晋商银行
Jinshang Bank

JINSHANG BANK CO., LTD.*
晉商銀行股份有限公司*

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

The board of directors (the "**Board**") of Jinshang Bank Co., Ltd.* (the "**Bank**") is pleased to announce the unaudited consolidated interim results of the Bank and its subsidiary (the "**Group**") for the six months ended June 30, 2022 (the "**Reporting Period**"). The content of this results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") in relation to preliminary announcements of interim results and the International Financial Reporting Standards (the "**IFRSs**") promulgated by the International Accounting Standards Board (the "**IASB**"). Such interim results have also been reviewed and confirmed by the Board and the audit committee of the Board. Unless otherwise indicated, the financial information set out in this announcement is on a consolidated basis and presented in Renminbi ("**RMB**").

1. CORPORATE INFORMATION

1.1 Basic Information

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

1.2 Contact Persons and Contact Details

Secretary to the Board	LI Weiqiang
Joint Company Secretaries	LI Weiqiang, WONG Wai Chiu
Registered Address and Address of Head Office	No. 59 Changfeng Street, Xiaodian District, Taiyuan City, Shanxi Province, the PRC
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2. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

	For the six months ended June 30,		
	2022	2021	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Results of operations			
Interest income	**5,220.7**	4,999.9	4.4
Interest expense	**(3,540.5)**	(3,316.5)	6.8
Net interest income	**1,680.2**	1,683.4	(0.2)
Fee and commission income	**458.2**	474.1	(3.4)
Fee and commission expense	**(89.9)**	(79.3)	13.4
Net fee and commission income	**368.3**	394.8	(6.7)
Net trading gains	**15.8**	150.7	(89.5)
Net gains arising from investment securities	**494.3**	326.8	51.3
Other operating income(1)	**11.2**	5.8	93.1
Operating income	**2,569.8**	2,561.5	0.3
Operating expenses	**(870.3)**	(844.0)	3.1
Impairment losses on credit	**(735.3)**	(842.5)	(12.7)
Share of profits of associate	**10.3**	10.1	2.0

	For the six months ended June 30,		
	2022	2021	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Profit before tax	**974.5**	885.1	10.1
Income tax expense	**(4.1)**	(3.2)	28.1
Net profit	**970.4**	881.9	10.0
Net profit attributable to:			
Equity shareholders of the Bank	**972.3**	881.8	10.3
Non-controlling interests	**(1.9)**	0.1	N/A
Earnings per share attributable to equity shareholders of the Bank (RMB per share)			
—Basic	**0.17**	0.15	13.3
—Diluted	**0.17**	0.15	13.3

Note:

(1) Consists primarily of government grants, net gains from disposal of equipment, income from long-term unwithdrawn items and penalty income.

	As of June 30, 2022	As of December 31, 2021	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Key indicators for assets/liabilities			
Total assets	**315,808.4**	303,291.5	4.1
Of which: net loans and advances to customers	**169,704.4**	151,007.4	12.4
Total liabilities	**293,245.4**	281,133.9	4.3
Of which: deposits from customers	**231,521.2**	199,207.2	16.2
Total equity	**22,563.0**	22,157.6	1.8
Of which: share capital	**5,838.7**	5,838.7	–
Equity attributable to equity holders of the Bank	**22,543.3**	22,136.0	1.8

	For the six months ended June 30,		
	2022	2021	Change
Profitability indicators (%)			
Return on average total assets[(1)]	**0.63**	0.63	0.00
Return on average equity[(2)]	**8.68**	8.32	0.36
Net interest spread[(3)]	**1.37**	1.41	(0.04)
Net interest margin[(4)]	**1.28**	1.37	(0.09)
Net fee and commission income to operating income ratio	**14.33**	15.41	(1.08)
Cost-to-income ratio[(5)]	**32.28**	31.39	0.89

	As of June 30, 2022	As of December 31, 2021	Change
Asset quality indicators (%)			
NPL ratio[(6)]	**1.82**	1.84	(0.02)
Allowance coverage ratio[(7)]	**174.51**	184.77	(10.26)
Allowance to gross loan ratio[(8)]	**3.18**	3.39	(0.21)

	As of June 30, 2022	As of December 31, 2021	Change
Capital adequacy indicators (%)[(9)]			
Core tier-one capital adequacy ratio[(10)]	**10.05**	10.10	(0.05)
Tier-one capital adequacy ratio[(11)]	**10.05**	10.10	(0.05)
Capital adequacy ratio[(12)]	**11.93**	12.02	(0.09)
Total equity to total assets ratio	**7.14**	7.31	(0.17)

	As of June 30, 2022	As of December 31, 2021	Change
Other indicators (%)			
Loan-to-deposit ratio[(13)]	**75.42**	78.18	(2.76)
Liquidity coverage ratio[(14)]	**211.92**	322.30	(110.38)
Liquidity ratio[(15)]	**69.20**	122.42	(53.22)

	As of June 30, 2022	As of March 31, 2022	As of December 31, 2021
	(Expressed in millions of RMB, unless otherwise stated)		
Net stable funding ratio(16)			
Total available stable funding	**194,834.0**	188,512.8	183,776.0
Total required stable funding	**140,578.4**	137,745.4	132,859.6
Net stable funding ratio (%)	**138.59**	136.86	138.32

Notes:

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

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

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

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

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

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

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

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

(9) Calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》).

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

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

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

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

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

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

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

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Review of the Economic, Financial and Policy Environment

Since 2022, against numerous challenges brought by the COVID-19 pandemic and geopolitical conflicts, China persisted on efforts of coordinating the epidemic prevention and control with economic and social development, strengthened the regulation of macro policies and effectively implemented a package of policy measures to stabilize the economy, with the recurrent outbreak of the epidemic effectively under control and the national economy stabilised and recovered, which underpinned the sustained momentum of high-quality development of Chinese economy.

In the first half of 2022, the gross domestic product (GDP) of China amounted to RMB56,264.2 billion on a constant price basis, representing an increase of 2.5% year-on-year. With gradual recovery in industrial production and rapid development of high-tech manufacturing, the added value of national industry grew by 3.4% year-on-year, while the added value of high-tech manufacturing increased by 9.6% year-on-year, 6.2 percentage points faster than that of all large industrial enterprises. In terms of fixed-asset investment, it witnessed a continued growth, with national fixed-asset investment up by 6.1% year-on-year and investment in high-tech industries increased by 20.2%. Moreover, under the improvement in market sales, consumption of basic necessities grew steadily, while the total value of import and export increased by 9.4% year-on-year, demonstrating continual optimization in trade structure. Furthermore, household income saw a steady improvement, as evidenced by the national disposable income per capita of RMB18,463 in the first half of the year, representing a nominal increase of 4.7% year-on-year, on top of the national consumer price index (CPI) increased by 1.7% modestly.

In the first half of 2022, the economy of Shanxi Province witnessed a stable recovery and steady growth momentum in general, with the effect of stable growth policies gradually emerged and the significant achievement in guaranteeing energy supply, which paved the way to continually unlocking the potential of domestic demand and maintaining sustained improvement in quality and efficiency, laying a solid foundation for a sustained and stable economic recovery.

In the first half of 2022, the gross regional production of Shanxi Province was RMB1,156.89 billion, the growth rate ranking the second in the nation with an increase of 5.2% year-on-year and 2.7 percentage points faster than the national rate (2.5%). Industrial production maintained a sound growth momentum with strong new industrial drivers. The added value of large industrial enterprises of the province grew by 11.0%, 7.6 percentage points faster than the national rate (3.4%), especially the growth in the coal industry, manufacturing industry and strategic emerging industries all significantly faster than that of the large industrial enterprises of the province. In addition, the service industry saw a steadily recovery with emerging service industries such as Internet developed rapidly. The added value of the service sector of the province increased by 3.7%, 1.9 percentage points faster than the national rate, of which the added value of information transmission, software and information technology services grew by 12.7%. Furthermore, investment structure continued to optimize. The fixed-asset investment of the province increased by 5.4%, where investment in manufacturing, especially high-tech manufacturing, led the growth. Consumer demand recovered steadily, with total retail sales of consumer goods of the province reaching RMB358.58 billion in the first half of the year, while the potential for upgrading consumption continued to be released. Finally, the quality and efficiency of development improved with business profits rose significantly, in particular the profits of large industrial enterprises of the province amounting to RMB223.81 billion in the first half of the year, representing a year-on-year increase of 86.9%, in addition to household income grew steadily with disposable income per capita of the province up by 6.1% in the first half of the year, 1.4 percentage points faster than the national rate.

3.2 Business Overview and Development Strategies

The Bank centers on the strategic vision of "pursuing safe development, and building an excellent listed bank in the region", based on our market positioning of "serving the local economy, serving micro and small and medium enterprises, and serving urban and rural residents" and our business positioning of "strengthening corporate business, refining retail operations, optimizing inclusive finance, specializing in the financial market", the Bank has implemented continuous reform and innovation, consolidated risk management, thereby strengthens its high-quality development ability.

Firstly, our operation grew well and achieved steady development throughout the Bank. As of the end of June 2022, the total assets balance of the Group reached RMB315.81 billion, representing a net increase of RMB12.52 billion or 4.1% as compared to that at the beginning of this year. The balance of deposit amounted to RMB226.72 billion, representing a net increase of RMB31.45 billion or 16.1% as compared to that at the beginning of this year. The balance of various loans was RMB174.61 billion, representing a net increase of RMB18.87 billion or 12.1% as compared to that at the beginning of this year. The return on net assets was 8.68%, representing an increase of 0.36 percentage points as compared to the corresponding period in last year. In the first half of the year, the Bank realized the net profit of RMB970 million, representing a net increase of RMB90 million as compared to the corresponding period in last year. The non-performing loan ("**NPL**") ratio was 1.82%, representing a decrease of 0.02 percentage points as compared to that at the beginning of this year.

Secondly, the Bank focused on market positioning and served the real economy with all its strength. The Bank advanced the provincial and the Bank's package of policies and measures on stabilizing the economy to support enterprises and citizens in fighting against the pandemic, and increased its efforts to serve the real economy focusing on the new layout of urban and rural regional development of "one urban agglomeration, two economic regions and three township circles", project financing tracking service, green and low-carbon circular development and other key areas. The Bank continued to promote the key projects under Taixin integration. The Bank actively supported the transformation and upgrading of provincial state-owned enterprises, and formulated customized and exclusive comprehensive financial service solutions to meet customers' comprehensive financial needs. With respect to the infrastructure sector led by the government, the Bank increased its financial service support.

Thirdly, the Bank fulfilled its missions and duties and continued to promote inclusive finance. The Bank initiated the bank-wide inclusive financial reform, and developed an efficient and coordinated management system to promote the multiplication of market players; innovatively developed inclusive financial products such as "Fenjiu Dai (汾酒貸)" and "loan for new, distinctive, specialised and sophisticated business (專精特新貸)", and optimized "Yi Bao Dui (醫保兑)" and "Jian Ya Kuai Dai (簡押快貸)"; built a comprehensive financial service platform for small and micro enterprises, and comprehensively promoted the digital strategic transformation of small and micro finance; connected with key rural revitalization projects and leading agricultural enterprises, and launched a cooperation model of guarantee for agriculture to improve the service quality and efficiency of rural revitalization. As of the end of June 2022, the balances of inclusive loan for small and micro enterprises of the Bank was RMB6,460 million, representing a net increase of RMB720 million or 12.5% as compared to that at the beginning of the year. The annualized interest rate of accumulative inclusive loans was 5.1%, representing a decrease of 0.3 percentage points as compared to that at the beginning of this year.

Fourthly, we practiced green concepts and strengthened and expanded the green finance. We insisted on integrating the concept of the green finance into the development strategy, credit culture, credit policies, management process and other steps, and continued to increase green credit. As of the end of June 2022, the balance of green credit of the Bank was RMB8,350 million, representing an increase of RMB680 million as compared with the beginning of the year. We innovated and improved the green financial product system, and successively launched products such as Parks Loans (園區貸), Cultivation Loans (耕保貸), green and innovation investment, contract energy management, pollutant discharge right mortgage and intellectual property mortgage. As the first pilot corporate bank for environmental information disclosure by financial institutions in Shanxi Province, the Bank further enhanced its brand influence in the field of green finance.

Fifthly, we adhered to an innovation-oriented approach and drove the stability and quality of our business. We accelerated the pace of promoting the transformation of wealth management, implemented the service model of "asset allocation" for wealth management, and launched the construction of the "comprehensive agency sales platform", an open platform for unified wealth management across the Bank. We consolidated the strong momentum of key business. Specifically, we built bank-enterprise direct connection management platforms and launched products of "Tong (通)" series for key customers and key industries, and launched a new product of the "Tong (通)" series – Jiaokuantong (教款通). We established a special team for supply chain business and made phased progress in "coking coal trade". We innovatively launched two online revolving consumption loans, "Housing e-loan (房e貸)" and "Credit e-loan (信e貸)", to meet the market demand for revolving consumption loans. We continuously expanded credit card issuance channels, and successfully issued Amex RMB credit cards. We started the construction of Mobile Banking 5.0 by building a one-stop enterprise digital payroll platform "Jin Salary Manager (晉薪管家)", and a school digital intelligent management platform "Smart Campus (智慧校園)" to further promote the financial construction of online and offline consumption scenarios.

Sixthly, we promoted digital transformation and facilitated the high-quality development of the Bank. We established the Digital Finance Department, the Digital Transformation Leading Group and the Agile Development Team, so as to formulate an implementation plan to promote digital transformation. We comprehensively promoted data governance, and launched data governance consultation project, agile data development project, and data talent training project. We completed the construction of the corporate customer marketing management (Qiming) system, provided targeted comprehensive financial service solutions through industry focus and precise customer screening, and cultivated intelligent corporate customer service capabilities. We enriched the unified view function of retail customers with customer tags accessed and real-time customer portraits produced, to provide more targeted marketing services to customers and various customer groups.

Seventhly, we consolidated the security line of defense to prevent and defuse major risks. We continuously improved the risk management system, and strengthened the risk management structure that intersects vertically and horizontally and with comprehensive coverage. By improving the risk monitoring and forewarning system and promoting the transformation of digital risk control, we also enhanced the effectiveness of risk governance to firmly adhere to the bottom line of no systematic and regional financial risks. In addition, we established the Asset Preservation Department to promote more professional and refined disposal of non-performing assets. As of the end of June 2022, the NPL ratio of the Group was 1.82%, representing a decrease of 0.02 percentage points as compared with that at the beginning of the year. Besides, we further promoted the activities namely the "Year of System Implementation" and achieved phased results, enabling the systems to be sorted out, studied, inspected and supervised throughout the entire process of our daily operation and management.

In the second half of 2022, the Bank will maintain its strategic focus on key projects and areas in Shanxi Province, so as to give full play to its financial role as a local corporate bank. And it will promote product innovation and focus on its products to develop new market and customers. Moreover, the Bank will accelerate digital transformation and data governance to consolidate the foundation of internal management. In addition, it will enhance its risk control capability by firmly adhering to the bottom line of no systematic financial risk. The Bank will firmly uphold the overall keynote of seeking progress while ensuring stability, give priority to comprehensively promoting the high-quality development, seek progress while ensuring stability, strive for success in difficulty, endeavor to realize innovation and make breakthroughs, and improve quality and efficiency, in order to facilitate the Bank to develop in a more correct, higher-quality, more synergetic, more efficient, safer and more sustainable manner.

3.3 Income Statement Analysis

	For the six months ended June 30,		
	2022	2021	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Interest income	**5,220.7**	4,999.9	4.4
Interest expense	**(3,540.5)**	(3,316.5)	6.8
Net interest income	**1,680.2**	1,683.4	(0.2)
Fee and commission income	**458.2**	474.1	(3.4)
Fee and commission expense	**(89.9)**	(79.3)	13.4
Net fee and commission income	**368.3**	394.8	(6.7)
Net trading gains	**15.8**	150.7	(89.5)
Net gains arising from investment securities	**494.3**	326.8	51.3
Other operating income(1)	**11.2**	5.8	93.1
Operating income	**2,569.8**	2,561.5	0.3
Operating expenses	**(870.3)**	(844.0)	3.1
Impairment losses on credit	**(735.3)**	(842.5)	(12.7)
Share of profits of associate	**10.3**	10.1	2.0
Profit before tax	**974.5**	885.1	10.1
Income tax expense	**(4.1)**	(3.2)	28.1
Net profit	**970.4**	881.9	10.0

Note:

(1) Consists primarily of income from government grants, net gains from disposal of equipment, income from long-term unwithdrawn items and penalty income.

For the six months ended June 30, 2022, the profit before tax of the Group increased by 10.1% to RMB974.5 million from RMB885.1 million for the six months ended June 30, 2021, and the net profit for the same period increased to RMB970.4 million from RMB881.9 million for the six months ended June 30, 2021, representing a year-on-year growth of 10.0%.

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

For the six months ended June 30, 2022, the net interest income of the Group decreased by 0.2% to RMB1,680.2 million from RMB1,683.4 million for the six months ended June 30, 2021, mainly due to an increase of RMB224.0 million in interest expenses, which was partially offset by an increase in interest income.

The net interest spread of the Group for the six months ended June 30, 2022 was 1.37%, representing a decrease of 0.04 percentage points as compared to the net interest spread for the six months ended June 30, 2021; and the net interest margin for the six months ended June 30, 2022 was 1.28%, representing a decrease of 0.09 percentage points as compared to the net interest margin for the six months ended June 30, 2021, mainly due to a decrease in the yield on assets from 4.07% to 3.98%, which was partially offset by a decrease in the cost on interest-bearing liabilities from 2.66% for the six months ended June 30, 2021 to 2.61% for the six months ended June 30, 2022. The decrease in the yield on interest-earning assets was due to the decrease in interest rates of loans to customers during the Reporting Period under the regulatory guidance of reducing the financing costs of the real economy while the market liquidity is generally abundant, so as to support the development of the real economy; and the decrease in the yield on financial investments and financial assets held under resale agreement during the Reporting Period as a result of the decline in market interest rates. The decrease in the cost on interest-bearing liabilities was primarily due to the decrease in the interest rate on the issuance of debt securities payable as a result of the ample market liquidity.

The following table sets forth the average balances of the Group's interest-earning assets and interest-bearing liabilities, the related interest income or expense, and the related average yield on assets or related average cost on liabilities for the six months ended June 30, 2021 and 2022.

	For the six months ended June 30,					
	2022			2021		
	Average balance	Interest income/ expense	Average yield/cost (%)[1]	Average balance	Interest income/ expense	Average yield/cost (%)[1]
	(in millions of RMB, except percentages)					
Interest-earning assets						
Loans and advances to customers	**166,082.7**	**3,850.1**	**4.64**	143,969.1	3,437.4	4.78
Financial investments[2]	**56,170.6**	**960.6**	**3.42**	61,412.2	1,129.3	3.68
Placements with banks and other financial institutions	**4,059.0**	**46.6**	**2.30**	3,104.4	38.9	2.51
Financial assets held under resale agreement	**19,471.0**	**239.5**	**2.46**	18,110.7	248.2	2.74
Deposits with the central bank[3]	**15,050.6**	**102.3**	**1.36**	17,460.3	120.1	1.38
Deposits with banks and other financial institutions	**1,834.2**	**21.6**	**2.36**	1,869.1	26.0	2.78
Total interest-earning assets	**262,668.1**	**5,220.7**	**3.98**	245,925.8	4,999.9	4.07
Interest-bearing liabilities						
Deposits from customers	**207,312.3**	**2,699.6**	**2.60**	177,033.4	2,260.8	2.55
Deposits from banks and other financial institutions	**966.0**	**13.4**	**2.77**	1,938.1	32.7	3.37
Placements from banks and other financial institutions	**271.3**	**2.7**	**1.99**	1,080.4	15.7	2.91
Financial assets sold under repurchase agreements	**14,067.3**	**134.1**	**1.91**	13,983.7	142.6	2.04
Debt securities issued[4]	**45,693.6**	**660.7**	**2.89**	53,038.1	842.7	3.18
Borrowing from the central bank	**2,914.1**	**30.0**	**2.06**	1,938.1	22.0	2.27
Total interest-bearing liabilities	**271,224.6**	**3,540.5**	**2.61**	249,011.8	3,316.5	2.66
Net interest income		**1,680.2**			1,683.4	
Net interest spread[5]			**1.37**			1.41
Net interest margin[6]			**1.28**			1.37

Notes:

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

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

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

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

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

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

3.3.2 Interest income

For the six months ended June 30, 2022, interest income of the Group increased by 4.4% to RMB5,220.7 million from RMB4,999.9 million for the six months ended June 30, 2021, primarily due to an increase of 6.8% in the average balance of interest-earning assets from RMB245,925.8 million for the six months ended June 30, 2021 to RMB262,668.1 million for the six months ended June 30, 2022, which was partially offset by a decrease in the average yield on interest-earning assets from 4.07% for the six months ended June 30, 2021 to 3.98% for the six months ended June 30, 2022.

Interest income from loans and advances to customers

For the six months ended June 30, 2022, interest income from loans and advances to customers increased by 12.0% from RMB3,437.4 million for the six months ended June 30, 2021 to RMB3,850.1 million for the six months ended June 30, 2022, primarily due to an increase of 15.4% in the average balance of loans and advances to customers from RMB143,969.1 million for the six months ended June 30, 2021 to RMB166,082.7 million for the six months ended June 30, 2022, which was partially offset by a decrease in the average yield on loans and advances to customers from 4.78% for the six months ended June 30, 2021 to 4.64% for the six months ended June 30, 2022. The increase in the average balance of loans and advances to customers was primarily due to the Bank's increased efforts on granting of credit loans to support the real economy. The decrease in the average yield of loans and advances to customers was mainly due to the decrease in interest rates of loans to customers during the Reporting Period under the regulatory guidance of reducing the financing costs of the real economy while the market liquidity is generally abundant, so as to support the development of the real economy.

Interest income from financial investments

For the six months ended June 30, 2022, interest income from financial investments decreased by 14.9% from RMB1,129.3 million for the six months ended June 30, 2021 to RMB960.6 million, primarily due to a decrease in the average yield on financial investments from 3.68% for the six months ended June 30, 2021 to 3.42% for the six months ended June 30, 2022, and a decrease of 8.5% in the average balance of financial investments from RMB61,412.2 million for the six months ended June 30, 2021 to RMB56,170.6 million for the six months ended June 30, 2022. The decrease in the average balance of financial investments was primarily because the Bank reduced the size of trust plans and other debt investments according to the risk management policies and investment strategies. The decrease in the yield on financial investments was primarily due to the decline in market interest rates and the decline in interest income as a result of the impact of asset quality on certain asset management plans.

Interest income from placements with banks and other financial institutions

For the six months ended June 30, 2022, interest income from placements with banks and other financial institutions increased by 19.8% to RMB46.6 million from RMB38.9 million for the six months ended June 30, 2021, primarily due to an increase of 30.7% in the average balance of placements with banks and other financial institutions from RMB3,104.4 million for the six months ended June 30, 2021 to RMB4,059.0 million for the six months ended June 30, 2022, which was partially offset by a decrease in the average yield on placements with banks and other financial institutions from 2.51% for the six months ended June 30, 2021 to 2.30% for the six months ended June 30, 2022. The decrease in the average yield on placements with banks and other financial institutions was primarily affected by the lower market interest rates.

Interest income from financial assets held under resale agreements

For the six months ended June 30, 2022, interest income from financial assets held under resale agreements decreased by 3.5% to RMB239.5 million from RMB248.2 million for the six months ended June 30, 2021, primarily due to a decrease in the average yield of financial assets held under resale agreements from 2.74% for the six months ended June 30, 2021 to 2.46% for the six months ended June 30, 2022, which was partially offset by an increase of 7.5% in the average balance from RMB18,110.7 million for the six months ended June 30, 2021 to RMB19,471.0 million for the six months ended June 30, 2022. The decrease in average yield was primarily affected by the lower market interest rates. The increase in average balance was primarily because the Bank enhanced the funds management, improved the utilization efficiency of funds and increased the financial assets held under resale agreements which have strong liquidity and short term.

Interest income from deposits with the central bank

Interest income from deposits with the central bank decreased by 14.8% from RMB120.1 million for the six months ended June 30, 2021 to RMB102.3 million for the six months ended June 30, 2022, primarily due to a decrease of 13.8% in the average balance of deposits with the central bank from RMB17,460.3 million for the six months ended June 30, 2021 to RMB15,050.6 million for the six months ended June 30, 2022. The decrease in the average balance of deposits with the central bank was primarily due to a decrease in the average balance of statutory deposit reserve as a result of the reduction in the statutory deposit reserve ratio.

Interest income from deposits with banks and other financial institutions

For the six months ended June 30, 2022, interest income from deposits with banks and other financial institutions decreased by 16.9% from RMB26.0 million for the six months ended June 30, 2021 to RMB21.6 million, primarily due to a decrease in the average yield of deposits with banks and other financial institutions from 2.78% for the six months ended June 30, 2021 to 2.36% for the six months ended June 30, 2022. The decrease in the average yield was primarily affected by the decline in market interest rates.

3.3.3 Interest expense

The Group's interest expense increased by 6.8% from RMB3,316.5 million for the six months ended June 30, 2021 to RMB3,540.5 million for the six months ended June 30, 2022, primarily due to an increase of 8.9% in the average balance of interest-bearing liabilities from RMB249,011.8 million for the six months ended June 30, 2021 to RMB271,224.6 million for the six months ended June 30, 2022, which was partially offset by a decrease of 0.05 percentage points in the average cost of interest-bearing liabilities from 2.66% for the six months ended June 30, 2021 to 2.61% for the six months ended June 30, 2022.

Interest expense on deposits from customers

Interest expense on deposits from customers increased by 19.4% from RMB2,260.8 million for the six months ended June 30, 2021 to RMB2,699.6 million for the six months ended June 30, 2022, primarily due to the expansion of the deposits business, which resulted in a 17.1% increase in average balance of deposits from customers from RMB177,033.4 million for the six months ended June 30, 2021 to RMB207,312.3 million for the six months ended June 30, 2022. Meanwhile, the average cost on deposits from customers increased by 0.05 percentage point from 2.55% for the six months ended June 30, 2021 to 2.60% for the six months ended June 30, 2022. The increase in the average cost was attributable to an increase in the percentage of the average balance of time deposits with relatively high interest rate.

Interest expense on deposits from banks and other financial institutions

Interest expense on deposits from banks and other financial institutions decreased by 59.0% from RMB32.7 million for the six months ended June 30, 2021 to RMB13.4 million for the six months ended June 30, 2022, primarily due to a decrease of 50.2% in the average balance of deposits from banks and other financial institutions from RMB1,938.1 million for the six months ended June 30, 2021 to RMB966.0 million for the six months ended June 30, 2022. Meanwhile, the average cost on the liabilities of deposits from banks and other financial institutions decreased from 3.37% for the six months ended June 30, 2021 to 2.77% for the six months ended June 30, 2022. The decrease in the average balance of deposits from banks and other financial institutions was mainly because the Bank reduced the funds inflow from banks according to the liquidity and liability management of the Bank. The decrease in the average cost was mainly affected by the decline in market interest rates.

Interest expense on placements from banks and other financial institutions

Interest expense on placements from banks and other financial institutions decreased by 82.8% from RMB15.7 million for the six months ended June 30, 2021 to RMB2.7 million for the six months ended June 30, 2022, primarily due to a decrease of 74.9% in the average balance of placements from banks and other financial institutions from RMB1,080.4 million for the six months ended June 30, 2021 to RMB271.3 million for the six months ended June 30, 2022, as well as a decrease of 0.92 percentage points in the average cost of placements from banks and other financial institutions from 2.91% for the six months ended June 30, 2021 to 1.99% for the six months ended June 30, 2022. The decrease in the average balance of placements from banks and other financial institutions was mainly because the Bank reduced the funds inflow from banks according to the liquidity and liability management of the Bank. The decrease in the average cost was mainly affected by the decline in market interest rates.

Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements decreased by 6.0% from RMB142.6 million for the six months ended June 30, 2021 to RMB134.1 million for the six months ended June 30, 2022, primarily due to a decrease of 0.13 percentage point in the average cost of financial assets sold under repurchase agreements from 2.04% for the six months ended June 30, 2021 to 1.91% for the six months ended June 30, 2022. The decrease in the average cost was mainly affected by the decline in market interest rates.

Interest expense on debt securities issued

Interest expense on debt securities issued decreased by 21.6% from RMB842.7 million for the six months ended June 30, 2021 to RMB660.7 million for the six months ended June 30, 2022, primarily due to a decrease of 13.8% in the average balance of debt securities issued from RMB53,038.1 million for the six months ended June 30, 2021 to RMB45,693.6 million for the six months ended June 30, 2022, and a decrease of 0.29 percentage points in the average cost of debt securities issued from 3.18% for the six months ended June 30, 2021 to 2.89% for the six months ended June 30, 2022. The decrease in the average balance of debt securities issued was mainly due to the fact that the Bank decreased the issuance of interbank deposits according to the liquidity and liability management of the Bank. The decrease in the average cost of debt securities issued was mainly affected by the decrease in the market interest rates.

Interest expense on borrowing from the central bank

Interest expense on borrowing from the central bank increased by 36.4% from RMB22.0 million for the six months ended June 30, 2021 to RMB30.0 million for the six months ended June 30, 2022, primarily due to an increase of 50.4% in the average balance of borrowing from the central bank from RMB1,938.1 million for the six months ended June 30, 2021 to RMB2,914.1 million for the six months ended June 30, 2022, which was partially offset by a decrease of 0.21 percentage points in average cost to 2.06% for the six months ended June 30, 2022 from 2.27% for the six months ended June 30, 2021. The increase in the average balance was mainly due to an increase in the amount of relending loans to small and micro enterprises for which the Bank applied to the central bank.

3.3.4 Net fee and commission income

The following table sets forth, for the six months ended June 30, 2021 and 2022, the principal components of net fee and commission income of the Group.

	For the six months ended June 30,			
	2022	2021	Amount change	Rate of change (%)
	(in millions of RMB, except percentages)			
Fee and commission income				
Acceptance and guarantee business fees	**110.0**	105.0	5.0	4.8
Wealth management service fees	**96.0**	82.0	14.0	17.1
Agency service fees and others	**94.9**	172.2	(77.3)	(44.9)
Settlement and clearing fees	**85.0**	45.0	40.0	88.9
Bank card service fees	**72.3**	69.9	2.4	3.4
Subtotal	**458.2**	474.1	(15.9)	(3.4)
Fee and commission expenses				
Bank card service fees	**(34.5)**	(31.5)	(3.0)	9.5
Agency service fees and others	**(33.9)**	(9.1)	(24.8)	272.5
Settlement and clearing fees	**(21.5)**	(38.7)	17.2	(44.4)
Subtotal	**(89.9)**	(79.3)	(10.6)	13.4
Net fee and commission income	**368.3**	394.8	(26.5)	(6.7)

Net fee and commission income decreased by 6.7% from RMB394.8 million for the six months ended June 30, 2021 to RMB368.3 million for the six months ended June 30, 2022, primarily due to the decrease in fee and commission income by 3.4% from RMB474.1 million for the six months ended June 30, 2021 to RMB458.2 million for the six months ended June 30, 2022. Meanwhile, fee and commission expenses increased by 13.4% from RMB79.3 million for the six months ended June 30, 2021 to RMB89.9 million for the six months ended June 30, 2022. The decrease in fee and commission income was primarily due to the decline in agency service fee income as a result of the decline in the scale of bond issuance impacted by regulatory policies.

3.3.5 Net trading gains

Net trading gains of the Group decreased by 89.5% from RMB150.7 million for the six months ended June 30, 2021 to RMB15.8 million for the six months ended June 30, 2022, primarily due to the decrease in gains on the fair value changes of funds held by the Bank affected by dividend distribution of mutual funds.

3.3.6 Net gains arising from investment securities

Net gains arising from investment securities of the Group increased by 51.3% from RMB326.8 million for the six months ended June 30, 2021 to RMB494.3 million for the six months ended June 30, 2022, primarily due to a year-on-year increase in fund dividend distribution.

3.3.7 Operating expenses

The following table sets forth, for the six months ended June 30, 2021 and 2022, the principal components of operating expenses of the Group.

	For the six months ended June 30,			
	2022	2021	Amount change	Rate of change (%)
	(in millions of RMB, except percentages)			
Staff costs	**529.3**	502.5	26.8	5.3
Depreciation and amortization	**154.1**	151.6	2.5	1.6
Taxes and surcharges	**40.8**	39.9	0.9	2.3
Rental and property management expenses	**21.7**	21.9	(0.2)	(0.9)
Other general and administrative expenses[1]	**124.4**	128.1	(3.7)	(2.9)
Total operating expenses	**870.3**	844.0	26.3	3.1
Cost-to-income ratio[2]	**32.28%**	31.39%		

Notes:

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

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

Operating expenses increased by 3.1% from RMB844.0 million for the six months ended June 30, 2021 to RMB870.3 million for the six months ended June 30, 2022, primarily due to the increase in salaries of employees.

The Group's cost-to-income ratio for the six months ended June 30, 2021 and 2022 (excluding taxes and surcharges) were 31.39% and 32.28%, respectively. The increase in cost-to-income ratio was primarily due to a year-on-year increase in operating expense, and the increase in operating expenses is higher than the increase in the operating income.

Staff costs

Staff costs increased by 5.3% from RMB502.5 million for the six months ended June 30, 2021 to RMB529.3 million for the six months ended June 30, 2022. The following table sets forth the main components of staff costs for the periods indicated.

	For the six months ended June 30,			
	2022	2021	Amount change	Rate of change (%)
	(in millions of RMB, except percentages)			
Salaries, bonuses and allowances	**367.7**	338.3	29.4	8.7
Social insurance and annuity	**96.0**	94.0	2.0	2.1
Housing allowances	**34.3**	35.2	(0.9)	(2.6)
Employee education expenses and labour union expenses	**15.0**	15.5	(0.5)	(3.2)
Staff welfare	**13.8**	14.3	(0.5)	(3.5)
Supplementary retirement benefits	**0.5**	3.4	(2.9)	(85.3)
Others	**2.0**	1.8	0.2	11.1
Total staff costs	**529.3**	502.5	26.8	5.3

Depreciation and amortization

Depreciation and amortization expenses increased by 1.6% from RMB151.6 million for the six months ended June 30, 2021 to RMB154.1 million for the six months ended June 30, 2022, remaining stable as compared with the corresponding period of last year.

Taxes and surcharges

Taxes and surcharges increased by 2.3% from RMB39.9 million for the six months ended June 30, 2021 to RMB40.8 million for the six months ended June 30, 2022, primarily due to the Bank's business development and expansion, resulting in an increase in taxable income.

Rental and property management expenses

Rental and property management expenses decreased by 0.9% from RMB21.9 million for the six months ended June 30, 2021 to RMB21.7 million for the six months ended June 30, 2022, remaining stable as compared with the corresponding period of last year.

Other general and administrative expenses

Other general and administrative expenses primarily consisted of insurance premiums, banknote shipping fee, security expenses, electronic equipment operating cost and business marketing expenses. The Group's other general and administrative expenses decreased by 2.9% from RMB128.1 million for the six months ended June 30, 2021 to RMB124.4 million for the six months ended June 30, 2022.

3.3.8 Impairment losses on credit

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

	For the six months ended June 30,			
	2022	2021	Amount change	Rate of change (%)
	(in millions of RMB, except percentages)			
Impairment losses on credit				
Financial investments	**237.1**	224.8	12.3	5.5
Loans and advances to customers	**779.7**	526.6	253.1	48.1
Credit commitments	**(285.4)**	87.0	(372.4)	(428.0)
Others	**3.9**	4.1	(0.2)	(4.9)
Total	**735.3**	842.5	(107.2)	(12.7)

The Group's impairment losses on credit was RMB735.3 million for the six months ended June 30, 2022, representing a decrease of 12.7% from RMB842.5 million for the six months ended June 30, 2021, primarily due to the decrease in total online loan credit commitments as a result of the adjustment to online loan credit service area by the Group in line with the changes in regulatory policies, resulting in lower impairment losses on credit commitments.

3.3.9 Income tax expense

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

	For the six months ended June 30,			
	2022	2021	Amount change	Rate of change (%)
	(in millions of RMB, except percentages)			
Profit before tax	**974.5**	885.1	89.4	10.1
Income tax calculated at applicable statutory tax rate of 25%	**243.6**	221.3	22.3	10.1
Non-deductible expenses and others	**14.2**	(2.1)	16.3	(776.2)
Non-taxable income[1]	**(253.7)**	(216.0)	(37.7)	17.5
Income tax expense	**4.1**	3.2	0.9	28.1

Note:

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

Income tax expense increased by 28.1% from RMB3.2 million for the six months ended June 30, 2021 to RMB4.1 million for the six months ended June 30, 2022.

3.4 Statement of Financial Position Analysis

3.4.1 Assets

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

	As of June 30, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Cash and deposits with the central bank	**22,712.6**	**7.2**	24,042.2	7.9
Deposits with banks and other financial institutions	**1,909.3**	**0.6**	1,914.9	0.6
Placements with banks and other financial institutions	**786.5**	**0.2**	2,700.3	0.9
Derivative financial assets	**–**	**–**	0.2	0.0
Financial assets held under resale agreement	**18,816.0**	**6.0**	26,352.0	8.7
Net loans and advances to customers	**169,704.4**	**53.7**	151,007.4	49.8
Net financial investments	**97,121.4**	**30.8**	92,566.7	30.5
Investment in associate	**320.9**	**0.1**	318.6	0.1
Property and equipment	**1,328.9**	**0.4**	1,394.7	0.5
Deferred income tax assets	**1,688.8**	**0.5**	1,710.6	0.6
Other assets[1]	**1,419.6**	**0.5**	1,283.9	0.4
Total assets	**315,808.4**	**100.0**	303,291.5	100.0

Note:

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

The Group's total assets increased by 4.1% from RMB303,291.5 million as of December 31, 2021 to RMB315,808.4 million as of June 30, 2022, primarily due to the Group increased the supports to real economy, reflected by the net loans and advances to customers increasing to RMB169,704.4 million as of June 30, 2022 from RMB151,007.4 million as of December 31, 2021.

Loans and Advances to Customers

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

	As of June 30, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Corporate loans	**105,217.0**	**60.2**	97,971.9	62.9
Personal loans	**27,345.7**	**15.7**	26,872.0	17.3
Discounted bills	**42,049.8**	**24.1**	30,896.6	19.8
Gross loans and advances to customers	**174,612.5**	**100.0**	155,740.5	100.0
Interests accrued	**637.6**		544.0	
Less: Provision for impairment of loans and advances to customers measured at amortised cost	**(5,545.7)**		(5,277.1)	
Net loans and advances to customers	**169,704.4**		151,007.4	

Corporate loans

As of June 30, 2022, the Group's corporate loans amounted to RMB105,217.0 million, representing an increase of 7.4% from RMB97,971.9 million as of December 31, 2021, primarily due to the Group's intensified efforts in granting loans to local industries with advantages by actively involving in regional development in line with its mission to serve the real economy, in a bid to actively support the development of inclusive finance and drive economy towards steady development.

The following table sets forth the distribution of the Group's corporate loans by contract maturity as of the dates indicated.

	As of June 30, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Short-term loans and advances (one year or below)	**43,380.3**	**41.2**	37,469.8	38.2
Medium-and long-term loans (above one year)	**61,836.7**	**58.8**	60,502.1	61.8
Total corporate loans	**105,217.0**	**100.0**	97,971.9	100.0

Short-term loans and advances as a percentage of total corporate loans increased from 38.2% as of December 31, 2021 to 41.2% as of June 30, 2022, while medium-and long-term loans as a percentage of total corporate loans decreased from 61.8% as of December 31, 2021 to 58.8% as of June 30, 2022. The percentage change of the above-mentioned corporate loan portfolio was primarily due to the Group's continuous promotion of inclusive finance and innovation in services and products to support the development of small and micro enterprises along the core upstream and downstream, as evidenced by mainly short-term loans in term structure, together with weak demand for medium to long-term capital of enterprises which suffered disruptions in production and operation activities caused by the recurrent of the pandemic and upgrading of prevention and control measures.

The following table sets forth the distribution of the Group's corporate loans by product type as of the dates indicated.

	As of June 30, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Working capital loans	**64,493.3**	**61.3**	61,020.3	62.3
Fixed asset loans	**34,404.1**	**32.7**	32,057.0	32.7
Others(1)	**6,319.6**	**6.0**	4,894.6	5.0
Total corporate loans	**105,217.0**	**100.0**	97,971.9	100.0

Note:

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

As of June 30, 2022, working capital loans amounted to RMB64,493.3 million, representing an increase of 5.7% from RMB61,020.3 million as of December 31, 2021, primarily due to the Group's insistence on serving the real economy and practicing the development concepts of green finance and inclusive finance, so as to effectively increase efforts in granting loans.

As of June 30, 2022, fixed asset loans amounted to RMB34,404.1 million, representing an increase of 7.3% from RMB32,057.0 million as of December 31, 2021, primarily due to the Group's active follow-up of the province's development strategies, full support to the energy reform and increased efforts in granting loans to leading industries with advantages.

As of June 30, 2022, other corporate loans amounted to RMB6,319.6 million, representing an increase of 29.1% from RMB4,894.6 million as of December 31, 2021, primarily due to the Group's layout of its trade and finance business with innovative promotion of products, exploration of new channels for trade and finance business development and enlargement of trade and finance business scale.

Personal loans

As of June 30, 2022, the Group's personal loans amounted to RMB27,345.7 million, representing an increase of 1.8% from RMB26,872.0 million as of December 31, 2021. The increase was primarily because the Bank steadily developed residential mortgage loans, actively developed personal consumption loans and continuously expanded the credit card ecosystem, resulting in a continuous increase in consumption loan scale.

The table below sets forth the distribution of the Group's personal loans by product type as of the dates indicated.

	As of June 30, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Residential mortgage loans	**19,311.2**	**70.6**	18,687.9	69.6
Personal consumption loans	**1,671.9**	**6.1**	1,614.5	6.0
Personal business loans	**1,871.6**	**6.9**	2,126.3	7.9
Credit card balances	**4,491.0**	**16.4**	4,443.3	16.5
Total personal loans	**27,345.7**	**100.0**	26,872.0	100.0

As of June 30, 2022, residential mortgage loans amounted to RMB19,311.2 million, representing an increase of 3.3% from RMB18,687.9 million as of December 31, 2021. The increase was primarily due to the Bank's steady and robust development of residential mortgage loans in compliance with regulatory requirements supporting residents' rigid demand for housing.

As of June 30, 2022, personal consumption loans amounted to RMB1,671.9 million, representing an increase of 3.6% from RMB1,614.5 million as of December 31, 2021. The increase was primarily due to the Bank's restructuring of the personal loan asset, and increased innovation in respect of consumption loans by launching online products "Credit e-loan (信e貸)" and "Housing e-loan (房e貸)" which met the diversified consumer needs of the market.

As of June 30, 2022, personal business loans amounted to RMB1,871.6 million, representing a decrease of 12.0% from RMB2,126.3 million as of December 31, 2021. The decrease was primarily due to the fact that some of the personal business loans were not renewed upon maturity as a result of intense market competition.

As of June 30, 2022, credit card balances amounted to RMB4,491.0 million, representing an increase of 1.1% from RMB4,443.3 million as of December 31, 2021. The increase was primarily due to the fact that during the Reporting Period, the Bank accelerated its pace in financial technology deployment, further promoted the financial construction of both online and offline consuming scenarios via digital transformation and provided customers with integrated financial services by launching star-rated entitlement system, which further stimulated customers to pay by our cards.

Discounted bills

The balance of discounted bills increased by 36.1% from RMB30,896.6 million as of December 31, 2021 to RMB42,049.8 million as of June 30, 2022, primarily because the Bank adjusted its business strategy appropriately according to the market demand for bill financing to expand the scale of discounted bills during the Reporting Period.

Financial investments

As of June 30, 2022, the Group's total financial investments reached RMB98,044.4 million, representing an increase of 5.1% from RMB93,243.7 million as of December 31, 2021.

The following table sets forth the classification of the Group's financial investments, based on its business model and cash flow characteristics, as of December 31, 2021 and June 30, 2022.

	As of June 30, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Financial investments measured at amortized cost	**54,095.2**	**55.2**	52,113.7	55.9
Financial investments measured at fair value through other comprehensive income	**4,070.5**	**4.2**	5,346.9	5.7
Financial investments measured at fair value through profit or loss	**39,878.7**	**40.6**	35,783.1	38.4
Total financial investments	**98,044.4**	**100.0**	93,243.7	100.0
Interests accrued	**644.4**		653.6	
Less: allowance for impairment losses	**(1,567.4)**		(1,330.6)	
Net financial investments	**97,121.4**		92,566.7	

Debt Securities Investment

The following table sets forth the components of the Group's debt securities investments by issuer as of December 31, 2021 and June 30, 2022.

	As of June 30, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Debt securities issued by PRC government	**39,680.6**	**85.2**	36,330.2	87.8
Debt securities issued by policy banks	**4,228.6**	**9.1**	2,279.1	5.5
Debt securities issued by commercial banks and other financial institutions	**1,393.8**	**3.0**	1,222.2	3.0
Debt securities issued by corporate issuers	**1,281.0**	**2.7**	1,531.0	3.7
Total debt securities investment	**46,584.0**	**100.0**	41,362.5	100.0

The Group's investment in debt securities issued by PRC government increased by 9.2% from RMB36,330.2 million as of December 31, 2021 to RMB39,680.6 million as of June 30, 2022. The Group's investment in debt securities issued by policy banks increased by 85.5% from RMB2,279.1 million as of December 31, 2021 to RMB4,228.6 million as of June 30, 2022. The above changes were primarily due to an appropriate increase of allocation in debt securities issued by PRC government and policy banks after the Bank's comprehensive consideration of certain factors such as cost income and liquidity management.

As of June 30, 2022, the Group's investment in debt securities issued by commercial banks and other financial institutions increased by 14.0% as compared to December 31, 2021, primarily due to an appropriate increase of allocation in debt securities issued by commercial banks and other financial institutions after the Bank's comprehensive consideration of certain factors such as cost income and risk.

As of June 30, 2022, the Group's investment in debt securities issued by corporates decreased by 16.3% as compared to December 31, 2021, primarily due to the maturity of certain existing debt securities of corporates during the Reporting Period.

*Special Purpose Vehicle ("**SPV**") Investment*

The following table sets forth the distribution of the Group's SPV investment by product type as of December 31, 2021 and June 30, 2022.

	As of June 30, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Trust plans	**770.3**	**2.1**	1,976.2	5.9
Asset management plans	**1,607.1**	**4.4**	1,610.6	4.8
Funds	**34,005.7**	**93.5**	30,012.4	89.3
Total SPV investment	**36,383.1**	**100.0**	33,599.2	100.0

As of June 30, 2022, the total SPV investment increased by 8.3% from RMB33,599.2 million as of December 31, 2021 to RMB36,383.1 million, mainly due to the increase in the investment in funds with strong liquidity based on market changes and for the management of assets and liabilities of the Bank.

Other Components of the Group's Assets

The following table sets forth the composition of the Group's other components of assets as of December 31, 2021 and June 30, 2022.

	As of June 30, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Cash and deposits with the central bank	**22,712.6**	**46.4**	24,042.2	40.3
Deposits with banks and other financial institutions	**1,909.3**	**3.9**	1,914.9	3.2
Placements with banks and other financial institutions	**786.5**	**1.6**	2,700.3	4.5
Derivative financial assets	**–**	**–**	0.2	0.0
Financial assets held under resale agreement	**18,816.0**	**38.4**	26,352.0	44.1
Investment in associate	**320.9**	**0.7**	318.6	0.5
Property and equipment	**1,328.9**	**2.7**	1,394.7	2.3
Deferred income tax assets	**1,688.8**	**3.4**	1,710.6	2.9
Other assets[(1)]	**1,419.6**	**2.9**	1,283.9	2.2
Total other components of assets	**48,982.6**	**100.0**	59,717.4	100.0

Note:

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

As of June 30, 2022, total other components of assets decreased by 18.0% to RMB48,982.6 million from RMB59,717.4 million as of December 31, 2021, among which, financial assets held under resale agreements decreased from RMB26,352.0 million as of December 31, 2021 to RMB18,816.0 million as of June 30, 2022, which was mainly because the Bank enhanced the funds management, improved the structure of its assets and liabilities and reduced the reverse repurchase agreements. Placements with banks and other financial institutions decreased from RMB2,700.3 million as of December 31, 2021 to RMB786.5 million as of June 30, 2022. Cash and deposits with the central bank decreased by 5.5% to RMB22,712.6 million as of June 30, 2022 from RMB24,042.2 million as of December 31, 2021, primarily because the Bank reduced its balance of excess deposit reserve appropriately based on market liquidity and assets and liabilities.

3.4.2 Liabilities

The following table sets forth the components of the Group's total liabilities as of the dates indicated.

	As of June 30, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Borrowing from the central bank	**3,296.6**	**1.1**	2,799.2	1.0
Deposits from banks and other financial institutions	**667.4**	**0.2**	1,297.2	0.5
Placements from banks and other financial institutions	**500.1**	**0.2**	210.2	0.1
Financial assets sold under repurchase agreements	**19,209.8**	**6.6**	15,345.7	5.5
Deposits from customers	**231,521.2**	**79.0**	199,207.2	70.8
Income tax payable	**70.1**	**0.0**	67.7	0.0
Debt securities issued[(1)]	**34,641.0**	**11.8**	58,967.2	21.0
Other liabilities[(2)]	**3,339.2**	**1.1**	3,239.1	1.1
Total liabilities	**293,245.4**	**100.0**	281,133.9	100.0

Notes:

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

(2) Consists primarily of dividend payable, employee compensation payable, provision and other payables.

As of June 30, 2022, the Group's total liabilities amounted to RMB293,245.4 million, representing an increase of 4.3% from RMB281,133.9 million as of December 31, 2021, mainly due to the increase in the scale of deposits from customers.

Deposits from Customers

As of June 30, 2022, the Group's deposits from customers amounted to RMB231,521.2 million, representing an increase of 16.2% from RMB199,207.2 million as of December 31, 2021. The increase in deposits from customers was primarily due to the increase in corporate deposits and personal deposits as a result of the Bank's adherence to the philosophy of "building a bank founded on the basis of deposit (存款立行)" and continuous efforts in strengthening the synergy among corporates and individuals, enhancing customer services and marketing.

The following table sets forth the distribution of the Group's deposits from customers by product type and term structure of deposits as of December 31, 2021 and June 30, 2022.

	As of June 30, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Corporate deposits				
Demand	**52,250.5**	**23.1**	42,270.4	21.7
Time	**44,995.7**	**19.8**	39,670.8	20.3
Subtotal	**97,246.2**	**42.9**	81,941.2	42.0
Personal deposits				
Demand	**12,653.1**	**5.6**	10,988.3	5.6
Time	**96,417.3**	**42.5**	83,271.6	42.6
Subtotal	**109,070.4**	**48.1**	94,259.9	48.2
Others(1)	**20,399.2**	**9.0**	19,064.9	9.8
Total	**226,715.8**	**100.0**	195,266.0	100.0
Interests accrued	**4,805.4**		3,941.2	
Deposits from customers	**231,521.2**		199,207.2	

Note:

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

The amount of corporate deposits increased by 18.7% from RMB81,941.2 million as of December 31, 2021 to RMB97,246.2 million as of June 30, 2022, primarily due to the fact that the Bank continuously improved its customer acquisition ability and enhanced marketing and maintenance of corporate deposit customers to achieve accurate marketing and increase the deposits contribution.

The amount of personal deposits increased by 15.7% from RMB94,259.9 million as of December 31, 2021 to RMB109,070.4 million as of June 30, 2022, primarily because the Bank enhanced customer development by taking advantage of its competitive savings deposit products, driving a steady increase in the scale of savings deposits.

Debt Securities Issued

As of June 30, 2022, debt securities issued amounted to RMB34,641.0 million, representing a decrease of 41.3% from RMB58,967.2 million as of December 31, 2021. The decrease in debt securities issued was primarily due to the decrease in the issuance of interbank deposit for the purpose of the Bank's asset and liability management.

Financial Assets Sold under Repurchase Agreements

As of June 30, 2022, financial assets sold under repurchase agreements amounted to RMB19,209.8 million, representing an increase of 25.2% from RMB15,345.7 million as of December 31, 2021, primarily due to an increase in the number of repurchase transaction contracts the Bank entered into in order to reduce its financing costs.

3.4.3 Equity

The following table sets forth the components of the Group' equity as of the dates indicated.

	As of June 30, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Share capital	**5,838.7**	**25.9**	5,838.7	26.4
Capital reserve	**6,627.6**	**29.4**	6,627.6	29.9
Surplus reserve	**3,792.5**	**16.8**	3,792.5	17.1
General reserve	**3,161.1**	**14.0**	3,161.1	14.3
Fair value reserve	**(13.1)**	**(0.1)**	(30.6)	(0.1)
Impairment reserve	**5.0**	**0.0**	3.5	0.0
Deficit on remeasurement of net defined benefit liability	**(4.5)**	**0.0**	(4.4)	0.0
Retained earnings	**3,136.0**	**13.9**	2,747.6	12.4
Equity attributable to equity shareholders of the Bank	**22,543.3**	**99.9**	22,136.0	99.9
Non-controlling interests	**19.7**	**0.1**	21.6	0.1
Total equity	**22,563.0**	**100.0**	22,157.6	100.0

As of June 30, 2022, the total equity of the Group amounted to RMB22,563.0 million, representing an increase of 1.8% from RMB22,157.6 million as of December 31, 2021. As of the same date, the equity attributable to equity holders of the Bank amounted to RMB22,543.3 million, representing an increase of 1.8% from RMB22,136.0 million as of December 31, 2021. The increase in equity was mainly attributable to an increase in retained earnings from realization of net profit, which was partially offset by the declared distribution of dividends during the period. For the six months ended June 30, 2022, the Group realized a net profit of RMB970.4 million. According to the 2021 profit appropriation plan approved at the shareholders' general meeting, cash dividend of RMB583.9 million was distributed to all shareholders.

3.5 Off-balance Sheet Items Analysis

The following table sets forth the contractual amounts of the Group's off-balance sheet commitments as of December 31, 2021 and June 30, 2022.

	As of June 30, 2022	As of December 31, 2021
	(in millions of RMB)	
Loan commitment	**11,444.3**	14,765.0
Credit card commitment	**6,719.8**	6,557.8
Bank acceptance bills	**43,197.1**	43,989.9
Letter of credit	**5,675.3**	5,197.7
Letter of guarantee	**200.5**	201.8
Capital commitments	**89.6**	117.8
Others	**599.0**	600.0
Total off-balance sheet commitments	**67,925.6**	71,430.0

As of June 30, 2022, the Group's total off-balance sheet commitments amounted to RMB67,925.6 million, representing a decrease of 4.9% from RMB71,430.0 million as of December 31, 2021, primarily because of the decrease in loan commitment.

3.6 Asset Quality Analysis

Distribution of Loans by Five-Category Loan Classification

The following table sets forth the distribution of the Group's loans by the five-category loan classification as of December 31, 2021 and June 30, 2022. According to the current guidelines of risk-based classification of loans, NPL are classified as substandard, doubtful and loss.

	As of June 30, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Normal	**163,014.2**	**93.4**	144,285.5	92.7
Special Mention	**8,417.0**	**4.8**	8,596.5	5.5
Subtotal	**171,431.2**	**98.2**	152,882.0	98.2
Substandard	**2,596.3**	**1.5**	2,277.4	1.4
Doubtful	**151.0**	**0.1**	108.2	0.1
Loss	**434.0**	**0.2**	472.9	0.3
Subtotal	**3,181.3**	**1.8**	2,858.5	1.8
Gross loans and advances to customers	**174,612.5**	**100.0**	155,740.5	100.0
NPL ratio[1]		**1.82**		1.84

Note:

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

As of June 30, 2022, according to the five-category loan classification, the Group's normal loans amounted to RMB163,014.2 million, representing an increase of RMB18,728.7 million from that as of December 31, 2021, accounting for 93.4% of the gross loans and advances to customers. Special mention loans amounted to RMB8,417.0 million, representing a decrease of RMB179.5 million from that as of December 31, 2021, accounting for 4.8% of gross loans and advances to customers. NPLs amounted to RMB3,181.3 million, representing an increase of RMB322.8 million from that as of December 31, 2021. The NPL ratio was 1.82%, representing a decrease of 0.02 percentage point from that as of December 31, 2021. The increase in the total amount of NPLs and decrease in the NPL ratio were primarily due to the default of certain enterprises facing difficulties in operation as affected by the sluggish business environment and the pandemic and the fact that the Group continued to enhance the prevention and control of credit risk, strengthen early risk warning, tracking and after-lending monitoring management, step up efforts in risk management, and improve the quality and efficiency of collection and disposal by combining cash settlement, write-off, transfer and other means.

Distribution of Loans by Types of Collateral

The following table sets forth the distribution of the Group's loans and advances to customers by types of collateral as of December 31, 2021 and June 30, 2022.

	As of June 30, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Pledged loans[1]	**50,109.4**	**28.7**	37,208.5	23.9
Collateralized loans[1]	**25,853.8**	**14.8**	25,549.7	16.4
Guaranteed loans[1]	**80,079.9**	**45.9**	79,439.7	51.0
Unsecured loans	**18,569.4**	**10.6**	13,542.6	8.7
Gross loans and advances to customers	**174,612.5**	**100.0**	155,740.5	100.0

Note:

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

Distribution of Corporate Loans by Industry

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

	As of June 30, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Manufacturing	**36,045.3**	**34.2**	33,809.1	34.5
Mining	**20,383.2**	**19.3**	19,170.9	19.6
Wholesale and retail	**11,425.3**	**10.9**	11,490.1	11.7
Real estate	**8,685.0**	**8.3**	8,936.0	9.1
Leasing and business services	**6,935.4**	**6.6**	5,398.0	5.5
Construction	**4,188.5**	**4.0**	3,846.0	3.9
Finance	**3,826.2**	**3.6**	3,905.1	4.0
Water, environment and public utility management	**3,489.1**	**3.3**	2,904.8	2.9
Electricity, gas and water production and supply	**2,938.6**	**2.8**	1,551.3	1.6
Transportation, warehousing and postal services	**1,426.9**	**1.4**	1,089.4	1.1
Lodging and catering	**696.8**	**0.7**	706.5	0.7
Agriculture, forestry, animal husbandry and fishery	**228.2**	**0.2**	270.0	0.3
Education	**25.9**	**0.1**	28.6	0.1
Others[1]	**4,922.6**	**4.6**	4,866.1	5.0
Total corporate loans	**105,217.0**	**100.0**	97,971.9	100.0

Note:

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

For the six months ended June 30, 2022, the Group further optimized its credit structure and actively supported the development of the real economy. As of June 30, 2022, the Group's five major components of corporate loans were offered to customers in the following industries: manufacturing, mining, wholesale and retail, real estate, and leasing and business services. As of June 30, 2022 and December 31, 2021, the balance of loans to corporate customers in the top five industries amounted to RMB83,474.2 million and RMB78,804.1 million, respectively, accounting for 79.3% and 80.4% of the total corporate loans and advances to customers issued by the Group.

Distribution of Non-Performing Corporate Loans by Industry

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

	As of June 30, 2022			As of December 31, 2021		
	Amount	**% of total (%)**	**NPL ratio[1] (%)**	Amount	% of total (%)	NPL ratio[1] (%)
	(in millions of RMB, except percentages)					
Real estate	**927.9**	**33.3**	**10.68**	919.2	37.4	10.29
Leasing and business services	**693.4**	**24.9**	**10.00**	34.3	1.4	0.64
Wholesale and retail	**433.4**	**15.5**	**3.79**	245.8	10.0	2.14
Construction	**360.5**	**12.9**	**8.61**	366.0	14.9	9.52
Manufacturing	**292.0**	**10.5**	**0.81**	836.0	34.1	2.47
Mining	**35.2**	**1.3**	**0.17**	–	–	–
Lodging and catering	**22.4**	**0.8**	**3.21**	18.0	0.7	2.55
Agriculture, forestry, animal husbandry and fishery	**8.6**	**0.3**	**3.77**	10.0	0.4	3.70
Transportation, warehousing and postal services	**6.6**	**0.2**	**0.46**	6.6	0.3	0.61
Education	**5.6**	**0.2**	**21.62**	5.6	0.2	19.58
Water, environment and public utility management	**1.5**	**0.1**	**0.04**	1.5	0.1	0.05
Electricity, gas and water production and supply	**–**	**–**	**–**	8.7	0.4	0.56
Others[2]	**0.8**	**0.0**	**0.02**	2.2	0.1	0.05
Total non-performing corporate loans	**2,787.9**	**100.0**	**2.65**	2,453.9	100.0	2.50

Notes:

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

(2) Consists primarily of resident services, maintenance and other services and information transmission, software and information technology services.

As of June 30, 2022, the Group's non-performing corporate loans were mainly from real estate, leasing and business services and wholesale and retail industry. As of December 31, 2021 and June 30, 2022, the NPL ratio for corporate loans in the real estate industry was 10.29% and 10.68%, respectively. Non-performing corporate loans to borrowers in such industry accounted for 37.4% and 33.3% of the total non-performing corporate loans, respectively. The Bank's relatively high balance of NPLs to the real estate industry was due to the default of loans of the Bank as certain real estate enterprises faced operational difficulties resulted from capital liquidity problems, which was due to the influence of macro-control policies to the real estate industry and slower economic growth. At present, most of NPLs in the real estate industry are fully secured and a large amount of properties have been preserved by legal means. Meanwhile, with the introduction of a series of policies by the central and local governments to resolve real estate risks, certain enterprises have gradually resumed production. Therefore, the NPLs in the real estate industry will be properly disposed of one after another and the losses will be under control, which will not pose a significant risk to the Bank's business development.

As of December 31, 2021 and June 30, 2022, the NPL ratios for corporate loans in the leasing and business services industry were 0.64% and 10.00%, respectively. Non-performing corporate loans to borrowers in such industry accounted for 1.4% and 24.9% of the total non-performing corporate loans, respectively, which was mainly because certain customers in the leasing and business service industry faced operational difficulties affected by the economic environment and the pandemic, resulting in decreased income, shortage of cash flow and difficulty in repaying principal and interest. However, after considering that the collateral for these loans is sufficient, it is expected that the risk can be partially resolved by means such as liquidation, litigation and restructuring to reduce the loss, which will not pose a significant risk to the Bank's business development.

As of December 31, 2021 and June 30, 2022, the NPL ratios for corporate loans in the wholesale and retail industry were 2.14% and 3.79%, respectively. Non-performing corporate loans to borrowers in such industry accounted for 10.0% and 15.5% of the total non-performing corporate loans, respectively. The increase in NPL ratio for corporate loans to borrowers in the wholesale and retail industry was primarily due to an increase in the loan default rate as the wholesale and retail industry hit by the pandemic, resulting in the overall business downturn. Thus, the Bank will actively settle its debts by means such as liquidation, litigation, assignment and restructuring and maintain the safety of the Bank's credit capital. The balance of these NPLs accounted for only 0.25% of the Group's total loan balance, which would not pose a significant risk to the Bank's business development.

Distribution of NPLs by Product Type

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

	As of June 30, 2022			As of December 31, 2021		
	Amount	**% of total (%)**	**NPL ratio[1] (%)**	Amount	% of total (%)	NPL ratio[1] (%)
	(in millions of RMB, except percentages)					
Corporate loans						
Working capital loans	**1,583.8**	**49.8**	**2.46**	1,143.1	40.0	1.87
Fixed asset loans	**1,193.6**	**37.5**	**3.47**	1,300.3	45.5	4.06
Other loans[2]	**10.5**	**0.3**	**0.17**	10.5	0.4	0.21
Subtotal	**2,787.9**	**87.6**	**2.65**	2,453.9	85.9	2.50
Personal loans						
Residential mortgage loans	**69.8**	**2.2**	**0.36**	60.2	2.1	0.32
Personal consumption loans	**69.8**	**2.2**	**4.17**	75.1	2.6	4.65
Personal business loans	**87.5**	**2.8**	**4.68**	68.5	2.4	3.22
Credit cards	**166.3**	**5.2**	**3.70**	200.8	7.0	4.52
Subtotal	**393.4**	**12.4**	**1.44**	404.6	14.1	1.51
Total NPLs	**3,181.3**	**100.0**	**1.82**	2,858.5	100.0	1.84

Notes:

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

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

The NPL ratio for corporate loans increased from 2.50% as of December 31, 2021 to 2.65% as of June 30, 2022, while the balance of non-performing corporate loans increased from RMB2,453.9 million as of December 31, 2021 to RMB2,787.9 million as of June 30, 2022. The increase in the balance of NPLs for corporate loans was primarily due to the fact that certain enterprises experienced operational difficulties, revenue decline and operating losses due to impact of the economic environment and the pandemic in the first half of the year, which resulted in the default of their loans from the Bank.

The NPL ratio for personal loans decreased from 1.51% as of December 31, 2021 to 1.44% as of June 30, 2022, and the balance of NPLs for personal loans decreased from RMB404.6 million as of December 31, 2021 to RMB393.4 million as of June 30, 2022. The decreases in both the balance of NPLs and the NPL ratio for personal loans were primarily because the Bank increased its efforts to recover the receivables and collect the debts, and collect and dispose some personal non-performing loans. Among them, the NPL ratio for personal consumption loans decreased from 4.65% as of December 31, 2021 to 4.17% as of June 30, 2022, mainly due to the collection and disposal of some personal non-performing loans; the NPL ratio for personal business loans increased from 3.22% as of December 31, 2021 to 4.68% as of June 30, 2022, mainly due to the fact that some individuals encountered difficulties in business operations as a result of the great downward pressure on the commercial market and the impact of the pandemic on the market, causing their ability to repay to decline, which in turn led to the default of their loans from the Bank.

Distribution of NPLs by Geographical Region

The following table sets forth the distribution of the Group's NPLs by geographical region as of December 31, 2021 and June 30, 2022.

	As of June 30, 2022			As of December 31, 2021		
	Amount	**% of total (%)**	**NPL ratio[1] (%)**	Amount	% of total (%)	NPL ratio[1] (%)
	(in millions of RMB, except percentages)					
Taiyuan	**2,126.8**	**66.9**	**1.76**	2,474.3	86.6	2.28
Outside Taiyuan	**1,054.5**	**33.1**	**1.94**	384.2	13.4	0.82
Total NPLs	**3,181.3**	**100.0**	**1.82**	2,858.5	100.0	1.84

Note:

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

Borrowers Concentration

Loans to the Ten Largest Single Borrowers

In accordance with applicable PRC banking guidelines, the Group is subject to a lending limit of 10% of its net capital base to any single borrower. As of June 30, 2022, the Group's loans to the largest single borrower accounted for 9.6% of its net capital base, which was in compliance with regulatory requirements.

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

		As of June 30, 2022			
	Industry	**Amount**	**% of total loans (%)**	**% of net capital base[1] (%)**	**Classification**
		(in millions of RMB, except percentages)			
Borrower A	Manufacturing	**2,550.0**	**1.5**	**9.6**	Normal
Borrower B	Information transmission, software and information technology services	**2,091.4**	**1.2**	**7.9**	Normal
Borrower C	Finance	**2,025.1**	**1.2**	**7.6**	Normal
Borrower D	Manufacturing	**1,995.0**	**1.1**	**7.5**	Normal
Borrower E	Manufacturing	**1,700.0**	**1.0**	**6.4**	Normal
Borrower F	Leasing and business services	**1,609.9**	**0.9**	**6.1**	Normal
Borrower G	Manufacturing	**1,565.5**	**0.9**	**5.9**	Normal
Borrower H	Manufacturing	**1,544.5**	**0.9**	**5.8**	Normal
Borrower I	Manufacturing	**1,478.0**	**0.8**	**5.6**	Normal
Borrower J	Finance	**1,365.0**	**0.8**	**5.2**	Normal
Total		**17,924.4**	**10.3**	**67.6**	

Note:

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

As of June 30, 2022, the balance of the Group's loan to the largest single borrower amounted to RMB2,550.0 million, accounting for 1.5% of the gross loans and advances to customers; the total loans to the ten largest single borrowers amounted to RMB17,924.4 million, accounting for 10.3% of the gross loans and advances to customers.

Loan Aging Schedule

The following table sets forth the Group's loan aging schedule as of the dates indicated.

	As of June 30, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Current loan	**170,923.7**	**98.0**	152,621.2	98.0
Loans past due for				
Up to 3 months[1]	**928.1**	**0.5**	521.1	0.3
Over 3 months up to 6 months[1]	**581.8**	**0.3**	77.5	0.1
Over 6 months up to 1 year[1]	**358.5**	**0.2**	1,355.9	0.9
Over 1 year up to 3 years[1]	**1,620.7**	**0.9**	997.5	0.6
Over 3 years[1]	**199.7**	**0.1**	167.3	0.1
Subtotal	**3,688.8**	**2.0**	3,119.3	2.0
Gross loans and advances to customers	**174,612.5**	**100.0**	155,740.5	100.0

Note:

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

The overdue loans of the Group increased by 18.3% from RMB3,119.3 million as of December 31, 2021 to RMB3,688.8 million as of June 30, 2022, mainly due to the impact of factors such as the pandemic, the economic downturn and weakening expectations, resulted in an increase in the overdue loans of the Group, accounting for approximately 2.0% of total loans, which was basically equal to that at the beginning of the year. The Group will continue to actively carry out the collection and mininize the scale of overdue loans to ensure a steady improvement in asset quality.

Changes to Allowance for Impairment Losses

Allowance for impairment losses on loans to customers increased by 5.1% from RMB5,281.5 million as of January 1, 2022 to RMB5,551.8 million as of June 30, 2022, primarily because the allowance for impairment losses of the Group was made based on the corresponding increase in new loans as of June 30, 2022.

	As of June 30, 2022 Amount	As of December 31, 2021 Amount
	(in millions of RMB)	
Beginning of the period (January 1)	**5,281.5**[(1)]	4,868.5[(3)]
Charge for the period	**779.7**	1,487.1
Transfer out	**(316.3)**	(830.3)
Recoveries	**1.0**	12.4
Write-offs	**(143.8)**	(177.2)
Other changes	**(50.3)**	(79.0)
End of the period	**5,551.8**[(2)]	5,281.5[(1)]

Notes:

(1) Including (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB5,277.1 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB4.4 million.

(2) Including (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB5,545.7 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB6.1 million.

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

3.7 Geographical Segments Report

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

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

	For the six months ended June 30,			
	2022		2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Taiyuan	**2,124.3**	**82.7**	2,148.2	83.9
Outside Taiyuan	**445.5**	**17.3**	413.3	16.1
Total operating income	**2,569.8**	**100.0**	2,561.5	100.0

3.8 Capital Adequacy Ratio Analysis and Leverage Ratio Analysis

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

	As of June 30, 2022	As of December 31, 2021
	(in millions of RMB, except percentages)	
Core tier-one capital		
– Share capital	**5,838.7**	5,838.7
– Qualifying portion of capital reserve	**6,627.6**	6,627.6
– Surplus reserve	**3,792.5**	3,792.5
– General reserve	**3,161.1**	3,161.1
– Other comprehensive income	**(12.6)**	(31.5)
– Retained earnings	**3,136.0**	2,747.6
– Qualifying portions of non-controlling interests	**10.1**	8.9
Total core tier-one capital	**22,553.4**	22,144.9
Core tier-one capital deductions	**(263.4)**	(272.0)
Net core tier-one capital	**22,290.0**	21,872.9
Other tier-one capitals	**1.4**	1.2
Net tier-one capital	**22,291.4**	21,874.1
Tier-two capital	**4,183.7**	4,160.3
Net capital base	**26,475.1**	26,034.4
Total risk-weighted assets	**221,865.5**	216,654.1
Core tier-one capital adequacy ratio (%)	**10.05**	10.10
Tier-one capital adequacy ratio (%)	**10.05**	10.10
Capital adequacy ratio (%)	**11.93**	12.02

As of June 30, 2022, the Group's capital adequacy ratio was 11.93%, down by 0.09 percentage points from the end of 2021. Both the tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 10.05%, down by 0.05 percentage points from the end of 2021, primarily due to the increase of risk-weighted assets due to the increased credit loan.

As of June 30, 2022, the Group's leverage ratio was 6.07%, representing a decrease of 0.11 percentage points from 6.18% as of December 31, 2021. Pursuant to the Administrative Measures on the Leverage Ratio of Commercial Banks (Revision) issued by the former CBRC, which has been effective since April 2015, the minimum leverage ratio shall be no lower than 4%.

3.9 Risk Management

The primary risks related to the Bank's operations include: credit risk, market risk, liquidity risk, operational risk, information technology risk, reputational risk and strategic risk. In the first half of 2022, the Bank continued to strengthen its comprehensive risk management system by improving the risk management system, consolidating the defense for risk in three fields, clarifying risk management responsibilities, strengthening risk monitoring and warning, and promoting the digital and intelligent transformation of risk management. Thereby, the Bank strived to hold the bottom line of preventing systematic and regional financial risks.

Credit Risk

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

The Bank has built and continually improves its bank-wide credit risk management system to cover the entire credit extension process by the credit management system, comprehensive risk management system and other systems; thereby, the Bank can identify, measure, monitor, mitigate and control the credit risks arising from its credit extension business. The Bank had developed a vertical and independent risk management structure, which applied resident-model and dual reporting risk management, to improve its credit risk management and control.

In addition, the Bank closely monitors the quality of loans and may reclassify its loans based on the results of routine and special inspections. Furthermore, the Bank optimized the asset preservation management system and mechanism. It set up a professional preservation department and established an asset preservation management system with equal consideration on centralised collection and integrated management. And it improved the assessment, evaluation, incentive and control management mechanism to stimulate the efficiency of collection and disposal.

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

The Bank is dedicated to striking a balance between achieving steady loan growths and maintaining a prudent culture of risk management. The Bank actively implemented the economic and financial policy in relation to national policy direction and pandemic prevention and control, and continued to adjust and optimize credit structure to formulate credit policy guidelines. In formulating the credit policies, the Bank scientifically allocates the credit scale in terms of regions, business lines and sectors after full consideration of safety and efficiency, and prefers to issue credit to locally-dominated and advantageous industries so as to strengthen the concentration management of industries and customers.

Management of Large-scale Risk Exposure

The Bank strictly implemented regulatory requirements, formulated management rules for large-scale risk exposure, and established an organizational structure and management system to promote information system construction, and regularly reported to regulators on large-scale risk exposure indicators and related management work so as to effectively control customer concentration risks. As of June 30, 2022, other than exempt customers, all limit indicators for the Bank's large-scale risk exposure were in compliance with the regulatory requirements.

Market Risk

Market risk refers to the risk of changes in market prices caused by interest rates, exchange rates and other market factors. The Bank is exposed to market risks arising primarily from trading accounts and bank accounts, mainly including interest rate risks, reflected by the changes in income and asset price caused by fluctuations of interest rates. The Bank identifies, monitors, measures and manages various market risks in the bank accounts and trading books through risk sensitivity, stress tests and other manners.

Among them, the Bank has established a system for market risk management policies that is compatible with the nature, scale, complexity and risk characteristics of its businesses, and conducts comprehensive review of the risk procedure for the pre-event, in-process and post-event transaction businesses while strengthening the risk-control measures for the key risk points so as to formulate an effective risk monitoring program. In light of changing market interest rates, the Bank makes dynamic adjustments to the size and structure of assets in response to changes in the market environment, so that the maturities of the Bank's assets and liabilities can match and its various market risk indicators can meet regulatory requirements and operational needs.

As of June 30, 2022, the Bank operated a small foreign exchange business and held an insignificant amount of U.S. dollars and other currencies. The Bank has put together various policies and operational procedures for its foreign exchange businesses, such as foreign currency settlement, sales and payment, and foreign currency trading, to control the relevant exchange rate risk.

Liquidity Risk

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

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

In the first half of 2022, the Bank closely monitored the changes in the market interest rates, strengthened monitoring and management of the regular liquidity risks, and rationally adjusted the strategies of liquidity risk management by strengthening its day time fund position management and rationally matching the maturity structures of its assets and liabilities based on external market environment, to ensure that the liquidity risk was safe and controllable. Liquidity risk management was strengthened mainly in the following aspects: 1. The Bank strengthened the routine monitor of liquidity risks. The Bank improved the monitor and analysis of large-amount fund through the information system of liquidity risks, rationally adjusted and controlled its day time excess reserves level to ensure that payment and settlement and other businesses can be operated normally. Meanwhile, the Bank strengthened the management and control of liquidity risk indicators and rationally adjusted the structure of its assets and liabilities to ensure that the Bank's liquidity indicators continued to be stable and meet regulatory requirements. 2. The Bank adopted the management of liquidity risk limit indicators, and set the limit indicators based on the external market and the actual development of the Bank's business. 3. The Bank strengthened the management of quality liquidity assets to ensure that there were sufficient reserves of quality liquidity assets to meet external financing needs under stress scenarios. 4. The Bank had erected a liquidity risk monitoring table reporting mechanism to ensure that the Board and senior management can understand the Bank's liquidity status in a timely manner. 5. The Bank regularly conducted liquidity stress tests and timely adjusted the structure of assets and liabilities based on the results of the stress tests to ensure that there were sufficient high-quality liquid assets to cope with external liquidity pressures.

Operational Risk

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

The Bank has established an operational risk management and governance structure with the Board, the Board of Supervisors and senior management, and clarified "three lines of defense" of operational risk management system for various business departments at our head office and branches, the Legal and Compliance Department and the Audit Department. The Bank continued to optimize the risk management system, actively improved the system management mechanism, solidly carried out the "System Implementation Year" activities, steadily promoted the work of "abolishing, amending and establishing" systems and business process review, and embedded compliance management and risk prevention and control requirements into the whole process of operational management and business development, so as to enhance its capabilities for internal management.

Based on strengthening internal control and compliance management, the Bank continued to strengthen the supervision of key businesses, key links and key personnel, as well as organized and carried out risk investigation of key businesses such as credit business, credit security and seal management and special investigations for staff behavior rectification, so as to continuously improve risk prevention capabilities. Meanwhile, the Bank took the lead in formulating and implementing annual business continuity plans, and organized emergency drills for payment systems, core databases, and switching of business area network, to further improve the emergency response level of the information system.

Information Technology Risk

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

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

Reputational Risk

Reputational risk refers to the behavior of the Bank, its employees or external events that lead to negative evaluations of the Bank by stakeholders, the public and the media, thereby damaging the brand value of the Bank, adversely affecting the operation and management of the Bank, and even affecting market stability and social stability. Reputational risk is a secondary risk, a "risk within a risk" derived from other various risk events. A reputation event is an act or activity that significantly damages the Bank's reputation. The Bank takes its reputation seriously and has established an effective reputational risk management mechanism to monitor, identify, report, control, and assess the reputational risk, and at the same time manage the reputational risk emergency handling, and minimize any loss and negative impact on the Bank due to such incidents.

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

Strategic Risk

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

The Bank adheres to its strategic determination to continuously improve its management measures to ensure the strategy implementation, and to actively carry out evaluation of the strategy implementation to ensure the adaptability to the external environment in line with the strategic plan. The Office of the Board is responsible for managing the Bank's strategic risks. The Bank identifies risk factors through cooperation between the Office of the Board and the Risk Management Department, conducts regular review and study on prevailing market conditions and the Bank's business operation status to timely identify potential risks, and makes adjustment to the strategic measures accordingly, as well as closely monitors the implementation of the strategies.

3.10 Business Review

For the six months ended June 30, 2022, the Group's principal business lines comprised corporate banking, retail banking and financial markets.

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

The following table sets forth the breakdown of the Group's operating income by business line for the six months ended June 30, 2021 and 2022.

	For the six months ended June 30,			
	2022		2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Corporate banking	**2,068.7**	**80.5**	1,910.3	74.6
Retail banking	**436.0**	**17.0**	317.2	12.4
Financial markets	**54.8**	**2.1**	328.6	12.8
Others(1)	**10.3**	**0.4**	5.4	0.2
Total operating income	**2,569.8**	**100.0**	2,561.5	100.0

Note:

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

Corporate banking

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

For the six months ended June 30, 2022, the Group's operating income from corporate banking was RMB2,068.7 million, accounting for 80.5% of the total operating income for the same period. The increase in operating income from corporate banking was primarily due to the increase in the scale of deposit and loan business compared with the corresponding period in last year.

For the six months ended June 30, 2022, the Group continued to improve its ability of catering to corporate banking customers' needs for differentiated financial products, and also focused on the development of fee and commission-based corporate banking business and services, such as bonds underwriting, trade financing and acceptances, continuously optimized the business structure, and enriched its product portfolio.

Retail banking

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

For the six months ended June 30, 2022, the Group's operating income from retail banking was RMB436.0 million, accounting for 17.0% of the total operating income for the same period. As of June 30, 2022, the personal loan balance was RMB27,345.7 million, accounting for 15.7% of the gross loans and advances to customers. As of June 30, 2022, residential mortgage loans, personal consumption loans, personal business loans, and credit card balance were RMB19,311.2 million, RMB1,671.9 million, RMB1,871.6 million and RMB4,491.0 million, accounting for 70.6%, 6.1%, 6.9% and 16.4% of the total personal loans of the Bank, respectively.

Relying on quality services, the number of retail banking customers of the Group further increased during the Reporting Period, from 2,877.7 thousand as of June 30, 2021 to 3,084.6 thousand as of June 30, 2022. After years of persistent efforts, the Bank has established an extensive institutional network covering central cities within Shanxi Province. As of June 30, 2022, the Bank had one head office, ten branches, 149 sub-branches (including four sub-branches directly administered by the head office, 120 city-level sub-branches, and 25 county-level sub-branches) and one 51.0% owned subsidiary, Qingxu Jinshang Village and Township Bank Co., Ltd. In total, the Bank had 159 outlets, which covered all 11 prefecture-level cities in Shanxi Province.

During the Reporting Period, based on the comprehensive coverage of the business network, the Group is committed to making use of advanced technologies to provide customers with convenient online and mobile financial products and services. During the Reporting Period, the Group continuously enriched its online banking services and attracted customers with a good tailor-made user experience through technological upgrade. In addition, by integrating high-quality resources, the Group provided professional and comprehensive financial services to high net worth individuals in the province. The established private banking center won the "Excellence in Wealth Management of City Commercial Bank" and "Excellence in Regional Services of Private Bank" in the 2022 Golden Honor Awards for its quality services in wealth management and private banking.

In order to brand the private banking and maintain customers of private banking properly, the private banking center focuses on the service system of "promoting the future", "promoting various privileges", "promoting the level of wellbeing", and "promoting extraordinary experience", actively explores the development model of private banking in line with its own development strategy, scale and management capabilities, deepens the service market of family wealth planning, creates a differentiated and distinctive private banking brand, and accelerates the steady and robust development of private banking in the region, whereby becoming an important provider of wealth management services for outstanding entrepreneurs and their family in the region.

Financial markets

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

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

The financial market business continued to optimize diversified financing channels, focus on liquidity management, construct a comprehensive evaluation system for credit risks, continuously strengthen risk prevention and control, and actively promote the conducting of new business. For the six months ended June 30, 2022, the Bank was granted the qualification of "2022 Renminbi Financial Bond Underwriting Market-Making Group of National Development Bank". The acquisition of such qualification further expanded the scope of the bond underwriting and distribution business and credit risk prevention and control capabilities.

For the six months ended June 30, 2022, operating income from the Group's financial markets business amounted to RMB54.8 million, accounting for 2.1% of its total operating income. The decrease in operating income from the financial markets business was due to the decrease in the yield on funds and bonds as affected by market interest rates; and the decrease in the yield on financial investments resulting from the impact of asset quality on certain asset management plans.

Interbank Market Transactions

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

As of June 30, 2022, deposits with banks and other financial institutions were RMB1,909.3 million, accounting for 0.6% of the Group's total assets as of June 30, 2022. As of the same date, deposits from banks and other financial institutions amounted to RMB667.4 million, accounting for 0.2% of the Group's total liabilities as of June 30, 2022.

As of June 30, 2022, placements with banks and other financial institutions were RMB786.5 million, accounting for 0.2% of the Group's total assets as of June 30, 2022. As of the same date, placements from banks and other financial institutions amounted to RMB500.1 million, accounting for 0.2% of the Group's total liabilities as of June 30, 2022.

As of June 30, 2022, financial assets held under resale agreements were RMB18,816.0 million, accounting for 6.0% of the Group's total assets as of June 30, 2022. As of the same date, financial assets sold under resale agreements amounted to RMB19,209.8 million, accounting for 6.6% of the Group's total liabilities as of June 30, 2022.

Investment Management

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

As of June 30, 2022, the balance of debt securities investment was RMB46,584.0 million, representing an increase of 12.6% from that as of December 31, 2021, primarily because the Bank increased the allocation to government bonds, policy bank bonds and commercial bank bonds after the Bank's comprehensive consideration of certain factors, such as bonds cost income and liquidity management.

As of June 30, 2022, the balance of SPV investment was RMB36,383.1 million, representing an increase of 8.3% from that as of December 31, 2021, primarily because the Bank increased the investment in mutual funds after comprehensive consideration of certain factors, such as market and the cost income of assets as the Bank's assets gradually expanded.

Wealth Management

During the Reporting Period, the Bank actively expanded its wealth management products and services to attract a wider range of customers with different financial needs and risk tolerance, and effectively respond to the challenges of traditional banking services amid interest rate marketization. For the six months ended June 30, 2022, the amount of wealth management products issued by the Group was RMB71,331.3 million, representing an increase of 27.2% for the six months ended June 30, 2021, primarily due to the further enrichment of product types and the active trading in short-term open-ended products. As of June 30, 2022, the Group had more than 360,000 wealth management customers, a further increase from the end of 2021.

As of June 30, 2022, the outstanding balance of the non-principal guaranteed wealth management products issued by the Group was RMB53,142.7 million, representing an increase of 36.0% from that as of June 30, 2021, primarily because the local economy is picking up steam with its residents accumulating wealthy steadily. For the six months ended June 30, 2022, the net fee and commission income from the wealth management products issued by the Group was RMB96.0 million, representing an increase of 17.1% for the six months ended June 30, 2021, primarily because the Bank actively implemented the policy of "improving quality and efficiency" to reduce business costs and improve profitability, and thus achieved revenue growth while maintaining a stable product scale.

Debt Securities Distribution

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

The Bank obtained the preliminary and Class-B qualification for underwriting debt financing instruments issued by non-financial enterprises in October 2016 and February 2019, respectively, the latter of which allows the Bank to act as a lead underwriter in the regional market. For the six months ended June 30, 2022, the aggregate principal amount of debt securities the Bank distributed amounted to RMB11,243.0 million, representing a decrease of 47.4% for the six months ended June 30, 2021, primarily due to the lower business volume than the corresponding period in last year as a result of the impact of the pandemic and intense market competition.

Small and micro enterprise

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

As of June 30, 2022, our head office and branches have set up small and micro financial departments or small and micro financial teams, and three small and micro business franchised subbranches in our institution outlets.

As of June 30, 2022, the balance of inclusive loans to small and micro enterprises of the Bank amounted to RMB6,464.1 million, representing a net increase of RMB718.2 million from the beginning of the year, or a growth rate of 12.5%, 6.3 percentage points higher than that of various loans (excluding discounted bills).

As of June 30, 2022, the annualized interest rate of accumulative inclusive loans to small and micro enterprises of the Bank was 5.1%, representing a decrease of 0.3 percentage points from the beginning of the year, with the lending interest rate maintained at a reasonable level.

4. ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES, JOINT VENTURES, ASSETS AND BUSINESS MERGER

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

Substantial Investments

The Bank had no substantial investments in the first half of 2022.

5. OTHER INFORMATION

5.1 Corporate Governance Code

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

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

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

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

5.2 Directors, Supervisors and Senior Management of the Bank

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

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

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

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

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

The Bank's senior management consists of eight members, namely, Mr. ZHANG Yunfei△, Mr. ZHAO Jiquan, Mr. LI Yanbin, Mr. WANG Yibin, Mr. WEN Gensheng, Mr. LI Weiqiang, Mr. SHANGGUAN Yujiang and Ms. LI Wenli*.

△ Subject to the approval of his qualification as the president of the Bank by the CBIRC Shanxi Office to come into effect.

* Subject to the approval of her qualification as the chief audit officer by CBIRC Shanxi Office to come into effect.

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

During the Reporting Period, there were no changes in the directors and supervisors of the Bank.

Changes in Senior Management

On January 14, 2022, Mr. LI Yanbin and Mr. WANG Yibin were appointed as the vice presidents of the Bank by the Board, and their qualifications have been approved by the CBIRC Shanxi Office on June 14, 2022. For the biographies of Mr. LI Yanbin and Mr. WANG Yibin, please refer to the Bank's 2021 annual report published on April 27, 2022. Mr. LI Yanbin obtained a master's degree in economics from Shanxi University of Finance and Economics (山西財經大學) in June 2008 and was qualified as a senior economist in August 2019.

On March 30, 2022, Ms. HOU Xiuping tendered her resignation as the chief financial officer of the Bank due to work re-arrangement with effect from March 30, 2022.

On March 30, 2022, Mr. NIU Jun tendered his resignation as the chief operation officer of the Bank due to work re-arrangement with effect from March 30, 2022.

On June 28, 2022, Mr. ZHANG Yunfei was appointed as the president by the Board, which is subject to the qualification approval by the CBIRC Shanxi Office. For the biography of Mr. ZHANG Yunfei, please refer to the Bank's announcement dated June 28, 2022 in relation to the appointment of the president.

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

5.4 Securities Transaction by Directors, Supervisors and Relevant Employees

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

5.5 Profits and Dividends

The Group's revenue for the six months ended June 30, 2022 and the Bank's financial position as of the same date are set out in the section headed "Interim Financial Information" in this interim results announcement.

The shareholders of the Bank has considered and approved the 2021 profit distribution plan at the 2021 annual general meeting held by the Bank on June 10, 2022. The final dividend for 2021 was RMB10.0 (tax inclusive) per 100 shares, totaling RMB583.9 million, and has been distributed to the holders of H shares and domestic shares by July 29, 2022.

The Bank neither recommends paying interim dividends for the six months ended June 30, 2022 nor transfers any capital reserve to increase its share capital.

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

During the period from January 1, 2022 to the date of this interim results announcement, neither the Bank nor its subsidiary purchased, sold or redeemed any listed securities of the Bank.

5.7 Review of Interim Results

The interim financial information disclosed in this interim results announcement has not been audited. Ernst & Young has, in accordance with the International Standards on Review Engagements, reviewed the interim financial information for the six months ended June 30, 2022 prepared by the Bank in accordance with International Accounting Standard 34, "Interim Financial Reporting" issued by IASB. Nothing has come to Ernst & Young's attention that causes it to believe that the interim financial information as at June 30, 2022 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

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

5.8 Use of Proceeds

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

As approved by the preparatory team of CBIRC Shanxi Office, the Bank issued financial bonds in the national inter-bank bond market on December 13, 2018 and the payment was completed on December 17, 2018. This tranche of bonds totaled RMB5.00 billion with a maturity of three years at a fixed interest rate and a coupon interest rate of 4.00%, which matured on December 17, 2021. All funds raised from this tranche of bonds have been used to optimize the matching structure of medium-to-long-term assets and liabilities, increase the source of stable medium-to-long-term liabilities and support the development of new medium-to-long-term asset business in accordance with applicable laws and approvals from regulatory authorities.

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

As approved by the People's Bank of China and the CBIRC Shanxi Office, the Bank issued tier-two capital bonds in the national inter-bank bond market on January 20, 2021, and the payment was completed on January 22, 2021. This tranche of bonds totaled RMB2.00 billion with a maturity of 5+5 years at a fixed interest rate and a coupon interest rate of 4.78%, and the right of redemption with pre-conditions at the end of the fifth year. With prior approval by the regulatory authorities, the Bank is entitled to redeem part or all of such bonds at par value. All funds raised from this tranche of bonds have been used to replenish the tier-two capital of the Bank in accordance with applicable laws and approvals from regulatory authorities.

5.9 Subsequent Events

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

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

As of June 30, 2022, the total number of employees of the Group reached 4,375, of which 28% were employees aged 30 and below, and 88% were employees with bachelor's degree or above. Excellent age distribution and professional talent team can help cultivate a positive and innovative corporate culture and strengthen the ability to respond to market changes and seize market opportunities. As of June 30, 2022, the Bank had 408 employees qualified for AFP certification; 42 had CFP certificates.

Believing that its sustainable growth relies on the capability and dedication of its employees, the Bank has invested significant resources in talent development to offer a variety of training programs for its employees at different levels. To establish and improve a tiered and classified talent training system that conforms to the characteristics of positions, the Bank closely focuses on its strategic decision-making as a whole and key work deployment, and provides teachings and trainings based on demand and aptitude, so as to cultivate management experts, professional talents, business cadres and position models. The Bank combines regular training with certificate for job by comprehensively adopting the forms of online + offline, intensive teaching + on-job learning, etc. The training tailored for personnel with managerial functions focuses on improving the comprehensive quality and knowledge structure of the managers, and enhancing their comprehensive managerial capabilities and strategy execution capabilities; the training tailored for professional and technical personnel focuses on improving their technical and theoretical level and professional skills, and strengthening their abilities at product research and development, process optimization and technological innovation; and the training tailored for personnel with operational functions focuses on enhancing their business and operational skills, and improving their abilities to perform job responsibilities.

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

6. INTERIM FINANCIAL INFORMATION

Report on Review of Interim Financial Information

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

Introduction

We have reviewed the accompanying interim financial information set out on pages 65 to 151, which comprises the condensed consolidated statement of financial position of Jinshang Bank Co., Ltd. (the "**Bank**") and its subsidiary (the "**Group**") as at 30 June 2022 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and consolidated interim 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
26 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022 – unaudited
(Amounts in thousands of Renminbi, unless otherwise stated)

		For the six months ended 30 June	
	Notes	**2022**	2021
Interest income		**5,220,748**	4,999,869
Interest expense		**(3,540,504)**	(3,316,517)
Net interest income	*4*	**1,680,244**	1,683,352
Fee and commission income		**458,243**	474,084
Fee and commission expense		**(89,873)**	(79,299)
Net fee and commission income	*5*	**368,370**	394,785
Net trading gains	*6*	**15,768**	150,738
Net gains arising from investment securities	*7*	**494,313**	326,812
Other operating income	*8*	**11,151**	5,761
Operating income		**2,569,846**	2,561,448
Operating expenses	*9*	**(870,257)**	(843,991)
Impairment losses on credit	*10*	**(735,358)**	(842,452)
Share of profits of an associate		**10,245**	10,106
Profit before income tax		**974,476**	885,111
Income tax expense	*11*	**(4,097)**	(3,180)
Net profit		**970,379**	881,931
Net profit attributable to:			
Equity holders of the Bank		**972,292**	881,864
Non-controlling interests		**(1,913)**	67

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

	Notes	For the six months ended 30 June **2022**	 2021
Net Profit		**970,379**	881,931
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Financial assets at fair value through other comprehensive income:			
– net movement in the fair value reserve, net of tax	*32(d)*	**17,438**	14,791
– net movement in the impairment reserve, net of tax	*32(e)*	**1,516**	(2,014)
Items that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit liability, net of tax	*32(f)*	**(99)**	(2,175)
Other comprehensive income for the period, net of tax		**18,855**	10,602
Total comprehensive income		**989,234**	892,533
Total comprehensive income attributable to:			
Equity holders of the Bank		**991,147**	892,466
Non-controlling interests		**(1,913)**	67
Total comprehensive income		**989,234**	892,533
Basic and diluted earnings per share (in RMB)	*12*	**0.17**	0.15

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022 – unaudited
(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	**As at 30 June 2022**	As at 31 December 2021
ASSETS			
Cash and deposits with the central bank	*13*	**22,712,621**	24,042,197
Deposits with banks and other financial institutions	*14*	**1,909,319**	1,914,906
Placements with banks and other financial institutions	*15*	**786,446**	2,700,264
Derivative financial assets	*16*	**–**	236
Financial assets held under resale agreements	*17*	**18,815,980**	26,351,992
Loans and advances to customers	*18*	**169,704,401**	151,007,392
Financial investments:	*19*		
– Financial investments at fair value through profit or loss		**39,878,663**	35,783,091
– Financial investments at fair value through other comprehensive income		**4,139,792**	5,430,753
– Financial investments at amortised cost		**53,102,871**	51,352,825
Interest in an associate	*20*	**320,869**	318,624
Property and equipment	*22*	**1,328,929**	1,394,665
Deferred tax assets	*23*	**1,688,826**	1,710,646
Other assets	*24*	**1,419,646**	1,283,922
Total assets		**315,808,363**	303,291,513
LIABILITIES			
Borrowings from the central bank		**3,296,617**	2,799,217
Deposits from banks and other financial institutions	*25*	**667,390**	1,297,166
Placements from banks and other financial institutions	*26*	**500,088**	210,169
Derivative financial liabilities	*16*	**–**	403
Financial assets sold under repurchase agreements	*27*	**19,209,843**	15,345,732
Deposits from customers	*28*	**231,521,236**	199,207,180
Income tax payable		**70,064**	67,714
Debt securities issued	*29*	**34,641,004**	58,967,189
Other liabilities	*30*	**3,339,177**	3,239,168
Total liabilities		**293,245,419**	281,133,938

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

	Notes	As at 30 June 2022	As at 31 December 2021
EQUITY			
Share capital	*31*	**5,838,650**	5,838,650
Capital reserve	*32(a)*	**6,627,602**	6,627,602
Surplus reserve	*32(b)*	**3,792,525**	3,792,525
General reserve	*32(c)*	**3,161,131**	3,161,131
Fair value reserve	*32(d)*	**(13,142)**	(30,580)
Impairment reserve	*32(e)*	**4,964**	3,448
Deficit on remeasurement of net defined benefit liability	*32(f)*	**(4,464)**	(4,365)
Retained earnings	*33*	**3,136,018**	2,747,591
Total equity attributable to equity holders of the Bank		**22,543,284**	22,136,002
Non-controlling interests		**19,660**	21,573
Total equity		**22,562,944**	22,157,575
Total liabilities and equity		**315,808,363**	303,291,513

Approved and authorised for issue by the Board of Directors on 26 August 2022.

Hao Qiang
Chairwoman of the Board

Zhang Yunfei
Executive Director

Zhao Jiquan
Officer in charge of Finance

(Company chop)

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 – unaudited
(Amounts in thousands of Renminbi, unless otherwise stated)

		Attributable to equity holders of the Bank										
	Notes	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total
As at 1 January 2022		5,838,650	6,627,602	3,792,525	3,161,131	(30,580)	3,448	(4,365)	2,747,591	22,136,002	21,573	22,157,575
Changes in equity for the period:												
Net profit		–	–	–	–	–	–	–	972,292	972,292	(1,913)	970,379
Other comprehensive income		–	–	–	–	17,438	1,516	(99)	–	18,855	–	18,855
Total comprehensive income		–	–	–	–	17,438	1,516	(99)	972,292	991,147	(1,913)	989,234
Appropriation of profit												
– Appropriation to surplus reserve	32(b)	–	–	–	–	–	–	–	–	–	–	–
– Appropriation to general reserve	32(c)	–	–	–	–	–	–	–	–	–	–	–
– Dividends paid to shareholders	33	–	–	–	–	–	–	–	(583,865)	(583,865)	–	(583,865)
As at 30 June 2022		5,838,650	6,627,602	3,792,525	3,161,131	(13,142)	4,964	(4,464)	3,136,018	22,543,284	19,660	22,562,944

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

		Attributable to equity holders of the Bank										
	Notes	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total
As at 1 January 2021		5,838,650	6,627,602	3,623,310	2,809,363	(64,335)	12,892	(765)	2,166,811	21,013,528	27,843	21,041,371
Changes in equity for the period:												
Net profit		–	–	–	–	–	–	–	881,864	881,864	67	881,931
Other comprehensive income		–	–	–	–	14,791	(2,014)	(2,175)	–	10,602	–	10,602
Total comprehensive income		–	–	–	–	14,791	(2,014)	(2,175)	881,864	892,466	67	892,533
Appropriation of profit												
– Appropriation to surplus reserve	*32(b)*	–	–	–	–	–	–	–	–	–	–	–
– Appropriation to general reserve	*32(c)*	–	–	–	–	–	–	–	–	–	–	–
– Dividends paid to shareholders	*33*	–	–	–	–	–	–	–	(583,865)	(583,865)	–	(583,865)
As at 30 June 2021		5,838,650	6,627,602	3,623,310	2,809,363	(49,544)	10,878	(2,940)	2,464,810	21,322,129	27,910	21,350,039
Changes in equity for the period:												
Net profit		–	–	–	–	–	–	–	803,764	803,764	(6,337)	797,427
Other comprehensive income		–	–	–	–	18,964	(7,430)	(1,425)	–	10,109	–	10,109
Total comprehensive income		–	–	–	–	18,964	(7,430)	(1,425)	803,764	813,873	(6,337)	807,536
Appropriation of profit												
– Appropriation to surplus reserve	*32(b)*	–	–	169,215	–	–	–	–	(169,215)	–	–	–
– Appropriation to general reserve	*32(c)*	–	–	–	351,768	–	–	–	(351,768)	–	–	–
– Dividends paid to shareholders	*33*	–	–	–	–	–	–	–	–	–	–	–
As at 31 December 2021		5,838,650	6,627,602	3,792,525	3,161,131	(30,580)	3,448	(4,365)	2,747,591	22,136,002	21,573	22,157,575

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022 – unaudited

(Amounts in thousands of Renminbi, unless otherwise stated)

	For the six months ended 30 June	
	2022	2021
Cash flows from operating activities		
Profit before income tax	**974,476**	885,111
Adjustments for:		
Impairment losses on credit	**735,358**	842,452
Depreciation and amortisation	**154,066**	151,600
Accreted interest on credit-impaired	**(50,236)**	(37,012)
Unrealised foreign exchange losses	**878**	362
Net gains on disposal of property and equipment and other assets	**(1,957)**	(470)
Net trading gains	**(16,646)**	(151,100)
Net gains on disposal of investment securities	**(494,313)**	(326,812)
Share of profits of an associate	**(10,245)**	(10,106)
Interest expense on debts securities issued	**660,710**	842,719
Interest expense on lease liabilities	**6,581**	8,036
	1,958,672	2,204,780
Changes in operating assets		
Net increase in deposits with the central bank	**(821,954)**	(1,034,806)
Net increase in deposits and placements with banks and other financial institutions	**(593,143)**	(1,027,049)
Net increase in loans and advances to customers	**(18,987,196)**	(12,520,315)
Net decrease/(increase) in financial assets held under resale agreements	**7,529,638**	(7,060,815)
Net increase in other operating assets	**(397,022)**	(1,361,698)
	(13,269,677)	(23,004,683)

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

	For the six months ended 30 June	
	2022	2021
Changes in operating liabilities		
Net increase in borrowings from the central bank	**497,274**	491,633
Net (decrease)/increase in deposits from banks and other financial institutions	**(628,836)**	16,553
Net increase/(decrease) in placements from banks and other financial institutions	**290,000**	(90,000)
Net increase in financial assets sold under repurchase agreements	**3,866,783**	1,425,236
Net increase in deposits from customers	**31,449,915**	15,260,090
Income tax paid	**9,175**	(203,870)
Net increase in other operating liabilities	**732,343**	1,486,683
	36,216,654	18,386,325
Net cash flows from/(used in) operating activities	**24,905,649**	(2,413,578)
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	**41,740,190**	47,486,986
Gains received from investment activities	**526,259**	501,467
Proceeds from disposal of property and equipment and other assets	**1,867**	46
Payments on acquisition of investments	**(46,752,111)**	(48,447,887)
Payments on acquisition of property and equipment, intangible assets and other assets	**(25,922)**	(37,160)
Net cash flows used in investing activities	**(4,509,717)**	(496,548)

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

	Notes	For the six months ended 30 June **2022**	2021
Cash flows from financing activities			
Proceeds from debt securities issued		**17,302,501**	40,585,252
Repayment of debt securities issued		**(41,520,000)**	(39,360,000)
Interest paid on debt securities issued		**(769,396)**	(762,127)
Dividends paid		**(2,000)**	(31,375)
Repayment of lease liabilities		**(61,371)**	(53,574)
Interest paid on lease liabilities		**(6,581)**	(8,036)
Net cash flows (used in)/from financing activities		**(25,056,847)**	370,140
Effect of exchange rate changes on cash and cash equivalents		**805**	(717)
Net decrease in cash and cash equivalents	*34(a)*	**(4,660,110)**	(2,540,703)
Cash and cash equivalents at the beginning of the period		**16,315,416**	9,088,656
Cash and cash equivalents at the end of the period	*34(b)*	**11,655,306**	6,547,953
Interest received		**5,451,166**	5,041,150
Interest paid (excluding interest expense on debt securities issued)		**(2,019,220)**	(2,026,870)

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

1 Background Information

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

The Bank has been approved by the former CBRC (Shanxi Branch) to hold the financial business permit (No. B0116H214010001) and approved by the Shanxi Provincial Administration for Industry and Commerce to hold the business license (credibility code: 911400007011347302). As at 30 June 2022, the registered capital of the Bank was RMB5,838,650,000, with its registered office located at No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province. The Bank is regulated by the China Banking and Insurance Regulatory Commission (the "**CBIRC**") which was authorised by the State Council.

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

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

2 Basis of Preparation

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited*, including compliance with International Accounting Standard 34 *Interim Financial Reporting* ("**IAS 34**"), issued by the International Accounting Standards Board ("**IASB**") and should be read in conjunction with the annual financial statements for the year ended 31 December 2021.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

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

3 Changes in Accounting Policies

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

On 1 January 2022, the Group adopted the following amendments.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

4 Net Interest Income

	For the six months ended 30 June 2022	2021
Interest income arising from		
Deposits with the central bank	**102,268**	120,076
Deposits with banks and other financial institutions	**21,600**	25,956
Placements with banks and other financial institutions	**46,563**	38,861
Loans and advances to customers		
– Corporate loans and advances	**2,689,532**	2,403,395
– Personal loans	**619,290**	558,079
– Discounted bills	**541,346**	475,962
Financial assets held under resale agreements	**239,508**	248,235
Financial investments	**960,641**	1,129,305
Subtotal	**5,220,748**	4,999,869
Interest expense arising from		
Borrowings from the central bank	**(29,996)**	(22,037)
Deposits from banks and other financial institutions	**(13,384)**	(32,641)
Placements from banks and other financial institutions	**(2,757)**	(15,741)
Deposits from customers	**(2,699,525)**	(2,260,754)
Financial assets sold under repurchase agreements	**(134,132)**	(142,625)
Debt securities issued	**(660,710)**	(842,719)
Subtotal	**(3,540,504)**	(3,316,517)
Net interest income	**1,680,244**	1,683,352

Interest income arising from loans and advances to customers included RMB50 million for the six months ended 30 June 2022 with respect to the accreted interest on credit-impaired loans (six months ended 30 June 2021: RMB37 million).

5 Net Fee and Commission Income

(a) Income and expense streams:

	For the six months ended 30 June **2022**	2021
Fee and commission income		
Acceptance and guarantee service fees	**110,027**	105,045
Wealth management business fees	**95,988**	81,953
Agency service fees and others	**94,913**	172,207
Settlement and clearing fees	**85,023**	45,018
Bank card service fees	**72,292**	69,861
Subtotal	**458,243**	474,084
Fee and commission expense		
Bank card service fees	**(34,543)**	(31,483)
Agency service fees and others	**(33,865)**	(9,099)
Settlement and clearing fees	**(21,465)**	(38,717)
Subtotal	**(89,873)**	(79,299)
Net fee and commission income	**368,370**	394,785

(b) Disaggregation of income:

	For the six months ended 30 June **2022**		2021	
	At a point in time	**Over time**	At a point in time	Over time
Agency service fees and others	**94,913**	**–**	124,147	48,060
Acceptance and guarantee service fees	**–**	**110,027**	–	105,045
Wealth management business fees	**–**	**95,988**	–	81,953
Settlement and clearing fees	**85,023**	**–**	45,018	–
Bank card service fees	**67,374**	**4,918**	65,512	4,349
Total	**247,310**	**210,933**	234,677	239,407

6 Net Trading Gains

	For the six months ended 30 June **2022**	2021
Net gains from funds	**53,724**	202,739
Net gains from interbank deposits issued	**1,163**	–
Net losses from derivative financial instruments	**(331)**	(164)
Exchange losses	**(878)**	(362)
Net losses from investment management products	**(1,756)**	(24,525)
Net losses from equity investments	**(11,050)**	(155)
Net losses from debt securities	**(25,104)**	(26,795)
Total	**15,768**	150,738

7 Net Gains Arising from Investment Securities

	For the six months ended 30 June **2022**	2021
Net gains on financial investments at fair value through profit or loss	**473,290**	299,306
Net gains on financial investments at fair value through other comprehensive income	**21,023**	27,506
Total	**494,313**	326,812

8 Other Operating Income

	For the six months ended 30 June **2022**	2021
Government grants	**8,121**	4,419
Net gains on disposal of property and equipment and other assets	**1,957**	470
Income from long-term unwithdrawn items	**566**	330
Penalty income	**451**	355
Rental income	**25**	6
Others	**31**	181
Total	**11,151**	5,761

9 Operating Expenses

	For the six months ended 30 June	
	2022	2021
Staff costs		
– Salaries, bonuses and allowances	**367,740**	338,256
– Social insurance and annuity	**96,044**	93,943
– Housing allowances	**34,261**	35,207
– Employee education expenses and labour union expenses	**14,979**	15,514
– Staff welfare	**13,752**	14,340
– Supplementary retirement benefits	**540**	3,440
– Others	**1,980**	1,772
Subtotal	**529,296**	502,472
Depreciation and amortisation	**154,066**	151,600
Taxes and surcharges	**40,758**	39,944
Rental and property management expenses	**21,733**	21,911
Interest expense on lease liabilities	**6,581**	8,036
Other general and administrative expenses	**117,823**	120,028
Total	**870,257**	843,991

10 Impairment Losses on Credit

	For the six months ended 30 June	
	2022	2021
Loans and advances to customers	**779,733**	526,647
Financial investments	**237,083**	224,820
Other assets	**3,325**	3,596
Placements with banks and other financial institutions	**1,889**	329
Financial assets held under resale agreements	**(2)**	–
Deposits with banks and other financial institutions	**(1,232)**	106
Credit commitments	**(285,438)**	86,954
Total	**735,358**	842,452

11 Income Tax Expense

(a) Income tax:

	For the six months ended 30 June 2022	2021
Income tax	**4,097**	3,180

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

		For the six months ended 30 June 2022	2021
Profit before tax		**974,476**	885,111
Statutory tax rate		**25%**	25%
Income tax calculated at the statutory tax rate		**243,619**	221,278
Non-deductible expenses and others		**14,206**	(2,091)
Non-taxable income	*(i)*	**(253,728)**	(216,007)
Income tax		**4,097**	3,180

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

12 Basic and Diluted Earnings Per Share

		For the six months ended 30 June	
		2022	2021
Net profit attributable to equity holders of the Bank		**972,292**	881,864
Weighted average number of ordinary shares (in thousands)	*(a)*	**5,838,650**	5,838,650
Basic and diluted earnings per share attributable to equity holders of the Bank (in RMB)		**0.17**	0.15

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

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

	For the six months ended 30 June	
	2022	2021
Number of ordinary shares at the beginning of the period	**5,838,650**	5,838,650
Weighted average number of ordinary shares issued during the period	**–**	–
Weighted average number of ordinary shares	**5,838,650**	5,838,650

13 Cash and Deposits with the Central Bank

		30 June 2022	31 December 2021
Cash on hand		**252,417**	291,567
Deposits with the central bank			
– Statutory deposit reserves	*(a)*	**12,022,659**	11,236,403
– Surplus deposit reserves	*(b)*	**10,333,975**	12,446,194
– Fiscal deposits		**98,200**	62,502
Subtotal		**22,454,834**	23,745,099
Interest accrued		**5,370**	5,531
Total		**22,712,621**	24,042,197

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

	30 June 2022	31 December 2021
Reserve ratio for RMB deposits	**5.5%**	6.0%
Reserve ratio for foreign currency deposits	**8.0%**	9.0%

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

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

14 Deposits with Banks and Other Financial Institutions

Analysed by type and location of counterparty

	30 June 2022	31 December 2021
Deposits in mainland China		
– Banks	**1,094,427**	894,048
– Other financial institutions	**803,313**	1,000,057
Subtotal	**1,897,740**	1,894,105
Deposits outside mainland China		
– Banks	**1,914**	1,147
Interest accrued	**9,781**	21,002
Less: Provision for impairment losses	**(116)**	(1,348)
Total	**1,909,319**	1,914,906

15 Placements with Banks and Other Financial Institutions

Analysed by type and location of counterparty

	30 June 2022	31 December 2021
Placements in mainland China		
– Banks	**–**	400,000
– Other financial institutions	**780,000**	2,300,000
Subtotal	**780,000**	2,700,000
Interest accrued	**8,825**	754
Less: Provision for impairment losses	**(2,379)**	(490)
Total	**786,446**	2,700,264

16 Derivative Financial Instruments

The Group uses derivative financial instruments mainly including interest rate swaps and credit risk mitigation warrants.

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

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

	30 June 2022		
	Notional Amount	**Fair value Assets**	**Fair value Liabilities**
Derivative financial instruments:			
– Interest rate swaps	**–**	**–**	**–**
– Credit risk mitigation warrants	**–**	**–**	**–**
Total	**–**	**–**	**–**

	31 December 2021		
	Notional Amount	Fair value Assets	Fair value Liabilities
Derivative financial instruments:			
– Interest rate swaps	20,000	–	(403)
– Credit risk mitigation warrants	20,000	236	–
Total	40,000	236	(403)

17 Financial Assets Held under Resale Agreements

(a) Analysed by type and location of counterparty

	30 June 2022	31 December 2021
In mainland China		
– Banks	**14,535,877**	19,444,089
– Other financial institutions	**4,279,734**	6,901,160
Subtotal	**18,815,611**	26,345,249
Interest accrued	**370**	6,745
Less: Provision for impairment losses	**(1)**	(2)
Total	**18,815,980**	26,351,992

(b) Analysed by type of collateral held

	30 June 2022	31 December 2021
Securities		
– Government	**1,889,289**	5,277,355
– Policy banks	**3,952,517**	2,189,445
– Corporates	**–**	814,800
Subtotal	**5,841,806**	8,281,600
Interbank deposits	**120,060**	991,560
Bank acceptances	**12,853,745**	17,072,089
Subtotal	**18,815,611**	26,345,249
Interest accrued	**370**	6,745
Less: Provision for impairment losses	**(1)**	(2)
Total	**18,815,980**	26,351,992

As at 30 June 2022 and 31 December 2021, certain financial assets held under buyout resale agreements were pledged for repurchase agreements (Note 41(f)).

18 Loans and Advances to Customers

(a) Analysed by nature

	30 June 2022	31 December 2021
Loans and advances to customers measured at amortised cost:		
Corporate loans and advances	**105,217,023**	97,971,944
Personal loans		
– Residential mortgage loans	**19,311,183**	18,687,921
– Personal consumption loans	**1,671,943**	1,614,437
– Personal business loans	**1,871,578**	2,126,262
– Credit cards	**4,490,975**	4,443,332
Subtotal	**27,345,679**	26,871,952
Interest accrued	**637,570**	544,048
Less: Provision for loans and advances to customers measured at amortised cost	**(5,545,717)**	(5,277,108)
Subtotal	**127,654,555**	120,110,836
Loans and advances to customers measured at fair value through other comprehensive income:		
Discounted bills	**42,049,846**	30,896,556
Subtotal	**42,049,846**	30,896,556
Net loans and advances to customers	**169,704,401**	151,007,392

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

	30 June 2022		
	Amount	**Percentage**	**Loans and advances secured by collateral**
Manufacturing	**36,045,409**	**20.64%**	**4,509,761**
Mining	**20,383,225**	**11.67%**	**4,858,569**
Wholesale and retail trade	**11,425,320**	**6.54%**	**3,840,268**
Real estate	**8,684,974**	**4.97%**	**2,887,978**
Leasing and commercial services	**6,935,401**	**3.97%**	**701,807**
Construction	**4,188,514**	**2.40%**	**708,420**
Financial services	**3,826,170**	**2.19%**	**68,673**
Water, environment and public utility management	**3,489,054**	**2.00%**	**38,885**
Production and supply of electric power, gas and water	**2,938,577**	**1.68%**	**171,420**
Transportation, storage and postal services	**1,426,864**	**0.82%**	**967,870**
Lodging and catering	**696,757**	**0.40%**	**423,040**
Agriculture, forestry, animal husbandry and fishery	**228,213**	**0.13%**	**55,567**
Education	**25,931**	**0.01%**	**19,931**
Others	**4,922,614**	**2.84%**	**2,346,310**
Subtotal of corporate loans and advances	**105,217,023**	**60.26%**	**21,598,499**
Personal loans	**27,345,679**	**15.66%**	**12,314,889**
Discounted bills	**42,049,846**	**24.08%**	**42,049,846**
Gross loans and advances to customers	**174,612,548**	**100.00%**	**75,963,234**

	31 December 2021		
	Amount	Percentage	Loans and advances secured by collateral
Manufacturing	33,809,160	21.71%	3,651,535
Mining	19,170,970	12.31%	4,763,859
Wholesale and retail trade	11,490,064	7.38%	3,247,359
Real estate	8,935,988	5.74%	2,936,908
Leasing and commercial services	5,398,033	3.47%	863,223
Financial services	3,905,107	2.51%	83,695
Construction	3,846,004	2.47%	544,749
Water, environment and public utility management	2,904,782	1.87%	9,500
Production and supply of electric power, gas and water	1,551,340	1.00%	252,246
Transportation, storage and postal services	1,089,360	0.70%	717,517
Lodging and catering	706,536	0.45%	424,753
Agriculture, forestry, animal husbandry and fishery	269,977	0.17%	56,357
Education	28,567	0.02%	21,067
Others	4,866,056	3.11%	2,411,640
Subtotal of corporate loans and advances	97,971,944	62.91%	19,984,408
Personal loans	26,871,952	17.25%	11,877,132
Discounted bills	30,896,556	19.84%	30,896,556
Gross loans and advances to customers	155,740,452	100.00%	62,758,096

(c) **Analysed by type of collateral**

	30 June 2022	31 December 2021
Unsecured loans	**18,569,399**	13,542,623
Guaranteed loans	**80,079,915**	79,439,733
Collateralised loans	**25,853,848**	25,549,655
Pledged loans	**50,109,386**	37,208,441
Subtotal	**174,612,548**	155,740,452
Interest accrued	**637,570**	544,048
Gross loans and advances to customers	**175,250,118**	156,284,500
Less: Provision for loans and advances to customers measured at amortised cost	**(5,545,717)**	(5,277,108)
Net loans and advances to customers	**169,704,401**	151,007,392

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

			30 June 2022		
	Overdue within three months (inclusive)	**Overdue for more than three months to one year (inclusive)**	**Overdue for more than one year to three years (inclusive)**	**Overdue for more than three years**	**Total**
Unsecured loans	**201,270**	**130,242**	**68,643**	**7,797**	**407,952**
Guaranteed loans	**530,073**	**425,967**	**1,366,337**	**128,442**	**2,450,819**
Collateralised loans	**172,809**	**384,129**	**168,343**	**63,455**	**788,736**
Pledged loans	**23,937**	**–**	**17,399**	**–**	**41,336**
Total	**928,089**	**940,338**	**1,620,722**	**199,694**	**3,688,843**
As a percentage of gross loans and advances to customers	**0.53%**	**0.54%**	**0.93%**	**0.11%**	**2.11%**

	31 December 2021				
	Overdue within three months (inclusive)	Overdue for more than three months to one year (inclusive)	Overdue for more than one year to three years (inclusive)	Overdue for more than three years	Total
Unsecured loans	199,002	105,490	113,655	8,715	426,862
Guaranteed loans	53,673	1,262,709	311,718	121,629	1,749,729
Collateralised loans	264,055	59,209	560,722	36,932	920,918
Pledged loans	4,398	6,000	11,400	–	21,798
Total	521,128	1,433,408	997,495	167,276	3,119,307
As a percentage of gross loans and advances to customers	0.33%	0.92%	0.64%	0.11%	2.00%

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

(e) Loans and advances and provision for impairment losses

	30 June 2022			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses: not credit-impaired loans**	**Lifetime expected credit losses: credit-impaired loans *(i)***	**Total**
Total loans and advances to customers measured at amortised cost	**121,045,839**	**8,973,085**	**3,181,348**	**133,200,272**
Less: Provision for impairment losses	**(2,564,293)**	**(1,505,174)**	**(1,476,250)**	**(5,545,717)**
Carrying amount of loans and advances to customers measured at amortised cost	**118,481,546**	**7,467,911**	**1,705,098**	**127,654,555**
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	**42,049,846**	**–**	**–**	**42,049,846**
Net loans and advances to customers	**160,531,392**	**7,467,911**	**1,705,098**	**169,704,401**

	31 December 2021			
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans	Total
Total loans and advances to customers measured at amortised cost	113,923,962	8,605,498	2,858,484	125,387,944
Less: Provision for impairment losses	(2,476,152)	(1,353,755)	(1,447,201)	(5,277,108)
Carrying amount of loans and advances to customers measured at amortised cost	111,447,810	7,251,743	1,411,283	120,110,836
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	30,896,556	–	–	30,896,556
Net loans and advances to customers	142,344,366	7,251,743	1,411,283	151,007,392

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

(f) Movements in provision for impairment losses

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

	For the six months ended 30 June 2022			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses: not credit-impaired loans**	**Lifetime expected credit losses: credit-impaired loans**	**Total**
As at 1 January	**2,476,152**	**1,353,755**	**1,447,201**	**5,277,108**
Transferred:				
– to expected credit losses over the next 12 months	**165,985**	**(161,906)**	**(4,079)**	**–**
– to lifetime expected credit losses: not credit-impaired loans	**(25,634)**	**31,058**	**(5,424)**	**–**
– to lifetime expected credit losses: credit-impaired loans	**(34,873)**	**(77,148)**	**112,021**	**–**
(Reversal)/Charge for the period	**(17,337)**	**359,415**	**435,919**	**777,997**
Transfer out	**–**	**–**	**(316,347)**	**(316,347)**
Recoveries	**–**	**–**	**1,016**	**1,016**
Write-offs	**–**	**–**	**(143,821)**	**(143,821)**
Other changes	**–**	**–**	**(50,236)**	**(50,236)**
As at 30 June	**2,564,293**	**1,505,174**	**1,476,250**	**5,545,717**

	Year ended 31 December 2021			
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans	Total
As at 1 January	2,980,705	718,958	1,154,512	4,854,175
Transferred:				
– to expected credit losses over the next 12 months	12,382	(8,966)	(3,416)	–
– to lifetime expected credit losses: not credit-impaired loans	(121,040)	129,875	(8,835)	–
– to lifetime expected credit losses: credit-impaired loans	(53,279)	(38,026)	91,305	–
(Reversal)/Charge for the year	(342,616)	551,914	1,275,720	1,485,018
Transfer-out	–	–	(830,265)	(830,265)
Recoveries	–	–	12,434	12,434
Write-offs	–	–	(165,229)	(165,229)
Other changes	–	–	(79,025)	(79,025)
As at 31 December	2,476,152	1,353,755	1,447,201	5,277,108

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

	For the six months ended 30 June 2022			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses: not credit-impaired loans**	**Lifetime expected credit losses: credit-impaired loans**	**Total**
As at 1 January	**4,375**	**–**	**–**	**4,375**
Charge for the period	**1,736**	**–**	**–**	**1,736**
As at 30 June	**6,111**	**–**	**–**	**6,111**

	Year ended 31 December 2021			
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans	Total
As at 1 January	4,708	–	9,600	14,308
(Reversal)/Charge for the year	(333)	–	2,400	2,067
Write-offs	–	–	(12,000)	(12,000)
As at 31 December	4,375	–	–	4,375

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

(g) Disposal of loans and advances to customers

During the six months ended 30 June 2022, the Group transferred loans and advances with a gross amount of RMB522 million (2021: RMB1,251 million) to independent third parties, and the transfer price was RMB205 million (2021: RMB425 million).

During the six months ended 30 June 2022 and the year ended 31 December 2021, the Group did not transfer any portfolio of customer loans and advances through the asset securitisation business.

19 Financial Investments

		30 June 2022	31 December 2021
Financial investments measured at fair value through profit or loss	*(a)*	**39,878,663**	35,783,091
Financial investments measured at fair value through other comprehensive income	*(b)*	**4,139,792**	5,430,753
Financial investments measured at amortised cost	*(c)*	**53,102,871**	51,352,825
Total		**97,121,326**	92,566,669

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

	30 June 2022	31 December 2021
Debt securities issued by the following institutions in mainland China		
– Government	**2,036,148**	1,239,196
– Policy banks	**130,550**	30,208
– Banks and other financial institutions	**169,420**	378,154
– Corporates	**349,774**	610,168
Subtotal	**2,685,892**	2,257,726
Interbank deposits	**566,712**	885,520
Investment funds	**34,005,731**	30,012,395
Investment management products	**2,408,218**	2,404,290
Other investments	**212,110**	223,160
Total	**39,878,663**	35,783,091

As at 30 June 2022 and 31 December 2021, there were no investments subject to material restrictions in the realisation.

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

	30 June 2022	31 December 2021
Debt securities issued by the following institutions in mainland China		
– Government	**1,980,829**	2,512,720
– Policy banks	**676,826**	336,018
– Banks and other financial institutions	**484,416**	524,036
Subtotal	**3,142,071**	3,372,774
Interest accrued	**54,684**	53,659
Subtotal	**3,196,755**	3,426,433
Interbank deposits	**149,869**	1,192,079
Investment management products	**657,861**	661,376
Interest accrued	**14,607**	30,165
Subtotal	**672,468**	691,541
Equity investments	**120,700**	120,700
Total	**4,139,792**	5,430,753

(i) As at 30 June 2022 and 31 December 2021, there were no investments subject to material restrictions in the realisation.

(ii) Movements in provision for impairment losses on financial investments measured at fair value through other comprehensive income:

	For the six months ended 30 June 2022			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses not credit – impaired**	**Lifetime expected credit losses credit – impaired**	**Total**
Balance at 1 January	**223**	**–**	**–**	**223**
Charge for the period	**285**	**–**	**–**	**285**
Balance at 30 June	**508**	**–**	**–**	**508**

	Year ended 31 December 2021			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit – impaired	Lifetime expected credit losses credit – impaired	Total
Balance at 1 January	2,882	–	–	2,882
Reversal for the year	(2,659)	–	–	(2,659)
Balance at 31 December	223	–	–	223

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

(c) Financial investments measured at amortised cost

	Notes	**30 June 2022**	31 December 2021
Debt securities issued by the following institutions in mainland China	*(i)*		
– Government		**35,663,573**	32,578,265
– Policy banks		**3,421,189**	1,912,870
– Banks and other financial institutions		**740,000**	320,000
– Corporates		**931,235**	920,866
Interest accrued		**516,627**	487,179
Subtotal		**41,272,624**	36,219,180
Interbank deposits		**–**	248,154
Investment management products		**13,339,221**	16,133,543
Interest accrued		**58,435**	82,560
Subtotal		**13,397,656**	16,216,103
Less: Provision for impairment losses	*(ii)*	**(1,567,409)**	(1,330,612)
Total		**53,102,871**	51,352,825

(i) As at 30 June 2022 and 31 December 2021, certain debt securities were pledged for repurchase agreements (Note 41(f)).

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

	For the six months ended 30 June 2022			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses not credit-impaired**	**Lifetime expected credit losses credit – impaired**	**Total**
Balance at 1 January	**222,062**	**242,777**	**865,773**	**1,330,612**
Transfers:				
– to lifetime expected credit losses credit-impaired	**–**	**(168,750)**	**168,750**	**–**
(Reversal)/Charge for the period	**(63,437)**	**59,642**	**240,592**	**236,797**
Balance at 30 June	**158,625**	**133,669**	**1,275,115**	**1,567,409**

	Year ended 31 December 2021			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit – impaired	Lifetime expected credit losses credit – impaired	Total
Balance at 1 January	418,975	232,000	899,977	1,550,952
Transfers:				
– to expected credit losses over the next 12 months	98,598	–	(98,598)	–
– to lifetime expected credit losses: not credit-impaired	(29,511)	29,511	–	–
– to lifetime expected credit losses: credit-impaired	–	(112,000)	112,000	–
(Reversal)/Charge for the year	(266,000)	131,036	304,910	169,946
Transfer-out	–	(37,770)	(352,516)	(390,286)
Balance at 31 December	222,062	242,777	865,773	1,330,612

(d) Financial investments analysed as follows

	30 June 2022	31 December 2021
Financial investments measured at fair value through profit or loss		
Debt securities		
– Listed	**2,589,145**	2,163,337
– Unlisted	**96,747**	94,389
Interbank deposits		
– Listed	**566,712**	885,520
Fund investments and others		
– Listed	**212,110**	223,160
– Unlisted	**36,413,949**	32,416,685
Subtotal	**39,878,663**	35,783,091
Financial investments measured at fair value through other comprehensive income		
Debt securities		
– Listed	**3,196,755**	3,426,433
Interbank deposits		
– Listed	**149,869**	1,192,079
Equity investments and investment management products		
– Unlisted	**793,168**	812,241
Subtotal	**4,139,792**	5,430,753
Financial investments measured at amortised cost		
Debt securities		
– Listed	**40,962,622**	35,911,345
– Unlisted	**185,595**	246,526
Interbank deposits		
– Listed	**–**	248,130
Investment management products		
– Unlisted	**11,954,654**	14,946,824
Subtotal	**53,102,871**	51,352,825
Total	**97,121,326**	92,566,669
Listed	**47,677,213**	44,050,004
Unlisted	**49,444,113**	48,516,665
Total	**97,121,326**	92,566,669

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

20 Interest in an Associate

	30 June 2022	31 December 2021
Interest in an associate	**320,869**	318,624

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

Name	**Percentages of equity/voting rights** **30 June 2022**	31 December 2021	**Place of incorporation/ registration**	**Business sector**
Jinshang Consumer Finance Co., Ltd.	40%	40%	Shanxi, China	Consumer finance

In February 2016, the Bank and other third-party shareholders jointly established Jinshang Consumer Finance Co., Ltd. (Jinshang Consumer Finance), which was registered in Taiyuan, Shanxi, China with its main business operating in China. The registered capital of Jinshang Consumer Finance amounted to RMB500 million and the Bank holds 40% of the equity of Jinshang Consumer Finance. As at 30 June 2022, Jinshang Consumer Finance had share capital of RMB500 million.

21 Investment in a Subsidiary

	30 June 2022	31 December 2021
Qingxu Jinshang Village and Township Bank Co., Ltd.	**25,500**	25,500

Qingxu Jinshang Village and Township Bank Co., Ltd. was incorporated on 19 January 2012, which was registered in Taiyuan, Shanxi, China with registered capital of RMB50 million. A limited liability company was established in accordance with Chinese laws and regulations. The principal activities of Qingxu Village and Township Bank are in China, and it is a corporate legal entity and a non-wholly-owned subsidiary of the Bank. As at 30 June 2022 and 31 December 2021, the Bank holds the provision of 51% of equity interests and voting rights of Qingxu Village and Township Bank. As at 30 June 2022, Qingxu Village and Township Bank had share capital of RMB50 million.

22 Property and Equipment

	Premises	Office equipment	Motor vehicles	Electronic equipment	Leasehold improvements	Total
Cost						
As at 1 January 2021	1,654,962	54,697	13,461	467,267	371,785	2,562,172
Additions	6,748	3,281	–	45,201	17,259	72,489
Disposals	–	(389)	–	(3,538)	–	(3,927)
As at 31 December 2021	1,661,710	57,589	13,461	508,930	389,044	2,630,734
Additions	159	348	–	6,536	8	7,051
Disposals	–	(795)	–	(8,120)	(2,270)	(11,185)
As at 30 June 2022	**1,661,869**	**57,142**	**13,461**	**507,346**	**386,782**	**2,626,600**
Accumulated depreciation						
As at 1 January 2021	(357,263)	(30,222)	(11,096)	(363,587)	(321,088)	(1,083,256)
Charge for the year	(78,018)	(6,388)	(639)	(52,657)	(18,908)	(156,610)
Disposals	–	374	–	3,423	–	3,797
As at 31 December 2021	(435,281)	(36,236)	(11,735)	(412,821)	(339,996)	(1,236,069)
Charge for the year	(39,127)	(3,025)	(272)	(22,469)	(7,622)	(72,515)
Disposals	–	772	–	7,871	2,270	10,913
As at 30 June 2022	**(474,408)**	**(38,489)**	**(12,007)**	**(427,419)**	**(345,348)**	**(1,297,671)**
Net book value						
As at 31 December 2021	1,226,429	21,353	1,726	96,109	49,048	1,394,665
As at 30 June 2022	**1,187,461**	**18,653**	**1,454**	**79,927**	**41,434**	**1,328,929**

As at 30 June 2022, the net book values of premises of which title deeds were not yet finalised were RMB603 million (31 December 2021: RMB620 million). The Group is still in the progress of applying for the outstanding title deeds for the above premises. The directors of the Bank are of the opinion that there would be no significant costs in obtaining the title deeds.

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

	30 June 2022	31 December 2021
Held in mainland China		
– Medium-term leases (10-50 years)	**1,187,461**	1,226,429

23 Deferred Tax Assets

(a) Analysed by nature

	30 June 2022		31 December 2021	
	Deductible/ (taxable) temporary differences	**Deferred income tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
– Allowance for impairment losses	**5,882,052**	**1,470,513**	5,850,940	1,462,735
– Accrued staff costs	**616,056**	**154,014**	708,752	177,188
– Others	**727,312**	**181,828**	731,356	182,839
Subtotal	**7,225,420**	**1,806,355**	7,291,048	1,822,762
Deferred income tax liabilities				
– Fair value changes of financial assets	**(470,116)**	**(117,529)**	(448,464)	(112,116)
Subtotal	**(470,116)**	**(117,529)**	(448,464)	(112,116)
Net balances	**6,755,304**	**1,688,826**	6,842,584	1,710,646

(b) Movements in deferred tax

	Allowance for impairment losses *(i)*	**Accrued staff costs**	**Net (gains)/ losses on fair value changes** *(ii)*	**Others**	**Net balance of deferred tax assets**
As at 1 January 2021	1,438,582	157,010	(33,344)	133,382	1,695,630
Recognised in profit or loss	24,153	18,978	(67,520)	49,457	25,068
Recognised in other comprehensive income	–	1,200	(11,252)	–	(10,052)
As at 31 December 2021	1,462,735	177,188	(112,116)	182,839	1,710,646
Recognised in profit or loss	7,778	(23,207)	400	(1,011)	(16,040)
Recognised in other comprehensive income	–	33	(5,813)	–	(5,780)
As at 30 June 2022	1,470,513	154,014	(117,529)	181,828	1,688,826

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

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

24 Other Assets

		30 June 2022	31 December 2021
Accounts receivable and prepayments		**671,288**	486,165
Right-of-use assets	*(a)*	**336,184**	358,218
Intangible assets	*(b)*	**263,393**	272,070
Repossessed assets	*(c)*	**118,954**	119,185
Land use rights	*(d)*	**60,920**	61,802
Interest receivables	*(e)*	**15,874**	34,063
Long-term deferred expenses		**15,375**	15,032
Subtotal		**1,481,988**	1,346,535
Less: Allowances for impairment losses		**(62,342)**	(62,613)
Total		**1,419,646**	1,283,922

(a) Right-of-use assets

	Premises
Cost	
As at 1 January 2021	606,428
Additions	85,843
Deductions	(36,331)
As at 31 December 2021	655,940
Additions	60,950
Deductions	(39,311)
As at 30 June 2022	**677,579**
Accumulated depreciation	
As at 1 January 2021	(193,464)
Additions	(125,849)
Deductions	21,591
As at 31 December 2021	(297,722)
Additions	(56,785)
Deductions	13,112
As at 30 June 2022	**(341,395)**
Net book value	
As at 31 December 2021	358,218
As at 30 June 2022	**336,184**

(b) **Intangible assets**

	Computer software and system development
Cost	
As at 1 January 2021	341,289
Additions	119,096
As at 31 December 2021	460,385
Additions	16,607
Disposals	(1,909)
As at 30 June 2022	**475,083**
Accumulated amortisation	
As at 1 January 2021	(154,508)
Additions	(33,807)
As at 31 December 2021	(188,315)
Additions	(23,705)
Disposals	330
As at 30 June 2022	**(211,690)**
Net book value	
As at 31 December 2021	272,070
As at 30 June 2022	**263,393**

(c) **Repossessed assets**

	30 June 2022	31 December 2021
Land use rights and buildings	**118,954**	119,185
Less: Impairment allowances	**(34,295)**	(34,566)
Net balances	**84,659**	84,619

(d) Land use rights

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

	30 June 2022	31 December 2021
Located in mainland China:		
10-50 years	**60,920**	61,802

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

(e) Interest receivables

	30 June 2022	31 December 2021
Interest receivables arising from:		
Loans and advances to customers	**15,874**	34,063
Total	**15,874**	34,063

As at 30 June 2022 and 31 December 2021, interest receivables only included interest that has been due for the relevant financial instruments but not yet received at the balance sheet date. Interest on financial instruments based on the effective interest method has been reflected in the balance of the corresponding financial instruments.

25 Deposits from Banks and Other Financial Institutions

Analysed by type and location of counterparty

	30 June 2022	31 December 2021
Deposits in mainland China		
– Banks	**1,593**	1,260,767
– Other financial institutions	**655,300**	24,963
Subtotal	**656,893**	1,285,730
Interest accrued	**10,497**	11,436
Total	**667,390**	1,297,166

26 Placements from Banks and Other Financial Institutions

Analysed by type and location of counterparty

	30 June 2022	31 December 2021
Placements in mainland China		
– Banks	**500,000**	210,000
Interest accrued	**88**	169
Total	**500,088**	210,169

27 Financial Assets Sold under Repurchase Agreements

(a) Analysed by type and location of counterparty

	30 June 2022	31 December 2021
In mainland China		
– Banks	**18,788,834**	14,168,977
– Other financial institutions	**416,459**	1,169,533
Subtotal	**19,205,293**	15,338,510
Interest accrued	**4,550**	7,222
Total	**19,209,843**	15,345,732

(b) Analysed by type of collateral held

	30 June 2022	31 December 2022
Debt securities	**14,792,900**	11,171,170
Bank acceptances	**4,412,393**	4,167,340
Subtotal	**19,205,293**	15,338,510
Interest accrued	**4,550**	7,222
Total	**19,209,843**	15,345,732

28 Deposits from Customers

	30 June 2022	31 December 2021
Demand deposits		
– Corporate customers	**52,250,496**	42,270,445
– Individual customers	**12,653,145**	10,988,143
Subtotal	**64,903,641**	53,258,588
Time deposits		
– Corporate customers	**44,995,738**	39,670,828
– Individual customers	**96,417,303**	83,271,636
Subtotal	**141,413,041**	122,942,464
Pledged deposits		
– Acceptances	**17,639,711**	17,124,006
– Letters of credit and guarantees	**1,691,606**	1,155,581
– Letters of guarantees	**46,272**	27,878
– Others	**593,221**	643,271
Subtotal	**19,970,810**	18,950,736
Fiscal deposits	**63**	9
Inward and outward remittances	**428,304**	114,147
Accrued interest	**4,805,377**	3,941,236
Total	**231,521,236**	199,207,180

29 Debt Securities Issued

		30 June 2022	31 December 2021
Interbank deposits issued	*(a)*	**28,575,791**	52,793,550
Financial bonds issued	*(b)*	**3,999,648**	3,999,433
Tier-two capital bonds issued	*(c)*	**1,999,001**	1,998,956
Subtotal		**34,574,440**	58,791,939
Interest accrued		**66,564**	175,250
Total		**34,641,004**	58,967,189

(a) Interbank deposits issued

(i) During the six months ended 30 June 2022, the Bank issued a number of certificates of interbank deposits with a total nominal amount of RMB16,850 million and duration between 1 to 12 months. The coupon interest rates ranged from 1.65% to 2.70% per annum.

(ii) In 2021, the Bank issued a number of certificates of interbank deposits with a total nominal amount of RMB79,660 million and duration between 1 to 12 months. The coupon interest rates ranged from 2.40% to 3.30% per annum.

(iii) As at 30 June 2022, the fair value of interbank deposits issued was RMB28,239 million (31 December 2021: RMB52,334 million).

(b) Financial bonds issued

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

(ii) As at 30 June 2022, the fair value of financial bonds issued was RMB3,992 million (31 December 2021: RMB3,999 million).

(c) Tier-two capital bonds issued

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

(ii) As at 30 June 2022, the fair value of the tier-two capital bonds issued was RMB1,987 million (31 December 2021: RMB1,962 million).

30 Other Liabilities

		30 June 2022	31 December 2021
Accounts payable in the process of clearance and settlement		**1,186,028**	1,139,714
Dividend payable		**692,884**	111,019
Accrued staff cost	*(a)*	**647,518**	760,046
Provisions	*(b)*	**378,898**	664,336
Lease liabilities	*(c)*	**327,311**	336,347
Contract liabilities	*(d)*	**77,945**	115,164
Other taxes payable		**28,593**	112,542
Total		**3,339,177**	3,239,168

(a) Accrued staff cost

	30 June 2022	31 December 2021
Salary, bonuses and allowances payable	**428,881**	560,116
Pension and annuity payable	**62,438**	45,761
Supplementary retirement benefits payable	**48,566**	49,314
Other social insurance payable	**17,687**	18,009
Housing fund payable	**8,666**	13,659
Others	**81,280**	73,187
Total	**647,518**	760,046

Defined contribution retirement plans

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

Supplementary retirement benefits

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

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

(b) Provisions

		30 June 2022	31 December 2021
Expected credit losses	*(i)*	**378,898**	664,336

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

	For the six months ended 30 June 2022			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses not credit – impaired**	**Lifetime expected credit losses credit – impaired**	**Total**
Balance at 1 January	**647,981**	**15,614**	**741**	**664,336**
Transfers				
– to expected credit losses over the next 12 months	**10**	**(10)**	**–**	**–**
– to lifetime expected credit losses not credit-impaired	**(888)**	**996**	**(108)**	**–**
– to lifetime expected credit losses credit-impaired	**(451)**	**–**	**451**	**–**
Reversal for the period	**(283,708)**	**(1,589)**	**(141)**	**(285,438)**
Balance at 30 June	**362,944**	**15,011**	**943**	**378,898**

	Year ended 31 December 2021			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit – impaired	Lifetime expected credit losses credit – impaired	Total
Balance at 1 January	660,151	16,378	1,242	677,771
Transfers				
– to expected credit losses over the next 12 months	245	(245)	–	–
– to lifetime expected credit losses not credit-impaired	(75)	75	–	–
– to lifetime expected credit losses credit-impaired	(86)	(401)	487	–
Reversal for the year	(12,254)	(193)	(988)	(13,435)
Balance at 31 December	647,981	15,614	741	664,336

(c) Lease liabilities

The maturity analysis of lease liabilities – undiscounted analysis:

	30 June 2022	31 December 2021
Within one year (inclusive)	**133,535**	112,501
Between one year and two years (inclusive)	**67,763**	88,284
Between two years and three years (inclusive)	**59,243**	60,914
Between three years and five years (inclusive)	**55,193**	58,565
More than five years	**46,824**	55,388
Total undiscounted lease liabilities	**362,558**	375,652
Total carrying amount	**327,311**	336,347

(d) Contract liabilities

As at 30 June 2022, the aggregate amount of the transaction prices allocated to the remaining performance obligations under the Group's existing contracts was RMB78 million (31 December 2021: RMB115 million). This amount represents income expected to be recognised in the future from acceptance and guarantee services. The Group will recognise the expected income in future when the services are provided.

31 Share Capital

Authorised and issued share capital

	30 June 2022	31 December 2021
Domestic RMB ordinary shares	**4,868,000**	4,868,000
Offshore listed ordinary shares (H Shares)	**970,650**	970,650
Total	**5,838,650**	5,838,650

All of the above H shares are listed on The Stock Exchange of Hong Kong Limited. The par value of the domestic RMB ordinary shares and the offshore listed ordinary shares is RMB1, and these shares will enjoy the same status in terms of declaration, payment or making of all dividends or distributions.

32 Reserves

(a) Capital reserve

	30 June 2022	31 December 2021
Share premium	**6,568,558**	6,568,558
Other capital reserve	**59,044**	59,044
Total	**6,627,602**	6,627,602

(b) Surplus reserve

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

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

The Bank may also appropriate discretionary surplus reserve in accordance with the resolution of the shareholders. For the six months ended 30 June 2022, no resolution of discretionary surplus reserve was made by the shareholders.

(c) General reserve

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

(d) Fair value reserve

	For the six months ended 30 June 2022	Year ended 31 December 2021
As at 1 January	**(30,580)**	(64,335)
Changes in fair value recognised in other comprehensive income	**97,463**	164,111
Transfer to profit or loss upon disposal	**(74,212)**	(119,104)
Less: Deferred tax	**(5,813)**	(11,252)
As at 30 June/31 December	**(13,142)**	(30,580)

(e) Impairment reserve

	For the six months ended 30 June 2022	Year ended 31 December 2021
As at 1 January	**3,448**	12,892
Impairment losses recognised in other comprehensive income	**2,021**	(12,592)
Less: Deferred tax	**(505)**	3,148
As at 30 June/31 December	**4,964**	3,448

(f) Deficit on remeasurement of net defined benefit liability

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

	For the six months ended 30 June 2022	Year ended 31 December 2021
As at 1 January	**(4,365)**	(765)
Changes in fair value recognised in other comprehensive income	**(132)**	(4,800)
Less: Deferred tax	**33**	1,200
As at 30 June/31 December	**(4,464)**	(4,365)

33 Retained Earnings

(a) Appropriation of profits

In accordance with the resolution at the Bank's Annual General Meeting on 10 June 2022, the shareholders approved the following profit appropriations for the year ended 31 December 2021 as follows:

- Appropriation of statutory surplus reserve based on 10% of the net profit;
- Appropriation of general reserve amounting to approximately RMB352 million; and
- Declaration of cash dividends in an aggregate amount of approximately RMB584 million to all existing shareholders.

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

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

34 Notes to the Consolidated Statement of Cash Flows

(a) Net decrease in cash and cash equivalents

	For the six months ended 30 June	
	2022	2021
Cash and cash equivalents at the end of the period	**11,655,306**	6,547,953
Less: Cash and cash equivalents at the beginning of the period	**(16,315,416)**	(9,088,656)
Net decrease in cash and cash equivalents	**(4,660,110)**	(2,540,703)

(b) Cash and cash equivalents

	30 June 2022	31 December 2021
Cash on hand	**252,417**	291,567
Deposits with the central bank other than restricted deposits	**10,333,975**	12,446,194
Deposits with banks and other financial institutions	**1,068,914**	877,655
Placements with banks and other financial institutions	**–**	2,700,000
Total	**11,655,306**	16,315,416

35 Capital Management

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

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

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

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

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

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

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

The Group's capital adequacy ratios at 30 June 2022 and 31 December 2021 calculated in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the former CBRC are as follows:

	30 June 2022	31 December 2021
Total core tier-one capital		
– Share capital	**5,838,650**	5,838,650
– Qualifying portion of capital reserve	**6,627,602**	6,627,602
– Surplus reserve	**3,792,525**	3,792,525
– General reserve	**3,161,131**	3,161,131
– Other comprehensive income	**(12,642)**	(31,497)
– Retained earnings	**3,136,018**	2,747,591
– Qualifying portions of non-controlling interests	**10,150**	8,944
Core tier-one capital	**22,553,434**	22,144,946
Core tier-one capital deductions	**(263,393)**	(272,070)
Net core tier-one capital	**22,290,041**	21,872,876
Other tier-one capital	**1,353**	1,193
Net tier-one capital	**22,291,394**	21,874,069
Tier-two capital		
– Instruments issued and share premium	**2,000,000**	2,000,000
– Surplus provisions for loan impairment	**2,181,045**	2,157,932
– Qualifying portions of non-controlling interests	**2,707**	2,385
Net tier-two capital	**4,183,752**	4,160,317
Net capital base	**26,475,146**	26,034,386
Total risk weighted assets	**221,865,484**	216,654,124
Core tier-one capital adequacy ratio	**10.05%**	10.10%
Tier-one capital adequacy ratio	**10.05%**	10.10%
Capital adequacy ratio	**11.93%**	12.02%

36 Related Party Relationships and Transactions

(a) Related parties of the Group

(i) Major shareholders

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

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

For the year ended 30 June 2022, general information and shareholdings of major shareholders are as follows:

	Proportion of shareholding	
Name	**30 June 2022**	31 December 2021
Shanxi Finance Bureau (山西省財政廳)	**12.25%**	12.25%
Huaneng Capital Services Co., Ltd. (華能資本服務有限公司)	**10.28%**	10.28%
Taiyuan Municipal Finance Bureau (太原市財政局)	**7.98%**	7.98%
Changzhi Nanye Industry Group Co., Ltd. (長治市南燁實業集團有限公司)	**7.72%**	7.72%
Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司)	**6.15%**	6.15%
Shanxi International Electricity Group Limited Company (山西國際電力集團有限公司)	**5.14%**	5.14%
Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司)	**4.99%**	4.99%
Changzhi Huashengyuan Mining Industry Co., Ltd. (長治市華晟源礦業有限公司)	**4.02%**	4.02%
Jinneng Holding Equipment Manufacturing Group Co., Ltd. (晉能控股裝備製造集團有限公司)	**3.43%**	3.43%

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

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

The detailed information of the Bank's subsidiary is set out in Note 21.

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

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

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

Other related parties can be individuals or enterprises, which include: members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 36(a) or their controlling shareholders.

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

The Bank entered into related-party transactions in the normal course and terms of business, with pricing policies based on market prices.

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

	For the six months ended 30 June	
	2022	2021
Transactions during the period		
Interest income	**4,849**	13,032
Interest expense	**15,178**	6,495
Net fee and commission income	**213**	3,783

	30 June 2022	31 December 2021
Balances at the end of the period/year		
Loans and advances to customers	**210,566**	177,913
Financial investments	**–**	20,906
Deposits from customers	**7,365,672**	3,981,737

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

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

	For the six months ended 30 June	
	2022	2021
Transactions during the period		
Interest expense	**35**	595

	30 June 2022	31 December 2021
Balances at the end of the period/year		
Deposits from banks and other financial institutions	**1,310**	160,728

(iii) Transactions between the Bank and its associate:

	For the six months ended 30 June **2022**	2021
Transactions during the period		
Interest income	**8,489**	15,779
Interest expense	**124**	17
Net fee and commission income	**2,969**	2,920

	30 June 2022	31 December 2021
Balances at the end of the period/year		
Deposits with banks and other financial institutions	**809,566**	1,001,166
Deposits from banks and other financial institutions	**12,380**	5,700

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

	For the six months ended 30 June **2022**	2021
Transactions during the period		
Interest income	**350,292**	382,977
Interest expense	**132,432**	84,875
Net fee and commission income	**52,757**	61,664
Operating expenses	**8,176**	175
Debt securities investments	**–**	272,488
Debt securities transferring	**110,019**	619,467

	30 June 2022	31 December 2021
Balances at the end of the period/year		
Loans and advances to customers	**18,821,842**	11,164,828
Financial investments	**3,914,176**	4,239,232
Deposits from customers	**14,183,233**	12,255,819
Deposits from banks and other financial institutions	**591,299**	1,269,509
Bank acceptances	**8,479,336**	9,077,983
Letters of credit	**1,752,500**	1,605,750

(c) Key management personnel

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

(i) Transactions between the Bank and key management personnel

	For the six months ended 30 June 2022	2021
Transactions during the period		
Interest income	**47**	22
Interest expense	**23**	63

	30 June 2022	31 December 2021
Balances at the end of the period/year		
Loans and advances to customers	**2,309**	930
Deposits from customers	**1,166**	5,371

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is as follows:

	For the six months ended 30 June 2022	2021
Key management personnel compensation	**10,165**	9,045

(d) Loans and advances to key management personnel

	30 June 2022	31 December 2021
Aggregate amount of relevant loans outstanding at the end of the period/year	**2,309**	930
Maximum aggregate amount of relevant loans outstanding during the period/year	**2,309**	930

37 Segment Reporting

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

Corporate banking

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

Retail banking

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

Treasury business

This segment covers the Group's treasury business operations, including interbank money market transactions, repurchase transactions, interbank investments, debt security trading, and derivative transactions. The financial market business segment also covers the management of the Group's overall liquidity position, including the issuance of debts.

Others

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

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

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

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

	For the six months ended 30 June 2022				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income/(expense)	**2,291,667**	**(1,141,026)**	**529,603**	**–**	**1,680,244**
Internal net interest (expense)/income	**(436,343)**	**1,471,694**	**(1,035,351)**	**–**	**–**
Net interest income/(expense)	**1,855,324**	**330,668**	**(505,748)**	**–**	**1,680,244**
Net fee and commission income	**213,433**	**105,318**	**49,619**	**–**	**368,370**
Net trading gains	**–**	**–**	**16,646**	**(878)**	**15,768**
Net gains arising from investment securities	**–**	**–**	**494,313**	**–**	**494,313**
Other operating income	**–**	**–**	**–**	**11,151**	**11,151**
Operating income	**2,068,757**	**435,986**	**54,830**	**10,273**	**2,569,846**
Operating expenses	**(400,013)**	**(389,982)**	**(77,590)**	**(2,672)**	**(870,257)**
Impairment losses on credit	**(679,990)**	**182,370**	**(237,738)**	**–**	**(735,358)**
Share of profits of an associate	**–**	**–**	**–**	**10,245**	**10,245**
Profit before tax	**988,754**	**228,374**	**(260,498)**	**17,846**	**974,476**
Other segment information					
Depreciation and amortisation	**71,035**	**69,253**	**13,778**	**–**	**154,066**
Capital expenditure	**11,952**	**11,652**	**2,318**	**–**	**25,922**

	30 June 2022				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	**145,635,405**	**26,817,571**	**141,666,561**	**–**	**314,119,537**
Deferred tax assets	**–**	**–**	**–**	**1,688,826**	**1,688,826**
Total assets	**145,635,405**	**26,817,571**	**141,666,561**	**1,688,826**	**315,808,363**
Segment liabilities	**124,784,207**	**109,717,966**	**58,743,246**	**–**	**293,245,419**
Total liabilities	**124,784,207**	**109,717,966**	**58,743,246**	**–**	**293,245,419**

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

	31 December 2021				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	127,423,086	26,262,893	147,894,888	–	301,580,867
Deferred tax assets	–	–	–	1,710,646	1,710,646
Total assets	127,423,086	26,262,893	147,894,888	1,710,646	303,291,513
Segment liabilities	107,380,090	95,019,825	78,734,023	–	281,133,938
Total liabilities	107,380,090	95,019,825	78,734,023	–	281,133,938

38 Risk Management

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

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

Risk management system

The Group's risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

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

(a) Credit risk

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

Credit business

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

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

For corporate and inter-bank credit businesses, the Group has formulated credit investment policies and implemented differentiated portfolio management for different industries, regions, products and customers. With respect to pre-lending evaluations, the Group assesses customers' credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit-related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks.

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

Stages of risks in financial instruments

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

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

Stage 2: Financial assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.

Stage 3: Financial assets that are in default and considered credit-impaired.

Significant increase in credit risk

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

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

– The credit spread increases significantly;

– Significant changes with an adverse effect that have taken place in the borrower's business, financial and economic status;

– Application of a grace period or debt-restructuring;

– Significant changes with an adverse effect in the borrower's business conditions;

– Decrease in value of the collateral (for the collateral loans and pledged loans only);

– Early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/ repayment of loans;

– The borrowing is more than 30 days past due.

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

As at 30 June 2022 and 31 December 2021, the Group has not considered that any of its financial assets has lower credit risk and no longer compared the credit risk at the balance sheet date with that at the initial recognition to identify whether there was a significant increase in credit risk.

Definition of "default" and "credit-impaired assets"

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

– the disappearance of an active market for securities because of financial difficulties of the issuer; or

– overdue more than 90 days.

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

Measurement of expected credit losses ("ECLs")

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

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, overdue situations, repayments, etc.) and forward-looking information in order to establish the models for estimating PD, LGD and EAD. The definitions of these terms are as follows:

– PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan;

– EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan;

– LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties or other credit support;

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

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

Both the assessment of significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including gross domestic product (GDP), producer price index (PPI), and consumer price index (CPI), etc. The Group identified the relations between these economic indicators and the probability of default historically by conducting regression analysis and regularly identified the expected probability of default by predicting the future economic indicators. In addition to a base economic scenario, the Group conducts statistical analysis with experts' judgement to determine other possible scenarios and their weights.

The Group measures relevant provision for loss by the weighted 12-month ECL (for stage 1) or the weighted lifetime ECL (for stage 2 and stage 3). The above weighted credit losses are calculated by multiplying the ECLs under the different scenarios by the weight of the corresponding scenarios.

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

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

The Group assessed the expected credit losses as at 30 June 2022 and comprehensively considered the impact of the current economic condition on the expected credit losses, including: the operating and financial conditions of the borrowers and the extent of impact COVID-19. The Group has made deferred repayment arrangements for the borrowers affected by the COVID-19 pandemic, but would not make judgement that their credit risk would inevitably increase significantly based on such deferred repayment arrangements, combining the analysis of the impact of factors such as COVID-19 on economic development trends and performed forward-looking forecasts to key macroeconomic indicators.

As at 30 June 2022 and 31 December 2021, there have been no significant changes in the estimate techniques and key assumptions of the Group.

(i) Maximum credit risk exposure

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

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

	30 June 2022				
	Loans and advances to customers	**Deposits/ placements with banks and other financial institutions**	**Financial assets held under resale agreements**	**Financial investments***	**Derivative financial assets and others****
Balance of financial assets that are assessed for expected credit losses over the next 12 months					
– Overdue but not credit-impaired	**153,216**	**–**	**–**	**800,852**	**–**
– Neither overdue nor credit-impaired	**162,307,815**	**2,679,654**	**18,815,611**	**93,813,626**	**6,252**
Subtotal	**162,461,031**	**2,679,654**	**18,815,611**	**94,614,478**	**6,252**
Balance of financial assets that are not credit-impaired and assessed for lifetime expected credit losses					
– Overdue but not credit-impaired	**751,171**	**–**	**–**	**–**	**–**
– Neither overdue nor credit-impaired	**8,218,998**	**–**	**–**	**291,039**	**246,490**
Subtotal	**8,970,169**	**–**	**–**	**291,039**	**246,490**
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses					
– Overdue and credit-impaired	**2,784,456**	**–**	**–**	**2,806,055**	**–**
– Credit-impaired but not overdue	**396,892**	**–**	**–**	**–**	**4,438**
Subtotal	**3,181,348**	**–**	**–**	**2,806,055**	**4,438**
Interest accrued	**637,570**	**18,606**	**370**	**644,353**	**–**
Less: Provision for impairment losses	**(5,545,717)**	**(2,495)**	**(1)**	**(1,567,409)**	**(28,047)**
Net value	**169,704,401**	**2,695,765**	**18,815,980**	**96,788,516**	**229,133**

	31 December 2021				
	Loans and advances to customers	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Financial investments*	Derivative financial assets and others**
Balance of financial assets that are assessed for expected credit losses over the next 12 months					
– Overdue but not credit-impaired	388,726	–	–	47,472	–
– Neither overdue nor credit-impaired	143,887,787	4,595,252	26,345,249	89,751,596	6,520
Subtotal	144,276,513	4,595,252	26,345,249	89,799,068	6,520
Balance of financial assets that are not credit-impaired and assessed for lifetime expected credit losses					
– Overdue but not credit-impaired	76,084	–	–	1,125,000	–
– Neither overdue nor credit-impaired	8,529,371	–	–	293,515	246,495
Subtotal	8,605,455	–	–	1,418,515	246,495
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses					
– Overdue and credit-impaired	2,654,497	–	–	1,682,275	–
– Credit-impaired but not overdue	203,987	–	–	–	4,438
Subtotal	2,858,484	–	–	1,682,275	4,438
Interest accrued	544,048	21,756	6,745	653,563	–
Less: Provision for impairment losses	(5,277,108)	(1,838)	(2)	(1,330,612)	(28,047)
Net value	151,007,392	4,615,170	26,351,992	92,222,809	229,406

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

** Derivative financial assets and others comprise derivative financial assets, interest receivables, other receivables and other financial assets.

Financial assets (excluding interest accrued) analysed by credit quality

	30 June 2022							
	Balance				Provision for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	**22,707,251**	**–**	**–**	**22,707,251**	**–**	**–**	**–**	**–**
Deposits with banks and other financial institutions	**1,899,654**	**–**	**–**	**1,899,654**	**(116)**	**–**	**–**	**(116)**
Placements with banks and other financial institutions	**780,000**	**–**	**–**	**780,000**	**(2,379)**	**–**	**–**	**(2,379)**
Financial assets held under resale agreements	**18,815,611**	**–**	**–**	**18,815,611**	**(1)**	**–**	**–**	**(1)**
Loans and advances to customers	**120,411,185**	**8,970,169**	**3,181,348**	**132,562,702**	**(2,564,293)**	**(1,505,174)**	**(1,476,250)**	**(5,545,717)**
Financial investments	**50,998,124**	**291,039**	**2,806,055**	**54,095,218**	**(158,625)**	**(133,669)**	**(1,275,115)**	**(1,567,409)**
Other assets	**6,252**	**246,490**	**4,438**	**257,180**	**(67)**	**(24,615)**	**(3,365)**	**(28,047)**
Total	**215,618,077**	**9,507,698**	**5,991,841**	**231,117,616**	**(2,725,481)**	**(1,663,458)**	**(2,754,730)**	**(7,143,669)**
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	**42,049,846**	**–**	**–**	**42,049,846**	**(6,111)**	**–**	**–**	**(6,111)**
Financial investments	**3,949,801**	**–**	**–**	**3,949,801**	**(508)**	**–**	**–**	**(508)**
Total	**45,999,647**	**–**	**–**	**45,999,647**	**(6,619)**	**–**	**–**	**(6,619)**
Credit commitments	**67,416,341**	**416,326**	**3,316**	**67,835,983**	**(362,944)**	**(15,011)**	**(943)**	**(378,898)**

	31 December 2021							
	Balance				Provision for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	24,036,666	–	–	24,036,666	–	–	–	–
Deposits with banks and other financial institutions	1,895,252	–	–	1,895,252	(1,348)	–	–	(1,348)
Placements with banks and other financial institutions	2,700,000	–	–	2,700,000	(490)	–	–	(490)
Financial assets held under resale agreements	26,345,249	–	–	26,345,249	(2)	–	–	(2)
Loans and advances to customers	113,379,957	8,605,455	2,858,484	124,843,896	(2,476,152)	(1,353,755)	(1,447,201)	(5,277,108)
Financial investments	49,012,908	1,418,515	1,682,275	52,113,698	(222,062)	(242,777)	(865,773)	(1,330,612)
Other assets	6,284	246,495	4,438	257,217	(67)	(24,615)	(3,365)	(28,047)
Total	217,376,316	10,270,465	4,545,197	232,191,978	(2,700,121)	(1,621,147)	(2,316,339)	(6,637,607)
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	30,896,556	–	–	30,896,556	(4,375)	–	–	(4,375)
Financial investments	5,226,229	–	–	5,226,229	(223)	–	–	(223)
Total	36,122,785	–	–	36,122,785	(4,598)	–	–	(4,598)
Credit commitments	70,892,629	416,838	2,782	71,312,249	(647,981)	(15,614)	(741)	(664,336)

Expected credit loss ratios for financial instruments analysed by credit quality:

	30 June 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financial assets measured at amortised cost	**1.26%**	**17.50%**	**45.97%**	**3.09%**
Financial assets at fair value through other comprehensive income	**0.01%**	**N/A**	**N/A**	**0.01%**
Credit commitments	**0.54%**	**3.61%**	**28.44%**	**0.56%**

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	1.24%	15.78%	50.96%	2.86%
Financial assets at fair value through other comprehensive income	0.01%	N/A	N/A	0.01%
Credit commitments	0.91%	3.75%	26.64%	0.93%

As at 30 June 2022, the fair value of collateral held against loans and advances that are not credit-impaired and assessed for lifetime expected credit losses amounted to RMB3,480 million (31 December 2021: RMB3,148 million). The fair value of collateral held against loans and advances that are credit-impaired and assessed for lifetime expected credit losses amounted to RMB5,207 million (31 December 2021: RMB4,081 million). The collateral mainly includes land, buildings, machinery and equipment. The fair value of collateral was estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(iii) Credit rating

The Group adopts a credit rating approach for managing the credit risk arising from the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of investments on debt securities (excluding interest accrued) analysed by credit ratings as at the end of the reporting period are as follows:

	30 June 2022	31 December 2021
Neither overdue nor impaired		
Ratings		
– AAA	**45,194,260**	39,657,302
– AA- to AA+	**1,088,571**	1,309,604
Subtotal	**46,282,831**	40,966,906
Unrated	**176,722**	334,288
Total	**46,459,553**	41,301,194

(b) Market risk

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

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

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

Interest rate risk

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

Repricing risk

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

Trading interest rate risk

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

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

	30 June 2022					
	Total	**Non-interest bearing**	**Less than three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**
Assets						
Cash and deposits with the central bank	**22,712,621**	**257,847**	**22,454,774**	**–**	**–**	**–**
Deposits with banks and other financial institutions	**1,909,319**	**9,781**	**1,068,798**	**830,740**	**–**	**–**
Placements with banks and other financial institutions	**786,446**	**8,825**	**–**	**777,621**	**–**	**–**
Financial assets held under resale agreements	**18,815,980**	**370**	**17,275,605**	**1,540,005**	**–**	**–**
Loans and advances to customers*	**169,704,401**	**637,570**	**47,496,975**	**76,454,571**	**26,756,332**	**18,358,953**
Financial investments	**97,121,326**	**39,018,800**	**6,634,412**	**9,935,505**	**30,677,302**	**10,855,307**
Others	**4,758,270**	**4,758,270**	**–**	**–**	**–**	**–**
Total assets	**315,808,363**	**44,691,463**	**94,930,564**	**89,538,442**	**57,433,634**	**29,214,260**
Liabilities						
Borrowings from the central bank	**3,296,617**	**1,466**	**793,839**	**2,501,312**	**–**	**–**
Deposits from banks and other financial institutions	**667,390**	**10,497**	**656,893**	**–**	**–**	**–**
Placements from banks and other financial institutions	**500,088**	**88**	**500,000**	**–**	**–**	**–**
Financial assets sold under repurchase agreements	**19,209,843**	**4,550**	**19,205,293**	**–**	**–**	**–**
Deposits from customers	**231,521,236**	**5,488,335**	**91,485,293**	**54,630,137**	**79,917,471**	**–**
Debt securities issued	**34,641,004**	**66,564**	**19,653,008**	**12,922,431**	**–**	**1,999,001**
Others	**3,409,241**	**3,100,987**	**–**	**2,035**	**182,932**	**123,287**
Total liabilities	**293,245,419**	**8,672,487**	**132,294,326**	**70,055,915**	**80,100,403**	**2,122,288**
Asset-liability gap	**22,562,944**	**36,018,976**	**(37,363,762)**	**19,482,527**	**(22,666,769)**	**27,091,972**

	31 December 2021					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	24,042,197	379,982	23,662,215	–	–	–
Deposits with banks and other financial institutions	1,914,906	21,002	1,226,307	667,597	–	–
Placements with banks and other financial institutions	2,700,264	754	2,699,510	–	–	–
Derivative financial assets	236	236	–	–	–	–
Financial assets held under resale agreements	26,351,992	6,745	23,765,543	2,579,704	–	–
Loans and advances to customers*	151,007,392	544,048	41,454,734	57,557,085	33,838,244	17,613,281
Financial investments	92,566,669	34,325,000	6,517,246	14,293,231	28,252,556	9,178,636
Others	4,707,857	4,707,857	–	–	–	–
Total assets	303,291,513	39,985,624	99,325,555	75,097,617	62,090,800	26,791,917
Liabilities						
Borrowings from the central bank	2,799,217	1,339	315,311	2,482,567	–	–
Deposits from banks and other financial institutions	1,297,166	11,436	285,730	1,000,000	–	–
Placements from banks and other financial institutions	210,169	169	210,000	–	–	–
Derivative financial liabilities	403	403	–	–	–	–
Financial assets sold under repurchase agreements	15,345,732	7,222	15,206,012	132,498	–	–
Deposits from customers	199,207,180	4,119,691	70,590,668	49,610,745	74,886,076	–
Debt securities issued	58,967,189	175,250	17,091,247	35,702,304	3,999,433	1,998,955
Others	3,306,882	2,974,331	–	2,788	209,522	120,241
Total liabilities	281,133,938	7,289,841	103,698,968	88,930,902	79,095,031	2,119,196
Asset-liability gap	22,157,575	32,695,783	(4,373,413)	(13,833,285)	(17,004,231)	24,672,721

* As at 30 June 2022, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB625 million (31 December 2021: RMB951 million).

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. The following table sets forth the results of the Group's interest rate sensitivity analysis on net profit and equity with an assumption that all other variables held constant.

	30 June 2022	31 December 2021
	(Decrease)/ Increase	(Decrease)/ Increase
Change in net profit		
100 bps parallel upward shift in yield curves	**(256,255)**	(91,246)
100 bps parallel downward shift in yield curves	**256,362**	91,287

	30 June 2022	31 December 2021
	(Decrease)/ Increase	(Decrease)/ Increase
Change in equity		
100 bps parallel upward shift in yield curves	**(297,766)**	(127,531)
100 bps parallel downward shift in yield curves	**297,796**	127,548

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

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

– At the end of the reporting period, an interest rate movement of 100 basis points is based on the assumption of interest rate movement over the next 12 months;

– There is a parallel shift in the yield curve with the changes in interest rates;

– There are no other changes to the assets and liabilities portfolio;

– Other variables (including exchange rates) remain unchanged; and

– The analysis does not take into account the effect of risk management measures taken by the Group.

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

Foreign currency risk

The majority of the business of the Group uses Renminbi, whereas a few of the business use United States dollars and other foreign currencies.

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

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

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

	30 June 2022			
	RMB	***USD (RMB equivalent)***	***Others (RMB equivalent)***	***Total (RMB equivalent)***
Assets				
Cash and deposits with the central bank	**22,712,535**	**69**	**17**	**22,712,621**
Deposits with banks and other financial institutions	**1,892,742**	**14,575**	**2,002**	**1,909,319**
Placements with banks and other financial institutions	**786,446**	**–**	**–**	**786,446**
Financial assets held under resale agreements	**18,815,980**	**–**	**–**	**18,815,980**
Loans and advances to customers	**169,704,401**	**–**	**–**	**169,704,401**
Financial Investments	**97,121,326**	**–**	**–**	**97,121,326**
Others	**4,737,635**	**20,334**	**301**	**4,758,270**
Total assets	**315,771,065**	**34,978**	**2,320**	**315,808,363**
Liabilities				
Borrowings from the central bank	**3,296,617**	**–**	**–**	**3,296,617**
Deposits from banks and other financial institutions	**667,390**	**–**	**–**	**667,390**
Placements from banks and other financial institutions	**500,088**	**–**	**–**	**500,088**
Financial assets sold under repurchase agreements	**19,209,843**	**–**	**–**	**19,209,843**
Deposits from customers	**231,520,406**	**714**	**116**	**231,521,236**
Debt securities issued	**34,641,004**	**–**	**–**	**34,641,004**
Others	**3,375,622**	**33,619**	**–**	**3,409,241**
Total liabilities	**293,210,970**	**34,333**	**116**	**293,245,419**
Net position	**22,560,095**	**645**	**2,204**	**22,562,944**
Off-balance sheet credit commitments	**67,835,983**	**–**	**–**	**67,835,983**

	31 December 2021			
	RMB	*USD (RMB equivalent)*	*Others (RMB equivalent)*	*Total (RMB equivalent)*
Assets				
Cash and deposits with the central bank	24,042,063	120	14	24,042,197
Deposits with banks and other financial institutions	1,880,106	33,563	1,237	1,914,906
Placements with banks and other financial institutions	2,700,264	–	–	2,700,264
Derivative financial assets	236	–	–	236
Financial assets held under resale agreements	26,351,992	–	–	26,351,992
Loans and advances to customers	151,007,392	–	–	151,007,392
Financial investments	92,566,669	–	–	92,566,669
Others	4,707,857	–	–	4,707,857
Total assets	303,256,579	33,683	1,251	303,291,513
Liabilities				
Borrowings from the central bank	2,799,217	–	–	2,799,217
Deposits from banks and other financial institutions	1,297,166	–	–	1,297,166
Placements from banks and other financial institutions	210,169	–	–	210,169
Derivative financial liabilities	403	–	–	403
Financial assets sold under repurchase agreements	15,345,732	–	–	15,345,732
Deposits from customers	199,206,195	868	117	199,207,180
Debt securities issued	58,967,189	–	–	58,967,189
Others	3,274,680	32,202	–	3,306,882
Total liabilities	281,100,751	33,070	117	281,133,938
Net position	22,155,828	613	1,134	22,157,575
Off-balance sheet credit commitments	71,312,249	–	–	71,312,249

(c) Liquidity risk

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

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

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

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

	30 June 2022							
	Indefinite*	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	12,120,859	10,586,392	5,370	–	–	–	–	22,712,621
Deposits with banks and other financial institutions	–	1,068,990	–	–	840,329	–	–	1,909,319
Placements with banks and other financial institutions	–	–	–	–	786,446	–	–	786,446
Financial assets held under resale agreements	–	–	10,563,174	6,712,801	1,540,005	–	–	18,815,980
Loans and advances to customers	2,122,496	3,405,493	5,176,010	16,313,042	75,064,690	29,101,777	38,520,893	169,704,401
Financial investments	2,686,287	34,005,731	1,102,232	5,734,945	9,557,998	32,994,409	11,039,724	97,121,326
Others	4,344,162	414,108	–	–	–	–	–	4,758,270
Total assets	21,273,804	49,480,714	16,846,786	28,760,788	87,789,468	62,096,186	49,560,617	315,808,363
Liabilities								
Borrowings from the central bank	–	–	–	795,305	2,501,312	–	–	3,296,617
Deposits from banks and other financial institutions	–	157,550	509,840	–	–	–	–	667,390
Placements from banks and other financial institutions	–	–	500,088	–	–	–	–	500,088
Financial assets sold under repurchase agreements	–	–	18,793,383	416,460	–	–	–	19,209,843
Deposits from customers	–	71,346,296	8,036,482	13,780,435	56,054,380	82,303,643	–	231,521,236
Debt securities issued	–	–	3,536,144	16,116,864	12,988,995	–	1,999,001	34,641,004
Others	–	2,454,456	597,941	13,660	97,298	203,639	42,247	3,409,241
Total liabilities	–	73,958,302	31,973,878	31,122,724	71,641,985	82,507,282	2,041,248	293,245,419
Net position	21,273,804	(24,477,588)	(15,127,092)	(2,361,936)	16,147,483	(20,411,096)	47,519,369	22,562,944

	31 December 2021							
	Indefinite*	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	11,298,905	12,737,761	5,531	–	–	–	–	24,042,197
Deposits with banks and other financial institutions	–	866,394	114,363	258,307	675,842	–	–	1,914,906
Placements with banks and other financial institutions	–	–	2,700,264	–	–	–	–	2,700,264
Derivative financial assets	–	–	–	–	236	–	–	236
Financial assets held under resale agreements	–	–	16,600,885	7,171,402	2,579,705	–	–	26,351,992
Loans and advances to customers	3,057,678	3,657,179	4,619,992	12,978,645	57,810,114	34,157,796	34,725,988	151,007,392
Financial investments	2,198,908	30,380,133	1,135,882	5,008,901	12,935,363	31,450,870	9,456,612	92,566,669
Others	4,478,909	228,948	–	–	–	–	–	4,707,857
Total assets	21,034,400	47,870,415	25,176,917	25,417,255	74,001,260	65,608,666	44,182,600	303,291,513
Liabilities								
Borrowings from the central bank	–	–	–	316,650	2,482,567	–	–	2,799,217
Deposits from banks and other financial institutions	–	86,388	205,845	–	1,004,933	–	–	1,297,166
Placements from banks and other financial institutions	–	–	–	210,169	–	–	–	210,169
Derivative financial liabilities	–	–	–	–	–	403	–	403
Financial assets sold under repurchase agreements	–	–	14,176,199	1,037,035	132,498	–	–	15,345,732
Deposits from customers	–	61,010,636	5,102,433	5,434,948	50,819,077	76,840,086	–	199,207,180
Debt securities issued	–	–	2,596,252	14,585,095	35,787,454	3,999,433	1,998,955	58,967,189
Others	–	2,860,810	22,233	23,980	160,149	190,163	49,547	3,306,882
Total liabilities	–	63,957,834	22,102,962	21,607,877	90,386,678	81,030,085	2,048,502	281,133,938
Net position	21,034,400	(16,087,419)	3,073,955	3,809,378	(16,385,418)	(15,421,419)	42,134,098	22,157,575

* Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue for more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of "repayable on demand". Indefinite amount of financial investments represents impaired investments or those overdue for more than one month. Equity investments are listed under the category of "indefinite".

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

	30 June 2022							
	Carrying amount	**Contractual undiscounted cash flows**	**Repayable on demand**	**Within one month**	**Between one month and three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**
Non-derivative liabilities								
Borrowings from the central bank	**3,296,617**	**3,335,839**	**–**	**–**	**809,721**	**2,526,118**	**–**	**–**
Deposits from banks and other financial institutions	**667,390**	**668,510**	**157,550**	**510,960**	**–**	**–**	**–**	**–**
Placements from banks and other financial institutions	**500,088**	**500,146**	**–**	**500,146**	**–**	**–**	**–**	**–**
Financial assets sold under repurchase agreements	**19,209,843**	**19,215,078**	**–**	**18,798,618**	**416,460**	**–**	**–**	**–**
Deposits from customers	**231,521,236**	**241,784,647**	**71,346,296**	**8,044,287**	**13,844,429**	**57,015,417**	**91,534,218**	**–**
Debt securities issued	**34,641,004**	**35,740,400**	**–**	**3,540,000**	**16,190,000**	**13,245,600**	**382,400**	**2,382,400**
Other liabilities	**3,409,241**	**3,444,488**	**2,456,438**	**599,466**	**15,140**	**105,300**	**221,321**	**46,823**
Total non-derivative liabilities	**293,245,419**	**304,689,108**	**73,960,284**	**31,993,477**	**31,275,750**	**72,892,435**	**92,137,939**	**2,429,223**

	31 December 2021							
	Carrying amount	Contractual undiscounted cash flows	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative liabilities								
Borrowings from the central bank	2,799,217	2,838,398	–	–	329,051	2,509,347	–	–
Deposits from banks and other financial institutions	1,297,166	1,310,868	86,388	206,405	–	1,018,075	–	–
Placements from banks and other financial institutions	210,169	211,353	–	–	211,353	–	–	–
Financial assets sold under repurchase agreements	15,345,732	15,349,518	–	14,179,985	1,037,035	132,498	–	–
Deposits from customers	199,207,180	208,651,905	61,010,636	5,107,666	5,457,766	51,748,529	85,327,308	–
Debt securities issued	58,967,189	60,626,000	–	2,605,600	14,660,000	36,380,000	4,502,400	2,478,000
Other liabilities	3,306,882	3,346,187	2,861,365	23,875	25,768	167,950	211,841	55,388
Total non-derivative liabilities	281,133,535	292,334,229	63,958,389	22,123,531	21,720,973	91,956,399	90,041,549	2,533,388

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

The following tables analyse the contractual undiscounted cash flows of derivative financial instruments which held by the Group for trading purposes on a net basis. The remaining maturity date is based on the remaining period at balance sheet date to the contractual maturity date. The amounts of derivative financial instruments included in each period are the contractual undiscounted cash flows.

	30 June 2022							
	Carrying amount	**Contractual undiscounted cash flows**	**Repayable on demand**	**Within one month**	**Between one month and three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**
Derivatives settled on net basis	–	–	–	–	–	–	–	–

	31 December 2021							
	Carrying amount	Contractual undiscounted cash flows	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Derivatives settled on net basis	(167)	(493)	–	–	–	(90)	(403)	–

This analysis of contractual undiscounted cash flows of the derivative financial instruments might be different from actual results.

(d) Operational risk

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

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

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

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

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

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

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

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

– Improvement of policy management mechanism. Embed compliance management risk prevention and control requirements into the entire process of operation management and business development.

39 Fair Value

(a) Methods and assumptions for measurement of fair value

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

(i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

(ii) Receivables and other non-derivative financial assets

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

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

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

(iv) Derivative financial instruments

Fair values of interest rate swaps are estimated at the present value of estimated future cash flows, discounted at the market interest rates at the end of the reporting period. Fair values of credit risk mitigation tools issued-financial guarantee contracts are based on their quoted market prices at the end of the reporting period.

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, derivative financial assets, financial assets held under resale agreements, loans and advances to customers, and financial investments.

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

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

Derivative financial assets, financial investments at fair value through other comprehensive income, and financial assets at fair value through profit or loss are stated at fair value. The carrying amounts of financial investments at amortised cost are the reasonable approximations of their fair values because, for example, they are short-term in nature or re-priced at current market rates frequently.

(ii) Financial liabilities

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

The book value and fair value of debt securities issued are presented in Note 29. Derivative financial liabilities are stated at fair value. The carrying amounts of other financial liabilities approximate to their fair values.

(c) Fair value hierarchy

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

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

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

– Level 3: Fair value measured using significant unobservable inputs.

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

	30 June 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Financial investments at fair value through profit or loss				
– debt securities and interbank deposits	**–**	**3,155,856**	**96,748**	**3,252,604**
– fund investments	**–**	**34,005,731**	**–**	**34,005,731**
– investment management products	**–**	**373,195**	**2,035,023**	**2,408,218**
– other investments	**160,555**	**51,555**	**–**	**212,110**
Financial investments at fair value through other comprehensive income				
– debt securities and interbank deposits	**–**	**3,346,624**	**–**	**3,346,624**
– investment management products	**–**	**672,468**	**–**	**672,468**
– equity investments	**–**	**–**	**120,700**	**120,700**
Loans and advances to customers measured at fair value through other comprehensive income				
– discounted bills	**–**	**42,049,846**	**–**	**42,049,846**
Total	**160,555**	**83,655,275**	**2,252,471**	**86,068,301**

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements assets				
Financial investments at fair value through profit or loss				
– debt securities and interbank deposits	–	3,048,856	94,390	3,143,246
– fund investments	–	30,012,395	–	30,012,395
– investment management products	–	367,738	2,036,552	2,404,290
– other investments	58,677	164,483	–	223,160
Derivative financial assets	–	236	–	236
Financial investments at fair value through other comprehensive income				
– debt securities and interbank deposits	–	4,618,512	–	4,618,512
– investment management products	–	691,541	–	691,541
– equity investments	–	–	120,700	120,700
Loans and advances to customers measured at fair value through other comprehensive income				
– discounted bills	–	30,896,556	–	30,896,556
Total	58,677	69,800,317	2,251,642	72,110,636
Recurring fair value measurements liabilities				
Derivative financial liabilities	–	403	–	403
Total	–	403	–	403

The movements during the six months ended 30 June 2022 in the balance of Level 3 fair value measurements are as follows:

				Total gains or losses		Purchases, issues, sales and settlements					
	1 January 2022	Transfer into Level 3	Transfer out of Level 3	Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales	Settlements	30 June 2022	Unrealised gains or losses for the period included in profit or loss for assets held at the end of the period
Assets											
Financial assets at fair value through profit or loss											
– debt securities	94,390	–	–	2,358	–	–	–	–	–	96,748	2,358
– investment management products	2,036,552	–	–	(1,529)	–	–	–	–	–	2,035,023	(1,529)
Subtotal	2,130,942	–	–	829	–	–	–	–	–	2,131,771	829
Financial investments at fair value through other comprehensive income											
– equity investments	120,700	–	–	–	–	–	–	–	–	120,700	–
Total	2,251,642	–	–	829	–	–	–	–	–	2,252,471	829

The movements during the year ended 31 December 2021 in the balance of Level 3 fair value measurements are as follows:

				Total gains or losses		Purchases, issues, sales and settlements					
	1 January 2021	Transfer into Level 3	Transfer out of Level 3	Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales	Settlements	31 December 2021	Unrealised gains or losses for the period included in profit or loss for assets and liabilities held at the end of the year
Assets											
Financial assets at fair value through profit or loss											
– debt securities	108,407	–	–	(14,017)	–	–	–	–	–	94,390	(14,017)
– investment management products	2,240,068	–	–	(201,516)	–	–	–	–	(2,000)	2,036,552	(201,516)
– other investments	50,155	–	–	(155)	–	–	–	–	(50,000)	–	–
Subtotal	2,398,630	–	–	(215,688)	–	–	–	–	(52,000)	2,130,942	(215,533)
Financial investments at fair value through other comprehensive income											
– equity investments	135,453	–	–	–	(14,753)	–	–	–	–	120,700	–
Total	2,534,083	–	–	(215,688)	(14,753)	–	–	–	(52,000)	2,251,642	(215,533)

During the six months ended 30 June 2022 and the year ended 31 December 2021, there were no significant transfers among instruments in Level 1, Level 2 and Level 3.

40 Fiduciary Activities

(a) Entrusted lending business

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

	30 June 2022	31 December 2021
Entrusted loans	**8,288,619**	9,752,254
Entrusted funds	**8,288,958**	9,752,741

(b) Intermediary matchmaking service

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

As at 30 June 2022 and 31 December 2021, the balances of intermediary matchmaking service business were as follows:

	30 June 2022	31 December 2021
Intermediary matchmaking service business	**1,596,090**	5,416,684

41 Commitments and Contingent Liabilities

(a) Credit commitments

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

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

	30 June 2022	31 December 2021
Loan commitments		
– Original contractual maturity within one year	**3,370,365**	9,413,161
– Original contractual maturity more than one year (inclusive)	**8,073,882**	5,351,831
Credit card commitments	**6,719,816**	6,557,794
Subtotal	**18,164,063**	21,322,786
Acceptances	**43,197,051**	43,989,895
Letters of credit	**5,675,335**	5,197,724
Letters of guarantees	**200,534**	201,844
Others	**599,000**	600,000
Total	**67,835,983**	71,312,249

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

(b) Credit risk-weighted amount for credit commitments

	30 June 2022	31 December 2021
Credit risk-weighted amount for credit commitments	**31,561,994**	35,111,798

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

(c) Capital commitments

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

	30 June 2022	31 December 2021
Contracted but not paid for	**89,598**	117,831
Authorised but not contracted for	**–**	–
Total	**89,598**	117,831

(d) Outstanding litigations and disputes

As at 30 June 2022, the Group was the defendant in certain outstanding litigations and disputes with an estimated gross amount of RMB8 million (31 December 2021: RMB3 million). The Group has assessed the impact of the above outstanding litigations and disputes that may lead to an outflow of economic benefits. In the opinion of the Group's lawyers and external lawyers, it is unlikely for the Group to receive unfavourable ruling in these cases. Therefore, the Group did not make provision for the litigation. The directors of the Bank are of the view that these litigations will not have any material adverse effects on the Group's businesses, financial condition, results of operations or prospects.

(e) Bonds underwriting commitments and redemption obligations

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

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

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at 30 June 2022 or 31 December 2021:

	30 June 2022	31 December 2021
Redemption obligations	**2,678,534**	3,006,715

(f) **Pledged assets**

(i) ***Assets pledged as collateral***

	30 June 2022	31 December 2021
For repurchase agreements:		
– Financial investments measured at amortised cost	**15,632,902**	12,136,216
– Discounted bills	**4,378,202**	4,136,042
Total	**20,011,104**	16,272,258

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

(ii) ***Pledged assets received***

The Group conducts resale agreements under standard terms of placements and holds collateral for these transactions. The Group's balance of the financial assets held under resale agreements is disclosed in Note 17. The fair value of such collateral accepted by the Group was RMB19,096 million as at 30 June 2022 (31 December 2021: RMB26,831 million). These transactions were conducted under standard terms in the normal course of business.

42 Involvement with Unconsolidated Structured Entities

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

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include funds, trust schemes and asset management plans issued by financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the statement of financial position in which relevant assets were recognised as at 30 June 2022 and 31 December 2021:

	30 June 2022		31 December 2021	
	Carrying amount	**Maximum exposure**	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	**35,149,265**	**35,149,265**	31,156,284	31,156,284
Financial investments at fair value through other comprehensive income	**672,468**	**672,468**	691,541	691,541
Financial investments at amortised cost	**554,872**	**554,872**	1,748,543	1,748,543
Total	**36,376,605**	**36,376,605**	33,596,368	33,596,368

As at 30 June 2022 and 31 December 2021, the carrying amounts of the unconsolidated structured entities were equal to the maximum exposures.

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

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interests held by the Group include investments in units issued by these structured entities and fees charged by providing management services. As at 30 June 2022 and 31 December 2021, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised were not material in the statement of financial position.

For the six months ended 30 June 2022, the amount of fee and commission income received from the above-mentioned structured entities by the Group was RMB96 million (six months ended 30 June 2021: RMB82 million).

As at 30 June 2022, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, was RMB53,143 million (31 December 2021: RMB52,081 million).

(c) Unconsolidated structured entities sponsored by the Group during the period in which the Group does not have interests as at 30 June 2022:

For the six months ended 30 June 2022, the aggregate amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January but matured before 30 June was RMB795 million (six months ended 30 June 2021: RMB916 million).

43 Subsequent Events

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

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2022 - UNAUDITED
(Amounts in thousands of Renminbi, unless otherwise stated)

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

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

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

(a) Liquidity coverage ratio

	30 June 2022	**Average for the six months ended 30 June 2022**
Liquidity coverage ratio (RMB and foreign currencies)	**211.92%**	**214.25%**

	31 December 2021	Average for the year ended 31 December 2021
Liquidity coverage ratio (RMB and foreign currencies)	322.30%	232.61%

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

(b) Leverage ratio

	30 June 2022	31 December 2021
Leverage ratio	**6.07%**	6.18%

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

(c) Net Stable Funding Ratio

	30 June 2022	31 March 2022	31 December 2021
Net stable funding ratio	**138.59%**	136.86%	138.32%

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

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

2 Currency Concentrations

	30 June 2022			
	US Dollars *(RMB equivalent)*	**HK Dollars *(RMB equivalent)***	**Others *(RMB equivalent)***	***Total***
Spot assets	**34,977**	**2,268**	**149**	**37,394**
Spot liabilities	**(34,333)**	**(50)**	**(162)**	**(34,545)**
Net position	**644**	**2,218**	**(13)**	**2,849**

	31 December 2021			
	US Dollars *(RMB equivalent)*	HK Dollars *(RMB equivalent)*	Others *(RMB equivalent)*	*Total*
Spot assets	33,683	2,168	155	36,006
Spot liabilities	(33,071)	(48)	(169)	(33,288)
Net position	612	2,120	(14)	2,718

As at 30 June 2022, the Group's structural position was RMB34 million.

3 International Claims

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

International claims include loans and advances to customers, deposits with the central bank, and deposits and placements with banks and other financial institutions.

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

	30 June 2022		
	Banks and other financial institutions	**Non-bank private sector**	**Total**
Asia Pacific	**1,840**	**–**	**1,840**
Europe	**74**	**–**	**74**
Total	**1,914**	**–**	**1,914**

	31 December 2021		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	1,071	–	1,071
Europe	76	–	76
Total	1,147	–	1,147

4 Gross Amounts of Overdue Loans and Advances

	30 June 2022	31 December 2021
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	**581,844**	77,547
– between 6 months and 1 year (inclusive)	**358,494**	1,355,861
– between 1 year and 3 years (inclusive)	**1,620,722**	997,495
– over 3 years	**199,694**	167,276
Total	**2,760,754**	2,598,179
Percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	**0.33%**	0.05%
– between 6 months and 1 year (inclusive)	**0.21%**	0.87%
– between 1 year and 3 years (inclusive)	**0.93%**	0.64%
– over 3 years	**0.11%**	0.11%
Total	**1.58%**	1.67%

7. PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jshbank.com). The 2022 interim report prepared in accordance with IFRSs will be published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jshbank.com), and will be dispatched to holders of H shares of the Bank in due course.

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

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

Taiyuan, August 26, 2022

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

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