost (excluding accrued interest)	227,521,732	7,866,785	3,082,984	238,471,501
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	21,144,216	19,670	422,500	21,586,386
Total carrying amount of loans and advances to customers (excluding accrued interest)	248,665,948	7,886,455	3,505,484	260,057,887

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(Expressed in thousands of Renminbi, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(e) Loans and advances and provision for impairment losses (Continued)

	31 December 2020			Total
	Loans and advances that are assessed for 12-month ECL	Not credit-impaired loans and advances that are assessed for lifetime ECL	Credit-impaired loans and advances that are assessed for lifetime ECL	
Total loans and advances to customers measured at amortised cost	206,720,645	6,001,378	6,254,878	218,976,901
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(3,223,667)	(1,351,623)	(3,180,333)	(7,755,623)
Carrying amount of loans and advances to customers measured at amortised cost (excluding accrued interest)	203,496,978	4,649,755	3,074,545	211,221,278
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	18,494,789	–	487,500	18,982,289
Total carrying amount of loans and advances to customers (excluding accrued interest)	221,991,767	4,649,755	3,562,045	230,203,567

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(Expressed in thousands of Renminbi, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses

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

	30 June 2021			
	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at 1 January 2021	3,223,667	1,351,623	3,180,333	7,755,623
Transferred:				
– to 12-months ECL	5,436	(244)	(5,192)	–
– to lifetime ECL not credit-impaired	(63,923)	65,211	(1,288)	–
– to lifetime ECL credit-impaired	(21,345)	(83,602)	104,947	–
(Reversal)/charge for the period	(232,679)	675,808	954,023	1,397,152
Write-offs and disposals	–	–	(1,304,570)	(1,304,570)
Recoveries of loans previously written off	–	–	269,541	269,541
As at 30 June 2021	2,911,156	2,008,796	3,197,794	8,117,746

	31 December 2020			
	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2020	2,790,879	1,069,890	3,467,077	7,327,846
Transferred:				
– to 12-months ECL	53,592	(53,592)	–	–
– to lifetime ECL not credit-impaired	(68,427)	68,775	(348)	–
– to lifetime ECL credit-impaired	(37,720)	(454,594)	492,314	–
Charge for the year	485,343	721,144	4,201,424	5,407,911
Write-offs and disposals	–	–	(5,355,940)	(5,355,940)
Recoveries of loans previously written off	–	–	375,806	375,806
As at 31 December 2020	3,223,667	1,351,623	3,180,333	7,755,623

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(Expressed in thousands of Renminbi, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

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

	30 June 2021			
	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at 1 January 2021	13,652	–	162,500	176,152
Transferred:				
– to 12-months ECL	–	–	–	–
– to lifetime ECL not credit-impaired	(141)	141	–	–
– to lifetime ECL credit-impaired	–	–	–	–
Charge for the period	4,934	942	65,000	70,876
As at 30 June 2021	18,445	1,083	227,500	247,028

	31 December 2020			
	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at 1 January 2020	21,529	75,472	–	97,001
Transferred:				
– to 12-months ECL	–	–	–	–
– to lifetime ECL not credit-impaired	–	–	–	–
– to lifetime ECL credit-impaired	–	(75,472)	75,472	–
(Reversal)/charge for the year	(7,877)	–	87,028	79,151
As at 31 December 2020	13,652	–	162,500	176,152

Provision for impairment of loans and advances to customers measured at fair value through other comprehensive income are recognized in other comprehensive income, while the impairment losses are recognized in profit or loss. Besides, the carrying amount of the financial assets presented in the balance sheet are not reduced.

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(Expressed in thousands of Renminbi, unless otherwise stated)

18 FINANCIAL INVESTMENTS

	Note	30 June 2021	31 December 2020
Financial investments at fair value through profit or loss	(a)	42,207,944	46,463,308
Financial investments at fair value through other comprehensive income	(b)	22,626,877	21,691,216
Financial investments measured at amortised cost	(c)	162,561,986	162,416,779
Interest accrued		1,961,048	2,106,004
Total		229,357,855	232,677,307

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

	Note	30 June 2021	31 December 2020
Debt securities			
– Debt securities held for trading purpose	(1)	10,273,377	13,890,565
Equity investments		198,832	–
Investment funds and other investments			
– Investment funds held for trading purpose		10,410,257	9,402,658
– Other financial investments at fair value through profit or loss	(2)	21,325,478	23,170,085
Total		42,207,944	46,463,308

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(Expressed in thousands of Renminbi, unless otherwise stated)

18 FINANCIAL INVESTMENTS (CONTINUED)

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

(1) Debt securities held for trading purpose

	30 June 2021	31 December 2020
Mainland China		
– Government	6,146,414	6,755,164
– Policy banks	3,845,019	6,255,154
– Banks and other financial institutions	67,051	583,978
– Corporate	214,893	296,269
Total	10,273,377	13,890,565
Debt securities analysed into		
– Listed outside Hong Kong	6,518,313	7,326,043
– Unlisted	3,755,064	6,564,522
Total	10,273,377	13,890,565

(2) Other financial investments at fair value through profit or loss

	30 June 2021	31 December 2020
Other financial investments at fair value through profit or loss		
– Investment management products managed by securities companies	6,932,906	11,336,697
– Investment management products under trust scheme	8,151,780	5,290,646
– Wealth management products	–	210,000
– Others	6,240,792	6,332,742
Total	21,325,478	23,170,085

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(Expressed in thousands of Renminbi, unless otherwise stated)

18 FINANCIAL INVESTMENTS (CONTINUED)

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

	30 June 2021	31 December 2020
Debt instruments		
– Government	17,550,823	14,579,719
– Policy banks	4,421,310	5,648,839
– Corporate	646,344	1,454,258
– Interest accrued	315,085	292,214
Sub-total	22,933,562	21,975,030
Equity instruments	8,400	8,400
Total	22,941,962	21,983,430
Debt instrument investment by category		
– Listed outside Hong Kong	17,831,966	15,585,908
– Unlisted	4,786,511	6,096,908
– Interest accrued	315,085	292,214
	22,933,562	21,975,030
Equity instrument investment by category		
– Unlisted	8,400	8,400
	8,400	8,400

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(Expressed in thousands of Renminbi, unless otherwise stated)

18 FINANCIAL INVESTMENTS (CONTINUED)

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

Movements of provision for impairment of financial investments measured at fair value through other comprehensive income during the period:

	30 June 2021			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2021	170,364	–	–	170,364
Transferred:				
– to 12-months ECL	–	–	–	–
– to lifetime ECL not credit-impaired	(243)	243	–	–
– to lifetime ECL credit-impaired	–	–	–	–
(Reversal)/charge for the period	(169,496)	77,211	–	(92,285)
As at 30 June 2021	625	77,454	–	78,079

	31 December 2020			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2020	1,166	–	–	1,166
Charge for the year	169,198	–	–	169,198
As at 31 December 2020	170,364	–	–	170,364

Provision for impairment of financial investments measured at fair value through other comprehensive income are recognised in other comprehensive income, while losses/gains from impairment are included in profit or loss. Besides, the book value of the financial assets presented in the balance sheet are not reduced.

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18 FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial investments measured at amortised cost:

	Note	30 June 2021	31 December 2020
Debt securities	(1)	61,166,697	52,730,731
Investment management products under the trust scheme		54,380,949	61,984,958
Investment management products managed by securities companies		37,667,847	35,002,092
Other beneficial right transaction plans		2,039,000	3,768,000
Others		12,003,609	12,812,606
Sub-total		106,091,405	113,567,656
Interest accrued		1,645,963	1,813,790
Less: Provision for impairment losses	(2)	(4,696,116)	(3,881,608)
Total		164,207,949	164,230,569

(1) Debt securities:

	30 June 2021	31 December 2020
Debt securities		
– Government	23,635,182	19,203,836
– Policy banks	32,294,324	27,640,005
– Banks and other financial institutions	1,388,853	1,281,393
– Corporate	3,848,338	4,605,497
– Interest accrued	1,031,891	1,094,003
Total	62,198,588	53,824,734
Debt securities analysed into:		
– Listed outside Hong Kong	24,642,146	21,333,904
– Unlisted	36,524,551	31,396,827
– Interest accrued	1,031,891	1,094,003
Total	62,198,588	53,824,734

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(Expressed in thousands of Renminbi, unless otherwise stated)

18 FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial investments measured at amortised cost: (Continued)

(2) Movements of provision for impairment of financial investments measured at amortised cost is as follows:

	30 June 2021			
	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at 1 January 2021	781,360	355,976	2,744,272	3,881,608
Transferred:				
– to 12-months ECL	–	–	–	–
– to lifetime ECL not credit-impaired	(61,172)	61,172	–	–
– to lifetime ECL credit-impaired	(11,415)	(178,086)	189,501	–
(Reversal)/charge for the period	(115,884)	234,459	746,180	864,755
Write-offs	–	–	(50,247)	(50,247)
As at 30 June 2021	592,889	473,521	3,629,706	4,696,116

	31 December 2020			
	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at 1 January 2020	970,460	754,280	839,202	2,563,942
Transferred:				
– to 12-months ECL	–	–	–	–
– to lifetime ECL not credit-impaired	(24,089)	24,089	–	–
– to lifetime ECL credit-impaired	(903)	(754,279)	755,182	–
(Reversal)/charge for the year	(164,108)	331,886	1,149,888	1,317,666
As at 31 December 2020	781,360	355,976	2,744,272	3,881,608

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19 LEASE RECEIVABLES

	30 June 2021	31 December 2020
Sale and leaseback receivables	32,451,010	26,298,972
Finance lease receivables	324,463	311,421
Less: Unearned finance lease income	(4,195,111)	(3,632,742)
Present value of lease receivables	28,580,362	22,977,651
Interest accrued	329,456	280,757
Less: Provision for impairment losses	(861,830)	(692,583)
Total	28,047,988	22,565,825

(a) Lease receivables, unearned finance lease income and minimum lease receivables analysed by remaining period are listed as follows:

	30 June 2021			31 December 2020		
	Minimum lease receivables	Unearned finance lease income	Present value of lease receivables	Minimum lease receivables	Unearned finance lease income	Present value of lease receivables
Less than 1 year	12,355,950	(2,051,817)	10,304,133	9,780,874	(1,627,410)	8,153,464
1 year to 2 years	8,299,397	(1,173,053)	7,126,344	6,171,528	(957,518)	5,214,010
2 years to 3 years	7,049,616	(631,090)	6,418,526	4,682,903	(597,523)	4,085,380
3 years to 5 years	4,482,254	(295,624)	4,186,630	5,390,157	(407,106)	4,983,051
More than 5 years	588,256	(43,527)	544,729	584,931	(43,185)	541,746
	32,775,473	(4,195,111)	28,580,362	26,610,393	(3,632,742)	22,977,651

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(Expressed in thousands of Renminbi, unless otherwise stated)

19 LEASE RECEIVABLES (CONTINUED)

(b) Movements of provision for impairment losses

	30 June 2021			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2021	426,813	119,611	146,159	692,583
Transferred:				
– to 12-months ECL	69,471	(69,471)	–	–
– to lifetime ECL not credit-impaired	(4,314)	4,314	–	–
– to lifetime ECL credit-impaired	(10,491)	–	10,491	–
(Reversal)/charge for the period	(54,366)	5,316	218,297	169,247
As at 30 June 2021	427,113	59,770	374,947	861,830

	31 December 2020			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2020	229,911	167,424	121,520	518,855
Transferred:				
– to 12-months ECL	137,947	(74,325)	(63,622)	–
– to lifetime ECL not credit-impaired	(6,225)	6,225	–	–
– to lifetime ECL credit-impaired	(3,750)	–	3,750	–
Charge for the year	68,930	20,287	197,435	286,652
Write-offs	–	–	(112,924)	(112,924)
As at 31 December 2020	426,813	119,611	146,159	692,583

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20 INVESTMENT IN SUBSIDIARIES AND INTEREST IN ASSOCIATES

(a) Investment in subsidiaries

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

Name	Percentage of equity interest		Voting rights 30 June 2021 %	Paid-in capital 30 June 2021	Amount invested by the Bank	Place of incorporation registration	Principal activity
	30 June 2021 %	31 December 2020 %					
Fugou Zhengyin County Bank Co., Ltd.	50.20	50.20	50.20	60,000	30,120	China	Banking
Henan Jiuding Financial Leasing Co., Ltd.	51.00	51.00	51.00	2,000,000	1,020,000	China	Leasing
Xinmi Zhengyin County Bank Co., Ltd.	51.20	51.20	51.20	125,000	74,033	China	Banking
Xunxian Zhengyin County Bank Co., Ltd.	51.00	51.00	51.00	100,000	51,000	China	Banking
Queshan Zhengyin County Bank Co., Ltd.	51.00	51.00	51.00	50,000	25,500	China	Banking

Fugou Zhengyin County Bank Co., Ltd. was incorporated on 3 December 2015. Henan Jiuding Financial Leasing Co., Ltd. was incorporated on 23 March 2016. Xinmi Zhengyin County Bank Co., Ltd. became a subsidiary of the Bank since 1 January 2017. Xunxian Zhengyin County Bank Co., Ltd. was incorporated on 6 November 2017. Queshan Zhengyin County Bank Co., Ltd. was incorporated on 14 November 2017. The five subsidiaries have no material non-controlling interest to the Group.

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(Expressed in thousands of Renminbi, unless otherwise stated)

20 INVESTMENT IN SUBSIDIARIES AND INTEREST IN ASSOCIATES (CONTINUED)

(b) Interest in associates

	30 June 2021	31 December 2020
Interest in associates	407,340	400,250
Total	407,340	400,250

The following list contains the Group's associates, all of which are individually immaterial to the Group and are unlisted corporate entities whose quoted market price are not available:

Name	Note	Percentages of equity/voting rights%		Place of incorporation/ registration	Business sector
		30 June 2021	31 December 2020		
Zhongmu Zhengyin County Bank Co., Ltd.	(1)	18.53	18.53	China	Banking
Yanling Zhengyin County Bank Co., Ltd.		49.58	49.58	China	Banking
Xinzheng Zhengyin County Bank Co., Ltd.		25.00	25.00	China	Banking

(1) The Group has representation on the board of directors of Zhongmu Zhengyin County Bank Co., Ltd., and has significant influence over it.

The following table illustrates the aggregate information of the Group's associates that are not individually material:

	30 June 2021	31 December 2020
Aggregate carrying amount of the individually immaterial associates in the consolidated statements of financial position of the Group	407,340	400,250
Aggregate amounts of the Group's share of results of the associates		
– Profit from continuing operations	7,090	35,035
– Other comprehensive income	–	–
– Total comprehensive income	7,090	35,035

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(Expressed in thousands of Renminbi, unless otherwise stated)

21 PROPERTY AND EQUIPMENT

	Premises	Electronic equipment	Vehicles	Office equipment and others	Construction in progress	Total
Cost						
As at 1 January 2020	2,130,772	707,597	11,708	270,200	316,683	3,436,960
Additions	249,666	71,024	870	17,250	158,141	496,951
Disposals	–	(5,979)	(160)	(7,703)	–	(13,842)
As at 31 December 2020	2,380,438	772,642	12,418	279,747	474,824	3,920,069
Additions	8,492	22,488	442	5,346	73,683	110,451
Disposals	–	(4,887)	(2)	(34,110)	–	(38,999)
As at 30 June 2021	2,388,930	790,243	12,858	250,983	548,507	3,991,521
Accumulated depreciation						
As at 1 January 2020	(321,937)	(512,317)	(8,027)	(218,321)	–	(1,060,602)
Additions	(69,093)	(78,903)	(946)	(32,743)	–	(181,685)
Disposals	–	5,680	152	7,192	–	13,024
As at 31 December 2020	(391,030)	(585,540)	(8,821)	(243,872)	–	(1,229,263)
Additions	(36,455)	(37,675)	(515)	(13,371)	–	(88,016)
Disposals	–	4,642	2	32,400	–	37,044
As at 30 June 2021	(427,485)	(618,573)	(9,334)	(224,843)	–	(1,280,235)
Impairment						
As at 1 January 2020/ 31 December 2020/ 30 June 2021	(1,355) (1,893) (1,355)	(1,893) (1,893) (1,893)	– – –	(756) (756) (756)	– – –	(4,004) (4,004) (4,004)
Net book value						
As at 31 December 2020	1,988,053	185,209	3,597	35,119	474,824	2,686,802
As at 30 June 2021	1,960,090	169,777	3,524	25,384	548,507	2,707,282

The carrying amount of premises without title deeds as at 30 June 2021 was RMB183 million (31 December 2020: RMB187 million). The Group is still in the progress of applying for the outstanding title deeds for the above premises. The Group expected that there would be no significant cost in obtaining the title deeds.

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(Expressed in thousands of Renminbi, unless otherwise stated)

21 PROPERTY AND EQUIPMENT (CONTINUED)

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

	30 June 2021	31 December 2020
Held in mainland China		
– Medium-term leases (10 – 50 years)	1,957,437	1,985,096
– Short-term leases (less than 10 years)	2,653	2,957
Total	1,960,090	1,988,053

22 DEFERRED TAX ASSETS

(a) Analysed by nature

	30 June 2021		31 December 2020	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Allowance for impairment losses	15,263,828	3,815,957	13,659,520	3,414,880
Accrued staff costs	79,332	19,833	80,752	20,188
Fair value changes in financial instruments	638,526	159,631	898,594	224,648
Provisions	212,150	53,038	211,170	52,793
Others	2,952	738	25,812	6,453
Net deferred income tax assets	16,196,788	4,049,197	14,875,848	3,718,962

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

22 DEFERRED TAX ASSETS (CONTINUED)

(b) Analysed by movement

	At 1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	At 30 June 2021
Allowance for impairment losses	3,414,880	401,077	–	3,815,957
Accrued staff costs	20,188	(355)	–	19,833
Fair value changes in financial instruments	224,648	84,865	(149,882)	159,631
Provisions	52,793	245	–	53,038
Others	6,453	(5,715)	–	738
Net deferred income tax assets	3,718,962	480,117	(149,882)	4,049,197

	At 1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2020
Allowance for impairment losses	2,914,524	500,356	–	3,414,880
Accrued staff costs	49,986	(14,323)	(15,475)	20,188
Fair value changes in financial instruments	(218,309)	115,776	327,181	224,648
Provisions	71,906	(19,113)	–	52,793
Others	16,883	(10,430)	–	6,453
Net deferred income tax assets	2,834,990	572,266	311,706	3,718,962

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(Expressed in thousands of Renminbi, unless otherwise stated)

23 OTHER ASSETS

	Note	30 June 2021	31 December 2020
Interest receivables	(a)	1,059,269	777,680
Prepayments		172,549	212,928
Intangible assets	(b)	1,016,835	1,014,151
Leasehold improvements		100,735	109,049
Right-of-use assets	(c)	375,580	385,246
Other receivables		467,489	566,835
Continuously involved assets	(d)	588,853	588,853
Sub-total		3,781,310	3,654,742
Less: allowance for impairment losses		(22,322)	(22,322)
Total		3,758,988	3,632,420

(a) Interest receivables

	30 June 2021	31 December 2020
Interest receivables arising from:		
– Investments	914,732	626,926
– Loans and advances to customers	96,761	113,579
– Others	47,776	37,175
Sub-total	1,059,269	777,680
Less: allowance for impairment losses	(19,397)	(19,397)
Total	1,039,872	758,283

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

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

23 OTHER ASSETS (CONTINUED)

(b) Intangible assets

	30 June 2021	31 December 2020
Cost		
As at 1 January	1,311,438	1,104,679
Additions	51,822	206,759
Decrease	(24,148)	–
As at 30 June/31 December	1,339,112	1,311,438
Accumulated amortisation		
As at 1 January	(297,287)	(216,909)
Additions	(47,931)	(80,378)
Decrease	22,941	–
As at 30 June/31 December	(322,277)	(297,287)
Impairment		
As at 1 January and 30 June/31 December	(145)	(145)
Net book value		
As at 1 January	1,014,006	887,625
As at 30 June/31 December	1,016,690	1,014,006

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

23 OTHER ASSETS (CONTINUED)

(c) Right-of-use assets

	Premises	Vehicles	Office equipment and others	Total
Cost				
As at 1 January 2020	530,355	7,865	2,757	540,977
Additions	79,547	3,237	3,471	86,255
Disposals	(56,939)	(2,531)	(697)	(60,167)
As at 31 December 2020	552,963	8,571	5,531	567,065
Additions	59,669	896	–	60,565
Disposals	(21,189)	(3,839)	(498)	(25,526)
As at 30 June 2021	591,443	5,628	5,033	602,104
Accumulated depreciation				
As at 1 January 2020	(111,162)	(3,661)	(916)	(115,739)
Additions	(121,672)	(3,499)	(1,076)	(126,247)
Disposals	56,939	2,531	697	60,167
As at 31 December 2020	(175,895)	(4,629)	(1,295)	(181,819)
Additions	(66,526)	(1,601)	(2,104)	(70,231)
Disposals	21,189	3,839	498	25,526
As at 30 June 2021	(221,232)	(2,391)	(2,901)	(226,524)
Net book value				
As at 31 December 2020	377,068	3,942	4,236	385,246
As at 30 June 2021	370,211	3,237	2,132	375,580

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(Expressed in thousands of Renminbi, unless otherwise stated)

23 OTHER ASSETS (CONTINUED)

(d) Continuously involved assets

In 2020, the Bank, as the initiator, entrusted part of the personal housing mortgage loans to Huaneng Guicheng Trust Co., Ltd., and established the first phase of Yuding's 2020 personal housing mortgage loan securitization trust to issue asset-backed securities under the trust, among which, the total face value of "priority asset-backed security" is RMB2,910 million, and the total face value of "secondary asset-backed security" is RMB589 million.

The Bank neither transferred nor retained substantially all the risks (mainly include the credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of the ownership and retained the control and has continuing involvement in these financial assets. As at 30 June 2021, the Bank continued to recognize the financial assets with carrying amount of RMB589 million (31 December 2020: RMB589 million) based on its extent of continuing involvement in the assets, and recognized assets and liabilities with continuing involvement as other assets and other liabilities.

24 DUE TO CENTRAL BANK

	30 June 2021	31 December 2020
Due to central bank	26,692,713	25,732,350
Interest accrued	331,578	234,295
Total	27,024,291	25,966,645

Due to central bank mainly includes Medium-term Lending Facility and Reload for Supporting Small Businesses.

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(Expressed in thousands of Renminbi, unless otherwise stated)

25 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2021	31 December 2020
In mainland China		
– Banks	23,526,163	16,713,991
– Other financial institutions	8,888,523	3,362,802
– Interest accrued	224,411	133,611
Total	32,639,097	20,210,404

26 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2021	31 December 2020
In mainland China		
– Banks	25,686,200	20,248,370
– Other financial institutions	900,000	–
Outside mainland China		
– Banks	300,000	–
Interest accrued	292,115	219,223
Total	27,178,315	20,467,593

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27 DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivative contracts which are non-deliverable forwards.

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

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

The notional amount and fair value of unexpired derivative financial instruments held by the Group are set out in the following tables:

	30 June 2021		
	Notional amount	Fair value (assets)	Fair value (liabilities)
– Non-deliverable forwards	7,558,317	41,072	(5,463)
Total	7,558,317	41,072	(5,463)

	31 December 2020		
	Notional amount	Fair value (assets)	Fair value (liabilities)
– Non-deliverable forwards	6,002,908	362,970	–
Total	6,002,908	362,970	–

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28 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	30 June 2021	31 December 2020
In mainland China		
– PBOC	880,000	9,810,000
– Banks	15,458,100	11,486,094
– Interest accrued	4,551	7,336
Total	16,342,651	21,303,430

(b) Analysed by type of collateral

	30 June 2021	31 December 2020
Debt securities	16,338,100	20,296,499
Bills	–	999,595
Interest accrued	4,551	7,336
Total	16,342,651	21,303,430

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29 DEPOSITS FROM CUSTOMERS

	30 June 2021	31 December 2020
Demand deposits		
– Corporate deposits	71,707,778	73,645,804
– Personal deposits	28,022,444	30,426,964
Sub-total	99,730,222	104,072,768
Time deposits		
– Corporate deposits	105,735,439	102,023,433
– Personal deposits	84,450,474	77,347,598
Sub-total	190,185,913	179,371,031
Pledged deposits		
– Acceptances	22,270,810	22,544,745
– Letters of guarantees	589,165	644,650
– Letters of credit	7,010,418	5,137,317
– Others	1,636,942	1,948,640
Sub-total	31,507,335	30,275,352
Others	2,201,880	511,269
Sub-total	2,201,880	511,269
Interest accrued	2,351,698	2,282,315
Total	325,977,048	316,512,735

Deposits from customers are measured at amortised cost.

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30 DEBT SECURITIES ISSUED

	Note	30 June 2021	31 December 2020
Financial bonds	(a)	3,397,273	3,396,793
Tier-two capital bonds	(b)	4,998,441	4,998,301
Interbank deposits		80,934,718	84,639,629
Interest accrued		135,689	129,334
Total		89,466,121	93,164,057

(a) Financial bonds

Fixed rate financial bonds of RMB1.4 billion with a term of three years was issued in November 2020 by Henan Jiuding Financial Leasing Co., Ltd.. The coupon rate is 4.20% per annum.

Fixed rate green financial bonds of RMB2.0 billion with a term of three years was issued in June 2019. The coupon rate is 3.70% per annum.

(b) Tier-two capital bonds

Fixed rate tier-two capital bonds of RMB2.0 billion with a term of ten years were issued in March 2017. The coupon rate is 4.80% per annum.

Fixed rate tier-two capital bonds of RMB3.0 billion with a term of ten years were issued in December 2016. The coupon rate is 4.10% per annum.

31 OTHER LIABILITIES

	Note	30 June 2021	31 December 2020
Accrued staff costs	(a)	489,036	794,032
Lease payable		585,381	716,358
Dormant accounts		41,389	35,572
Payment and collection clearance accounts		474,732	194,292
Dividend payable		28,329	28,329
Expected credit losses of credit commitment	(b)	212,150	211,170
Lease liabilities	(c)	353,234	347,056
Continuously involved liabilities	23(d)	588,853	588,853
Others		610,575	647,693
Total		3,383,679	3,563,355

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31 OTHER LIABILITIES (CONTINUED)

(a) Accrued staff costs

	Note	30 June 2021	31 December 2020
Salary, bonuses and allowances payable		261,484	619,831
Social insurance and annuity payable		35,388	106
Housing allowances payable		47	78
Labor union fee, staff and workers' education fee		5,927	2,309
Supplementary retirement benefits payable	(1)	186,190	171,708
Total		489,036	794,032

(1) Supplementary retirement benefits ("SRB")

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

The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period. The Group's obligations in respect of the SRB were accessed using projected unit credit method by qualified staff (a member of society of Actuaries in China) of an external independent actuary: Towers Watson Management Consulting (Shenzhen) Co., Ltd.. The signed actuaries are North American Actuary (FSA) and Chinese Actuary (FCAA).

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

	30 June 2021	31 December 2020
Present value of early retirement plan	16,569	17,326
Present value of supplementary retirement plan	169,621	154,382
Total	186,190	171,708

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31 OTHER LIABILITIES (CONTINUED)

(a) Accrued staff costs (Continued)

(1) Supplementary retirement benefits ("SRB") (Continued)

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

	30 June 2021	31 December 2020
As at 1 January	171,708	183,231
Benefits paid during the period/year	(6,736)	(15,415)
Defined benefit cost recognised in profit or loss	19,389	4,837
Defined benefit cost recognised in other comprehensive income	1,829	(945)
As at 30 June/31 December	186,190	171,708

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

Early retirement plan	30 June 2021	31 December 2020
Discount rate	2.75%	2.80%
Retired age		
– Male	60	60
– Female	55	55
Annual increase rate of internal salary	6.00%	6.00%
Supplementary retirement plan	30 June 2021	31 December 2020
Discount rate	3.25%	3.50%
Retired age		
– Male	60	60
– Female	55	55
Death rate for age 20 – 105	30 June 2021	31 December 2020
– Male	0.0248% – 100%	0.0248% – 100%
– Female	0.012% – 100%	0.012% – 100%

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31 OTHER LIABILITIES (CONTINUED)

(b) Expected credit losses of credit commitment

As at 30 June 2021 and 31 December 2020, movements of expected credit losses of credit commitment during the period/year are as follows:

	30 June 2021			Total
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at 1 January 2021	195,496	589	15,085	211,170
Transferred:				
– to 12-months ECL	3,750	(280)	(3,470)	–
– to lifetime ECL not credit-impaired	(124)	777	(653)	–
– to lifetime ECL credit-impaired	–	(9)	9	–
(Reversal)/charge for the period	(5,015)	847	5,148	980
As at 30 June 2021	194,107	1,924	16,119	212,150

	31 December 2020			Total
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at 1 January 2020	284,626	583	2,414	287,623
Transferred:				
– to 12-months ECL	487	(28)	(459)	–
– to lifetime ECL not credit-impaired	(11)	34	(23)	–
– to lifetime ECL credit-impaired	(15)	(40)	55	–
(Reversal)/charge for the year	(89,591)	40	13,098	(76,453)
As at 31 December 2020	195,496	589	15,085	211,170

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31 OTHER LIABILITIES (CONTINUED)

(c) Lease liabilities

The maturity analysis of lease liabilities – undiscounted analysis:

	30 June 2021	31 December 2020
Within one year (inclusive)	115,073	109,106
Between one year and two years (inclusive)	92,224	87,003
Between two years and three years (inclusive)	70,617	69,133
Between three years and five years (inclusive)	93,158	99,755
More than five years	30,033	41,945
Total undiscounted lease liabilities	401,105	406,942
Total	353,234	347,056

32 SHARE CAPITAL

Authorised and issued share capital

	30 June 2021	31 December 2020
Ordinary shares listed in Mainland China (A-share)	5,844,325	5,844,325
Ordinary shares listed in Hong Kong (H-share)	1,669,800	1,669,800
Total	7,514,125	7,514,125

In December 2015, the Bank issued 1,200 million H-shares with a par value of RMB1 at an offering price of HKD3.85 per share (the “H-share offering”). The premium arising from the H-share offering amounting to RMB2,562 million was recorded in capital reserve. Immediately following the H-share offering, 120 million ordinary shares in Mainland China shares held by the National Council and Social Security Fund were converted to H-shares pursuant to the relevant PRC regulations relating to the reduction of state-owned shares.

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32 SHARE CAPITAL (CONTINUED)

Authorised and issued share capital (Continued)

In January 2016, the Bank issued 180 million H-shares (H-shares' over-allotment option) with a par value of RMB1 at an offering price of HKD3.85 per share. The premium arising from the offering amounting to RMB392 million was recorded in capital reserve.

In September 2018, the Bank issued 600 million A-shares with a par value of RMB1 at an offering price of RMB4.59 per share (the "A-share offering"). The premium arising from the A-share offering amounting to RMB2,109 million was recorded in capital reserve.

In June 2020, the Bank converted capital reserve to share capital on the basis of 1 share for every 10 shares offered to all shareholders, and the total number of shares increased was 592 million.

In November 2020, the Bank issued 1 billion A-shares with a par value of RMB1 at an offering price of RMB4.64 per share (the "non-public A-share offering"). The premium arising from the non-public A-share offering amounting to RMB3,632 million was recorded in capital reserve.

All the above H-shares have been listed on the Stock Exchange of Hong Kong Limited since 20 January 2016. The H-shares rank pari passu in all respects with the existing A-share listed in Mainland China including the right to receive all dividends and distributions declared or made.

33 RESERVES

(a) Capital reserve

	30 June 2021	31 December 2020
Share premium	8,139,288	8,139,288
Others	64,615	64,615
Total	8,203,903	8,203,903

(b) Surplus reserve

The surplus reserve at the end of the reporting period represented statutory surplus reserve fund and discretionary surplus reserve fund.

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

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

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33 RESERVES (CONTINUED)

(c) General reserve

With effect from 1 July 2012, pursuant to the “Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)” issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis.

(d) Fair value reserve

	30 June 2021	31 December 2020
As at 1 January	(698,206)	97,063
Change in fair value/credit losses recognised in other comprehensive income	(7,597,620)	689,271
Transfer to profit or loss upon disposal	8,175,740	(1,749,630)
Less: deferred income tax	(144,530)	265,090
Sub-total	433,590	(795,269)
As at 30 June/31 December	(264,616)	(698,206)

(e) Remeasurement of net defined benefit liability

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

	30 June 2021	31 December 2020
As at 1 January	(60,953)	(46,424)
Remeasurement of net defined benefit liability	2,439	(945)
Less: deferred income tax	(610)	15,474
Sub-total	(1,829)	(14,529)
As at 30 June/31 December	(62,782)	(60,953)

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33 RESERVES (CONTINUED)

(f) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Bank's individual components of equity between the beginning and the end of the period/year are set out below:

The Bank

Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2021	7,514,125	7,825,508	8,203,961	2,976,573	6,971,200	(698,206)	(60,953)	11,426,923	44,159,131
Profit for the period	-	-	-	-	-	-	-	2,367,751	2,367,751
Other comprehensive income	-	-	-	-	-	433,590	(1,829)	-	431,761
Total comprehensive income	-	-	-	-	-	433,590	(1,829)	2,367,751	2,799,512
Balance at 30 June 2021	7,514,125	7,825,508	8,203,961	2,976,573	6,971,200	(264,616)	(62,782)	13,794,674	46,958,643

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

33 RESERVES (CONTINUED)

(f) Movements in components of equity (Continued)

The Bank (Continued)

	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2020		5,921,932	7,825,508	5,163,713	2,675,548	6,513,200	97,076	(46,424)	10,261,329	38,411,882
Profit for the year		-	-	-	-	-	-	-	3,010,254	3,010,254
Other comprehensive income		-	-	-	-	-	(795,282)	(14,529)	-	(809,811)
Total comprehensive income		-	-	-	-	-	(795,282)	(14,529)	3,010,254	2,200,443
Share capital invested by Private A-Share holders		1,000,000	-	3,632,441	-	-	-	-	-	4,632,441
Appropriation of profit:										
- Appropriation to surplus reserve	34(b)	-	-	-	301,025	-	-	-	(301,025)	-
- Appropriation to general reserve	34(c)	-	-	-	-	458,000	-	-	(458,000)	-
- Cash dividend on ordinary shares	35	-	-	-	-	-	-	-	(592,193)	(592,193)
- Cash dividend on preference shares	35	-	-	-	-	-	-	-	(493,442)	(493,442)
Capital reserve converted into share capital		592,193	-	(592,193)	-	-	-	-	-	-
Sub-total		1,592,193	-	3,040,248	301,025	458,000	-	-	(1,844,660)	3,546,806
Balance at 31 December 2020		7,514,125	7,825,508	8,203,961	2,976,573	6,971,200	(698,206)	(60,953)	11,426,923	44,159,131

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

34 PROFIT DISTRIBUTION

(a) Dividends for Ordinary Shares

In accordance with the resolution of the Bank's board of directors meeting held on 30 March 2021, conversion of capital reserve to share capital on the basis of 1 share for every 10 shares to all shareholders the year ended 31 December 2020 resulting in the increase in total number of shares by 751.41 million shares has been proposed.

As the resolution in respect of the 2020 profit distribution and capital reserve capitalization plan was not passed by the H Shareholders at the 2021 First H Shareholders Class Meeting, the Capitalization Issue as proposed in the relevant resolution will not proceed.

(b) Dividends for Preference Shares

As per the resolution and authorization of the General Meeting, the Bank reviewed and approved the Proposal on Distribution of Dividends for Preference Shares at the meeting of its Board of Directors on 28 August 2020, permitting the Bank to distribute the dividends on the Bank's offshore preference shares on 19 October 2020.

Dividends on the Bank's offshore preference shares are paid annually in cash, and calculated based on the aggregate value of the offshore preference shares. Dividends on the preference shares are non-cumulative. Holders of preference shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution plan in the preference share issuance proposal, the Bank distributed a dividend of USD72.78 million, aggregating to RMB493.44 million at the rate on dividend declared date. In practice, the dividend was distributed in the currency of the preference share. According to relevant laws, when the Bank distributes dividends for preference shares, the enterprise income tax shall be withheld by the Bank at a rate of 10%. According to the requirements of the terms and conditions of the offshore preference shares, the Bank shall pay the relevant taxes, in addition to the dividends for offshore preference shares.

(c) Retained earnings

As at 30 June 2021, retained earnings of the Group included the statutory surplus reserve of RMB44 million appropriated by the subsidiaries and attributable to the Bank (31 December 2020: RMB44 million).

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(Expressed in thousands of Renminbi, unless otherwise stated)

35 OTHER EQUITY INSTRUMENTS

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

Financial instrument outstanding	Time issued	Classifications	Dividend		Quantities	In original currency million	In RMB million	Maturity	Conversion conditions
			yield ratio/ Interest rate	Issue price					
Offshore preference shares	2017/10/18	Equity	5.50%	USD20/share	59,550,000	1,191	7,860	None	Mandatory conversion trigger events
Less: issuing cost							(34)		
Book value							7,826		

(b) Main clause

(1) Dividend

Fixed rate for a certain period after issuance. Dividend reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread. The fixed spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate.

The fixed spread will remain unchanged throughout the term of the preference shares. Dividends will be paid annually.

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

35 OTHER EQUITY INSTRUMENTS (CONTINUED)

(b) Main clause (Continued)

(2) *Dividend accumulation*

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

(3) *Distribution of residual profits*

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

(4) *Mandatory conversion trigger events*

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

35 OTHER EQUITY INSTRUMENTS (CONTINUED)

(b) Main clause (Continued)

(5) Conditional redemption

From the fifth year following the date of issuance of the offshore preference shares, and subject to obtaining the approval of the CBIRC or its affiliates and the compliance with the relevant requirements, the Bank shall have the right to redeem all or part of the offshore preference shares.

The redemption price of the offshore preference shares will be an amount equal to the issue price plus the amount of dividend declared but unpaid for the current period.

36 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Cash and cash equivalents comprise:

	30 June 2021	30 June 2020
Cash on hand	990,035	1,269,553
Surplus deposit reserves with central bank	6,601,810	8,237,921
Deposits with banks and other financial institutions with original maturity of three months or less	2,740,320	2,513,906
Placements with banks and other financial institutions with original maturity of three months or less	3,885,619	1,868,117
Total	14,217,784	13,889,497

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above shareholding.

Shareholding in the Bank:

	30 June 2021	31 December 2020
Zhengzhou Finance Bureau	7.23%	7.23%
Zhengzhou Investment Holdings Co., Ltd.	5.44%	5.44%

(ii) Subsidiaries and associates of the Bank

The detailed information of the Bank's subsidiaries and associates is set out in Note 20.

(iii) Other related parties

Other related parties can be individuals or enterprises, which include: members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 37 (a)(i) or their controlling shareholders. Other related parties also include post-employment benefit plans of the Bank (Note 31(a)).

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances

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

(i) Transactions with major shareholders

	30 June 2021	31 December 2020
Balances at the end of the period/year:		
Deposits from customers	553,625	1,635,155
Other liabilities	63,686	63,686
	Six months ended 30 June	
	2021	2020
Transactions during the period:		
Interest expense	98	16,525

(ii) Transactions with subsidiaries

	30 June 2021	31 December 2020
Balances at the end of the period/year:		
Deposits/placements with banks and other financial institutions	–	100,000
Guarantee for subsidiaries	170,000	170,000
Deposits from banks and other financial institutions	840,084	923,777
	Six months ended 30 June	
	2021	2020
Transactions during the period:		
Interest expense	2,809	10,837

The above balances and transactions with subsidiaries have been eliminated in full in the consolidated financial statements.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances (Continued)

(iii) Transactions with associates

	30 June 2021	31 December 2020
Balances at the end of the period/year:		
Deposits/placements with banks and other financial institutions	934	931
Deposits from banks and other financial institutions	2,305,317	610,508
	Six months ended 30 June	
	2021	2020
Transactions during the period:		
Interest income	–	1,870
Interest expense	7,743	3,671

(iv) Transactions with other major related parties

	30 June 2021	31 December 2020
Balances at the end of the period/year:		
Loans and advances to customers	7,359,984	7,955,720
Financial investments measured at amortised cost	4,290,353	5,363,587
Financial investments at fair value through profit or loss	833,029	428,467
Deposits from customers	5,832,721	3,163,392
Deposits from banks and other financial institutions	164,938	212,776
	Six months ended 30 June	
	2021	2020
Transactions during the period:		
Interest income	209,976	475,310
Net trading gains	–	4,681
Interest expense	50,204	26,918
Fee and commission income	100,565	122,290

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Key management personnel

(i) Transactions with key management personnel

	30 June 2021	31 December 2020
Balances at the end of the period/year:		
Loans and advances to customers	5,177	7,788
Deposits from customers	17,099	29,262
	Six months ended 30 June	
	2021	2020
Transactions during the period:		
Interest income	113	217
Interest expense	144	435

(ii) Key management personnel remuneration

	Six months ended 30 June	
	2021	2020
Salaries and other emoluments	5,966	5,731
Discretionary bonuses	12,938	14,756
Contribution by the employee to social insurance and welfare plans, housing allowances, etc.	644	806
Total	19,548	21,293

No post-employment benefits, termination benefits or other long-term benefits were provided to key management personnel for the period ended 30 June 2021 and 30 June 2020.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Key management personnel (Continued)

(iii) Loans to key officers

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

	30 June 2021	31 December 2020
Aggregate amount of relevant loans outstanding as at the period/year end	5,177	7,788
Maximum aggregate amount of relevant loans outstanding during the period/year	5,177	8,334

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

38 SEGMENT REPORTING

(a) Business Segment

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

Corporate banking

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

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

38 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

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, remittance and settlement services, and collection and payment agency services.

Treasury business

This segment covers the Group's treasury business including interbank money market transactions, repurchases transactions and investments. The treasury segment also covers management of the Group's overall liquidity position, including issuance of debts.

Others

These represent equity investment and related income and any other business which cannot form a single reportable segment.

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

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/expense". Net 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 income tax assets. Segment income, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment, intangible assets and other long-term assets.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

38 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	Six months ended 30 June 2021				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	3,619,465	424,847	1,724,277	–	5,768,589
Internal net interest income/(expense)	115,997	554,067	(670,064)	–	–
Net interest income	3,735,462	978,914	1,054,213	–	5,768,589
Net fee and commission income	87,605	15,794	619,317	–	722,716
Net trading gains	–	–	279,268	–	279,268
Net gains arising from investments	–	–	141,207	–	141,207
Other operating income	–	–	–	33,084	33,084
Operating income	3,823,067	994,708	2,094,005	33,084	6,944,864
Operating expenses	(728,862)	(286,923)	(350,755)	(13,299)	(1,379,839)
Impairment losses on assets	(1,704,438)	66,183	(772,679)	–	(2,410,934)
Operating profit	1,389,767	773,968	970,571	19,785	3,154,091
Share of profits of associates	–	–	–	7,090	7,090
Profit before taxation	1,389,767	773,968	970,571	26,875	3,161,181
Other segment information					
– Depreciation and amortisation	120,545	47,168	58,132	2,186	228,031
– Capital expenditure	91,455	36,539	45,815	649	174,458

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

38 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	30 June 2021				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	236,227,574	85,721,623	244,985,903	985,283	567,920,383
Deferred tax assets					4,049,197
Total assets					571,969,580
Segment liabilities/total liabilities	212,421,658	115,031,574	193,807,719	1,768,350	523,029,301
Credit commitments	124,325,778	4,597,627	–	–	128,923,405

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

38 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	Six months ended 30 June 2020 (Restated)				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	2,457,667	474,840	2,514,800	–	5,447,307
Internal net interest income/(expense)	583,881	526,049	(1,109,930)	–	–
Net interest income	3,041,548	1,000,889	1,404,870	–	5,447,307
Net fee and commission income	294,708	24,734	712,599	–	1,032,041
Net trading gains	65,905	–	336,213	–	402,118
Net gains arising from investments	–	–	792,343	–	792,343
Other operating income	–	–	–	6,715	6,715
Operating income	3,402,161	1,025,623	3,246,025	6,715	7,680,524
Operating expenses	(652,887)	(236,800)	(517,305)	(11,508)	(1,418,500)
Impairment losses on assets	(1,724,265)	(697,620)	(787,800)	–	(3,209,685)
Operating profit/(loss)	1,025,009	91,203	1,940,920	(4,793)	3,052,339
Share of profits of associates	–	–	–	30,081	30,081
Profit before taxation	1,025,009	91,203	1,940,920	25,288	3,082,420
Other segment information					
– Depreciation and amortisation	114,412	68,767	35,022	–	218,201
– Capital expenditure	133,661	48,169	110,584	1,081	293,495

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

38 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	31 December 2020				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	211,200,268	81,741,903	250,158,472	993,839	544,094,482
Deferred tax assets					3,718,962
Total assets					547,813,444
Segment liabilities/total liabilities	207,538,269	110,336,551	182,410,317	1,556,386	501,841,523
Credit commitments	130,081,311	3,890,102	–	–	133,971,413

(b) Geographical information

Geographically, the Group mainly conducts its business in Henan Province of the PRC and majority of its customers and assets are located in Henan Province of the PRC.

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39 RISK MANAGEMENT

The Group is primarily exposed to credit, interest rate, currency and liquidity risks from its use of financial instruments in the normal course of the Group's operations. This note mainly presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and minimise potential adverse effects.

The Board of Directors (the "Board") is the highest decision-making authority within the Group in terms of risk management and oversees the Group's risk management functions through the Risk Management Committee. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Senior management is the highest execution level in the risk management structure and reports directly to the Risk Management Committee of the Board. Based on the risk management strategies determined by the Board, senior management is responsible for formulating and implementing risk management policies and systems, as well as supervising, identifying and controlling the risks that various businesses are exposed to.

(a) Credit risk

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

Credit business

The Board is responsible for establishing the Group's risk management strategies and the overall risk tolerance level. The Board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies, ensures that credit risk in various businesses are properly identified, assessed, calculated and monitored. The Credit Management Department is responsible for credit risk management. Departments such as the Credit Approval Department, the Corporate Business Department, the Retail Banking Department, the Financial Department of Small Business, Investment Bank Department, and the Financial Markets Department carry out credit businesses and investments portfolios business according to the Group's risk management policies and procedures. The Group adopts a loan risk classification approach to manage its loan portfolio risk.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Treasury Business

The Group's treasury business are exposed to the credit risk associated with the investment business and interbank business. The Group manages the credit risk exposures by setting up credit on its treasury business and interbank business. Credit risk exposure is closely monitored on a systematic, real-time basis. Credit risk limits are reviewed and updated regularly.

Measurement of ECL

Based on whether there is a significant increase in credit risk and whether the asset has incurred credit impairment, the Group measures provision for loss of different assets with 12-month ECL or lifetime ECL respectively.

The Group measures loss provision of the financial instruments that meet the following conditions according to the amount of expected credit losses within the next 12 months, and measures loss provision for other financial instruments in accordance with the amount of lifetime expected credit losses.

- The financial instruments that are determined to have low credit risk at the reporting date; or
- The financial instruments for which credit risk has not increased significantly since initial recognition.

(i) Significant increase in credit risk

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

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(i) Significant increase in credit risk (Continued)

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

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

(ii) Definition of “default” and “credit-impaired assets”

When a financial instrument meets one or more of the following conditions, the Group considers the financial asset to be in default, and the criteria are consistent with the definition of credit-impaired assets.

(1) Quantitative criterion

The financial asset is more than 90 days past due.

(2) Qualitative criterion

The borrower meets the criterion of “having difficulty in repayment”, which indicates that the borrower has significant financial difficulty, including:

- the borrower has been in the grace period for a long time
- the death of the borrower
- the borrower enters bankruptcy
- the borrower breaches (one or more) terms of the contract that the debtor shall be subject to
- the disappearance of an active market for the related financial asset because of financial difficulties faced by the borrower
- the creditor make concessions due to the financial difficulties faced by the borrower

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(ii) Definition of “default” and “credit-impaired assets” (Continued)

(2) Qualitative criterion (Continued)

- it becoming probable that the borrower will enter bankruptcy
- a higher discount was obtained during the acquisition of assets, and the assets has incurred credit loss when they are acquired

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

(iii) Notes to the parameters, assumptions and valuation techniques

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

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

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

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

- In respect of the loans with instalment repayments and bullet repayment, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on prediction of over-limit repayment and prepayments/refinancing made by the borrower.
- In respect of the products of revolving credit agreement, the Group estimates the remaining withdrawal within the limits by using the balance of the loan after previous withdrawals and the “credit conversion factor”, so as to predict the exposure at default. Based on the Group’s analysis on recent default data, these assumptions vary based on differences in product type and utilization rate of the limits.
- The Group determines the 12-month LGD and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.
- As to loans classified as guarantees, the Group determines the LGD according to the types of collaterals and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.
- As to fiduciary loans, the Group usually determines LGD in the product level due to the limited differences in recoverable amounts from different borrowers. The LGD is affected by the recovery strategies, which include the transfer plan and pricing of loans.
- Forward-looking economic information should be considered when determining the 12-month and lifetime PD, EAD and LGD. Forward-looking information that need to be considered is different due to different product types.

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

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

Both the assessment of the significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including GDP, industrial added value, CPI, etc.

There has been no significant changes in the valuation techniques and key assumptions during the reporting period.

(1) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the carrying amount of each type of financial assets as at the end of each of the reporting period. The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of each of the reporting period is disclosed in Note 41(a).

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(2) Loans and advances to customers

(i) Loans and advances to customers were analysed as follows:

	30 June 2021	31 December 2020
Gross balance of loans and advances that are assessed for 12-month ECL		
– Overdue but not credit-impaired	1,262,764	149,166
– Neither overdue nor credit-impaired	250,314,340	225,066,268
Sub-total	251,577,104	225,215,434
Gross balance of loans and advances that are not credit-impaired and assessed for lifetime ECL		
– Overdue but not credit-impaired	2,119,860	1,556,280
– Neither overdue nor credit-impaired	7,775,391	4,445,098
Sub-total	9,895,251	6,001,378
Gross balance of credit-impaired loans and advances that are assessed for lifetime ECL		
– Overdue and credit-impaired	5,105,625	5,535,445
– Not overdue but credit-impaired	1,597,653	1,206,933
Sub-total	6,703,278	6,742,378
Interest accrued	1,171,149	1,046,446
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(8,117,746)	(7,755,623)
Net loans and advances to customers	261,229,036	231,250,013

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(2) Loans and advances to customers (Continued)

(ii) Neither overdue nor credit-impaired

Credit risk of loans and advances to customers neither overdue nor credit-impaired was analysed as follows:

	30 June 2021	31 December 2020
Corporate loans and advances	186,660,617	164,201,583
Personal loans and advances	71,429,114	65,309,783
Total gross balance	258,089,731	229,511,366

(iii) Overdue but not credit-impaired

The following tables present the overdue analysis of each type of loans and advances to customers of the Group which were overdue but not credit-impaired.

	30 June 2021		Total
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	
Corporate loans and advances	2,177,293	946,655	3,123,948
Personal loans and advances	126,350	132,326	258,676
Total gross balance	2,303,643	1,078,981	3,382,624

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(2) Loans and advances to customers (Continued)

(iii) Overdue but not credit-impaired (Continued)

	31 December 2020		Total
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	
Corporate loans and advances	688,978	597,641	1,286,619
Personal loans and advances	176,637	242,190	418,827
Total gross balance	865,615	839,831	1,705,446

Fair value of collateral held against loans and advances overdue but not credit-impaired was analysed as follows:

	30 June 2021	31 December 2020
Fair value of collateral held against loans and advances overdue but not credit-impaired	3,320,676	1,518,197

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

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(2) Loans and advances to customers (Continued)

(iv) Credit-impaired loans

Credit-impaired loans were analysed as follows:

	30 June 2021	31 December 2020
Gross balance		
Corporate loans and advances	5,027,405	5,142,051
Personal loans and advances	1,675,873	1,600,327
Sub-total	6,703,278	6,742,378
Interest accrued		
Corporate loans and advances	64,507	75,910
Personal loans and advances	187	209
Sub-total	64,694	76,119
Provision for impairment losses		
Corporate loans and advances	(2,446,992)	(2,440,746)
Personal loans and advances	(750,802)	(739,587)
Sub-total	(3,197,794)	(3,180,333)
Net balance		
Corporate loans and advances	2,644,920	2,777,215
Personal loans and advances	925,258	860,949
Total	3,570,178	3,638,164
Fair value of collateral held against credit-impaired loans and advances	7,437,646	7,537,363

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(2) Loans and advances to customers (Continued)

(iv) Credit-impaired loans (Continued)

The above collateral mainly included land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(3) Amounts due from banks and other financial institutions

The Group adopts an internal credit rating approach in managing the credit risk of amounts due from banks and other financial institutions. The distribution according to the credit rating of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

	30 June 2021	31 December 2020
Carrying amount		
– grade A to AAA	10,019,276	9,999,053
– unrated	2,237,457	4,027,759
Total	12,256,733	14,026,812

As at 30 June 2021 and 31 December 2020, amounts due from banks and other financial institutions of the Group were neither overdue nor credit-impaired.

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(4) Debt securities investments

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held. The ratings are obtained from major rating agencies such as Wind. The gross balance amounts of debt securities investments analysed by rating as at the end of the reporting period/year are as follows:

	30 June 2021						
	Unrated	AAA	AA+	AA	AA-	Below A	Total
Debt securities							
– Government	-	47,877,748	-	-	-	-	47,877,748
– Policy banks	-	41,120,866	-	-	-	-	41,120,866
– Banks and other financial institutions	655,904	818,971	-	-	-	-	1,474,875
– Corporate	2,027,720	409,721	572,514	676,294	-	1,245,789	4,932,038
Total	2,683,624	90,227,306	572,514	676,294	-	1,245,789	95,405,527

	31 December 2020						
	Unrated	AAA	AA+	AA	AA-	Below A	Total
Debt securities							
– Government	-	40,932,705	-	-	-	-	40,932,705
– Policy banks	-	40,317,999	-	-	-	-	40,317,999
– Banks and other financial institutions	1,282,624	505,855	83,085	-	-	-	1,871,564
– Corporate	2,724,288	601,810	1,095,475	374,276	54,737	1,717,475	6,568,061
Total	4,006,912	82,358,369	1,178,560	374,276	54,737	1,717,475	89,690,329

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(5) Financial investments measured at amortised cost

The Group

	30 June 2021	31 December 2020
Balance of financial investments measured at amortised cost that are assessed for 12-months ECL		
– Overdue but not credit-impaired	2,424,850	–
– Neither overdue nor credit-impaired	146,731,943	151,903,464
Less: Provision for impairment losses	(592,889)	(781,360)
Sub-total	148,563,904	151,122,104
Balance of not credit-impaired financial investments measured at amortised cost that are assessed for lifetime ECL		
– Overdue but not credit-impaired	–	–
– Neither overdue nor credit-impaired	4,500,982	2,488,948
Less: Provision for impairment losses	(473,521)	(355,976)
Sub-total	4,027,461	2,132,972
Balance of credit-impaired financial investments measured at amortised cost that are assessed for lifetime ECL		
– Overdue and credit-impaired	13,600,327	11,905,975
Less: Provision for impairment losses	(3,629,706)	(2,744,272)
Sub-total	9,970,621	9,161,703
Interest accrued	1,645,963	1,813,790
Total	164,207,949	164,230,569
Fair value of collaterals held against credit-impaired financial investments that are measured at amortised cost	15,936,798	13,012,098

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, exchange rates, commodity prices, stock prices and other prices. The market risk management aims to manage and monitor market risk, control the potential losses associated with market risk within the acceptable limit and maximise the risk-adjusted income.

The Board is responsible for approving the market risk management strategies and policies, determining the acceptable level of market risk and authorising the Risk Management Committee to supervise the market risk management conducted by the senior management. The Risk Management Department, the Financial Markets Department and the Asset and Liability Management Department are responsible for identifying, measuring, monitoring and reporting the market risk.

The Group employed sensitivity analysis, interest repricing gap analysis, foreign currency gap analysis, stress testing and effective duration analysis to measure and monitor the market risk.

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

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

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

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) *Interest rate risk*

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

(i) *Repricing risk*

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

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

	30 June 2021					
	Total	Non-interest bearing	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	30,114,089	1,798,968	28,315,121	-	-	-
Deposits/placements with banks and other financial institutions	7,005,315	1,172	6,974,143	30,000	-	-
Financial assets held under resale agreements	5,251,418	876	5,250,542	-	-	-
Loans and advances to customers (1)	261,229,036	1,171,149	92,278,310	77,203,121	83,914,322	6,662,134
Investments (2)	229,765,195	2,223,944	42,514,495	40,443,133	101,747,505	42,836,118
Lease receivables (1)	28,047,988	329,456	23,957,438	3,601,575	-	159,519
Others	10,556,539	10,556,539	-	-	-	-
Total assets	571,969,580	16,082,104	199,290,049	121,277,829	185,661,827	49,657,771
Liabilities						
Due to central bank	27,024,291	742,426	8,410,709	17,871,156	-	-
Deposits/placements from banks and other financial institutions	59,817,412	516,526	23,581,686	35,719,200	-	-
Financial assets sold under repurchase agreements	16,342,651	4,551	16,338,100	-	-	-
Deposits from customers	325,977,048	6,150,078	125,600,081	59,425,376	134,801,459	54
Debt securities issued	89,466,121	135,689	29,906,922	53,027,796	1,395,714	5,000,000
Others	4,401,778	4,401,778	-	-	-	-
Total liabilities	523,029,301	11,951,048	203,837,498	166,043,528	136,197,173	5,000,054
Asset-liability gap	48,940,279	4,131,056	(4,547,449)	(44,765,699)	49,464,654	44,657,717

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

	31 December 2020					
	Total	Non-interest bearing	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	36,492,083	1,512,541	34,979,542	-	-	-
Deposits/placements with banks and other financial institutions	5,441,165	1,034	5,140,131	300,000	-	-
Financial assets held under resale agreements	8,585,647	1,448	8,584,199	-	-	-
Loans and advances to customers (1)	231,250,013	1,046,447	41,441,609	110,329,250	71,147,326	7,285,381
Investments (2)	233,077,557	2,380,546	44,294,016	39,090,587	98,221,903	49,090,505
Lease receivables (1)	22,565,825	280,757	19,360,144	2,924,924	-	-
Others	10,401,154	10,401,154	-	-	-	-
Total assets	547,813,444	15,623,927	153,799,641	152,644,761	169,369,229	56,375,886
Liabilities						
Due to central bank	25,966,645	234,295	6,127,627	19,604,723	-	-
Deposits/placements from banks and other financial institutions	40,677,997	352,834	17,222,793	23,102,370	-	-
Financial assets sold under repurchase agreements	21,303,430	7,336	21,296,094	-	-	-
Deposits from customers	316,512,735	2,747,184	128,633,885	46,898,982	138,232,684	-
Debt securities issued	93,164,057	129,334	3,400,033	81,239,596	3,395,094	5,000,000
Others	4,216,659	4,216,659	-	-	-	-
Total liabilities	501,841,523	7,687,642	176,680,432	170,845,671	141,627,778	5,000,000
Asset-liability gap	45,971,921	7,936,285	(22,880,791)	(18,200,910)	27,741,451	51,375,886

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39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

- (1) For the Group's loans and advances to customers, the category "Within three months (inclusive)" as at 30 June 2021 includes overdue amounts (net of allowance for impairment losses) of RMB5,674 million (31 December 2020: RMB4,371 million). For the Group's lease receivables, the category "Within three months (inclusive)" as at 30 June 2021 includes overdue amounts (net of allowance for impairment losses) of RMB362 million (31 December 2020: RMB375 million).
- (2) As at 30 June 2021, investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments measured at amortised cost and interest in associates, the category "Within three months (inclusive)" as at 30 June 2021 includes overdue amounts (net of allowance for impairment losses) of RMB11,042 million (31 December 2020: RMB6,980 million).

(ii) Interest rate sensitivity analysis

	30 June 2021 (Decrease)/ increase	31 December 2020 (Decrease)/ increase
Changes in net interest income		
Up 100 bps parallel shift in yield curves	(285,913)	(273,964)
Down 100 bps parallel shift in yield curves	285,913	273,964
	30 June 2021 (Decrease)/ increase	31 December 2020 (Decrease)/ increase
Changes in equity		
Up 100 bps parallel shift in yield curves	(1,161,076)	(1,316,977)
Down 100 bps parallel shift in yield curves	1,232,087	1,409,430

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39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

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

- All assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature in the beginning of the respective periods;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio, all the position will be held and keep unchanged after matured; and
- The analysis does not take into account the effect of risk management measures taken by the management.

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

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(2) Currency risk

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

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

	30 June 2021			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with central bank	29,833,214	276,847	4,028	30,114,089
Deposits/placements with banks and other financial institutions	1,935,155	4,878,472	191,688	7,005,315
Financial assets held under resale agreements	5,251,418	–	–	5,251,418
Loans and advances to customers	260,561,700	667,336	–	261,229,036
Investments (i)	220,914,522	8,850,673	–	229,765,195
Lease receivables	28,047,988	–	–	28,047,988
Others	10,456,474	100,065	–	10,556,539
Total assets	557,000,471	14,773,393	195,716	571,969,580
Liabilities				
Due to central bank	27,024,291	–	–	27,024,291
Deposits/placements from banks and other financial institutions	59,817,412	–	–	59,817,412
Financial assets sold under repurchase agreements	16,342,651	–	–	16,342,651
Deposits from customers	322,307,726	3,669,206	116	325,977,048
Debt securities issued	89,466,121	–	–	89,466,121
Others	3,725,933	196,329	479,516	4,401,778
Total liabilities	518,684,134	3,865,535	479,632	523,029,301
Net position	38,316,337	10,907,858	(283,916)	48,940,279
Off-balance sheet credit commitments	124,534,716	4,376,906	11,783	128,923,405

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39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(2) Currency risk (Continued)

	31 December 2020			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with central bank	36,359,440	129,070	3,573	36,492,083
Deposits/placements with banks and other financial institutions	2,841,115	2,431,742	168,308	5,441,165
Financial assets held under resale agreements	8,585,647	–	–	8,585,647
Loans and advances to customers	230,301,097	948,916	–	231,250,013
Investments (i)	223,832,722	9,244,835	–	233,077,557
Lease receivables	22,565,825	–	–	22,565,825
Others	9,957,151	444,003	–	10,401,154
Total assets	534,442,997	13,198,566	171,881	547,813,444
Liabilities				
Due to central bank	25,966,645	–	–	25,966,645
Deposits/placements from banks and other financial institutions	40,677,997	–	–	40,677,997
Financial assets sold under repurchase agreements	21,303,430	–	–	21,303,430
Deposits from customers	313,783,754	2,728,460	521	316,512,735
Debt securities issued	93,164,057	–	–	93,164,057
Others	3,545,635	185,999	485,025	4,216,659
Total liabilities	498,441,518	2,914,459	485,546	501,841,523
Net position	36,001,479	10,284,107	(313,665)	45,971,921
Off-balance sheet credit commitments	130,772,523	3,164,086	34,804	133,971,413

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

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39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(2) Currency risk (Continued)

	30 June 2021 Increase/ (decrease)	31 December 2020 Increase/ (decrease)
Change in profit after taxation and equity		
Up 100 bps change of foreign exchange rate	12,334	11,460
Down 100 bps change of foreign exchange rate	(12,334)	(11,460)

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

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

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

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. This risk exists even if a bank's solvency remains strong.

The Group has implemented the centralised management of the Group-wide liquidity risk and established a liquidity risk management structure which mainly comprises decision-making organization, execution organization and supervision organization. The responsibilities of them are as follows:

- The Board and its Risk Management Committee are the decision-making bodies for liquidity risk management that assume the ultimate responsibility for liquidity risk management and are responsible for formulating the guidelines and policies for liquidity risk management;
- Senior management and its Asset and Liability Management Committee, Asset and Liability Management Department and other relevant business departments are the executive bodies for liquidity risk management. Senior management is responsible for organization and implementation of liquidity risk management; the Asset and Liability Management Department is responsible for implementing relevant liquidity risk management policies, monitoring various liquidity risk indicators, formulating, implementing and evaluating relevant systems, setting the Group-wide risk warning limits, guiding various business departments to manage liquidity risk on a daily basis, regularly carrying out risk analysis and reporting to the Senior management;
- The Board of Supervisors, the Internal Audit Office under the Board and the Legal Affairs and Compliance Department are the supervisory bodies for liquidity risk management and are responsible for supervising and evaluating the fulfilment of duties of the Board and senior management in liquidity risk management.

The Group manages liquidity risk by monitoring the maturities of the assets and liabilities, while actively monitoring multiple liquidity indicators, including liquidity ratio, reserve ratio, liquidity coverage ratio, net stable funding ratio and liquidity matching ratio, etc.

The Group also formulates liquidity risk emergency plan to ensure sufficient liquidity under various market conditions.

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

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(1) Maturity analysis

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

	30 June 2021						Total
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets							
Cash and deposits with central bank	22,511,974	7,591,845	10,270	-	-	-	30,114,089
Deposits/placements with banks and other financial institutions	-	2,522,824	4,447,261	35,230	-	-	7,005,315
Financial assets held under resale agreements	-	-	5,251,418	-	-	-	5,251,418
Loans and advances to customers	4,365,814	2,055,695	26,993,068	80,491,762	94,106,578	53,216,119	261,229,036
Investments (i)	7,764,897	3,447,426	24,327,257	48,364,692	102,322,865	43,538,058	229,765,195
Lease receivables	234,962	1,038,865	2,169,340	6,769,644	17,682,947	152,230	28,047,988
Others	7,773,169	1,043,669	444,910	205,121	291,610	798,060	10,556,539
Total assets	42,650,816	17,700,324	63,643,524	135,866,449	214,404,000	97,704,467	571,969,580
Liabilities							
Due to central bank	-	-	8,057,501	18,966,790	-	-	27,024,291
Deposits/placements from banks and other financial institutions	-	1,635,581	22,226,547	35,955,284	-	-	59,817,412
Financial assets sold under repurchase agreements	-	-	16,342,651	-	-	-	16,342,651
Deposits from customers	-	105,915,703	25,834,456	59,425,376	134,801,459	54	325,977,048
Debt securities issued	-	-	29,906,922	53,163,485	1,395,714	5,000,000	89,466,121
Others	-	888,663	1,551,952	463,411	781,183	716,569	4,401,778
Total liabilities	-	108,439,947	103,920,029	167,974,346	136,978,356	5,716,623	523,029,301
Long/(short) position	42,650,816	(90,739,623)	(40,276,505)	(32,107,897)	77,425,644	91,987,844	48,940,279

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(1) Maturity analysis (Continued)

	31 December 2020						
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	Total
Assets							
Cash and deposits with central bank	22,017,154	14,463,038	11,891	-	-	-	36,492,083
Deposits/placements with banks and other financial institutions	-	2,025,591	3,115,574	300,000	-	-	5,441,165
Financial assets held under resale agreements	-	-	8,585,647	-	-	-	8,585,647
Loans and advances to customers	3,832,592	3,488,064	26,307,638	67,381,558	79,887,990	50,352,171	231,250,013
Investments (i)	7,703,144	-	22,722,008	50,156,403	102,503,340	49,992,662	233,077,557
Lease receivables	134,979	28,408	2,748,760	5,170,898	14,175,721	307,059	22,565,825
Others	8,082,516	96,535	910,050	201,270	300,353	810,430	10,401,154
Total assets	41,770,385	20,101,636	64,401,568	123,210,129	196,867,404	101,462,322	547,813,444
Liabilities							
Due to central bank	-	-	6,230,815	19,735,830	-	-	25,966,645
Deposits/placements from banks and other financial institutions	-	1,915,795	15,659,832	23,102,370	-	-	40,677,997
Financial assets sold under repurchase agreements	-	-	21,303,430	-	-	-	21,303,430
Deposits from customers	-	107,261,711	24,119,358	46,898,982	138,232,684	-	316,512,735
Debt securities issued	-	-	3,400,033	81,368,930	3,395,094	5,000,000	93,164,057
Others	-	1,246,035	795,264	422,443	719,705	1,033,212	4,216,659
Total liabilities	-	110,423,541	71,508,732	171,528,555	142,347,483	6,033,212	501,841,523
Long/(short) position	41,770,385	(90,321,905)	(7,107,164)	(48,318,426)	54,519,921	95,429,110	45,971,921

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(1) Maturity analysis (Continued)

- (i) Investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments measured at amortised cost and interest in associates. The “indefinite” period amount represents the balance being credit-impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not credit-impaired is included in “repayable on demand”.
- (ii) For cash and deposits with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with the PBOC. Equity investments are reported under indefinite period.
- (iii) For loans and advances to customers, the “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not impaired is included in “repayable on demand”.
- (iv) For lease receivables, the “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not impaired is included in “repayable on demand”.

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(2) Analysis on contractual counted cash flows of financial liabilities

(i) The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities at the end of the reporting period:

	30 June 2021						
	Carrying amount at 30 June	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Non-derivative cash flows:							
Due to central bank	27,024,291	27,330,878	-	8,110,132	19,220,746	-	-
Deposits/placements from banks and other financial institutions	59,817,412	60,913,215	1,635,391	22,409,258	36,868,566	-	-
Financial assets sold under repurchase agreements	16,342,651	16,345,105	-	16,345,105	-	-	-
Deposits from customers	325,977,048	339,864,798	106,004,144	23,998,982	60,404,336	149,457,060	276
Debt securities issued	89,466,121	91,850,114	-	30,017,758	54,224,042	2,389,314	5,219,000
Total	518,627,523	536,304,110	107,639,535	100,881,235	170,717,690	151,846,374	5,219,276

	31 December 2020						
	Carrying amount at 31 December	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Non-derivative cash flows:							
Due to central bank	25,966,645	26,617,229	-	6,373,435	20,243,794	-	-
Deposits/placements from banks and other financial institutions	40,677,997	41,647,223	2,049,956	15,833,978	23,763,289	-	-
Financial assets sold under repurchase agreements	21,303,430	21,322,010	-	21,322,010	-	-	-
Deposits from customers	316,512,735	327,867,827	107,342,309	22,339,322	47,862,173	150,324,023	-
Debt securities issued	93,164,057	95,889,494	-	3,601,519	82,510,281	4,462,694	5,315,000
Total	497,624,864	513,343,783	109,392,265	69,470,264	174,379,537	154,786,717	5,315,000

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(2) Analysis on contractual counted cash flows of financial liabilities (Continued)

(ii) The following tables provide an analysis of the contractual undiscounted cash flow of the derivative financial instruments at the end of the reporting period:

	30 June 2021						
	Carrying amount at 30 June	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Derivative cash flows:							
Derivative financial instruments settled on net basis	35,609	36,209	-	1,860	34,349	-	-

	31 December 2020						
	Carrying amount at 31 December	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Derivative cash flows:							
Derivative financial instruments settled on net basis	362,970	377,360	-	377,360	-	-	-

This analysis of financial liabilities by contractual undiscounted cash flow might vary from actual results.

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(d) Operational risk

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

The Group has formulated operational risk management policies and procedures, aiming to identify, assess, monitor, control and mitigate the operational risk, and reduce losses associated with the operational risk.

The Group's measures to manage the operational risk mainly include:

- making use of risk alert system and paying attention to risk product and early risk alert on each aspect of business; making business risk assessment in time; carrying out centralised risk management on major business controlling unit so as to reduce business operational risk;
- establishing a supervision system combining “on-site and off-site”, “regular and special”, “self and external” examinations, identifying, monitoring, collecting risk factors and risk signals in the course of business operations, using centralized operational risk management tools, supervising, analysing and reporting the sufficiency and effectiveness of operational risk management;
- the Compliance Department, the Risk Management Department and the Internal Audit Office constitute “three lines of defense” for operational risk management base on the separating responsibilities of the front, middle and the back offices. The Business and functional departments act as the first line of defense, the Compliance Department and the Risk Management Department act as the second line of defense and the Internal Audit Office acts as the third line of defense;
- establishing a compulsory leave and rotation policies to staff in key position or important process;
- establishing an expertise grade appraisal system for all employees, and selecting qualified employees through strict qualification examination and professional evaluation in accordance with the expertise and skills required by the various positions; and
- establishing a mechanism for emergency management and business continuity.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(e) Capital management

The Group manages capital mainly through capital adequacy ratio and return on equity ratio. Capital adequacy ratio is at the core of the Group's capital management, reflecting capacity of the Group for prudent operation and risk prevention. The return on equity ratio reflects the profitability of equity. The main objective of capital management is to maintain a balanced reasonable capital amount and structure in line with the business development and expected return on equity.

The Group follows the principles below with regard to capital management:

- monitor levels of asset quality based on the Group's business strategy and maintain adequate capital to support the implementation of the Group's strategic development plan and meet the regulatory requirements; and
- effectively identify, quantify, monitor, mitigate and control the major risks to which the Group is exposed, and maintain the appropriate level of capital after considering the Group's risk exposure and risk management needs.

The Group monitors the capital adequacy ratio periodically and adjusts the capital management plan when necessary to ensure the capital adequacy ratio meets both the regulatory requirements and business development needs.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

The Group calculates the capital adequacy ratios as at 30 June 2021 and 31 December 2020 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法) issued by the former CBRC in 2012 and relevant requirements promulgated by the CBIRC. The calculations based on statutory financial statements of the Group prepared under Accounting Standards for Business Enterprises are as follows:

	Note	30 June 2021	31 December 2020
Total core tier-one capital			
– Share capital		7,514,125	7,514,125
– Valid portion of capital reserve		8,203,903	8,203,903
– Fair value reserve		(264,616)	(698,206)
– Remeasurement of net defined benefit liability		(62,782)	(60,953)
– Surplus reserve		2,976,573	2,976,573
– General reserve		7,078,451	7,078,451
– Retained earnings		14,109,367	11,655,496
– Valid portion of minority interests		1,183,690	947,757
Core tier-one capital		40,738,711	37,617,146
Core tier-one capital deductions		(1,088,246)	(1,074,912)
Net core tier-one capital		39,650,465	36,542,234
Additional tier-one capital			
– Additional tier-one capital instruments and related premium		7,825,508	7,825,508
– Valid portion of minority interests		156,607	125,176
Net tier-one capital		47,632,580	44,492,918
Tier two capital			
– Qualifying portions of tier-two capital instruments issued		5,000,000	5,000,000
– Surplus provision for loan impairment		3,013,417	2,932,817
– Valid portion of minority interests		316,636	253,634
Net tier-two capital		8,330,053	8,186,451
Net capital base		55,962,633	52,679,369
Total risk weighted assets	(1)	432,193,811	409,505,750
Core tier-one capital adequacy ratio		9.17%	8.92%
Tier-one capital adequacy ratio		11.02%	10.87%
Capital adequacy ratio		12.95%	12.86%

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

- (1) Both the on-balance and off-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty as well as any eligible collateral or guarantees.
- (2) Pursuant to the Regulation Governing Capital of Commercial Banks (Provisional) 《商業銀行資本管理辦法(試行)》, the CBIRC requires that the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio for commercial banks shall not fall below 10.5%, 8.5% and 7.5% at 30 June 2021 and 31 December 2020.

40 FAIR VALUE

(a) Methods and assumptions for measurement of fair value

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

- | | |
|----------|--|
| Level 1: | Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date; |
| Level 2: | Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and |
| Level 3: | Fair value measured using significant unobservable inputs |

The Group has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

40 FAIR VALUE (CONTINUED)

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

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

(1) *Debt securities investments*

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

(2) *Receivables and other non-derivative financial assets*

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

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

Fair values of debt securities issued are based on their quoted market prices at the end of each of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of each of the reporting period.

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(Expressed in thousands of Renminbi, unless otherwise stated)

40 FAIR VALUE (CONTINUED)

(b) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	30 June 2021			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis				
Financial investments at fair value through profit or loss				
– Debt securities	6,518,313	3,755,064	–	10,273,377
– Investment funds	–	10,410,257	–	10,410,257
– Equity investments	198,832	–	–	198,832
– Other financial investments at fair value through profit or loss	–	–	21,325,478	21,325,478
Financial investments at fair value through other comprehensive income (excluding accrued interest)				
– Debt instruments	13,308,099	9,310,378	–	22,618,477
– Equity investments	–	–	8,400	8,400
Loans and advances to customers measured at fair value through other comprehensive income				
– Corporate loans and advances	–	–	21,586,386	21,586,386
Derivative financial assets	–	41,072	–	41,072
Total	20,025,244	23,516,771	42,920,264	86,462,279
Liabilities measured at fair value on a recurring basis				
Derivative financial liabilities	–	(5,463)	–	(5,463)
Total	–	(5,463)	–	(5,463)

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

40 FAIR VALUE (CONTINUED)

(b) Financial instruments recorded at fair value (Continued)

	31 December 2020			Total
	Level 1	Level 2	Level 3	
Assets measured at fair value on a recurring basis				
Financial investments at fair value through profit or loss				
– Debt securities	7,326,043	6,564,522	–	13,890,565
– Investment funds	–	9,402,658	–	9,402,658
– Other financial investments at fair value through profit or loss	–	–	23,170,085	23,170,085
Financial investments at fair value through other comprehensive income (excluding accrued interest)				
– Debt instruments	15,585,908	6,096,908	–	21,682,816
– Equity investments	–	–	8,400	8,400
Loans and advances to customers measured at fair value through other comprehensive income				
– Corporate loans and advances	–	–	18,982,289	18,982,289
Derivative financial assets	–	362,970	–	362,970
Total	22,911,951	22,427,058	42,160,774	87,499,783
Liabilities measured at fair value on a recurring basis				
Derivative financial liabilities	–	–	–	–
Total	–	–	–	–

During the period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: Nil).

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(Expressed in thousands of Renminbi, unless otherwise stated)

40 FAIR VALUE (CONTINUED)

(c) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the period/year:

	1 January 2021	Total effects of profit and loss during the period	Total effects of other comprehensive income during the period	Sales/ settlement	Transferred from Level 2 to Level 3	30 June 2021	Profit attributable to the change in unrealised losses relating to assets held at the end of the period
Financial assets:							
Financial investments at fair value through profit or loss							
– Other financial investments at fair value through profit or loss	23,170,085	120,916	-	8,703,303	(10,668,826)	21,325,478	(230,314)
Financial investments at fair value through other comprehensive income							
– Equity investments	8,400	-	-	-	-	8,400	-
Loans and advances to customers measured at fair value through other comprehensive income	18,982,289	34,684	(214,783)	52,271,332	(49,487,136)	21,586,386	-
Total	42,160,774	155,600	(214,783)	60,974,635	(60,155,962)	42,920,264	(230,314)

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40 FAIR VALUE (CONTINUED)

(c) Movement in level 3 financial instruments measured at fair value (Continued)

	1 January 2020	Total effects of profit and loss during the year	Total effects of other comprehensive income during the year	Acquisition	Sales/ settlement	Transferred from Level 2 to Level 3	31 December 2020	Profit attributable to the change in unrealised losses relating to assets held at the end of the year
Financial assets:								
Financial investments at fair value through profit or loss								
– Other financial investments at fair value through profit or loss	36,464,847	989,538	-	13,924,455	(28,208,755)	-	23,170,085	(667,506)
Financial investments at fair value through other comprehensive income								
– Equity investments	8,400	-	-	-	-	-	8,400	-
Loans and advances to customers measured at fair value through other comprehensive income	14,820,967	79,569	(105,844)	69,290,013	(65,102,416)	-	18,982,289	-
Total	51,294,214	1,069,107	(105,844)	83,214,468	(93,311,171)	-	42,160,774	(667,506)

During the reporting period, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

During the reporting period, total gains recorded in profit or loss is recognised in the line item “net gains arising from investments” on the face of the consolidated statement of profit or loss and other comprehensive income.

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40 FAIR VALUE (CONTINUED)

(d) Fair value of financial assets and liabilities not carried at fair value

	30 June 2021				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost					
– Debt securities	62,078,735	61,791,648	24,711,902	37,079,746	–
Total	62,078,735	61,791,648	24,711,902	37,079,746	–
Financial liabilities					
Debt securities issued					
– Financial bonds	3,438,172	3,461,503	–	3,461,503	–
– Tier-two capital bonds	5,093,231	5,120,101	–	5,120,101	–
– Interbank deposits	80,934,718	71,433,097	–	71,433,097	–
Total	89,466,121	80,014,701	–	80,014,701	–
	31 December 2020				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost					
– Debt securities	53,711,741	53,275,718	21,197,823	32,077,895	–
Total	53,711,741	53,275,718	21,197,823	32,077,895	–
Financial liabilities					
Debt securities issued					
– Financial bonds	3,447,043	3,469,554	–	3,469,554	–
– Tier-two capital bonds	5,077,385	5,101,363	–	5,101,363	–
– Interbank deposits	84,639,629	84,703,108	–	84,703,108	–
Total	93,164,057	93,274,025	–	93,274,025	–

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40 FAIR VALUE (CONTINUED)

(d) Fair value of financial assets and liabilities not carried at fair value (Continued)

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

The fair values of debt securities in financial investments measured at amortised cost and debt securities issued are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

Financial investments measured at amortized cost with the exception of debt securities are stated at amortised cost using the effective interest method. The fair value of financial investments measured at amortized cost are estimated based on future cash flows expected to be received which is discounted at current market rates. Majority of financial investments measured at amortized cost are repriced at least annually to the market rate. Accordingly, their carrying values approximate their fair values.

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

Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently, are as follows:

Assets	Liabilities
Cash and deposits with central bank	Due to central bank
Deposits with banks and other financial institutions	Deposits from banks and other financial institutions
Placements with banks and other financial institutions	Placements from banks and other financial institutions
Financial assets held under resale agreements	Financial assets sold under repurchase agreements
Loans and advances to customers (measured at amortized cost)	Deposits from customers
Lease receivables	Other financial liabilities
Other financial assets	

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

41 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

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

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 its customers. The contractual amounts of unused credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

	30 June 2021	31 December 2020
Bank acceptances	109,567,990	118,049,727
Letters of credit	13,250,601	9,814,187
Guarantees	1,507,188	2,217,397
Unused credit card commitments	4,597,626	3,890,102
Total	128,923,405	133,971,413

The Group may be exposed to credit risk in all the above credit businesses. 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) Credit risk-weighted amount

	30 June 2021	31 December 2020
Credit risk-weighted amount of contingent liabilities and commitments	11,411,981	16,463,452

The credit risk weighted amount represents the amount calculated with reference to the guidelines issued by the CBIRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights range from 0% to 150% for credit commitments.

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(Expressed in thousands of Renminbi, unless otherwise stated)

41 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(c) Capital commitments

As at 30 June 2021 and 31 December 2020, the authorised capital commitments of the Group are as follows:

	30 June 2021	31 December 2020
Contracted but not paid for	155,076	111,710
Approved but not contracted for	34,147	67,538
Total	189,223	179,248

(d) Outstanding litigations and disputes

As at 30 June 2021, there are no outstanding legal proceedings that have a significant impact on the financial statements against the Group (31 December 2020: Nil).

(e) Pledged assets

	30 June 2021	31 December 2020
Debt securities	16,370,313	21,225,795
Total	16,370,313	21,225,795

Some of the Group's assets are pledged as collateral under repurchase agreements.

42 STRUCTURED ENTITIES

(a) Consolidated structured entities

The consolidated structured entities are wealth management products and asset-backed securities. The Group considers whether there is control over the structured entity as the sponsor of the wealth management products and asset-backed securities, and judges whether it needs to be included in the merger based on the decision-making scope, the power held, the remuneration for providing management services and the variable income risk exposure faced. In 2021, the Group did not provide financial support to the consolidated structured entities (2020: Nil).

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(Expressed in thousands of Renminbi, unless otherwise stated)

42 STRUCTURED ENTITIES (CONTINUED)

(b) Unconsolidated structured entities

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

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include investment management products under fund, trust scheme, investment management products managed by securities companies and wealth management products issued by financial institutions. The Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and financed through the issue of notes to investors.

The following tables set out an analysis of the carrying amounts of interests held by the Group in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	30 June 2021	
	Carrying amount	Maximum exposure
Financial investments		
– Financial investments at fair value through profit or loss	25,494,943	25,494,943
– Financial investments measured at amortised cost	88,388,655	88,388,655
Interest receivables	902,638	902,638
Total	114,786,236	114,786,236

	31 December 2020	
	Carrying amount	Maximum exposure
Financial investments		
– Financial investments at fair value through profit or loss	26,240,001	26,240,001
– Financial investments measured at amortised cost	94,184,263	94,184,263
Interest receivables	616,407	616,407
Total	121,040,671	121,040,671

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(Expressed in thousands of Renminbi, unless otherwise stated)

42 STRUCTURED ENTITIES (CONTINUED)

(b) Unconsolidated structured entities (Continued)

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

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amount of the assets held by the Group and the related interest receivable at the end of each of the reporting period.

The interest income, changes in fair value and investment gains arising from the above unconsolidated structured entities for the period ended 30 June 2021 amounted to RMB2,849 million (the six months ended 30 June 2020: RMB3,673 million).

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

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

As at 30 June 2021, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB48,289 million (31 December 2020: RMB49,054 million).

During the period ended 30 June 2021, the amount of fee and commission income received from the non-principal-guaranteed wealth management products sponsored and issued by the Group and matured within the corresponding period is RMB26 million (the six months ended 30 June 2020: RMB47 million).

During the period ended 30 June 2021, the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group and matured within the corresponding period is RMB3,502 million (the six months ended 30 June 2020: RMB10,138 million).

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

43 FIDUCIARY ACTIVITIES

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

As at 30 June 2021, the entrusted loans balance of the Group is RMB12,093 million (31 December 2020: RMB8,753 million).

44 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	30 June 2021	31 December 2020
Assets		
Cash and deposits with central bank	29,877,376	36,215,597
Deposits with banks and other financial institutions	2,460,497	1,555,312
Placements with banks and other financial institutions	3,785,112	2,783,397
Derivative financial assets	41,072	362,970
Financial assets held under resale agreements	5,251,418	8,585,647
Loans and advances to customers	259,006,046	229,337,726
Financial investments:		
– Financial investments at fair value through profit or loss	41,707,944	45,763,308
– Financial investments at fair value through other comprehensive income	22,941,962	21,983,430
– Financial investments measured at amortised cost	164,207,949	164,230,569
Interest in associates and subsidiaries	1,607,993	1,600,903
Property and equipment	2,616,926	2,603,954
Deferred tax assets	3,865,021	3,564,305
Other assets	3,670,030	3,559,808
Total assets	541,039,346	522,146,926
Liabilities		
Due to the central bank	26,849,420	25,797,598
Deposits from banks and other financial institutions	33,477,809	21,113,714
Placements from banks and other financial institutions	3,123,171	1,224,688
Derivative financial liabilities	5,463	–
Financial assets sold under repurchase agreements	16,342,651	21,303,430
Deposits from customers	322,618,769	313,514,200
Tax payable	944,401	579,484
Debt securities issued	88,032,651	91,759,860
Other liabilities	2,686,368	2,694,821
Total liabilities	494,080,703	477,987,795

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

44 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	30 June 2021	31 December 2020
Equity		
Share capital	7,514,125	7,514,125
Other financial instruments		
Include: preference shares	7,825,508	7,825,508
Capital reserve	8,203,961	8,203,961
Surplus reserve	2,976,573	2,976,573
General reserve	6,971,200	6,971,200
Fair value reserve	(264,616)	(698,206)
Remeasurement of net defined benefit liability	(62,782)	(60,953)
Retained earnings	13,794,674	11,426,923
Total equity	46,958,643	44,159,131
Total liabilities and equity	541,039,346	522,146,926

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

Wang Tianyu
Chairman of the Board of Directors
Executive Director

Shen Xueqing
President
Executive Director

Fu Chunqiao
Chief accountant

Gao Chenxin
*General Manager of the Planning
and Finance Department*

(Company chop)

45 SUBSEQUENT EVENTS

In late July 2021, the heavy rainfall in Henan Province caused widespread floods, which caused certain economic losses to some of the Group's credit clients. The work resumption of these credit clients may affect the quality of the Group's credit assets to some extent. The Group will continue supporting the reconstruction and work resumption of the credit clients and will continue evaluating the impact of the floods on the Group's financial position and financial performance.

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

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

1 LIQUIDITY COVERAGE RATIOS AND LEVERAGE RATIO

	30 June 2021	Average for the period ended 30 June 2021
Liquidity coverage ratio (RMB and foreign currency)	141.12%	155.48%

	31 December 2020	Average for the year ended 31 December 2020
Liquidity coverage ratio (RMB and foreign currency)	237.29%	198.75%

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

	30 June 2021	31 December 2020
Leverage ratio	6.87%	6.48%

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

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

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

2 CURRENCY CONCENTRATIONS

	30 June 2021			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	14,773,393	30,015	165,701	14,969,109
Spot liabilities	(3,865,535)	(479,572)	(60)	(4,345,167)
Net position	10,907,858	(449,557)	165,641	10,623,942

	31 December 2020			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	13,198,566	5,750	166,131	13,370,447
Spot liabilities	(2,914,459)	(485,082)	(464)	(3,400,005)
Net position	10,284,107	(479,332)	165,667	9,970,442

The Group has no structural position at the reporting periods.

3 INTERNATIONAL CLAIMS

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

International claims include loans and advances to customers, amounts due from banks and other financial institutions and debt investments.

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

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

3 INTERNATIONAL CLAIMS (CONTINUED)

	30 June 2021			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding mainland China	4,324,701	–	1,372,626	5,697,327
North and South America	1,003,718	–	–	1,003,718
Europe	79,476	–	195,644	275,120
Total	5,407,895	–	1,568,270	6,976,165

	31 December 2020			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding mainland China	4,385,220	–	1,516,620	5,901,840

4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

	30 June 2021	31 December 2020
Gross loans and advances which have been overdue with respect to either principal or interest for year of		
– between 3 and 6 months (inclusive)	781,043	674,186
– between 6 months and 1 year (inclusive)	923,903	1,090,703
– over 1 year	3,184,544	2,986,724
Total	4,889,490	4,751,613
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.30%	0.28%
– between 6 months and 1 year (inclusive)	0.34%	0.46%
– over 1 year	1.19%	1.26%
Total	1.83%	2.00%