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Huishang Bank Corporation Limited*

徽商銀行股份有限公司*

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

(Stock Code: 3698)

2022 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of Huishang Bank Corporation Limited (the “**Bank**”) is pleased to announce the unaudited interim results of the Bank and its subsidiaries for the six months ended June 30, 2022. This announcement, containing the full text of the 2022 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 printed version of the Bank’s 2022 Interim Report will be delivered to the holders of H Shares of the Bank and available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Bank at www.hsbank.com.cn in September 2022.

By order of the Board
Huishang Bank Corporation Limited*
Yan Chen
Chairman

Hefei, Anhui Province, the PRC
August 30, 2022

As at the date of this announcement, the Board of the Bank comprises Yan Chen and Zhang Renfu as executive directors; Ma Lingxiao, Wu Tian, Wang Zhaoyuan, Gao Yang, Wang Wenjin and Zhao Zongren as non-executive directors; Dai Peikun, Zhou Yana, Liu Zhiqiang, Yin Jianfeng, Huang Aiming and Xu Jiabin as independent non-executive directors.

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

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Definitions

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

“Bank” or “Huishang Bank”	Huishang Bank Corporation Limited, including its subsidiaries and branches
“China” or “PRC”	the People’s Republic of China
“CBIRC”	the China Banking and Insurance Regulatory Commission
“CBRC”	the former China Banking Regulatory Commission
“CBIRC Anhui Office”	the China Banking and Insurance Regulatory Commission Anhui Office
“PBOC”	the People’s Bank of China
“Domestic Shares”	the ordinary shares issued by the Bank in the PRC with a nominal value of RMB1.00 per share
“H Shares”	the ordinary shares issued by the Bank to overseas investors, which are denominated in RMB, subscribed for in Hong Kong Dollars and listed on the Main Board of the Hong Kong Stock Exchange
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“Latest Practicable Date”	the latest practicable date for the purpose of ascertaining certain information contained in this report, i.e. 30 August 2022
“Reporting Period”	the first half of 2022 (1 January 2022 to 30 June 2022)
“Three Dimensional Rural Issues”	issues related to agriculture, rural areas and farmers

Definitions

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

Chapter I Corporate Information

1.1 CORPORATE INFORMATION

- 1.1.1 Registered Chinese name: 徽商银行股份有限公司¹
Registered English name: Huishang Bank Corporation Limited
- 1.1.2 Legal representative: Yan Chen
Authorized representatives: Yan Chen, Ngai Wai Fung
Secretary to the Board of Directors: Lian Baohua
Company secretary: Ngai Wai Fung
- 1.1.3 Registered and business office address: Huishang Bank Building, No. 1699 Yungu Road, Hefei, Anhui Province, the PRC
- 1.1.4 Contact address: Huishang Bank Building, No. 1699 Yungu Road, Hefei, Anhui Province, the PRC
Tel: +86-551-62667729/62667806
Fax: +86-551-63898105
Postal code: 230092
Bank's website: www.hsbank.com.cn
E-mail: djb@hsbank.com.cn
- 1.1.5 Principal place of business in Hong Kong: 40/F, Dah Sing Finance Center, No. 248 Queen's Road East, Wanchai, Hong Kong
- 1.1.6 Domestic auditor: Ernst & Young Hua Ming LLP (Special General Partnership)
Office address: Room 01-12, Level 17, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, the PRC
International auditor: Ernst & Young
Office address: 22/F, Citic Tower, 1 Tim Mei Avenue, Hong Kong
- 1.1.7 Legal advisor as to PRC law: DeHeng Law Offices
Legal advisor as to Hong Kong law: Clifford Chance
- 1.1.8 Domestic Shares trustee agency: China Securities Depository and Clearing Corporation Limited
H Shares registrar: Computershare Hong Kong Investor Services Limited

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

Chapter I Corporate Information

1.2 COMPANY PROFILE

Headquartered in Hefei, Anhui Province, Huishang Bank is the first regional joint stock commercial bank in the PRC established through the merger and reorganization of city commercial banks and urban credit cooperatives with the approval of the former CBRC. The Bank was incorporated on 4 April 1997, and changed its name to Huishang Bank Corporation Limited on 30 November 2005. On 28 December 2005, the Bank officially merged with the 5 city commercial banks of Wuhu, Ma'anshan, Anqing, Huaibei and Bengbu and the 7 urban credit cooperatives of Lu'an, Huainan, Tongling, Fuyang Technology, Fuyang Xinying, Fuyang Yinhe and Fuyang Jinda in Anhui Province. The Bank officially opened for business on 1 January 2006. On 12 November 2013, H Shares of the Bank were listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3698). The Bank holds a financial institution license numbered B0162H234010001 from the CBIRC Anhui Office and the unified social credit code numbered 913400001489746613 from the Anhui Provincial Market Supervisory Authority. The registered address is Huishang Bank Building, No. 1699 Yungu Road, Hefei, Anhui Province, the PRC. As at the end of June 2022, the registered capital of the Bank was RMB13,889,801,211.

The Bank's principal activities in the PRC include the taking of deposits from corporate and retail customers, the granting of loans using the deposits received, and the conducting of capital business including money market business, investment and trading business and transactions on behalf of customers. As at the end of June 2022, the Bank had 10,820 on-the-job employees. Apart from its headquarters, the Bank has 21 branches, 472 front offices and 574 self-service areas (points). The Bank also has four subsidiaries, namely Huishang Bank Financial Leasing Co., Ltd., HSBank Wealth Management Co., Ltd., Wuwei Huiyin Rural Bank Co., Ltd. and Jinzhai Huiyin Rural Bank Co., Ltd. and owns equity interest in Chery HuiYin Motor Finance Service Co., Ltd. and Mengshang Bank Co., Ltd.

By maintaining its market position as a bank "serving the local economy, serving small and medium enterprises ("SME(s)") and serving the general public", the Bank has continuously experienced a relatively fast growth in its business development, has gradually strengthened its comprehensive strength, has steadily improved its operational management standards, and has achieved a synergic development of scale, quality and efficiency. With the full recognition and widespread praise from all sectors of society, the Bank was named one of the top 200 in the "Top 1000 World Banks" by The Banker, a UK magazine, with the ranking at No. 128.

Chapter II Summary of Accounting Data and Business Data

2.1 MAIN FINANCIAL INFORMATION

Unit: RMB million, except for percentages

Operational results	January to June 2022	January to June 2021	Changes over
			the corresponding period of last year +/-%
Operating income ⁽¹⁾	19,115	17,569	8.80
Profit before tax	8,536	7,310	16.77
Net profit	7,335	6,092	20.40
Net profit attributable to shareholders of the Bank	7,243	6,195	16.92

Unit: RMB, except for percentages

Per ordinary share	January to June 2022	January to June 2021	Changes over
			the corresponding period of last year +/-%
Basic earnings attributable to shareholders of the Bank	0.52	0.45	15.56
Diluted earnings attributable to shareholders of the Bank	0.52	0.45	15.56
Closing net assets attributable to shareholders of the Bank	7.56	6.73	12.33

Unit: RMB million, except for percentages

Scale indicators	30 June 2022	31 December 2021	Changes over
			the end of last year +/-%
Total assets	1,578,684	1,383,662	14.09
Including: total loans and advances to customers ⁽²⁾	743,929	654,795	13.61
Total liabilities	1,460,719	1,272,146	14.82
Including: total customer deposits ⁽³⁾	919,180	768,668	19.58
Equity attributable to shareholders of the Bank	114,940	108,564	5.87

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

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

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

Chapter II Summary of Accounting Data and Business Data

2.2 FINANCIAL RATIOS

Profitability indicators ⁽¹⁾	Unit: %			
	January to June 2022	January to December 2021	January to June 2021	Changes over the corresponding period of last year +/-(-)
Return on average total assets (ROA)	0.99	0.89	0.92	0.07
Return on average net assets (ROE)	14.01	12.33	13.12	0.89
Net interest spread	1.85	1.98	1.98	(0.13)
Net interest margin	2.08	2.20	2.19	(0.11)

Proportion of operating income	Unit: %			
	January to June 2022	January to December 2021	January to June 2021	Changes over the corresponding period of last year +/-(-)
Net interest income	71.85	75.62	75.02	(3.17)
Net non-interest income	28.15	24.38	24.98	3.17
Cost-to-income ratio ⁽²⁾	23.10	24.45	22.57	0.53

Asset quality indicators	Unit: %			
	30 June 2022	31 December 2021	30 June 2021	Changes over the corresponding period of last year +/-(-)
Non-performing loan ratio	1.56	1.78	1.66	(0.10)
Allowance to non-performing loan ratio	272.97	239.74	223.18	49.79
Allowance to loans ratio	4.25	4.27	3.70	0.55

Chapter II Summary of Accounting Data and Business Data

Capital adequacy indicators	30 June 2022	31 December 2021	30 June 2021	<i>Unit: %</i>	
				Changes over the corresponding period of last year +/-(-)	
Core Tier I capital adequacy ratio	8.07	8.45	8.03	0.04	
Capital adequacy ratio	11.56	12.23	11.80	(0.24)	

Other indicators	30 June 2022	31 December 2021	30 June 2021	<i>Unit: %</i>	
				Changes over the corresponding period of last year +/-(-)	
Equity to total assets ⁽³⁾	7.47	8.06	8.06	(0.59)	
Gearing ratio ⁽⁴⁾	92.53	91.94	91.94	0.59	

Notes: (1) The ratios are annualized.

(2) Cost-to-income ratio = Operating expenses/Operating income, of which operating expenses include tax and surcharges.

(3) Equity includes minority interests.

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

Chapter III Management Discussion and Analysis

3.1 OVERALL BUSINESS REVIEW

During the first half of 2022, confronted by the complex and severe situation abroad, the Bank adhered to the principle of making improvement while maintaining stability, helped stabilize the overall economic market, fully served the real economy, prevented financial risks and fully served customers. The Bank endeavored to build itself into an excellent local mainstream bank with steady growth in all its businesses, better-than-expected major indicators and steady improvement in operating and management level.

As at the end of June 2022, the total assets of the Bank were RMB1,578,684 million, representing an increase of RMB195,022 million or 14.09% as compared with the end of last year. Among them, total loans and advances to customers were RMB743,929 million, representing an increase of RMB89,134 million or 13.61% as compared with the end of last year. Total liabilities were RMB1,460,719 million, representing an increase of RMB188,573 million or 14.82% as compared with the end of last year. Among them, total customer deposits were RMB919,180 million, representing an increase of RMB150,512 million or 19.58% as compared with the end of last year.

As at the end of June 2022, the Bank realized an operating income of RMB19,115 million, representing an increase of RMB1,546 million or 8.80%, as compared with the same period of last year; net profit was RMB7,335 million, representing an increase of RMB1,243 million or 20.40% as compared with the same period of last year.

As at the end of June 2022, the Bank's non-performing loan balance was RMB11,581 million, representing a decrease of RMB79 million as compared with the end of last year. Non-performing loan ratio was 1.56%, representing a decrease of 0.22 percentage point as compared with the end of last year. Non-performing loan provision coverage ratio was 272.97%, representing an increase of 33.23 percentage points as compared with the end of last year.

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT

3.2.1 Particulars of financial performance

From January to June 2022, the Bank realized profit before tax of RMB8,536 million, representing an increase of RMB1,226 million or 16.77% as compared with the same period of last year. The effective income tax rate was 14.07%, representing a decrease of 2.59 percentage points as compared with the same period of last year.

Unit: RMB million

	January to June 2022	January to June 2021
Net interest income	13,734	13,181
Net fee and commission income	2,943	1,955
Other net income	2,438	2,433
Operating expenses	(4,416)	(3,965)
Impairment losses	(6,331)	(6,500)
Share of profits in associates	168	206
Profit before tax	8,536	7,310
Income tax expense	(1,201)	(1,218)
Net profit	7,335	6,092
Net profit attributable to shareholders of the Bank	7,243	6,195

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.2 Net interest income

From January to June 2022, the Bank's net interest income amounted to RMB13,734 million, and net interest income from financial instruments at fair value through profit or loss amounted to RMB1,547 million, which totalled RMB15,281 million, representing an increase of RMB648 million or 4.43% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB1,910 million in net interest income and changes in interest rates resulted in a decrease of RMB1,262 million in net interest income. From January to June 2022, each of the net interest spread and net interest yield of the Bank was 1.85% and 2.08%, representing a decrease of 13 basis points and 11 basis points, compared with the same period of last year respectively.

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

Unit: RMB million, except for percentages

	January to June 2022			January to June 2021		
	Average Balance ⁽¹⁾	Interest Income	Annualized Average Yield (%)	Average Balance ⁽¹⁾	Interest Income	Annualized Average Yield (%)
Interest-earning assets						
Loans and advances to customers	682,817	17,063	5.00	606,467	16,021	5.28
Securities investments	585,976	11,211	3.83	533,064	10,633	3.99
Balances with the central bank	77,604	554	1.43	82,406	582	1.41
Deposits and placements with banks and other financial institutions	64,823	577	1.78	61,834	389	1.26
Financial leasing	58,997	1,800	6.10	54,515	1,863	6.83
Total interest-earning assets and interest income (including interest income from FVTPL financial assets)	1,470,217	31,205	4.24	1,338,286	29,488	4.41

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

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.2 Net interest income (Continued)

Unit: RMB million, except for percentages

	January to June 2022			January to June 2021		
	Average Balance	Interest Expenses	Annualized Average Cost Ratio (%)	Average Balance	Interest Expenses	Annualized Average Cost Ratio (%)
Interest-bearing liabilities						
Borrowings from the central bank	62,760	799	2.55	67,033	891	2.66
Customer deposits	821,702	8,942	2.18	752,448	7,919	2.10
Deposits and placements from banks and other financial institutions ⁽¹⁾	261,084	3,584	2.75	231,801	3,352	2.89
Debt securities issued	185,324	2,599	2.80	172,196	2,692	3.13
Total interest-bearing liabilities and interest expenses (including interest expenses from FVTPL financial liabilities)	1,330,870	15,924	2.39	1,223,479	14,855	2.43
Net interest income and net interest income from FVTPL financial instruments	/	15,281	/	/	14,633	/
Net interest spread	/	/	1.85	/	/	1.98
Net interest margin	/	/	2.08	/	/	2.19

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

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.2 Net interest income (Continued)

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

Unit: RMB million

	January to June 2022		Net increase/ (decrease)
	vs. January to June 2021		
	Increase (decrease) factors Scale ⁽¹⁾	Interest rate	
Assets			
Loans and advances to customers	2,017	(975)	1,042
Securities investments	1,055	(477)	578
Balances with the central bank	(34)	6	(28)
Deposits and placements with banks and other financial institutions	19	169	188
Financial leasing	153	(216)	(63)
Changes in interest income (including interest income from FVTPL financial assets)	3,210	(1,493)	1,717
Liabilities			
Borrowings from the central bank	(57)	(35)	(92)
Customer deposits	729	294	1,023
Deposits and placements from banks and other financial institutions	423	(191)	232
Debt securities issued	205	(298)	(93)
Changes in interest expenses (including interest expenses from FVTPL financial liabilities)	1,300	(231)	1,069
Changes in net interest income and net interest income from FVTPL financial instruments	1,910	(1,262)	648

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

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.3 Interest income

From January to June 2022, the Bank's interest income and interest income from financial assets at fair value through profit or loss recognized in net trading income totaled RMB31,205 million, representing an increase of 5.82% as compared with the same period of last year.

Interest income from loans and advances

From January to June 2022, the interest income from loans and advances to customers of the Bank was RMB17,063 million, representing an increase of RMB1,042 million or 6.50% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB2,017 million in interest income from loans and advances to customers and changes in interest rates resulted in a decrease of RMB975 million in interest income from loans and advances to customers.

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

Unit: RMB million, except for percentages

	January to June 2022			January to June 2021		
	Average Balance	Interest Income	Annualized Average Yield (%)	Average Balance	Interest Income	Annualized Average Yield (%)
Corporate loans	400,150	9,583	4.79	358,292	9,027	5.04
Retail loans ⁽¹⁾	229,246	6,909	6.03	217,472	6,601	6.07
Discounted bills	53,421	571	2.14	30,703	393	2.56
Loans and advances to customers	682,817	17,063	5.00	606,467	16,021	5.28

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

Interest income from securities investments

From January to June 2022, the Bank's interest income from securities investments was RMB11,211 million, representing an increase of RMB578 million or 5.44% as compared with the same period of last year, among which increase in the scale resulted in an increase of RMB1,055 million in interest income from securities investments and changes in interest rates resulted in a decrease of RMB477 million in interest income from securities investments.

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.3 Interest income (Continued)

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

From January to June 2022, the Bank's interest income from deposits and placements with banks and other financial institutions was RMB577 million, representing an increase of RMB188 million or 48.33% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB19 million in interest income from deposits and placements with banks and other financial institutions while changes in interest rates resulted in an increase of RMB169 million in interest income from deposits and placements with banks and other financial institutions.

3.2.4 Interest expenses

From January to June 2022, the Bank's interest expenses and interest expenses from financial liabilities at fair value through profit or loss recognized in net trading income amounted to RMB15,924 million, representing an increase of RMB1,069 million or 7.20% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB1,300 million in interest expenses while changes in interest rates resulted in a decrease of RMB231 million in interest expenses.

Interest expense on customer deposits

From January to June 2022, the Bank's interest expense on customer deposits was RMB8,942 million, representing an increase of RMB1,023 million or 12.92% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB729 million in interest expense on customer deposits and changes in interest rates resulted in an increase of RMB294 million in interest expense on customer deposits.

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.4 Interest expenses (Continued)

Interest expense on customer deposits (Continued)

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

Unit: RMB million, except for percentages

	January to June 2022			January to June 2021		
	Average Balance	Interest Expense	Annualized Average Cost Ratio (%)	Average Balance	Interest Expense	Annualized Average Cost Ratio (%)
Corporate deposits						
Demand deposits	262,997	1,322	1.01	268,083	1,239	0.92
Time deposits	177,751	2,592	2.92	182,168	2,805	3.08
Sub-total	440,748	3,914	1.78	450,251	4,044	1.80
Retail customer deposits						
Demand deposits	73,511	294	0.80	71,672	242	0.68
Time deposits	258,299	4,251	3.29	189,974	3,285	3.46
Sub-total	331,810	4,545	2.74	261,646	3,527	2.70
Others ⁽¹⁾	49,144	483	1.97	40,551	348	1.72
Total customer deposits	821,702	8,942	2.18	752,448	7,919	2.10

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

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

From January to June 2022, interest expense on deposits and placements from banks and other financial institutions was RMB3,584 million, representing an increase of RMB232 million or 6.92% as compared with the same period of last year, among which increase in the scale resulted in an increase of RMB423 million in interest expense on deposits and placements from banks and other financial institutions while changes in interest rates resulted in a decrease of RMB191 million in interest expense on deposits and placements from banks and other financial institutions.

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.4 Interest expenses (Continued)

Interest expense on debt securities issued

From January to June 2022, interest expense on debt securities issued was RMB2,599 million, representing a decrease of RMB93 million or 3.45% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB205 million in interest expense on debt securities issued while changes in interest rates resulted in a decrease of RMB298 million in interest expense on debt securities issued.

3.2.5 Net non-interest income

From January to June 2022, the Bank realized net non-interest income of RMB5,381 million, representing an increase of RMB993 million or 22.63% as compared with the same period of last year, which was primarily attributable to the increase in net fee and commission income.

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

	January to June 2022	<i>Unit: RMB million</i> January to June 2021
Fee and commission income	3,117	2,134
Settlement and clearing fees	79	52
Guarantee and commitment fees	377	213
Investment banking fees	409	357
Custody fees	403	417
Bank card fees	94	81
Acquiring business fees	11	17
Agency commissions	1,452	626
Finance lease fees	239	318
Others	53	53
Fee and commission expenses	(174)	(179)
Net fee and commission income	2,943	1,955
Other net non-interest income	2,438	2,433
Net trading gains	1,650	1,691
Net gains on financial investments	549	608
Other operating income, net	239	134
Net non-interest income	5,381	4,388

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.5 Net non-interest income (Continued)

Net fee and commission income

From January to June 2022, net fee and commission income of the Bank was RMB2,943 million, representing an increase of RMB988 million or 50.54% as compared with the same period of last year, which was primarily attributable to the increases in agency commissions, guarantee and commitment fees and investment banking fees.

Net trading gains

From January to June 2022, net trading gains of the Bank were RMB1,650 million, representing a decrease of RMB41 million or 2.42% as compared with the same period of last year, which was primarily attributable to the decrease in net gains from foreign exchange and foreign exchange products.

Net gains on financial investments

From January to June 2022, net gains on financial investments of the Bank were RMB549 million, representing a decrease of RMB59 million or 9.70% as compared with the same period of last year, which was mainly due to the decrease in the spread income from financial assets at FVTPL.

3.2.6 Operating expenses

From January to June 2022, operating expenses of the Bank were RMB4,416 million, representing an increase of RMB451 million or 11.37% as compared with the same period of last year.

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

	January to June 2022	<i>Unit: RMB million</i> January to June 2021
Staff costs	(2,537)	(2,275)
Tax and surcharges	(211)	(196)
Depreciation and amortization	(510)	(496)
Lease expenses	(22)	(32)
Other general operating and administrative expenses	(1,136)	(966)
Total operating expenses	(4,416)	(3,965)

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.7 Impairment losses

From January to June 2022, the Bank's allowance to impairment losses was RMB6,331 million, representing a decrease of RMB169 million or 2.60% as compared with the same period of last year.

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

	January to June 2022	<i>Unit: RMB million</i> January to June 2021
Loans and advances to customers ⁽¹⁾	(4,413)	(3,596)
Financial investments	(1,100)	(2,387)
Credit commitments	(90)	(13)
Deposits with banks and other financial institutions	10	11
Placements with banks and other financial institutions	0	(9)
Financial assets held under resale agreements	(64)	(44)
Finance lease receivables	(633)	(431)
Foreclosed assets	0	4
Other assets	(41)	(35)
Total	(6,331)	(6,500)

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

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS

3.3.1 Assets

As of 30 June 2022, the Bank's total assets amounted to RMB1,578,684 million, representing an increase of 14.09% as compared with the end of 2021. The increase in total assets was primarily due to the increase in assets such as loans and advances to customers and investments.

Unit: RMB million, except for percentages

Items	30 June 2022		31 December 2021	
	Amount	% of the total	Amount	% of the total
Total loans and advances to customers	743,929	47.12	654,795	47.32
Accrued interest of loans and advances to customers	1,621	0.10	1,427	0.10
Provision for loan impairment	31,543	2.00	27,916	2.02
Net loans and advances to customers	714,006	45.23	628,306	45.41
Investments	607,721	38.50	543,209	39.26
Cash and balances with the central bank	104,164	6.60	81,331	5.88
Deposits with banks and other financial institutions	10,290	0.65	12,745	0.92
Placements with banks and other financial institutions	18,042	1.14	15,041	1.09
Derivative financial assets	150	0.01	157	0.01
Financial assets held under resale agreements	18,079	1.15	5,452	0.39
Investments in associates	4,906	0.31	4,716	0.34
Fixed assets	4,681	0.30	4,703	0.34
Right-of-use assets	1,100	0.07	1,130	0.08
Goodwill	14,568	0.92	14,568	1.05
Deferred income tax assets	13,640	0.86	12,618	0.91
Finance lease receivables	60,627	3.84	54,016	3.90
Other assets	6,710	0.43	5,672	0.41
Total assets	1,578,684	100.00	1,383,662	100.00

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.1 Assets (Continued)

3.3.1.1 Loans and advances to customers

As of 30 June 2022, the Bank's total loans and advances to customers amounted to RMB743,929 million, representing an increase of 13.61% as compared with the end of last year, and accounting for 47.12% of the Bank's total assets.

Distribution of loans by product type

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

Unit: RMB million, except for percentages

Items	30 June 2022		31 December 2021	
	Amount	% of the total	Amount	% of the total
Corporate loans	445,917	59.94	367,952	56.19
Discounted bills	51,434	6.91	49,484	7.56
Retail loans	246,578	33.15	237,359	36.25
Total loans and advances to customers	743,929	100.00	654,795	100.00

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.1 Assets (Continued)

3.3.1.2 Investments

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

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

Unit: RMB million, except for percentages

Items	30 June 2022		31 December 2021	
	Amount	% of the total	Amount	% of the total
Financial assets at fair value through profit or loss	127,233	20.94	122,969	22.64
Financial assets at fair value through other comprehensive income	131,983	21.72	117,930	21.71
Financial assets at amortised cost	348,505	57.35	302,310	55.65
Investments	607,721	100.00	543,209	100.00

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

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.1 Assets (Continued)

3.3.1.2 Investments (Continued)

Financial assets at fair value through profit or loss

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

	30 June 2022	31 December 2021
	<i>Unit: RMB million</i>	
Government bonds	7,293	3,234
Other debt securities	24,816	16,889
Inter-bank certificates of deposits	322	546
Equity investments	876	693
Beneficial rights in asset management plans, trust plans and others	84,684	86,487
Non-guaranteed wealth management products managed by other banks	8,168	14,160
Interest receivable	1,074	959
Total financial assets at fair value through profit or loss	127,233	122,969

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

Financial assets at fair value through other comprehensive income

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

	30 June 2022	31 December 2021
	<i>Unit: RMB million</i>	
Debt securities	129,740	115,301
Equity investments	256	225
Interest receivable	1,987	2,403
Total financial assets at fair value through other comprehensive income	131,983	117,930

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

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.1 Assets (Continued)

3.3.1.2 Investments (Continued)

Financial assets at amortised cost

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

	<i>Unit: RMB million</i>	
	30 June 2022	31 December 2021
Debt securities	178,724	135,780
Beneficial rights in asset management plans, trust plans and others	176,710	174,785
Interest receivable	5,357	5,622
Less: provision for impairment	(12,287)	(13,876)
Net financial assets at amortised cost	348,505	302,310

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

Carrying value and market value

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

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

	<i>Unit: RMB million</i>		31 December 2021	
	30 June 2022		Carrying	
	Carrying value	Fair value	value	Fair value
Financial assets at amortised cost	348,505	349,005	302,310	303,142

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.1 Assets (Continued)

3.3.1.3 Subsidiaries and major companies in which the Bank has shareholdings

Name	Initial investment amount (RMB'000)	Percentage of shareholdings at the end of the period (%)	Number of shares held at the end of the period (in thousand shares)	Carrying value at the end of the period (RMB'000)	Sources of shares held	Remark
Huishang Bank Financial Leasing Co., Ltd.	1,020,000	54	1,620,000	1,706,820	Promotion, participation in capital increase	Subsidiary
HSBank Wealth Management Co., Ltd.	2,000,000	100	2,000,000	2,000,000	Promotion	Subsidiary
Wuwei Huiyin Rural Bank Co., Ltd. ⁽¹⁾	40,000	40	40,000	69,513	Promotion	Subsidiary
Jinzhai Huiyin Rural Bank Co., Ltd. ⁽²⁾	32,800	41	32,800	32,800	Promotion	Subsidiary
Chery HuiYin Motor Finance Service Co., Ltd.	100,000	20	300,000	1,618,832	Promotion, participation in capital increase	Company in which the Bank has shareholdings
Mengshang Bank Co., Ltd.	3,600,000	15	3,000,000	3,287,396	Promotion	Company in which the Bank has shareholdings

Notes:

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

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

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.2 Liabilities

As of 30 June 2022, the total liabilities of the Bank amounted to RMB1,460,719 million, representing an increase of 14.82% as compared with the end of last year, which was mainly due to steady growth of customer deposits.

Unit: RMB million, except for percentages

Liabilities	30 June 2022		31 December 2021	
	Amount	% of the total	Amount	% of the total
Borrowings from the central bank	73,389	5.02	65,380	5.14
Deposits from banks and other financial institutions	120,808	8.27	136,985	10.77
Placements from banks and other financial institutions	45,706	3.13	43,225	3.40
Derivative financial liabilities	123	0.01	151	0.01
Financial assets sold under repurchase agreements	87,733	6.01	38,499	3.03
Deposits from customer	919,180	62.93	768,668	60.42
Interests payable on customer deposits	15,751	1.08	15,146	1.19
Taxes payable	2,437	0.17	3,828	0.30
Debt securities issued	177,431	12.15	182,888	14.38
Other liabilities	18,161	1.24	17,377	1.37
Total liabilities	1,460,719	100.00	1,272,146	100.00

Deposits from customer

The Bank has always been focusing on actively expanding its deposit business. In 2022, despite increasingly intense competition among its peers, the Bank managed to maintain a steady growth in its customer deposits through various forceful measures. As of 30 June 2022, the Bank's total deposits from customer amounted to RMB919,180 million, representing an increase of 19.58% from the end of 2021, and accounted for 62.93% of the total liabilities of the Bank.

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.2 Liabilities (Continued)

Deposits from customer (Continued)

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

Unit: RMB million, except for percentages

Items	30 June 2022		31 December 2021	
	Balance	% of the total	Balance	% of the total
Corporate deposits				
Demand deposits	330,727	35.98	261,151	33.97
Time deposits	180,080	19.59	170,692	22.21
Subtotal	510,807	55.57	431,843	56.18
Retail customer deposits				
Demand deposits	76,611	8.33	71,675	9.32
Time deposits	277,830	30.23	221,223	28.78
Subtotal	354,441	38.56	292,898	38.10
Other deposits	53,933	5.87	43,927	5.71
Including: pledged deposits	53,119	5.78	43,666	5.68
Total customer deposits	919,180	100.00	768,668	100.00

3.3.3 Equity

Unit: RMB million

Items	30 June 2022	31 December 2021
Share capital ⁽¹⁾	13,890	13,890
Other equity instruments	10,000	10,000
Capital reserve	15,231	15,231
Surplus reserve	16,213	15,181
General risk reserve	15,446	13,531
Other comprehensive income	1,897	1,528
Retained earnings	42,264	39,204
Equity attributable to shareholders of the Bank	114,940	108,564
Non-controlling interest	3,026	2,952
Total equity	117,965	111,516

Note: (1) For details of share capital of the Bank, please refer to the section 4.1 "Changes in Ordinary Shares of the Bank during the Reporting Period" of this report and note 36 to the financial statements.

Chapter III Management Discussion and Analysis

3.4 LOAN QUALITY ANALYSIS

3.4.1 Distribution of loans by the five-category classification

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

Unit: RMB100 million, except for percentages

	30 June 2022		31 December 2021	
	Amount	% of the total	Amount	% of the total
Pass	7,206.10	96.87	6,295.06	96.14
Special mention	117.37	1.58	136.29	2.08
Substandard	27.06	0.36	45.25	0.69
Doubtful	12.73	0.17	17.32	0.26
Loss	76.02	1.02	54.03	0.83
Gross loans and advances to customers	7,439.28	100.00	6,547.95	100.00
Total non-performing loans	115.81	1.56	116.60	1.78

Under the five-category classification system of loan supervision, the non-performing loans ("NPLs") of the Bank include loans of substandard, doubtful and loss categories. In 2022, the Bank improved the quality and efficiency of disposal and mitigation and further optimized the asset quality through the special activity plan of "Two Stability and One Promotion." As at the end of the Reporting Period, the NPL ratio of the Bank was 1.56%, representing a decrease of 0.22 percentage point as compared with the end of last year.

3.4.2 Distribution of loans and NPLs by product type

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

Unit: RMB100 million, except for percentages

	30 June 2022				31 December 2021			
	Amount of loans	% of the total (%)	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total (%)	Amount of NPLs	NPL ratio (%)
Corporate loans	4,459.16	59.94	92.64	2.08	3,679.52	56.19	97.99	2.66
Discounted bills ⁽¹⁾	514.34	6.91	-	0.00	494.84	7.56	-	0.00
Retail loans	2,465.78	33.15	23.17	0.94	2,373.59	36.25	18.61	0.78
Total loans and advances to customers	7,439.28	100.00	115.81	1.56	6,547.95	100.00	116.60	1.78

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

Chapter III Management Discussion and Analysis

3.4 LOAN QUALITY ANALYSIS (CONTINUED)

3.4.3 Distribution of loans and NPLs by industry

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

Unit: RMB100 million, except for percentages

	30 June 2022				31 December 2021			
	Amount of loans	% of the total (%)	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total (%)	Amount of NPLs	NPL ratio (%)
Corporate loans								
Commerce and services	785.16	10.55	23.50	2.99	591.25	9.01	32.27	5.46
Manufacturing	753.51	10.13	46.96	6.23	640.88	9.79	46.70	7.29
Public utilities	1,841.03	24.75	1.24	0.07	1,515.43	23.14	1.26	0.08
Real estate	309.22	4.16	10.14	3.28	313.34	4.79	10.00	3.19
Construction	340.76	4.58	6.66	1.95	276.14	4.22	6.69	2.42
Transportation	102.30	1.38	3.30	3.23	78.34	1.20	0.43	0.55
Energy and chemical	217.72	2.93	0.39	0.18	169.12	2.58	0.25	0.15
Catering and travelling	6.77	0.09	0.11	1.62	6.94	0.11	0.20	2.88
Education and media	32.18	0.43	0.08	0.25	21.76	0.33	0.08	0.37
Financial	51.65	0.69	0.00	0.00	58.07	0.89	0.00	0.00
Others ⁽¹⁾	18.86	0.25	0.26	1.38	8.25	0.13	0.11	1.33
Discounted bills	514.34	6.91	0.00	0.00	494.84	7.56	0.00	0.00
Retail loans	2,465.78	33.15	23.17	0.94	2,373.59	36.25	18.61	0.78
Total loans and advances to customers	7,439.28	100.00	115.81	1.56	6,547.95	100.00	116.60	1.78

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

Chapter III Management Discussion and Analysis

3.4 LOAN QUALITY ANALYSIS (CONTINUED)

3.4.4 Distribution of loans and NPLs by geographical segment

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

Unit: RMB100 million, except for percentages

	30 June 2022				31 December 2021			
	Amount of loans	% of the total (%)	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total (%)	Amount of NPLs	NPL ratio (%)
Anhui province	6,446.89	86.66	72.34	1.12	5,682.49	86.79	67.93	1.20
Jiangsu province	544.04	7.31	14.18	2.61	511.60	7.81	14.11	2.76
Others	448.35	6.03	29.29	6.53	353.86	5.40	34.56	9.77
Total loans and advances to customers	7,439.28	100.00	115.81	1.56	6,547.95	100.00	116.60	1.78

3.4.5 Distribution of loans and NPLs by type of collateral

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

Unit: RMB100 million, except for percentages

	30 June 2022				31 December 2021			
	Amount of loans	% of the total (%)	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total (%)	Amount of NPLs	NPL ratio (%)
Collateralized loans	2,251.62	30.27	27.35	1.21	2,209.47	33.74	33.65	1.52
Pledged loans	1,589.19	21.36	6.45	0.41	1,342.54	20.50	6.92	0.52
Guaranteed loans	1,484.97	19.96	29.98	2.02	1,139.83	17.41	29.62	2.60
Unsecured loans	1,599.16	21.50	52.03	3.25	1,361.27	20.79	46.41	3.41
Discounted bills	514.34	6.91	0.00	0.00	494.84	7.56	0.00	0.00
Total loans and advances to customers	7,439.28	100.00	115.81	1.56	6,547.95	100.00	116.60	1.78

Chapter III Management Discussion and Analysis

3.4 LOAN QUALITY ANALYSIS (CONTINUED)

3.4.6 Loans of the top 10 single borrowers

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

Unit: RMB million, except for percentages

		30 June 2022	
Top 10 borrowers	Industry that borrower belongs to	Amount of loans	Net capital (%)
A	Manufacturing	3,569	2.88
B	Manufacturing	3,379	2.72
C	Energy and chemical	2,679	2.16
D	Public utilities	2,536	2.04
E	Manufacturing	2,280	1.84
F	Public utilities	2,191	1.77
G	Public utilities	2,148	1.73
H	Public utilities	2,022	1.63
I	Commerce and services	2,000	1.61
J	Commerce and services	1,996	1.61
Total		24,800	19.98

3.4.7 Distribution of loans by overdue period

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

	30 June 2022	31 December 2021
Total overdue loans and advances to customers listed by duration (in RMB million)		
Less than 3 months	2,720	3,805
3 to 6 months (inclusive)	1,749	1,864
6 to 12 months	2,521	1,047
Over 12 months	6,194	6,002
Total	13,184	12,718
Percentage (%)		
Less than 3 months	20.63	29.92
3 to 6 months (inclusive)	13.27	14.66
6 to 12 months	19.12	8.23
Over 12 months	46.98	47.19
Total	100.00	100.00

Chapter III Management Discussion and Analysis

3.4 LOAN QUALITY ANALYSIS (CONTINUED)

3.4.8 Restructuring loans

During the Reporting Period, the Bank's restructuring NPLs amounted to RMB1,511.5688 million, representing an increase of RMB212.3711 million as compared with the corresponding period of last year, which included 10 corporate loans amounting to RMB1,379.8772 million, 27 small corporate loans amounting to RMB131.6536 million and 1 retail loan amounting to RMB0.038 million.

3.4.9 Transfer of credit assets

The Bank disposes of its non-performing assets by transferring such assets to third parties in its ordinary course of business. In the first half of 2022, the Bank transferred NPLs of RMB709 million through the above method.

3.4.10 Changes in allowances for loan impairment ⁽¹⁾

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

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

	<i>Unit: RMB million</i>	
	30 June 2022	31 December 2021
Balance at the beginning of the period	27,953	20,660
Allowances for the period	4,413	10,019
Reversal caused by the write-down of interest on impaired loans and advances to customers	(71)	(142)
Write-offs and transfer out for the period	(1,311)	(3,438)
Reversal caused by recovery of loans and advances to customers written off	630	854
Balance at the end of the period	31,614	27,953

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

Chapter III Management Discussion and Analysis

3.5 CAPITAL ADEQUACY RATIO ANALYSIS

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

In the first half of 2022, the Bank calculated the capital adequacy ratio in accordance with the relevant requirements of the “Administrative Measures for Capital of Commercial Banks (Trial)”. As of 30 June 2022, the Bank’s capital adequacy ratio was 11.56%, Tier 1 capital adequacy ratio was 9.03%, and core Tier 1 capital adequacy ratio was 8.07%.

Unit: RMB million, except for percentages

	30 June 2022	31 December 2021
Core Tier 1 capital	107,267	100,639
Including: Valid portion of paid-up capital	13,890	13,890
Valid portion of capital reserve		
and other comprehensive income	17,127	16,758
Surplus reserve and general reserve	31,659	28,712
Retained earnings	42,264	39,204
Valid portion of minority interests	2,327	2,075
Regulatory deductions for core Tier 1 Capital	(20,530)	(20,333)
Core Tier 1 capital, net of deductions	86,738	80,306
Other Tier 1 capital, net of deductions	10,301	10,273
Tier 1 capital, net of deductions	97,038	90,579
Tier 2 capital	27,096	25,554
Including: Valid portion of tier 2 capital instruments and premium	14,000	14,000
Surplus loan loss provisions	12,483	11,009
Valid portion of minority interests	613	546
Total capital, net of deductions	124,134	116,133
Credit risk-weighted assets	998,615	880,689
Market risk-weighted assets	13,969	7,447
Operational risk-weighted assets	61,695	61,695
Risk-weighted assets	1,074,279	949,831
Capital adequacy ratio	11.56%	12.23%
Tier 1 capital adequacy ratio	9.03%	9.54%
Core Tier 1 capital adequacy ratio	8.07%	8.45%

Chapter III Management Discussion and Analysis

3.5 CAPITAL ADEQUACY RATIO ANALYSIS (CONTINUED)

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

Leverage ratio

Unit: RMB million, except for percentages

Items	30 June 2022	31 December 2021
Leverage ratio	5.55%	5.96%
Tier 1 capital, net of deductions	97,038	90,579
Adjusted balance of assets on and off the balance sheet	1,749,524	1,520,231

Note: Indicators related to leverage ratio are calculated pursuant to the "Administrative Measures for Leverage Ratio of Commercial Banks (Revised)".

3.6 SEGMENT PERFORMANCES

Operating segments

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

Unit: RMB million, except for percentages

Items	January to June 2022		January to June 2021	
	impairment	Percentage (%)	impairment	Percentage (%)
Corporate banking	9,063	60.96	6,962	50.40
Retail banking	2,702	18.17	2,605	18.86
Treasury	2,984	20.07	4,124	29.85
Others	118	0.80	123	0.89
Total	14,867	100.00	13,814	100.00

Chapter III Management Discussion and Analysis

3.7 OTHERS

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

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

3.7.2 *Overdue outstanding debt*

As of 30 June 2022, the Bank had no overdue outstanding debt.

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

1. *Gradual normalization of economy*

In the first half of 2022, the international situation was complex and severe and the world economic growth slowed down markedly. Various places in China saw the resurgence of the COVID-19 pandemic, the demand declined and the pressures of “shrinking demand, supply shocks and weakening expectations” faced by the economy increased. As the COVID-19 pandemic started to ease since May 2022, the government adopted a series of policies and measures to stabilize the macro economy and sped up in promoting the resumption of work and production, as well as the resumption of business and the market. The economy witnessed stable recovery in June 2022 and recorded positive growth in the second quarter. The GDP increased by 2.5% year-on-year in the first half of 2022.

2. *Macroeconomic policies putting more focus on stabilizing economic growth*

In order to promote the rapid economic recovery, the PBOC stepped up efforts in the implementation of the prudent monetary policy and cut the reserve requirement ratio by 0.25 percentage points. It created special reloans in sectors including scientific and technological innovation, inclusive elderly care, transportation and logistics to support key sectors and weak links. With fiscal policies well prepared in advance, the government sped up the introduction of special bonds to support infrastructure investment, and granted tax deductions and tax rebates of RMB2.5 trillion. In the second half of 2022, the growth in total credit is expected to remain stable and policy and development financial instruments will boost the growth. Proactive fiscal policies will be further intensified and it will facilitate enterprises to overcome difficulties and expand effective investments through VAT credits and rebates, deferment of tax payment and issuance of special bonds, etc.

Chapter III Management Discussion and Analysis

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

3. Risks in the financial sector generally under control

In the first half of 2022, the banking industry in China maintained a good momentum of smooth operation. As of the end of June 2022, the NPL ratio of the banking industry in China was 1.77%, representing a decrease of 0.05 percentage points from the beginning of the year. High-risk financial institutions were resolved in a stable and orderly manner, while the reform and risk mitigation of small and medium-sized institutions were progressing steadily. Special bonds were issued to supplement the capital of small and medium-sized banks to expand channels for capital supplement. Shadow banking risks continued to decrease as entrusted loans and trust loans decreased by RMB380.6 billion from the beginning of the year. Attention should be paid to the uncertainties in the resurgence of the COVID-19 pandemic, property and other sectors in the second half of 2022.

4. Prospects and measures

In the first half of 2022, the GDP of Anhui Province increased by 3% as compared to the same period of last year, with the growth rate ranking first in the Yangtze River Delta and being 0.5 percentage points higher than the national level. In the second half of 2022, driven by a package of policies and measures to stabilize the economy, the domestic economic growth is expected to recover steadily, and the economic growth of Anhui Province is expected to remain generally stable and realize improvement in structure and development trend. The Bank will coordinately promote development, transformation and innovation, vigorously develop the construction of “four modernizations”, namely market reform, digital transformation, integrated operation and refined management, and strive to build an outstanding local mainstream bank and act as a “major financial force” in serving local development.

Firstly, the Bank will connect the implementation of major strategies and key projects at the national and provincial levels and continuously consolidate the advantages of institutional businesses. It will improve the comprehensive financial layout. With transaction banking, investment banking and other light-capital businesses as drivers, it will comprehensively adopt commercial banking, investment banking, transaction banking, financial market, wealth management and investment, financial leasing and other products and services to strengthen the integrated linkage marketing of the Group and build a professional comprehensive financial service provider. It will carry out the special improvement project on small- and medium-sized corporate customers and establish a development model with online and offline integration to further enhance the position of the Bank as the leading bank for SMEs in the province.

Chapter III Management Discussion and Analysis

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

4. *Prospects and measures (Continued)*

Secondly, with mobile finance as the driver, the Bank will vigorously develop wealth management and consumer credit loan businesses. It will continuously advance product innovation, strengthen service channels, establish ecological platforms and improve the operation system on retail customers to develop a leading bank in retail business in the province.

Thirdly, the Bank will be committed to the development of county markets by satisfying the financing needs in relation to the marketization of county platforms, improvement of living environment, and incubation of new agricultural entities, expanding the coverage of customers and assets, and launching a series of specialized and serialized products and services to form a county financial service model with the characteristics of the Bank.

Fourthly, driven by “investment and financing + customer management”, the Bank will make full use of investment transaction and custody license resources, strengthen the support to comprehensive financial services including interbank customer financing, investment, underwriting and custody, continuously improve the profitability and build a key profit center and customer service platform of the whole Bank.

Fifthly, with the positioning of technology creating value, the Bank will reinforce the driving of data, speed up in system development, establish a technological structure, application structure, safety structure, development model and agile culture appropriate to the digital transformation and promote the deep integration of technology and business. It will speed up in empowerment with financial technology, establish a comprehensive, professional and digital risk control and management system, consolidate key links in risk prevention, improve the operation capability on risk assets, strengthen the foundation for internal control and compliance management and hold the bottom line of preventing significant risks.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION

3.9.1 Wholesale banking business

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

In the first half of 2022 and in terms of the wholesale banking business, the Bank resolutely implemented a package of policies and measures of the State Council to stabilize the economy, firmly implemented the strategic deployment of the provincial Party committee and the provincial government of Anhui Province and continuously boosted efforts in serving real economies. It guided various credit capital to invest in key sectors and industries such as rural revitalization, green finance, strategic emerging industries, infrastructure as well as specialized and sophisticated enterprises that produce new and unique products. It vigorously supported infrastructure construction and provided capital supports to the construction of key projects; continuously innovated products and introduced various featured action plans; strengthened risk management and control, strictly hold the bottom line of risk prevention and control and vigorously promoted the continuous and high-quality development of the wholesale banking business. In the first half of 2022, the Bank continued to maintain its leading position in corporate deposits and corporate loans among commercial banks in Anhui Province and ranked high in terms of incremental deposits and loans and the new market share in Anhui province. Its investment banking and transaction banking businesses achieved continuous and stable growth and have been widely recognized by the market.

Corporate loans

Corporate loans are a major component of the Bank's loan portfolio. Currently, the Bank provides various corporate loan products, including working capital loans, fixed asset loans, PPP loans and supply chain financing, to enterprises and institutions with legal operation. In the first half of 2022, closely following the guidance of the policies of the state, the Bank constantly boosted efforts in providing financing supports for key areas such as rural revitalization, green finance, urban renewal, strategic emerging industries, and specialized and sophisticated enterprises and key strategies including the integrated development of the Yangtze River Delta, the development of "three fields and one area", Northern Anhui revitalization, and the construction of key parks. As of 30 June 2022, the balance of the Bank's corporate loans (including discounted bills) was RMB497,351 million, representing an increase of RMB79,915 million from the end of 2021.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.1 Wholesale banking business (Continued)

Corporate deposits

The Bank provides corporate customers with corporate deposits products and services, including corporate demand deposits, corporate time deposits, corporate call deposits, corporate agreement deposits, negotiated deposits, corporate large amount certificates of deposit and corporate intelligent call deposits. The Bank actively addressed the challenges brought by the policy impacts of LPR interest rate cut. While continuously optimising the structure of corporate deposits, the Bank is committed to expanding the sources of low-cost corporate deposits and supporting the issuance of special government bonds, thus creating stable sources of revenue for the Company. As of 30 June 2022, the Bank's balance of corporate deposits (excluding margin deposits) amounted to RMB510,807 million, representing an increase of RMB78,964 million from the end of 2021.

Bill discounting

In the first half of 2022, the Bank continued to advance the digital transformation of product functions and risk control and management for the bills business, achieved the online management of the whole process of discounted bills from customer access and limit calculation to the monitoring on the flow of discounted capital and realized the rapid growth of the bills business and customers. As of 30 June 2022, the Bank's balance of discounted bills amounted to RMB51,434 million, including the balance of direct discounted bills amounting to RMB17,079 million and the balance of transferred discounted bills amounting to RMB34,355 million. The total amount of direct discounted bills was RMB34,514 million in aggregate, representing an increase of 33.51% as compared to the same period of last year; the total number of active customer of direct discounted bills was 1,996, representing an increase of 772 as compared to the same period of last year.

Transaction banking

In the first half of 2022, with the recovery of credit demand driven by the recovery of the economic fundamentals, the Bank constantly adhered to the customer-centric service philosophy, actively played the role as a major local financial force and continuously promoted the improvement of the comprehensive cross-border financial service capabilities, achieving steady development in the transaction banking business.

Firstly, the Bank sped up in the online transformation of supply-chain finance. Focusing on new energy vehicle, high-end manufacturing, new infrastructure, medical and other key industries as well as industrial chain scenarios, the Bank achieved "bulk customer acquisition, accurate portraying, automatic approval and intelligent risk control" through technology empowerment and sped up in the establishment of the industrial chain ecosystem in key sectors to improve the capability of the industrial chain to serve micro and small enterprises. In the first half of 2022, the supply-chain financing of the Bank served over 1,600 customers in the upstream and downstream of the industrial chain.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.1 Wholesale banking business (Continued)

Transaction banking (Continued)

Secondly, the Bank was committed to building a domestic and foreign currency integrated cash management service platform, to give play to advantage of professional services of transaction banking and meet capital management demands of customers during the entire transaction process, thus comprehensively promoting the fast development of online corporate debt business. Its cash management comprehensive services ability and market influence of the Bank were significantly enhanced. In the first half of 2022, the transaction amount of cash management business of the Bank reached RMB2.1 trillion.

Thirdly, the Bank continuously promoted the digital and online transformation of cross-border businesses, achieved online application for the international trade financing business, modelled limit approval and automatic granting of financing and provided customers with high-quality, efficient and convenient cross-border financial services. In the first half of 2022, the Bank completed cross-border settlement in a total of USD5,966 million, representing a year-on-year increase of 33%; and granted international trade financing amounted to USD503 million, representing an increase of 49% as compared with the corresponding period last year.

Investment banking business

To promote its business transformation, the Bank focuses on developing investment banking services such as lead underwriting of debt financing instruments, asset securitization, M&A financing, structural financing, and investment and financing consulting. The Bank continuously enriches its investment banking products by launching innovative products such as credit risk mitigating instruments, ABN, and green debt financing instruments and has successfully registered the Bank's first carbon neutralization ABN. In the first half of 2022, the Bank continued to make breakthroughs in the fields of asset securitization and financial bond business by successfully completing a number of asset securitization and financial bond lead underwriting engagements and realizing the rapid development of M&A loan business, further satisfying the diversified corporate financing needs. In the first half of 2022, the Bank vigorously promoted the development of the business of underwriting of debt financing instruments and completed the issuance of 35 debt financing instruments with a total amount of RMB21,540 million. In particular, the underwriting amount was RMB16,289 million, representing an increase of 94% as compared to the same period of last year.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.2 Personal finance business

Business overview

In the first half of 2022, the Bank accelerated the adjustment of the organizational structure of the personal finance segment, enhanced the coordinated management of personal customers and constantly optimized the allocation of resources to improve the management efficiency. It facilitated the transformation and development of personal finance and achieved rapid growth in the operating indicators of the personal finance business, thus increasingly enhancing the market competitiveness of the personal finance business.

During the Reporting Period and on the one hand, the Bank focused on the marketing brand of “Enjoying Huishang Bank in Four Seasons (徽享四季)” and continued to advance the construction of personal customer consumption scenarios through expanding channels externally and building platforms internally. It conducted diversified theme marketing activities in various forms with online and offline integration. The Bank’s customer structure was further optimized as its active customer base maintained a steady growth, with the number of medium-to-high-value customers grew faster than others. The market share of personal deposits in Anhui Province continued to expand rapidly. On the other hand, the Bank actively carried out the construction of wealth management and private banking systems, continued to develop a personal finance brand of “Huishang Bank Wealth (徽銀財富)”, optimized the multi-tiered service management system catering for different personal customer groups and further consolidated the foundation for the development of the personal finance business. The wealth management business maintained a steady growth and the penetration of wealth management products (WMPs) continued to grow.

In the second half of 2022, facing changes in the external business environment such as lower interest rates and the prevention and control of the COVID-19 pandemic, the Bank will follow the guidance of the new round of five-year development strategy, adhere to the “customer-centric” business philosophy, speed up in promoting the implementation of the adjustment of the organizational structure of the personal finance segment, constantly broaden the wealth management product line, improve online and offline service capabilities, strengthen data analysis capacity building, continuously advance the building of the personal finance product system, maintain the rapid and healthy development for the personal finance business and comprehensively improve the overall competitiveness of the personal finance business.

Wealth management business

The Bank’s personal wealth management business mainly includes personal wealth management service, agency service for sales of funds, agency service for sales of insurance products, agency service for sales of treasury bonds and agency service for sales of precious metals. As of the end of the Reporting Period, the Bank’s wealth management business (excluding direct banking business) amounted to RMB233,502 million, representing an increase of RMB17,461 million or 8.08% from the beginning of the year.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.2 Personal finance business (Continued)

Bank card business

One card

In the first half of 2022, actively adapting to the transformation and upgrading of the personal finance business and closely focusing on the payment and settlement needs of personal customers, the Bank continuously promoted the innovation of the debit card products business and the integration of online and offline business to further diversify the product portfolio; the Bank also carried out various marketing activities to continuously improve customer stickiness and boost the rapid growth of the overall debit card business of the Bank. As at the end of June 2022, a total of 23.76 million debit cards were issued, of which 18.33 million or 77.15% were valid cards. The deposit balances on debit cards were RMB178.4 billion, and the average deposit balance per card was RMB9,700. A total of 79 types of Huangshan debit cards were issued.

Credit card

Adhering to the “customer-centric” service philosophy all the time, the Bank constantly diversified product portfolio to meet customers’ consumption demands. It built consumption application scenarios by making full use of the payment function of credit cards to improve the customer experience. Through the digital transformation, it strengthened the capabilities on active marketing, targeted marketing and risk prevention and control and played the role of credit card in acquiring and retaining customers to promote the stable growth in the scale of customers. For customer groups with difficulties due to the impacts of the pandemic, the Bank proactively offered deferred repayment and other services and fulfilled its corporate social responsibilities to facilitate the high-quality development of the Bank’s credit card business.

As at the end of the Reporting Period, the Bank issued 2,461,700 valid credit cards in total. The number of credit cards newly issued during the Reporting Period was 96,600. In the first half of 2022, the transaction amount of credit cards was RMB32,051 million in aggregate. The credit card overdraft amount was RMB24,065 million. Revenue from the credit card business amounted to RMB650 million. As at the end of the Reporting Period, the credit card NPL ratio was 2.47%.

Retail loans

In the first half of 2022, the Bank continued to implement the regulatory requirements on real estate loan and the differentiated housing credit policies, and gave priority to the first self-use housing and improving housing demand of individual customers. During the Reporting Period, affected by the external market environment, the scale of the Bank’s personal housing loan business decreased. As at the end of June 2022, the balance of personal housing loans of the Bank under the headquarters was RMB121,357 million, representing a decrease of RMB863 million or 0.71% from the beginning of the year.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.2 Personal finance business (Continued)

Retail loans (Continued)

In the first half of 2022, the Bank closely followed the changes in the market environment and customer demands, advanced the results of the digital transformation of inclusive finance and strived to provide high-quality, effective and innovative financial services for individual industrial and commercial households, micro and small enterprise owners and other customer groups, allowing more groups to enjoy the quality financial services of the Bank and achieving stable growth in personal business loans and non-home consumption loans. As at the end of June 2022, the balance of personal business loans of the Bank was RMB48,951 million, representing an increase of RMB4,431 million or 9.95% from the beginning of the year. The balance of personal non-home consumption loans was RMB11,051 million, representing an increase of RMB1,016 million or 10.12% from the beginning of the year.

Retail deposits

In the first half of 2022, facing the external situations including the COVID-19 pandemic and decline of interest rates, the Bank persistently adhered to the business philosophy of “putting deposits in a paramount position of the Bank and putting customers first” and acted proactively under unified thoughts. The Bank realized continuous rapid growth in personal deposits through enhancing the development of marketing scenarios, fintech empowerment and improving service quality and effectiveness. As at the end of June 2022, the Bank’s total retail deposits under the headquarters amounted to RMB354,441 million, representing an increase of RMB61,543 million or 21.01% from the end of 2021.

3.9.3 Financial market business

In the first half of 2022, in the face of the complex and severe international situation and the requirements of domestic epidemic prevention and economic stabilization, the overall economy of China remained stable. The central bank intensified the implementation of monetary policy, kept liquidity reasonably sufficient, and the market yield remained low and volatile. The Bank adhered to the principle of serving the real economy and promoted the continued steady growth of its business through optimizing investment portfolio structure, and enriching business categories. Firstly, the Bank increased the resources allocated to treasury bonds, local government bonds and credit bonds. Secondly, the Bank seized opportunities in the bond market and actively participated in secondary market transactions to increase capital gains. Thirdly, the Bank improved its market influence and actively performed its obligations as a market maker. Fourthly, the Bank focused on market and customer expansion and enhanced business innovation and synergy to improve intermediate business revenue. Fifthly, the Bank actively participated in the southbound bond market business, enriched capital market allocation of the Bank and promoted RMB internationalization.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.4 Custody business

In the first half of 2022, taking high-quality development as the objective of the custody business, the Bank enhanced the synergy between different business lines, improved technology empowerment, continuously reinforced the foundation of the business, and improved the intelligence level and the customer service capability, realizing the healthy growth of the business scale and revenue from intermediate business. As of 30 June 2022, the balance of assets under custody (excluding regulating products of corporate and investment banking) of the Bank amounted to RMB956,189 million, representing an increase of RMB45,454 million or 4.99% from the beginning of the year. The Bank generated an asset custody fee income (excluding regulating products of corporate and investment banking) of RMB328,027,200, representing an increase of RMB35,208,500 or 12.02% as compared with the corresponding period of the last year.

3.9.5 Distribution channels

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

Physical distribution channels

As at 30 June 2022, the Bank had built a total of 574 self-service banking outlets and put into operation a total of 1,940 sets of self-service equipment, including 1,141 cash recycling machines and 799 intelligent self-service terminals.

Electronic banking channels

Focusing on high-quality development and consistently giving priority to the development of mobile products and services, the Bank accelerated its digital transformation and devoted more efforts to developing online products such as mobile banking and online banking. The Bank also actively expanded online payment business, enhanced the operation and management of electronic banking channels and empowered its operations with fintech.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.5 Distribution channels (Continued)

Mobile banking

As for mobile banking, the Bank profoundly integrated it with intelligent voice search, biological recognition and other technologies, built online channels covering all varieties, all functions and all products, explored the construction of business circles, improved the platform-based ecosystem, and continuously enhanced the customer acquisition and customer activation capability of online channels. During the Reporting Period, the Bank's personal mobile banking maintained rapid development with the customer activity continuously improving. As at the end of June 2022, the number of mobile banking customers of the Bank reached 7,827,300. The number of mobile banking transactions reached 122,146,400, representing a year-on-year increase of 15.68%. The transaction amount reached RMB861,241 million in total, representing a year-on-year increase of 1.23%.

Online banking

In the first half of 2022, the Bank's online banking business maintained a steady development. The Bank continuously enhanced the development of online banking security mechanisms, consistently optimized business processes and customer service experience, and improved the in-depth integration of online banking channels with business. As at the end of the Reporting Period, as for personal online banking, the total number of customers reached 7,206,000, the number of transactions reached 22,222,300, and the transaction amount reached RMB248,282 million; as for enterprise online banking, the total number of customers reached 328,900, the number of transactions reached 383 million, and the transaction amount reached RMB2.4 trillion.

Online payment

The Bank actively promoted the rapid development of various online payment services such as quick payment, gateway payment and mobile payment, and continued to focus on providing payment services for government, public welfare and merchants proving daily necessities to improve the efficiency and effectiveness of mobile convenient payments in promoting consumption and improving people's livelihood. In the first half of 2022, the number of online payment transactions reached 178,959,600, representing a year-on-year increase of 17.49%, and the transaction amount totalled RMB105,636 million, representing a year-on-year increase of 1.66%.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.5 Distribution channels (Continued)

Internet-based loan

During the Reporting Period, the Bank's Internet-based loan business closely followed changes in market regulatory policies. Based on the actual business conditions, with "intelligent risk control and digital operation" as cores and focusing on the key points, it comprehensively advanced the development of the Internet-based loan business from key customers, asset investment, core source of profit, online risk control and other perspectives. As at the end of June 2022, the balance of personal online loans under the management of the Internet-based Loan Centre of the Bank was RMB37,135 million, representing an increase of RMB2,927 million from the beginning of the year, and the revenue of the business reached RMB729 million. The overdue amount of loans was RMB1,028 million with an overdue payment rate of 2.77%. The balance of NPL was RMB653 million with an NPL ratio of 1.76%.

3.9.6 Green finance business

Under guidance of the national strategy of "carbon peaking and carbon neutrality", the Bank properly complied with the requirements of the laws and regulations of the state on environmental protection, the industrial policies and the industry access policies, actively advocated green finance and supported the development of green, low-carbon and circular economy. As at the end of June 2022, the balance of the Bank's green loans totaled RMB52,226 million, representing an increase of RMB20,045 million or 62.29% from the beginning of the year.

3.9.7 Subsidiaries and major companies in which the Bank has shareholdings

Subsidiaries

Huishang Bank Financial Leasing Co., Ltd.

Registered in Hefei, Huishang Bank Financial Leasing Co., Ltd. ("Huishang Bank Financial Leasing") officially commenced its business operation on 30 April 2015 with an initial registered capital of RMB2,000 million. The Bank contributed RMB1,020 million to the registered capital of Huishang Bank Financial Leasing, accounting for 51% of the total registered capital. The registered capital of Huishang Bank Financial Leasing increased to RMB3,000 million in March 2018, to which the Bank contributed RMB1.62 billion, accounting for 54% of the total registered capital. As of the end of June 2022, the unaudited total assets, total liabilities, owners' equity and net profits of Huishang Bank Financial Leasing amounted to RMB63,429 million, RMB56,787 million, RMB6,642 million and RMB619 million, respectively, and the principal balance of lease assets was RMB62,559 million with an NPL ratio of 0.81%.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.7 Subsidiaries and major companies in which the Bank has shareholdings (Continued)

Subsidiaries (Continued)

HSBank Wealth Management Co., Ltd.

HSBank Wealth Management Co., Ltd. (徽銀理財有限責任公司) (“HSBank Wealth Management”) officially commenced its business operation on 28 April 2020. Registered in Hefei with a registered capital of RMB2 billion, HSBank Wealth Management was wholly funded by the Bank. As of the end of June 2022, the unaudited total assets, total liabilities, owners’ equity, net profits and assets under management of HSBank Wealth Management amounted to RMB3,851 million, RMB369 million, RMB3,482 million, RMB660 million and RMB240,942 million, respectively.

Wuwei Huiyin Rural Bank Co., Ltd.

Registered in Wuwei City, Wuwei Huiyin officially commenced its business operation on 8 August 2010. Its registered capital was RMB100 million, to which the Bank contributed RMB40 million, accounting for 40% of the total registered capital. As of the end of June 2022, the unaudited total assets, total loans and total deposits of Wuwei Huiyin amounted to RMB3,739 million, RMB2,120 million and RMB3,602 million, respectively.

Jinzhai Huiyin Rural Bank Co., Ltd.

Registered in Jinzhai County of Lu’an City, Jinzhai Huiyin officially commenced its business operation on 28 June 2013. Its registered capital was RMB80 million, to which the Bank contributed RMB32.80 million, accounting for 41% of the total registered capital. As of the end of June 2022, the unaudited total assets, total loans and total deposits of Jinzhai Huiyin amounted to RMB2,652 million, RMB1,660 million and RMB2,352 million, respectively.

Major companies in which the Bank has shareholdings

Chery HuiYin Motor Finance Service Co., Ltd.

Chery HuiYin Motor Finance Service Co., Ltd. (“Chery HuiYin”) was established on 13 April 2009 in Wuhu City. Its initial registered capital was RMB500 million, to which the Bank contributed RMB100 million, accounting for 20% of the total registered capital. In December 2012, the registered capital of Chery HuiYin increased to RMB1,000 million, to which the Bank contributed RMB200 million, accounting for 20% of the total registered capital. In December 2017, the registered capital of Chery HuiYin further increased to RMB1,500 million, in which the Bank held 300 million shares, accounting for 20% of the total shares in issue.

Mengshang Bank Co., Ltd.

Mengshang Bank Co., Ltd. was established on 30 April 2020 in Baotou City. Its registered capital was RMB20 billion, in which the Bank held 3.0 billion shares, accounting for 15% of the total shares in issue.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT

In the first half of 2022, faced with the severe and complicated risk management situation, focusing on the objective of high-quality development and taking effective asset quality management and comprehensive risk management improvement as the main tasks, the Bank strove to improve the capabilities on managing “ex-ante risks, quantitative risks, operational risks and total risks,” orderly optimized the top-level design on comprehensive risk management, continuously enhanced risk control in key areas, and actively promoted technology-empowered and intelligent risk control, to realize coordinated and balanced business development in terms of scale, quality and efficiency on the premise of controllable risk and realize the value of comprehensive risk management and the Bank’s strategic targets on transformation and upgrading.

3.10.1 Credit risk management

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

In the first half of 2022, focusing on comprehensive risk management, the Bank formulated its risk preference, risk limit, loan credit policy systems on the basis of comprehensive risk management measures of the Bank. The Bank let policy guide the optimization of its credit structure, continued to promote the construction and application of the internal evaluation system to provide effective support for credit granting, credit use, and risk measurement, and studied and formulated the Work Plan on “Stabilizing Foreign Trade and Foreign Investment and Promoting Consumption” on Asset Quality for 2022 to improve the quality and effectiveness of recovery and settlement. During the Reporting Period, the Bank actively carried out relevant work to accelerate the disposal of risk assets and as a result, the quality and structure of its assets were effectively improved. Please refer to Section 3.4 “Loan Quality Analysis” in this report for details of the loan quality distribution.

3.10.2 Market risk management

Market risk refers to the risk of on- and off-balance-sheet loss caused by changes in interest rates, foreign exchange rates and other market factors.

In the first half of 2022, in the face of complex and volatile external environment, the Bank focused on improving market risk management tools, improving market risk management policies, and promoting daily market risk management in an all-round manner. The Bank continued to measure and analyze market risks, by comprehensively using fair value assessment, sensitivity analysis, stress testing and other methods. It also continued to carry out market risk limit management by strengthening the limit monitoring and early warning and enhancing the market risk control. Under the comprehensive risk management framework, the Bank fully identified, accurately measured and continuously monitored market risks in various business lines to control market risks within a tolerable range.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.3 Operational risk management

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

The Bank continued to promote the construction of the operational risk management system, strengthened the construction of three major operational risk management tools, collected loss data in batches, and expanded the applicability of the operational risk management system; sorted out key collateral management risks, carried out operational risk control at the system level, further optimized information technology risk monitoring and improved the quality and efficiency of information technology risk monitoring by taking into consideration key risk indicators and regulatory reports.

3.10.4 Liquidity risk management

Liquidity risk refers to the risk that the Bank is unable to satisfy its customers' needs for repayment of liabilities due, new loans and reasonable financing, or to satisfy these needs at a reasonable cost. The Risk Management Committee under the Board of the Bank and the Assets and Liabilities Management Committee and the Risk and Internal Control Management Committee under the senior management assume joint responsibilities for formulating policies and strategies on overall liquidity risk management.

The Bank's liquidity risk management aims to balance the relationship among "liquidity, safety and profitability", improve the liquidity management level, safeguard the sustainable and healthy development of various businesses, and implement the risk appetite featuring "prudence, rationality and soundness" of the Board of Directors, and to ensure that the Bank has sufficient funds to meet expected and unexpected capital requirements (including loan growth, deposit withdrawals, debt maturity, and changes in off-balance sheet irrevocable commitments) in a normal operating environment or under stress, so as to create a stable liquidity environment for continuing operations and promote positive interaction between liquidity management and business development. The Bank strengthens the liquidity risk management on a forward-looking basis, enhances the anticipation of market situation, and effectively manages and dynamically adjusts its strategies. At the same time, the Bank implements the coordinated management of liquidity and assets and liabilities, makes reasonable adjustments to the scale and structure of assets and liabilities according to changes in market conditions and the development of business needs, to ensure its liquidity while pursuing profit growth and value growth and achieve the goal of "liquidity, safety and profitability" in union. The Bank improves the level of debt stability management to ensure moderate amount, stable sources, diversified structure and matched maturity for its debts. The Bank emphasizes on risk prevention and mitigation while promoting business development and profit growth. The Bank stresses the importance of "ensuring adequate liquidity" and flexibly manages and controls the percentage of liquidity asset portfolio with the highest efficiency. According to its own characteristics and external market environment, the Bank has formulated liquidity scenarios under stress, and conducted stress tests of liquidity risks regularly to analyze the ability of coping with liquidity risks or shocks. Meanwhile, the Bank has formulated contingency plans to prevent potential liquidity crisis and takes effective emergency measures to control the spread of risks under liquidity crisis scenarios.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.4 Liquidity risk management (Continued)

The Bank kept a close attention on the macro regulatory policies and the situation of fund markets. According to the business development of assets and liabilities of the whole Bank and the liquidity position, the Bank adjusted the liquidity management strategy and the pace of funds operation in a dynamic manner in response to the impact related to stage and season factors on the liquidity position, in order to improve the ability of handling liquidity risks. As at the end of June 2022, the liquidity coverage ratio of the Bank was 125.79%, while the qualified quality liquidity assets amounted to RMB102.195 billion and net cash outflow in the next 30 days was RMB81.244 billion. The net stable capital ratio was 108.94% as at the end of March 2022, while the available stable capitals reached RMB909.488 billion and the required stable capitals amounted to RMB834.855 billion. As at the end of June 2022, the net stable capital ratio of the Bank was 106.09%, while the available stable capitals reached RMB928.036 billion and the required stable capitals amounted to RMB874.757 billion.

3.10.5 Interest rate risk management

Interest rate risk refers to the risk of fluctuation in interest rates which results in adverse impact on the financial position of the Bank. Interest rate risk of the Bank primarily arises from the structural mismatch of maturity dates or re-pricing periods for its banking portfolio. Currently, the Bank primarily measures its exposure to interest risk in account books through methods such as gap analysis, scenario analysis and stress testing. The Bank manages its interest rate risk exposure primarily by adjusting the duration of its banking portfolio based on its assessment of potential changes in the interest rate environment.

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

In the first half of 2022, the Bank proactively coped with interest rate liberalization and increased its efforts in optimizing asset-liability structure and customer structure. First, the Bank strengthened deposit and loan pricing management and implemented a market-based deposit adjustment mechanism in an effort to improve its risk pricing capability. Second, the Bank strengthened the analysis of customers' comprehensive contribution using data from management accounting, thus effectively improving its pricing management. Third, the Bank conducted regular stress tests for interest rate risk in its account books, followed by responding strategies to effectively improve its capability to prevent interest rate risks.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.6 Exchange rate risk management

Exchange rate risk is the risk of loss in the Bank's earnings arising from the duration mismatch of over-bought and over-sold positions in a particular foreign currency and non-RMB denominated asset and liability due to adverse changes in exchange rate. The Bank's foreign currency assets and liabilities are mainly denominated in U.S. dollars, while the rest are denominated in Euros, Hong Kong dollars, Japanese yen, etc.

The Bank measured its exchange rate risk through qualitative and quantitative analysis. The major methods included gap analysis, duration analysis, exposure analysis, VAR analysis, stress testing and back testing etc. In order to maintain its exchange rate risk within an acceptable range, the Bank implemented stringent limit-based management measures, primarily including trading limits, risk limits, foreign exposure limits and stop loss limits.

The spot and forward foreign exchange transactions of the Bank are mainly transactions conducted on behalf of customers. They are effected by way of "back-to-back" square trading that avoids exchange rate risk to a large extent. Under the new normal of bilateral exchange rate fluctuations of RMB, the Bank will maintain reasonable proprietary position exposures in line with the Bank's limit-based management within the limit of combined exposures approved by Anhui Branch of the State Administration of Foreign Exchange. In addition, the Bank proactively utilized derivatives to prevent exchange rate risk.

3.10.7 Reputation risk management

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

Reputational risk management, as an important part of the Bank's corporate governance and comprehensive risk management systems, covers all behaviors, business activities and business areas of the Bank and its subsidiaries. The Bank has developed reputational risk management measures and requirements to actively and effectively prevent reputational risk and cope with reputation events, with a view to minimizing the resulting losses and negative impacts. The Bank prioritizes risk prevention and focuses on monitoring, analysis and early warning of public opinions in its daily operation, and actively carries out external publicity. In addition, the Bank quickly resolves any misunderstanding or misinterpretation of information with an effective management system. Meanwhile, the Bank actively carries out external publicity and participates in a broad range of social welfare undertakings and public activities to live up to its corporate social responsibility, in an effort to build a sound corporate image. In the first half of 2022, the Bank effectively managed its reputation risk. There is no reputation risk incident occurred throughout the Reporting Period. The Bank maintained a good relationship with the media, and the media provided favorable overall feedback.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.8 Compliance risk management

Compliance risk refers to the risk that commercial banks may be subject to legal sanctions, regulatory punishments, major financial losses, or reputation damage as a result of their violation of laws and regulations, rules and criteria.

The Board of Directors of the Bank takes the ultimate responsibility for the compliance of the Bank's operation activities. The Risk Management Committee under the Board of Directors monitors compliance risk management effectively. The Board of Supervisors is responsible for supervising the performance of the Board of Directors and the senior management of their duties on compliance management. The senior management is responsible for managing compliance risk, conducting regular assessment on compliance risk and submitting compliance risk management report to the Board. The Bank has established a robust compliance risk management system and organizational structure, forming three defense lines at front, middle and back offices interactive with each other, and the vertical double-line reporting system amongst the head office, branches and sub-branches. It was also able to constantly improve the compliance risk management system and mechanism so as to ensure effective management and control of compliance risk.

During the Reporting Period, the Bank deeply advanced the establishment of the digital internal control compliance system. Following the guidance of "led by internal control, driven by data, adhering to integrity and innovation and pursuing steady development" and adhering to the overall requirements of "promoting development with compliance and preventing risks with internal control", the Bank resolutely implemented regulatory requirements, deepened the establishment of the internal control mechanism and maintained favorable comments from external regulatory authorities. In the first half of 2022, the Bank deeply conducted self-assessment on the implementation of relevant regulations of the PBOC and assessment on compliance risk, actively implemented the rectification of issues identified in regulatory assessment and rating and effectively conducted the optimization of internal control and balancing indicators and systems. It continued to promote the establishment of the management system on rules and regulations, improve the quality and efficiency of on-site inspections, optimize the compliance performance evaluation system, strengthen the results of issues rectification and enhance the accuracy of accountability for non-compliance and vigorously carried out trainings on compliance culture. The Bank actively organized the application for incentives on the prevention of case risks by branches and sub-branches, further refined the staff behavior management system, established and improved the joint review mechanism on compliance laws and explored the implementation of comprehensive legal compliance services, thereby offering protection for the operation of the Bank in compliance with laws.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.9 Anti-money laundering management

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

During the Reporting Period, the Bank strictly carried out money laundering risk prevention and control. The Bank conducted the interpretation of relevant laws and regulations and trainings on practical operation through providing trainings to the grassroots level and online centralized learning courses, facilitating the latest laws, regulations and regulatory policies in relation to the anti-money laundering being implemented across the Bank. It actively conducted anti-money laundering themed publicity activities and anti-money laundering research activities and relevant research articles were awarded the first and second prizes in national anti-money laundering essay competition, effectively promoting the study results to serve business development and improving the anti-money laundering performance capabilities of employees throughout the whole Bank. The Bank continued to optimize the functions of the anti-money laundering management system and carried out the optimization of anti-money laundering models and rules. Subject to guaranteeing the completeness of the data on suspicious transaction reported, it effectively reduced the workload at the grass-root level, further improved the real-time data, scientific rating and work efficiency on anti-money laundering and enhanced the identification and analysis capabilities on anti-money laundering. The Bank continued to advance the reform of the operation model of anti-money laundering, put into practice the principle of “laying emphasis on risks, management, quality and effects” by applying it to anti-money laundering works and promoted the intensive, standard and professional operation of anti-money laundering to effectively strengthen concerted efforts in anti-money laundering. The Bank initiated the self-assessment on institutional money laundering and terrorist financing and designed exclusive assessment indicators of the Bank on money laundering risks by learning from experiences in the same industry and based on its actual conditions to appraise the level of money laundering risk faced by the Bank in a scientific and effective manner.

Chapter III Management Discussion and Analysis

3.11 INFORMATION TECHNOLOGY

During the Reporting Period, for information technology works, the Bank focused on technology services and the building of guaranteed capabilities on the stable operation of key infrastructure and continuously improved the protection capability of the network security system, maintaining continuous and effective services of the information system of the whole Bank.

Firstly, strengthening proprietary controllable development capabilities and initiating the construction of the cloud platform for Internet-based finance. The Bank sped up in the introduction, obtaining and application of proprietary controllable development platforms, independently carried out the construction of the corporate customer management platform and the personal customer management platform, built mobile development, distributed micro service development and other fundamental technical platforms and declared 10 software copyrights. It initiated the implementation of projects on the cloud platform for Internet-based finance and promoted the transformation of the attraction of customer flows, online businesses, mobile services, third-party cooperation and other businesses.

Secondly, promoting data capacity building and building a sound data governance and application system. The Bank promoted data governance in business lines, arranged branches to conduct data supplementation in the source system and continuously improved the quality of fundamental data. It established and improved the risk market, diversified portal resources, enhanced the supporting effectiveness of data platforms and improved data services. It built personal online anti-fraud models and anti-money laundering models, carried out the monitoring and application of models and strategies and reinforced risk control and management on online businesses. It continued to enrich the customer labelling system and explore potential value customers to facilitate targeted business marketing. The Bank implemented data classification and grading, initiated risk assessment and system establishment and enhanced targeted management and control on data security.

Thirdly, improving the effectiveness of technical services and strengthening the protection of network security. Based on the concept of “improving customers’ access to services by stimulating data flow” in technical services, the Bank established and operated the IT service platform, reducing the time on IT services by 50%. It continuously improved the building of the network security system of defense-in-depth, established the service system on monitoring and disposal of network security threats and improved the visual early warning analysis system and the intelligent protection system on network security to comprehensively improve the technical services as well as the guarantee of safety.

Chapter III Management Discussion and Analysis

3.12 PROFIT DISTRIBUTION OF ORDINARY SHARES

Profit distribution plan for 2021

The profit distribution plan of the Bank for 2021 was considered and approved at the 2021 annual general meeting of the Bank held on 30 June 2022.

Audited net profit of the Bank under the headquarters for 2021 was RMB10,319.66 million. Pursuant to the Articles of Association, the profit distribution plan of the Bank for 2021 is as follows:

- (1) RMB1,031.966 million, RMB1,447.630 million and RMB1,031.966 million were allocated to the statutory surplus reserve, general risk provision and discretionary surplus reserve, respectively, and the remaining distributable profit for the year amounted to RMB6,808.098 million.
- (2) It was proposed to distribute the cash dividend of RMB0.089 (tax inclusive) per share, with a total cash dividend of approximately RMB1,236.1923 million (tax inclusive).

The 2021 final dividend has been paid on 25 August 2022 to shareholders whose names appeared on the register of members of the Bank as at 12 July 2022. All cash dividends paid, which were denominated in RMB, were distributed to shareholders in RMB or Hong Kong dollars, respectively. The exchange rate used for calculation of dividends paid in Hong Kong Dollars was based on the average central parity rate of RMB against Hong Kong Dollars announced by the PBOC for the five working days before the 2021 annual general meeting of the Bank (i.e. 23, 24, 27, 28 and 29 June 2022).

Interim profit distribution for 2022

The Bank has no interim profit distribution plan for 2022.

Chapter III Management Discussion and Analysis

3.13 SOCIAL RESPONSIBILITY

In the first half of 2022, the Bank honored the mission of “achieving dreams for customers, creating value for shareholders, promoting employee development and assuming responsibility of citizenship”, actively performed social responsibilities of an enterprise, coordinated shareholders, customers, employees and other stakeholders, achieving the full improvement of economic, environmental and social benefits, which have been widely praised by all sectors of society and granted many awards and honors. In the context of ongoing COVID-19 response, the Bank actively implemented policies to help ease enterprises’ burden, focused on strengthening financial services to support real economic demands, made targeted efforts in promoting inclusive finance to reduce corporate financing costs and support the development of small and micro enterprises, making its contribution to stabilize economic market. The Bank continuously strengthened the role of green credit in leverage adjustment by promoting green credit to support low-carbon economy; broadened the coverage of financial services to support the development of “Three Dimensional Rural Issues” and contribute to rural revitalization. The Bank continuously developed a “secure Huishang Bank”, focused on the long-term construction of a comprehensive, full-staff and full-process risk management system, and enhanced its risk management and operation capabilities to resolutely maintain the bottom line of non-occurrence of systemic risks. The Bank advocated green office, energy saving and environmental protection to reduce the negative effects of its daily operation on the environment as much as possible. The Bank advocated public spirit, continuously promoted concepts and activities on people’s livelihood, environmental protection and charities and proactively practiced environmental protection and charities, fully displaying the image of the Bank as an excellent corporate resident. Being people-oriented, the Bank paid attention to employee capacity building, cared about the physical and mental health of its employees to create a positive and harmonious corporate culture. The Bank maintained its market positioning as a city commercial bank with aims to build a “mainstream bank, digital bank and value bank” in all respects to serve the economic and social development of Anhui Province. In this way, the Bank strives to be an excellent local mainstream bank with good customer experience, distinctive advantages, solid risk control capability and diversified comprehensive services.

Chapter III Management Discussion and Analysis

3.14 CONSUMER RIGHTS PROTECTION

In the first half of 2022, the Bank continued to enhance the awareness and service concept on consumer protection, enhanced the organization and leadership in consumer protection and improved the organization structure of consumer protection across the Bank. It identified gaps through comparison with customers' expectations, the competition among the peers and regulatory requirements and further deepened consumer protection in key business sectors. It gradually established a diversified working mechanism on resolving financial disputes, covering reconciliation in the Bank, reconciliations by third-party institutes and pre-litigation mediations, and constantly consolidated the "three-in-one" financial education and publicity system to ensure effective and featured consumer protection in place. It formulated the "Emergency Proposal on Significant Complaints of Huishang Bank"; completed over 600 reviews on consumer protection, involving product and service systems and measures, cooperation (outsourcing) agreements and contracts, marketing activities and publicity materials; organized over 30 trainings on consumer protection covering medium and senior management, grass-roots business staff and new employees; and conducted over 2,600 online and offline education and publicity activities with over 10 million participants. As of the end of June 2022, the Bank accepted a total of 827 customer complaints, mainly involving the credit card business and the personal loan business. Such complaints were mainly in Hefei, Wuhu, Bengbu and other areas.

Chapter IV Changes in Share Capital and Particulars of Shareholders

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

	30 June 2022		Changes during the Reporting Period Number of Shares	31 December 2021	
	Number of Shares	Percentage (%)		Number of Shares	Percentage (%)
Domestic Shares	10,411,051,211	74.95	0	10,411,051,211	74.95
H Shares	3,478,750,000	25.05	0	3,478,750,000	25.05
Total number of ordinary shares	13,889,801,211	100.00	0	13,889,801,211	100.00

Note: As of 30 June 2022, the Bank had a total of 17,604 shareholders of ordinary shares, including 1,424 shareholders of H Shares and 16,180 shareholders of Domestic Shares. The Bank had no controlling shareholders or de facto controller. According to the trustee agency, as of 30 June 2022, a total of 377,675,695 pledged Shares were under judicial freeze or other situation.

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

As of 30 June 2022, the order of the top ten holders of ordinary shares of the Bank was sorted by: (1) (for H Shares) the aggregate of the H Shares of the Bank held by investors which were deposited into the Central Clearing and Settlement System of the Hong Kong Stock Exchange and registered under the name of HKSCC NOMINEES LIMITED, a wholly-owned subsidiary of the Hong Kong Stock Exchange, representing 25.02% of the total share capital of ordinary shares and representing 99.89% of the total H Shares issued; and (2) for Domestic Shares, the order was based on the number of shares held directly under the domestic shareholders register kept by China Securities Depository and Clearing Corporation Limited.

No.	Name of shareholder	Nature of shareholder	Number of shares held as at the end of the Reporting Period (share)	Percentage to total share capital of ordinary shares (%)	Type of shares	Increase/decrease during the Reporting Period (share)	Pledged or frozen (share)
1	HKSCC Nominees Limited	⁽¹⁾	3,474,932,658	25.02	H Share	20,800	⁽¹⁾
2	Deposit Insurance Fund Management Co., Ltd.	State-owned legal person	1,559,000,000	11.22	Domestic Share	0	0
3	Anhui Energy Group Co., Ltd.	State-owned legal person	843,363,819	6.07	Domestic Share	0	0
4	Anhui Guoyuan Financial Holding Group Co., Ltd.	State-owned legal person	837,810,695	6.03	Domestic Share	0	0
5	Anhui Credit Financing Guaranty Group Co., Ltd.	State-owned legal person	827,658,091	5.96	Domestic Share	0	0
6	Anhui Transportation Holding Group Co., Ltd.	State-owned legal person	705,349,937	5.08	Domestic Share	13,414,063	0
7	Zhongjing Sihai Co., Ltd.	Domestic non-state-owned legal person	506,102,476	3.64	Domestic Share	0	368,540,000
8	Hefei Xingtai Financial Holding Group Co., Ltd.	State-owned legal person	378,395,999	2.72	Domestic Share	0	0
9	Wuhu Construction Investment Co., Ltd.	State-owned legal person	294,012,833	2.12	Domestic Share	0	0
10	CCB Trust Co., Ltd.	State-owned legal person	248,102,994	1.79	Domestic Share	0	0

Note: (1) The relevant information has not yet been obtained by the Bank, nor can it be verified based on the existing information.

Chapter IV Changes in Share Capital and Particulars of Shareholders

4.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES

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

No.	Name of substantial shareholder	Number of shares	Individual shareholding ratio (%)	Joint shareholding ratio (%)	Increase/Decrease of shareholding during the Reporting Period (share)
1	Deposit Insurance Fund Management Co., Ltd.	1,559,000,000	11.22	11.22	0
2	Zhongjing Xinhua Asset Investment Management Co., Ltd.	224,781,227	1.62	10.59	0
	Wealth Honest Limited	590,615,400	4.25		0
	Golden Harbour Investments Management Limited	440,000,000	3.17		0
	Zhongjing Xinhua Property Management (Hong Kong) Co., Limited	215,249,000	1.55		0
3	Anhui Energy Group Co., Ltd.	843,363,819	6.07	9.70	0
	Anhui Wenergy Company Limited	150,814,726	1.09		0
	Xing An Holding Limited	329,973,600	2.38		0
	Anhui Natural Gas Development Co., Ltd.	23,579,472	0.17		0
4	Wkland Finance Holding Company Limited	562,254,000	4.05	7.00	0
	Wkland Finance Holding II Company Limited	410,130,600	2.95		0
5	Anhui Guoyuan Financial Holding Group Co., Ltd.	837,810,695	6.03	6.29	0
	Anhui Guoyuan Trust Co., Ltd.	35,751,470	0.26		0
	Anhui Guoyuan Ma'anshan Asset Management Co., Ltd.	361,662	0.00		0
6	Anhui Credit Financing Guaranty Group Co., Ltd.	827,658,091	5.96	5.98	0
	Anhui Guaranteed Asset Management Co., Ltd. ⁽²⁾	2,524,326	0.02		0
7	Anhui Transportation Holding Group Co., Ltd.	705,349,937	5.08	5.10	13,414,063
	Anhui Transportation Holding Group (H.K.) Limited	3,299,700	0.02		0
8	Hefei Xingtai Financial Holding Group Co., Ltd.	378,395,999	2.72	4.51	0
	CCB Trust Co., Ltd.	248,102,994	1.79		0
9	Sunshine Life Insurance Corporation Limited	598,094,200	4.31	4.31	0
10	Zhongjing Sihai Co., Ltd.	506,102,476	3.64	3.64	0

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

(2) Anhui Guaranteed Asset Management Co., Ltd. obtained 180,000,000 Domestic Shares of the Bank through judicial auction, and the registration of the such shares was completed through China Securities Depository and Clearing Corporation Limited on 8 July 2022. After the completion of the share registration, Anhui Guaranteed Asset Management Co., Ltd. held 182,524,326 Domestic Shares of the Bank with an individual shareholding ratio of 1.31%.

(3) Ms. Hu Jing, a supervisor appointed by Anhui Publishing Group Co., Ltd. to the Bank, has resigned as a shareholder supervisor of the Bank and a member of the nomination committee under the Board of Supervisors from March 4, 2022. For details, please refer to 5.2 "Changes in Directors, Supervisors and Senior Management of the Bank" in this report. Anhui Publishing Group Co., Ltd. ceased to be a substantial shareholder of the Bank after the resignation of Ms. Hu Jing.

Chapter IV Changes in Share Capital and Particulars of Shareholders

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

As of 30 June 2022, the following persons (other than the directors, supervisors and chief executives (as defined in the Hong Kong Listing Rules) of the Bank) had interests and short positions in the shares of the Bank as recorded in the register required to be kept by the Bank pursuant to section 336 of the SFO. In view of the Bank's profit distribution plan for 2017, where bonus shares were issued to shareholders on the basis of 1 share for every 10 shares, implemented in 2018, the number of shares held by shareholders in the table below reflects the number of shares held by shareholders after the issue of bonus shares.

Name of shareholder	Type of share	Long/short position	Capacity	Number of shares (share)	Percentage of the underlying shares in issue (%)	Percentage of all issued ordinary shares(%)	Note
Deposit Insurance Fund Management Co., Ltd.	Domestic Share	Long	Beneficial owner	1,559,000,000	14.97	11.22	1
Anhui Energy Group Co., Ltd.	H Share	Long	Interest of controlled corporation	329,973,600	9.49	2.38	2
	Domestic Share	Long	Interest of controlled corporation	174,394,198	1.68	1.26	2
	Domestic Share	Long	Beneficial owner	843,363,819	8.10	6.07	2
	H Share	Long	Beneficial owner	329,973,600	9.49	2.38	2
Anhui Credit Financing Guaranty Group Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	2,524,326	0.02	0.02	3
	Domestic Share	Long	Beneficial owner	827,658,091	7.95	5.96	3
Anhui Guoyuan Financial Holding Group Co., Ltd.	Domestic Share	Long	Beneficial owner	837,810,695	8.05	6.03	4
	Domestic Share	Long	Interest of controlled corporation	36,113,132	0.35	0.26	4
Anhui Transportation Holding Group Co., Ltd.	H Share	Long	Interest of controlled corporation	3,299,700	0.09	0.02	5
	Domestic Share	Long	Beneficial owner	705,349,937	6.78	5.08	5
China Vanke Co., Ltd.	H Share	Long	Interest of controlled corporation	972,384,600	27.95	7.00	6
Wkland Finance Holding Company Limited	H Share	Long	Beneficial owner	562,254,000	16.16	4.05	6
Wkland Finance Holding II Company Limited	H Share	Long	Beneficial owner	410,130,600	11.79	2.95	6
Sunshine Insurance Group Corporation Limited	H Share	Long	Interest of controlled corporation	598,094,200	17.19	4.31	7
Sunshine Life Insurance Corporation Limited	H Share	Long	Beneficial owner	598,094,200	17.19	4.31	7
Shanghai Soong Ching Ling Foundation	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Zhongjing Industry (Group) Limited	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Modern Innovation Holdings Co., Limited	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Jing'An Shanghai Silver Investment Co., Ltd.	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Zhongjing Xinhua Asset Investment Management Company Ltd.	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Beneficial owner	224,781,227	2.16	1.62	8
Zhongjing Xinhua Property Management (Hong Kong) Co., Limited	H Share	Long	Interest of controlled corporation	1,030,615,400	29.63	7.42	10, 11, 13
	H Share	Long	Beneficial owner	215,249,000	6.19	1.55	9
Wealth Honest Limited	H Share	Long	Interest of controlled corporation	440,000,000	12.65	3.17	11, 13
	H Share	Long	Beneficial owner	590,615,400	16.98	4.25	10

Chapter IV Changes in Share Capital and Particulars of Shareholders

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

Name of shareholder	Type of share	Long/short position	Capacity	Number of shares (share)	Percentage of the underlying shares in issue (%)	Percentage of all issued ordinary shares(%)	Note
Wealth Honest Cayman Holdings Company Limited	H Share	Long	Interest of controlled corporation	440,000,000	12.65	3.17	11, 13
Qingdao State-owned Assets Supervision & Administration Commission	H Share	Long	Security interest	440,000,000	12.65	3.17	11
Qingdao City Construction Investment (Group) Limited	H Share	Long	Security interest	440,000,000	12.65	3.17	11
Qingdao City Construction Financial Holding Group Co., Ltd.	H Share	Long	Security interest	440,000,000	12.65	3.17	11
China Golden Harbour (Holdings) Group Limited	H Share	Long	Security interest	440,000,000	12.65	3.17	11
Golden Harbour Global Holdings Limited	H Share	Long	Security interest	440,000,000	12.65	3.17	11
Wealth Honest Fund LP	H Share	Long	Interest of controlled corporation	440,000,000	12.65	3.17	11
Golden Harbour Investments Management Limited	H Share	Long	Beneficial owner	440,000,000	12.65	3.17	11
Zheng Yonggang	Domestic Share	Long	Interest of controlled corporation	730,883,703	7.02	5.26	8, 12
Zhou Jiqing	Domestic Share	Long	Interest of controlled corporation	730,883,703	7.02	5.26	8, 12
Ningbo Qinggang Investment Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	730,883,703	7.02	5.26	8, 12
Shanshan Holdings Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	506,102,476	4.86	3.64	12
	Domestic Share	Long	Beneficial owner	224,781,227	2.16	1.62	8
	H Share	Long	Interest of acting in concert	1,245,864,400	35.81	8.97	14
Shanshan Group Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	506,102,476	4.86	3.64	12
Zhongjing Shai Co., Ltd.	Domestic Share	Long	Beneficial owner	506,102,476	4.86	3.64	12
Dragon Sound Investment Limited	Domestic Share	Long	Interest of acting in concert	730,883,703	7.02	5.26	14
	H Share	Long	Beneficial owner	273,449,000	7.86	1.97	13
Joy Glory Holdings Limited	Domestic Share	Long	Interest of acting in concert	730,883,703	7.02	5.26	14
	H Share	Long	Beneficial owner	532,415,400	15.30	3.83	13
Superior Logic Investments Limited	Domestic Share	Long	Interest of acting in concert	730,883,703	7.02	5.26	14
	H Share	Long	Beneficial owner	440,000,000	12.65	3.17	13
Wang Wenyin	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 16
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	15
Liu Jiehong	H Share	Long	Interest of the Spouse	1,245,864,400	35.81	8.97	9, 10, 11, 16
	Domestic Share	Long	Interest of the Spouse	224,781,227	2.16	1.62	15
Amer Holdings Group Limited (正威控股集團有限公司)	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 16
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	15
Shenzhen Amer (Group) Limited (深圳正威(集團)有限公司)	H Share	Long	Beneficial owner	1,245,864,400	35.81	8.97	9, 10, 11, 16
	Domestic Share	Long	Beneficial owner	224,781,227	2.16	1.62	15
Guotai Junan Securities Co., Ltd.	H Share	Long	Interest of controlled corporation	483,582,400	13.90	3.48	17
Guotai Junan International Holdings Limited	H Share	Long	Interest of controlled corporation	483,582,400	13.90	3.48	17

Chapter IV Changes in Share Capital and Particulars of Shareholders

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

Notes:

- (1) Deposit Insurance Fund Management Co., Ltd. directly held 1,559,000,000 Domestic Shares (long position) of the Bank.
- (2) Xing An Holdings Limited holds 329,973,600 H Shares (long position) of the Bank. Xing An Holdings Limited is a wholly-owned subsidiary directly controlled by Anhui Energy Group Co., Ltd. As such, Anhui Energy Group Co., Ltd. is deemed to be interested in the shares of the Bank held by Xing An Holdings Limited.

At the same time, Anhui Energy Group Co., Ltd. directly holds 843,363,819 Domestic Shares (long position) of the Bank. In addition, Anhui Energy Group Co., Ltd. is deemed to be interested in 150,814,726 Domestic Shares and 23,579,472 Domestic Shares of the Bank that were held by its controlling subsidiaries, Anhui Wenergy Company Limited and Anhui Natural Gas Development Co., Ltd., respectively.
- (3) 2,524,326 Domestic Shares (long position) of the Bank was held by Anhui Guarantee Asset Management Co., Ltd. Anhui Guarantee Asset Management Co., Ltd. is a wholly-owned subsidiary of Anhui Credit Financing Guaranty Group Co., Ltd. Anhui Credit Financing Guaranty Group Co., Ltd. is deemed to be interested in the shares of the Bank held by Anhui Guarantee Asset Management Co., Ltd. Meanwhile, Anhui Credit Financing Guaranty Group Co., Ltd. directly holds 827,658,091 Domestic Shares (long position) of the Bank.
- (4) Anhui Guoyuan Ma'anshan Asset Management Co., Ltd. and Anhui Guoyuan Trust Co., Ltd. hold 361,662 Domestic Shares (long position) and 35,751,470 Domestic Shares (long position) of the Bank, respectively. Anhui Guoyuan Financial Holding Group Co., Ltd. is deemed to be interested in the Domestic Shares of the Bank that were held by its controlling subsidiaries, Anhui Guoyuan Ma'anshan Asset Management Co., Ltd. and Anhui Guoyuan Trust Co., Ltd. At the same time, Anhui Guoyuan Financial Holding Group Co., Ltd. directly holds 837,810,695 Domestic Shares (long position) of the Bank.
- (5) Anhui Transportation Holding Group (H.K.) Limited holds 3,299,700 H Shares (long position) of the Bank. Anhui Transportation Holding Group (H.K.) Limited is a wholly-owned subsidiary directly controlled by Anhui Transportation Holding Group Co., Ltd. As such, Anhui Transportation Holding Group Co., Ltd. is deemed to be interested in the shares of the Bank held by Anhui Transportation Holding Group (H.K.) Limited. At the same time, Anhui Transportation Holding Group Co., Ltd. directly holds 705,349,937 Domestic Shares (long position) of the Bank.
- (6) China Vanke Co., Ltd. is deemed to be interested in a total of 972,384,600 H Shares (long position) of the Bank by virtue of its control over the following corporations which directly hold interests in the Bank:
 - 6.1 Wkland Finance Holding Company Limited holds 562,254,000 H Shares (long position) of the Bank. Wkland Finance Holding Company Limited is a wholly-owned subsidiary indirectly controlled by China Vanke Co., Ltd.
 - 6.2 Wkland Finance Holding II Company Limited holds 410,130,600 H Shares (long position) of the Bank. Wkland Finance Holding II Company Limited is a wholly-owned subsidiary indirectly controlled by China Vanke Co., Ltd.
- (7) Sunshine Life Insurance Corporation Limited holds 598,094,200 H Shares (long position) of the Bank. Sunshine Life Insurance Corporation Limited is a subsidiary directly controlled by Sunshine Insurance Group Corporation Limited. Sunshine Insurance Group Corporation Limited is deemed to be interested in the shares of the Bank held by Sunshine Life Insurance Corporation Limited.

Chapter IV Changes in Share Capital and Particulars of Shareholders

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

- (8) Zhongjing Xinhua Asset Investment Management Co., Ltd. ("Zhongjing Xinhua") directly holds 224,781,227 Domestic Shares (long position) of the Bank. Zhongjing Xinhua is a subsidiary directly controlled by Jing'An Shanghai Silver Investment Co., Ltd. ("Jing'An Silver"). Jing'An Silver is a wholly-owned subsidiary controlled by Modern Innovation Holdings Co., Limited ("Modern Innovation"). Modern Innovation is a subsidiary directly controlled by Zhongjing Industry (Group) Limited ("Zhongjing Industry"). The 97.5% shares of Zhongjing Industry are held by Shanghai Soong Ching Ling Foundation. Shanghai Soong Ching Ling Foundation, Zhongjing Industry, Modern Innovation and Jing'An Silver are deemed to be interested in the shares of the Bank held by Zhongjing Xinhua.

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

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

According to the "Announcement on Zhongjing Xinhua Asset Investment Management Company Ltd. Regarding the Company's Material Litigations" issued by Zhongjing Xinhua on the Shanghai Stock Exchange (the "SSE") on 9 July 2020, "... On 1 June 2020, the Company issued to Shanshan Holdings the "Notice on the Termination of the Framework Agreement between Shanshan Holdings Co., Ltd. and Zhongjing Xinhua Asset Investment Management Company Ltd. on the Transfer of Shares of Huishang Bank Corporation Limited and Zhongjing Sihai Co., Ltd."... The Company has recently filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province and has been accepted. The filing for the case has now been completed." According to the 2020 Annual Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. published on the SSE by Zhongjing Xinhua on 28 April 2021, "Progress of the dispute on transfer of equity in Huishang Bank with Shanshan Holdings Co., Ltd.: the Company has filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province. As Shanshan Holdings Co., Ltd. prosecuted first, the two cases have been consolidated to Shanghai Financial Court for trial. The above two cases were heard in the Financial Court on 18 January 2021, but pending for judgment as of the date of this report." According to the 2021 Interim Report of Corporate Bonds of Zhongjing Xinhua Asset Investment Management Company Ltd. published on the SSE by Zhongjing Xinhua on 30 August 2021, "The case was later transferred to Shanghai Financial Court and has not been concluded as of the date of this report." According to the "2021 Audit Report and Financial Statements of Zhongjing Xinhua Asset Investment Management Company Ltd." disclosed on the SSE on 28 April 2022, "As of now, the above cases are in progress and pending for judgment." For details, please refer to the announcement published by Zhongjing Xinhua on the SSE.

According to the "Announcement on Shanshan Group Co., Ltd. Regarding the Company's Material Litigations" issued by Shanshan Group Co., Ltd. ("Shanshan Group") on the SSE on 10 July 2020, "... This lawsuit is a case involving Zhongjing Xinhua sued Shanshan Holdings, Shanshan Group, and Zhongjing Sihai for the equity transfer dispute. ... Shanshan Holdings ... filed a lawsuit with the Shanghai Financial Court on 2 June 2020 according to the law and completed the filing." According to the 2020 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 30 April 2021, "Progress of the dispute on transfer of equity interests in the case involving Zhongjing Xinhua Asset Investment Management Co., Ltd. against Shanshan Holdings Co., Ltd., Shanshan Group Co., Ltd. and Zhongjing Sihai Co., Ltd.: the case has been transferred to the Shanghai Financial Court for trial with the first trial completed in January 2021, but pending for judgment." According to the 2021 Interim Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 31 August 2021, "As of the date of this report, the case has been transferred from the Intermediate People's Court of Huangshan City to Shanghai Financial Court. At present, the first instance has been held but pending for judgment." For details, please refer to the announcement published by Shanshan Group on the SSE.

Chapter IV Changes in Share Capital and Particulars of Shareholders

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

(8) (Continued)

According to the disclosure of interests forms submitted by Zhongjing Xinhua to the Hong Kong Stock Exchange, "Zhongjing Xinhua Asset Investment Management Company Ltd. (hereinafter referred to as "Zhongjing Xinhua"), as considered and approved by its board of directors, agreed to enter into a Letter of Intent for the Transfer of Shares of Huishang Bank Corporation Limited (hereinafter referred to as the "Letter of Intent") with OCI International Holdings Limited (hereinafter referred to as "OCI International") in respect of the disposal of all H Shares and Domestic Shares of Huishang Bank Corporation Limited (hereinafter referred to as "Huishang Bank") held directly and indirectly by the company on 25 June 2021. The Letter of Intent is valid for six months from the date of execution". According to the 2021 Annual Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Company Ltd. published on the SSE by Zhongjing Xinhua on 28 April 2022, "Since the Company has not reached any binding agreement with OCI International on the sale of shares in Huishang Bank within the validity period, the Letter of Intent hereby lapsed."

According to the "Announcement on Zhongjing Xinhua Asset Investment Management Company Ltd. Regarding the Disposal of Asset" issued by Zhongjing Xinhua on the SSE on 9 November 2021, "Zhongjing Xinhua Asset Investment Management Company Ltd. (on behalf of all sellers) entered into an Agreement with Shenzhen Amer (Group) Limited (深圳正威(集團)有限公司) (on behalf of all purchasers) on 6 November 2021, pursuant to which, the sellers shall sell around 1.977 billion shares of Huishang Bank Corporation Limited to the purchasers".

According to the interest form on the Hong Kong Stock Exchange, it has entered in to an agreement to sell the shares it was interested in, which do not need to be delivered within 4 trading days, involving 1,245,864,400 H Shares of the interest of corporation controlled by Zhongjing Xinhua. According to the information available to the Bank, as of the end of the Reporting Period, the delivery of these shares has not yet been completed.

(9) Zhongjing Xinhua Property Management (Hong Kong) Co., Limited ("Zhongjing Xinhua Hong Kong") holds 215,249,000 H Shares (long position) of the Bank. Zhongjing Xinhua Hong Kong is a wholly-owned subsidiary directly controlled by Zhongjing Xinhua. Shanghai Soong Ching Ling Foundation, Zhongjing Industry, Modern Innovation, Jing'An Silver and Zhongjing Xinhua are deemed to be interested in the shares of the Bank held by Zhongjing Xinhua Hong Kong.

According to the interest form on the Hong Kong Stock Exchange, it has entered in to an agreement to sell the shares it was interested in, which do not need to be delivered within 4 trading days, involving 215,249,000 H Shares held directly by and 1,030,615,400 H Shares of the interest of corporation controlled by Zhongjing Xinhua Hong Kong. According to the information available to the Bank, as of the end of the Reporting Period, the delivery of these shares has not yet been completed.

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

According to the interest form on the Hong Kong Stock Exchange, it has entered in to an agreement to sell the shares it was interested in, which do not need to be delivered within 4 trading days, involving 590,615,400 H Shares held directly by and 440,000,000 H Shares of the interest of corporation controlled by Wealth Honest. According to the information available to the Bank, as of the end of the Reporting Period, the delivery of these shares has not yet been completed.

Chapter IV Changes in Share Capital and Particulars of Shareholders

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

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

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

According to the interest form on the Hong Kong Stock Exchange, it has entered in to an agreement to sell the shares it was interested in, which do not need to be delivered within 4 trading days, involving 440,000,000 H Shares held directly by Golden Harbour. According to the information available to the Bank, as of the end of the Reporting Period, the delivery of these shares has not yet been completed.

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

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

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

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

Chapter IV Changes in Share Capital and Particulars of Shareholders

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

(13) (Continued)

According to the "Announcement on Zhongjing Xinhua Asset Investment Management Company Ltd. Regarding the Company's Material Litigations" issued by Zhongjing Xinhua on the SSE on 9 July 2020, "... On 1 June 2020, the Company issued to Shanshan Holdings the "Notice on the Termination of the Framework Agreement between Shanshan Holdings Co., Ltd. and Zhongjing Xinhua Asset Investment Management Company Ltd. on the Transfer of Shares of Huishang Bank Corporation Limited and Zhongjing Sihai Co., Ltd."... The Company has recently filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province and has been accepted. The filing for the case has now been completed." According to the 2020 Annual Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. published on the SSE by Zhongjing Xinhua on 28 April 2021, "Progress of the dispute on transfer of equity interests in Huishang Bank with Shanshan Holdings Co., Ltd.: the Company has filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province. As Shanshan Holdings Co., Ltd. prosecuted first, the two cases have been consolidated to Shanghai Financial Court for trial. The above two cases were heard in the Financial Court on 18 January 2021, but pending for judgment as of the date of this report." According to the 2021 Interim Report of Corporate Bonds of Zhongjing Xinhua Asset Investment Management Company Ltd. published on the SSE by Zhongjing Xinhua on 30 August 2021, "The case was later transferred to Shanghai Financial Court and has not been concluded as of the date of this report." According to the "2021 Audit Report and Financial Statements of Zhongjing Xinhua Asset Investment Management Company Ltd." disclosed on the SSE on 28 April 2022, "As of now, the above cases are in progress and pending for judgment." For details, please refer to the announcement issued by Zhongjing Xinhua on the SSE.

According to the disclosure of interests forms submitted by Zhongjing Xinhua to the Hong Kong Stock Exchange, "Zhongjing Xinhua Asset Investment Management Company Ltd. (hereinafter referred to as "Zhongjing Xinhua"), as considered and approved by its board of directors, agreed to enter into a Letter of Intent for the Transfer of Shares of Huishang Bank Corporation Limited (hereinafter referred to as the "Letter of Intent") with OCI International Holdings Limited (hereinafter referred to as "OCI International") in respect of the disposal of all H Shares and Domestic Shares of Huishang Bank Corporation Limited (hereinafter referred to as "Huishang Bank") held directly and indirectly by the company on 25 June 2021. The Letter of Intent is valid for six months from the date of execution". According to the 2021 Annual Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Company Ltd. published on the SSE by Zhongjing Xinhua on 28 April 2022, "Since the Company has not reached any binding agreement with OCI International on the sale of shares in Huishang Bank within the validity period, the Letter of Intent hereby lapsed."

According to the "Announcement on Shanshan Group Co., Ltd. Regarding the Company's Material Litigations" issued by Shanshan Group on the SSE on 10 July 2020, "... This lawsuit is a case involving Zhongjing Xinhua sued Shanshan Holdings, Shanshan Group, and Zhongjing Sihai for the equity transfer dispute. ... Shanshan Holdings ... filed a lawsuit with the Shanghai Financial Court according to the law on 2 June 2020 and completed the filing." According to the 2020 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 30 April 2021, "Progress of the dispute on transfer of equity interests in the case involving Zhongjing Xinhua Asset Investment Management Co., Ltd. against Shanshan Holdings Co., Ltd., Shanshan Group Co., Ltd. and Zhongjing Sihai Co., Ltd.: the case has been transferred to the Shanghai Financial Court for trial with the first trial completed in January 2021, but pending for judgment." According to the 2021 Interim Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 31 August 2021, "As of the date of this report, the case has been transferred from the Intermediate People's Court of Huangshan City to Shanghai Financial Court. At present, the first instance has been held but pending for judgment." For details, please refer to the announcement issued by Shanshan Group on the SSE.

Chapter IV Changes in Share Capital and Particulars of Shareholders

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

- (14) According to the disclosure of interests forms submitted by companies including Shanshan Holdings to the Hong Kong Stock Exchange, Shanshan Holdings entered into an acting in concert agreement with SUPERIOR LOGIC INVESTMENTS LIMITED, DRAGON SOUND INVESTMENT LIMITED, JOY GLORY HOLDINGS LIMITED, respectively.
- (15) According to the disclosure of interests forms submitted by Shenzhen Amer (Group) Limited ("Amer Group") to the Hong Kong Stock Exchange, Amer Group purchased 224,781,227 Domestic Shares. Amer Group is a wholly-owned subsidiary of Amer Holdings Group Limited (正威控股集團有限公司) ("Amer Holdings"), which in turn is owned as to 90% by Wang Wenyin. Liu Jiehong is the spouse of Wang Wenyin. Wang Wenyin, Liu Jiehong and Amer Holdings therefore are deemed to be interested in the Shares of the Bank held by Amer Group. According to the information available to the Bank, as of the end of the Reporting Period, the delivery of these shares has not yet been completed.
- (16) According to the disclosure of interests forms submitted by Amer Group to the Hong Kong Stock Exchange, Amer Group purchased 1,245,864,400 H Shares. Amer Group is a wholly-owned subsidiary of Amer Holdings, which in turn is owned as to 90% by Wang Wenyin. Liu Jiehong is the spouse of Wang Wenyin. Wang Wenyin, Liu Jiehong and Amer Holdings therefore are deemed to be interested in the Shares of the Bank held by Amer Group. According to the information available to the Bank, as of the end of the Reporting Period, the delivery of these shares has not yet been completed.
- (17) According to the disclosure of interests forms submitted by Guotai Junan International Holdings Limited and Guotai Junan Securities Co., Ltd. to the Hong Kong Stock Exchange, their controlled corporation, Guotai Junan Securities (Hong Kong) Limited acquired security interests in 483,582,400 H Shares. Guotai Junan International Holdings Limited is indirectly owned as to 73.24% by Guotai Junan Securities Co., Ltd., and Guotai Junan Securities (Hong Kong) Limited is directly owned as to 100.00% by Guotai Junan International Holdings Limited. Guotai Junan Securities Co., Ltd. and Guotai Junan International Holdings Limited therefore are deemed to be interested in such Shares.
- (18) The information disclosed above is based on the information available on the website of the Hong Kong Stock Exchange and the information available to the Bank as of 30 June 2022. Pursuant to Section 336 of the SFO, shareholders of the Bank are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholding in the Bank changes, it is not necessary for the shareholder to notify the Bank and the Hong Kong Stock Exchange unless several criteria have been fulfilled, therefore the shareholder's latest shareholding in the Bank may be different from the shareholding filed with the Hong Kong Stock Exchange.

Save as disclosed above, the Bank is not aware of any other person (other than the directors, supervisors and chief executives (as defined in the Hong Kong Listing Rules) of the Bank) having any interests or short positions in the shares and underlying shares of the Bank as at 30 June 2022 as recorded in the register required to be kept by the Bank pursuant to section 336 of the SFO.

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

5.1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Gender	Position Held
Yan Chen	Male	Chairman, Executive Director
Zhang Renfu	Male	President, Executive Director
Ma Lingxiao	Male	Non-executive Director
Wu Tian	Male	Non-executive Director
Wang Zhaoyuan	Male	Non-executive Director
Gao Yang	Male	Non-executive Director
Wang Wenjin	Male	Non-executive Director
Zhao Zongren	Male	Non-executive Director
Dai Peikun	Male	Independent Non-executive Director
Zhou Yana	Female	Independent Non-executive Director
Liu Zhiqiang	Male	Independent Non-executive Director
Yin Jianfeng	Male	Independent Non-executive Director
Huang Aiming	Female	Independent Non-executive Director
Xu Jiabin	Male	Independent Non-executive Director
He Jiehua	Male	Chairman of the Board of Supervisors, Employee Representative Supervisor
Tang Chuan	Male	Employee Representative Supervisor, Chairman of Labor Union
Zhong Qiushi	Male	Employee Representative Supervisor, General Manager of Risk Management Department
Sun Zhen	Male	Employee Representative Supervisor, President of Huaibei Branch (perform the duties on behalf of President)
Chen Rui	Male	Shareholder Supervisor
Dong Xiaolin	Female	External Supervisor
Zhai Shengbao	Male	External Supervisor
Zhou Zejiang	Male	External Supervisor
Yi Feng	Male	Vice President
Zhang Juzhong	Male	Vice President
Huang Xiaoyan	Female	Director of Investment and Wealth Management
Zhou Tong	Female	Director of Risk and Compliance
Li Dawei	Male	Financial Controller
Lian Baohua	Male	Secretary of the Board of Directors
Liu Fei	Male	Assistant to President and President of Hefei Branch

Note: For details of the position changes of the abovementioned directors, supervisors and senior management, please refer to Section 5.2 "Changes in Directors, Supervisors and Senior Management of the Bank" of this report.

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

5.2 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

1. The Board of Directors of the Bank held a meeting on 27 January 2022 to appoint Mr. Liu Fei as the Assistant to President of the Bank. His qualification was approved by the CBIRC Anhui Office on 2 March 2022. According to the work requirements, it was decided upon research that Mr. Liu Fei also served as the President of Hefei Branch of the Bank from 13 June 2022.
2. The Bank made an announcement on 4 March 2022, announcing that Ms. Hu Jing resigned from the positions as a shareholder supervisor and a member of the Nomination Committee of the Bank due to her heavy business commitment. Her resignation took effect on such date.
3. The Bank made an announcement on 28 April 2022, announcing that Mr. Zhu Yicun resigned from the positions as a non-executive director of the Bank, member of the Strategic Development and Consumer Rights Protection Committee and member of the Risk Management Committee due to his work arrangement. His resignation took effect on such date.
4. The Bank made an announcement on 6 May 2022, announcing that the Board held a meeting on such date and proposed the election of Ms. Shao Dehui as a non-executive director of the fourth session of the Board of the Bank to the general meeting of the Bank. The Bank made an announcement on 30 June 2022, announcing that the Bank held the 2021 annual general meeting on such date, at which the election of Ms. Shao Dehui as a non-executive director of the fourth session of the Board of the Bank was considered and approved, and her qualification as a director is subject to the approval of CBIRC Anhui Office.
5. The Bank made an announcement on 16 May 2022, announcing that Mr. Qian Dongsheng resigned from the positions as a non-executive director of the Bank to the general meeting of the Bank, member of the Strategic Development and Consumer Rights Protection Committee, member of the Audit Committee and member of the Risk Management Committee due to his work re-designation. His resignation took effect on such date.
6. The Bank made an announcement on 9 June 2022, announcing that the Board held a meeting on such date and proposed the election of Mr. Zuo Dunli as a non-executive director of the fourth session of the Board of the Bank to the general meeting of the Bank. The Bank made an announcement on 30 June 2022, announcing that the Bank held the 2021 annual general meeting on such date, at which the election of Mr. Zuo Dunli as a non-executive director of the fourth session of the Board of the Bank was considered and approved, and his qualification as a director is subject to the approval of CBIRC Anhui Office.

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

5.2 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK (CONTINUED)

7. The Bank made an announcement on 16 June 2022, announcing that Mr. Xu Jiabin's qualification as an independent non-executive director of the Bank has been approved by CBIRC Anhui Office. The Bank made an announcement on 27 July 2022, announcing that the Board held a meeting on such date, at which the resolution regarding the appointment of Mr. Xu Jiabin, our independent non-executive director, as additional members of the Nomination and Remuneration Committee and the Risk Management Committee of the fourth session of the Board was approved. Such appointment took effect on such date.
8. Save as disclosed above, pursuant to the requirement of Rule 13.51B(1) of the Hong Kong Listing Rules, the changes in the information of directors, supervisors and senior management of the Bank during the Reporting Period and as of the Latest Practicable Date are as follows:
 - (1) Mr. Wang Zhaoyuan, a non-executive director the Bank, acted as the chairman and general manager of Anhui Credit Guaranty Group Co., Ltd.
 - (2) Mr. Sun Zhen, an employee representative supervisor of the Bank, acted as a the President of Huaibei Branch of the Bank (perform the duties on behalf of President), and ceased to serve as the General Manager of the Compliance Department of the Bank.
 - (3) Mr. Chen Rui, a shareholder supervisor of the Bank, ceased to serve as the chairman of Hefei Xingtai Guarantee Asset Management Co., Ltd.
 - (4) Mr. Zhai Shengbao, an external supervisor of the Bank, acted as the vice president of Huaibei Normal University, and ceased to serve as the dean of the School of Accounting of Anhui University of Finance and Economics and the independent director of Anhui Zhongding Sealing Parts Co., Ltd.
 - (5) Mr. Zhou Zejiang, an external supervisor of the Bank, acted as as a deputy dean of Business School and a director of Accounting and Finance Research Center of Anhui University, and ceased to serve as the independent director of Earth-Panda Advance Magnetic Material Co., Ltd.

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

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

5.3 EMPLOYEES

As of 30 June 2022, the Bank had a total of 10,820 employees in service. Among them, the number of employees with master's degrees or above was 2,187, accounting for 20.21%. The number of employees with full-time bachelor's degrees was 5,514, accounting for 50.96%. The number of employees with part-time bachelor's degrees was 2,540, accounting for 23.48%. The number of employees with junior college degrees or below was 579, accounting for 5.35%.

Staff Remuneration Policy

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

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

Staff training

During the Reporting Period, according to the development strategies and education and training development plans, the Bank organized and conducted various trainings for staffs. The Bank organized and provided special training for management at different levels, training classes for various business lines, as well as the construction of internal trainer teams by making full use of three training channels, namely, the Binhu training center of the Bank, the online training platform "Huiyin Internet School", and the mobile learning platform "Huiyin Academy", so as to provide guarantees for staff professionalism enhancement and their career development, and to provide intellectual support for comprehensive construction of a well-developed modern bank.

In the first half of 2022, the Bank continued to be cautious in the routine prevention and control of the pandemic and actively carried out online trainings. It organized 104 live trainings by using Zhiniao "Huiyin Academy" (知鳥“徽銀學堂”) with approximately 28,400 participants (excluding participants in playbacks) and launched 113 online new courses with approximately 1,053,000 participants taking the courses. It arranged middle and senior management to participate in the "Online Special Training Class on Learning and Implementing the Spirit of the 6th Plenary Session of the 19th CPC Central Committee" organized by the Organization Department of the Provincial Party Committee and arranged all employees of the Bank to participate in the online special training class on learning and implementing the spirit of the 6th Plenary Session of the 19th CPC Central Committee organized by Huishang Bank. 242 middle and senior management and 4,932 employees of the Bank completed relevant trainings and obtained the certificate of completion. It carried out lectures on information security and other business lines and various trainings on the "Empowerment Study Club (賦能研習社)" and new customer managers for corporate businesses, benefiting 810,900 participants across the Bank.

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

5.4 BRANCHES

Set out below are details of the branches of the Bank as of 30 June 2022:

Region	Name of the Institution	Business Address (PRC)	Postal Code	Number of Institutions
Head Office	Head Office	Huishang Bank Building, No. 1699 Yungu Road, Hefei	230092	1
Anhui Province	Hefei Branch	No. 626, Huangshan Road, Gaoxin District, Hefei	230001	93
	Wuhu Branch	No. 1, Beijing Road, Wuhu	241000	35
	Ma'anshan Branch	No. 3663, Taibai Road, Yushan District, Ma'anshan	243000	27
	Anqing Branch	No. 528, Renmin Road, Anqing	246000	28
	Huaibei Branch	No. 253, Renmin Middle Road, Xiangshan District, Huaibei	235000	21
	Bengbu Branch	Floor 2-9, Block B, Financial Center Building, No. 1699 Tushan East Road, Bengbu	233000	28
	Lu'an Branch	No. 31, Meishan Middle Road, Yu'an District, Lu'an	237000	33
	Huainan Branch	Huishang Bank Huainan Branch Office Building, Shungeng West Road, Tianjia'an District, Huainan	232000	21
	Tongling Branch	Yi'an Building, Yi'an South Road, Tongling	244000	15
	Fuyang Branch	No. 668, West Lake Avenue, Yingzhou District, Fuyang	236000	29
	Huangshan Branch	No. 2, Tunguang Avenue, Tunxi District, Huangshan	245000	11
	Chizhou Branch	No. 515, Changjiang Zhong Road, Chizhou	247000	12
	Chuzhou Branch	No. 95, Longpan Main Road, Chuzhou	239000	14
	Suzhou Branch	No. 123, Yinheyi Road, Suzhou	234000	19
	Xuancheng Branch	No. 109, Meiyuan Road, Xuanzhou District, Xuancheng	242000	15
	Bozhou Branch	Xiangzhang Mansion, West Shaohua Road, Qiaocheng District, Bozhou	236000	14
	Jiangsu Province	Nanjing Branch	No. 231, Zhongyang Road, Nanjing	210000
Beijing	Beijing Branch	No. 115 Beisihuan East Road, Chaoyang District, Beijing	100020	16
Guangdong Province	Shenzhen Branch	33-35/F, Building 2, Central One (Chuangxiang Building), intersection of Mintang Road and Baisong 2nd Road, Longhua District, Shenzhen	518000	10
Sichuan Province	Chengdu Branch	Libo Building, No. 57, Jinxing Road, Jinjiang District, Chengdu	610000	19
Zhejiang Province	Ningbo Branch	No. 676, Zhongxing Road, No. 787, No. 799 and No. 809 Baizhang East Road, Yinzhou District, Ningbo	315100	16
Total				489

Chapter VI Corporate Governance

6.1 OVERVIEW OF CORPORATE GOVERNANCE

The Bank is committed to maintaining a high standard of corporate governance and actively endeavours to adhere to international and domestic corporate governance best practices so as to safeguard the interests of shareholders and enhance corporate value. The Bank established a comparatively comprehensive corporate governance structure through clarifying the responsibilities of general meetings, the Board of Directors, the Board of Supervisors and senior management, and constantly improving the Bank's decision-making, execution and supervision mechanisms to ensure the independent operation of various parties and an effective check and balance. The Bank has incorporated the Hong Kong Listing Rules (especially the Corporate Governance Code) and the Corporate Governance Standards of Banking and Insurance Institutions issued by the CBIRC into the Bank's governance structure and policies. The general meeting, Board of Directors, Board of Supervisors and management of the Bank performed their respective duties, and formed good corporate governance structure. The Bank ensured regulated operation through this governance structure.

During the Reporting Period, the general meetings, the Board of Directors, the Board of Supervisors and the committees of the Board of Directors and the Board of Supervisors operated in an orderly manner so as to ensure the compliant operation and the steady healthy development of the Bank. During the Reporting Period, the Bank convened a total of 25 meetings, which consisted of one general meeting, five Board meetings, fourteen Board of Directors committees meetings, two Board of Supervisors meetings, one meeting of the Supervisory Committee under the Board of Supervisors and two meetings of the Nomination Committee under the Board of Supervisors.

6.2 GENERAL MEETING

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

On 30 June 2022, the Bank held the 2021 annual general meeting in Hefei, Anhui Province. The notification, convening, holding and voting procedures of the meeting are in compliance with the Company Law of the PRC, the Articles of Association and the Hong Kong Listing Rules. For the details of attendance, main topics and voting of this general meeting, please see the announcement in relation to the poll results of the 2021 annual general meeting dated 30 June 2022, which was published by the Bank on the websites of the Hong Kong Stock Exchange and the Bank, respectively.

6.3 BOARD OF DIRECTORS AND BOARD OF DIRECTORS COMMITTEES MEETINGS

During the Reporting Period, the Bank held five Board meetings, at which 48 resolutions were considered and approved. The Bank held 14 Board of Directors committees meetings (which consists of four Nomination and Remuneration Committee meetings, three Strategic Development and Consumer Rights Protection Committee meetings, three Risk Management Committee meetings, three Related Party Transaction Control Committee meetings and one Audit Committee meeting) at which 65 resolutions were studied and considered.

6.4 BOARD OF SUPERVISORS AND BOARD OF SUPERVISORS COMMITTEES MEETINGS

During the Reporting Period, the Bank held two Board of Supervisors meetings, at which 38 resolutions were reviewed and considered.

The Bank held one meeting of the Supervisory Committee under the Board of Supervisors, at which 11 resolutions were considered. The Bank held two meetings of the Nomination Committee under the Board of Supervisors, at which eight resolutions were considered.

Chapter VI Corporate Governance

6.5 SECURITIES TRANSACTIONS OF DIRECTORS, SUPERVISORS AND THE RELEVANT EMPLOYEES

The Bank has adopted the Model Code as the code of conduct for directors and supervisors of the Bank (including their spouses and children) in respect of their dealings in the Bank's securities. Having made specific enquiries to all the directors and supervisors of the Bank, they confirmed that they had complied with the Model Code during the Reporting Period.

6.6 INTERNAL CONTROL

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

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

Chapter VI Corporate Governance

6.6 INTERNAL CONTROL (CONTINUED)

During the Reporting Period, the Bank continued to optimize internal control system and promote the establishment of the internal control and balance system. Focusing on changes in internal and external regulations, it dynamically optimized the internal control and balance indicators for 43 business types in 11 business lines. At the same time, it established linkage with various products and internal and external regulations, specified the responsible department and the management department and improved the applicability and operability of indicators. In addition, the Bank initiated a new round of the establishment of an internal control compliance risk management system during the Reporting Period. With internal control and balance indicators as the core and driven by internal control compliance data management, it strived to build a digital internal control compliance operation system and a management and analysis system and promote the in-depth integration of digital technology with internal control compliance management. Besides, the Bank organized and carried out the assessment on internal control for 2021 during the Reporting Period. After inspection by the Board of the Bank, no significant deficiencies regarding the integrity, rationality and effectiveness of the internal control were identified.

6.7 CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, the Bank strictly complied with all the code provisions as well as most of the recommended best practices of the Corporate Governance Code.

The current composition of the Board of Directors of the Bank of 14 members temporarily does not comply with the requirement of “the Board of Directors shall be composed of fifteen (15) to nineteen (19) directors” as set out in the Article 162 of the Articles of Association. Ms. Shao Dehui and Mr. Zuo Dunli have been elected as non-executive directors of the Bank at the 2021 annual general meeting of the Bank, whose qualifications once approved by the CBIRC Anhui Office, the members of the Board of Directors of the Bank will increase to sixteen, thereby complying with the requirement as set out in the Article 162 of the Articles of Association. For details of the position changes of Ms. Shao Dehui and Mr. Zuo Dunli, please refer to Section 5.2 “Changes in Directors, Supervisors and Senior Management of the Bank” of this report.

The current composition of the Board of Supervisors of the Bank of 8 members is in compliance with the statutory minimum quorum but not in compliance with the provisions of Article 240 of the Articles of Association that “the number of members of the Board of Supervisors shall be nine to eleven”. The Bank will make its best efforts to identify a suitable candidate to fill the vacancy of supervisor as soon as possible and to comply with the Articles of Association as soon as practicable and will make further announcement(s) in due course. For changes of positions of Ms. Hu Jing, please refer to Section 5.2 “Changes in Directors, Supervisors and Senior Management of the Bank” of this report.

Chapter VII Significant Events

7.1 HOLDING AND TRADING OF SHARES OF OTHER LISTED COMPANIES

As of the end of the Reporting Period, due to matters such as corporate bankruptcy and reorganization, as ruled by the people's court, the Bank held 13,704,900 shares of Shenzhen Feima International Supply Chain Co., Ltd. (stock code: 002210), 12,165,100 shares of Antong Holdings Co., Ltd. (stock code: 600179), 9,646,300 shares of Chenzhou City Jingui Silver Industry Co., Ltd. (stock code: 002716), 12,811,700 shares of Henan Zhongfu Industrial Co., Ltd. (stock code: 600595), 9,260,200 shares of Jiangsu Guoxin Corporation Limited (江蘇國信股份有限公司) (stock code: 002608), 37,450,000 shares of Huachangda Intelligent Equipment Group Co., Ltd. (華昌達智能裝備集團股份有限公司) (stock code: 300278), 198,184,300 shares of Hainan Airlines Holding Co., Ltd. (海南航空控股股份有限公司) (stock code: 600221) and 44,266,600 shares of Oriental Network Media Co., Ltd. (東方時代網絡傳媒股份有限公司) (stock code: 002175).

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

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

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

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

As at 30 June 2022, the following directors, supervisors and chief executives of the Bank and their respective associates had the following interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code. The table below reflects the number of shares, any interests or short positions in underlying shares and debentures held by the directors, supervisors or chief executives of the Bank:

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

Chapter VII Significant Events

7.3 INTERESTS AND SHORT POSITIONS HELD BY THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE BANK UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

Save as disclosed above, as at 30 June 2022, the Bank was not aware that any of the directors, supervisors and chief executives of the Bank and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations.

7.4 PENALTIES AND INVESTIGATIONS OF DIRECTORS AND SUPERVISORS OF THE BANK

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

7.5 MATERIAL LITIGATIONS AND ARBITRATIONS

Insofar as the Bank is aware, as at the end of June 2022, the Bank, as a plaintiff, was involved in the following litigation proceeding in its regular course of business: the number of material pending litigations and arbitrations involving the Bank amounted to 57, with a total amount of approximately RMB9.221 billion. The number of pending litigations and arbitrations, to which the Bank is a defendant, each with an amount of more than RMB0.5 million, amounted to 17, totalling approximately RMB269 million. The Bank made full provisions for doubtful accounts of loans involved in the cases above according to expected losses prudently, which will have no material adverse effect on the Bank's financial position and operating results.

7.6 ASSET ACQUISITION, DISPOSAL AND REORGANIZATION

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

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

Chapter VII Significant Events

7.7 INITIAL PUBLIC OFFERING OF A SHARES

The 2018 annual general meeting was convened by the Bank on 30 June 2019, at which, among others, the proposal for initial public offering and listing of A shares (“A Share Offering”) was considered and approved. The Bank proposed issuing no more than 1.5 billion A shares. The Resolution on the extension of the validity period of the A Share Offering of the Bank and Resolution on the extension of the validity period of the authorization of the Board to deal with specific matters in respect of the A Share Offering was considered and approved at the 2019 annual general meeting held on 30 June 2020, the 2020 annual general meeting held on 30 June 2021 and the 2021 annual general meeting held on 30 June 2022 of the Bank. The Bank will extend the validity period of A Share Offering Plan and the Authorization Resolution for twelve months from the next day immediately after the expiration of original validity period (namely, the extended period will be from 30 June 2022 to 29 June 2023). Other contents as set forth under the A Share Offering Plan and the Authorization Resolution remain unchanged. Please refer to the circulars of the Bank dated 15 May 2019, 15 May 2020, 24 May 2021 and 25 May 2022 for the details of the resolution on the aforesaid A Share Offering.

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

7.8 CHANGE OF COMPANY DOMICILE AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

At the 37th meeting of the fourth session of the Board held on 4 November 2021, the Resolution on the Change of Domicile and the Amendment to the Articles of Association was considered and approved. The resolution was considered and approved at the 2021 first extraordinary general meeting held on 30 December 2021. For details, please refer to the Bank’s announcement dated 4 November 2021 and the announcement of poll results of the 2021 first extraordinary general meeting dated 30 December 2021. The Bank issued an announcement on 3 March 2022, announcing that the Bank received the “Approval from China Banking and Insurance Regulatory Commission Anhui Office on the Change of Domicile of Huishang Bank” (Wan Yin Bao Jian Fu [2022] No. 36) and the Bank has also made amendments to the corresponding provisions of the Articles of Association in this regard, and went through relevant procedures such as registration (filing) of the change of company domicile and the amendments to the Articles of Association.

The Bank considered and approved the Resolution of Revising the Articles of Association of Huishang Bank Corporation Limited at the 41st meeting of the fourth session of the Board of Directors held on 30 March 2022, which was considered and approved at the 2021 annual general meeting held on 30 June 2022. For details, please refer to the announcement of the Bank dated 30 March 2022 and the announcement on the poll results of the 2021 annual general meeting dated 30 June 2022. The amended Articles of Association shall come into effect upon approval by the banking and insurance regulatory authorities, and the Bank will make a separate announcement in relation to the approval of the amendments to the Articles of Association in due course.

Chapter VII Significant Events

7.9 THE PUBLIC FLOAT OF H SHARES

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

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

7.10 REVIEW ON INTERIM RESULTS

Ernst & Young, as the external auditor of the Bank, has reviewed the interim financial report (unaudited) of the Bank prepared in accordance with the International Accounting Standards and the disclosure requirements of the Hong Kong Listing Rules. In addition, the Audit Committee under the Board of Directors of the Bank has also reviewed and approved the interim results and financial report of the Bank for the six months ended 30 June 2022. Any discrepancies between the total amount and percentages and the sum of items shown in the tables in this report are due to rounding.

7.11 PUBLICATION OF INTERIM REPORT

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

In this report, the financial data for the six months ended 30 June 2021 and 2022 have not been audited; and the financial data for the year ended 31 December 2021 have been audited.

Chapter VIII Interim Financial Report





Chapter VIII Interim Financial Report

Report on Review of Interim Financial Information

To the Board of Directors of Huishang Bank Corporation Limited

(Established in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 83 to 196, which comprises the condensed consolidated statement of financial position of Huishang Bank Corporation Limited (the “Bank”) and its subsidiaries (the “Group”) as at 30 June 2022 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board.

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

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong

30 August 2022

Condensed Consolidated Income Statement

For the six month period ended 30 June 2022

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

	Notes	For the six month period ended 30 June	
		2022 Unaudited	2021 Unaudited
Interest income	4	29,657,843	28,035,212
Interest expense	4	(15,923,996)	(14,854,642)
Net interest income		13,733,847	13,180,570
Fee and commission income	5	3,117,259	2,134,268
Fee and commission expense	5	(174,496)	(178,794)
Net fee and commission income		2,942,763	1,955,474
Net trading gains	6	1,649,661	1,691,184
Net gains on financial investments	7	548,874	607,795
Other operating income, net	8	239,737	134,139
Operating income		19,114,882	17,569,162
Operating expenses	9	(4,416,255)	(3,965,156)
Impairment losses on credits	11	(6,331,241)	(6,503,502)
Impairment losses on assets		–	3,629
Operating profit		8,367,386	7,104,133
Share of profits of associates		168,668	206,300
Profit before income tax		8,536,054	7,310,433
Income tax expense	12	(1,200,664)	(1,218,355)
Profit for the period		7,335,390	6,092,078
Net profit attributable to:			
Shareholders of the Bank		7,242,904	6,195,154
Non-controlling interests		92,486	(103,076)
Earnings per share attributable to the ordinary shareholders of the Bank (expressed in RMB per share)			
Basic/Diluted	13	0.52	0.45

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

Condensed Consolidated Statement of Comprehensive Income

For the six month period ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	For the six month period ended 30 June	
		2022 Unaudited	2021 Unaudited
Profit for the period		7,335,390	6,092,078
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
– Net gains/(losses) on investments in equity instruments designated at fair value through other comprehensive income	38	30,842	(9,396)
– Share of other comprehensive income of associates and joint ventures accounted for using the equity method		(13,250)	–
Less: associated impact of income tax	38	(7,711)	2,349
Subtotal		9,881	(7,047)
Items that may be reclassified subsequently to profit or loss			
– Net gains on investments in debt instruments measured at fair value through other comprehensive income	38	411,930	314,368
– Share of other comprehensive income of associates and joint ventures accounted for using the equity method		50,123	–
Less: associated impact of income tax	38	(102,981)	(78,592)
Subtotal		359,072	235,776
Other comprehensive income for the year, net of tax		368,953	228,729
Total comprehensive income for the period		7,704,343	6,320,807
Total comprehensive income attributable to:			
Equity holders of the Bank		7,611,857	6,423,883
Non-controlling interests		92,486	(103,076)
		7,704,343	6,320,807

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

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

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

	Notes	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Assets			
Cash and balances with the central bank	14	104,163,894	81,330,606
Deposits with banks and other financial institutions	15	10,289,682	12,745,121
Placements with banks and other financial institutions	16	18,041,916	15,041,312
Derivative financial assets	17	150,352	156,757
Financial assets held under resale agreements	18	18,079,111	5,452,455
Loans and advances to customers, net	19	714,005,943	628,305,698
Financial investments			
– Financial assets at fair value through profit or loss	20	127,233,266	122,968,563
– Financial assets at fair value through other comprehensive income	20	131,982,672	117,929,879
– Financial assets at amortised cost	20	348,504,867	302,310,067
Investments in associates	21	4,906,228	4,715,591
Property, plant and equipment	22	4,680,785	4,702,588
Right-of-use assets	23	1,099,707	1,130,297
Deferred income tax assets	34	13,640,396	12,617,628
Finance lease receivables	24	60,627,443	54,015,776
Goodwill	25	14,567,826	14,567,826
Other assets	26	6,710,178	5,671,667
Total assets		1,578,684,266	1,383,661,831
Liabilities			
Borrowings from the central bank		73,388,593	65,380,361
Deposits from banks and other financial institutions	28	120,807,506	136,985,139
Placements from banks and other financial institutions	29	45,706,148	43,224,695
Derivative financial liabilities	17	122,632	150,616
Financial assets sold under repurchase agreements	30	87,733,443	38,498,769
Deposits from customers	31	934,931,032	783,813,391
Taxes payable	32	2,437,499	3,827,948
Debt securities issued	35	177,430,754	182,887,991
Other liabilities	33	18,161,257	17,377,270
Total liabilities		1,460,718,864	1,272,146,180

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

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2022

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

	Notes	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Equity			
Share capital	36	13,889,801	13,889,801
Other equity instruments	36	9,999,811	9,999,811
Capital reserve	36	15,230,704	15,230,704
Surplus reserves	37	16,212,725	15,180,759
General reserves	37	15,446,343	13,531,015
Other comprehensive income	38	1,896,725	1,527,772
Retained earnings		42,263,541	39,204,123
Equity attributable to shareholders of the Bank		114,939,650	108,563,985
Non-controlling interests		3,025,752	2,951,666
Total equity		117,965,402	111,515,651
Total equity and liabilities		1,578,684,266	1,383,661,831

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

Approved and authorized for issue by the Board of Directors on 30 August 2022.

Yan Chen

Chairman

Zhang Renfu

President

Li Dawei

Financial Controller

Fang Lixin

Head of Finance Department

Condensed Consolidated Statement of Changes In Equity

For the six months period ended 30 June 2022

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

	Equity attributable to shareholders of the Bank								
	Share	Other equity	Capital	Surplus	General	Other	Retained	Non-	Total
	capital	instruments	reserves	reserves	reserves	comprehensive	earnings	controlling	equity
	Note 36	Note 36	Note 36	Note 37	Note 37	Note 38		interests	
As at 1 January 2022	13,889,801	9,999,811	15,230,704	15,180,759	13,531,015	1,527,772	39,204,123	2,951,666	111,515,651
(1) Comprehensive income									
Profit for the period	-	-	-	-	-	-	7,242,904	92,486	7,335,390
Fair value through other comprehensive income, net of tax	-	-	-	-	-	(8,399)	-	-	(8,399)
Asset impairment through other comprehensive benefits	-	-	-	-	-	340,479	-	-	340,479
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	-	-	-	-	-	36,873	-	-	36,873
Total comprehensive income for the period	-	-	-	-	-	368,953	7,242,904	92,486	7,704,343
(2) Profit distribution									
Dividends	-	-	-	-	-	-	(1,236,192)	(18,400)	(1,254,592)
Appropriation to surplus reserves	-	-	-	1,031,966	-	-	(1,031,966)	-	-
Appropriation to general reserves	-	-	-	-	1,915,328	-	(1,915,328)	-	-
As at 30 June 2022	13,889,801	9,999,811	15,230,704	16,212,725	15,446,343	1,896,725	42,263,541	3,025,752	117,965,402
As at 1 January 2021	13,889,801	15,989,901	14,919,197	13,234,045	12,295,832	949,630	31,762,661	2,631,572	105,672,639
(1) Comprehensive income									
Profit for the period	-	-	-	-	-	-	6,195,154	(103,076)	6,092,078
Fair value through other comprehensive income, net of tax	-	-	-	-	-	(41,249)	-	-	(41,249)
Asset impairment through other comprehensive benefits	-	-	-	-	-	269,978	-	-	269,978
Total comprehensive income for the period	-	-	-	-	-	228,729	6,195,154	(103,076)	6,320,807
(2) Profit distribution									
Dividends	-	-	-	-	-	-	-	(4,720)	(4,720)
Appropriation to surplus reserves	-	-	-	914,748	-	-	(914,748)	-	-
Appropriation to general reserves	-	-	-	-	1,083,616	-	(1,083,616)	-	-
As at 30 June 2021	13,889,801	15,989,901	14,919,197	14,148,793	13,379,448	1,178,359	35,959,451	2,523,776	111,988,726

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

Condensed Consolidated Statement of Cash Flows

For the six months period ended 30 June 2022
 (All amounts expressed in thousands of RMB unless otherwise stated)

	For the six month period ended 30 June	
	2022	2021
	Unaudited	Unaudited
Cash flows from operating activities:		
Profit before income tax	8,536,054	7,310,433
Adjustments:		
Impairment losses on credits	6,331,241	6,503,502
Impairment losses on assets	–	(3,629)
Recovery of assets written off	632,662	491,979
Depreciation and amortization	509,853	495,769
Net losses on disposals of property, plant and equipment	201	6,059
Net gains on financial investments	(548,874)	(607,795)
Fair value changes in financial assets at fair value through profit or loss and derivatives	(119,936)	(143,001)
Share of results of associates ventures	(168,668)	(206,300)
Interest income from financial investments	(9,664,366)	(9,180,924)
Interest expense from lease liabilities	158,615	124,596
Interest expense from debt securities issued	2,598,980	2,692,280
Subtotal	8,265,762	7,482,969
Net changes in operating assets:		
Net increase in balances with the central bank	(6,311,398)	(1,913,999)
Net increase in deposits and placements with banks and other financial institutions	(2,588,576)	(3,868,470)
Net decrease in financial assets at fair value through profit or loss	26,657,973	41,128,647
Net increase in financial assets held under resale agreements	(12,697,120)	(15,237,466)
Net increase in loans and advances to customers	(89,813,815)	(65,605,312)
Net increase in finance lease receivables	(7,161,436)	(8,359,729)
Net increase in other assets	(3,341,773)	(2,655,083)
Net changes in operating liabilities:		
Net decrease/(increase) in deposits and placements from banks and other financial institutions	(14,329,582)	36,410,171
Net (increase)/decrease in borrowings from the central bank	7,673,836	(368,293)
Net increase in financial assets sold under repurchase agreements	49,232,256	2,382,583
Net increase in deposits from customers	150,512,264	69,424,514
Net increase in other liabilities	2,012,030	2,724,461
Income taxes paid	(3,645,085)	(2,773,650)
Net cash flows from operating activities	104,465,336	58,771,343

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

Condensed Consolidated Statement of Cash Flows (Continued)

For the six months period ended 30 June 2022

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

	For the six month period ended 30 June	
	2022 Unaudited	2021 Unaudited
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment, and other long-term assets	–	33
Purchase of property, plant and equipment, intangible assets and other long-term assets	(292,715)	(217,504)
Interest income received from financial investments	9,743,559	10,044,962
Proceeds from disposal and maturity of financial investments	43,710,028	71,249,199
Purchase of financial investments	(134,931,748)	(125,059,821)
Net cash flows from investing activities	(81,770,876)	(43,983,131)
Cash flows from financing activities:		
Proceeds from issuance of bonds	101,387,914	120,580,000
Dividends and interest paid on debts issued	(2,646,404)	(3,208,465)
Cash paid relating to lease liabilities	(227,110)	(214,011)
Cash paid relating to debt repayments	(106,823,317)	(118,101,971)
Net cash flows from financing activities	(8,308,917)	(944,447)
Impact on cash and cash equivalents resulted from exchange rate changes	80,990	(282,886)
Net increase in cash and cash equivalents	14,466,533	13,560,879
Cash and cash equivalents at beginning of the period	33,467,968	42,395,379
Cash and cash equivalents at end of the period (Note 44)	47,934,501	55,956,258

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

Notes to Condensed Consolidated Interim Financial Statements

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

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

1.1 *Basis of preparation*

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

The unaudited interim financial statements contain selected explanatory notes, which provide explanations of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2021. The selected notes do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”), and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021.

1.2 *Use of estimates and assumptions*

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

1.3 *Consolidation*

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

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.4 Changes in significant accounting policies

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

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRS Standards 2018-2020 Cycle	

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

Except for those described above, the significant accounting policies adopted by the Group for the interim financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

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

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are relevant to the Group. These amendments, new standards and interpretations are not yet effective for the period ended 30 June 2022 and have not been adopted in the financial statements.

Standards	Effective for annual periods beginning
Amendments to IAS 1 <i>Classification of Liabilities as Current or Non-current</i>	No earlier than 1 January 2024
IFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to IAS 8 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to IAS 12 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to IFRS 10 and IAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date has been deferred indefinitely

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right

That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

(2) IFRS 17 Insurance Contracts

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

(2) IFRS 17 Insurance Contracts (Continued)

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

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

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

(3) Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

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

(4) Amendments to IAS 8 Definition of Accounting Estimates

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

(5) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to IAS 12 introduce an exception to the initial recognition exemption in IAS 12 for Deferred income tax assets and deferred tax liabilities, and clarify the accounting treatment method of deferred income tax for right-of-use assets and lease liabilities, and decommissioning obligations.

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

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

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

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The nature and assumptions related to the Group’s accounting estimates are consistent with those adopted in the Group’s financial statements for the year ended 31 December 2021.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

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

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Assets		
Cash and balances with the central bank	103,829,097	81,067,539
Deposits with banks and other financial institutions	7,738,827	10,388,752
Placements with banks and other financial institutions	21,441,922	16,841,372
Derivative financial assets	150,352	156,757
Financial assets held under resale agreements	18,079,111	5,452,455
Loans and advances to customers	710,414,325	625,012,464
Financial investments		
– Financial assets at fair value through profit or loss	126,034,927	121,752,685
– Financial assets at fair value through other comprehensive income	129,750,415	116,264,101
– Financial assets at amortised cost	348,090,480	302,310,067
Investments in subsidiaries	3,809,133	3,809,133
Investments in associates	4,906,228	4,715,591
Property, plant and equipment	4,449,543	4,462,295
Right-of-use assets	1,079,247	1,107,017
Deferred income tax assets	12,841,996	11,964,032
Goodwill	14,567,826	14,567,826
Other assets	6,534,044	5,085,574
Total assets	1,513,717,473	1,324,957,660
Liabilities		
Borrowings from the central bank	73,350,237	65,347,098
Deposits from banks and other financial institutions	121,532,792	137,485,285
Placements from banks and other financial institutions	2,896,976	4,802,095
Derivative financial liabilities	122,632	150,616
Financial assets sold under repurchase agreements	87,733,443	38,498,769
Deposits from customers	928,940,165	778,793,383
Taxes payable	2,221,232	3,614,266
Debt securities issued	174,389,107	180,343,134
Other liabilities	10,771,854	9,752,146
Total liabilities	1,401,958,438	1,218,786,792
Equity		
Share capital	13,889,801	13,889,801
Other equity instruments	9,999,811	9,999,811
Capital reserve	15,221,300	15,221,300
Surplus reserve	16,212,725	15,180,759
General reserve	14,408,759	12,961,130
Other comprehensive Income	1,880,992	1,515,986
Retained earnings	40,145,647	37,402,081
Total equity	111,759,035	106,170,868
Total equity and liabilities	1,513,717,473	1,324,957,660

Yan Chen

Chairman

Zhang Renfu

President

Li Dawei

Financial Controller

Fang Lixin

Head of Finance Department

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

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

	Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Other comprehensive income	Retained earnings	Total equity
As at 1 January 2022	13,889,801	9,999,811	15,221,300	15,180,759	12,961,130	1,515,986	37,402,081	106,170,868
(1) Comprehensive income								
Profit for the period	-	-	-	-	-	-	6,459,353	6,459,353
Fair value through other comprehensive income, net of tax	-	-	-	-	-	(12,789)	-	(12,789)
Asset impairment through other comprehensive benefits	-	-	-	-	-	340,922	-	340,922
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	-	-	-	-	-	36,873	-	36,873
Total comprehensive income for the period	-	-	-	-	-	365,006	6,459,353	6,824,359
(2) Profit distribution								
Dividends	-	-	-	-	-	-	(1,236,192)	(1,236,192)
Appropriation to surplus reserves	-	-	-	1,031,966	-	-	(1,031,966)	-
Appropriation to general reserves	-	-	-	-	1,447,629	-	(1,447,629)	-
As at 30 June 2022	13,889,801	9,999,811	15,221,300	16,212,725	14,408,759	1,880,992	40,145,647	111,759,035
As at 1 January 2021	13,889,801	15,989,901	14,909,793	13,234,045	11,877,308	949,630	30,949,981	101,800,459
(1) Comprehensive income								
Profit for the period	-	-	-	-	-	-	5,863,164	5,863,164
Fair value through other comprehensive income, net of tax	-	-	-	-	-	(41,249)	-	(41,249)
Asset impairment through other comprehensive benefits	-	-	-	-	-	269,978	-	269,978
Total comprehensive income for the period	-	-	-	-	-	228,729	5,863,164	6,091,893
(2) Profit distribution								
Dividends	-	-	-	-	-	-	-	-
Appropriation to surplus reserves	-	-	-	914,748	-	-	(914,748)	-
Appropriation to general reserves	-	-	-	-	1,083,822	-	(1,083,822)	-
As at 30 June 2021	13,889,801	15,989,901	14,909,793	14,148,793	12,961,130	1,178,359	34,814,575	107,892,352

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

4 NET INTEREST INCOME

	For the six month period ended 30 June	
	2022 Unaudited	2021 Unaudited
Interest income		
Balances with the central bank	553,528	582,079
Deposits and placements with banks and other financial institutions	576,501	388,583
Loans and advances to customers	17,063,496	16,020,720
Investment securities	9,664,366	9,180,924
Finance leases	1,799,952	1,862,906
Subtotal	29,657,843	28,035,212
Unwinding of discount on allowance	72,368	48,221
Interest expense		
Borrowings from the central bank ^(a)	(799,259)	(890,929)
Deposits and placements from banks and other financial institutions	(3,583,767)	(3,352,162)
Deposits from customers	(8,941,990)	(7,919,271)
Debt securities issued	(2,598,980)	(2,692,280)
Subtotal	(15,923,996)	(14,854,642)
Net interest income	13,733,847	13,180,570

(a) Borrowings from the central bank include general borrowings from the PBOC, rediscounted bills held under repurchase agreements, closed anti-repo, re-lending to support micro and small enterprises and medium-term lending facility with the PBOC.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

5 NET FEE AND COMMISSION INCOME

	For the six month period ended 30 June	
	2022 Unaudited	2021 Unaudited
Fee and commission income		
Settlement and clearing fees	78,523	52,109
Guarantee and commitment fees	376,821	213,263
Investment banking fees	408,840	356,574
Custody fees	402,800	417,337
Bank card fees	93,862	81,004
Acquiring business fees	11,197	16,698
Agency commissions	1,451,568	626,066
Finance lease fees	238,996	317,582
Others	54,652	53,635
Subtotal	3,117,259	2,134,268
Fee and commission expense	(174,496)	(178,794)
Net fee and commission income	2,942,763	1,955,474

6 NET TRADING GAINS

	For the six month period ended 30 June	
	2022 Unaudited	2021 Unaudited
Net losses/(gains) from foreign exchange	(35,228)	23,392
Net gains from interest rate products	1,674,351	1,678,078
Net losses from commodity products	(766)	(10,656)
Net gains from equity instruments	11,304	370
Total	1,649,661	1,691,184

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

7 NET GAINS ON FINANCIAL INVESTMENTS

	For the six month period ended 30 June	
	2022 Unaudited	2021 Unaudited
Net gains on derecognition of financial assets at fair value through profit or loss	426,410	498,492
Net gains on derecognition of financial assets at fair value through other comprehensive income	115,812	86,575
Net gains on derecognition of financial assets at amortised cost	108	19,985
Others	6,544	2,743
Total	548,874	607,795

All the net gains recognised from the derecognition of financial assets measured at amortised cost were resulted from trading for the six month period ended 30 June 2022.

8 OTHER OPERATING INCOME, NET

	For the six month period ended 30 June	
	2022 Unaudited	2021 Unaudited
Net gains on bills	133,218	32,017
Government subsidies	87,931	86,734
Others	18,588	15,388
Total	239,737	134,139

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

9 OPERATING EXPENSES

	For the six month period ended 30 June	
	2022 Unaudited	2021 Unaudited
Staff cost (Note 10)	(2,536,606)	(2,275,112)
Business tax and surcharges	(211,021)	(195,923)
General operating and administrative expenses	(1,097,821)	(921,602)
Operating lease rental expenses	(21,647)	(32,472)
Depreciation of property, plant and equipment (Note 22)	(209,309)	(199,945)
Depreciation of right-of-use assets (Note 23)	(181,553)	(174,194)
Amortization expenses for long-term prepaid expenses	(41,197)	(55,699)
Amortization expenses for intangible assets (Note 26(c))	(77,794)	(65,931)
Others	(39,307)	(44,278)
Total	(4,416,255)	(3,965,156)

10 STAFF COSTS

	For the six month period ended 30 June	
	2022 Unaudited	2021 Unaudited
Salaries, bonuses, allowances and subsidies	(1,843,873)	(1,685,163)
Pension costs	(293,787)	(254,947)
Labor union fee and staff education fee	(39,145)	(25,692)
Other social insurance and welfare costs	(359,801)	(309,310)
Total	(2,536,606)	(2,275,112)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

11 IMPAIRMENT LOSSES ON CREDITS

	For the six month period ended 30 June	
	2022 Unaudited	2021 Unaudited
Loans and advances		
– At amortised cost	(4,379,662)	(3,590,191)
– Stage 1	(1,075,225)	(164,704)
– Stage 2	(1,504,970)	(2,448,719)
– Stage 3	(1,799,467)	(976,768)
– At fair value through other comprehensive income	(33,431)	(5,697)
– Stage 1	(22,630)	(5,697)
– Stage 2	(10,801)	–
Financial investments		
– Financial assets at amortised cost	(679,248)	(2,033,024)
– Financial assets at fair value through other comprehensive income	(420,541)	(354,272)
Credit commitments	(90,377)	(13,027)
Deposits with banks and other financial institutions	10,375	10,990
Placements with and loans to banks and other financial institutions	(423)	(8,565)
Financial assets held under resale agreements	(63,828)	(44,365)
Finance lease receivables (note 24)	(633,073)	(430,785)
Other assets	(41,033)	(34,566)
Total	(6,331,241)	(6,503,502)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

12 INCOME TAX EXPENSE

	For the six month period ended 30 June	
	2022 Unaudited	2021 Unaudited
Current income tax		
– Chinese mainland income tax	(2,334,125)	(2,434,341)
Deferred income tax (Note 34)	1,133,461	1,215,986
Total	(1,200,664)	(1,218,355)

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

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

	For the six month period ended 30 June	
	2022 Unaudited	2021 Unaudited
Profit before tax	8,536,054	7,310,433
Tax calculated at the applicable statutory tax rate of 25%	(2,134,014)	(1,827,608)
Tax effect arising from tax-exempt and halved income ^(a)	991,380	783,880
Tax effect of items such as expenses not deductible for tax purposes ^(b)	(41,226)	(34,222)
Tax filing differences from previous years	(1,891)	(5,893)
Impact of unrecognized deductible temporary difference and deductible tax loss ^(c)	(14,913)	(134,512)
Income tax expense	(1,200,664)	(1,218,355)

(a) Non-taxable income mainly represents interest income arising from PRC treasury bonds and fund dividend income which are tax free according to PRC tax regulations.

(b) The items that are not deductible for tax purposes mainly represent marketing and entertainment expenses and loan amounts in excess of the relevant deductible threshold written off under the relevant PRC tax regulations.

(c) The subsidiary of the Group, Wuwei Huiyin Village and Township Bank Co., Ltd. incurred tax losses for the current period, and the Group cannot reasonably assess if the subsidiary will have sufficient taxable income to realise the tax loss in the future, so the Deferred income tax assets of the tax loss are not recognized.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

13 EARNINGS PER SHARE (BASIC AND DILUTED)

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

	For the six month period ended 30 June	
	2022 Unaudited	2021 Unaudited
Net profit attributable to shareholders of the Bank (in RMB thousands)	7,242,904	6,195,154
Weighted average number of ordinary shares in issue (in thousands)	13,889,801	13,889,801
Basic earnings per share (in RMB)	0.52	0.45

- (b) *Diluted earnings per share*

There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding for both six month periods ended 30 June 2022 and 30 June 2021.

When calculating basic earnings per share for ordinary shares, the dividend of preference shares issued in the current year shall be deducted from the net profit attributable to the shareholders of the Bank. In 2016, the Bank issued non-cumulative preference shares. The Bank has not yet declared a preferred stock dividend for the six month period ended 30 June 2021 and 30 June 2022.

The preference shares are potentially convertible to ordinary shares available. As of 30 June 2021 and 30 June 2022, there has been no trigger condition as the conversion had not occurred, and the convertible features of preference shares had no impact on the calculation of basic and diluted earnings per share for the six month period ended 30 June 2021 and 30 June 2022.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

14 CASH AND BALANCES WITH THE CENTRAL BANK

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Cash	1,089,910	1,186,576
Statutory reserves ^(a)	67,887,179	61,575,781
Surplus reserves ^(b)	35,153,908	18,536,271
Subtotal	104,130,997	81,298,628
Interest receivable	32,897	31,978
Total	104,163,894	81,330,606

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

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

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Statutory reserve rate for RMB deposits	7.75%	8.0%
Statutory reserve rate for foreign currency deposits	8.0%	9.0%

As at 30 June 2022, statutory reserve rates for Jinzhai Huiyin Village and Township Bank Co., Ltd. and Wuwei Huiyin Village and Township Bank Co., Ltd. were 5.0% and 5.0% (31 December 2021: 5.0% and 5.0%).

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

15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Banks in Mainland China	9,402,961	10,976,305
Other financial institutions in Mainland China	857,013	1,538,975
Banks in other countries and regions	506,242	716,798
Subtotal	10,766,216	13,232,078
Interest receivable	3,570	3,522
Less: allowances for impairment losses	(480,104)	(490,479)
Total	10,289,682	12,745,121

Allowances for impairment losses of deposits with banks and other financial institutions were RMB480,104 thousand (31 December 2021: RMB490,479 thousand).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Banks in Chinese mainland	100,000	1,000,000
Other financial institutions in Chinese mainland	17,900,000	14,000,000
Subtotal	18,000,000	15,000,000
Interest receivable	52,669	51,642
Less: allowances for impairment losses	(10,753)	(10,330)
Total	18,041,916	15,041,312

Placements with banks and other financial institutions were in Stage 1, and allowances for impairment losses were RMB10,753 thousand (31 December 2021: RMB10,330 thousand).

17 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2022 Unaudited		
	Notional Amount	Fair value	
		Assets	Liabilities
Derivative financial instruments held for trading			
– Currency forwards	1,486,800	12,133	(9,488)
– Currency swaps	456,307	24,163	(822)
– Interest rate swaps	15,320,000	114,056	(112,322)
Total	17,263,107	150,352	(122,632)

	As at 31 December 2021 Audited		
	Notional Amount	Fair value	
		Assets	Liabilities
Derivative financial instruments held for trading			
– Currency forwards	291,209	3,835	(3,628)
– Currency swaps	2,384,669	8,372	(3,021)
– Interest rate swaps	33,410,000	144,550	(143,967)
Total	36,085,878	156,757	(150,616)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
By collateral type:		
Debt securities	17,870,698	2,491,784
Bills	298,311	2,978,105
Subtotal	18,169,009	5,469,889
Interest receivable	1,594	8,230
Less: allowances for impairment losses	(91,492)	(25,664)
Total	18,079,111	5,452,455

Financial assets held under resale agreements were in Stage 1, and allowances for impairment losses were RMB91.49 million (31 December 2021: RMB25.66 million).

19 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis of loans and advances to customers:

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Loans and advances measured at amortised cost		
– Corporate loans	445,916,954	367,951,495
– Personal loans	246,577,507	237,359,461
Subtotal	692,494,461	605,310,956
Loans and advances measured at fair value through other comprehensive income		
– Discounted bills	51,434,123	49,484,165
Subtotal	51,434,123	49,484,165
Total	743,928,584	654,795,121
Interest receivable	1,620,566	1,426,842
Total loans and advances	745,549,150	656,221,963
Less: allowance for loans at amortised cost	(31,543,207)	(27,916,265)
Loans and advances to customers, net	714,005,943	628,305,698
Allowance for loans at fair value through other comprehensive income	(70,581)	(37,150)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	Total
As at 30 June 2022				
Total loans and advances to customers	713,939,222	18,408,150	11,581,212	743,928,584
Allowance for impairment losses				
Loans and advances measured at amortised cost	(10,512,301)	(10,019,952)	(11,010,954)	(31,543,207)
As at 31 December 2021				
Total loans and advances to customers	628,082,678	15,052,774	11,659,669	654,795,121
Allowance for impairment losses				
Loans and advances measured at amortised cost	(10,065,265)	(8,200,128)	(9,650,872)	(27,916,265)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

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

	For the six month period ended 30 June 2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2022	10,065,265	8,200,128	9,650,872	27,916,265
Impairment losses for the period	1,075,225	1,504,970	1,799,467	4,379,662
Stage conversion				
Transfers to Stage 1	170,598	(84,473)	(86,125)	–
Transfers to Stage 2	(593,707)	623,025	(29,318)	–
Transfers to Stage 3	(205,080)	(223,698)	428,778	–
Write-off and transfer out	–	–	(1,310,834)	(1,310,834)
Recovery of loans and advances written off	–	–	630,482	630,482
Unwinding of discount on allowance	–	–	(72,368)	(72,368)
As at 30 June 2022	10,512,301	10,019,952	11,010,954	31,543,207

For the six month ended 30 June 2022, the domestic branch adjusted the five-level classification and customer rating of customer loans and advances, and the loan principal of RMB6.7 billion of Stage 1 was transferred to Stage 2 and Stage 3, the loan principal of RMB0.7 billion was transferred from Stage 2 to Stage 3, the loan principal of RMB0.3 billion was transferred from Stage 2 to Stage 1, the loan principal of RMB0.1 billion was transferred from Stage 3 to Stage 1 and Stage 2.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

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

	Year ended 31 December 2021			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	
As at 1 January 2021	8,182,365	3,428,632	9,041,137	20,652,134
Impairment losses for the year	2,326,495	4,318,584	3,344,918	9,989,997
Stage conversion				
Transfers to Stage 1	149,506	(65,038)	(84,468)	–
Transfers to Stage 2	(554,354)	660,225	(105,871)	–
Transfers to Stage 3	(38,747)	(142,275)	181,022	–
Write-off and transfer out	–	–	(3,437,554)	(3,437,554)
Recovery of loans and advances written off	–	–	853,762	853,762
Unwinding of discount on allowance	–	–	(142,074)	(142,074)
As at 31 December 2021	10,065,265	8,200,128	9,650,872	27,916,265

This year, the domestic branch adjusted the five-level classification and customer rating of customer loans and advances, and the loan principal of RMB5.8 billion of stage 1 was transferred to stage 2 and stage 3, the loan principal of RMB0.5 billion was transferred from stage 2 to stage 3, the loan principal of RMB0.1 billion was transferred from stage 2 to stage 1. The loan principal of RMB0.5 billion was transferred from stage 3 to stage 1 and stage 2.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

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

	For the six month period ended 30 June 2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2022	33,302	3,848	–	37,150
Impairment losses for the period	22,630	10,801	–	33,431
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Write-off and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
Unwinding of discount on allowance	–	–	–	–
As at 30 June 2022	55,932	14,649	–	70,581

	Year ended 31 December 2021			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2021	8,052	–	–	8,052
Impairment losses for the year	25,250	3,848	–	29,098
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Write-off and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
Unwinding of discount on allowance	–	–	–	–
As at 31 December 2021	33,302	3,848	–	37,150

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

20 INVESTMENT SECURITIES

Financial assets at fair value through profit or loss	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Listed in mainland China		
– Government bonds	7,293,185	3,234,222
– Other debt securities	24,815,957	16,888,549
– Interbank certificates of deposits	322,467	545,705
– Equity	876,198	693,187
Subtotal	33,307,807	21,361,663
Unlisted		
– Beneficial rights in trust and asset management plans	84,683,834	86,487,155
– Non-guaranteed wealth management products managed by other banks	8,167,766	14,160,271
Subtotal	92,851,600	100,647,426
Interest receivable	1,073,859	959,474
Total	127,233,266	122,968,563

As at 30 June 2022 and 31 December 2021, there was no significant limitation on the ability of the Group and the Bank to dispose of financial assets at fair value through profit or loss. Debt securities traded on the China Interbank Bond Market are included in the category “Listed in mainland China”.

Financial assets at fair value through other comprehensive income	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Debt securities		
Listed in mainland China		
– Debt securities	129,739,811	115,301,407
Subtotal	129,739,811	115,301,407
Equity securities		
Unlisted		
– Equity investments	256,209	225,367
Subtotal	256,209	225,367
Interest receivable	1,986,652	2,403,105
Total	131,982,672	117,929,879

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

20 INVESTMENT SECURITIES (CONTINUED)

Financial assets at amortised cost	As at	As at
	30 June 2022 Unaudited	31 December 2021 Audited
Listed in mainland China		
– Debt securities	177,503,156	135,779,680
Listed in Hong Kong		
– Debt securities	1,221,162	–
Unlisted		
– Beneficial rights in trust and asset management plans	176,709,736	174,784,832
Subtotal	355,434,054	310,564,512
Interest receivable	5,357,374	5,621,819
Less: allowance for impairment losses	(12,286,561)	(13,876,264)
Financial assets at amortised cost, net	348,504,867	302,310,067

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

Investment securities analyzed by issuer are as follows:

Financial assets at fair value through profit or loss	As at	As at
	30 June 2022 Unaudited	31 December 2021 Audited
By issuers		
– Government	7,293,185	3,234,222
– Banks and other financial institutions	108,918,980	115,768,580
– Legal entities	9,947,242	3,006,287
Subtotal	126,159,407	122,009,089
Interest receivable	1,073,859	959,474
Total	127,233,266	122,968,563

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

20 INVESTMENT SECURITIES (CONTINUED)

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

Financial assets at fair value through other comprehensive income	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Debt instruments		
By issuer		
– Government	74,587,248	61,586,673
– Banks and other financial institutions	13,223,090	17,195,932
– Legal entities	41,929,473	36,518,802
Subtotal	129,739,811	115,301,407
Equity instruments	256,209	225,367
Interest receivable	1,986,652	2,403,105
Total	131,982,672	117,929,879
Financial assets at amortised cost	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
By issuer		
– Government	139,934,479	107,561,492
– Banks and other financial institutions	191,637,688	187,515,212
– Legal entities	23,861,887	15,487,808
Subtotal	355,434,054	310,564,512
Interest receivable	5,357,374	5,621,819
Less: allowance for impairment losses	(12,286,561)	(13,876,264)
Financial assets at AC, net	348,504,867	302,310,067

21 INVESTMENTS IN ASSOCIATES

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

As at 30 June 2022

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

21 INVESTMENTS IN ASSOCIATES (CONTINUED)

As at 31 December 2021

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

Investments in associates	Six month ended	Year ended
	30 June 2022	31 December 2021
	Unaudited	Audited
Balance at beginning of the period/year	4,715,591	4,474,260
Additions of the period/year	–	–
Cash dividends received	(14,904)	(13,915)
Share of results, net of tax	168,668	255,246
Other changes in equity	36,873	–
Balance at end of the period/year	4,906,228	4,715,591

The book value of investments in associates	Six month ended	Year ended
	30 June 2022	31 December 2021
	Unaudited	Audited
Chery HuiYin Motor Finance Service Co., Ltd.	1,618,832	1,535,547
MengShang Bank Co., Ltd.	3,287,396	3,180,044
Balance at end of the period/year	4,906,228	4,715,591

The Group co-financed the foundation of Chery HuiYin Motor Finance Service Co., Ltd. in 2009. As at 30 June 2022, the authorized registered capital of the invested company had increased to RMB1.5 billion, and the Group's share in this associate was RMB300 million or 20% of the total capital.

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

22 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic and other equipment	Construction in progress	Total
Cost					
As at 1 January 2022	5,057,738	50,557	1,940,423	288,477	7,337,195
Additions	325	510	54,692	149,617	205,144
Transfers in/(out)	97,356	–	719	(106,168)	(8,093)
Disposals	(3,311)	(2,099)	(10,314)	–	(15,724)
Other transfers out	–	–	–	(6,527)	(6,527)
As at 30 June 2022	5,152,108	48,968	1,985,520	325,399	7,511,995
Accumulated depreciation					
As at 1 January 2022	(1,176,488)	(45,940)	(1,412,179)	–	(2,634,607)
Depreciation charge	(121,780)	(428)	(87,101)	–	(209,309)
Disposals	3,173	2,036	7,497	–	12,706
As at 30 June 2022	(1,295,095)	(44,332)	(1,491,783)	–	(2,831,210)
Net book value	3,857,013	4,636	493,737	325,399	4,680,785

	Buildings	Motor vehicles	Electronic and other equipment	Construction in progress	Total
Cost					
As at 1 January 2021	3,916,038	54,247	1,898,621	1,103,919	6,972,825
Additions	239,932	1,732	128,582	150,237	520,483
Transfers in/(out)	910,437	–	853	(933,732)	(22,442)
Disposals	(8,669)	(5,422)	(87,633)	–	(101,724)
Other transfers out	–	–	–	(31,947)	(31,947)
As at 31 December 2021	5,057,738	50,557	1,940,423	288,477	7,337,195
Accumulated depreciation					
As at 1 January 2021	(996,634)	(46,912)	(1,291,006)	–	(2,334,552)
Depreciation charge	(188,263)	(4,283)	(204,269)	–	(396,815)
Disposals	8,409	5,255	83,096	–	96,760
As at 31 December 2021	(1,176,488)	(45,940)	(1,412,179)	–	(2,634,607)
Net book value	3,881,250	4,617	528,244	288,477	4,702,588

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

As at 30 June 2022, the Group has buildings that have not yet received certificates of property right registration, with the cost of RMB959.35 million (31 December 2021: RMB868.92 million). The executives assume that there is no significant impact whether the certificates are obtained. The aforementioned issue will not have a material impact on the financial position or operations of the Group.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

23 RIGHT-OF-USE ASSETS

	Buildings	Motor vehicles	Electronic and other equipment	Land use rights	Total
Cost					
As at 1 January 2022	1,673,666	12,731	4,803	170,863	1,862,063
Additions	175,388	4,007	–	–	179,395
Disposals and transfers out	(103,095)	(5,214)	–	–	(108,309)
Revaluation of lease liabilities	705	–	–	–	705
As at 30 June 2022	1,746,664	11,524	4,803	170,863	1,933,854
Accumulated depreciation					
As at 1 January 2022	(672,749)	(7,377)	(1,735)	(49,905)	(731,766)
Depreciation charge	(173,340)	(2,585)	(645)	(4,983)	(181,553)
Transfers out	74,376	4,796	–	–	79,172
As at 30 June 2022	(771,713)	(5,166)	(2,380)	(54,888)	(834,147)
Net book value	974,951	6,358	2,423	115,975	1,099,707

	Buildings	Motor vehicles	Electronic and other equipment	Land use rights	Total
Cost					
As at 1 January 2021	1,513,282	9,245	4,248	170,863	1,697,638
Additions	330,421	4,546	555	–	335,522
Disposals and transfers out	(176,862)	(1,060)	–	–	(177,922)
Revaluation of lease liabilities	6,825	–	–	–	6,825
As at 31 December 2021	1,673,666	12,731	4,803	170,863	1,862,063
Accumulated depreciation					
As at 1 January 2021	(484,442)	(3,853)	(492)	(39,939)	(528,726)
Depreciation charge	(347,538)	(4,584)	(1,243)	(9,966)	(363,331)
Transfers out	159,231	1,060	–	–	160,291
As at 31 December 2021	(672,749)	(7,377)	(1,735)	(49,905)	(731,766)
Net book value	1,000,917	5,354	3,068	120,958	1,130,297

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

24 FINANCE LEASE RECEIVABLES

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

As at 30 June 2022	Within 1 year	1 to 3 years	Over 3 years	Total
Finance lease receivables	26,094,879	35,383,503	7,926,270	69,404,652
Unrealised revenue	(3,089,015)	(3,634,271)	(511,219)	(7,234,505)
Allowance	(376,898)	(994,543)	(1,010,085)	(2,381,526)
Interest receivable of finance leases	838,822	–	–	838,822
Net	23,467,788	30,754,689	6,404,966	60,627,443

As at 31 December 2021	Within 1 year	1 to 3 years	Over 3 years	Total
Finance lease receivables	26,063,378	29,848,201	6,564,226	62,475,805
Unrealised revenue	(3,200,170)	(3,103,730)	(416,340)	(6,720,240)
Allowance	(314,661)	(725,422)	(1,455,224)	(2,495,307)
Interest receivable of finance leases	755,518	–	–	755,518
Net	23,304,065	26,019,049	4,692,662	54,015,776

(b) The Group's finance lease receivables are analyzed by stages as follows (excluding interest receivable):

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	Total
As at 30 June 2022				
The carrying value of finance lease receivables	59,823,460	1,600,562	746,125	62,170,147
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	Total
As at 31 December 2021				
The carrying value of finance lease receivables	54,006,176	228,737	1,520,652	55,755,565

In this year, the stage conversion of the carrying value of finance lease receivables was not significant.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

24 FINANCE LEASE RECEIVABLES (CONTINUED)

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

	Six month period ended 30 June 2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	Total
As at 1 January 2022	777,871	176,919	1,540,517	2,495,307
Impairment losses for the period (Note 27)	76,908	689,978	(133,813)	633,073
Stage conversion				
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(24,190)	24,190	-	-
Transfers to Stage 3	(1,725)	(15,477)	17,202	-
Write-off and transfer out	-	-	(747,034)	(747,034)
Reversal due to the original write-off	-	-	180	180
As at 30 June 2022	828,864	875,610	677,052	2,381,526

	Year ended 31 December 2021			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	Total
As at 1 January 2021	222,955	546,395	1,199,952	1,969,302
Impairment losses for the period (Note 27)	554,712	(170,575)	729,545	1,113,682
Stage conversion				
Transfers to Stage 1	1,114	(1,114)	-	-
Transfers to Stage 2	(910)	910	-	-
Transfers to Stage 3	-	(198,697)	198,697	-
Write-off and transfer out	-	-	(587,677)	(587,677)
As at 31 December 2021	777,871	176,919	1,540,517	2,495,307

The Group's finance lease receivables are all managed by its subsidiary, HuiShang Bank Financial Leasing Co., Ltd. For the six month period ended 30 June 2022, the principal of the Group's five largest finance lease receivables and the related allowance were RMB2,287,097 thousand and RMB25,906 thousand, respectively, which accounted for 3.30% and 1.09% of the total balance, respectively (31 December 2021: the principal of the Group's five largest finance lease receivables and the related allowance were RMB2,081,885 thousand and RMB29,081 thousand, respectively, which accounted for 3.33% and 1.17% of the total balance, respectively).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

25 GOODWILL

	As at 1 January 2022	Increase in the current period	Decrease in the current period	As at 30 June 2022	allowances for impairment losses
Goodwill	14,567,826	–	–	14,567,826	–

	As at 1 January 2021	Increase in current year	Decrease in current year	As at 31 December 2021	allowances for impairment losses
Goodwill	14,567,826	–	–	14,567,826	–

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

The Group conducts impairment tests at the end of each year. The Group assessed and determined that provision for the impairment losses of goodwill has not required as at 30 June 2022.

26 OTHER ASSETS

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Interest receivable ^(a)	201,484	238,299
Other receivables ^(b)	1,870,440	1,608,099
Less: impairment allowance ^(b)	(206,930)	(161,896)
Funds to be settled	1,552,966	751,081
Long-term prepaid expenses	172,276	176,772
Foreclosed assets	270,235	224,897
Less: impairment allowance	(93,649)	(93,649)
Intangible assets ^(c)	425,741	478,044
Continued involvement in assets	2,154,592	2,141,179
Others	367,304	311,035
Less: impairment allowance	(4,281)	(2,194)
Total	6,710,178	5,671,667

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

26 OTHER ASSETS (CONTINUED)

(a) Interest receivable

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Loans and advances to customers	195,134	220,676
Finance leases	6,350	17,623
Total	201,484	238,299

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

(b) Other receivables

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

As at 30 June 2022	Within 1 year	1 to 3 years	Over 3 years	Total
Other receivables	1,316,470	109,474	444,496	1,870,440
Allowance for impairment losses	(37,518)	(55,807)	(113,605)	(206,930)
Net	1,278,952	53,667	330,891	1,663,510

As at 31 December 2021	Within 1 year	1 to 3 years	Over 3 years	Total
Other receivables	1,061,844	179,272	366,983	1,608,099
Allowance for impairment losses	(34,954)	(90,006)	(36,936)	(161,896)
Net	1,026,890	89,266	330,047	1,446,203

(c) Intangible assets

Intangible assets of the Group are mainly computer software.

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Cost		
Balance at beginning of the period/year	1,047,743	882,607
Additions	17,398	143,047
Transfers construction in process	8,093	22,442
Disposals	(160)	(353)
Balance at end of the period/year	1,073,074	1,047,743
Accumulated amortisation		
Balance at beginning of the period/year	(569,699)	(432,047)
Additions	(77,794)	(137,975)
Disposals	160	323
Balance at end of the period/year	(647,333)	(569,699)
Net book value		
At end of the period/year	425,741	478,044

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

27 IMPAIRMENT ALLOWANCE (EXCEPT FOR LOANS AND ADVANCES)

	As at 1 January 2022	Additions/ Deductions	Recovery	Utilised	As at 30 June 2022
Deposits with banks and other financial institutions	(490,479)	10,375	–	–	(480,104)
Placements with banks and other financial institutions	(10,330)	(423)	–	–	(10,753)
Financial assets held under resale agreements	(25,664)	(63,828)	(2,000)	–	(91,492)
Financial investments measured at fair value whose changes are included in other comprehensive income	(419,927)	(420,541)	–	–	(840,468)
Financial assets at amortised cost	(13,876,264)	(679,248)	–	2,268,951	(12,286,561)
Finance lease receivables	(2,495,307)	(633,073)	(180)	747,034	(2,381,526)
Foreclosed assets	(93,649)	–	–	–	(93,649)
Other assets – bad debts	(164,090)	(41,033)	(6,088)	–	(211,211)
Total	(17,575,710)	(1,827,771)	(8,268)	3,015,985	(16,395,764)

	As at 1 January 2021	Additions/ Deductions	Recovery	Utilised	As at 31 December 2021
Deposits with banks and other financial institutions	(486,263)	(4,216)	–	–	(490,479)
Placements with banks and other financial institutions	(5,535)	(4,795)	–	–	(10,330)
Financial assets held under resale agreements	(1,015)	(22,649)	(2,000)	–	(25,664)
Financial investments measured at fair value and whose changes are included in other comprehensive income	(284,708)	(135,219)	–	–	(419,927)
Financial assets at amortised cost	(12,132,326)	(1,742,342)	(1,596)	–	(13,876,264)
Finance lease receivables	(1,969,302)	(1,113,682)	–	587,677	(2,495,307)
Foreclosed assets	(97,278)	3,629	–	–	(93,649)
Other assets – bad debts	(401,409)	160,049	(18,189)	95,459	(164,090)
Total	(15,377,836)	(2,859,225)	(21,785)	683,136	(17,575,710)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

28 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Banks in Chinese mainland	7,174,942	7,054,290
Other financial institutions in Chinese mainland	111,256,124	128,151,840
Interest payable	2,376,440	1,779,009
Total	120,807,506	136,985,139

29 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Banks in Chinese mainland	45,281,367	42,835,994
Interest payable	424,781	388,701
Total	45,706,148	43,224,695

30 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Securities sold under repurchase agreements	57,287,241	16,950,308
Bills sold under repurchase agreements	7,310,053	5,990,910
Precious metals sold under repurchase agreements	22,941,103	15,364,923
Interest payable	195,046	192,628
Total	87,733,443	38,498,769

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

31 DEPOSITS FROM CUSTOMERS

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Demand deposits		
– Corporate deposits	330,727,039	261,151,020
– Personal deposits	76,610,683	71,674,825
Time deposits (including deposits at call)		
– Corporate deposits	180,079,523	170,692,004
– Personal deposits	277,829,849	221,222,773
Pledged deposits held as collateral	53,119,427	43,665,900
Remittances payable	677,354	107,616
Other deposits	136,046	153,519
Interest payable	15,751,111	15,145,734
Total	934,931,032	783,813,391

32 TAXES PAYABLE

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Corporate income tax	1,695,813	3,006,773
Value-added tax	640,613	660,167
Business tax and surcharges	79,479	73,579
Others	21,594	87,429
Total	2,437,499	3,827,948

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

33 OTHER LIABILITIES

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Dividends payable ^(a)	1,403,106	174,104
Unearned rent and deposits under lease arrangements ^(b)	4,913,507	4,588,333
Funds to be settled	1,053,546	1,153,908
Continued involvement in liabilities	2,154,592	2,141,179
Asset securitisation	240,902	381,735
Salary and welfare payable ^(c)	2,150,592	2,327,135
Entrusted services	72,252	58,395
Long term suspension of customer deposits	654	500
Provision	1,520,518	1,423,705
– Allowance for litigation losses (Note 40)	267,316	267,273
– Provision for impairment of credit commitments ^(d)	1,181,893	1,091,516
Project funds payable	50,400	50,694
Lease liabilities ^(e)	947,112	943,816
Others	3,654,076	4,133,766
Total	18,161,257	17,377,270

(a) Dividends payable
Dividends payable for the year ended 31 December 2021 was approved by the shareholders in a general meeting held on 30 June 2022. Details are listed in note 39.

(b) Unearned rent and deposits under lease arrangements
As at 30 June 2022, all of the Group's unearned rent and deposits under lease arrangements were related to its subsidiary, Huishang Bank Financial Leasing Co., Ltd., which include the deposits and deferred income on finance leases.

(c) Salary and welfare payable

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Short-term employee benefits	2,115,730	2,270,624
Defined contribution plans	13,179	30,886
Termination benefits	21,683	25,625
Total	2,150,592	2,327,135

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

33 OTHER LIABILITIES (CONTINUED)

(c) Salary and welfare payable (Continued)

Short-term employee benefits

	As at 1 January 2022	Increase in the current period	Decrease in the current period	As at 30 June 2022
Wages, bonuses, allowances and subsidies	1,862,490	1,843,873	(2,020,412)	1,685,951
Employee benefits	–	120,749	(120,749)	–
Social insurance	3,116	94,965	(94,273)	3,808
Including:				
Medical insurance	2,969	93,449	(92,768)	3,650
Occupational injury insurance	82	1,516	(1,505)	93
Maternity insurance	65	–	–	65
Housing fund	727	139,262	(126,673)	13,316
Labour union fee and staff education fee	90,522	39,145	(30,781)	98,886
Other short-term employee benefits	313,769	–	–	313,769
Total	2,270,624	2,237,994	(2,392,888)	2,115,730

	As at 1 January 2021	Increase in the current year	Decrease in the current year	As at 31 December 2021
Wages, bonuses, allowances and subsidies	1,962,503	3,426,229	(3,526,242)	1,862,490
Employee benefits	16	282,846	(282,862)	–
Social insurance	2,657	207,951	(207,492)	3,116
Including:				
Medical insurance	2,490	204,371	(203,892)	2,969
Occupational injury insurance	82	2,218	(2,218)	82
Maternity insurance	85	1,362	(1,382)	65
Housing fund	1,351	280,281	(280,905)	727
Labour union fee and staff education fee	71,712	96,745	(77,935)	90,522
Other short-term employee benefits	313,769	45	(45)	313,769
Total	2,352,008	4,294,097	(4,375,481)	2,270,624

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

33 OTHER LIABILITIES (CONTINUED)

(c) Salary and welfare payable (continued)

Defined contribution plans

	As at 1 January 2022	Increase in the current period	Decrease in the current period	As at 30 June 2022
Basic pension insurance	9,023	172,444	(170,742)	10,725
Unemployment Insurance	545	4,825	(5,031)	339
Annuity scheme	21,318	121,343	(140,546)	2,115
Total	30,886	298,612	(316,319)	13,179

Defined contribution plans

	As at 1 January 2021	Increase in the current year	Decrease in the current year	As at 31 December 2021
Basic pension insurance	11,519	319,242	(321,738)	9,023
Unemployment Insurance	370	9,693	(9,518)	545
Annuity scheme	5,751	251,516	(235,949)	21,318
Total	17,640	580,451	(567,205)	30,886

Retirement benefits

	As at 30 June 2022	As at 31 December 2021
Early retirement benefits	21,683	25,625

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

33 OTHER LIABILITIES (CONTINUED)

(d) Provision – Provision for impairment of credit commitments

	Six month period ended 30 June 2022			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
As at 1 January 2022	1,090,687	829	–	1,091,516
Impairment losses for the period	(1,143)	91,520	–	90,377
Stage conversion				
Transfers to Stage 1	25	(25)	–	–
Transfers to Stage 2	(13)	13	–	–
Transfers to Stage 3	–	–	–	–
As at 30 June 2022	1,089,556	92,337	–	1,181,893

	Year ended 31 December 2021			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
As at 1 January 2021	397,810	3,170	20,939	421,919
Impairment losses for the year	692,311	(1,865)	(20,849)	669,597
Stage conversion				
Transfers to Stage 1	566	(566)	–	–
Transfers to Stage 2	–	90	(90)	–
Transfers to Stage 3	–	–	–	–
As at 31 December 2021	1,090,687	829	–	1,091,516

(e) Lease liabilities

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Within 1 year	343,632	316,618
1 to 2 years	248,236	247,507
2 to 5 years	351,631	370,288
Over 5 years	108,057	90,669
Total undiscounted lease liabilities	1,051,556	1,025,082
Lease liabilities	947,112	943,816

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

34 DEFERRED INCOME TAXES

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

	For the six month period ended 30 June 2022 Unaudited	As at 31 December 2021 Audited
Balance at beginning of the period/year	12,617,628	9,727,450
Charged to the income statement	1,133,461	3,082,891
Credited to other comprehensive income	(110,693)	(192,713)
Balance at end of the period/year	13,640,396	12,617,628

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

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Deferred income tax assets		
Impairment allowance for assets	12,803,117	11,731,106
Salary and welfare payable	430,145	473,054
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	93,716	127,638
Impairment of financial assets at fair value through other comprehensive income	210,117	104,982
Fair value changes of customer loans and advances made at fair value whose changes are included in other comprehensive income	17,783	14,679
Impairment of customer loans and advances at fair value through other comprehensive income	17,645	9,288
Credit commitment impairment	295,474	272,879
Others	410,132	407,938
Total deferred income tax assets	14,278,129	13,141,564
Deferred income tax liabilities		
Fair value changes of financial assets at fair value through other comprehensive income	(409,971)	(409,666)
Impairment of financial assets at fair value through other comprehensive income	(210,117)	(104,982)
Impairment of customer loans and advances at fair value through other comprehensive income	(17,645)	(9,288)
Total deferred income tax liabilities	(637,733)	(523,936)
Net	13,640,396	12,617,628

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

34 DEFERRED INCOME TAXES (CONTINUED)

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

	Six month ended 30 June	
	2022	2021
	Unaudited	Unaudited
Impairment allowance for assets	1,072,011	1,279,622
Salary and welfare payable	(42,909)	(104,361)
Fair value changes of financial instruments and derivative financial instruments at fair value through profit or loss	(33,922)	(36,551)
Impairment changes of financial assets at fair value through other comprehensive income	105,135	88,568
Impairment changes of customer loans and advances at fair value through other comprehensive income	8,357	1,424
Credit commitment impairment	22,595	3,257
Others	2,194	(15,973)
Total	1,133,461	1,215,986

35 DEBT SECURITIES ISSUED

	As at	As at
	30 June 2022	31 December 2021
	Unaudited	Audited
19 Financial bonds 01 ^(a)	–	9,000,000
19 Financial bonds 02 ^(b)	1,000,000	1,000,000
20 Small and micro bonds 01 ^(c)	9,999,565	9,999,348
20 Tier 2 capital bonds ^(d)	8,000,000	8,000,000
20 Huiyin financial leasing bonds 01 ^(e)	2,000,000	1,700,000
21 Tier 2 01 ^(f)	6,000,000	6,000,000
21 Huiyin financial leasing bonds 01 ^(g)	1,000,000	800,000
22 Small and micro bonds 01 ^(h)	10,000,000	–
Interbank certificates of deposit issued ⁽ⁱ⁾	138,803,062	145,757,493
Interest payable	628,127	631,150
Total	177,430,754	182,887,991

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

35 DEBT SECURITIES ISSUED (CONTINUED)

- (a) The Group issued financial bonds of RMB9 billion on 8 March 2019 in China Interbank Bond Market, with a maturity of 3 years and a fixed coupon rate of 3.52% paid annually. The bond was due to be redeemed on March 8, 2022.
- (b) The Group issued financial bonds of RMB1 billion on 8 March 2019 in China Interbank Bond Market, with a maturity of 5 years and a fixed coupon rate of 3.8% paid annually.
- (c) The Group issued financial bonds of RMB10 billion on 27 April 2020 in China Interbank Bond Market, with a maturity of 3 years and a fixed coupon rate of 2.3% paid annually.
- (d) The Group issued financial bonds of RMB8 billion on 28 September 2020 in China Interbank Bond Market, with a maturity of 10 years and a fixed coupon rate of 4.5% paid annually. The Group has an option to redeem part or all of the bonds at face value on 28 September 2025, subject to regulatory approval. Claims on Tier 2 capital bonds are subordinate to depositors and ordinary debts and are superior to equity, other tier 1 capital instruments and mixed capital debts.
- (e) The Group issued financial bonds of RMB2 billion on 16 April 2020 in China Interbank Bond Market, with a maturity of 3 years and a fixed coupon rate of 2.9% paid annually.
- (f) The Group issued RMB6 billion of financial bonds on 26 October 2021 in China's inter-bank bond market, with a maturity of 10 years and a fixed coupon rate of 4.09% paid annually. The Group has an option to redeem part or all of the bonds at face value on 22 October 2026, subject to regulatory approval. Tier 2 capital bond's right of recourse is subordinate to depositors and ordinary debts and is superior to equity, other tier 1 capital instruments and mixed capital debts.
- (g) The Group issued RMB1 billion of financial bonds on 18 August 2021 in China Interbank Bond Market, with a maturity of 3 years and a fixed coupon rate of 3.50% paid annually.
- (h) The Group issued RMB10 billion of financial bonds on 1 March 2022 in China Interbank Bond Market, with a maturity of 3 years and a fixed coupon rate of 2.83% paid annually.
- (i) The Group issued 59 interbank certificates of deposit at discount with a total face value of RMB92.89 billion with maturity ranging from six months to one year. As at 30 June 2022, the face value of the undue interbank certificates of deposit issued was RMB140.17 billion.

For the six month period ended 30 June 2022, there were no defaults on principal and interest or other breaches to the agreements with respect to these debt securities.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

36 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND CAPITAL RESERVE

(a) *Share capital*

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

	As at 30 June 2022	As at 31 December 2021
	Unaudited	Audited
Number of authorized shares fully paid in issue (in thousands)	13,889,801	13,889,801

(b) *Other equity instruments*

1. Preference shares outstanding as at 30 June 2022 and 31 December 2021

As at 30 June 2022 and 31 December 2021, Huishang Bank had no outstanding preference shares.

Changes in preference shares outstanding

	1 January 2021		Decrease		31 December 2021	
	Amount (million shares)	Carrying value	Amount (million shares)	Carrying value	Amount (million shares)	Carrying value
Financial instruments						
Offshore preference shares	44.4	5,990,090	(44.4)	(5,990,090)	-	-

The Announcement on the Redemption of the Offshore Preference Shares was issued by Huishang Bank on 8 October 2021. The Announcement on Completion of Redemption of the Offshore Preference Shares was issued by Huishang Bank on 11 November 2021. Pursuant to the terms and conditions of the Offshore Preference Shares and the reply letter from China Banking and Insurance Regulatory Commission Anhui Office (the "CBIRC Anhui Office"), the Bank intended to redeem all the Offshore Preference Shares on 10 November 2021 (the "Redemption Date"). The aggregate price of the Redemption will be U.S.\$936,840,000 (being the sum of (i) the aggregate liquidation preference of the Offshore Preference Shares in the amount of U.S.\$888,000,000 and (ii) the dividends in the amount of U.S.\$48,840,000). Upon redemption and cancellation of the outstanding amount of the Offshore Preference Shares on the Redemption Date, there will be no Offshore Preference Shares outstanding.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

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

(b) Other equity instruments (continued)

2. Perpetual bonds issued on 30 June 2022 and 31 December 2021

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

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

The duration of the bonds is consistent with the Bank's continuing operations. Five years after the date of issuance, the bank has the right to redeem all or part of the bonds at annual interest payment date (including the fifth anniversary of the interest paying day) on condition that the redemption prerequisites are met and the CBIRC's approval. When the write-down triggering conditions are met, the Bank has the right to write down all or part of the above-mentioned bonds that have been issued and surviving according to the total face value of the bonds if they are reported to and agreed by the CBRC, while the consent of the bondholders is unnecessary. The principal of the bond will be settled after depositors, general creditors and subordinated debts which are higher in the order than the bonds, and it will be settled before all classes of shares held by shareholders; the bonds rank the same as other tier 1 capital instruments in the same repayment order to be compensated.

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

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

(b) *Other equity instruments (continued)*

Related information attributable to equity instrument holders:

	As at 30 June 2022	As at 31 December 2021
	Unaudited	Audited
1. Total equity attributable to equity holders of the Bank	114,939,650	108,563,985
(1) Equity attributable to ordinary equity holders of the Bank	104,939,839	98,564,174
(2) Equity attributable to other equity holders of the Bank	9,999,811	9,999,811
2. Total equity attributable to non-controlling interests	3,025,752	2,951,666

(c) *Capital reserve*

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

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

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

As at June 30, 2022 and December 31, 2021, the Group's capital surplus is as follows:

	As at 30 June 2022	As at 31 December 2021
	Unaudited	Audited
Share premium	14,919,197	14,919,197
Others	311,507	311,507
Total	15,230,704	15,230,704

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

37 SURPLUS RESERVES AND GENERAL AND REGULATORY RESERVES

	Surplus reserves (a)	General reserves (b)
As at 1 January 2021	13,234,045	12,295,832
Appropriation to surplus reserves (a)	1,946,714	–
Appropriation to general reserves (b)	–	1,235,183
As at 31 December 2021	15,180,759	13,531,015
Appropriation to surplus reserves (a)	1,031,966	–
Appropriation to general reserves (b)	–	1,915,328
As at 30 June 2022	16,212,725	15,446,343

(a) *Surplus reserves*

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

As at 30 June 2022 and 31 December 2021, the Bank’s statutory surplus reserve balances were RMB8,315.70 million and RMB8,315.70 million. The others were discretionary surplus reserve.

(b) *General reserves*

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

38 OTHER COMPREHENSIVE INCOME

	Fair value change of equity instruments at FVOCI		Fair value change of debt instruments at FVOCI		Impairment change of debt instruments at FVOCI		Share of other comprehensive income of associates and joint ventures accounted for using the equity method		Total
	Amount before tax	income tax impact	Amount before tax	income tax impact	Amount before tax	income tax impact			
As at 1 January 2021	225,264	(56,316)	748,150	(187,037)	292,760	(73,191)	–	–	949,630
Changes in amount for the previous year	(9,397)	2,350	615,936	(153,984)	164,317	(41,080)	–	–	578,142
As at 31 December 2021	215,867	(53,966)	1,364,086	(341,021)	457,077	(114,271)	–	–	1,527,772
Changes in amount for the period	30,842	(7,711)	(42,040)	10,510	453,970	(113,491)	50,123	(13,250)	368,953
As at 30 June 2022	246,709	(61,677)	1,322,046	(330,511)	911,047	(227,762)	50,123	(13,250)	1,896,725

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

39 DIVIDENDS

(a) Dividends for ordinary shares

	For the six month period ended 30 June 2022 Unaudited	2021 Audited
Dividends declared for the period/year	1,236,192	–
Dividends per ordinary share (in RMB)	0.089	–
Dividends paid during the period/year	7,190	102,817

The final dividend of RMB0.089 (before tax) for every share in respect of the year ended 31 December 2021 has been approved by the shareholders in a general meeting.

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

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

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

(a) *Financial guarantees and credit commitments*

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

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Bank acceptance	63,374,985	50,258,964
Letters of credit issued	23,237,388	8,973,412
Letters of guarantee issued	36,012,891	31,290,222
Loan commitments	1,466,545	1,796,963
Unused credit card lines	52,442,239	42,585,094
Total	176,534,048	134,904,655
Impairment allowance for credit commitments (Note 33(d))	1,181,893	1,091,516

(b) *Capital commitments*

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Contracted but not provided for	181,255	168,142

(c) *Treasury bond redemption commitments*

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

As at 30 June 2022 and 31 December 2021, the nominal values of treasury bonds the Group was obligated to redeem prior to maturity were RMB4.95 billion and RMB4.82 billion respectively.

(d) *Legal proceedings*

During the reporting period, the Group was involved as defendants in certain lawsuits arising from its normal business operations. At 30 June 2022, provision for litigation losses as advised by in-house or external legal professionals was RMB0.27 billion (31 December 2021: RMB0.27 billion). Based on legal advice, the management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

41 COLLATERAL

(a) *Pledged assets*

The Group uses the following financial assets as collaterals to other banks and the Ministry of Finance of the PRC to sell repurchase transaction agreements and to borrow money from the Central Bank.

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Fair value changes of financial assets at fair value through other comprehensive income	55,021,482	40,833,576
Financial assets at amortised cost	63,732,926	48,951,297
Fair value changes of financial assets at fair value through profit or loss	9,258,504	7,335,124
Discounted bills	7,310,053	5,990,910
Total	135,322,965	103,110,907

The carrying value of financial assets sold under repurchase agreements by the Group as at 30 June 2022 was RMB87.73 billion (as at 31 December 2021: RMB38.50 billion) as set out in Note 30. Repurchase agreements are primarily due within 12 months from the effective dates of these agreements.

For financial assets sold under repurchase agreements, the related security rights have been transferred to the counterparties. The debt securities with titles transferred to counterparties recorded in financial assets sold under repurchase agreements that the Group did not derecognize amounted to nil as at 30 June 2022 (as at 31 December 2021: Nil).

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

(b) *Collateral accepted*

The Group accepted debt securities, bills and other assets as collateral in the purchase of assets under resale agreements. Certain collateral can be resold or re-pledged. The Group has accepted collateral that can be resold or re-pledged with a carrying amount of RMB0.1 billion as at 30 June 2022 (31 December 2021: RMB0.1 billion). The Group had no collateral that was re-pledged and obligated to return as at 30 June 2022 (31 December 2021: none).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

42 CREDIT RISK WEIGHTED AMOUNT OF FINANCIAL GUARANTEES AND CREDIT COMMITMENTS

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Financial guarantees and credit related commitments	62,588,413	50,215,164

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

43 STRUCTURED ENTITIES

a) Unconsolidated structured entities managed by the Group

The unconsolidated structure entities managed by the Group are mainly wealth management products (“WMP”) issued and managed by the Bank. The Group had not provided any guarantee or undertaking with regard to principal or returns for these products. Wealth management products were mainly invested in money market instruments, bonds and loan assets. The raised funds were invested in related financial markets or financial products in accordance with the product contracts. Returns would be allocated to investors based on the performance of the assets. The Group receives management fee as the manager of these wealth management products. For the six month period ended 30 June 2022 and the year of 2021, total wealth commission income the Group received was RMB1,236.76 million and RMB2,189.26 million respectively. The Group considered its variable returns from the structured entities were insignificant and hence these entities were not consolidated.

As at 30 June 2022, the carrying value of non-guaranteed wealth management products that the Group issued and managed was RMB240.94 billion (31 December 2021: RMB225.23 billion). As at 30 June 2022, the Group’s maximum exposure to unconsolidated structured entities and service charge receivable of wealth management products that were not included in the scope of consolidation were respectively RMB157 million and RMB234 million (31 December 2021: RMB153 million and RMB491 million). As at 30 June 2022, the Group did not purchase financial assets of wealth management products that were not included in the scope of consolidation (31 December 2021: Nil).

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

43 STRUCTURED ENTITIES (CONTINUED)

b) *Unconsolidated structured entities invested by the Group*

To maximize the usage of capital, the Group entered transactions with unconsolidated structured entities which included wealth management products, the trust fund and asset management plan schemes issued and managed by other independent third parties during the period ended 30 June 2022 and 31 December 2021. The Group classifies these assets into “investments at amortised cost” or “financial assets at fair value through profit or loss” based on their nature. As the investor of these entities, the Group earns interest from these transactions.

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

At 30 June 2022	Carrying value	Maximum exposure to loss
Financial investments – at FVTPL		
– Non-guaranteed wealth management products	8,167,766	8,167,766
– Trust fund and asset management plan	84,683,834	84,683,834
Financial assets at amortised cost		
– Trust fund and asset management plan	164,981,411	164,981,411
At 31 December 2021	Carrying value	Maximum exposure to loss
Financial investments – at FVTPL		
– Non-guaranteed wealth management products	14,160,271	14,160,271
– Trust fund and asset management plan	86,487,155	86,487,155
Financial assets at amortised cost		
– Trust fund and asset management plan	161,222,320	161,222,320

c) *Consolidated structured entities*

Consolidated structured entities include the beneficial rights in trust and asset management plans over which the Group exercises investment decisions.

The Group did not provide liquidity support to these consolidated structured entities and the beneficial rights in trust and asset management plans during the period ended 30 June 2022 and the year ended 31 December 2021.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

44 CASH AND CASH EQUIVALENTS

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

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Cash	1,089,910	1,186,576
Surplus reserve with the central bank	35,153,908	18,536,271
Deposits with banks and other financial institutions	11,690,683	13,745,121
Total	47,934,501	33,467,968

- (b) Changes in liabilities arising from financing activities

	Debt securities issued	Dividends payable	Lease liabilities
At 1 January 2022	182,887,991	174,104	943,816
Proceeds from issuance of debt securities	101,387,914	-	-
Interest paid on debt issued	(2,620,814)	-	-
Cash paid relating to debt repayments	(106,823,317)	-	-
Dividends paid on debt issued	-	(25,590)	-
Interest expense	2,598,980	-	158,615
Dividends declared	-	1,254,592	-
Cash paid relating to lease liabilities	-	-	(227,110)
Other changes in lease liabilities	-	-	71,791
At 30 June 2022	177,430,754	1,403,106	947,112

	Debt securities issued	Dividends payable	Lease liabilities
At 1 January 2021	180,635,695	276,921	964,166
Proceeds from issuance of debt securities	248,760,000	-	-
Interest paid on debt issued	(5,678,966)	-	-
Cash paid relating to debt repayments	(246,226,007)	-	-
Dividends paid on debt issued	-	(107,537)	-
Interest expense	5,397,269	-	300,431
Declared dividends	-	4,720	-
Cash paid relating to lease liabilities	-	-	(485,205)
Other changes in lease liabilities	-	-	164,424
At 31 December 2021	182,887,991	174,104	943,816

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

45 CREDIT ASSETS SECURITIZATION TRANSACTIONS

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

With respect to the credit assets that were securitized and qualified for derecognition, the Group derecognized the transferred credit assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was RMB0.75 billion as at 30 June 2022 (31 December 2021: RMB0.89 billion), which also approximates the Group's maximum exposure to loss.

For almost all the risks and rewards that have not been transferred nor retained which are related to credit assets and have retained control of the credit assets, the transferred credit assets are recognized in the statement of financial position to the extent of the Group's continuing involvement. For the period ended 30 June 2022, the carrying amount at the time of transfer of the original credit assets, in which the Group determined that it has continuing involvement through acquiring some tranches, was nil (for the year ended 31 December 2021: Nil) and the carrying amount of assets that the Group continues to recognise in the statement of financial position was RMB2.16 billion as at 30 June 2022 (31 December 2021: RMB2.14 billion).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

46 RELATED PARTY TRANSACTIONS

(1) Related parties

The table below lists the major related legal entities of the Group with a shareholding ratio greater than 5% as at 30 June 2022:

Major related legal entities with the Group	Relationship with the Group	Location of registration	Legal representative	Registered capital	Principal activities	Share percentage (%)
Deposit Insurance Fund Management Co., Ltd.	Substantial shareholder	Beijing	Huang Xiaolong	10,000,000	Equity, creditor's rights, funds and other investments	11.22%
Zhongjing Xinhua asset management Co., Ltd.	Substantial shareholder	Huangshan, Anhui	GAO YANG	2,875,000	Enterprise investment management, merger and acquisition	10.59%
Anhui Province Energy Group Co., Ltd.	Substantial shareholder	Hefei, Anhui	Chen Xiang	4,375,000	Financing and investment management of energy construction	9.70%
China Vanke Co., Ltd.	Substantial shareholder	Shenzhen, Guangdong	Yu Liang	10,995,210	Real estate development	7.00%
Anhui Guoyuan Financial Holding Group Co., Ltd. ^{Note 1}	Substantial shareholder	Hefei, Anhui	Huang Linmu	6,000,000	Capital operation and asset management	6.29%
Anhui Credit Guaranty Group Co., Ltd. ^{Note 2}	Substantial shareholder	Hefei, Anhui	Wang Zhaoyuan	18,686,000	Financing guarantees	5.98%
Anhui Communications Holding Group Co., Ltd.	Substantial shareholder	Hefei, Anhui	Xiang Xiaolong	16,000,000	Infrastructure investment and construction	5.10%

Note 1: The substantial shareholder Anhui Guoyuan Shareholdings (Group) Co., Ltd. has changed the legal representative to Huang Linmu on July 14, 2022.

Note 2: The substantial shareholder Anhui Credit Guaranty Group Co., Ltd. has changed the legal representative to Wang Zhaoyuan on July 20, 2022.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

46 RELATED PARTY TRANSACTIONS (CONTINUED)

(1) *Related parties (Continued)*

The table below listed the major related legal entities of the Group with a shareholding ratio greater than 5% in as at 31 December 2021:

Major related legal entities with the Group	Relationship with the Group	Location of registration	Legal representative	Registered capital	Principal activities	Share percentage (%)
Deposit Insurance Fund Management Co., Ltd.,	Major shareholder	Beijing	Huang Xiaolong	10,000,000	Equity, creditor's rights, funds and other investments	11.22%
Zhongjing Xinhua Asset Management Co., Ltd.	Major shareholder	Huangshan, Anhui	GAO YANG	2,875,000	Enterprise investment management, merger and acquisition	10.59%
Anhui Province Energy Group Co., Ltd. ^{Note 1}	Major shareholder	Hefei, Anhui	Chen Xiang	4,375,000	Financing and investment management of energy construction	9.70%
China Vanke Co., Ltd.	Major shareholder	Shenzhen, Guangdong	Yu Liang	10,995,210	Real estate development	7.00%
Anhui Guoyuan Financial Holding Group Co., Ltd.	Major shareholder	Hefei, Anhui	Fang Xu	6,000,000	Capital operation and asset management	6.29%
Anhui Credit Guaranty Group Co., Ltd. ^{Note 2}	Major shareholder	Hefei, Anhui	Wu Xuemin	18,686,000	Financing guarantee	5.98%
Anhui Transportation Holding Group Co., Ltd.	Major shareholder	Hefei, Anhui	Xiang Xiaolong	16,000,000	Infrastructure investment and construction	5.01%

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

46 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) *Related party transactions and balances*

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

a) Transactions with major shareholders and balances

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

	As at 30 June 2022		As at 31 December 2021	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Placements with and loans to banks and other financial institutions	500,000	2.77%	500,000	3.32%
Loans and advances to customers	1,550,538	0.22%	3,287,807	0.52%
Financial investments	604,500	0.10%	554,500	0.10%
Placements from banks and other financial institutions	113,402	0.10%	44,764	0.03%
Deposits from customers	23,166,688	2.47%	24,504,067	3.13%
Bank acceptance	5,000	0.01%	19,700	0.04%
Letters of guarantee issued	2,260	0.01%	22,632	0.07%
Total	25,942,388	1.04%	28,933,470	1.32%

	As at 30 June 2022	As at 31 December 2021
Loans and advances to customers	3.80%-6.27%	3.85%-6.27%
Placements from banks and other financial institutions	0.72%-1.01%	0.72%-1.01%
Deposits from customers	0.30%-4.18%	0.30%-4.18%

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

46 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) *Related party transactions and balances (continued)*

a) **Transactions with major shareholders and balances (continued)**

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

	For the six month period ended 30 June			
	2022		2021	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Interest income	59,617	0.20%	89,706	0.32%
Interest expense	1,138,953	7.15%	840,912	5.66%
Fee and Commission expense	4,970	2.85%	2,276	1.27%

b) **Transactions with other related parties and balances**

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

	As at 30 June 2022		As at 31 December 2021	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Loans and advances to customers	3,210,542	0.45%	2,790,043	0.44%
Financial investments	1,687,322	0.28%	826,940	0.15%
Placements from banks and other financial institutions	3,622	0.01%	3,592	0.01%
Deposits from customers	11,671,354	1.24%	11,006,104	1.40%
Bank acceptance	554,762	0.88%	555,018	1.10%
Letters of guarantee issued	331,740	0.92%	207,250	0.66%
Letters of credit issued	162,000	0.70%	100,000	1.11%
Loan commitments	198,000	13.50%	158,000	8.79%
Total	17,819,342	0.71%	15,646,947	0.72%

	As at 30 June 2022	As at 31 December 2021
Loans and advances to customers	1.80%-5.45%	2.90%-5.50%
Placements from banks and other financial institutions	0.72%-1.35%	0.72%-1.35%
Deposits from customers	0.30%-4.18%	0.30%-4.18%

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

46 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions and balances (continued)

b) Transactions with other related parties and balance (continued)

As for the periods stated below, the interest income and expense of loans and deposits with respect to other related parties are as follows:

	For the six month period ended 30 June			
	2022		2021	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Interest income	48,754	0.16%	59,812	0.21%
Interest expense	178,770	1.12%	85,235	0.57%
Fee and Commission expense	3,216	1.84%	-	0.00%

c) Transactions with associates

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

	As at 30 June 2022		As at 31 December 2021	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
	Placements with and loans to banks and other financial institutions	1,200,000	6.65%	1,000,000
Financial investments	200,000	0.03%	171,618	0.03%
Placements from banks and other financial institutions	199,108	0.17%	140,042	0.10%
Total	1,599,108	0.22%	1,311,660	0.19%

	As at 30 June 2022	As at 31 December 2021
Placements with and loans to banks and other financial institutions	3.20%-4.50%	4.05%-4.15%
Placements from banks and other financial institutions	0.72%-1.08%	0.72%-1.08%

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

	For the six month period ended 30 June			
	2022		2021	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Interest expense	60	0.01%	118	0.01%

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

46 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions and balances (continued)

d) Balances and transactions between the Group and key management personnel

	For the six month period ended 30 June	
	2022	2021
Emoluments for directors, supervisors and senior management	8,141	7,231
	As at 30 June 2022	As at 31 December 2021
Balances at the end of the year/period		
Loans and advances to customers	3,667	2,542
Deposits from customers	4,363	3,565
	For the six month period ended 30 June	
	2022	2021
Transactions during the period		
Interest income	1,152	903
Interest expense	10	17

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

47 SEGMENT ANALYSIS

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

Corporate banking

This section involves products and services provided to corporate customers, government authorities and financial institutions. The products and services include current accounts, deposits, overdrafts, loans, trade related products and other credit facilities, foreign currency, and wealth management products.

Retail banking

This section involves providing products and services to retail customers. The products and services include savings deposits, personal loans and advances, credit cards and debit cards, payments and settlements, wealth management products and funds and insurance agency services.

Treasury

This section involves conducting securities investments, offering money market transactions and repurchase transactions. The results of this segment include the intersegment funding income and expenses, resulting from interest bearing assets and liabilities and foreign currency translation gains and losses.

Others

This section involves investment holding and other miscellaneous activities, with none of which constituting a separately reportable segment.

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

47 SEGMENT ANALYSIS (CONTINUED)

For the six month period ended 30 June 2022

	Corporate				Total
	banking	Retail banking	Treasury	Others	
Net interest income from external customers	12,284,052	7,132,924	10,240,867	–	29,657,843
Net interest expense to external customers	(4,397,634)	(4,544,356)	(6,982,006)	–	(15,923,996)
Intersegment net interest income/(expense)	204,995	322,545	(527,540)	–	–
Net interest income	8,091,413	2,911,113	2,731,321	–	13,733,847
Net fee and commission income	2,147,648	37,606	757,509	–	2,942,763
Net trading gains	–	–	1,649,661	–	1,649,661
Net gains from investment securities	–	–	548,874	–	548,874
Other operating income	–	–	139,511	100,226	239,737
Operating expenses	(1,175,924)	(246,780)	(2,842,436)	(151,115)	(4,416,255)
– Depreciation and amortization	(253,345)	(106,645)	(148,410)	(1,453)	(509,853)
Impairment losses on credits	(5,222,390)	(257,015)	(851,836)	–	(6,331,241)
Impairment losses on assets	–	–	–	–	–
Share of profits of associates	–	–	–	168,668	168,668
Profit before income tax and impairment loss on credits	9,063,137	2,701,939	2,984,440	117,779	14,867,295
Profit before income tax	3,840,747	2,444,924	2,132,604	117,779	8,536,054
Capital expenditure	130,693	67,362	93,742	918	292,715

As at 30 June 2022

	Corporate				Total
	banking	Retail banking	Treasury	Others	
Segment assets	522,400,809	295,917,475	741,819,358	4,906,228	1,565,043,870
<i>Including: investments in associates</i>	–	–	–	4,906,228	4,906,228
Deferred income tax assets					13,640,396
Total assets					1,578,684,266
Segment liabilities	(562,527,776)	(379,963,341)	(511,480,412)	(6,747,335)	(1,460,718,864)
Off-balance sheet credit commitments	124,091,809	52,442,239	–	–	176,534,048

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

47 SEGMENT ANALYSIS (CONTINUED)

	For the year ended 31 December 2021				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	23,501,110	13,956,966	19,655,842	–	57,113,918
Net interest expense to external customers	(8,649,004)	(7,448,908)	(14,159,554)	–	(30,257,466)
Intersegment net interest income/(expense)	382,986	629,679	(1,012,665)	–	–
Net interest income	15,235,092	7,137,737	4,483,623	–	26,856,452
Net fee and commission income	3,760,054	113,850	556,690	–	4,430,594
Net trading gains	–	–	2,984,094	–	2,984,094
Net gains from investment securities	–	–	910,383	–	910,383
Dividend income	–	–	2,080	–	2,080
Other operating income	–	–	106,902	223,899	330,801
Operating expenses	(2,183,956)	(496,445)	(5,695,498)	(308,517)	(8,684,416)
– Depreciation and amortization	(507,392)	(211,702)	(277,164)	(3,055)	(999,313)
Impairment losses on credits	(11,197,692)	(549,926)	(1,803,928)	–	(13,551,546)
Impairment losses on assets	3,629	–	–	–	3,629
Share of profits of associates	–	–	–	255,246	255,246
Profit before income tax and impairment loss on credits	16,814,819	6,755,142	3,348,274	170,628	27,088,863
Profit before income tax	5,617,127	6,205,216	1,544,346	170,628	13,537,317
Capital expenditure	366,225	195,651	256,150	2,823	820,849

	As at 31 December 2021				
	Corporate banking	Retail banking	Treasury	Others	Total
Segment assets	435,937,075	276,648,653	653,742,884	4,715,591	1,371,044,203
<i>Including: investments in associates</i>	–	–	–	4,715,591	4,715,591
Deferred income tax assets					12,617,628
Total assets					1,383,661,831
Segment liabilities	(506,810,382)	(285,449,756)	(473,587,274)	(6,298,768)	(1,272,146,180)
Off-balance sheet credit commitments	90,307,569	44,597,086	–	–	134,904,655

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

47 SEGMENT ANALYSIS (CONTINUED)

	For the six month period ended 30 June 2022					
	Anhui Province	Jiangsu Province	Head Office	Other areas	Intersegment eliminations	Total
Net interest income from external customers	20,263,282	1,483,009	7,068,211	843,341	-	29,657,843
Net interest expense to external customers	(10,635,391)	(778,372)	(3,709,823)	(800,410)	-	(15,923,996)
Intersegment net interest income/(expense)	431,564	35,976	(870,488)	402,948	-	-
Net interest income	10,059,455	740,613	2,487,900	445,879	-	13,733,847
Net fee and commission income	2,003,828	146,654	698,973	93,308	-	2,942,763
Net trading gains	1,130,914	82,768	394,484	41,495	-	1,649,661
Net gains from investment securities	385,986	28,249	134,639	-	-	548,874
Other operating income	168,590	12,339	58,808	-	-	239,737
Operating expenses	(2,800,032)	(204,926)	(976,704)	(434,593)	-	(4,416,255)
– Depreciation and amortization	(267,339)	(19,566)	(93,253)	(129,695)	-	(509,853)
Impairment losses on credits	(3,827,515)	(236,212)	(1,225,818)	(1,041,696)	-	(6,331,241)
Impairment losses on assets	-	-	-	-	-	-
Share of profits of associates	-	-	168,668	-	-	168,668
Profit before income tax and provisions	10,948,741	805,697	2,966,768	146,089	-	14,867,295
Profit before income tax	7,121,226	569,485	1,740,950	(895,607)	-	8,536,054
Capital expenditure	183,922	13,461	64,156	31,176	-	292,715

	As at 30 June 2022					
	Anhui Province	Jiangsu Province	Head Office	Other areas	Intersegment eliminations	Total
Segment assets	951,174,113	51,610,767	504,133,031	66,396,957	(8,270,998)	1,565,043,870
<i>Including: investments in associates</i>	-	-	<i>4,906,228</i>	-	-	<i>4,906,228</i>
Deferred income tax assets						13,640,396
Total assets						1,578,684,266
Segment liabilities	(936,892,640)	(51,230,667)	(410,404,015)	(66,653,407)	4,461,865	(1,460,718,864)
Off-balance sheet credit commitments	157,097,734	20,117,581	15,733	860,000	(1,557,000)	176,534,048

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

47 SEGMENT ANALYSIS (CONTINUED)

	For the year ended 31 December 2021					Total
	Anhui Province	Jiangsu Province	Head Office	Other areas	Intersegment eliminations	
Net interest income from external customers	38,660,785	3,148,129	13,504,969	1,800,035	-	57,113,918
Net interest expense to external customers	(20,052,840)	(1,632,893)	(7,004,850)	(1,566,883)	-	(30,257,466)
Intersegment net interest income/(expense)	936,413	76,252	(1,837,665)	825,000	-	-
Net interest income	19,544,358	1,591,488	4,662,454	1,058,152	-	26,856,452
Net fee and commission income	3,003,439	244,569	1,049,160	133,426	-	4,430,594
Net trading gains	2,082,058	169,541	727,303	5,192	-	2,984,094
Net gains from investment securities	636,299	51,813	222,271	-	-	910,383
Dividend income	1,454	118	508	-	-	2,080
Other operating income	229,419	18,681	80,140	2,561	-	330,801
Operating expenses	(6,728,573)	(466,475)	(1,001,103)	(488,265)	-	(8,684,416)
- Depreciation and amortization	(549,494)	(44,745)	(191,949)	(213,125)	-	(999,313)
Impairment losses on credits	(7,679,653)	(625,055)	(2,681,385)	(2,565,453)	-	(13,551,546)
Impairment losses on assets	3,629	-	-	-	-	3,629
Share of profits of associates	-	-	255,246	-	-	255,246
Profit before income tax and provisions	18,772,083	1,609,735	5,995,979	711,066	-	27,088,863
Profit before income tax	11,092,430	984,680	3,314,594	(1,854,387)	-	13,537,317
Capital expenditure	555,189	45,209	193,939	26,512	-	820,849

	As at 31 December 2021					Total
	Anhui Province	Jiangsu Province	Head Office	Other areas	Intersegment eliminations	
Segment assets	825,652,967	49,270,343	454,913,745	48,841,905	(7,634,757)	1,371,044,203
<i>Including: investments in associates</i>	-	-	4,715,591	-	-	4,715,591
Deferred income tax assets						12,617,628
Total assets						1,383,661,831
Segment liabilities	(813,434,696)	(48,926,473)	(364,363,774)	(49,246,861)	3,825,624	(1,272,146,180)
Off-balance sheet credit commitments	115,209,138	19,552,741	12,776	130,000	-	134,904,655

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT

Overview

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

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

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

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

48.1 Credit risk

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

48.1.1 Credit risk measurement

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.1 Credit risk measurement (Continued)

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

The five categories are defined by the Guideline as follows:

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

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

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

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

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

(ii) Debt securities and other bills

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

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

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

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.2 Risk limit control and mitigation policies

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

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

(i) Credit risk mitigation policies

The Group employs a range of policies and practices to mitigate credit risk. The most significant means adopted by the Group include obtaining physical or cash collateral, cash deposit and corporate or individual guarantees.

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.2 Risk limit control and mitigation policies (Continued)

(i) Credit risk mitigation policies (Continued)

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

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

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

(ii) Credit-related off-balance sheet commitments

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

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

	As at 30 June 2022	As at 31 December 2021
Credit risk exposures relating to on-balance sheet financial assets:		
Balances with the central bank	103,073,984	80,144,030
Deposits with banks and other financial institutions	10,289,682	12,745,121
Placements with banks and other financial institutions	18,041,916	15,041,312
Derivative financial assets	150,352	156,757
Financial assets held under resale agreements	18,079,111	5,452,455
Loans and advances to customers	714,005,943	628,305,698
Financial investments – financial assets at fair value through profit or loss	126,357,068	122,275,376
Financial investments – financial assets at fair value through other comprehensive income	131,726,463	117,704,512
Financial investments – financial assets at amortised cost	348,504,867	302,310,067
Finance lease receivables	60,627,443	54,015,776
Other financial assets	3,417,960	2,435,583
Total	1,534,274,789	1,340,586,687
Credit risk exposures in relation to off-balance sheet items are as follows:		
Bank acceptance	63,374,985	50,258,964
Letters of credit	23,237,388	8,973,412
Letters of guarantee	36,012,891	31,290,222
Loan commitments	1,466,545	1,796,963
Unused credit card lines	52,442,239	42,585,094
Total	176,534,048	134,904,655

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

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

The above table represents the worst-case scenario of credit risk exposure to the Group at 30 June 2022 and 31 December 2021, without taking into account any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

As mentioned above, 45.54% of on-balance-sheet exposure is attributable to loans and advances to customers (31 December 2021: 46.84%).

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

- 96.87% of the loans and advances are categorized as Pass in the five-category system (31 December 2021: 96.14%);
- Collateralized loans and mortgage loans, which represent the largest group in the corporate and retail portfolio respectively, are secured by collateral;
- 98.16% of the loans and advances are considered to be neither past due nor impaired (31 December 2021: 97.92%).

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

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

	As at 30 June 2022	As at 31 December 2021
Commercial banks in Chinese mainland	11,446,942	14,837,669
Other financial institutions in Chinese mainland	34,460,037	17,688,002
Commercial banks outside Chinese mainland	503,730	713,217
Total	46,410,709	33,238,888

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers

Loans and advances three-staging exposure

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

As at 30 June 2022				
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	Total
Pass	713,939,222	6,670,974	–	720,610,196
Special-mention	–	11,737,176	–	11,737,176
Loss	–	–	11,581,212	11,581,212
Total	713,939,222	18,408,150	11,581,212	743,928,584

As at 31 December 2021				
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	Total
Pass	628,082,678	1,423,397	–	629,506,075
Special-mention	–	13,629,377	–	13,629,377
Impaired	–	–	11,659,669	11,659,669
Total	628,082,678	15,052,774	11,659,669	654,795,121

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

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

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

	As at 30 June 2022		As at 31 December 2021	
	Amount	%	Amount	%
Corporate loans				
Commerce and service	78,515,776	10	59,126,225	8
Manufacturing	75,350,063	10	64,088,927	10
Public utilities	184,103,456	23	151,542,692	22
Real estate	30,921,592	4	31,333,676	5
Construction	34,076,300	5	27,613,712	4
Transportation	10,230,414	1	7,833,509	1
Energy and chemistry	21,772,475	3	16,911,675	3
Catering and travelling	677,326	1	693,510	1
Education and media	3,218,245	1	2,175,694	1
Financial services	5,165,433	1	5,806,860	1
Others	1,885,874	1	825,015	1
Discounted bills	51,434,123	7	49,484,165	8
Subtotal	497,351,077	67	417,435,660	65
Personal loans and advances				
Mortgages	123,974,987	17	124,866,488	18
Revolving loans for private business	24,065,345	3	22,462,530	3
Others	98,537,175	13	90,030,443	14
Subtotal	246,577,507	33	237,359,461	35
Total loans and advances to customers, before impairment allowance	743,928,584	100	654,795,121	100

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

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

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

	As at 30 June 2022	As at 31 December 2021
Unsecured	159,916,153	136,126,617
Guaranteed	148,497,469	113,982,805
Collateralized	225,161,166	220,947,185
Pledged	210,353,796	183,738,514
Total loans and advances to customers	743,928,584	654,795,121

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

	As at 30 June 2022			As at 31 December 2021		
	Total	%	NPL ratio	Total	%	NPL ratio
Anhui province	644,690,097	86.66%	1.12%	568,249,366	86.79%	1.20%
Jiangsu province	54,403,766	7.31%	2.61%	51,160,096	7.81%	2.76%
Others	44,834,721	6.03%	6.53%	35,385,659	5.40%	9.77%
Total loans and advances to customers	743,928,584	100.00%	1.56%	654,795,121	100.00%	1.78%

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

	As at 30 June 2022		As at 31 December 2021	
	Corporate loans	Personal loans and advances	Corporate loans	Personal loans and advances
Neither overdue nor impaired ^(a)	487,642,595	242,599,431	407,242,297	233,945,396
Overdue but not impaired ^(b)	444,635	1,660,711	394,696	1,553,063
Impaired ^(c)	9,263,847	2,317,365	9,798,667	1,861,002
Total	497,351,077	246,577,507	417,435,660	237,359,461
Less: impairment allowance	(25,372,199)	(6,171,008)	(22,252,844)	(5,663,421)
Net	471,978,878	240,406,499	395,182,816	231,696,040

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

(e) Loans and advances neither past due nor impaired

As at 30 June 2022

Neither overdue nor impaired	Five-category classification		
	Pass	Special-mention	Total
Corporate loans			
– Commercial loans	425,789,929	10,423,742	436,213,671
– Discounted bills	51,428,924	–	51,428,924
Subtotal	477,218,853	10,423,742	487,642,595
Personal loans and advances	242,475,645	123,786	242,599,431
Total	719,694,498	10,547,528	730,242,026

As at 31 December 2021

Neither overdue nor impaired	Five-category classification		
	Pass	Special-mention	Total
Corporate loans			
– Commercial loans	345,414,434	12,343,698	357,758,132
– Discounted bills	49,484,165	–	49,484,165
Subtotal	394,898,599	12,343,698	407,242,297
Personal loans and advances	233,801,138	144,258	233,945,396
Total	628,699,737	12,487,956	641,187,693

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

- (f) Loans and advances overdue but not impaired

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

As at 30 June 2022

	Up to 30 days	30 to 60 days	60 to 90 days	Total
Corporate loans	363,185	81,450	–	444,635
Personal loans and advances	1,192,883	467,828	–	1,660,711
Total	1,556,068	549,278	–	2,105,346

As at 31 December 2021

	Up to 30 days	30 to 60 days	60 to 90 days	Total
Corporate loans	296,640	94,276	3,780	394,696
Personal loans and advances	1,002,014	548,549	2,500	1,553,063
Total	1,298,654	642,825	6,280	1,947,759

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

As at 30 June 2022 and 31 December 2021, the fair values of collateral for corporate loans that were past due but not impaired amounted to RMB335,340 thousand and RMB233,076 thousand. The fair values of collateral for retail loans that were past due but not impaired amounted to RMB972,795 thousand and RMB776,142 thousand.

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

(g) Impaired loans and advances

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

	As at 30 June 2022	As at 31 December 2021
Corporate loans	9,263,847	9,798,667
Personal loans and advances	2,317,365	1,861,002
Total	11,581,212	11,659,669
Fair value of collateral		
Corporate loans	15,848,115	14,315,052
Personal loans and advances	869,074	742,867
Total	16,717,189	15,057,919

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

(h) Restructured loans and advances

Restructured loans and advances represent the loans whose original contract repayment terms have been modified as a result of the deterioration of borrowers' financial conditions or inability to repay the loans according to contractual terms. As at 30 June 2022, the carrying value of the restructured loans held by the Group amounted to RMB3,659 million (31 December 2021: RMB3,708 million).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

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

	As at 30 June 2022				
	Overdue	Overdue	Overdue	Overdue	Total
	1 to 90 days	90 days to	1 year to	Overdue	
	(inclusive)	1 year	3 years	over 3 years	
	(inclusive)	(inclusive)	(inclusive)		
Unsecured	1,145,030	1,026,260	3,840,697	1,692	6,013,679
Guaranteed	394,110	1,170,904	1,154,854	183,278	2,903,146
Collateralized	1,088,201	1,523,577	844,487	74,099	3,530,364
Pledged	92,783	549,450	95,261	–	737,494
Total	2,720,124	4,270,191	5,935,299	259,069	13,184,683

	As at 31 December 2021				
	Overdue	Overdue	Overdue	Overdue	Total
	1 to 90 days	90 days to	1 year to	Overdue	
	(inclusive)	1 year	3 years	over 3 years	
	(inclusive)	(inclusive)	(inclusive)		
Unsecured	1,134,148	664,385	3,721,332	1,548	5,521,413
Guaranteed	566,246	1,065,858	1,105,811	33,451	2,771,366
Collateralized	2,104,498	605,519	946,653	76,599	3,733,269
Pledged	–	575,392	116,631	–	692,023
Total	3,804,892	2,911,154	5,890,427	111,598	12,718,071

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.6 Financial investments

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

	As at 30 June 2022			
	Stage 1	Stage 2	Stage 3	Total
AAA	113,511,009	177,581	–	113,688,590
AA- to AA+	8,931,600	–	–	8,931,600
A- to A+	436,177	–	–	436,177
Unrated ^(a)	224,998,283	109,150	7,270,254	232,377,687
Total	347,877,069	286,731	7,270,254	355,434,054
Less: allowance for impairment losses	(4,856,386)	(119,331)	(7,310,844)	(12,286,561)
Net balance	343,020,683	167,400	(40,590)	343,147,493

	As at 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
AAA	81,018,616	176,445	–	81,195,061
AA- to AA+	6,736,685	–	–	6,736,685
A- to A+	900,000	–	–	900,000
Unrated ^(a)	210,961,367	387,509	10,383,890	221,732,766
Total	299,616,668	563,954	10,383,890	310,564,512
Less: allowance for impairment losses	(3,516,491)	(247,889)	(10,111,884)	(13,876,264)
Net balance	296,100,177	316,065	272,006	296,688,248

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.6 Financial investments (Continued)

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

	Six month period ended 30 June 2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	Total
As at 1 January 2022	3,516,490	247,889	10,111,885	13,876,264
Addition	1,264,150	(18,739)	(566,163)	679,248
Stage conversion				
Transfers to Stage 1	75,746	(75,746)	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	(34,073)	34,073	–
Write-off and transfer out	–	–	(2,268,951)	(2,268,951)
Recovery of loans and advances written off	–	–	–	–
At 30 June 2022	4,856,386	119,331	7,310,844	12,286,561
	Year ended 31 December 2021			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	Total
As at 1 January 2021	2,391,052	996,204	8,745,070	12,132,326
Addition	1,483,588	(106,465)	365,219	1,742,342
Stage conversion				
Transfers to Stage 1	644,957	(644,957)	–	–
Transfers to Stage 2	(3,107)	3,107	–	–
Transfers to Stage 3	(1,000,000)	–	1,000,000	–
Write-off and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	1,596	1,596
At 31 December 2021	3,516,490	247,889	10,111,885	13,876,264

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.6 Financial investments (Continued)

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

	As at 30 June 2022			
	Stage 1	Stage 2	Stage 3	Total
AAA	38,465,052	–	–	38,465,052
AA- to AA+	14,577,135	–	–	14,577,135
A- to A+	117,326	–	–	117,326
Unrated ^(b)	76,580,298	–	–	76,580,298
Total	129,739,811	–	–	129,739,811
Allowance for impairment losses	(840,468)	–	–	(840,468)

	As at 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
AAA	36,250,253	–	–	36,250,253
AA- to AA+	13,509,999	–	–	13,509,999
A- to A+	150,280	–	–	150,280
Unrated ^(b)	65,390,875	–	–	65,390,875
Total	115,301,407	–	–	115,301,407
Allowance for impairment losses	(419,927)	–	–	(419,927)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.6 Financial investments (Continued)

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

	Six month period ended 30 June 2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	Total
As at 1 January 2022	419,927	–	–	419,927
Addition	420,541	–	–	420,541
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Written and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
At 30 June 2022	840,468	–	–	840,468

	As at 31 December 2021			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	Total
As at 1 January 2021	216,239	68,469	–	284,708
Addition	155,995	(20,776)	–	135,219
Stage conversion				
Transfers to Stage 1	47,693	(47,693)	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Written and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
At 31 December 2021	419,927	–	–	419,927

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.6 Financial investments (Continued)

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

	As at 30 June 2022	As at 31 December 2021
AAA	6,328,848	2,668,815
AA- to AA+	4,789,762	2,746,464
A- to A+	223,960	–
C	–	–
Unrated ^(c)	114,816,837	116,593,810
Total	126,159,407	122,009,089

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

48.1.7 Foreclosed collateral

	As at 30 June 2022	As at 31 December 2021
Property and land use rights	193,936	148,598
Others	76,299	76,299
Total	270,235	224,897
Allowance for impairment losses (Note 26)	(93,649)	(93,649)
Net balance	176,586	131,248

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.8 Concentration of risks of financial assets with credit risk exposure

Geographical sectors

As at 30 June 2022	Chinese mainland	Hong Kong	Others	Total
Financial assets				
Balances with the central bank	103,073,984	-	-	103,073,984
Deposits with banks and other financial institutions	9,785,951	40,569	463,162	10,289,682
Placements with banks and other financial institutions	18,041,916	-	-	18,041,916
Derivative financial assets	150,352	-	-	150,352
Financial assets held under resale agreements	18,079,111	-	-	18,079,111
Loans and advances to customers	714,005,943	-	-	714,005,943
Financial investments				
– financial assets at fair value through profit or loss	126,357,068	-	-	126,357,068
Financial investments				
– financial assets at fair value through other comprehensive income	131,726,463	-	-	131,726,463
Financial investments				
– financial assets at amortised cost	347,284,176	1,220,691	-	348,504,867
Finance lease receivables	60,627,443	-	-	60,627,443
Other financial assets	3,417,960	-	-	3,417,960
Total	1,532,550,367	1,261,260	463,162	1,534,274,789

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

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

Geographical sectors (Continued)

As at 31 December 2021	Mainland China	Hong Kong	Others	Total
Financial assets				
Balances with the central bank	80,144,030	–	–	80,144,030
Deposits with banks and other financial institutions	12,048,032	51,299	645,790	12,745,121
Placements with banks and other financial institutions	15,041,312	–	–	15,041,312
Derivative financial assets	156,757	–	–	156,757
Financial assets held under resale agreements	5,452,455	–	–	5,452,455
Loans and advances to customers	628,305,698	–	–	628,305,698
Financial investments				
– financial assets at fair value through profit or loss	122,968,563	–	–	122,968,563
Financial investments				
– financial assets at fair value through other comprehensive income	117,704,512	–	–	117,704,512
Financial investments				
– financial assets at amortised cost	302,172,823	137,244	–	302,310,067
Finance lease receivables	54,015,776	–	–	54,015,776
Other financial assets	2,435,583	–	–	2,435,583
Total	1,340,445,541	188,543	645,790	1,341,279,874

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk

48.2.1 Overview

The market risks refer to the possible fluctuation in the fair value of financial instruments and future cash flows incurred by the fluctuation of the market price, including risks arising from interest rates, foreign exchange rates, stocks, commodities and their implied volatility.

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

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

48.2.2 Market risk measurement techniques

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

48.2.3 Interest rate risk

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.3 Interest rate risk (Continued)

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

As at 30 June 2022	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest-bearing	Total
Assets							
Cash and balances with the central bank	103,041,087	-	-	-	-	1,122,807	104,163,894
Deposits with banks and other financial institutions	10,081,022	130,057	75,033	-	-	3,570	10,289,682
Placements with banks and other financial institutions	-	99,995	17,889,252	-	-	52,669	18,041,916
Derivative financial assets	-	-	-	-	-	150,352	150,352
Financial assets held under resale agreements	17,975,449	102,068	-	-	-	1,594	18,079,111
Loans and advances to customers	219,747,531	228,678,215	110,285,963	18,333,367	134,940,979	2,019,888	714,005,943
Financial Investments							
- Financial assets at fair value through profit or loss	8,390,709	8,705,707	5,981,128	54,267,714	5,868,519	44,019,489	127,233,266
- Financial assets at fair value through other comprehensive income	7,654,957	7,522,797	10,503,501	75,280,039	28,778,517	2,242,861	131,982,672
- Financial assets at amortised cost	3,566,815	8,843,886	34,308,163	178,503,221	117,925,408	5,357,374	348,504,867
Finance lease receivables	57,193,553	216,823	1,214,580	1,163,665	-	838,822	60,827,443
Other financial assets	-	-	-	-	-	3,417,960	3,417,960
Total assets	427,651,123	254,299,548	180,257,620	327,548,006	287,513,423	59,227,386	1,536,497,106
Liabilities							
Borrowings from the central bank	(10,469,215)	(26,059,755)	(36,031,302)	-	-	(828,321)	(73,388,593)
Deposits from banks and other financial institutions	(25,580,053)	(32,002,000)	(44,549,013)	(16,300,000)	-	(2,376,440)	(120,807,506)
Placements from banks and other financial institutions	(6,324,000)	(6,039,000)	(28,902,868)	(4,015,500)	-	(424,780)	(45,706,148)
Derivative financial liabilities	-	-	-	-	-	(122,632)	(122,632)
Financial assets sold under repurchase agreements	(66,569,294)	(3,689,084)	(17,280,019)	-	-	(195,046)	(87,733,443)
Deposits from customers	(457,196,407)	(34,655,163)	(189,608,412)	(237,719,923)	(16)	(15,751,111)	(934,931,032)
Debt securities issued	(5,374,208)	(49,862,261)	(95,566,158)	(12,000,000)	(14,000,000)	(628,127)	(177,430,754)
Other financial liabilities	(20)	(387)	(14,544)	(635,511)	(296,650)	(3,521,947)	(4,469,059)
Total liabilities	(571,513,197)	(152,307,650)	(411,952,316)	(270,670,934)	(14,296,666)	(23,848,404)	(1,444,589,167)
Total interest rate sensitivity gap	(143,862,074)	101,991,898	(231,694,696)	56,877,072	273,216,757	35,378,982	91,907,939

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.3 Interest rate risk (Continued)

As at 31 December 2021	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest- bearing	Total
Assets							
Cash and balances with the central bank	80,112,052	-	-	-	-	1,218,554	81,330,606
Deposits with banks and other financial institutions	12,541,510	70,031	130,058	-	-	3,522	12,745,121
Placements with banks and other financial institutions	-	5,093,762	9,895,908	-	-	51,642	15,041,312
Derivative financial assets	-	-	-	-	-	156,757	156,757
Financial assets held under resale agreements	3,374,357	99,987	1,969,881	-	-	8,230	5,452,455
Loans and advances to customers	201,799,413	175,952,378	91,353,736	19,192,599	137,884,090	2,123,482	628,305,698
Financial Investments							
- Financial assets at fair value through profit or loss	45,208,534	4,296,204	17,625,471	21,763,405	3,036,183	31,038,766	122,968,563
- Financial assets at fair value through other comprehensive income	2,692,466	5,484,150	14,825,492	69,775,645	22,514,982	2,637,144	117,929,879
- Financial assets at amortised cost	954,796	5,407,006	27,990,749	182,345,705	79,989,992	5,621,819	302,310,067
Finance lease receivables	40,444,202	215,647	11,623,233	1,732,694	-	-	54,015,776
Other financial assets	-	-	-	-	-	2,435,583	2,435,583
Total assets	387,127,330	196,619,165	175,414,528	294,810,048	243,425,247	45,295,499	1,342,691,817
Liabilities							
Borrowings from central bank	(5,720,000)	(4,747,700)	(50,516,112)	-	(3,902,638)	(493,911)	(65,380,361)
Deposits from banks and other financial institutions	(7,574,324)	(29,698,000)	(77,051,517)	(20,882,289)	-	(1,779,009)	(136,985,139)
Placements from banks and other financial institutions	(7,390,994)	(6,895,000)	(27,724,500)	(825,500)	-	(388,701)	(43,224,695)
Derivative financial liabilities	-	-	-	-	-	(150,616)	(150,616)
Financial assets sold under repurchase agreements	(23,330,048)	(1,821,138)	(13,154,955)	-	-	(192,628)	(38,498,769)
Deposits from customers	(382,282,001)	(38,909,567)	(112,100,639)	(233,375,450)	(2,000,000)	(15,145,734)	(783,813,391)
Debt securities issued	(1,996,129)	(51,082,142)	(101,679,222)	(13,499,348)	(14,000,000)	(631,150)	(182,887,991)
Other financial liabilities	-	(644)	(16,269)	(636,497)	(290,406)	(3,735,716)	(4,679,532)
Total liabilities	(428,293,496)	(133,154,191)	(382,243,214)	(269,219,084)	(20,193,044)	(22,517,465)	(1,255,620,494)
Total interest rate sensitivity gap	(41,166,166)	63,464,974	(206,828,686)	25,590,964	223,232,203	22,778,034	87,071,323

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.3 Interest rate risk (Continued)

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

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

	Estimated changes in net interest income	
	As at 30 June 2022	As at 31 December 2021
100 bps up along the yield curve	1,863,048	2,132,155
100 bps down along the yield curve	(1,863,048)	(2,132,155)

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

	As at	As at
	30 June 2022	31 December 2021
100 bps up	(3,378,768)	(2,835,368)
100 bps down	3,579,011	2,990,473

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

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.4 Interest rate risk

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

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

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

	RMB	USD	EUR	Others	Total
As at 30 June 2022					
Assets					
Cash and balances with the central bank	103,773,236	389,237	366	1,055	104,163,894
Deposits with banks and other financial institutions	4,980,094	2,233,054	2,997,094	79,440	10,289,682
Placements with banks and other financial institutions	18,041,916	-	-	-	18,041,916
Derivative financial assets	114,056	11,423	710	24,163	150,352
Financial assets held under resale agreements	18,079,111	-	-	-	18,079,111
Loans and advances to customers	710,009,684	3,995,630	629	-	714,005,943
Financial investments					
- Financial assets at fair value through profit or loss	127,223,369	9,897	-	-	127,233,266
- Financial assets at fair value through other comprehensive income	131,982,672	-	-	-	131,982,672
- Financial assets at amortised cost	348,504,867	-	-	-	348,504,867
Finance lease receivables	60,627,443	-	-	-	60,627,443
Other financial assets	3,417,274	686	-	-	3,417,960
Total assets	1,526,753,722	6,639,927	2,998,799	104,658	1,536,497,106

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.4 Interest rate risk (Continued)

	RMB	USD	EUR	Others	Total
Liabilities					
Borrowings from the central bank	(73,388,593)	-	-	-	(73,388,593)
Deposits from banks and other financial institutions	(114,829,133)	(5,978,266)	-	(107)	(120,807,506)
Placements from banks and other financial institutions	(45,706,148)	-	-	-	(45,706,148)
Derivative financial liabilities	(112,322)	(8,868)	(620)	(822)	(122,632)
Financial assets sold under repurchase agreements	(87,733,443)	-	-	-	(87,733,443)
Deposits from customers	(928,607,951)	(4,883,353)	(56,729)	(1,382,999)	(934,931,032)
Debt securities issued	(177,430,754)	-	-	-	(177,430,754)
Other financial liabilities	(4,468,285)	(771)	-	(3)	(4,469,059)
Total liabilities	(1,432,276,629)	(10,871,258)	(57,349)	(1,383,931)	(1,444,589,167)
Net on-balance sheet financial position	94,477,093	(4,231,331)	2,941,450	(1,279,273)	91,907,939
Financial guarantees and credit commitments	155,324,176	20,694,598	380,849	134,425	176,534,048

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.4 Interest rate risk (Continued)

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

	RMB	USD	EUR	Others	Total
As at 31 December 2021					
Assets					
Cash and balances with the central bank	80,955,528	373,654	370	1,054	81,330,606
Deposits with banks and other financial institutions	6,559,343	3,882,691	2,196,381	106,706	12,745,121
Placements with banks and other financial institutions	15,041,312	-	-	-	15,041,312
Derivative financial assets	144,550	7,175	4,497	535	156,757
Financial assets held under resale agreements	5,452,455	-	-	-	5,452,455
Loans and advances to customers	624,524,126	3,781,572	-	-	628,305,698
Financial investments					
- Financial assets at fair value through profit or loss	122,959,407	9,156	-	-	122,968,563
- Financial assets at fair value through other comprehensive income	117,929,879	-	-	-	117,929,879
- Financial assets at amortised cost	302,172,823	137,244	-	-	302,310,067
Finance lease receivables	54,015,776	-	-	-	54,015,776
Other financial assets	2,434,945	638	-	-	2,435,583
Total assets	1,332,190,144	8,192,130	2,201,248	108,295	1,342,691,817
Liabilities					
Borrowings from central bank	(65,380,361)	-	-	-	(65,380,361)
Deposits from banks and other financial institutions	(131,301,292)	(5,683,734)	-	(113)	(136,985,139)
Placements from banks and other financial institutions	(43,224,695)	-	-	-	(43,224,695)
Derivative financial liabilities	(143,967)	(5,233)	(1,416)	-	(150,616)
Financial assets sold under repurchase agreements	(38,498,769)	-	-	-	(38,498,769)
Deposits from customers	(779,094,757)	(3,830,938)	(19,907)	(867,789)	(783,813,391)
Debt securities issued	(182,887,991)	-	-	-	(182,887,991)
Other financial liabilities	(4,678,760)	(769)	-	(3)	(4,679,532)
Total liabilities	(1,245,210,592)	(9,520,674)	(21,323)	(867,905)	(1,255,620,494)
Net on-balance sheet financial position	86,979,552	(1,328,544)	2,179,925	(759,610)	87,071,323
Financial guarantees and credit commitments	116,626,386	17,158,651	310,426	809,192	134,904,655

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.4 Interest rate risk (Continued)

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

	Estimated change in net profit/(loss)	
	As at 30 June 2022	As at 31 December 2021
1% of appreciation of foreign exchange against RMB	(40,701)	19,954
1% of depreciation of foreign exchange against RMB	40,701	(19,954)

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

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk

48.3.1 Overview

Keeping a match between the maturity dates of assets and liabilities and maintaining an effective control over mismatches are of great importance to the Group. Due to the uncertainty of terms and types of business, it is difficult for banks to keep a perfect match. Unmatched position may increase revenues but it also exposes the Group to greater risks of losses.

The match between the maturity dates of assets and liabilities as well as a bank's ability to replace due liabilities with acceptable costs are both key factors when evaluating its exposure to liquidity, interest rate and foreign exchange rate risks.

The Group is exposed to daily calls on its available cash resources from overnight deposits, demand accounts, time deposits fall due, debt securities payable, loan drawdowns, guarantees and other calls on cash-settled derivatives. According to previous experience, a large portion of matured deposits were not withdrawn on the maturity date and are retained by the Group. The Group sets limits on the minimum proportion of funds to be made available to cover different levels of unexpected withdrawals.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.2 Cash flow of non-derivatives

The table below presents the cash flows receivable and payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturity at the end of reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows, and the Group manages the liquidity risk based on the estimation of future cash flows.

As at 30 June 2022	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities						
Borrowings from the central bank	(10,531,971)	(27,126,525)	(37,141,859)	-	-	(74,800,355)
Deposits from banks and other financial institutions	(26,302,551)	(32,456,084)	(45,386,130)	(18,981,037)	-	(123,125,802)
Placements from banks and other financial institutions	(6,387,419)	(6,141,364)	(29,167,868)	(4,288,704)	-	(45,985,355)
Financial assets sold under repurchase agreements	(66,618,932)	(3,745,641)	(17,644,857)	-	-	(88,009,430)
Deposits from customers	(459,307,995)	(36,058,153)	(198,838,448)	(253,476,993)	(16)	(947,681,605)
Debt securities issued	(5,504,653)	(50,810,148)	(97,587,825)	(12,321,000)	(14,675,400)	(180,899,026)
Other financial liabilities	(3,521,966)	(388)	(14,544)	(635,511)	(296,650)	(4,469,059)
Total liabilities (contractual maturity)	(578,175,487)	(156,338,303)	(425,781,531)	(289,703,245)	(14,972,066)	(1,464,970,632)
Assets						
Cash and balances with the central bank	104,163,894	-	-	-	-	104,163,894
Deposits with banks and other financial institutions	10,085,940	130,114	75,066	-	-	10,291,120
Placements with banks and other financial institutions	60,920	240,116	18,026,081	-	-	18,327,117
Financial assets held under resale agreements	17,978,425	102,517	-	-	-	18,080,942
Loans and advances to customers	85,960,128	40,489,611	193,761,484	205,414,122	450,559,523	976,184,868
Financial investments						
- Financial assets at fair value through profit or loss	52,041,877	9,010,116	7,896,130	60,267,377	9,636,496	138,851,996
- Financial assets at fair value through other comprehensive income	9,753,957	8,342,297	14,604,781	87,041,289	31,395,988	151,138,312
- Financial assets at amortised cost	10,270,805	11,358,877	45,078,828	215,294,821	135,876,959	417,880,290
Finance lease receivables	3,695,509	3,546,042	17,255,075	44,749,730	151,945	69,398,301
Other financial assets	2,799,632	219,576	28,911	367,958	1,883	3,417,960
Financial assets held for managing liquidity risk (contractual maturity)	296,811,087	73,439,266	296,726,356	613,135,297	627,622,794	1,907,734,800
Net liquidity	(281,364,400)	(82,899,037)	(129,055,175)	323,432,052	612,650,728	442,764,168

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.2 Cash flow of non-derivatives (Continued)

The table below presents the cash flows receivable and payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturity at the end of reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows, and the Group manages the liquidity risk based on the estimation of future cash flows. (Continued)

As at 31 December 2021	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities						
Borrowings from central bank	(5,887,336)	(4,934,304)	(52,106,337)	-	(4,941,142)	(67,869,119)
Deposits from banks and other financial institutions	(7,579,425)	(30,120,097)	(79,680,929)	(30,192,684)	-	(147,573,135)
Placements from banks and other financial institutions	(7,911,230)	(7,112,735)	(28,715,467)	(888,242)	-	(44,627,674)
Financial assets sold under repurchase agreements	(23,363,696)	(1,873,557)	(13,436,598)	-	-	(38,673,851)
Deposits from customers	(383,876,158)	(41,311,301)	(119,941,786)	(256,538,077)	(2,407,267)	(804,074,589)
Debt securities issued	(2,039,614)	(43,683,314)	(113,643,042)	(28,254,056)	-	(187,620,026)
Other financial liabilities	(3,735,716)	(644)	(16,269)	(636,497)	(290,406)	(4,679,532)
Total liabilities (contractual maturity)	(434,393,175)	(129,035,952)	(407,540,428)	(316,509,556)	(7,638,815)	(1,295,117,926)
Assets						
Cash and balances with the central bank	81,330,606	-	-	-	-	81,330,606
Deposits with banks and other financial institutions	12,546,214	70,062	130,115	-	-	12,746,391
Placements with banks and other financial institutions	661,964	4,620,863	10,066,320	-	-	15,349,147
Financial assets held under resale agreements	3,376,682	100,600	1,979,048	-	-	5,456,330
Loans and advances to customers	72,954,182	47,298,062	159,334,850	167,828,052	412,727,365	860,142,511
Financial investments						
- Financial assets at fair value through profit or loss	76,295,619	4,439,263	17,937,199	22,536,742	3,325,378	124,534,201
- Financial assets at fair value through other comprehensive income	5,648,746	6,525,460	17,831,786	81,207,689	24,634,644	135,848,325
- Financial assets at amortised cost	7,596,829	7,650,536	39,343,393	223,136,806	156,489,888	434,217,452
Finance lease receivables	4,398,496	3,223,636	15,136,482	40,449,402	23,309	63,231,325
Other financial assets	1,600,112	228,050	200,646	367,022	39,753	2,435,583
Financial assets held for managing liquidity risk (contractual maturity)	266,409,450	74,156,532	261,959,839	535,525,713	597,240,337	1,735,291,871
Net liquidity	(167,983,725)	(54,879,420)	(145,580,589)	219,016,157	589,601,522	440,173,945

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.3 Cash flow of derivative financial instruments

Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis include foreign exchange forward contracts and commodity derivatives. The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining periods from 30 June 2022 and 31 December 2021 to the contractual maturity date. The figures disclosed in the table are the contractual undiscounted cash flows.

As at 30 June 2022	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Foreign exchange derivatives						
– Outflow	(796,138)	(398,591)	(732,699)	–	–	(1,927,428)
– Inflow	814,391	395,087	728,619	–	–	1,938,097
Total	18,253	(3,504)	(4,080)	–	–	10,669

As at 31 December 2021	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Foreign exchange derivatives						
– Outflow	(2,207,611)	(136,330)	(328,889)	–	–	(2,672,830)
– Inflow	2,209,935	135,397	321,993	–	–	2,667,325
Total	2,324	(933)	(6,896)	–	–	(5,505)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.3 Cash flow of derivative financial instruments (Continued)

Derivatives settled on a gross basis (Continued)

The Group's derivatives that will be settled on a gross basis include foreign exchange forward contracts. The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period from 30 June 2021 and 31 December 2020 to the contractual maturity date. The figures disclosed in the table are the contractual undiscounted cash flows.

As at 30 June 2022	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Commodity derivatives						
– Outflow	–	–	–	–	–	–
– Inflow	–	–	–	–	–	–
Total	–	–	–	–	–	–

As at 31 December 2021	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Commodity derivatives						
– Outflow	–	–	–	–	–	–
– Inflow	–	–	–	–	–	–
Total	–	–	–	–	–	–

Derivative financial instruments with full delivery

As at 30 June 2022	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Interest rate derivatives	33	147	371	660	–	1,211
As at 31 December 2021	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Interest rate derivatives	166	(432)	1,083	(70)	–	747

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.4 Maturity analysis

The table below analyses the Group's net assets and liabilities by relevant maturity classification based on the remaining periods from the balance sheet date to the contractual maturity date.

As at 30 June 2022	Repayable on demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Indefinite	Total
Cash and balances with the central bank	35,868,456	32,897	-	-	-	-	-	68,262,541	104,163,894
Deposits with banks and other financial institutions	9,976,545	108,047	130,057	75,033	-	-	-	-	10,289,682
Placements with banks and other financial institutions	-	-	116,247	17,925,669	-	-	-	-	18,041,916
Derivative financial assets	-	28,803	3,475	11,915	106,159	-	-	-	150,352
Financial assets held under resale agreements	-	17,977,043	102,068	-	-	-	-	-	18,079,111
Loans and advances to customers	-	64,288,541	35,217,945	186,288,336	126,388,272	299,737,937	2,084,912	-	714,005,943
Financial investments									
- Financial assets at fair value through profit or loss	42,262,956	2,548,766	8,705,707	5,981,128	54,432,755	5,868,519	6,557,238	876,197	127,233,266
- Financial assets at fair value through other comprehensive income	-	9,319,132	7,522,797	10,815,196	75,290,821	28,778,517	-	256,209	131,982,672
- Financial assets at amortised cost	-	8,921,944	8,843,886	34,308,163	178,406,392	118,022,237	2,245	-	348,504,867
Finance lease receivables	-	3,609,452	3,092,438	15,059,407	38,685,005	122,877	58,264	-	60,627,443
Other financial assets	-	2,598,148	219,576	28,911	367,958	1,883	201,484	-	3,417,960
Total assets	88,107,957	109,432,773	63,954,196	270,493,758	473,677,362	452,531,970	8,904,143	69,394,947	1,536,497,106
Borrowings from the central bank	-	(10,500,414)	(26,535,673)	(36,352,506)	-	-	-	-	(73,388,593)
Deposits from banks and other financial institutions	(6,268,924)	(19,989,333)	(32,299,479)	(44,836,849)	(17,412,921)	-	-	-	(120,807,506)
Placements from banks and other financial institutions	-	(6,386,175)	(6,140,182)	(29,113,367)	(4,066,424)	-	-	-	(45,706,148)
Derivative financial liabilities	-	(2,639)	(2,565)	(13,413)	(104,015)	-	-	-	(122,632)
Financial assets sold under repurchase agreements	-	(66,606,391)	(3,728,863)	(17,398,189)	-	-	-	-	(87,733,443)
Deposits from customers	(424,970,297)	(33,737,981)	(35,955,049)	(196,047,972)	(244,219,717)	(16)	-	-	(934,931,032)
Debt securities issued	-	(5,374,208)	(49,862,261)	(95,581,627)	(12,173,701)	(14,438,957)	-	-	(177,430,754)
Other financial liabilities	-	(3,521,966)	(388)	(14,544)	(635,511)	(296,650)	-	-	(4,469,059)
Total liabilities	(431,239,221)	(146,119,107)	(154,524,460)	(419,358,467)	(278,612,289)	(14,735,623)	-	-	(1,444,589,167)
Net liquidity gap	(343,131,264)	(36,686,334)	(90,570,264)	(148,864,709)	195,065,073	437,796,347	8,904,143	69,394,947	91,907,939

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.4 Maturity analysis (Continued)

The table below analyses the Group's net assets and liabilities by relevant maturity classification based on the remaining periods from the balance sheet date to the contractual maturity date. (Continued)

As at 31 December 2021	Repayable								Total
	on demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Indefinite	
Cash and balances with the central bank	18,630,236	31,978	-	-	-	-	-	62,668,392	81,330,606
Deposits with banks and other									
financial institutions	12,424,979	120,053	70,031	130,058	-	-	-	-	12,745,121
Placements with banks and other									
financial institutions	-	607,321	4,522,716	9,911,275	-	-	-	-	15,041,312
Derivative financial assets	-	6,322	7,104	6,144	137,187	-	-	-	156,757
Financial assets held under									
resale agreements	-	3,382,587	99,987	1,969,881	-	-	-	-	5,452,455
Loans and advances to customers	-	64,440,500	42,729,027	151,007,754	99,612,129	267,182,166	3,334,122	-	628,305,698
Financial investments									
- Financial assets at fair value									
through profit or loss	45,450,687	3,275,736	4,307,114	17,626,910	22,265,297	3,046,549	26,996,270	-	122,968,563
- Financial assets at fair value through									
other comprehensive income	-	4,792,647	5,484,150	14,825,492	70,101,488	22,500,735	-	225,367	117,929,879
- Financial assets at amortised cost	-	6,271,927	5,407,006	27,990,749	182,345,705	79,989,992	304,688	-	302,310,067
Finance lease receivables	-	2,326,816	2,870,407	13,176,877	35,621,886	19,790	-	-	54,015,776
Other financial assets	-	1,361,813	228,050	200,646	367,022	39,753	238,299	-	2,435,583
Total assets	76,505,902	86,617,700	65,725,592	236,845,786	410,450,714	372,778,985	30,873,379	62,893,759	1,342,691,817
Borrowings from central bank	-	(5,801,547)	(4,832,332)	(50,835,588)	-	(3,910,894)	-	-	(65,380,361)
Deposits from banks and other									
financial institutions	(7,008,658)	(570,128)	(29,905,988)	(78,454,607)	(21,045,758)	-	-	-	(136,985,139)
Placements from banks and									
other financial institutions	-	(7,779,695)	(6,895,000)	(27,724,500)	(825,500)	-	-	-	(43,224,695)
Derivative financial liabilities	-	(2,921)	(6,260)	(6,049)	(135,386)	-	-	-	(150,616)
Financial assets sold under									
repurchase agreements	-	(23,349,574)	(1,863,470)	(13,285,725)	-	-	-	-	(38,498,769)
Deposits from customers	(363,415,506)	(20,396,887)	(40,933,882)	(116,478,615)	(240,583,307)	(2,005,194)	-	-	(783,813,391)
Debt securities issued	-	(1,996,129)	(51,529,690)	(101,679,223)	(13,544,205)	(14,138,744)	-	-	(182,887,991)
Other financial liabilities	-	(3,735,716)	(644)	(16,269)	(636,497)	(290,406)	-	-	(4,679,532)
Total liabilities	(370,424,164)	(63,632,597)	(135,967,266)	(388,480,576)	(276,770,653)	(20,345,238)	-	-	(1,255,620,494)
Net liquidity gap	(293,918,262)	22,985,103	(70,241,674)	(151,634,790)	133,680,061	352,433,747	30,873,379	62,893,759	87,071,323

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.5 Off-balance sheet items

The Group provides guarantees and letters of credit to customers based on their credit ratings and amounts of cash collateral. Usually, customers will not withdraw the amount committed by the Group in the guarantees or letters of credit in full, therefore, the amounts of funds provided for guarantees and letters of credit are commonly lower than other commitments of the Group. Meanwhile, the Group may be discharged of its obligations due to overdue or termination of the commitments. As a result, the contractual amounts for credit commitments do not represent the actual funds required.

As at 30 June 2022	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptance	63,374,985	–	–	63,374,985
Letters of credit	23,107,095	130,293	–	23,237,388
Letters of guarantee	10,900,951	25,110,565	1,375	36,012,891
Loan commitments	1,351,545	115,000	–	1,466,545
Unused credit card lines	4,335,829	47,981,753	124,657	52,442,239
Total	103,070,405	73,337,611	126,032	176,534,048

As at 31 December 2021	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptance	50,258,964	–	–	50,258,964
Letters of credit	8,957,535	15,877	–	8,973,412
Letters of guarantee	11,863,088	19,426,634	500	31,290,222
Loan commitments	1,771,963	25,000	–	1,796,963
Unused credit card lines	3,785,342	38,377,017	422,735	42,585,094
Total	76,636,892	57,844,528	423,235	134,904,655

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.4 Fair value of financial assets and liabilities

(a) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts and issued structured debt in the interbank market. The sources of input parameters such as LIBOR yield curve or counterparty credit risk are Thomson Reuters, Bloomberg and China Bond.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable inputs.

(b) Financial instruments not measured at fair value

Fair value estimates are made in accordance with relevant market information and information related to various financial instruments at a particular point in time. The fair values of all kinds of financial instruments are based on the following methods and assumptions:

- (1) Balances with the central bank, deposits and placements with banks, financial assets held under resale agreements, deposits and placements from banks, financial assets sold under repurchase agreements, other assets and other liabilities

Since these financial instruments are in short-term or under floating interest rate linked to market interest rate, their carrying values approximate to the fair values.

- (2) Loans and advances to customers at amortised cost

Since most loans and advances to customers are repriced at least annually according to market interest rate, their carrying values approximate to the fair values.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.4 Fair value of financial assets and liabilities (Continued)

(b) Financial instruments not measured at fair value (Continued)

(3) Deposits from customers

The fair values of checking accounts, savings accounts and a short-term money market deposit shall be the amounts currently payable to customers. The fair value of a time deposit is calculated based on the discounted cash flow method, and the discount rate is the current rate of a time deposit of which the term is similar to the remaining term of the time deposit being valued. At the end of the reporting period, the carrying value of deposits from customers approximates to the fair value.

(4) Finance lease receivables

The balance of finance lease receivables is calculated based on the effective interest rate method. Since the actual interest rate of a financial leasing is adjusted on a timely basis to the interest rate that the PBOC stipulates, the carrying value approximates to the fair value.

The table below summarizes the carrying amounts and the fair values of those financial assets and liabilities not presented at their fair value on the Group's balance sheet date.

	As at 30 June 2022				
	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets					
Financial investments					
– Financial assets at amortised cost	348,504,867	–	349,004,853	–	349,004,853
Financial liabilities					
Debt securities issued	(177,430,754)	–	(176,025,492)	–	(176,025,492)

	As at 31 December 2021				
	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets					
Financial investments					
– Financial assets at amortised cost	302,310,067	–	303,142,489	–	303,142,489
Financial liabilities					
Debt securities issued	(182,887,991)	–	(181,716,668)	–	(181,716,668)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.4 Fair value of financial assets and liabilities (Continued)

(b) Financial instruments not measured at fair value (Continued)

(i) Financial assets at amortised cost

Financial assets at amortised cost whose fair values are based on quoted market prices are included in level 1. As for financial assets at amortised cost, when such information is not available and the estimated fair value represents the discounted amount of estimated future cash flows expected to be received based on observable yield curves or quoted market prices for products with similar credit, maturity and yield characteristics used where applicable, the fair value measurement will be included in level 2 or level 3.

(ii) Debt securities in issued

If the fair value is based on quoted market prices, the fair value measurement will be included in level 1. When all significant inputs required to fair value are observable, they are included in level 2.

The other financial instruments not measured at fair value in the consolidated financial statements are at the present value of the estimated future cash flows based on observable yield curves. Due to their short duration or the floating rate which is mark to market, the difference between carrying value and fair value of these financial assets is not significant.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.4 Fair value of financial assets and liabilities (Continued)

(c) Financial instruments measured at fair value

As at 30 June 2022	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (excluding interest receivable)				
– Debt securities	–	32,109,142	–	32,109,142
– Interbank certificates of deposit	–	322,467	–	322,467
– Asset management schemes by securities firms or trust companies	56,729,781	27,954,053	–	84,683,834
– Wealth management products	–	8,167,766	–	8,167,766
– Equity investment	876,198	–	–	876,198
Derivative financial assets	–	150,352	–	150,352
Financial assets at fair value through other comprehensive income (excluding interest receivable)				
– Debt securities	–	129,739,811	–	129,739,811
– Equity securities	–	256,209	–	256,209
Loans and advances to customers at fair value through other comprehensive income				
– Discounted bills	–	51,434,123	–	51,434,123
Total assets	57,605,979	250,133,923	–	307,739,902
Derivative financial liabilities	–	(122,632)	–	(122,632)
Total liabilities	–	(122,632)	–	(122,632)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.4 Fair value of financial assets and liabilities (Continued)

(c) Financial instruments measured at fair value (Continued)

As at 31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (excluding interest receivable)				
– Debt securities	–	20,122,771	–	20,122,771
– Interbank certificates of deposit	–	545,705	–	545,705
– Asset management schemes by securities firms or trust companies	29,324,492	57,162,663	–	86,487,155
– Wealth management products	–	14,160,271	–	14,160,271
– Equity investment	693,187	–	–	693,187
Derivative financial assets	–	156,757	–	156,757
Financial assets at fair value through other comprehensive income (excluding interest receivable)				
– Debt securities	–	115,301,407	–	115,301,407
– Equity securities	–	225,367	–	225,367
Loans and advances to customers at fair value through other comprehensive income				
– Discounted bills	–	49,484,165	–	49,484,165
Total assets	30,017,679	257,159,106	–	287,176,785
Derivative financial liabilities	–	(150,616)	–	(150,616)
Total liabilities	–	(150,616)	–	(150,616)

The Group uses valuation techniques to determine the fair value of financial instruments when quoted prices in active markets are not available.

Financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments are stated at fair value with reference to the quoted market prices when available. If quoted market prices are not available, the fair values will be estimated using the discounted cash flow or pricing models. For debt securities, the fair values are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.5 Capital management

The Group takes sufficient measures of capital management to prevent inherent risks associated with the Group's business for the purpose of meeting external regulators' requirements and shareholders' expectation on returns. Capital management is also aimed to stimulate the expansion of capital scale and to improve risk management.

The Group prudently set the objective of capital ratio, taking into account regulatory requirements and the risk situation the Group faces. The Group takes a variety of actions such as limits management to ensure the realization of the objectives and to proactively adjust its capital structure in line with economic development and risk characteristics. Generally, the measure of capital structure adjustment includes the modification of dividend distribution plan, raising new capital and issuance of new bonds.

On 1 January 2013, the Group implemented "The Trial Measures for Capital Management of Commercial Banks" promulgated by the CBRC on 7 June 2012.

The table below summarizes the capital adequacy ratios of the Group as at 30 June 2022 and 31 December 2021:

		As at 30 June 2022	As at 31 December 2021
Common Equity Tier-one Capital Adequacy Ratio	(a)	8.07%	8.45%
Tier-one Capital Adequacy Ratio	(a)	9.03%	9.54%
Capital Adequacy Ratio	(a)	11.56%	12.23%
Common Equity Tier-one Capital	(b)	107,267,232	100,638,857
Common shares		13,889,801	13,889,801
Capital reserve and other comprehensive income		17,127,429	16,758,475
Surplus reserve and General reserve		31,659,068	28,711,774
Undistributed profits		42,263,541	39,204,123
Eligible portion of minority interests		2,327,393	2,074,684
Deductible items from Common Equity			
Tier-one Capital	(c)	(20,529,537)	(20,333,247)
Net Common Equity Tier-one Capital		86,737,695	80,305,610
Additional Tier-one Capital	(d)	10,300,541	10,273,089
Net Tier-one Capital		97,038,236	90,578,699
Tier-two Capital	(e)	27,095,989	25,554,352
Tier 2 Capital Instruments issued and related premium		14,000,000	14,000,000
Excess loan loss provisions		12,482,693	11,008,618
Eligible portion of non-controlling interests		613,296	545,734
Net capital		124,134,225	116,133,051
Risk-weighted assets	(f)	1,074,279,439	949,831,158

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.5 Capital management (Continued)

Pursuant to the “Capital Rules for Commercial Banks (Provisional)”:

- (a) The scope of consolidation related to the calculation of the Group’s Capital Adequacy Ratios includes Institutions and affiliated financial subsidiaries specified in the Regulation. The Common Equity Tier-one Capital Adequacy Ratio is calculated as Net Common Equity Tier-one Capital divided by risk-weighted assets. The Tier-one Capital Adequacy Ratio is calculated as Net Tier-one Capital divided by Risk-weighted Assets. The Capital Adequacy Ratio is calculated as Net Capital divided by Risk-weighted Assets.
- (b) The Group’s Common Equity Tier-one Capital includes ordinary share capital, capital reserve (subject to regulatory limitations), surplus reserve, general reserve, retained earnings and non-controlling interests (to the extent permitted in the Common Equity Tier-one Capital under the Regulation).
- (c) The Group’s Deductible Items from Common Equity Tier-one Capital include other intangible assets (excluding land-use rights), and common equity Tier-one Capital Investments in financial institutions over which the Group has control but are out of the regulatory consolidation scope for the Capital Adequacy Ratio calculation.
- (d) The Group’s Additional Tier-one Capital includes preference shares and non-controlling interests (to the extent permitted in the Additional Tier-one Capital definition under the Regulation).
- (e) The Group’s Tier-two Capital includes Tier-two Capital Instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and minority interests (to the extent permitted in the definition of Tier-two Capital under the Regulation).
- (f) Risk-weighted Assets include Credit Risk-weighted Assets Market Risk-weighted Assets and Operational Risk-weighted Assets.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.6 Fiduciary activities

The Group provides custodian and trustee services to third parties. These assets arising thereon are excluded from the consolidated financial statements. The Group also grants entrusted loans on behalf of third-party lenders, which are not included in the consolidated financial statements either.

	As at	As at
	30 June 2022	31 December 2021
Entrusted loans	35,777,251	33,856,814
Entrusted wealth management products	240,941,511	225,225,006

49 SUBSEQUENT EVENTS

As at the report release date, there were no significant events after the balance sheet date.

Appendix I – Unaudited Supplementary Financial Information

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

According to Hong Kong Listing Rules and disclosure requirements of the banking industry, the Group discloses the following supplementary financial information:

1 LIQUIDITY RATIOS

	As at 30 June 2022	As at 31 December 2021
RMB current assets to RMB current liabilities	55.80%	58.63%
Foreign currency current assets to foreign currency current liabilities	111.94%	182.25%

2 CURRENCY CONCENTRATIONS

	USD	EUR	Others	Total
As at 30 June 2022				
Spot assets	6,639,927	2,998,799	104,658	9,743,384
Spot liabilities	(10,871,258)	(57,349)	(1,383,931)	(12,312,538)
Forward purchases	691,397	19,956	–	711,353
Forward sales	(695,503)	(2,187,258)	(26,112)	(2,908,873)
Net long/(short) position	(4,235,437)	774,148	(1,305,385)	(4,766,674)
As at 31 December 2021				
Spot assets	8,192,130	2,201,248	108,295	10,501,673
Spot liabilities	(9,520,674)	(21,323)	(867,905)	(10,409,902)
Forward purchases	212,908	19,956	–	232,864
Forward sales	(218,042)	(2,187,258)	(26,112)	(2,431,412)
Net long/(short) position	(1,333,678)	12,623	(785,722)	(2,106,777)

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

3 INTERNATIONAL CLAIMS

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Chinese Mainland, and regards all the claims on third parties outside Chinese Mainland as cross border claims.

International claims include balances with the central bank, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held for trading, financial assets designated at fair value through profit or loss, loans and advances to customers, financial assets held under resale agreements, financial assets at fair value through other comprehensive income and financial assets at amortised cost.

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

	Banks and other financial institutions	Non-bank private institutions	Total
As at 30 June 2022			
Asia Pacific (excluding Chinese mainland)	66,209	1,220,691	1,286,900
– Hong Kong	40,569	1,220,691	1,261,260
Europe	16,698	–	16,698
North and South America	414,974	–	414,974
Oceania	5,850	–	5,850
Total	503,731	1,220,691	1,724,422
As at 31 December 2021			
Asia Pacific (excluding Chinese mainland)	52,231	137,244	189,475
– Hong Kong	51,299	137,244	188,543
Europe	4,102	–	4,102
North and South America	638,769	–	638,769
Oceania	1,987	–	1,987
Total	697,089	137,244	834,333

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

4 LOANS AND ADVANCES TO CUSTOMERS

4.1 Overdue loans and advances to customers

Total amounts of overdue loans and advances to customers:

	As at 30 June 2022	As at 31 December 2021
Total loans and advances to customers which have been overdue:		
Within 3 months	2,720,124	3,804,892
Within 3 to 6 months (inclusive)	1,748,984	1,864,177
Within 6 to 12 months	2,521,207	1,046,977
Over 12 months	6,194,368	6,002,025
Total	13,184,683	12,718,071
By percentage:		
Within 3 months	20.63%	29.92%
Within 3 to 6 months (inclusive)	13.27%	14.66%
Within 6 to 12 months	19.12%	8.23%
Over 12 months	46.98%	47.19%
Total	100.00%	100.00%

Total amounts of overdue loans and advances to customers and allowance assessment by geographic segment:

	Anhui Province	Jiangsu Province	Other	Total
As at 30 June 2022				
Overdue loans and advances to customers	8,839,845	1,384,449	2,960,389	13,184,683
Individually assessed	(7,062,509)	(1,270,436)	(2,665,833)	(10,998,778)
As at 31 December 2021				
Overdue loans and advances to customers	7,861,721	1,402,581	3,453,769	12,718,071
Individually assessed	(6,248,247)	(1,260,258)	(1,769,069)	(9,277,574)

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

4 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

4.1 Overdue loans and advances to customers (Continued)

Fair value of collateral against overdue loans and advances to customers:

	As at 30 June 2022	As at 31 December 2021
Fair value of collateral		
Corporate loans	16,183,455	14,548,128
Personal loans and advances	1,841,869	1,519,009
Total	18,025,324	16,067,137

4.2 Identified impaired loans and advances

	Anhui Province	Jiangsu Province	Others	Total
As at 30 June 2022				
Identified impaired loans and advances for which allowance is:				
Individually assessed	7,234,373	1,417,928	2,928,911	11,581,212
	(6,840,515)	(1,396,523)	(2,773,916)	(11,010,954)
As at 31 December 2021				
Identified impaired loans and advances for which allowance is:				
Individually assessed	6,793,172	1,410,588	3,455,909	11,659,669
	(6,370,372)	(1,390,661)	(1,889,839)	(9,650,872)

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

Huishang Bank Co., Ltd. makes a supplementary disclosure of the following information in accordance with China Banking and Insurance Regulatory Commission (hereinafter referred to as “CBIRC”):

1. SIGNIFICANT RELATED PARTY TRANSACTIONS APPROVED BY THE BOARD OF DIRECTORS

In the first half of 2022, Huishang Bank Co., Ltd. approved a proposal on the significant related party transactions in accordance with the “Administrative Measures on Related Transactions between Commercial Banks and Insiders and Shareholders”, “Interim Measures on the Management of Equity of Commercial Banks” and other provisions, the details are as follows:

Date of approval by the board of directors	Content	New facility amount (including low risk amount)	Remarks
2022/1/27	The 40th Meeting of the 4th board of directors Proposal on the approval of related party transactions between Huishang Bank and Wuhu Construction Investment Co., Ltd.	2,041,000	
2022/3/30	The 41st Meeting of the 4th board of directors Proposal on the approval of related party transactions between Huishang Bank and Wuhu Airport Economic Zone Proposal on the approval of related party transactions between Huishang Bank and Anhui Guarantee Assets Management Co., Ltd.	200,000 1,950,000	
2022/4/19	The 42nd Meeting of the 4th board of directors Proposal on the approval of related party transactions between Huishang Bank and Anhui Provincial Communications Holding Group Co., Ltd. Proposal on the approval of related party transactions between Huishang Bank and Chery Automobile Co., Ltd.	10,233,000 14,530,000	
2022/6/9	The 44th Meeting of the 4th board of directors Proposal on the approval of related party transactions between Huishang Bank and Hefei Urban Construction Beicheng Real Estate Co., Ltd. Proposal on the approval of related party transactions between Huishang Bank and Huishang Bank Financial Leasing Co., Ltd. Proposal on the approval of related party transactions between Huishang Bank and Chery HuiYin Motor Finance Service Co., Ltd. Proposal on the approval of related party transactions between Huishang Bank and Hefei Xingtai Guaranteed Assets Management Co., Ltd. Proposal on change of the repayment plan of the fixed assets loan of Anhui Fuyou Health Industry Co., Ltd.	400,000 10,000,000 3,000,000 100,000	– The credit limit is not increased, only involves the change of repayment plan

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

1. SIGNIFICANT RELATED PARTY TRANSACTIONS APPROVED BY THE BOARD OF DIRECTORS (CONTINUED)

In addition, the Bank held the 41st meeting of the 4th board of directors on 30 March 2022, at which it reviewed and approved Huishang Bank's 2022 Daily Related Party Transaction Business Plan, and formulated the annual related party transaction plan on the funds, bills, bonds, investments, etc.2 · Implementation of significant related party transactions

2. IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS

As of the end of the second quarter of 2022, the significant related party transactions between Huishang Bank Co., Ltd. and the related parties under the CBIRC's definition are as follows:

2.1 The amount of a single related party transaction accounting for more than 1% of the net capital of the commercial bank

(1) Huishang Bank Financial Leasing Co., Ltd.

Related party	Transaction type	Amount	Remarks
Huishang Bank Financial Leasing Co., Ltd.	Interbank borrowing	1,500,000	Four transactions in total, one of which is 1.5 billion and more than 1%.

2.2 The balances of related party transactions accounting for more than 5% of the net capital of the commercial bank

(1) Wuhu Construction Investment Co., Ltd. and its related companies

Related party	Transaction type	Amount	Remarks
Efort Intelligent Equipment Co., Ltd.	Bank acceptance bill	52,431	
AnHui Haery Aviation Power Co., LTD	Import letter of credit	133	
Anhui Honyi Automotive Technology Co., Ltd.	Time deposit	1,272	
Anhui Chery Automobile Sales Co., Ltd.	Time deposit	10,086	
Anhui Chery Automobile Sales Co., Ltd.	Domestic letter of credit	420,000	The net value of related transactions after deduction of the bank acceptance bill pledged is 3,150 million
Anhui Chery Automobile Sales Co., Ltd.	Bank acceptance bill	2,730,000	
Anhui Chery Automobile Sales Co., Ltd.	Time deposit	1,750,000	
Anhui Chery Commercial Vehicle Sales Co., Ltd.	Domestic letter of credit	50,000	
Anhui Chery Commercial Vehicle Sales Co., Ltd.	Bank acceptance bill	300,000	
Anhui Qasky Quantum Technology Co., Ltd.	Time deposit	22	

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

2. IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

2.2 The balances of related party transactions accounting for more than 5% of the net capital of the commercial bank (Continued)

(1) Wuhu Construction Investment Co., Ltd. and its related companies (Continued)

Related party	Transaction type	Amount	Remarks
Tower (Wuhu) Automotive Co., Ltd.	Bank acceptance bill	30,000	The net value of related transactions after deduction of the bank acceptance bill pledged is 30 million
	Time deposit	10,000	
Kairui New Energy Automobile Co., Ltd.	Bank acceptance bill	40,000	
Chery Automobile Co., Ltd.	Floating capital loans	650,000	The net value of related transactions after deduction of the bank acceptance bill pledged is 1,731 billion
	Domestic forfaiting under letters of credit	420,000	
	Bank acceptance bill	500,000	
	Time deposit	500,000	
Chery Commercial Vehicle (Anhui) Company Limited	Floating capital loans	300,000	
	Domestic letter of credit	200,000	
	Domestic forfaiting under letter of credit	50,000	
Chery New Energy Automobile Co., Ltd.	Domestic forfaiting under letter of credit	300,000	
	Discount of bank acceptance bill	200,000	
Chery New Energy Vehicle Sales Co., Ltd.	Domestic letter of credit	300,000	The net value of related transactions after deduction of the bank acceptance bill pledged is 0.7 billion
	Bank acceptance bill	400,000	
	Fixed deposit	300,000	
Rich Resource International Investment Co., Ltd.	Domestic letter of credit	50,000	
Wuhu Acteco Powertrain Co., Ltd.	Floating capital loans	100,000	
	Domestic forfaiting under letter of credit	50,000	
Wuhu Aiman Equipment Engineering Co., Ltd.	Domestic guarantee	175	
Wuhu Rayhoo Casting Co., Ltd.	Bank acceptance bill	25,715	
	Time deposit	15,148	
	Discount of bank acceptance bill	27,903	
Wuhu Hua Yan Water Co., Ltd.	Water bill	12	
Wuhu Generator Automotive Electrical Systems Co., Ltd.	Discount of bank acceptance bill	4,483	

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

2. IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

2.2 The balances of related party transactions accounting for more than 5% of the net capital of the commercial bank (Continued)

(1) Wuhu Construction Investment Co., Ltd. and its related companies (Continued)

Related party	Transaction type	Amount	Remarks
Wuhu Golden Safety System Co., Ltd.	Non-resource domestic factoring	4,964	
Wuhu Kumquat Technology Co., Ltd.	Floating capital loans	5,987	The net value of related transactions after deduction of the guarantee deposit is 17 million
	Bank acceptance bill	11,394	
	Time deposit	10,445	
Wuhu Airport Industry Investment Development Co., Ltd.	Fixed assets loan	200,000	
	Time deposit	30,309	
Wuhu Puwei Technology Research Co., Ltd.	Bank acceptance bill	37,866	
	Domestic letter of credit	2,127	
Wuhu Chery Technology Co., Ltd.	Bank acceptance bill	50,000	The net value of related transactions after deduction of the bank acceptance bill pledged is 100 million
	Domestic letter of credit	50,000	
	Time deposit	50,000	
WuHu Ruitai Auto Parts Co., Ltd.	Bank acceptance bill	49,950	The net value of related transactions after deduction of the bank acceptance bill pledged is 54 million
	Fixed deposit	10,000	
	Discount of bank acceptance bill	4,300	
Wuhu Construction Investment Co., Ltd.	Loans on Mergers and Acquisitions	250,000	
	Investment in bonds	335,000	
	Investment in security investment fund (The actual financier being Wuhu Construction Investment Co., Ltd.)	275,000	
Wuhu Minjiang Financing Guarantee (Group) Co., Ltd.	Time deposit	108,720	
Wuhu YONGDA Technology Co., Ltd.	Bank acceptance bill	30,739	
Wuhu Yangtze River Bridge Highway Bridge Co., Ltd.	Debt financing plan	350,000	
Yingfeng Investment Limited	Bank acceptance bill	330,800	The net value of related transactions after deduction of the guarantee deposit is 361 million
	Time deposit	30,800	
Chery HuiYin Motor Finance Service Co., Ltd.	Interbank borrowing	1,200,000	
	Investment in bonds	200,000	
	Charge underwriting fees	255	

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

2. IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

2.2 The balances of related party transactions accounting for more than 5% of the net capital of the commercial bank (Continued)

(2) Hefei Xingtai Financial Holdings (Group) Co., Ltd.

Related party	Transaction type	Amount	Remarks
Anhui Chengxin Project Management Co., Ltd.	Bidding service charge	11	
Anhui Fuyou Health Industry Co., Ltd.	Fixed assets loan	266,460	
Anhui Public Resources Trading Group	Time deposit	260,000	
Anhui Hupo Property Service CO., Ltd.	Property management fees	96	
Anhui Assets and Equity Exchange Limited Co., Ltd.	Collection/Payment of charges	20	
Anhui Zhengcai Project Management Consulting Co., Ltd.	Bidding service charge	5	
Anhui Xingtai Financial Leasing Co., Ltd.	Floating capital loans	533,000	
	Domestic letter of credit	162,000	
	Investment in bonds	120,000	
ChiZhou Security Service Co., Ltd.	Security expense	522	
Fuyang Security Service Co., Ltd.	Time deposit	19,915	
Fuyang Hengwei Security Service Co., Ltd.	Security expense	2,600	
Hefei Security Group Co., Ltd.	Time deposit	4,745	
	Security expense	15,800	
Hefei Urban Construction Beicheng Real Estate Co., Ltd.	Fixed assets loan	199,000	
Hefei City Card Co., Ltd.	Time deposit	50,000	
	Collection/Payment of charges	200	

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

2. IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

2.2 The balances of related party transactions accounting for more than 5% of the net capital of the commercial bank (Continued)

(2) Hefei Xingtai Financial Holdings (Group) Co., Ltd. (Continued)

Related party	Transaction type	Amount	Remarks
Hefei Gongtou Industry Science and Technology Development Co., Ltd.	Investment in security investment fund (The actual financier being Hefei Gongtou Industry Science and Technology Development Co., Ltd.)	100,000	
	Electricity bill on ATM	2	
Hefei State-Owned Construction Financing Guarantee Co., Ltd.	E-bidding guarantee Separate letter of guarantee Time deposit	103,689 568,202 80,765	The net value of related transactions after deduction of the guarantee deposit is 743 million
Hefei Assets and Equity Exchange	Collection/Payment of charges	465	
Hefei Xingtai Technology Financing Guarantee Co., Ltd.	Time deposit	45,225	
Hefei Xingtai Guarantee Group Co., Ltd.	E-bidding guarantee Time deposit	22,260 832,144	
Hefei Xingtai Microfinance Limited Co., Ltd.	Floating capital loans	60,000	
Changfeng County SME Credit Guarantee Center	Time deposit	4,525	
Hefei Xingtai Financial Holdings Group Co., Ltd.	Floating capital loans Investment in bonds Investment in security investment fund (The actual financier being Hefei Xingtai Financial Holdings Group Co., Ltd.)	600,000 160,000 40,000	
Hefei Xingtai Commercial Factoring Co., Ltd.	Floating capital loans	100,000	
Hefei Xingtai Business Assets Operation Co., Ltd.	Time deposit	12,596	

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

2. IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

2.2 The balances of related party transactions accounting for more than 5% of the net capital of the commercial bank (Continued)

(2) Hefei Xingtai Financial Holdings (Group) Co., Ltd. (Continued)

Related party	Transaction type	Amount	Remarks
HARFOR FUND	Interest of reverse repurchase	809	
MANAGEMENT CO., LTD.	Fund management fee	883	
	Cash bond trading	170,000	
	Trustee fee of fund products	394	
	Intermediate income	5	
CCB Principle Asset	Time deposit	2,000,000	
Management	Management fee of asset management plan	2,517	
	Interest of reverse repurchase	2,730	
	Interest of interbank deposit	70,830	
	Cash bond trading	1,870,000	
	Trustee fee of fund	1,189	
Jianxin Fiduciary Co., Ltd.	Management fee of asset management plan	303	
	Interest of interbank deposit	3,910	
	Cash bond trading	390,000	
	Rent	2,245	
	Trustee fee of trust scheme	2,913	
CCB Pension Management Co., Ltd.	Interest of repurchase	28	
CCB Principal Capital Management	Cash bond trading	150,000	
Ma'anshan MCC Hi Tech Construction Co., Ltd.	Fixed assets loan	337,650	
Suzhou Security Service Co., Ltd.	Security expense	140	

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

3. RELATED PARTY TRANSACTIONS WITH RELATED NATURAL PERSONS

The related natural persons of the Bank (in accordance with the “Administrative Measures on Related Transactions between Commercial Banks and Insiders and Shareholders”) mainly include: (1) natural person shareholders of the banking and insurance institutions, the actual controller, persons acting in concert and final beneficiaries; (2) other natural persons that have a significant influence on the banking and insurance institutions and persons who hold less than 5% of the equity but have a significant influence on the management of the banking and insurance institutions; (3) shareholders, directors, and senior managers of the head office and other significant branches and legal persons who have the authority to give permissions or decide on core business such as large credit, asset transfer and insurance fund application; (4) spouses, parents, children who are already adults and siblings of the people mentioned in the articles of 1-3 above. (5) Shareholders, directors and senior managers of the related party mentioned in the 1st and 2nd terms in the 7th article. The Bank’s natural person shareholders hold or control less than 5% of the equity, and the Bank has no major natural person shareholders.

As at the end of the second quarter of 2022, the balance of related party transactions by related natural persons of the Bank was RMB614,996 thousand, mainly comprised of personal housing loans, personal comprehensive consumption revolving loans, credit card overdrafts, and other services. The total of time deposits and other related transactions is RMB752,624 thousand. All the related transactions by related natural persons are normal related party transactions.