



徽商银行股份有限公司
Huishang Bank Corporation Limited

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

STOCK CODE : 3698

2023

Interim Report

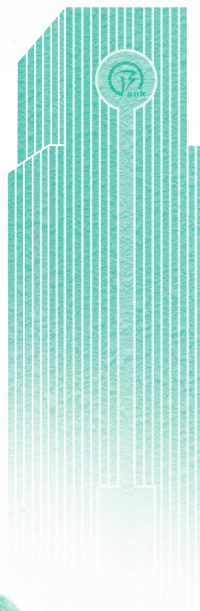


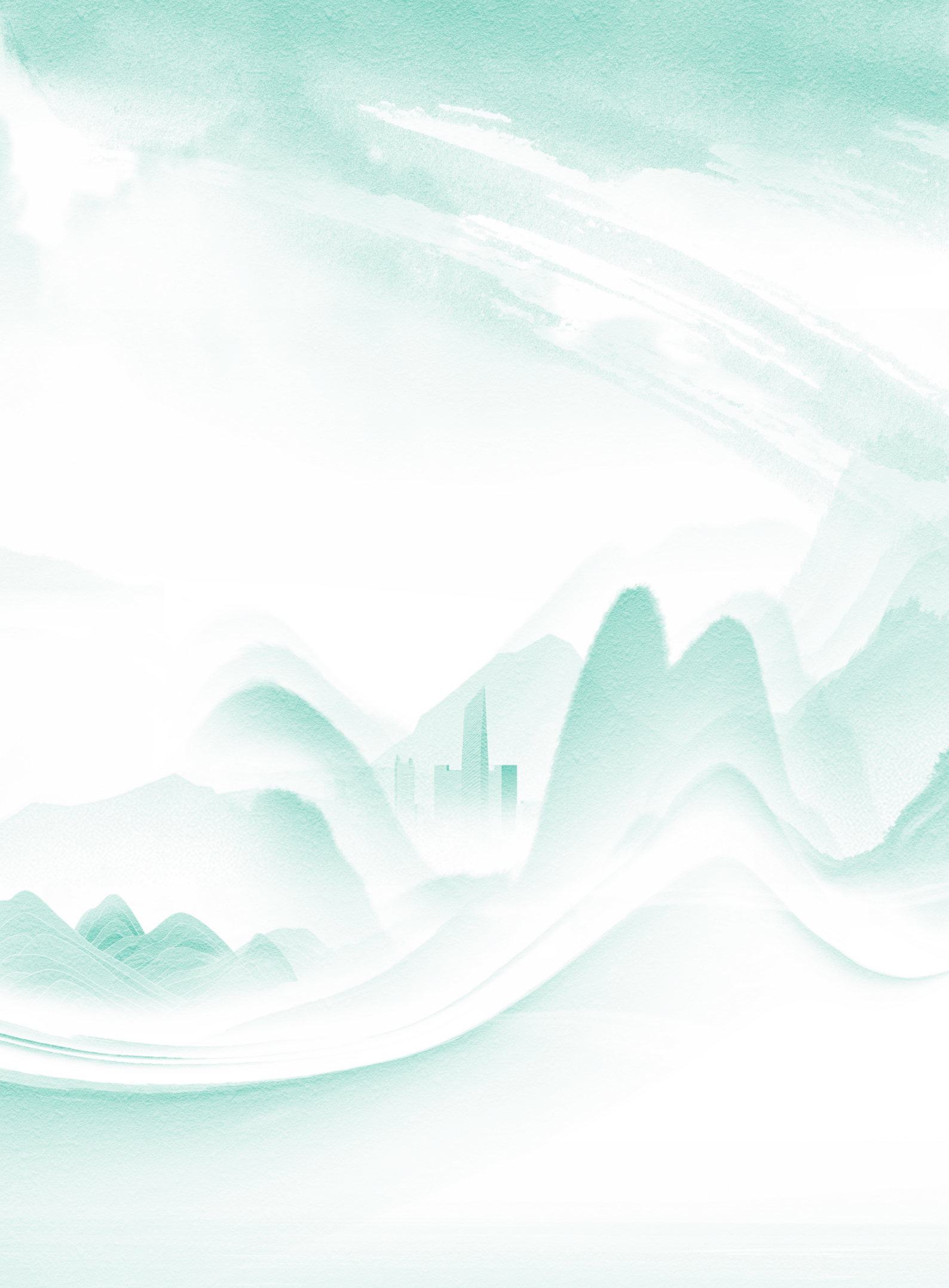


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INTERIM REPORT 2023





Definitions

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

“Bank” or “Huishang Bank”	Huishang Bank Corporation Limited, including its subsidiaries and branches
“China” or “PRC”	the People’s Republic of China
“former CBIRC”	the former China Banking and Insurance Regulatory Commission
“former CBRC”	the former China Banking Regulatory Commission
“former CBIRC Anhui Office”	the former China Banking and Insurance Regulatory Commission Anhui Office
“PBOC”	the People’s Bank of China
“Domestic Shares”	the ordinary shares issued by the Bank in the PRC with a nominal value of RMB1.00 per share
“H Shares”	the ordinary shares issued by the Bank to overseas investors, which are denominated in RMB, subscribed for in Hong Kong Dollars and listed on the Main Board of the Hong Kong Stock Exchange
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

Definitions

“Corporate Governance Code”	Part 2 of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“Latest Practicable Date”	the latest practicable date prior to the printing for the purpose of ascertaining certain information contained in this report, i.e. 7 September 2023
“Reporting Period”	the first half of 2023 (1 January 2023 to 30 June 2023)
“Rural Issues”	abbreviation for issues related to agriculture, rural areas and farmers
“Yuan” or “RMB”	Renminbi, the lawful currency of China. Unless otherwise specified herein, the currency used in this report shall be Renminbi
“US\$” or “U.S. Dollars”	U.S. dollars, the lawful currency of the United States
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Articles of Association”	Articles of Association of the Bank currently in force
“IFRS” or “International Financial Reporting Standards”	International Financial Reporting Standards
“GDP”	Gross Domestic Product
“LPR”	Loan Prime Rate

Chapter I Corporate Information

1.1 CORPORATE INFORMATION

- 1.1.1 Registered Chinese name: 徽商银行股份有限公司¹
Registered English name: Huishang Bank Corporation Limited
- 1.1.2 Legal representative: Yan Chen
Authorized representatives: Yan Chen, Ngai Wai Fung
Secretary to the Board of Directors: Lian Baohua
Company secretary: Ngai Wai Fung
- 1.1.3 Registered and business office address: Huishang Bank Building, No. 1699 Yungu Road, Hefei, Anhui Province, the PRC
- 1.1.4 Contact address: Huishang Bank Building, No. 1699 Yungu Road, Hefei, Anhui Province, the PRC
Tel: +86-551-62667729/62667806
Fax: +86-551-62667661
Postal code: 230092
Bank's website: www.hsbank.com.cn
E-mail: 96588@hsbank.com.cn
- 1.1.5 Principal place of business in Hong Kong: 40/F, Dah Sing Finance Center, No. 248 Queen's Road East, Wanchai, Hong Kong
- 1.1.6 Domestic auditor: Ernst & Young Hua Ming LLP (Special General Partnership)
Office address: Room 01-12, Level 17, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, the PRC
International auditor: Ernst & Young
Office address: 22/F, Citic Tower, 1 Tim Mei Avenue, Hong Kong
- 1.1.7 Legal advisor as to PRC law: DeHeng Law Offices
Legal advisor as to Hong Kong law: Clifford Chance
- 1.1.8 Domestic Shares trustee agency: China Securities Depository and Clearing Corporation Limited
H Shares registrar: Computershare Hong Kong Investor Services Limited

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

Chapter I Corporate Information

1.2 COMPANY PROFILE

Headquartered in Hefei, Anhui Province, Huishang Bank is the first regional joint stock commercial bank in the PRC established through the merger and reorganization of city commercial banks and urban credit cooperatives with the approval of the former CBRC. The Bank was incorporated on 4 April 1997, and changed its name to Huishang Bank Corporation Limited on 30 November 2005. On 28 December 2005, the Bank officially merged with the 5 city commercial banks of Wuhu, Ma'anshan, Anqing, Huaibei and Bengbu and the 7 urban credit cooperatives of Lu'an, Huainan, Tongling, Fuyang Technology, Fuyang Xinying, Fuyang Yinhe and Fuyang Jinda in Anhui Province. The Bank officially opened for business on 1 January 2006. On 12 November 2013, H Shares of the Bank were listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3698). The Bank holds a financial institution license numbered B0162H234010001 from the former CBIRC Anhui Office and the unified social credit code numbered 913400001489746613 from the Anhui Administration for Market Regulation. The registered address is Huishang Bank Building, No. 1699 Yungu Road, Hefei, Anhui Province, the PRC. As at the end of June 2023, the registered capital of the Bank was RMB13,889,801,211.

The business scope of the Bank includes banking business; securities investment funds custody; sales of publicly offered securities investment funds; foreign exchange settlement and sale business; foreign exchange business. As at the end of June 2023, the Bank had 11,163 on-the-job employees. Apart from its headquarters, the Bank has 21 branches, 465 front offices and 534 self-service areas (points). The Bank also has four subsidiaries, namely Huishang Bank Financial Leasing Co., Ltd., HSBank Wealth Management Co., Ltd., Wuwei Huiyin Rural Bank Co., Ltd. and Jinzhai Huiyin Rural Bank Co., Ltd. and owns equity interest in Chery HuiYin Motor Finance Service Co., Ltd. and Mengshang Bank Co., Ltd.

By maintaining its market position as a bank “serving the local economy, serving small and medium enterprises (“SME(s)”) and serving the general public”, the Bank has continuously experienced a relatively fast growth in its business development, has gradually strengthened its comprehensive strength, has steadily improved its operational management standards, and has achieved a synergic development of scale, quality and efficiency, thus winning the full recognition and widespread praise from all sectors of society. During 2023, the Bank was named one of the top 200 in the “Top 1000 World Banks” and the “Global Bank Brand Value Top 500” by The Banker, a UK magazine, with the ranking at No. 123 and No. 152, respectively; included in the list of “Top 500 Chinese Companies” and “Top 500 Listed Chinese Companies” by Fortune, with the ranking at No. 253 and No. 352, respectively; and ranked 25th among the “Top 40 Listed Companies with the Highest Net Profit Margin among Top 500 Listed Chinese Companies”.

Chapter II Summary of Accounting Data and Business Data

2.1 MAIN FINANCIAL INFORMATION

Unit: RMB million, except for percentages

Operational results	January to June 2023	January to June 2022	Changes over
			the corresponding period of last year +/-%
Operating income ⁽¹⁾	19,788	19,115	3.52
Profit before tax	9,881	8,536	15.76
Net profit	8,486	7,335	15.69
Net profit attributable to shareholders of the Bank	8,102	7,243	11.86

Unit: RMB, except for percentages

Per ordinary share	January to June 2023	January to June 2022	Changes over
			the corresponding period of last year +/-%
Basic earnings attributable to shareholders of the Bank	0.58	0.52	11.54
Diluted earnings attributable to shareholders of the Bank	0.58	0.52	11.54
Closing net assets attributable to shareholders of the Bank	8.44	7.56	11.64

Unit: RMB million, except for percentages

Scale indicators	30 June 2023	31 December 2022	Changes over
			the end of last year +/-%
Total assets	1,732,894	1,580,236	9.66
Including: total loans and advances to customers ⁽²⁾	853,124	764,309	11.62
Total liabilities	1,602,036	1,457,414	9.92
Including: total customer deposits ⁽³⁾	1,005,131	894,156	12.41
Equity attributable to shareholders of the Bank	127,282	119,608	6.42

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

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

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

Chapter II Summary of Accounting Data and Business Data

2.2 FINANCIAL RATIOS

Profitability indicators ⁽¹⁾	January to June 2023	January to December 2022	January to June 2022	<i>Unit: %</i>
				Changes over the corresponding period of last year +/-
Return on average total assets (ROA)	1.02	0.92	0.99	0.03
Return on average net assets (ROE)	14.53	12.77	14.01	0.52
Net interest spread	1.79	1.88	1.85	(0.06)
Net interest margin	2.00	2.11	2.08	(0.08)

Proportion of operating income	January to June 2023	January to December 2022	January to June 2022	<i>Unit: %</i>
				Changes over the corresponding period of last year +/-
Net interest income	76.52	79.23	71.85	4.67
Net non-interest income	23.48	20.77	28.15	(4.67)
Cost-to-income ratio ⁽²⁾	24.60	26.15	23.10	1.50

Asset quality indicators	30 June 2023	31 December 2022	30 June 2022	<i>Unit: %</i>
				Changes over the corresponding period of last year +/-
Non-performing loan ratio	1.32	1.49	1.56	(0.24)
Allowance to non-performing loan ratio	275.49	276.57	272.97	2.52
Allowance to loans ratio	3.62	4.11	4.25	(0.63)

Chapter II Summary of Accounting Data and Business Data

Capital adequacy indicators	30 June 2023	31 December 2022	30 June 2022	Unit: %
				Changes over the corresponding period of last year +/-
Capital adequacy ratio	11.80	12.02	11.56	0.24
Tier 1 capital adequacy ratio	9.42	9.53	9.03	0.39
Core Tier 1 capital adequacy ratio	8.57	8.60	8.07	0.50

Other indicators	30 June 2023	31 December 2022	30 June 2022	Unit: %
				Changes over the corresponding period of last year +/-
Equity to total assets ⁽³⁾	7.55	7.77	7.47	0.08
Gearing ratio ⁽⁴⁾	92.45	92.23	92.53	(0.08)

Notes: (1) The ratios are annualized.

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

(3) Equity includes minority interests.

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

Chapter III Management Discussion and Analysis

3.1 OVERALL BUSINESS REVIEW

In the first half of 2023, facing the intricate and severe operation environment, the Bank maintained the development orientation of serving the local economy, serving SME(s) and serving the general public, served the real economy with concentrated attention, continued to be cautious in the prevention of financial risks, focused on deepening reform, innovation and transformation and made improvement in quality, scale and efficiency simultaneously, achieving fruitful results in high-quality development and delivering outstanding interim results to all sectors of society and investors.

As at the end of June 2023, the total assets of the Bank were RMB1,732,894 million, representing an increase of RMB152,658 million or 9.66% as compared with the end of last year. Among them, total loans and advances to customers were RMB853,124 million, representing an increase of RMB88,815 million or 11.62% as compared with the end of last year. Total liabilities were RMB1,602,036 million, representing an increase of RMB144,622 million or 9.92% as compared with the end of last year. Among them, total customer deposits were RMB1,005,131 million, representing an increase of RMB110,975 million or 12.41% as compared with the end of last year.

As at the end of June 2023, the Bank realized an operating income of RMB19,788 million, representing an increase of RMB673 million or 3.52%, as compared with the same period of last year; net profit was RMB8,486 million, representing an increase of RMB1,151 million or 15.69% as compared with the same period of last year.

As at the end of June 2023, the Bank's non-performing loan balance was RMB11,222 million, representing a decrease of RMB139 million as compared with the end of last year. Non-performing loan ratio was 1.32%, representing a decrease of 0.17 percentage point as compared with the end of last year. Allowance to non-performing loan ratio was 275.49%, representing a decrease of 1.08 percentage points as compared with the end of last year.

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT

3.2.1 Particulars of financial performance

From January to June 2023, the Bank realized profit before tax of RMB9,881 million, representing an increase of RMB1,345 million or 15.76% as compared with the same period of last year. The effective income tax rate was 14.12%, representing an increase of 0.05 percentage point as compared with the same period of last year.

Unit: RMB million

	January to June 2023	January to June 2022
Net interest income	15,142	13,734
Net fee and commission income	1,787	2,943
Other net income	2,859	2,438
Operating expenses	(4,868)	(4,416)
Impairment losses	(5,178)	(6,331)
Share of profits of associates	139	168
Profit before tax	9,881	8,536
Income tax expense	(1,395)	(1,201)
Net profit	8,486	7,335
Net profit attributable to shareholders of the Bank	8,102	7,243

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.2 Net interest income

From January to June 2023, the Bank's net interest income amounted to RMB15,142 million, representing an increase of RMB1,408 million or 10.25% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB2,194 million in net interest income and changes in interest rates resulted in a decrease of RMB786 million in net interest income. From January to June 2023, each of the net interest spread and net interest margin of the Bank was 1.79% and 2.00%, representing a decrease of 6 basis points and 8 basis points, as compared with the same period of last year respectively.

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

Unit: RMB million, except for percentages

	January to June 2023			January to June 2022		
	Average Balance ⁽¹⁾	Interest Income	Annualized Average Yield (%)	Average Balance ⁽¹⁾	Interest Income	Annualized Average Yield (%)
Interest-earning assets						
Loans and advances to customers	819,322	19,160	4.68	682,817	17,063	5.00
Securities investments	488,957	10,100	4.13	455,056	9,664	4.25
Balances with the central bank	85,476	620	1.45	77,604	554	1.43
Deposits and placements with banks and other financial institutions	77,737	759	1.95	64,823	577	1.78
Financial leasing	64,299	2,168	6.74	58,997	1,800	6.10
Total interest-earning assets and interest income	1,535,791	32,808	4.27	1,339,297	29,658	4.43

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

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.2 Net interest income (Continued)

Unit: RMB million, except for percentages

	January to June 2023			January to June 2022		
	Average Balance	Interest Expenses	Annualized Average Cost Ratio (%)	Average Balance	Interest Expenses	Annualized Average Cost Ratio (%)
Interest-bearing liabilities						
Borrowings from the central bank	69,266	881	2.54	62,760	799	2.55
Customer deposits	1,001,731	10,940	2.18	821,702	8,942	2.18
Deposits and placements from banks and other financial institutions ⁽¹⁾	259,694	3,285	2.53	261,084	3,584	2.75
Debt securities issued	202,959	2,561	2.52	185,324	2,599	2.80
Total interest-bearing liabilities and interest expenses	1,533,650	17,666	2.30	1,330,870	15,924	2.39
Net interest income	/	15,142	/	/	13,734	/
Net interest spread ⁽²⁾	/	/	1.79	/	/	1.85
Net interest margin ⁽²⁾	/	/	2.00	/	/	2.08

Notes: (1) Deposits from insurance companies are included in the item of deposits and placements from banks and other financial institutions.

(2) After the adoption of new accounting standards for financial instruments, gains from the holding of financial assets at fair value through profit or loss will no longer be recorded as interest income. Net interest spread and net interest margin shall be calculated in accordance with interest income (after adjustment).

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.2 Net interest income (Continued)

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

Unit: RMB million

	January to June 2023		Net increase/ (decrease)
	vs.		
	January to June 2022		
	Increase/(decrease) factors		
	Scale ⁽¹⁾	Interest rate	
Assets			
Loans and advances to customers	3,411	(1,314)	2,097
Securities investments	720	(284)	436
Balances with central bank	56	10	66
Deposits and placements with banks and other financial institutions	115	67	182
Financial leasing	162	206	368
Changes in interest income	4,464	(1,314)	3,150
Liabilities			
Borrowings from the central bank	83	(1)	82
Customer deposits	1,959	39	1,998
Deposits and placements from banks and other financial institutions	(19)	(280)	(299)
Debt securities issued	247	(285)	(38)
Changes in interest expenses	2,270	(528)	1,742
Changes in net interest income	2,194	(786)	1,408

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

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.3 Interest income

From January to June 2023, the Bank's interest income totaled RMB32,808 million, representing an increase of RMB3,150 million or 10.62% as compared with the same period of last year.

Interest income from loans and advances

From January to June 2023, the interest income from loans and advances to customers of the Bank was RMB19,160 million, representing an increase of RMB2,097 million or 12.29% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB3,411 million in interest income from loans and advances to customers and changes in interest rates resulted in a decrease of RMB1,314 million in interest income from loans and advances to customers.

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

Unit: RMB million, except for percentages

	January to June 2023			January to June 2022		
	Average Balance	Interest Income	Annualized Average Yield (%)	Average Balance	Interest Income	Annualized Average Yield (%)
Corporate loans	544,232	12,217	4.49	400,150	9,583	4.79
Personal loans	248,120	6,702	5.40	229,246	6,909	6.03
Discounted bills	26,970	241	1.79	53,421	571	2.14
Loans and advances to customers	819,322	19,160	4.68	682,817	17,063	5.00

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.3 *Interest income (Continued)*

Interest income from securities investments

From January to June 2023, the Bank's interest income from securities investments was RMB10,100 million, representing an increase of RMB436 million or 4.51% as compared with the same period of last year, among which increase in the scale resulted in an increase of RMB720 million in interest income from securities investments and changes in interest rates resulted in a decrease of RMB284 million in interest income from securities investments.

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

From January to June 2023, the Bank's interest income from deposits and placements with banks and other financial institutions was RMB759 million, representing an increase of RMB182 million or 31.54% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB115 million in interest income from deposits and placements with banks and other financial institutions while changes in interest rates resulted in an increase of RMB67 million in interest income from deposits and placements with banks and other financial institutions.

3.2.4 *Interest expenses*

From January to June 2023, the Bank's interest expenses amounted to RMB17,666 million, representing an increase of RMB1,742 million or 10.94% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB2,270 million in interest expenses while changes in interest rates resulted in a decrease of RMB528 million in interest expenses.

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.4 Interest expenses (Continued)

Interest expense on customer deposits

From January to June 2023, the Bank's interest expense on customer deposits was RMB10,940 million, representing an increase of RMB1,998 million or 22.34% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB1,959 million in interest expense on customer deposits and changes in interest rates resulted in an increase of RMB39 million in interest expense on customer deposits.

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

Unit: RMB million, except for percentages

	January to June 2023			January to June 2022		
	Average Balance	Interest Expense	Annualized Average Cost Ratio (%)	Average Balance	Interest Expense	Annualized Average Cost Ratio (%)
Corporate deposits						
Demand deposits	283,708	1,425	1.00	262,997	1,163	0.88
Time deposits	190,657	2,829	2.97	177,751	2,751	3.10
Sub-total	474,365	4,254	1.79	440,748	3,914	1.78
Personal customer deposits						
Demand deposits	83,688	210	0.50	73,511	227	0.62
Time deposits	391,256	5,987	3.06	258,299	4,317	3.34
Sub-total	474,944	6,197	2.61	331,810	4,544	2.74
Others ⁽¹⁾	52,422	489	1.87	49,144	484	1.97
Total customer deposits	1,001,731	10,940	2.18	821,702	8,942	2.18

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

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.4 Interest expenses (Continued)

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

From January to June 2023, interest expense on deposits and placements from banks and other financial institutions was RMB3,285 million, representing a decrease of RMB299 million or 8.34% as compared with the same period of last year, among which decrease in the scale resulted in a decrease of RMB19 million in interest expense on deposits and placements from banks and other financial institutions while changes in interest rates resulted in a decrease of RMB280 million in interest expense on deposits and placements from banks and other financial institutions.

Interest expense on debt securities issued

From January to June 2023, interest expense on debt securities issued was RMB2,561 million, representing a decrease of RMB38 million or 1.46% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB247 million in interest expense on debt securities issued while changes in interest rates resulted in a decrease of RMB285 million in interest expense on debt securities issued.

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.5 Net non-interest income

From January to June 2023, the Bank realized net non-interest income of RMB4,646 million, representing a decrease of RMB735 million or 13.66% as compared with the same period of last year, which was primarily attributable to the decrease in net fee and commission income.

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

	January to June 2023	January to June 2022
	<i>Unit: RMB million</i>	
Fee and commission income	1,985	3,117
Settlement and clearing fees	95	79
Guarantee and commitment fees	445	377
Investment banking fees	428	409
Custody fees	459	403
Bank card fees	79	94
Acquiring business fees	11	11
Agency commissions	429	1,452
Others	39	292
Fee and commission expenses	(198)	(174)
Net fee and commission income	1,787	2,943
Other net non-interest income	2,859	2,438
Net trading gains	2,165	1,650
Net gains on financial investments	441	549
Other operating income, net	253	239
Net non-interest income	4,646	5,381

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.5 Net non-interest income (Continued)

Net fee and commission income

From January to June 2023, net fee and commission income of the Bank was RMB1,787 million, representing a decrease of RMB1,156 million or 39.28% as compared with the same period of last year, which was primarily attributable to the decrease in agency commissions.

Net trading gains

From January to June 2023, net trading gains of the Bank were RMB2,165 million, representing an increase of RMB515 million or 31.21% as compared with the same period of last year, which was primarily attributable to the increase in net gains from interest rate products.

Net gains on financial investments

From January to June 2023, net gains on financial investments of the Bank were RMB441 million, representing a decrease of RMB108 million or 19.67% as compared with the same period of last year, which was mainly due to the decrease in the spread income from financial assets at fair value through profit or loss.

3.2.6 Operating expenses

From January to June 2023, operating expenses of the Bank were RMB4,868 million, representing an increase of RMB452 million or 10.24% as compared with the same period of last year.

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

	January to June 2023	January to June 2022
		<i>Unit: RMB million</i>
Staff costs	(2,968)	(2,537)
Tax and surcharges	(211)	(211)
Depreciation and amortization	(532)	(510)
Lease expenses	(20)	(22)
Other general operating and administrative expenses	(1,137)	(1,136)
Total operating expenses	(4,868)	(4,416)

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.7 Impairment losses

From January to June 2023, the Bank's allowance to impairment losses was RMB5,178 million, representing a decrease of RMB1,153 million or 18.21% as compared with the same period of last year.

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

	January to June 2023	<i>Unit: RMB million</i> January to June 2022
Loans and advances to customers ⁽¹⁾	(4,417)	(4,413)
Financial investments	(230)	(1,100)
Credit commitments	(154)	(90)
Deposits with banks and other financial institutions	(5)	10
Placements with banks and other financial institutions	(19)	0
Financial assets held under resale agreements	(39)	(64)
Finance lease receivables	(203)	(633)
Other assets	(111)	(41)
Total	(5,178)	(6,331)

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

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS

3.3.1 Assets

As of 30 June 2023, the Bank's total assets amounted to RMB1,732,894 million, representing an increase of 9.66% as compared with the end of 2022. The increase in total assets was primarily due to the increase in assets such as loans and advances to customers and investments.

Unit: RMB million, except for percentages

Items	30 June 2023		31 December 2022	
	Amount	% of the total	Amount	% of the total
Total loans and advances to customers	853,124	49.23	764,309	48.37
Accrued interest of loans and advances to customers	1,747	0.10	1,869	0.12
Provision for loan impairment	(30,859)	1.78	(31,380)	1.99
Net loans and advances to customers	824,012	47.55	734,798	46.50
Investments	646,606	37.31	597,678	37.82
Cash and balances with the central bank	91,740	5.29	104,694	6.63
Deposits with banks and other financial institutions	6,804	0.39	10,720	0.68
Placements with banks and other financial institutions	29,588	1.71	20,695	1.31
Derivative financial assets	189	0.01	130	0.01
Financial assets held under resale agreements	27,070	1.56	12,659	0.80
Investments in associates	5,012	0.29	4,924	0.31
Fixed assets	4,522	0.26	4,626	0.29
Right-of-use assets	1,120	0.06	1,127	0.07
Goodwill	11,776	0.68	11,776	0.75
Deferred income tax assets	13,977	0.81	13,656	0.86
Finance lease receivables	65,995	3.81	57,807	3.66
Other assets	4,480	0.26	4,946	0.31
Total assets	1,732,894	100.00	1,580,236	100.00

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.1 Assets (Continued)

3.3.1.1 Loans and advances to customers

As of 30 June 2023, the Bank's total loans and advances to customers amounted to RMB853,124 million, representing an increase of 11.62% as compared with the end of last year, and accounting for 49.23% of the Bank's total assets.

Distribution of loans by product type

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

Unit: RMB million, except for percentages

Items	30 June 2023		31 December 2022	
	Amount	% of the total	Amount	% of the total
Corporate loans	565,527	66.29	466,717	61.06
Discounted bills	30,683	3.60	43,510	5.69
Personal loans	256,914	30.11	254,082	33.24
Total loans and advances to customers	853,124	100.00	764,309	100.00

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.1 Assets (Continued)

3.3.1.2 Investments

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

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

Unit: RMB million, except for percentages

Items	30 June 2023		31 December 2022	
	Amount	% of the total	Amount	% of the total
Financial assets at FVTPL	145,545	22.51	122,955	20.57
Financial assets at fair value through other comprehensive income	146,777	22.70	139,941	23.41
Financial assets at amortised cost	354,284	54.79	334,782	56.02
Investments	646,606	100.00	597,678	100.00

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

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.1 Assets (Continued)

3.3.1.2 Investments (Continued)

Financial assets at FVTPL

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

	30 June 2023	31 December 2022
		<i>Unit: RMB million</i>
Government bonds	5,728	5,084
Other debt securities	24,720	20,821
Inter-bank certificates of deposits	913	196
Equity investments	928	993
Beneficial rights in asset management plans, trust plans and others	107,471	89,925
Non-guaranteed wealth management products managed by other banks	4,033	4,542
Interest receivable	1,752	1,394
Total financial assets at fair value through profit or loss	145,545	122,955

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

Financial assets at fair value through other comprehensive income

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

	30 June 2023	31 December 2022
		<i>Unit: RMB million</i>
Debt securities	142,136	137,067
Inter-bank certificates of deposits	2,455	–
Equity investments	305	292
Interest receivable	1,881	2,582
Total financial assets at fair value through other comprehensive income	146,777	139,941

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

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.1 Assets (Continued)

3.3.1.2 Investments (Continued)

Financial assets at amortised cost

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

	<i>Unit: RMB million</i>	
	30 June 2023	31 December 2022
Debt securities	212,605	180,858
Inter-bank certificates of deposits	300	–
Beneficial rights in asset management plans, trust plans and others	146,767	157,538
Interest receivable	4,463	6,661
Less: provision for impairment	(9,851)	(10,275)
Net financial assets at amortised cost	354,284	334,782

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

Carrying value and market value

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

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

	<i>Unit: RMB million</i>			
	30 June 2023		31 December 2022	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets at amortised cost	354,284	357,946	334,782	338,813

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.1 Assets (Continued)

3.3.1.3 Subsidiaries and major companies in which the Bank has shareholdings

Name	Initial investment amount (RMB'000)	Percentage of shareholdings at the end of the period (%)	Number of shares held at the end of the period (in thousand shares)	Carrying value at the end of the period (RMB'000)	Sources of shares held	Remark
Huishang Bank Financial Leasing Co., Ltd.	1,020,000	54	1,620,000	1,706,820	Promotion, participation in capital increase	Subsidiary
HSBank Wealth Management Co., Ltd.	2,000,000	100	2,000,000	2,000,000	Promotion	Subsidiary
Wuwei Huiyin Rural Bank Co., Ltd. ⁽¹⁾	40,000	40	40,000	69,513	Promotion	Subsidiary
Jinzhai Huiyin Rural Bank Co., Ltd. ⁽²⁾	32,800	41	32,800	32,800	Promotion	Subsidiary
Chery HuiYin Motor Finance Service Co., Ltd.	100,000	20	300,000	1,842,147	Promotion, participation in capital increase	Company in which the Bank has shareholdings
Mengshang Bank Co., Ltd.	3,600,000	15	3,000,000	3,170,145	Promotion	Company in which the Bank has shareholdings

Notes:

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

For further details of subsidiaries of the Bank and major companies in which the Bank has shareholdings, please refer to section 3.9.9 "Subsidiaries and major companies in which the Bank has shareholdings" of this report.

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.2 Liabilities

As of 30 June 2023, the total liabilities of the Bank amounted to RMB1,602,036 million, representing an increase of 9.92% as compared with the end of last year, which was mainly due to steady growth of customer deposits.

Unit: RMB million, except for percentages

Liabilities	30 June 2023		31 December 2022	
	Amount	% of the total	Amount	% of the total
Borrowings from the central bank	107,132	6.69	82,908	5.69
Deposits from banks and other financial institutions	165,083	10.30	123,611	8.48
Placements from banks and other financial institutions	53,625	3.35	43,863	3.01
Derivative financial liabilities	196	0.01	117	0.01
Financial assets sold under repurchase agreements	47,243	2.95	54,476	3.74
Deposits from customers	1,005,131	62.74	894,156	61.35
Interests payable on customer deposits	18,983	1.18	18,620	1.28
Taxes payable	2,288	0.14	2,908	0.20
Debt securities issued	184,190	11.50	218,002	14.96
Other liabilities	18,165	1.13	18,753	1.29
Total liabilities	1,602,036	100.00	1,457,414	100.00

Deposits from customers

The Bank has always been focusing on and actively expanding its deposit business. In 2023, despite increasingly intense competition among its peers, the Bank managed to maintain a steady growth in its customer deposits through various forceful measures. As of 30 June 2023, the Bank's total deposits from customers amounted to RMB1,005,131 million, representing an increase of 12.41% from the end of 2022, and accounted for 62.74% of the total liabilities of the Bank.

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.2 Liabilities (Continued)

Deposits from customers (Continued)

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

Unit: RMB million, except for percentages

Items	30 June 2023		31 December 2022	
	Balance	% of the total	Balance	% of the total
Corporate deposits				
Demand deposits	284,446	28.30	244,866	27.39
Time deposits	173,421	17.25	187,973	21.02
Subtotal	457,867	45.55	432,839	48.41
Personal customer deposits				
Demand deposits	82,364	8.19	88,420	9.89
Time deposits	413,026	41.09	320,201	35.81
Subtotal	495,390	49.29	408,621	45.70
Other deposits	51,874	5.16	52,696	5.89
Including: pledged deposits	51,272	5.10	52,405	5.86
Total customer deposits	1,005,131	100.00	894,156	100.00

3.3.3 Equity

Unit: RMB million

Items	30 June 2023	31 December 2022
Share capital ⁽¹⁾	13,890	13,890
Other equity instruments	10,000	10,000
Capital reserve	15,231	15,231
Surplus reserve	18,596	17,404
General risk reserve	17,517	15,598
Other comprehensive income	2,265	900
Retained earnings	49,784	46,585
Equity attributable to shareholders of the Bank	127,282	119,608
Non-controlling interest	3,575	3,214
Total equity	130,858	122,822

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

Chapter III Management Discussion and Analysis

3.4 LOAN QUALITY ANALYSIS

3.4.1 Distribution of loans by the five-category classification

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

Unit: RMB100 million, except for percentages

	30 June 2023		31 December 2022	
	Amount	% of the total	Amount	% of the total
Pass	8,342.55	97.78	7,425.71	97.15
Special mention	76.47	0.90	103.77	1.36
Substandard	46.19	0.54	24.42	0.32
Doubtful	29.64	0.35	18.93	0.25
Loss	36.39	0.43	70.26	0.92
Gross loans and advances to customers	8,531.24	100.00	7,643.09	100.00
Total non-performing loans	112.22	1.32	113.61	1.49

Under the five-category classification system of loan supervision, the non-performing loans ("NPLs") of the Bank include loans of substandard, doubtful and loss categories. In 2023, the Bank improved the quality and efficiency of disposal and mitigation and further optimized the asset quality. As at the end of the Reporting Period, the NPL ratio of the Bank was 1.32%, representing a decrease of 0.17 percentage point as compared with the end of last year.

3.4.2 Distribution of loans and NPLs by product type

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

Unit: RMB100 million, except for percentages

	30 June 2023				31 December 2022			
	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)
Corporate loans	5,655.27	66.29	84.33	1.49	4,667.17	61.06	90.74	1.94
Discounted bills ⁽¹⁾	306.83	3.60	0	0.00	435.1	5.69	0	0
Personal loans	2,569.14	30.11	27.89	1.09	2,540.82	33.25	22.87	0.90
Total loans and advances to customers	8,531.24	100.00	112.22	1.32	7,643.09	100.00	113.61	1.49

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

Chapter III Management Discussion and Analysis

3.4 LOAN QUALITY ANALYSIS (CONTINUED)

3.4.3 Distribution of loans and NPLs by industry

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

Unit: RMB100 million, except for percentages

	30 June 2023				31 December 2022			
	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)
Corporate loans								
Commerce and services	1,072.18	12.57	33.30	3.11	842.59	11.03	17.59	2.09
Manufacturing	873.59	10.24	15.14	1.73	780.68	10.21	48.41	6.20
Public utilities	2,411.71	28.27	1.12	0.05	1,959.67	25.64	1.16	0.06
Real estate	290.16	3.40	22.72	7.83	277.39	3.63	11.12	4.01
Construction	394.54	4.62	7.50	1.90	344.72	4.51	8.18	2.37
Transportation	135.18	1.58	3.33	2.46	116.08	1.52	3.32	2.86
Energy and chemical	284.07	3.33	0.34	0.12	219.32	2.87	0.44	0.20
Catering and travelling	11.07	0.13	0.38	3.43	6.82	0.09	0.23	3.37
Education and media	35.48	0.42	0.08	0.23	30.64	0.40	0.08	0.26
Financial services	73.60	0.86	0.00	0.00	57.19	0.75	0.00	0.00
Others ⁽¹⁾	73.69	0.86	0.42	0.57	32.08	0.42	0.21	0.65
Discounted bills	306.83	3.60	0.00	0.00	435.10	5.69	0.00	0.00
Personal loans	2,569.14	30.12	27.89	1.09	2,540.82	33.24	22.87	0.90
Total loans and advances to customers	8,531.24	100.00	112.22	1.32	7,643.09	100.00	113.61	1.49

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

Chapter III Management Discussion and Analysis

3.4 LOAN QUALITY ANALYSIS (CONTINUED)

3.4.4 Distribution of loans and NPLs by geographical segment

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

Unit: RMB100 million, except for percentages

	30 June 2023				31 December 2022			
	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)
Anhui province	7,420.95	86.99	70.59	0.95	6,658.59	87.12	75.86	1.14
Jiangsu province	557.47	6.53	22.12	3.97	515.15	6.74	17.18	3.33
Others	552.82	6.48	19.51	3.53	469.35	6.14	20.57	4.38
Total loans and advances to customers	8,531.24	100.00	112.22	1.32	7,643.09	100.00	113.61	1.49

3.4.5 Distribution of loans and NPLs by type of collateral

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

Unit: RMB100 million, except for percentages

	30 June 2023				31 December 2022			
	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)
Collateralized loans	2,276.63	26.68	31.44	1.38	2,236.45	29.27	20.49	0.92
Pledged loans	1,707.56	20.02	6.35	0.37	1,539.20	20.14	8.73	0.57
Guaranteed loans	2,448.74	28.70	54.02	2.21	1,752.84	22.93	34.46	1.97
Unsecured loans	1,791.48	21.00	20.41	1.14	1,679.50	21.97	49.93	2.97
Discounted bills	306.83	3.60	0.00	0.00	435.10	5.69	0.00	0.00
Total loans and advances to customers	8,531.24	100.00	112.22	1.32	7,643.09	100.00	113.61	1.49

Chapter III Management Discussion and Analysis

3.4 LOAN QUALITY ANALYSIS (CONTINUED)

3.4.6 Loans of the top 10 single borrowers

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

Unit: RMB million, except for percentages

Top 10 borrowers	Industry that borrower belongs to	30 June 2023	
		Amount of loans	% of net capital
A	Manufacturing	3,106	2.17
B	Manufacturing	3,064	2.14
C	Commerce and services	2,990	2.08
D	Transportation	2,863	1.99
E	Energy and chemical	2,839	1.98
F	Public utilities	2,714	1.89
G	Manufacturing	2,456	1.71
H	Public utilities	2,442	1.70
I	Public utilities	2,439	1.70
J	Public utilities	2,338	1.63
Total		27,251	18.99

3.4.7 Distribution of loans by overdue period

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

	30 June 2023	31 December 2022
Total overdue loans and advances to customers listed by duration (in RMB million)		
Less than 3 months	4,289	3,717
3 to 6 months (inclusive)	1,822	1,193
6 to 12 months	1,240	1,440
Over 12 months	3,772	6,851
Total	11,123	13,201
Percentage (%)		
Less than 3 months	38.56	28.15
3 to 6 months (inclusive)	16.38	9.04
6 to 12 months	11.15	10.91
Over 12 months	33.91	51.90
Total	100.00	100.00

Chapter III Management Discussion and Analysis

3.4 LOAN QUALITY ANALYSIS (CONTINUED)

3.4.8 Restructuring loans

The Bank carried out the restructuring for non-performing loans strictly following the principle of “not reducing guarantees and not increasing risks”. During the Reporting Period, the Bank’s restructuring NPLs amounted to RMB622.9677 million, representing a decrease of RMB166.9499 million as compared with the corresponding period of last year, which included 19 corporate loans amounting to RMB598.38 million, 4 small corporate loans amounting to RMB20.0877 million and 1 personal loan amounting to RMB4.50 million.

3.4.9 Transfer of credit assets

The Bank disposes of its non-performing credit assets by transferring such assets to third parties in its ordinary course of business. In the first half of 2023, the Bank disposed of non-performing assets of the former Baoshang Bank of RMB1,030 million through transfer.

3.4.10 Changes in allowances for loan impairment ⁽¹⁾

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

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

	30 June 2023	31 December 2022
		<i>Unit: RMB million</i>
Balance at the beginning of the period	31,421	27,953
Allowances for the period	4,417	5,909
Reversal caused by the write-down of interest on impaired loans and advances to customers	(20)	(130)
Write-offs and transfer out for the period	(5,403)	(3,619)
Reversal caused by recovery of loans and advances to customers written off	501	1,308
Balance at the end of the period	30,916	31,421

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

Chapter III Management Discussion and Analysis

3.5 CAPITAL ADEQUACY RATIO ANALYSIS

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

In the first half of 2023, the Bank calculated the capital adequacy ratio in accordance with the relevant requirements of the “Trial Measures for Capital Management of Commercial Banks”. As of 30 June 2023, the Bank’s capital adequacy ratio was 11.80%, Tier 1 capital adequacy ratio was 9.42%, and core Tier 1 capital adequacy ratio was 8.57%.

Unit: RMB million, except for percentages

	30 June 2023	31 December 2022
Core Tier 1 capital	119,793	111,852
Including: Valid portion of paid-up capital	13,890	13,890
Valid portion of capital reserve and other comprehensive income	17,495	16,131
Surplus reserve and general reserve	36,113	33,002
Retained earnings	49,784	46,585
Valid portion of minority interests	2,510	2,244
Regulatory deductions for core Tier 1 Capital	(15,543)	(16,529)
Core Tier 1 capital, net of deductions	104,249	95,323
Other Tier 1 capital, net of deductions	10,324	10,289
Tier 1 capital, net of deductions	114,573	105,612
Tier 2 capital	28,936	27,541
Including: Valid portion of Tier 2 capital instruments and premium	14,000	14,000
Surplus loan loss provisions	14,274	12,950
Valid portion of minority interests	662	591
Total capital, net of deductions	143,509	133,153
Credit risk-weighted assets	1,141,918	1,035,975
Market risk-weighted assets	9,097	6,946
Operational risk-weighted assets	64,903	64,903
Risk-weighted assets	1,215,918	1,107,824
Capital adequacy ratio	11.80%	12.02%
Tier 1 capital adequacy ratio	9.42%	9.53%
Core Tier 1 capital adequacy ratio	8.57%	8.60%

Chapter III Management Discussion and Analysis

3.5 CAPITAL ADEQUACY RATIO ANALYSIS (CONTINUED)

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

Leverage ratio

Unit: RMB million, except for percentages

Items	30 June 2023	31 December 2022
Leverage ratio	6.24%	5.90%
Tier 1 capital, net of deductions	114,573	105,612
Adjusted balance of assets on and off the balance sheet	1,836,433	1,790,414

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

3.6 SEGMENT PERFORMANCES

Operating segments

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

Unit: RMB million, except for percentages

Items	January to June 2023		January to June 2022	
	Total profits before taking into account	impairment Percentage (%)	Total profits before taking into account	impairment Percentage (%)
Corporate banking	8,714	57.87	9,063	60.96
Retail banking	2,497	16.58	2,702	18.17
Treasury	3,795	25.20	2,984	20.07
Others	53	0.35	118	0.80
Total	15,059	100.00	14,867	100.00

Chapter III Management Discussion and Analysis

3.7 OTHERS

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

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

3.7.2 *Overdue outstanding debt*

As of 30 June 2023, the Bank had no overdue outstanding debt.

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

1. *National economy recovered and improved*

In the first half of 2023, with the full resumption of normalized operation of economy and society and the effectiveness of macro policies, the national economy recovered and improved and the high-quality development was under steady progress. The GDP reached RMB59,303.40 billion in the first half of the year, representing a year-on-year increase of 5.5% and 1.0 percentage point higher than the first quarter. Industrial production steadily resumed; market sales maintained a sound growth momentum; production supply continued to increase; employment and prices generally remained stable; residents' income achieved a stable growth; and the overall economic operation recovered and improved.

2. *Macroeconomic policies remained accurate and effective*

In the first half of 2023, the central bank adhered to the general principle of making improvement while maintaining stability, maintained the prudent monetary policies accurate and effective, boosted efforts in counter-cyclic adjustment and promoted the overall recovery of the economic operation. The central bank maintained stable operation and reasonable and sufficient liquidity, continuously optimized the credit structure, reduced the financing cost of real economies amid stability and continuously boosted financial support to the economy. Fiscal policies gave priority to the resumption and expansion of consumption and strengthened social security, transfer payment and other adjustments to increase residents' income through various channels and promote the full releasing of consumption potential. Meanwhile, it enhanced the leading and promotion of government investment on investment in the whole society and "stepped up efforts" in proactive fiscal policies.

Chapter III Management Discussion and Analysis

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

3. The financial industry maintained overall stable operation

In the first half of 2023, the operation of the financial industry in China was stable on the whole with risks generally under control. The non-performing loan ratio was 1.68%, representing a year-on-year decrease of 0.08 percentage point. Various RMB loans increased by RMB15.73 trillion, representing an increase of RMB2.02 trillion as compared with the same period of last year. The credit structure was continuously optimized and the impetus to economic development was strengthened. In terms of interest rates, it promoted the decrease of the financing cost of real economies amid stability

4. Prospects and measures

In the first half of 2023, the economy of Anhui Province continued to recover, and the main indicators gradually improved, showing strong development resilience. The GDP of Anhui Province increased by 6.1% as compared to the same period of last year, with the growth rate being 0.6 percentage point higher than the national level. In the second half of the year, Anhui will speed up the pace of building “seven strong provinces” (七個強省) and focus on expanding domestic demand, boosting confidence and preventing risks, constantly facilitate the continuous bettering of economic operation, the continuous enhancement of endogenous power, the continuous improvement of social expectations and the continuous dissolving of risks and hidden dangers and promote the effective improvement in the quality and the reasonable growth in the quantity of economy.

The Bank will resolutely implement the decisions and deployments of the provincial Party committee and the provincial government, center on the financial demand in economic and social development in Anhui Province, focus on key sectors, optimize operation strategies, comprehensively promote “nine improvement projects” and strive to create a new situation of high-quality development of Huishang Bank.

Firstly, the Bank will serve the overall interests of Anhui Province. It will serve the strategies on the integrated development of the Yangtze River Delta and the comprehensive revitalization of Northern Anhui and boost efforts in supporting infrastructure interconnection, interprovincial industrial cooperation parks and interbank cooperation. The Bank will deepen financial services for science and innovation and rural revitalization, and support the construction of the “Great Innovation Valley” (科大硅谷) and the Hefei Science and Innovation Financial Reform Pilot Zone. The Bank will display the advantages of county outlets, support the new urbanization with counties as carriers and the construction of a beautiful and harmonious countryside that is desirable to live and work in and serve the project of “the upgrading of ten thousand villages led by one thousand villages” across the province.

Chapter III Management Discussion and Analysis

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

4. *Prospects and measures (Continued)*

Secondly, the Bank will speed up in transformation of the light-capital business. It will vigorously develop investment banking, transaction banking, wealth management, custody, bank wealth management and other businesses, facilitate online, digital and intelligent and comprehensive development, expand the scale and improve the brand influence.

Thirdly, the Bank will accelerate business transformation in key areas. In terms of personal asset business, based on the three business lines of personal credit, Internet lending and credit cards, the Bank will strengthen the innovation of consumption loans, business loans and online loans, and create flagship products to satisfy more consumer groups with multi-level and personalized financial services. In terms of SMEs business, the Bank will build up ability to acquire customers in bulk and enhance frontline productivity through standardization of marketing processes, empowerment of frontline staff and strengthening of performance management.

Fourthly, the Bank will strengthen technology empowerment. It will closely catch up with the pace of advanced banks, follow the orientation of autonomy and controllability, give priority to emergency uses and speed up in advancing the construction of projects under the three-year plan on financial technology and key projects. It will refine the technological governance system, improve the incentive mechanism on technology staff, promote the in-depth integration of business with technology and reshape the core competitiveness with financial technology.

Fifthly, the Bank will accelerate the establishment of the digital risk control system and continuously enhance risk management and control on online businesses, new businesses and businesses under third-party cooperation in key aspects such as data, models, procedures and risk control platforms.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION

3.9.1 Corporate banking business

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

In the first half of 2023 and in terms of the corporate banking business, the Bank resolutely implemented the strategic deployment of the provincial Party committee and the provincial government of Anhui Province, continuously pursued progress while ensuring stability and vigorously advanced its transformation. Adhering to provide precise financial service, it guided various credit capital to invest in key sectors and industries such as rural revitalization, green finance, strategic emerging industries, infrastructure as well as specialized and sophisticated enterprises that produce new and unique products. It provided quality financial services to the construction of key projects; continuously boosted efforts in serving real economies; adhered to the comprehensive financial theory; provided customers with full cycle, multi-dimensional, integrated financial services through full play to the advantages of group integration; with adherence to innovative thinking and aiming at key customers and key areas, constantly introduced various key products, various featured action plans and comprehensive financial cases and guides; persisted in bottom line thinking, strengthened risk management and control, and strictly held the bottom line of risk prevention and control to vigorously promote the continuous and high-quality development of the corporate banking business. In the first half of 2023, the Bank continued to maintain its leading position in corporate deposits and corporate loans among commercial banks in Anhui Province and ranked high in terms of increment and the market share in Anhui province. Its investment banking and transaction banking businesses achieved continuous and stable growth and have been widely recognized by the market.

Corporate loans

Corporate loans are a major component of the Bank's loan portfolio. Currently, the Bank provides various corporate loan products, including working capital loans, fixed asset loans, and supply chain financing, to enterprises and institutions with legal operation. In the first half of 2023, the Bank continuously boosted efforts in serving real economies, constantly boosted efforts in providing financing supports for key strategies including the integrated development of the Yangtze River Delta, the development of "one park and five area", "three fields and one area", Northern Anhui revitalization, and the construction of key parks and key areas such as rural revitalization, green finance, strategic emerging industries, infrastructure and specialized and sophisticated enterprises and key customer such as enterprise subordinated to city or province, (to-be) listed company, medium company and core enterprise of the industry chain. As of 30 June 2023, the balance of the Bank's corporate loans (including discounted bills) was RMB596,210 million, representing an increase of RMB85,983 million from the end of 2022.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.1 Corporate banking business (Continued)

Corporate deposits

The Bank provides corporate customers with corporate deposits products and services, including corporate demand deposits, corporate time deposits, corporate call deposits, corporate agreement deposits, negotiated deposits and corporate large amount certificates of deposit. The Bank actively addressed the challenges brought by the policy impacts of interest rate capitalization reform and continuously optimised the structure of corporate deposits driven by improving the quality of customers and increasing the coverage. The Bank is committed to expanding the sources of low-cost corporate deposits and made all-out efforts to support the issuance of special government bonds, thus creating stable sources of revenue for the Company. As of 30 June 2023, the Bank's balance of corporate deposits (excluding margin deposits) amounted to RMB457,867 million, representing an increase of RMB25,028 million from the end of 2022.

Bill discounting

In the first half of 2023, the Bank continued to advance the digital transformation of product functions and risk control and management for the bills business, launched and operated the new bill discounting business system of the Bank according to the deployment and arrangement of Shanghai Commercial Paper Exchange Corporation Ltd. to provide strong support for the steady and continuous development of bill business and products innovation. As of 30 June 2023, the Bank's balance of discounted bills amounted to RMB30,683 million, including the balance of direct discounted bills amounting to RMB9,955 million and the balance of transferred discounted bills amounting to RMB20,728 million.

Transaction banking

In the first half of 2023, with the recovery of credit demand driven by the recovery of the economic fundamentals, the Bank constantly adhered to the customer-centric service philosophy, actively played the role as a major local financial force and continuously promoted the improvement of the comprehensive cross-border financial service capabilities, achieving steady development in the transaction banking business.

Firstly, the Bank accelerated in the online transformation of supply-chain finance. Focusing on new energy vehicles, high-end manufacturing, new infrastructure, medical and other key industries as well as real economy industrial chain scenarios, the Bank achieved "bulk customer acquisition, accurate portraying, automatic approval and intelligent risk control" through technology empowerment and sped up in the establishment of the industrial chain ecosystem in key sectors to improve the capability of the industrial chain to serve micro and small enterprises. In the first half of 2023, the number of customers in the upstream and downstream of the industrial chain of the supply-chain financing of the Bank increased by 120.62% as compared with the same period of the last year.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.1 Corporate banking business (Continued)

Transaction banking (Continued)

Secondly, the Bank was committed to building a domestic and foreign currency integrated cash management service platform, to give play to advantage of professional services of transaction banking and meet capital management demands of customers during the entire transaction process, thus comprehensively promoting the fast development of online corporate debt business. The cash management comprehensive services ability and market influence of the Bank were significantly enhanced. In the first half of 2023, the transaction amount of cash management business of the Bank reached RMB3.2 trillion.

Thirdly, the Bank continuously promoted the digital and online transformation of cross-border businesses, achieved online application for the international trade financing business, modelled limit approval and automatic granting of financing and provided customers with high-quality, efficient and convenient cross-border financial services. In the first half of 2023, the Bank completed cross-border settlement in a total of USD4,861 million, representing a year-on-year decrease of 6.24%; and granted international trade financing amounted to RMB7,364 million, representing an increase of 33.99% as compared with the corresponding period of last year.

Investment banking business

To promote its business transformation, the Bank focuses on developing investment banking services such as lead underwriting of debt financing instruments, asset securitization, M&A financing, structural financing, and investment and financing consulting. The Bank continuously enriches its investment banking products by launching innovative products such as asset-backed notes, asset-back commercial papers and science and technology innovation notes. In the first half of 2023, the Bank continued to make breakthroughs in the fields of asset securitization and M&A loan business by successfully completing a number of asset securitization and M&A loan business and realizing the rapid development of direct financing of wealth management business, further satisfying the diversified corporate financing needs. In the first half of 2023, the Bank vigorously promoted the development of the business of underwriting of debt financing instruments and completed the issuance of 59 debt financing instruments with a total amount of RMB37,610 million. In particular, the underwriting amount was RMB24,831 million, representing an increase of 52% as compared to the same period of last year.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.2 Personal finance business

Business overview

In the first half of 2023, the Bank accelerated the successive implementation of adjustment of the organizational structure of the personal finance segment, enhanced the coordinated management of personal customers of branches and sub-branches and constantly optimized the allocation of resources to improve the management efficiency. It facilitated the transformation and development of personal finance and achieved rapid growth in the operating indicators of the personal finance business, thus increasingly enhancing the market competitiveness of the personal finance business.

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

In the second half of 2023, facing the serious and complex external business environment, the Bank will follow the guidance of the new round of five-year development strategy plan, continuously adhere to the “customer-centric” business philosophy, strengthen segment synergy, public-private initiatives and resources integration, speed up in promoting the transformation and development of the personal finance business, and comprehensively improve the overall competitiveness of the personal finance business.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.2 Personal finance business (Continued)

Wealth management business

The Bank's personal wealth management business mainly includes agency service for personal wealth management service, agency service for sales of funds, agency service for sales of insurance products, agency service for sales of treasury bonds, agency service for brokerage asset management plan and agency service for sales of precious metals in kind. As of the end of the Reporting Period, the Bank's personal wealth management business (including direct banking business) amounted to RMB188,820 million, customers of which amounted to 925,200, representing an increase of 115,300 or 14.24% from the beginning of the year; high-net value customers amounted to 93,000, representing an increase of 5,789 or 6.64% from the beginning of the year.

Bank card business

One card

In the first half of 2023, actively adapting to the transformation and upgrading of the personal finance business and closely focusing on the payment and settlement needs of personal customers, the Bank continuously promoted the innovation of the debit card products business and the integration of online and offline business to further diversify the product portfolio; the Bank also carried out various marketing activities to continuously improve customer stickiness and boost the rapid growth of the overall debit card business of the Bank. As at the end of June 2023, 19.2235 million debit cards were issued. The deposit balances on debit cards were RMB226,365 million. A total of 83 types of Huangshan debit cards were issued.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.2 Personal finance business (Continued)

Bank card business (Continued)

Credit card

Centering on the target of “developing distinctive businesses, conducting new layout and building brands”, adhering to the customer-centric development concept, in combination with changes in internal and external operation environment, the Bank focused on the origin of the credit card business, concentrated on consumption vitality, customer acquisition with value and integrated operation, resolutely maintained the bottom line of risks, strictly implemented various requirements of new regulatory rules and promoted the dynamic and balanced development of the credit card business in “scale, efficiency and quality”.

Firstly, the Bank adhered to the orientation of customer acquisition with value, boosted the acquisition of high-quality customer groups and optimized the customer structure. During the Reporting Period, the Bank acquired 37,600 new high-quality customers, achieving an increase of 4% as compared to the same period of last year in term of the number of high-quality customers as at the end of the Reporting Period and an increase of 1.76 percentage points in terms of the proportion. Secondly, it continuously advanced the integrated customer acquisition and operation for debit cards and credit cards and conducted the conversion into high-quality retail customers. During the Reporting Period, the number of new holders of debit cards and credit cards reached 49,700, representing an increase of 6.96% as compared to the same period of last year in term of the number of holders of debit cards and credit cards as at the end of the Reporting Period and an increase of 4.75 percentage points in terms of the proportion. Thirdly, it deeply promoted the credit card business to return to its origin of payment and strengthened the payment and settlement functions of credit cards. During the Reporting Period, the credit card consumption amount reached RMB15.8 billion and the transaction amount of the conventional installment businesses, namely bills, consumption and cash, reached RMB1.816 billion, representing a year-on-year increase of 125%. Fourthly, it practiced the philosophy of serving people with financial resources and actively carried out consumption activities in buses, metro and other sectors concerning people’s livelihood. Focusing on high-frequent life scenarios, the Bank continuously launched the “618 money-off”, “monthly swipe”, “colorful discounts on weekends” and other activities to inject new impetus to the continuous releasing of consumption potential. Fifthly, following the principle of prudent risk management, the Bank strictly implemented the requirements of new regulatory rules, strengthened credit management, deepened differentiated customer management and improved the effectiveness of the management and control of incremental risks.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.2 Personal finance business (Continued)

Personal customer loans

In the first half of 2023, the personal asset business of the Bank focused on the customer, guided by the new five-year development plan and developed digital personal credit product systems recognized by customers with excellent experience. It accurately found the breakthrough points and expanded the share of personal assets through differentiated competition and synergistic linkage. It boosted product promotion efforts, expanded the coverage of customer groups and facilitated the high-quality, high-standard and high-level development of the personal asset business through various measures, the scale of personal loans has steadily increased. As at the end of June 2023, the balance of personal home loans of the Bank amounted to RMB121.646 billion, representing an increase of RMB398 million or 0.33% as compared with the beginning of the year. The balance of non-home consumption loans of the Bank amounted to RMB15.730 billion, representing an increase of RMB3.177 billion or 25.31% as compared with the beginning of the year. The balance of personal business loans of the Bank amounted to RMB55.479 billion, representing an increase of RMB4.093 billion or 7.97% as compared with the beginning of the year.

Personal customer deposits

In the first half of 2023, facing the complex and severe external situations including the economy recovery and decline of interest rates, the Bank persistently adhered to the business philosophy of “putting deposits in a paramount position of the Bank and putting customers first” and acted proactively under unified thoughts. The Bank realized continuous rapid growth in personal deposits through enhancing customer management, the development of marketing scenarios, fintech empowerment and improving service quality and effectiveness. As at the end of June 2023, the Bank’s total personal deposits under the headquarters amounted to RMB495,390 million, representing an increase of RMB86,659 million or 21.20% from the end of 2022.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.3 Financial market business

In the first half of 2023, the central bank implemented steady monetary policy, kept sufficient total amount and in a steady way, kept liquidity reasonably sufficient and the market yield remained low and volatile. The Bank adhered to the principle of serving the real economy and promoted the continued steady growth of its business through optimizing investment portfolio structure, and enriching business categories. Firstly, the Bank increased the resources allocated to treasury bonds, local government bonds and credit bonds. Secondly, the Bank enhanced the research and judgement on the market and assets transfer, and dynamically adjusted the offering structure to increase capital gains. Thirdly, the Bank proactively participated in the innovation business, improved its market influence and actively performed its obligations as a market maker. Fourthly, the Bank focused on market and customer expansion and enhanced business innovation and synergy to improve intermediate business revenue.

3.9.4 Custody business

In the first half of 2023, the Bank implemented the strategy deployment which focused on customers and guided by the market, continuously reinforced the foundation of the business, enhanced the synergy between different business lines, advanced the business transformation, enhanced digital service of custody service, and devoted to improve core competence, realizing the healthy growth of the business scale and revenue from intermediate business.

As of 30 June 2023, the balance of assets under custody (excluding regulating products of corporate and investment banking) of the Bank amounted to RMB957,921 million, representing an increase of RMB29,097 million or 3.13% from the beginning of the year. The Bank generated an asset custody fee income (excluding regulating products of corporate and investment banking) of RMB362,014,500, representing an increase of RMB33,987,300 or 10.36% as compared with the corresponding period of the last year.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.5 Distribution channels

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

Physical distribution channels

As at 30 June 2023, the Bank had built a total of 534 self-service banking outlets and put into operation a total of 1,853 sets of self-service equipment, including 1,040 cash recycling machines and 813 intelligent self-service terminals.

Electronic banking channels

Focusing on high-quality development and consistently giving priority to the development of mobile products and services, the Bank deeply advanced its digital transformation, improved the digital operation ability and devoted more efforts to developing online products such as mobile banking and online banking. The Bank also actively expanded online payment business, extended the length and width of financial service and empowered its operations with fintech to continuously improve the quality and efficiency of comprehensive financial service.

Mobile banking

As for mobile banking, the Bank profoundly integrated it with intelligent voice search, biological recognition and other technologies, built online channels covering all varieties, all functions and all products, explored the construction of business circles, improved the platform-based ecosystem, and continuously enhanced the customer acquisition and customer activation capability of online channels. During the Reporting Period, the Bank's personal mobile banking maintained rapid development with the customer activity continuously improving. As at the end of June 2023, the number of mobile banking customers of the Bank reached 9,144,200, representing a year-on-year increase of 16.82%. The number of mobile banking transactions reached 130,627,600, representing a year-on-year increase of 6.94%. The transaction amount reached RMB805,970 million in total, representing a year-on-year decrease of 6.42%.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.5 Distribution channels (Continued)

Online banking

In the first half of 2023, the Bank's online banking business maintained a steady development. The Bank continuously enhanced the development of online banking security mechanisms, consistently optimized business processes and customer service experience, and improved the in-depth integration of online banking channels with business. As of the end of the Reporting Period, as for personal online banking, the total number of customers reached 7,879,900, representing a year-on-year increase of 9.35%, the number of transactions reached 19,826,600, representing a year-on-year decrease of 10.78% and the transaction amount reached RMB214,225 million, representing a year-on-year decrease of 13.72%; as for enterprise online banking, the total number of customers reached 365,000, the number of transactions reached 16,050,000, and the transaction amount reached RMB2.48 trillion.

Online payment

The Bank actively promoted the rapid development of various online payment services such as quick payment, gateway payment and mobile payment, and continued to focus on providing payment services for government, public welfare and merchants providing daily necessities to improve the efficiency and effectiveness of mobile convenient payments in promoting consumption and improving people's livelihood. In the first half of 2023, the number of online payment transactions reached 237,893,100, representing a year-on-year increase of 32.96%, and the transaction amount totaled RMB122,150 million, representing a year-on-year increase of 15.63%.

Internet-based loan

During the Reporting Period, the Bank's Internet-based loan business closely followed changes in market regulatory policies. Based on the actual business conditions, with "intelligent risk control and digital operation" as cores, it comprehensively advanced the development of the Internet-based loan business from key customers, asset investment, core source of profit, online risk control and other perspectives. As of the end of June 2023, the balance of personal online loans under the management of the Internet-based Loan Centre of the Bank was RMB43,508 million, representing an increase of RMB2,742 million from the beginning of the year. The overdue amount of loans was RMB1,161 million with an overdue payment rate of 2.67%. The balance of NPL was RMB809 million with an NPL ratio of 1.86%.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.6 *Financial business for small and micro enterprises*

In the first half of 2023, the Bank continued to implement the decision and arrangement of the competent authorities and regulatory authorities on strengthening financial services for small and micro enterprises, continuously increased credit loans, and significantly facilitated the quality of financial services for small and micro enterprises. As of the end of the Reporting Period, the balance of loans to national-standard small and micro enterprises of the Bank was RMB377,103 million, representing a net increase of RMB62,484 million as compared with the beginning of the year. Among them, the balance of inclusive loans to small and micro enterprises with the credit granted to a single customer less than RMB10 million (inclusive) was RMB126,022 million, representing a net increase of RMB21,467 million or 20.53% as compared with the beginning of the year; the number of accounts was 218,000, achieving a positive growth of 42,700 from the beginning of the year.

3.9.7 *Fintech business*

In the first half of 2023, the Bank thoroughly implemented the national innovation-driven development strategic deployment. With the integration of the Yangtze River Delta, the construction of the G60 Science and Technology Innovation Corridor and pilot zones for science and technology finance reform and innovations, it has taken the initiative to focus on technology-based enterprises, and innovatively develop scientific and technological financial services through the integration of industry and finance, etc., in order to create a scientific and efficient system of scientific and technological financial service. As of the end of the Reporting Period, the balance of technology-based enterprises loans of the Bank amounted to RMB70,773 million, representing a net increase of RMB12,243 million or 20.92% as compared with the beginning of the year. The number of customers from technology-based enterprises loans amounted to 5,846, representing an increase of 35.76%.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.8 Green finance business

Under guidance of the national strategy of “carbon peaking and carbon neutrality”, the Bank properly complied with the requirements of the laws and regulations of the state on environmental protection, the industrial policies and the industry access policies, actively advocated green finance and supported the development of green, low-carbon and circular economy. The Bank actively responded to central and local policies on green finance and specified the strategic position of the development of green finance. The Bank fully displayed its comprehensive financial advantages, established and improved a multi-layered green finance product spectrum with wide coverage in green credit, green bonds and green investments, continuously promoted the development of the green finance business and boosted efforts in supporting green industries, providing strong financial support to the construction of demonstration areas for comprehensive and green transformation in economic and social development in Anhui Province.

In the first half of 2023, the Bank officially joined the Green Finance Committee of China Society for Finance and Banking and actively participated in relevant research activities of the committee in the capacity of a member. It formulated the Report on the Disclosure of Environmental Information of Huishang Bank in 2022 for the first time and demonstrated the green finance business and relevant results of its own green and low-carbon operation of the Bank in the last year in all dimensions. It fully summarized the work results in the green finance sector in the last year, effectively maintained advanced experience and practice and further optimized the work plan on the action plan on the high-quality development of green finance in 2023. It continued to offer pricing subsidies on the green finance business and vigorously supported the green transformation and development across the Bank. It issued the “Notice on Actively Carrying out Relevant Work on the Application of Carbon Emission Reduction Support Tools by the Central Bank” 《關於積極做好人民銀行碳減排支持工具運用相關工作的通知》 and successfully launched the first carbon emission reduction support tool of local corporate banks in Anhui Province. It issued the “Plan on the Expansion of the New Energy Vehicle Industry of Huishang Bank” 《徽商銀行新能源汽車產業拓展方案》, adhered to the concept of financial services on the entire industry chain, increased the granting of credit loans to the new energy vehicle industry, promoted the transformation and upgrading of local industries and facilitated energy saving and emission reduction.

As of the end of the Reporting Period, the green loan balance of the Bank amounted to RMB80.223 billion in total, representing an increase of RMB25.646 billion or 46.99% as compared with the end of 2022. Among which, the green loan balance in Anhui Province amounted to RMB72.908 billion in total, representing an increase of RMB22.699 billion or 45.21% as compared with the end of 2022. The balance of corporate green loans accounted for 9.1% of the balance of loans of the Bank in domestic and foreign currencies, representing an increase of 2.12 percentage points as compared with the end of 2022.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.9 Subsidiaries and major companies in which the Bank has shareholdings

Subsidiaries

Huishang Bank Financial Leasing Co., Ltd.

Registered in Hefei, Huishang Bank Financial Leasing Co., Ltd. (“Huishang Bank Financial Leasing”) officially commenced its business operation on 30 April 2015 with an initial registered capital of RMB2,000 million. The Bank contributed RMB1,020 million to the registered capital of Huishang Bank Financial Leasing, accounting for 51% of the total registered capital. The registered capital of Huishang Bank Financial Leasing increased to RMB3,000 million in March 2018, to which the Bank contributed RMB1.62 billion, accounting for 54% of the total registered capital. As of the end of June 2023, the unaudited total assets, total liabilities, owners’ equity and net profits of Huishang Bank Financial Leasing amounted to RMB69,048 million, RMB61,553 million, RMB7,495 million and RMB709 million, respectively, and the principal balance of lease assets was RMB68,846 million with an NPL ratio of 1.01%.

HSBank Wealth Management Co., Ltd.

HSBank Wealth Management Co., Ltd. (徽銀理財有限責任公司) (“HSBank Wealth Management”) officially commenced its business operation on 28 April 2020. Registered in Hefei with a registered capital of RMB2 billion, HSBank Wealth Management was wholly funded by the Bank. As of the end of June 2023, the unaudited total assets, total liabilities and owners’ equity of HSBank Wealth Management amounted to RMB4,367 million, RMB190 million and RMB4,177 million, respectively.

Wuwei Huiyin Rural Bank Co., Ltd.

Registered in Wuwei City, Wuwei Huiyin officially commenced its business operation on 8 August 2010. Its registered capital was RMB100 million, to which the Bank contributed RMB40 million, accounting for 40% of the total registered capital. As of the end of June 2023, the unaudited total assets, total loans and total deposits of Wuwei Huiyin amounted to RMB4,137 million, RMB2,512 million and RMB3,873 million, respectively.

Jinzhai Huiyin Rural Bank Co., Ltd.

Registered in Jinzhai County of Lu’an City, Jinzhai Huiyin officially commenced its business operation on 28 June 2013. Its registered capital was RMB80 million, to which the Bank contributed RMB32.80 million, accounting for 41% of the total registered capital. As of the end of June 2023, the unaudited total assets, total loans and total deposits of Jinzhai Huiyin amounted to RMB2,433 million, RMB1,899 million and RMB2,082 million, respectively.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

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

Major companies in which the Bank has shareholdings

Chery HuiYin Motor Finance Service Co., Ltd.

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

Mengshang Bank Co., Ltd.

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

3.10 RISK MANAGEMENT

In the first half of 2023, faced with the complicated and changing risk situation, the Bank took the 2021-2025 strategic plan as the lead and centered on two main lines, namely “stabilizing the asset quality and improving the risk management capability”. Based on the overall guideline of “optimizing systems, speeding up in transformation, supporting digital and intelligent development and implementing policies based on different categories”, the Bank focused on improving overall risk management, conducted classified management of risks in key areas, promoted the digital transformation in risk control and strived to realize coordinated development that balances scale, quality and efficiency on the premise that risks are under control, so as to realize the value of comprehensive risk management and the strategic objective of transformation and upgrading of the Bank.

Adhering to the risk culture of “prudence, rationality and steadiness”, the Bank sped up in empowerment with financial technology, established a comprehensive, professional and digital risk and internal control and management system and achieved the transformation from being driven by experience to being driven by data, from post-event disposal to advance warning, from single risk control to operational risk and from credit risk to the full coverage of all risks, maintaining the asset quality always at the best level in the industry. During the Reporting Period, under the framework of the unified risk appetite, the Company centered on two main lines, namely “stabilizing the asset quality and improving the risk management capability”. Based on the overall guideline of “optimizing systems, speeding up in transformation, supporting digital and intelligent development and implementing policies based on different categories”, the Bank focused on improving overall risk management, conducted classified management of risks in key areas, promoted the digital transformation in risk control, achieved all risks generally under control and guaranteed the high-quality development of the Bank.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.1 Credit risk management

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

During the Reporting Period, the Bank paid close attention to the macro economic and financial situation and market changes, continuously enhanced the application of credit risk management instruments, stepped up efforts in the prevention and disposal of credit risk, improved professional and refined credit risk management, continuously optimized the asset structure and maintained stable asset quality.

Firstly, the Bank strengthened the guidance of policies and continuously optimized the asset structure. It enhanced the judgment on the macro situation and the analysis on customer groups, formulated the Bank's risk and credit policies with the focus on supporting real enterprises, rural revitalization, inclusive finance, green finance, scientific and technological finance and other sectors, displayed the orientation of policies, optimized industrial and regional asset allocation and continuously optimized the credit structure.

Secondly, the Bank strengthened risk limit management and strictly controlled risks in key areas. On the basis of the full coverage of all credit businesses, it analyzed and judged areas with potential risks and focused on businesses with rapid growth. The Bank has set mandatory limits and instructive limits on areas, industries, products, customers, guarantees and other dimensions, prudently got involved with products with high risks or complicated business management models, effectively controlled concentration risk and consolidated the basis of asset quality management and control.

Thirdly, the Bank strengthened the management and control on key areas and strictly prevented cluster risks. It studied and formulated the "Notice on Strengthening Dynamic Risk Monitoring on Large and Key Customers" (《關於加強大額重點客戶動態風險監控的通知》) and coordinated with the head office, branches and sub-branches in comprehensively strengthening forward-looking judgment and risk control on large customers. It reinforced daily monitoring on property business, paid close attention to changes in risks on property business of key enterprises in key areas, properly dissolved risks in the property sector based on the hierarchy and classification. It regularly convened meetings of the working group on model review and practically intensified review, supervision and management on online loan business at the middle office. It displayed the independent role of delegated personnel in customer access and business account and controlled the risk exposure of non-credit businesses.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.1 Credit risk management (Continued)

Fourthly, the Bank strengthened risk measurement and management and vigorously advanced the transformation of digital risk control. It optimized and improved the functions of risk control platforms and systems, reinforced the application of risk warning information in the process of loans and effectively brought forward the risk control gateways. It continued to promote the construction and application of the internal evaluation system to provide effective support for credit granting, credit use, and risk measurement. The Bank established large-scale risk exposure and capital management systems and gradually achieved real-time measurement and dynamic monitoring in the management of large-scale risk exposure.

Please refer to section 3.4 “Loan Quality Analysis” in this report for details of the loan quality distribution.

3.10.2 Management of large-scale risk exposure

In accordance with the “Management Measures for Large-Scale Risk Exposure of Commercial Banks” (《商業銀行大額風險暴露管理辦法》), large-scale risk exposure refers to the credit risk exposure (including various credit risk exposures in the banking book and trading book) to a single customer or a group of related customers of a commercial bank that exceeds 2.5% of its net tier 1 capital. The Bank has incorporated large-scale risk exposure management into its overall risk management system, continuously monitored changes in large-scale risk exposures and regularly reported on large-scale risk exposure indicators and related management work to regulatory authorities, so as to effectively control customer concentration risks. Single non-financial institution customers, group non-financial institution customers, single financial institution customers and group financial institution customers of the Bank that reached the standards of large-scale risk exposure were all in compliance with the regulatory requirements.

3.10.3 Market risk management

Market risk refers to the risk of losses to the Bank’s on-balance sheet and off-balance sheet activities arising from unfavorable changes in market prices (interest and exchange rates, stock and commodity prices). The market risk referred to in this section refer to the market risk except the interest rate risk in the banking book.

The target on the market risk management of the Bank is to control market risk within a tolerable range based on the Bank’s risk appetite and achieve the maximum risk-adjusted revenue.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.3 Market risk management (Continued)

Based on the guidance of regulatory policies, the Bank has established a complete and reliable market risk management system adapting to the nature, scale and complexity of its own businesses. The Bank's market risk management system covers the Board of Directors, the Board of Supervisors, senior management, all relevant functional departments, branches and sub-branches as well as their functional departments involving market risk. The Board of Directors takes the ultimate responsibility for market risk management. The senior management is responsible for formulating, reviewing and supervising all basic systems and procedures of the Bank on market risk, fully mastering the overall conditions of market risk management in the whole Bank and clarifying the paths, frequency and contents of risk reporting to ensure that the Bank has sufficient manpower, materials and proper organizational structure, management information systems and technology to effectively identify, measure, monitor and control market risk.

The Bank measures market risk capitals in strict compliance with the "Measures for Capital Management of Commercial Banks". It measures market risk by conducting duration analysis, foreign exchange exposure analysis, scenario analysis, sensitivity analysis and the VaR (value at risk), and manages and controls market risk through limit-based management, risk hedge, reducing risk exposure and other measures. The Bank will select proper market risk measurement methods to conduct the measurement of market risk based on changes in regulatory policies and the actual development of businesses and ensure that the market risk level matches the risk management capability and capital strength of the Bank.

The Bank regularly updates its market risk appetite and limit plan, continuously improves market risk management systems and measurement systems and uses independent market risk system to carry out risk measurement and limit monitoring. The Bank conducts daily valuation on positions in the trading account and continuously monitors the profit and loss of positions. It regularly implements stress testing on market risk, appraises the loss tolerance of the Bank under adverse changes to market price and provides suggestions and reference to business development and market risk management.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.4 Operational risk management

Operational risk refers to the risk of loss arising from flawed or problematic internal procedures, personnel, IT systems and external events. Operational risk loss events faced by the Bank mainly include seven categories, namely internal and external frauds, employment system and workplace safety incidents, customers, products and business activities incidents, damage of tangible assets, IT system incidents, execution, delivery and process management incidents.

The Bank has established an organizational structure on operational risk management. It set up the Risk Management Committee under the Board of Directors and professional risk management department and operational risk management team under the senior management responsible for organizing operational risk management and promoting the establishment of operational risk systems. It has set the target of “no significant operational risk incidents throughout the year, no more than 4 hours for the resumption of important businesses and no more than 0.5 hour for business resumption” on operational risk management. It facilitated the quantification and implementation of key operational risk indicators, continuously carried out routine monitoring, developed information technology risk management strategies and conducted unified quantitative management of information technology risk data.

The Bank has established a management system on regulations adapting to its business scale and management requirements. The rules and regulations of the whole Bank are divided into five levels, namely the articles of association, basic rules and systems on corporate governance, basic rules and systems on operation and management, important rules and systems on operation and management and supporting rules and systems on operation and management. Through regularly reviewing its directory of effective and abolished rules, the Bank has clarified the hierarchy and relations of each rule and developed an articulation with regulatory policies and business types, thus developing a complete set of departmental rules with articulation and connection.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.5 Liquidity risk management

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

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

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.5 Liquidity risk management (Continued)

The Bank kept a close attention on the macro regulatory policies and the situation of fund markets. According to the business development of assets and liabilities of the whole Bank and the liquidity position, the Bank adjusted the liquidity management strategy and the pace of funds operation in a dynamic manner in response to the impact related to stage and season factors on the liquidity position, in order to improve the ability of handling liquidity risks. As of the end of June 2023, the liquidity coverage ratio of the Bank was 261.83%, while the qualified quality liquidity assets amounted to RMB119.508 billion and net cash outflow in the next 30 days was RMB45.643 billion. The net stable capital ratio was 112.33% as of the end of March 2023, while the available stable capitals reached RMB1,048.309 billion and the required stable capitals amounted to RMB933.263 billion. As of the end of June 2023, the net stable capital ratio of the Bank was 110.86%, while the available stable capitals reached RMB1,058.205 billion and the required stable capitals amounted to RMB954.556 billion.

3.10.6 Interest rate risk management

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

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

In the first half of 2023, the Bank proactively coped with interest rate liberalization and increased its efforts in optimizing asset-liability structure and customer structure. First, the Bank strengthened deposit and loan pricing management and implemented a market-based deposit adjustment mechanism in an effort to improve its risk pricing capability. Second, the Bank strengthened duration management, arranged the duration of asset and liability reasonably to control interest risks within a tolerable range of the Bank when interest rates changed. Third, the Bank conducted regular stress tests for interest rate risk in its account books, followed by responding strategies to effectively improve its capability to prevent interest rate risks.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.7 Exchange rate risk management

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

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

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

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.8 Reputation risk management

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

Reputational risk management, as an important part of the Bank's corporate governance and comprehensive risk management systems, covers all behaviors, business activities and business areas of the Bank and its subsidiaries. The Bank has developed reputational risk management measures and requirements to actively and effectively prevent reputational risk and cope with reputation events, with a view to minimizing the resulting losses and negative impacts. The Bank prioritizes risk prevention and focuses on monitoring, analysis and early warning of public opinions in its daily operation. In addition, the Bank quickly resolves any sensitive misunderstanding or misinterpretation of information with an effective management system. Meanwhile, the Bank actively carries out external publicity and participates in a broad range of social welfare undertakings and public activities to live up to its corporate social responsibility, in an effort to build a sound corporate image. In the first half of 2023, the Bank effectively managed its reputation risk. There is no reputation risk incident occurred throughout the Reporting Period. The Bank maintained a good relationship with the media, and the media provided favorable overall feedback.

3.10.9 Compliance risk management

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

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

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.9 Compliance risk management (Continued)

During the Reporting Period, the Bank deeply advanced the establishment of the digital internal control compliance system. Following the guidance of “serving development, compliance and capital consolidation, improving management quality and pursuing steady development” and adhering to the overall requirements of “promoting development with compliance and preventing risks with internal control”, the Bank resolutely implemented regulatory requirements, deepened the establishment of the internal control mechanism and maintained favorable comments from external regulatory authorities. In the first half of 2023, the Bank actively implemented the rectification of issues identified in regulatory assessment and rating and effectively conducted the optimization of internal control and balancing indicators and systems. It continued to promote the establishment of the management system on rules and regulations, amended the rules and regulations for the management of related party transactions, continued to improve the quality and efficiency of on-site inspections, further strengthened authorization management, optimized the evaluation system, continued to strengthen the results of issues rectification and enhance the accuracy of accountability for non-compliance and vigorously carried out trainings on compliance culture. The Bank actively promoted investigation of case risks, further refined the staff behavior anomaly monitoring system, established and improved the joint review mechanism on compliance laws and explored the implementation of comprehensive legal compliance services, thereby offering protection for the operation of the Bank in compliance with laws.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.10 Anti-money laundering management

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

During the Reporting Period, the Bank strictly carried out money laundering risk prevention and control. The Bank conducted the interpretation of relevant laws and regulations and trainings on practical operation through online training and centralized test, facilitating the latest laws, regulations and regulatory policies in relation to the anti-money laundering being implemented across the Bank. It actively conducted anti-money laundering themed publicity activities and anti-money laundering research activities, promoting the implementation of study results. According to the regulatory requirements, the Bank implemented various measures and conducted issue inspection, analysis and rectification work, continued to improve the working mechanism and internal management, to improve the anti-money laundering performance capabilities of employees throughout the whole Bank. The Bank continued to optimize the functions of the anti-money laundering management system, introduced digital explore tools and models such as knowledge map, connected branching algorithm and intimacy association algorithm, developed a self-developed scoring system for suspicious early risk warning model which is applicable to the Bank's business and push it online to improve the accuracy of submitted suspicious transaction data. The Bank continued to advance the reform of the operation model of anti-money laundering, put into practice the principle of "laying emphasis on risks, management, quality and effects" by applying it to anti-money laundering works and promoted the intensive, standard and professional operation of anti-money laundering to effectively strengthen concerted efforts in anti-money laundering.

Chapter III Management Discussion and Analysis

3.11 INFORMATION TECHNOLOGY

During the Reporting Period, for information technology work, the Bank focused on the implementation of key projects under the strategic planning on financial technology, continuously promoted the in-depth development of the digital transformation of the whole Bank, constantly consolidated the fundamental supporting capability, improved the digital and intelligent operation and maintenance work and maintained the safe and reliable operation of information systems, providing strong guarantee to the high-quality development of the whole Bank.

Firstly, facilitating the implementation of key projects under the strategic planning on financial technology and continuously strengthening the proprietary and controllable development capability. It achieved the operation of the cloud platform for Internet finance and other key projects, advanced the implementation of planned projects in corporates, private entities, management accounting, data infrastructure and other sectors, carried out the innovation and iteration of financial technology in cooperation on scenario-based finance, sale of wealth management products, personal loan and other sectors and conducted the proprietary and controllable construction of mobile banking, mobile operation platforms for customer managers and other business systems. It made applications for 10 software copyrights and has obtained 4 of them.

Secondly, promoting the in-depth development of the digital transformation of the whole Bank. The Bank deepened data governance, improved data standards, strengthen data management and control from the source, deployed on anti-leakage systems on sensitive customer data and improved data governance. It sped up in the construction of middle office, initiated the project on new-generation database and put the external data management system into operation. Leveraging its big data laboratory, the Bank carried out the independent R&D of intelligent anti-money laundering models and the model of “Enjoying Huishang Bank in Salary Loans” (徽享薪易贷) and facilitated financial technology to empower business development. It explored the integration of business with technology, set up exclusive data service teams on personal finance, continuously developed windows for data service and released manuals of data products to practically improve the efficiency and effectiveness of data services.

Thirdly, consolidating the foundation supporting capability and promoting the digital and intelligent transformation of operation and maintenance. The Bank carried out the construction of the network infrastructure for the new-generation WAN, the unified online entry to subsidiaries and branches and the green and energy-saving systems of the Binhu Data Center, and improved the infrastructure to better support the business development. It continued to advance the construction of the platform for the allocation and management of scientific and technological resources and the new-generation unified monitoring platform, achieved unified collection, storage and maintenance of data on the allocation of scientific and technological resources, established multi-layered and three-dimensional monitoring systems and facilitated the digital and intelligent transformation of operation and maintenance.

Chapter III Management Discussion and Analysis

3.12 PROFIT DISTRIBUTION OF ORDINARY SHARES

Profit distribution plan for 2022

The profit distribution plan of the Bank for 2022 was considered and approved at the 2022 annual general meeting of the Bank held on 30 June 2023.

Audited net profit of the Bank under the headquarters for 2022 was RMB11,916.08 million. Pursuant to the Articles of Association, the profit distribution plan of the Bank for 2022 is as follows:

- (1) RMB1,191.608 million, RMB1,888.70 million and RMB1,191.608 million were allocated to the statutory surplus reserve, general risk provision and discretionary surplus reserve, respectively.
- (2) It was proposed to distribute the cash dividend of RMB1.29 (tax inclusive) per ten shares, with a total cash dividend of approximately RMB1,791.78 million (tax inclusive).

The 2022 final dividend has been paid on 25 August 2023 to shareholders whose names appeared on the register of members of the Bank as at 11 July 2023. All cash dividends paid, which were denominated in RMB, were distributed to domestic shareholders in RMB or Hong Kong dollars to H shareholders, respectively. The exchange rate used for calculation of dividends paid in Hong Kong Dollars was based on the average central parity rate of RMB against Hong Kong Dollars announced by the PBOC for the five working days before the 2022 annual general meeting of the Bank (i.e. 21, 26, 27, 28 and 29 June 2023).

Interim profit distribution for 2023

The Bank has no interim profit distribution plan for 2023.

Chapter III Management Discussion and Analysis

3.13 SOCIAL RESPONSIBILITY

In the first half of 2023, the Bank honored the mission of “achieving dreams for customers, creating value for shareholders, promoting employee development and assuming responsibility of citizenship”, actively performed social responsibilities of an enterprise, coordinated shareholders, customers, employees and other stakeholders, achieving the full improvement of economic, environmental and social benefits, which have been widely praised by all sectors of society and granted many awards and honors. The Bank actively implemented policies to help ease enterprises’ burden, focused on strengthening financial services to support real economic demands, made targeted efforts in promoting inclusive finance to innovate financial service models, reduce corporate financing costs and support the development of SME(s), making its contribution to stabilize economic market through both online and offline channels. The Bank proactively responded to the green financial policy published by central and local government, adhered to the national strategy of “carbon peaking and carbon neutrality”, comprehensively improved the ability to provide green financial service, continuously strengthened the role of green credit in leverage adjustment by promoting green credit to support low-carbon economy; broadened the coverage of financial services to support the development of “Rural Issues”, enhance the connection between banks and enterprises, contribute to rural revitalization and strengthen the finance loans. The Bank continuously developed a “secure Huishang Bank”, focused on the long-term construction of a comprehensive, full-staff and full-process risk management system, and enhanced its risk management and operation capabilities to resolutely maintain the bottom line of non-occurrence of systemic risks. The Bank advocated green office, energy saving and environmental protection to reduce the negative effects of its daily operation on the environment as much as possible. The Bank advocated public spirit, continuously promoted concepts and activities on people’s livelihood, environmental protection and charities and proactively practiced environmental protection and charities, fully displaying the image of the Bank as an excellent corporate resident. Being people-oriented, the Bank paid attention to employee capacity building, cared about the physical and mental health of its employees to create a positive and harmonious corporate culture. The Bank maintained its market positioning as a city commercial bank, continued to serve local economy and focused on customers by accelerating business specialization, service integration, capability digitization, business standardization, organizational agility to acquire more power and become stronger and build an excellent local mainstream bank with guidance of digitalization and intelligence.

Chapter III Management Discussion and Analysis

3.14 CONSUMER PROTECTION

In the first half of 2023, the Bank continued to improve the awareness on consumer protection across the Bank, enhanced the establishment of consumer protection system and mechanism and to further clarify the main responsibility for consumer protection to actually improve the consumer protection level and protect the right and interest of financial consumers according to the law. It gradually established a diversified working mechanism on resolving financial disputes, covering reconciliation in the Bank and reconciliations by third-party institutes, and constantly consolidated the “three-in-one” financial education and publicity system, further completed various internal control system of consumer protection and revised and improved the work system of consumer protection; it completed over 1,481 reviews on consumer protection relating to product and service systems and measures, cooperation (outsourcing) agreements and contracts, marketing activities and promotion materials, representing a year-on-year increase of 164%, conducted over 60 specific trainings on consumer protection, covering medium and senior management, grass-roots business staff and new employees; and conducted over 2,900 online and offline education and publicity activities with over 19.53 million participants. During the first half of 2023, the Bank accepted a total of 1,175 customer complaints, mainly involving the credit card business and the personal housing loan and internet loan business. Such complaints were mainly in Hefei, Wuhu, Nanjing and other areas.

3.15 RELATED PARTY (CONNECTED) TRANSACTIONS

In the ordinary course of business, the Bank provides commercial banking services and products to the public in China, including the Bank’s directors, supervisors and/or their respective associates. During the Reporting Period, connected transactions carried out between the Bank and connected persons (as defined under the Hong Kong Listing Rules) were conducted under normal commercial principles, which were not favorable than the conditions for similar transactions with non-connected persons. The transaction terms were fair and reasonable and in the interests of the Bank and shareholders as a whole. A series of connected transactions with connected persons conducted by the Bank, all complied with the aforementioned conditions for connected transactions and were exempted from the reporting, announcement, annual review, circular and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The related party (connected) transactions of the Bank mainly refer to the ordinary on- and off-balance sheet businesses, including loans, debt securities and deposits. As of the end of June 2023, the Bank has approximately 5,936 related legal entities and approximately 2,543 related natural persons. The related party transactions of the Bank totaled RMB37,809 million, of which the balance of credit granted in related party transactions amounted to RMB24,024 million (net of margin deposits and pledged certificate of deposit of RMB92 million), and services, deposits and other kinds of related party transactions amounted to RMB13,693 million.

Chapter III Management Discussion and Analysis

3.15 RELATED PARTY (CONNECTED) TRANSACTIONS (CONTINUED)

As of the end of June 2023, the balance of credit granted to the largest related party as a single customer accounted for 4.28% of the net capital of the Bank under the headquarters; the balance of credit granted to the largest single group customer accounted for 3.16% of the net capital of the Bank under the headquarters; the balance of credit granted to all related parties accounted for 14.12% of the net capital of the Bank under the headquarters, which all complied with the regulatory requirements.

During the Reporting Period, according to the latest regulatory requirements, the Bank amended the management rules of related party (connected) transactions, organized and conducted the collection of changes in information on related parties (connected persons) to comprehensively optimize the archives of related parties (connected persons); identified related party information and monitored suspected related parties with the assistance of technological means, including big data and knowledge maps, continued to optimize related party (connected) transaction management system, strengthened the management and control of related party (connected) transactions systems, and improved the management informatization and intelligence of related party (connected) transactions; strengthened the publicity of compliance risk prevention for related party (connected) transactions, and further promoted the relevant control embedding business systems for related party (connected) transactions, to replace “human control” with “machine control”, strengthen the role of the first line of defense in risk prevention, and improve the whole-process risk control mechanism for related party (connected) transactions; continuously strengthened the management of related party (connected) transactions to prevent unfair prices and credit methods of related party (connected) transactions. It strictly performed approval and filing procedures on related party (connected) transactions, regularly organized and conducted special audit on related party (connected) transactions and enhanced the internal supervision mechanism to practically improve the refined management of related party (connected) transactions of the Bank. During the Reporting Period, the Bank’s independent non-executive directors issued independent opinions on the Bank’s related party (connected) transactions.

Note 46 to the financial statements discloses the related party transactions of the Bank in accordance with the International Accounting Standards. The transactions disclosed therein between the Bank and Zhongjing Xinhua Asset Investment Management Co., Ltd. and between the Bank and Deposit Insurance Fund Management Co., Ltd., if any, constitute the connected transactions of the Bank under the requirements of Chapter 14A of the Hong Kong Listing Rules and part of the connected transactions conducted by the Bank in the ordinary course of business, and are exempted from the reporting, announcement, annual review, circular and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Chapter IV Changes in Share Capital and Particulars of Shareholders

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

	30 June 2023		Changes during the Reporting Period	31 December 2022	
	Number of Shares (share)	Percentage (%)	Number of Shares (share)	Number of Shares (share)	Percentage (%)
Domestic Shares	10,411,051,211	74.95	0	10,411,051,211	74.95
H Shares	3,478,750,000	25.05	0	3,478,750,000	25.05
Total number of ordinary shares	13,889,801,211	100.00	0	13,889,801,211	100.00

Note: As of 30 June 2023, the Bank had a total of 17,274 shareholders of ordinary shares, including 1,374 shareholders of H Shares and 15,900 shareholders of Domestic Shares. The Bank had no controlling shareholders or de facto controller. According to the feedback from the trustee agency, as of 30 June 2023, a total of 398,235,702 pledged Shares were under judicial freeze or other situation.

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

As of 30 June 2023, the order of the top ten holders of ordinary shares of the Bank was sorted by: (1) for H Shares, the aggregate of the H Shares of the Bank held by investors which were deposited into the Central Clearing and Settlement System of the Hong Kong Stock Exchange and registered under the name of HKSCC Nominees Limited, a wholly-owned subsidiary of the Hong Kong Stock Exchange, representing 25.02% of the total share capital of ordinary shares and representing 99.90% of the total H Shares issued; and (2) for Domestic Shares, the order was based on the number of shares held directly under the domestic shareholders register kept by China Securities Depository and Clearing Corporation Limited.

No.	Name of shareholder	Number of shares held as at the end of the Reporting Period (share)	Percentage of total share capital of ordinary shares (%)	Type of shares	Increase/ decrease during the Reporting Period (share)	Pledged or frozen (share)
1	HKSCC Nominees Limited	3,475,267,358	25.02	H Share	93,500	— ⁽¹⁾
2	Deposit Insurance Fund Management Co., Ltd.	1,559,000,000	11.22	Domestic Share	0	0
3	Anhui Energy Group Co., Ltd.	843,363,819	6.07	Domestic Share	0	0
4	Anhui Guoyuan Financial Holding Group Co., Ltd.	837,810,695	6.03	Domestic Share	0	0
5	Anhui Credit Financing Guaranty Group Co., Ltd.	827,658,091	5.96	Domestic Share	0	0
6	Anhui Transportation Holding Group Co., Ltd.	705,349,937	5.08	Domestic Share	0	0
7	Zhongjing Sihai Co., Ltd.	506,102,476	3.64	Domestic Share	0	368,540,000
8	Hefei Xingtai Financial Holding Group Co., Ltd.	378,395,999	2.72	Domestic Share	0	0
9	Wuhu Construction Investment Co., Ltd.	294,012,833	2.12	Domestic Share	0	0
10	CCB Trust Co., Ltd.	248,102,994	1.79	Domestic Share	0	0

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

Chapter IV Changes in Share Capital and Particulars of Shareholders

4.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES

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

No.	Name of substantial shareholder	Number of shares	Individual shareholding ratio (%)	Joint shareholding ratio (%)	Increase/Decrease of shareholding during the Reporting Period (share)
1	Deposit Insurance Fund Management Co., Ltd	1,559,000,000	11.22	11.22	0
2	Zhongjing Xinhua Asset Investment Management Co., Ltd.	224,781,227	1.62	10.59	0
	Wealth Honest Limited	631,871,000	4.55		0
	Golden Harbour Investments Management Limited	440,000,000	3.17		0
	Zhongjing Xinhua Property Management (Hong Kong) Co., Limited	173,993,400	1.25		0
3	Anhui Energy Group Co., Ltd.	843,363,819	6.07	9.70	0
	Anhui Wenergy Company Limited	150,814,726	1.09		0
	Xing An Holding Limited	329,973,600	2.38		0
	Anhui Natural Gas Development Co., Ltd.	23,579,472	0.17		0
4	Anhui Credit Financing Guaranty Group Co., Ltd.	827,658,091	5.96	7.46	0
	Anhui Guaranteed Asset Management Co., Ltd. ⁽²⁾	208,200,021	1.50		25,675,695
5	Wkland Finance Holding Company Limited	562,254,000	4.05	7.00	0
	Wkland Finance Holding II Company Limited	410,130,600	2.95		0
6	Anhui Guoyuan Financial Holding Group Co., Ltd.	837,810,695	6.03	6.29	0
	Anhui Guoyuan Trust Co., Ltd.	35,751,470	0.26		0
	Anhui Guoyuan Ma'anshan Asset Management Co., Ltd.	361,662	0.00		0
7	Anhui Transportation Holding Group Co., Ltd.	705,349,937	5.08	5.10	0
	Anhui Transportation Holding Group (H.K.) Limited	3,299,700	0.02		0
8	Hefei Xingtai Financial Holding Group Co., Ltd.	378,395,999	2.72	4.51	0
	CCB Trust Co., Ltd.	248,102,994	1.79		0
9	Sunshine Life Insurance Corporation Limited	598,094,200	4.31	4.31	0
10	Zhongjing Sihai Co., Ltd.	506,102,476	3.64	3.64	0
11	Wuhu Construction Investment Co., Ltd. ⁽³⁾	294,012,833	2.12	2.12	0

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

(2) Anhui Guaranteed Asset Management Co., Ltd. successively obtained 11,000,000 Domestic Shares and 14,675,695 Domestic Shares of the Bank through judicial auction, and the registration of such shares was completed through China Securities Depository and Clearing Corporation Limited on 9 March and 26 June 2023, respectively. Its shareholding of Domestic Shares of the Bank increased to 208,200,021 shares with an individual shareholding ratio of 1.50%.

(3) Mr. Wang Anning was elected as a shareholder supervisor of the Bank on 30 June 2023. For details, please refer to section 5.2 "Changes in Directors, Supervisors and Senior Management of the Bank" in this report. Since the date on which Mr. Wang Anning acted as a supervisor, Wuhu Construction Investment Co., Ltd. has become a substantial shareholder of the Bank.

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

As of 30 June 2023, the following persons (other than the directors, supervisors and chief executives (as defined in the Hong Kong Listing Rules) of the Bank) had interests and short positions in the shares of the Bank as recorded in the register required to be kept by the Bank pursuant to section 336 of the SFO. In view of the Bank's profit distribution plan for 2017, where bonus shares were issued to shareholders on the basis of 1 share for every 10 shares, implemented in 2018, the number of shares held by shareholders in the table below reflects the number of shares held by shareholders after the issue of bonus shares.

Name of shareholder	Type of share	Long/short		Number of shares (share)	Percentage of	Percentage of	Note
		position	Capacity		the underlying shares in issue (%)	all issued ordinary shares(%)	
Deposit Insurance Fund Management Co., Ltd.	Domestic Share	Long	Beneficial owner	1,559,000,000	14.97	11.22	1
Anhui Energy Group Co., Ltd.	H Share	Long	Interest of controlled corporation	329,973,600	9.49	2.38	2
	Domestic Share	Long	Interest of controlled corporation	174,394,198	1.68	1.26	2
Xing An Holdings Limited	Domestic Share	Long	Beneficial owner	843,363,819	8.10	6.07	2
	H Share	Long	Beneficial owner	329,973,600	9.49	2.38	2
Anhui Credit Financing Guaranty Group Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	208,200,021	2.00	1.50	3
	Domestic Share	Long	Beneficial owner	827,658,091	7.95	5.96	3
Anhui Guoyuan Financial Holding Group Co., Ltd.	Domestic Share	Long	Beneficial owner	837,810,695	8.05	6.03	4
	Domestic Share	Long	Interest of controlled corporation	36,113,132	0.35	0.26	4
Anhui Transportation Holding Group Co., Ltd.	H Share	Long	Interest of controlled corporation	3,299,700	0.09	0.02	5
	Domestic Share	Long	Beneficial owner	705,349,937	6.78	5.08	5
China Vanke Co., Ltd.	H Share	Long	Interest of controlled corporation	972,384,600	27.95	7.00	6
Wkland Finance Holding Company Limited	H Share	Long	Beneficial owner	562,254,000	16.16	4.05	6
Wkland Finance Holding II Company Limited	H Share	Long	Beneficial owner	410,130,600	11.79	2.95	6
Sunshine Insurance Group Corporation Limited	H Share	Long	Interest of controlled corporation	598,094,200	17.19	4.31	7
Sunshine Life Insurance Corporation Limited	H Share	Long	Beneficial owner	598,094,200	17.19	4.31	7
Shanghai Soong Ching Ling Foundation	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Zhongjing Industry (Group) Limited	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Modern Innovation Holdings Co., Limited	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Qingtian Anyin Enterprise Management Consulting Co., Ltd.	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8

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

Name of shareholder	Type of share	Long/short position	Capacity	Number of shares (share)	Percentage of the underlying shares in issue (%)	Percentage of all issued ordinary shares(%)	Note
Jing'An Shanghai Silver Investment Co., Ltd.	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Zhongjing Xinhua Asset Investment Management Co., Ltd.	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Beneficial owner	224,781,227	2.16	1.62	8
Zhongjing Xinhua Property Management (Hong Kong) Co., Limited	H Share	Long	Interest of controlled corporation	1,071,871,000	30.81	7.72	10, 11, 13
	H Share	Long	Beneficial owner	173,993,400	5.00	1.25	9
Wealth Honest Limited	H Share	Long	Interest of controlled corporation	440,000,000	12.65	3.17	11, 13
	H Share	Long	Beneficial owner	631,871,000	18.16	4.55	10
Wealth Honest Cayman Holdings Company Limited	H Share	Long	Interest of controlled corporation	440,000,000	12.65	3.17	11, 13
Qingdao State-owned Assets Supervision & Administration Commission	H Share	Long	Security interest	440,000,000	12.65	3.17	11
Qingdao City Construction Investment (Group) Limited	H Share	Long	Security interest	440,000,000	12.65	3.17	11
Qingdao City Construction Financial Holding Group Co., Ltd.	H Share	Long	Security interest	440,000,000	12.65	3.17	11
China Golden Harbour (Holdings) Group Limited	H Share	Long	Security interest	440,000,000	12.65	3.17	11
Golden Harbour Global Holdings Limited	H Share	Long	Security interest	440,000,000	12.65	3.17	11
Wealth Honest Fund LP	H Share	Long	Interest of controlled corporation	440,000,000	12.65	3.17	11
Golden Harbour Investments Management Limited	H Share	Long	Beneficial owner	440,000,000	12.65	3.17	11
Zheng Yonggang	Domestic Share	Long	Interest of controlled corporation	730,883,703	7.02	5.26	8, 12
Zhou Jiqing	Domestic Share	Long	Interest of controlled corporation	730,883,703	7.02	5.26	8, 12
Ningbo Qinggang Investment Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	730,883,703	7.02	5.26	8, 12
Shanshan Holdings Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	506,102,476	4.86	3.64	12
	Domestic Share	Long	Beneficial owner	224,781,227	2.16	1.62	8
	H Share	Long	Interest of acting in concert	1,245,864,400	35.81	8.97	14

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

Name of shareholder	Type of share	Long/short position	Capacity	Number of shares (share)	Percentage of the underlying shares in issue (%)	Percentage of all issued ordinary shares(%)	Note
Shanshan Group Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	506,102,476	4.86	3.64	12
Zhongjing Sihai Co., Ltd.	Domestic Share	Long	Beneficial owner	506,102,476	4.86	3.64	12
Dragon Sound Investment Limited	Domestic Share	Long	Interest of acting in concert	730,883,703	7.02	5.26	14
	H Share	Long	Beneficial owner	273,449,000	7.86	1.97	13
Joy Glory Holdings Limited	Domestic Share	Long	Interest of acting in concert	730,883,703	7.02	5.26	14
	H Share	Long	Beneficial owner	532,415,400	15.30	3.83	13
Superior Logic Investments Limited	Domestic Share	Long	Interest of acting in concert	730,883,703	7.02	5.26	14
	H Share	Long	Beneficial owner	440,000,000	12.65	3.17	13
Wang Wenyin	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 16
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	15
Liu Jiehong	H Share	Long	Interest of the Spouse	1,245,864,400	35.81	8.97	9, 10, 11, 16
	Domestic Share	Long	Interest of the Spouse	224,781,227	2.16	1.62	15
Amer Holdings Group Limited	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 16
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	15
Shenzhen Amer (Group) Limited	H Share	Long	Beneficial owner	1,245,864,400	35.81	8.97	9, 10, 11, 16
	Domestic Share	Long	Beneficial owner	224,781,227	2.16	1.62	15
Guotai Junan Securities Co., Ltd.	H Share	Long	Interest of controlled corporation	273,509,400	7.86	1.97	17
Guotai Junan International Holdings Limited	H Share	Long	Interest of controlled corporation	273,509,400	7.86	1.97	17
Haitong Securities Co., Ltd	H Share	Long	Interest of controlled corporation	210,000,000	6.04	1.51	18
Haitong International Holdings Limited	H Share	Long	Interest of controlled corporation	210,000,000	6.04	1.51	18
Haitong International Securities Group Limited	H Share	Long	Interest of controlled corporation	210,000,000	6.04	1.51	18
Haitong International Securities (Singapore) Pte. Ltd.	H Share	Long	Security interest	210,000,000	6.04	1.51	18

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

Notes:

- (1) Deposit Insurance Fund Management Co., Ltd. directly holds 1,559,000,000 Domestic Shares (long position) of the Bank.
- (2) Xing An Holdings Limited holds 329,973,600 H Shares (long position) of the Bank. Xing An Holdings Limited is a wholly-owned subsidiary directly controlled by Anhui Energy Group Co., Ltd. As such, Anhui Energy Group Co., Ltd. is deemed to be interested in the shares of the Bank held by Xing An Holdings Limited.
- At the same time, Anhui Energy Group Co., Ltd. directly holds 843,363,819 Domestic Shares (long position) of the Bank. In addition, Anhui Energy Group Co., Ltd. is deemed to be interested in 150,814,726 Domestic Shares and 23,579,472 Domestic Shares of the Bank that were held by its controlling subsidiaries, Anhui Wenergy Company Limited and Anhui Natural Gas Development Co., Ltd., respectively.
- (3) 208,200,021 Domestic Shares (long position) of the Bank are held by Anhui Guarantee Asset Management Co., Ltd. Anhui Guarantee Asset Management Co., Ltd. is a wholly-owned subsidiary of Anhui Credit Financing Guaranty Group Co., Ltd. Anhui Credit Financing Guaranty Group Co., Ltd. is deemed to be interested in the shares of the Bank held by Anhui Guarantee Asset Management Co., Ltd. Meanwhile, Anhui Credit Financing Guaranty Group Co., Ltd. directly holds 827,658,091 Domestic Shares (long position) of the Bank.
- (4) Anhui Guoyuan Ma'anshan Asset Management Co., Ltd. and Anhui Guoyuan Trust Co., Ltd. hold 361,662 Domestic Shares (long position) and 35,751,470 Domestic Shares (long position) of the Bank, respectively. Anhui Guoyuan Financial Holding Group Co., Ltd. is deemed to be interested in the Domestic Shares of the Bank that were held by its controlling subsidiaries, Anhui Guoyuan Ma'anshan Asset Management Co., Ltd. and Anhui Guoyuan Trust Co., Ltd. At the same time, Anhui Guoyuan Financial Holding Group Co., Ltd. directly holds 837,810,695 Domestic Shares (long position) of the Bank.
- (5) Anhui Transportation Holding Group (H.K.) Limited holds 3,299,700 H Shares (long position) of the Bank. Anhui Transportation Holding Group (H.K.) Limited is a wholly-owned subsidiary directly controlled by Anhui Transportation Holding Group Co., Ltd. As such, Anhui Transportation Holding Group Co., Ltd. is deemed to be interested in the shares of the Bank held by Anhui Transportation Holding Group (H.K.) Limited. At the same time, Anhui Transportation Holding Group Co., Ltd. directly holds 705,349,937 Domestic Shares (long position) of the Bank.
- (6) China Vanke Co., Ltd. is deemed to be interested in a total of 972,384,600 H Shares (long position) of the Bank by virtue of its control over the following corporations which directly hold interests in the Bank:
- 6.1 Wkland Finance Holding Company Limited holds 562,254,000 H Shares (long position) of the Bank. Wkland Finance Holding Company Limited is a wholly-owned subsidiary indirectly controlled by China Vanke Co., Ltd.
- 6.2 Wkland Finance Holding II Company Limited holds 410,130,600 H Shares (long position) of the Bank. Wkland Finance Holding II Company Limited is a wholly-owned subsidiary indirectly controlled by China Vanke Co., Ltd.
- (7) Sunshine Life Insurance Corporation Limited holds 598,094,200 H Shares (long position) of the Bank. Sunshine Life Insurance Corporation Limited is a subsidiary directly controlled by Sunshine Insurance Group Corporation Limited. Sunshine Insurance Group Corporation Limited is deemed to be interested in the shares of the Bank held by Sunshine Life Insurance Corporation Limited.

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

- (8) Zhongjing Xinhua Asset Investment Management Co., Ltd. ("Zhongjing Xinhua") directly holds 224,781,227 Domestic Shares (long position) of the Bank. Zhongjing Xinhua is a subsidiary directly controlled by Jing'An Shanghai Silver Investment Co., Ltd. ("Jing'An Silver"). Jing'An Silver is a wholly-owned subsidiary controlled by Qingtian Anyin Enterprise Management Consulting Co., Ltd. (青田安銀企業管理諮詢有限公司, "Qingtian Anyin"). Qingtian Anyin is a wholly-owned subsidiary controlled by Modern Innovation Holdings Co., Limited ("Modern Innovation"). Modern Innovation is a subsidiary directly controlled by Zhongjing Industry (Group) Limited ("Zhongjing Industry"). The 97.5% shares of Zhongjing Industry are held by Shanghai Soong Ching Ling Foundation. Shanghai Soong Ching Ling Foundation, Zhongjing Industry, Qingtian Anyin, Modern Innovation and Jing'An Silver are deemed to be interested in the shares of the Bank held by Zhongjing Xinhua.

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

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

According to the "Announcement of Zhongjing Xinhua Asset Investment Management Co., Ltd. Regarding the Company's Material Litigations" issued by Zhongjing Xinhua on the Shanghai Stock Exchange (the "SSE") on 9 July 2020, "... On 1 June 2020, the Company issued to Shanshan Holdings the "Notice on the Termination of the Framework Agreement between Shanshan Holdings Co., Ltd. and Zhongjing Xinhua Asset Investment Management Co., Ltd. on the Transfer of Shares of Huishang Bank Corporation Limited and Zhongjing Sihai Co., Ltd." ... The Company has recently filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province and has been accepted. The filing for the case has now been completed." According to the 2020 Annual Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. published on the SSE by Zhongjing Xinhua on 28 April 2021, "Progress of the dispute on transfer of equity in Huishang Bank with Shanshan Holdings Co., Ltd.: the Company has filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province. As Shanshan Holdings Co., Ltd. prosecuted first, the two cases have been consolidated to Shanghai Financial Court for trial. The above two cases were heard in the Financial Court on 18 January 2021, but pending for judgment as of the date of this report." According to the 2021 Interim Report of Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. published on the SSE by Zhongjing Xinhua on 30 August 2021, "The case was later transferred to Shanghai Financial Court and has not been concluded as of the date of this report." According to the "2021 Audit Report and Financial Statements of Zhongjing Xinhua Asset Investment Management Co., Ltd." disclosed on the SSE on 28 April 2022, "As of now, the above cases are in progress and pending for judgment." According to the 2022 Interim Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. disclosed by Zhongjing Xinhua on the SSE on 30 August 2022, "In the Case (1) and Case (2) regarding disputes on disposal of equity in Zhongjing Sihai, two claims of unlisted equity are involved, namely Zhongjing Xinhua's prosecution against Shanshan Holdings for the return of 51.6524% equity in Zhongjing Sihai, and Shanshan Holdings' request to acquire 225,000,000 unlisted domestic shares of Huishang Bank held by Zhongjing Xinhua, which has been withdrawn by Shanshan Holdings due to its adjustment to such request. Since 2021, the court has held several court sessions, and arranged out-of-court evidence exchange and cross-examination for Case (1) and Case (2). The court trial procedures have ended, but the two cases are pending for judgment." According to the 2022 Annual Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. disclosed by Zhongjing Xinhua on the SSE on 28 April 2023, the lawsuit status is that "the judgment of first instance trial has been pronounced and both parties have lodged their appeals; the second instance trial will be heard on 17 May 2023." For details, please refer to the announcements published by Zhongjing Xinhua on the SSE.

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

(8) (Continued)

According to the "Announcement of Shanshan Group Co., Ltd. Regarding the Company's Material Litigations" issued by Shanshan Group Co., Ltd. ("Shanshan Group") on the SSE on 10 July 2020, "... This lawsuit is a case involving Zhongjing Xinhua sued Shanshan Holdings, Shanshan Group, and Zhongjing Sihai for the equity transfer dispute. ... Shanshan Holdings... filed a lawsuit with Shanghai Financial Court on 2 June 2020 and completed the filing." According to the 2020 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 30 April 2021, "Progress of the dispute on transfer of equity interests in the case involving Zhongjing Xinhua Asset Investment Management Co., Ltd. against Shanshan Holdings Co., Ltd., Shanshan Group Co., Ltd. and Zhongjing Sihai Co., Ltd.: the case has been transferred to Shanghai Financial Court for trial with the first trial completed in January 2021, but pending for judgment." According to the 2021 Interim Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 31 August 2021, "As of the date of this report, the case has been transferred from the Intermediate People's Court of Huangshan City to Shanghai Financial Court. At present, the first instance has been held but pending for judgment." According to the 2021 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 29 April 2022, "At present, the case is still in the process of hearing." According to the "Announcement of Shanshan Group Co., Ltd. Regarding Progress of the Company's Material Litigations" issued by Shanshan Group on the SSE on 20 January 2023, "On 17 January 2023, Shanghai Financial Court issued the first instance judgements on the two cases regarding the dispute on transfer of equity interests, namely ① the case involving Zhongjing Xinhua v. Shanshan Holdings, Shanshan Group, and Zhongjing Sihai for the dispute on equity transfer contract ([2020] Hu 74 Min Chu No. 1715), and ② the case involving Shanshan Holdings v. Zhongjing Xinhua for the dispute on equity transfer contract ([2020] Hu 74 Min Chu No. 1254) (hereinafter collectively referred to as the "Judgements"), and served the Judgements to Shanshan Holdings, Shanshan Group, and Zhongjing Sihai. Shanshan Group received the Judgements on 18 January 2023. The main content of the two Judgements are summarised as follows: (1) the Framework Agreement on the Transfer of Shares of Huishang Bank Corporation Limited and equity interests in Zhongjing Sihai Co., Ltd. entered into by Zhongjing Xinhua and Shanshan Holdings, the Agreement on Transfer of Equity in Zhongjing Sihai Co., Ltd. entered into by Zhongjing Xinhua and Shanshan Group, the Equity Transfer Contract entered into by Zhongjing Xinhua and Shanshan Holdings were terminated on 2 June 2020; (2) Zhongjing Xinhua shall return the amount equal to the consideration paid by Shanshan Holdings for the equity transfer; (3) Shanshan Group shall return 51.6524% equity interests in Zhongjing Sihai registered under the name of Shanshan Group, and Zhongjing Xinhua shall return the corresponding amount of equity transfer consideration; (4) other claims were rejected." According to the 2022 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 28 April 2023, "At present, such case is in the process of second instance trial at the Shanghai High People's Court." For details, please refer to the announcements published by Shanshan Group on the SSE.

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

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

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

Chapter IV Changes in Share Capital and Particulars of Shareholders

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

- (9) Zhongjing Xinhua Property Management (Hong Kong) Co., Limited ("Zhongjing Xinhua Hong Kong") holds 173,993,400 H Shares (long position) of the Bank. Zhongjing Xinhua Hong Kong is a wholly-owned subsidiary directly controlled by Zhongjing Xinhua. Shanghai Soong Ching Ling Foundation, Zhongjing Industry, Modern Innovation, Jing'An Silver and Zhongjing Xinhua are deemed to be interested in the shares of the Bank held by Zhongjing Xinhua Hong Kong.

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

- (10) Wealth Honest Limited ("Wealth Honest") holds 631,871,000 H Shares (long position) of the Bank. Wealth Honest is a wholly-owned subsidiary directly controlled by Zhongjing Xinhua Hong Kong, which in turn is a wholly-owned subsidiary directly controlled by Zhongjing Xinhua. Shanghai Soong Ching Ling Foundation, Zhongjing Industry, Modern Innovation, Jing'An Silver, Zhongjing Xinhua and Zhongjing Xinhua Hong Kong are deemed to be interested in the shares of the Bank held by Wealth Honest.

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

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

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

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

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

In August 2019, Zhongjing Xinhua transferred its equity interests of 51.6524% in Zhongjing Sihai to Shanshan Group, upon which Shanshan Group owned 100% equity interests in Zhongjing Sihai. According to the 2022 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 28 April 2023 and other publicly available information, Shanshan Group is the subsidiary of Shanshan Holdings which directly owns its equity interests of 51.80%, which in turn is the subsidiary of Ningbo Qinggang which holds its equity interests of 44.55%. Zheng Yonggang and Zhou Jiqing hold the equity interests of 51% and 49% in Ningbo Qinggang, respectively. As such, Zheng Yonggang, Zhou Jiqing, Ningbo Qinggang, Shanshan Holdings and Shanshan Group are deemed to be interested in the shares of the Bank held by Zhongjing Sihai.

Chapter IV Changes in Share Capital and Particulars of Shareholders

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

(12) (Continued)

According to the "Announcement of Shanshan Group Co., Ltd. Regarding Progress of the Company's Material Litigations" issued by Shanshan Group on the SSE on 20 January 2023, "On 17 January 2023, Shanghai Financial Court issued the first instance judgements on the two cases regarding the dispute on transfer of equity interests, namely ① the case involving Zhongjing Xinhua v. Shanshan Holdings, Shanshan Group, and Zhongjing Sihai for the dispute on equity transfer contract ([2020] Hu 74 Min Chu No. 1715), and ② the case involving Shanshan Holdings v. Zhongjing Xinhua for the dispute on equity transfer contract ([2020] Hu 74 Min Chu No. 1254) (hereinafter collectively referred to as the "Judgements"), and served the Judgements on Shanshan Holdings, Shanshan Group, and Zhongjing Sihai. Shanshan Group received the Judgements on 18 January 2023. The main content of the two Judgements are summarised as follows: (1) the Framework Agreement on the Transfer of Shares of Huishang Bank Corporation Limited and Equity Interests in Zhongjing Sihai Co., Ltd. entered into by Zhongjing Xinhua and Shanshan Holdings, the Agreement on Transfer of Equity in Zhongjing Sihai Co., Ltd. entered into by Zhongjing Xinhua and Shanshan Group, the Equity Transfer Contract entered into by Zhongjing Xinhua and Shanshan Holdings were terminated on 2 June 2020; (2) Zhongjing Xinhua shall return the amount equal to the consideration paid by Shanshan Holdings for the equity transfer; (3) Shanshan Group shall return 51.6524% equity interests in Zhongjing Sihai registered under the name of Shanshan Group, and Zhongjing Xinhua shall return the corresponding amount of equity transfer consideration; (4) other claims were rejected." According to the 2022 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 28 April 2023, "At present, such case is in the process of second instance trial at the Shanghai High People's Court." For details, please refer to the announcements published by Shanshan Group on the SSE.

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

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

According to the "Announcement of Zhongjing Xinhua Asset Investment Management Co., Ltd. Regarding the Company's Material Litigations" issued by Zhongjing Xinhua on the SSE on 9 July 2020, "... On 1 June 2020, the Company issued to Shanshan Holdings the "Notice on the Termination of the Framework Agreement between Shanshan Holdings Co., Ltd. and Zhongjing Xinhua Asset Investment Management Co., Ltd. on the Transfer of Shares of Huishang Bank Corporation Limited and Zhongjing Sihai Co., Ltd." ... The Company has recently filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province and has been accepted. The filing for the case has now been completed." According to the 2020 Annual Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. published on the SSE by Zhongjing Xinhua on 28 April 2021, "Progress of the dispute on transfer of equity interests in Huishang Bank with Shanshan Holdings Co., Ltd.: the Company has filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province. As Shanshan Holdings Co., Ltd. prosecuted first, the two cases have been consolidated to Shanghai Financial Court for trial. The above two cases were heard in the Financial Court on 18 January 2021, but pending for judgment as of the date of this report." According to the 2021 Interim Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. published on the SSE by Zhongjing Xinhua on 30 August 2021, "The case was later transferred to Shanghai Financial Court and has not been concluded as of the date of this report." According to the "2021 Audit Report and Financial Statements of Zhongjing Xinhua Asset Investment Management Co., Ltd." disclosed on the SSE on 28 April 2022, "As of now, the above cases are in progress and pending for judgment." According to the 2022 Interim Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. disclosed by Zhongjing Xinhua on the SSE on 30 August 2022, "In the Case (1) and Case (2) regarding disputes on disposal of equity in Zhongjing Sihai, two claims of unlisted equity are involved, namely Zhongjing Xinhua's prosecution against Shanshan Holdings for the return of 51.6524% equity in Zhongjing Sihai, and Shanshan Holdings' request to acquire 225,000,000 unlisted domestic shares of Huishang Bank held by Zhongjing Xinhua, which has been withdrawn by Shanshan Holdings due to its adjustment to such request. Since 2021, the court has held several court sessions, and arranged out-of-court evidence exchange and cross-examination for Case (1) and Case (2). The court trial procedures have ended, but the two cases are pending for judgment." According to the 2022 Annual Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. disclosed by Zhongjing Xinhua on the SSE on 28 April 2023, the lawsuit status is that "the judgment of first instance trial has been pronounced and both parties have lodged their appeals; the second instance trial will be heard on 17 May 2023." For details, please refer to the announcements issued by Zhongjing Xinhua on the SSE.

Chapter IV Changes in Share Capital and Particulars of Shareholders

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

(13) (Continued)

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

According to the “Announcement of Shanshan Group Co., Ltd. Regarding the Company’s Material Litigations” issued by Shanshan Group on the SSE on 10 July 2020, “... This lawsuit is a case involving Zhongjing Xinhua sued Shanshan Holdings, Shanshan Group, and Zhongjing Sihai for the equity transfer dispute. ...Shanshan Holdings... filed a lawsuit with Shanghai Financial Court on 2 June 2020 and completed the filing.” According to the 2020 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 30 April 2021, “Progress of the dispute on transfer of equity interests in the case involving Zhongjing Xinhua Asset Investment Management Co., Ltd. against Shanshan Holdings Co., Ltd., Shanshan Group Co., Ltd. and Zhongjing Sihai Co., Ltd.: the case has been transferred to Shanghai Financial Court for trial with the first trial completed in January 2021, but pending for judgment.” According to the 2021 Interim Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 31 August 2021, “As of the date of this report, the case has been transferred from the Intermediate People’s Court of Huangshan City to Shanghai Financial Court. At present, the first instance has been held but pending for judgment.” According to the 2021 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 29 April 2022, “At present, the case is still in the process of hearing.” According to the “Announcement of Shanshan Group Co., Ltd. Regarding Progress of the Company’s Material Litigations” issued by Shanshan Group on the SSE on 20 January 2023, “On 17 January 2023, Shanghai Financial Court issued the first instance judgements on the two cases regarding the dispute on transfer of equity interests, namely ① the case involving Zhongjing Xinhua v. Shanshan Holdings, Shanshan Group, and Zhongjing Sihai for the dispute on equity transfer contract ([2020] Hu 74 Min Chu No. 1715), and ② the case involving Shanshan Holdings v. Zhongjing Xinhua for the dispute on equity transfer contract ([2020] Hu 74 Min Chu No. 1254) (hereinafter collectively referred to as the “Judgements”), and served the Judgements on Shanshan Holdings, Shanshan Group, and Zhongjing Sihai. Shanshan Group received the Judgements on 18 January 2023. The main content of the two Judgements are summarised as follows: (1) the Framework Agreement on the Transfer of Shares of Huishang Bank Corporation Limited and Equity Interests in Zhongjing Sihai Co., Ltd. entered into by Zhongjing Xinhua and Shanshan Holdings, the Agreement on Transfer of Equity in Zhongjing Sihai Co., Ltd. entered into by Zhongjing Xinhua and Shanshan Group, the Equity Transfer Contract entered into by Zhongjing Xinhua and Shanshan Holdings were terminated on 2 June 2020; (2) Zhongjing Xinhua shall return the amount equal to the consideration paid by Shanshan Holdings for the equity transfer; (3) Shanshan Group shall return 51.6524% equity interests in Zhongjing Sihai registered under the name of Shanshan Group, and Zhongjing Xinhua shall return the corresponding amount of equity transfer consideration; (4) other claims were rejected.” According to the 2022 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 28 April 2023, “At present, such case is in the process of second instance trial at the Shanghai High People’s Court.” For details, please refer to the announcements issued by Shanshan Group on the SSE.

Chapter IV Changes in Share Capital and Particulars of Shareholders

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

- (14) According to the disclosure of interests forms submitted by companies including Shanshan Holdings to the Hong Kong Stock Exchange, Shanshan Holdings entered into an acting in concert agreement with SUPERIOR LOGIC INVESTMENTS LIMITED, DRAGON SOUND INVESTMENT LIMITED, JOY GLORY HOLDINGS LIMITED, respectively.
- (15) According to the disclosure of interests forms submitted by Shenzhen Amer (Group) Limited ("Amer Group") to the Hong Kong Stock Exchange, Amer Group purchased 224,781,227 Domestic Shares. Amer Group is a wholly-owned subsidiary of Amer Holdings Group Limited (正威控股集團有限公司) ("Amer Holdings"), which in turn is owned as to 90% by Wang Wenyin. Liu Jiehong is the spouse of Wang Wenyin. Wang Wenyin, Liu Jiehong and Amer Holdings therefore are deemed to be interested in the Shares of the Bank held by Amer Group. According to the information available to the Bank, as of the end of the Reporting Period, the delivery of these shares has not yet been completed.
- (16) According to the disclosure of interests forms submitted by Amer Group to the Hong Kong Stock Exchange, Amer Group purchased 1,245,864,400 H Shares. Amer Group is a wholly-owned subsidiary of Amer Holdings, which in turn is owned as to 90% by Wang Wenyin. Liu Jiehong is the spouse of Wang Wenyin. Wang Wenyin, Liu Jiehong and Amer Holdings therefore are deemed to be interested in the Shares of the Bank held by Amer Group. According to the information available to the Bank, as of the end of the Reporting Period, the delivery of these shares has not yet been completed.
- (17) According to the disclosure of interests forms submitted by Guotai Junan International Holdings Limited and Guotai Junan Securities Co., Ltd. to the Hong Kong Stock Exchange on 8 March 2022, their controlled corporation, Guotai Junan Securities (Hong Kong) Limited acquired security interests in 483,582,400 H Shares. According to the disclosure of interests forms submitted by Guotai Junan International Holdings Limited and Guotai Junan Securities Co., Ltd. to the Hong Kong Stock Exchange on 28 July 2022, the foresaid security interests decreased to 273,509,400 shares. Guotai Junan International Holdings Limited is indirectly owned as to 73.24% by Guotai Junan Securities Co., Ltd., and Guotai Junan Securities (Hong Kong) Limited is directly owned as to 100.00% by Guotai Junan International Holdings Limited. Guotai Junan Securities Co., Ltd. and Guotai Junan International Holdings Limited therefore are deemed to be interested in such shares.
- (18) According to the disclosure of interests forms submitted by Haitong Securities Co., Ltd, Haitong International Holdings Limited, Haitong International Securities Group Limited and Haitong International Securities (Singapore) Pte. Ltd. to the Hong Kong Stock Exchange, their controlled corporation, Haitong International Securities (Singapore) Pte. Ltd., acquired security interests in 210,000,000 H Shares. Haitong International Holdings Limited is owned as to 100% by Haitong Securities Co., Ltd, and Haitong International Securities Group Limited is owned as to 65% by Haitong International Holdings Limited; Haitong International Securities (Singapore) Pte. Ltd. is owned as to 100% by Haitong International Securities Group Limited, and Haitong International Securities (Singapore) Pte. Ltd. is owned as to 100% by Haitong International Securities Group (Singapore) Pte. Ltd. Haitong Securities Co., Ltd, Haitong International Holdings Limited, Haitong International Securities Group Limited and Haitong International Securities (Singapore) Pte. Ltd. therefore are deemed to be interested in such shares.
- (19) The information disclosed above is based on the information available on the website of the Hong Kong Stock Exchange and the information available to the Bank as of the Latest Practicable Date. Pursuant to Section 336 of the SFO, shareholders of the Bank are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholding in the Bank changes, it is not necessary for the shareholder to notify the Bank and the Hong Kong Stock Exchange unless several criteria have been fulfilled, therefore the shareholder's latest shareholding in the Bank may be different from the shareholding filed with the Hong Kong Stock Exchange.

Save as disclosed above, the Bank is not aware of any other person (other than the directors, supervisors and chief executives (as defined in the Hong Kong Listing Rules) of the Bank) having any interests or short positions in the shares and underlying shares of the Bank as at 30 June 2023 as recorded in the register required to be kept by the Bank pursuant to section 336 of the SFO.

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

5.1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Gender	Position Held
Yan Chen	Male	Chairman, Executive Director
Kong Qinglong	Male	President, Executive Director
Ma Lingxiao	Male	Non-executive Director
Shao Dehui	Female	Non-executive Director
Wu Tian	Male	Non-executive Director
Zuo Dunli	Male	Non-executive Director
Gao Yang	Male	Non-executive Director
Wang Wenjin	Male	Non-executive Director
Zhao Zongren	Male	Non-executive Director
Dai Peikun	Male	Independent Non-executive Director
Zhou Yana	Female	Independent Non-executive Director
Liu Zhiqiang	Male	Independent Non-executive Director
Yin Jianfeng	Male	Independent Non-executive Director
Huang Aiming	Female	Independent Non-executive Director
Xu Jiabin	Male	Independent Non-executive Director
He Jiehua	Male	Chairman of the Board of Supervisors, Employee Representative Supervisor
Zhong Qiushi	Male	Employee Representative Supervisor, General Manager of Risk Management Department
Sun Zhen	Male	Employee Representative Supervisor, President of Huaibei Branch
Chen Rui	Male	Shareholder Supervisor
Wang Anning	Male	Shareholder Supervisor
Dong Xiaolin	Female	External Supervisor
Zhou Zejiang	Male	External Supervisor
Han Dongya	Male	External Supervisor
Kong Qinglong	Male	President
Yi Feng	Male	Vice President
Zhang Juzhong	Male	Vice President
Xu Guangcheng	Male	Vice President
Huang Xiaoyan	Female	Director of Investment and Wealth
Zhou Tong	Female	Director of Compliance and Risk
Li Dawei	Male	Financial Controller
Lian Baohua	Male	Secretary to the Board
Liu Fei	Male	Assistant to President
Wang Yong	Male	Chief Information Officer
Zhang Jianping	Male	Director of Human Resources

Note: For details of the position changes of the abovementioned directors, supervisors and senior management, please refer to section 5.2 "Changes in Directors, Supervisors and Senior Management of the Bank" of this report, and their remuneration for 2023 will be disclosed in the 2023 Annual Report of the Bank.

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

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

1. On 10 February 2023, the Bank announced that the Board held a meeting on the same date, at which the resolution regarding the appointment of Mr. Kong Qinglong as the President of the Bank was approved, and his qualification as the president is subject to the approval of the banking regulatory authorities. Mr. Kong Qinglong will perform the duties of the President on the behalf prior to the approval of his qualification as the President. In addition, Mr. Kong Qinglong was proposed to be appointed as an executive director of the fourth session of the Board of the Bank, and the resolution regarding the election of Mr. Kong Qinglong as an executive director of the Bank is subject to the consideration and approval by the shareholders at the general meeting. His qualification as a director will be submitted to the banking regulatory authorities for approval after the resolution is considered and approved at the general meeting. On 12 April 2023, the Bank announced that the Bank held the 2023 first extraordinary general meeting on the same date, at which the election of Mr. Kong Qinglong as an executive director of the fourth session of the Board of the Bank was considered and approved, and his qualification as a director is subject to the approval of the banking regulatory authorities. On 14 April 2023, the Bank announced that Mr. Kong Qinglong's qualification as the President of the Bank was approved by the former CBIRC Anhui Office. On 31 May 2023, the Bank announced that Mr. Kong Qinglong's qualification as an executive director of the Bank was approved by the former CBIRC Anhui Office. On 29 June 2023, the Bank announced that the Board held a meeting on the same date, at which the resolution regarding the election of Mr. Kong Qinglong, an executive Director, as a member of the Strategic Development and Consumer Rights Protection Committee, member of the Nomination and Remuneration Committee and member of the Related Party Transaction Control Committee of the Bank of the fourth session of the Board of the Bank was approved.
2. The Bank announced on 20 March 2023 that Mr. Tang Chuan resigned from the positions as an employee supervisor and a member of the Nomination Committee under the Board of Supervisors of the Bank due to reaching statutory retirement age. His resignation took effect on the same date.

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

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

3. The Bank announced on 15 May 2023 that Mr. Zhai Shengbao resigned as an external supervisor and the chairman of the supervision committee under the Board of Supervisors of the Bank due to work adjustment, and his resignation would take effect from the date of formal appointment of the successor external supervisor. Meanwhile, the Board of Supervisors of the Bank passed the resolutions on the same day, proposing the election of Mr. Wang Anning as a shareholder supervisor of the fourth session of the Board of Supervisors of the Bank and Mr. Han Dongya as an external supervisor of the fourth session of the Board of Supervisors of the Bank at the general meeting of the Bank. The Bank announced on 30 June 2023 that 2022 Annual General Meeting was held by the Bank on the same day, at which the election of Mr. Wang Anning as a shareholder supervisor of the fourth session of the Board of Supervisors of the Bank and Mr. Han Dongdong as an external supervisor of the fourth session of the Board of Supervisors of the Bank was considered and approved. At the same time, Mr. Zhai Shengbao's resignation took effect on the same day.
4. The Bank announced on 26 June 2023 that Mr. Wang Zhaoyuan resigned as a non-executive director and member of the Strategic Development and Consumer Rights Protection Committee of the Bank due to job re-allocation. His resignation took effect on 25 June 2023.
5. The Board of Directors of the Bank held a meeting on 29 June 2023, at which it was proposed to appoint Mr. Wang Yong as the chief information officer of the Bank and Mr. Zhang Jianping as the director of human resources of the Bank, and their qualifications as senior management are subject to approval by the banking regulatory authority. The qualifications of Mr. Wang Yong and Mr. Zhang Jianping were approved by the Anhui Office of the National Administration of Financial Regulation on 16 August 2023.
6. The Bank announced on 31 July 2023 that the Board of Directors of the Bank resolved on the same date to propose the appointment of Mr. Wang Zhaohui as a non-executive director of the Bank, the resolution on the election of Mr. Wang Zhaohui as a non-executive director of the Bank was required to be submitted to the general meeting of the Bank for consideration. Upon the passing of the resolution at the general meeting, his qualification as a director was still subject to the approval of the banking regulatory authority.

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

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

7. Save as disclosed above, pursuant to the requirement of Rule 13.51B(1) of the Hong Kong Listing Rules, the changes in the information of directors, supervisors and senior management of the Bank during the Reporting Period and as of the Latest Practicable Date are as follows:
- (1) Mr. Zuo Dunli, a non-executive director the Bank, ceased to serve as the director of Anhui Highway Real Estate Group Limited (安徽省高速地產集團有限公司).
 - (2) Ms. Zhou Yana, an independent non-executive director the Bank, ceased to serve as the independent director of Anhui Gourgen Traffic Construction Co., Ltd. (安徽省交通建設股份有限公司).
 - (3) Mr. Chen Rui, a shareholder supervisor of the Bank, acted as the general manager of Hefei Xingtai Financial Holdings (Group) Co., Ltd. (合肥興泰金融控股(集團)有限公司), and ceased to serve as the chairman of labor union of Hefei Xingtai Financial Holdings (Group) Co., Ltd.
 - (4) Mr. Sun Zhen, an employee representative supervisor of the Bank, ceased to serve concurrently as the director of Huishang Bank Financial Leasing Co., Ltd. (徽銀金融租賃有限公司).
 - (5) Mr. Liu Fei, the assistant to president of the Bank, ceased to serve concurrently as the president of Hefei Branch of the Bank.

Save as disclosed above, during the Reporting Period and as of the Latest Practicable Date, the Bank was not aware of any change in the information of directors or supervisors of the Bank which was required to be disclosed pursuant to the requirements of the Rule 13.51B(1) of the Hong Kong Listing Rules. For further profile details of the directors, supervisors and senior management of the Bank, please refer to section 8.3 “Profile of Directors, Supervisors and Senior Management” of the Bank’s 2022 Annual Report and the official website of the Bank.

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

5.3 EMPLOYEES

As of 30 June 2023, the Bank had a total of 11,163 employees in service. Academic distribution: The number of employees with master's degrees or above was 2,542, accounting for 22.77%. The number of employees with full-time bachelor's degrees was 5,700, accounting for 51.06%. The number of employees with part-time bachelor's degrees was 2,475, accounting for 22.17%. The number of employees with junior college degrees or below was 446, accounting for 4.00%. Gender ratio of employees (including senior management members) was 49.3% (5,499) of male employees and 50.7% (5,664) of female employees. The Bank attaches great importance to employee diversity, equally treats employees regardless of age, gender, nationality and education background, and fully guarantees employees to have equal rights in recruitment, position adjustment, training and promotion. The Bank respects diversity in the working place and is committed to creating a professional, inclusive and diversified working environment.

Staff remuneration policy

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

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

The Bank implements the deferred payment and recovery mechanism for performance-based remuneration of senior management and personnel in key positions. For employees who violate rules and disciplines or incur significant exposure of risk losses within their responsibilities, the Bank shall deduct, stop payment and recall their performance-related remuneration for the corresponding period according to the severity.

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

5.3 EMPLOYEES (CONTINUED)

Staff training

Focusing on the strategic requirements on “digital transformation” and the business development needs for the year, the Bank conducted annual trainings with different categories at different levels to provide guarantees for staff professionalism enhancement and their career development and growth, and to provide talent guarantees and intellectual support for comprehensive construction of a well-developed modern bank. During the Reporting Period, the Bank organized and provided various trainings and the construction of internal trainer teams by making full use of three training channels, namely, the training center, the online training platform “Huiyin Internet School”, and the mobile learning platform “Huiyin Academy”. As of the end of June 2023, the Bank organized a total of 548 training programs with over 406,000 attendances. The Bank continued to strengthen the leadership of party building and organized special trainings including the rotation training of the spirits of the 20th Central Committee of the Communist Party of China and the themed education on “study and implementation of Xi Jinping’s Thought on Socialism with Chinese Characteristics for a New Era” with a total of 351,000 participants during the Reporting Period; actively pushed forward various offline training programs and held lectures for middle and senior management, held various training courses for senior managers of the “Huiyang Plan,” heads of the level-2 team of the Head Office of the “Huiying Plan,” heads of integrated sub-branches of the “Huidun Plan” and management trainees of the “Huixing Plan”, covering 52,000 participants; fully utilized the online training channel to upload 113 courses on Zhiniaohuiyin School (知鳥徽銀學堂) with 961,000 participants studying history courses and the average studying time of 57.3 hours; carried out online live streaming training, holding 99 live training sessions and 105,000 participants participated in the training.

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

5.4 BRANCHES

As of 30 June 2023, the composition of branches of the Bank is as follows:

Region	Name of the Institution	Address (China)	Post Code	Number of Branch
	Head Office	Huishang Bank Building, No. 1699 Yungu Road, Hefei	230092	1
Anhui Province	Hefei Branch	No. 626, Huangshan Road, Gaoxin District, Hefei	230001	88
	Wuhu Branch	No. 1, Beijing Road, Wuhu	241000	36
	Ma'anshan Branch	No. 3663, Taibai Road, Yushan District, Ma'anshan	243000	27
	Anqing Branch	No. 528, Renmin Road, Anqing	246000	28
	Huaibei Branch	No. 253, Renmin Zhong Road, Xiangshan District, Huaibei	235000	20
	Bengbu Branch	Floor 2-9, Block B, Financial Center Building, No. 1699 Tushan East Road, Bengbu	233000	27
	Lu'an Branch	No. 31, Meishan Middle Road, Yu'an District, Lu'an	237000	33
	Huainan Branch	Huishang Bank Huainan Branch Office Building, Shungeng West Road, Tianjia'an District, Huainan	232000	21
	Tongling Branch	No.999, Yangjiashan Road, Tongling	244000	15
	Fuyang Branch	No. 668, West Lake Avenue, Yingzhou District, Fuyang	236000	29
	Huangshan Branch	No. 2, Tuguang Avenue, Tunxi District, Huangshan	245000	11
	Chizhou Branch	No. 515, Changjiang Zhong Road, Chizhou	247000	12
	Chuzhou Branch	No. 95, Longpan Main Road, Chuzhou	239000	17
	Suzhou Branch	No. 123, Yinheyi Road, Suzhou	234000	19
	Xuancheng Branch	No. 109, Meiyuan Road, Xuanzhou District, Xuancheng	242000	14
	Bozhou Branch	Xiangzhang Mansion, West Shaohua Road, Qiaocheng, Bozhou	236000	14
Jiangsu Province	Nanjing Branch	No. 231, Zhongyang Road, Nanjing	210000	12
Beijing	Beijing Branch	Aboveground Portion, Building No. 8, Courtyard No. 115 Beishuan East Road, Chaoyang District, Beijing	100101	13
Guangdong Province	Shenzhen Branch	33-35/F, Building 2, North Central One (Chuangxiang Building), intersection of Mintang Road and Baisong 2nd Road, Longhua District, Shenzhen	518000	11
Sichuan Province	Chengdu Branch	No. 365, Jiaozhi Avenue, Hi-tech Zone, Chengdu	910095	19
Zhejiang Province	Ningbo Branch	No. 676, Zhongxing Road, No. 787, No. 799 and No. 809 Baizhang East Road, Yinzhou District, Ningbo	315100	16
Total				483

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

5.5 CHANGES IN CORPORATE GOVERNANCE STRUCTURE

During the Reporting Period, the Bank carried out the institutional reform of inspection by the Party Committee, set up the inspection office of the Party Committee and the Party Conduct and Clean Government Office, and set up the Science and Technology Innovation Finance Department. Save for the above changes, the corporate governance structure of the Bank remains unchanged from 2022. For details, please refer to section 9.1 “Corporate Governance Structure” of the Bank’s 2022 Annual Report.

Chapter VI Corporate Governance

6.1 OVERVIEW OF CORPORATE GOVERNANCE

The Bank continuously promotes improvement in the corporate governance mechanism, constantly enhances corporate governance capability and actively endeavours to adhere to international and domestic corporate governance best practices so as to safeguard the interests of shareholders and enhance corporate value. The Bank established a comparatively comprehensive corporate governance structure through clarifying the responsibilities of general meetings, the Board of Directors, the Board of Supervisors and senior management, continuously deepened the organic integration of leadership of the Party with the corporate governance, and constantly improving the Bank's decision-making, execution and supervision mechanisms to ensure the independent operation, checks and balances and organic cohesion of various parties. The Bank has incorporated the Hong Kong Listing Rules (especially the Corporate Governance Code) and the Corporate Governance Standards of Banking and Insurance Institutions issued by the former CBIRC into the Bank's governance structure and policies. The general meeting, Board of Directors, Board of Supervisors and senior management of the Bank performed their respective duties, and formed good corporate governance structure. The Bank ensured regulated operation through this governance structure. During the Reporting Period, the major duties of the general meetings, the Board of Directors, the Board of Supervisors, the committees of the Board of Directors and the Board of Supervisors, and the senior management remained unchanged, please refer to Chapter IX "Corporate Governance Report" in the 2022 Annual Report of the Bank for details.

During the Reporting Period, the general meetings of the Bank operated in a compliant manner according to laws, the Board of Directors and the Board of Supervisors earnestly performed their decision-making and supervision functions, and the committees thereunder actively fulfilled their responsibilities so as to enhance the efficiency of the corporate governance and operation, which ensured the compliant and steady operation and the sustainable and healthy development of the Bank. During the Reporting Period, the Bank convened a total of 32 meetings, which consisted of two general meetings, six Board meetings, sixteen meetings of the committees under the Board of Directors, four meetings of the Board of Supervisors, two meetings of the Supervisory Committee under the Board of Supervisors and two meetings of the Nomination Committee under the Board of Supervisors.

Chapter VI Corporate Governance

6.2 GENERAL MEETING

During the Reporting Period, the Bank held two general meetings.

On 12 April 2023, the Bank held the 2023 first extraordinary general meeting in Hefei, Anhui Province. The notification, convening, holding and voting procedures of the meeting are in compliance with the Company Law of the PRC, the Articles of Association and the Hong Kong Listing Rules. For the details of attendance, main topics and voting of this general meeting, please see the announcement in relation to the poll results of the 2023 first extraordinary general meeting dated 12 April 2023, which was published by the Bank on the websites of the Hong Kong Stock Exchange and the Bank, respectively.

On 30 June 2023, the Bank held the 2022 annual general meeting in Hefei, Anhui Province. The notification, convening, holding and voting procedures of the meeting are in compliance with the Company Law of the PRC, the Articles of Association and the Hong Kong Listing Rules. For the details of attendance, main topics and voting of this general meeting, please see the announcement in relation to the poll results of the 2022 annual general meeting dated 30 June 2023, which was published by the Bank on the websites of the Hong Kong Stock Exchange and the Bank, respectively.

The Bank is proposed to hold the 2023 second extraordinary general meeting in Hefei, Anhui Province on 15 September 2023. For the details, please refer to the announcement and circular of the 2023 second extraordinary general meeting dated 1 August 2023, which were published by the Bank on the websites of the Hong Kong Stock Exchange and the Bank, respectively.

6.3 BOARD OF DIRECTORS AND BOARD OF DIRECTORS COMMITTEES MEETINGS

During the Reporting Period, the Bank held 6 Board meetings, at which 92 resolutions were considered and reviewed. The Bank held 16 meetings of the committees under the Board of Directors (which consisted of three Nomination and Remuneration Committee meetings, 4 Strategic Development and Consumer Rights Protection Committee meetings, 3 Risk Management Committee meetings, 4 Related Party Transaction Control Committee meetings and 2 Audit Committee meetings), at which 65 resolutions were considered.

Chapter VI Corporate Governance

6.4 BOARD OF SUPERVISORS AND BOARD OF SUPERVISORS COMMITTEES MEETINGS

During the Reporting Period, the Bank held 4 Board of Supervisors meetings, at which 45 resolutions were reviewed and considered.

The Bank held two meetings of the Supervisory Committee under the Board of Supervisors, at which 13 resolutions were considered. The Bank held 2 meetings of the Nomination Committee under the Board of Supervisors, at which nine resolutions were considered.

6.5 WORK REPORT OF INDEPENDENT NON-EXECUTIVE DIRECTORS AND EXTERNAL SUPERVISORS

During the Reporting Period, the Bank's independent non-executive directors served as chairmen and members of the special committees under the Board. They focused on the standard operation and legal procedures of the Board and the special committees under the Board and assisted in the scientific decision-making by the Board to improve the quality and efficiency of the Board's decision-making. Following the principles of objectivity, independence and prudence, the Bank's independent non-executive directors made full use of their professional expertise and rich working experience, actively provided suggestions from the perspective of safeguarding the benefits of investors and stakeholders and actively participated in the operation and management of the Bank, displaying an active role in improving the scientific decision-making by the Board and promoting the sustainable and healthy development of the Bank's business. During the Reporting Period, the Bank's independent non-executive directors discharged its duties diligently through attending the meetings of the Board and relevant special committees, attending shareholders' general meetings and participating in regulatory consultations. The independent non-executive directors objectively and impartially express independent opinions on regular financial reports, annual profit distribution plans, the appointment of accounting firms, the nomination of directors and senior management, significant related party transactions and other significant matters and promoted the normal operation of relevant matters under the effective supervision and management of the Board and the compliance of relevant procedures and contents.

Chapter VI Corporate Governance

6.5 WORK REPORT OF INDEPENDENT NON-EXECUTIVE DIRECTORS AND EXTERNAL SUPERVISORS (CONTINUED)

During the Reporting Period, chairman of the Board of Supervisors committees were served by external supervisors, which strengthens the role of external supervisors in performance assessment, financial, risks, internal control, compliance and management and other aspects of independent oversight functions, and plays a positive role in improving the management quality and governance structure of the Bank. During the Reporting Period, external supervisors of the Bank can exercise the independent supervision function. In performing their duties, the external supervisors took the initiative to know about the Company's operation and management situations by attending meetings of the Board of Supervisors, convening meetings of the special committees under the Board of Supervisors, being present at the general meetings and Board meetings, participating in regulatory consultations, special research of the Board of Supervisors. Meanwhile, external supervisors carefully studied and actively participated in discussions and decision-making of each issue, considered each issue from the perspective of the sustainable development of the Bank and protection of all parties' interests, carefully and objectively gave independent opinions, and fulfilled the responsibilities of external supervisors according to laws.

6.6 SECURITIES TRANSACTIONS OF DIRECTORS, SUPERVISORS AND THE RELEVANT EMPLOYEES

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

Chapter VI Corporate Governance

6.7 INTERNAL CONTROL

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

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

Chapter VI Corporate Governance

6.7 INTERNAL CONTROL (CONTINUED)

During the Reporting Period, the Bank continued to optimize internal control system and promote the establishment of the internal control and balance system. Focusing on changes in internal and external regulations, it dynamically optimized the internal control and balance indicators for 44 business types in 11 business lines. At the same time, it established linkage with various products and internal and external regulations, specified the responsible department and the management department and improved the applicability and operability of indicators. In addition, the Bank launched a new round of the establishment of an internal control compliance risk management system during the Reporting Period. With internal control and check-and-balance indicators as the core and driven by internal control compliance data management, it established a digital internal control compliance operation system and a management and analysis platform that integrate internal control compliance standards, internal control compliance operations, internal control compliance assessments and internal control compliance data, to promote the in-depth integration of digital technology with internal control compliance management.

6.8 CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, the Bank strictly complied with the code provisions as well as most of the recommended best practices of the Corporate Governance Code, except for the following circumstances:

According to the code provision B.2.2 of the Corporate Governance Code, each director (including directors with a specified term) shall be subject to retirement by rotation at least once every three years. The term of office of the fourth session of the Board of the Bank expired in January 2022 and the current directors shall continue to perform their duties until the completion of the re-election.

The Bank will continue to strengthen its corporate governance practices to comply with the requirements of the Corporate Governance Code and meet the higher expectations from the shareholders and investors.

Chapter VII Significant Events

7.1 HOLDING AND TRADING OF SHARES OF OTHER LISTED COMPANIES

As of the end of the Reporting Period, due to corporate bankruptcy and reorganization during the disposal of non-performing assets (including those acquired from former Baoshang Bank), as ruled by the people's court, the Bank held 13,704,900 shares of Shenzhen Feima International Supply Chain Co., Ltd. (stock code: 002210), 12,165,100 shares of Antong Holdings Co., Ltd. (stock code: 600179), 9,646,300 shares of Chenzhou City Jingui Silver Industry Co., Ltd. (stock code: 002716), 22,432,600 shares of Huachangda Intelligent Equipment Group Co., Ltd. (華昌達智能裝備集團股份有限公司) (stock code: 300278), 198,184,300 shares of Hainan Airlines Holding Co., Ltd. (海南航空控股股份有限公司) (stock code: 600221), 44,266,600 shares of Guangxi Oriental Intelligent Manufacturing Technology Co., Ltd. (廣西東方智造科技股份有限公司) (stock code: 002175), 9,260,200 shares of Jiangsu Guoxin Corporation Limited (江蘇國信股份有限公司) (stock code: 002608), 15,999,800 shares of Taihai Manoir Nuclear Equipment Co., Ltd. (台海瑪努爾核電設備股份有限公司) (stock code: 002366), 11,767,400 shares of Poten Environment Group Co., Ltd. (博天環境集團股份有限公司) (stock code: 603603) and 2,371,800 shares of Baoding Tianwei Baobian Electric Co., Ltd. (保定天威保變電氣股份有限公司) (stock code: 600550).

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

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

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

Chapter VII Significant Events

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

As at 30 June 2023, the following directors, supervisors and chief executives of the Bank and their respective associates had the following interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code. The table below reflects the number of shares, any interests or short positions in underlying shares and debentures held by the directors, supervisors or chief executives of the Bank:

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

Save as disclosed above, as at 30 June 2023, the Bank was not aware that any of the directors, supervisors and chief executives of the Bank and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations.

7.4 PENALTIES AND INVESTIGATIONS OF DIRECTORS AND SUPERVISORS OF THE BANK

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

Chapter VII Significant Events

7.5 MATERIAL LITIGATIONS AND ARBITRATIONS

Insofar as the Bank is aware, as of the end of June 2023, the Bank, as a plaintiff, was involved in the following litigation proceeding in its regular course of business: the number of material pending litigations and arbitrations involving the Bank amounted to 36, with a total amount of approximately RMB4.038 billion. The number of pending litigations and arbitrations, to which the Bank is a defendant, each with an amount of more than RMB0.5 million, amounted to 36, totaling approximately RMB359 million. The Bank made full provisions for doubtful accounts of loans involved in the cases above according to expected losses prudently, which will have no material adverse effect on the Bank's financial position and operating results.

7.6 ASSET ACQUISITION, DISPOSAL AND REORGANIZATION

During the Reporting Period, some assets of the Bank had been pledged to other banks and the Ministry of Finance of the PRC as collaterals for a sale and repurchase agreement and treasury deposits. Please refer to Note 41 to the financial statements of this interim report for details.

The Bank has no other asset acquisition, disposal or reorganization outside the normal scope of business.

Chapter VII Significant Events

7.7 INITIAL PUBLIC OFFERING OF A SHARES

The 2018 annual general meeting was convened by the Bank on 30 June 2019, at which, among others, the proposal for initial public offering and listing of A shares (“A Share Offering”) was considered and approved. The Bank proposed issuing no more than 1.5 billion A shares. The Resolution on the extension of the validity period of the A Share Offering of the Bank and Resolution on the extension of the validity period of the authorization of the Board to deal with specific matters in respect of the A Share Offering was considered and approved at the 2019 annual general meeting held on 30 June 2020, the 2020 annual general meeting held on 30 June 2021, the 2021 annual general meeting held on 30 June 2022 and the 2022 annual general meeting held on 30 June 2023 of the Bank. The Bank will extend the validity period of A Share Offering Plan and the Authorization Resolution for twelve months from the next day immediately after the expiration of original validity period (namely, the extended period will be from 30 June 2023 to 29 June 2024). Considering the reform of the registration-based IPO system in the A-share market, in order to ensure that the A Share Offering can proceed continuously, the Bank will make corresponding adjustments to the A Share Offering Plan and the Authorization Resolution according to the reform schedule of the registration-based IPO system, and other contents as set forth under the A Share Offering Plan and the Authorization Resolution remain unchanged. Please refer to the circulars of the Bank dated 15 May 2019, 15 May 2020, 24 May 2021, 25 May 2022 and 6 June 2023 for the details of the resolution on the aforesaid A Share Offering.

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

Chapter VII Significant Events

7.8 AMENDMENTS TO THE ARTICLES OF ASSOCIATION

At the 41st meeting of the fourth session of the Board held on 30 March 2022, the Resolution on the Amendment to the Articles of Association of Huishang Bank Corporation Limited was considered and approved. The resolution was considered and approved at the 2021 annual general meeting held on 30 June 2022. For details, please refer to the Bank's announcement dated 30 March 2022 and the announcement of poll results of the 2021 annual general meeting dated 30 June 2022.

To improve the corporate governance of the Bank and promote its sustainable and healthy development, the Bank considered and approved the Resolution of Considering the Articles of Association of Huishang Bank Corporation Limited (Revised) at the 52nd meeting of the fourth session of the Board of Directors held on 15 May 2023, which was considered and approved at the 2022 annual general meeting held on 30 June 2023 according to the regulatory requirements, including the Corporate Governance Standards of Banking and Insurance Institutions after taking into account the opinions of regulatory authorities on the previous amendments to the Articles of Association of the Bank and the actual conditions of the Bank. For details, please refer to the announcement of the Bank dated 15 May 2023 and the announcement on the poll results of the 2022 annual general meeting dated 30 June 2023. The Bank published an announcement on 18 August 2023 that the amended Articles of Association of the Bank has been approved by the Anhui Office of the National Administration of Financial Regulation.

7.9 THE PUBLIC FLOAT OF H SHARES

Based on the public information available to the Bank and to the knowledge of the Board of Directors, from April 2016 to the Latest Practicable Date, the Bank's H share public float was below 25%, the minimum level as required in Rule 8.08(1)(a) of the Hong Kong Listing Rules. As at the Latest Practicable Date, the Bank's H share public float was 16.08%.

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

Chapter VII Significant Events

7.10 REVIEW ON INTERIM RESULTS

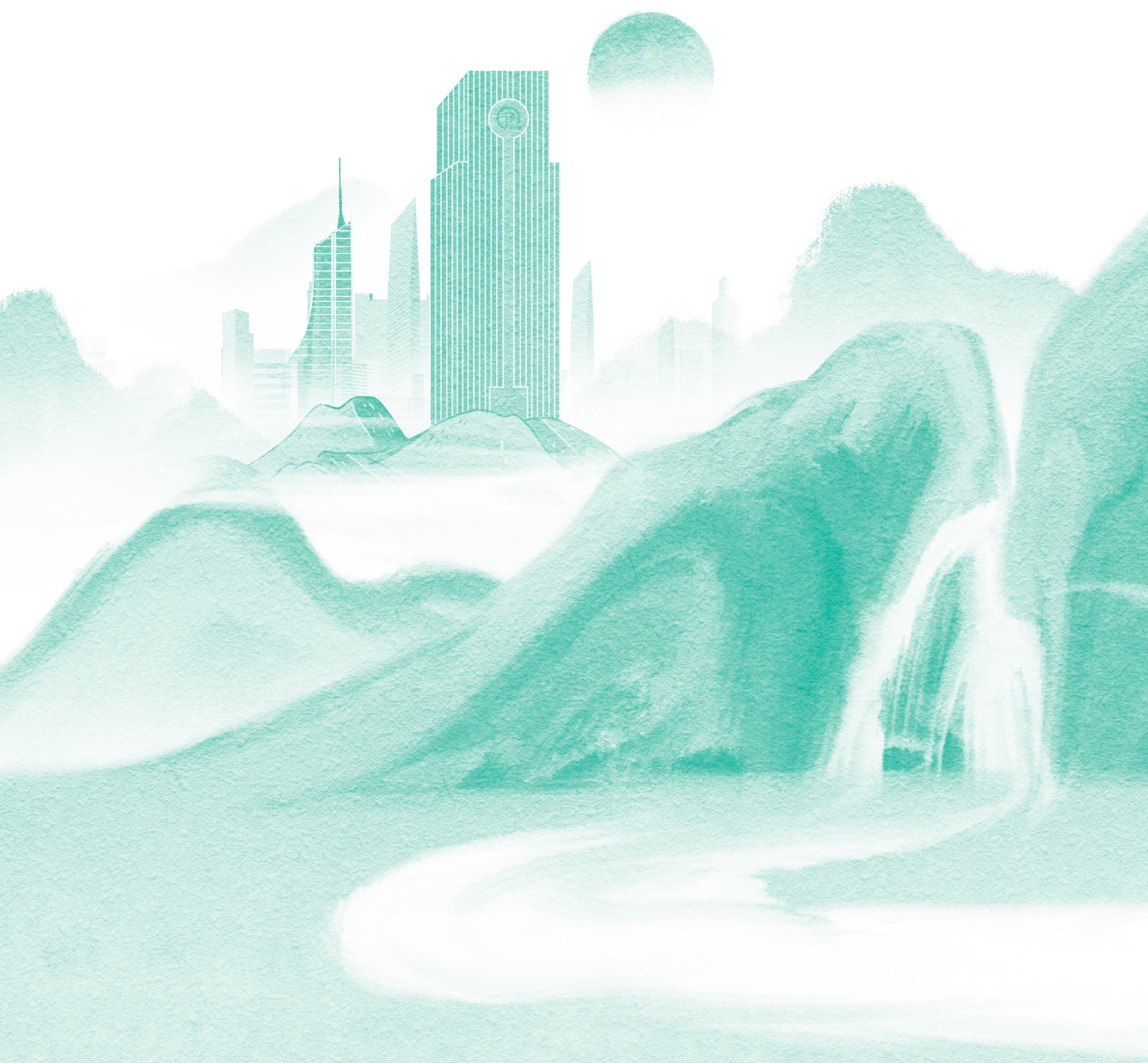
Ernst & Young, as the external auditor of the Bank, has reviewed the interim financial report (unaudited) of the Bank prepared in accordance with the International Accounting Standards and the disclosure requirements of the Hong Kong Listing Rules. In addition, the Audit Committee under the Board of Directors of the Bank has also reviewed and approved the interim results and financial report of the Bank for the six months ended 30 June 2023. Any discrepancies between the total amount and percentages and the sum of items shown in the tables in this report are due to rounding.

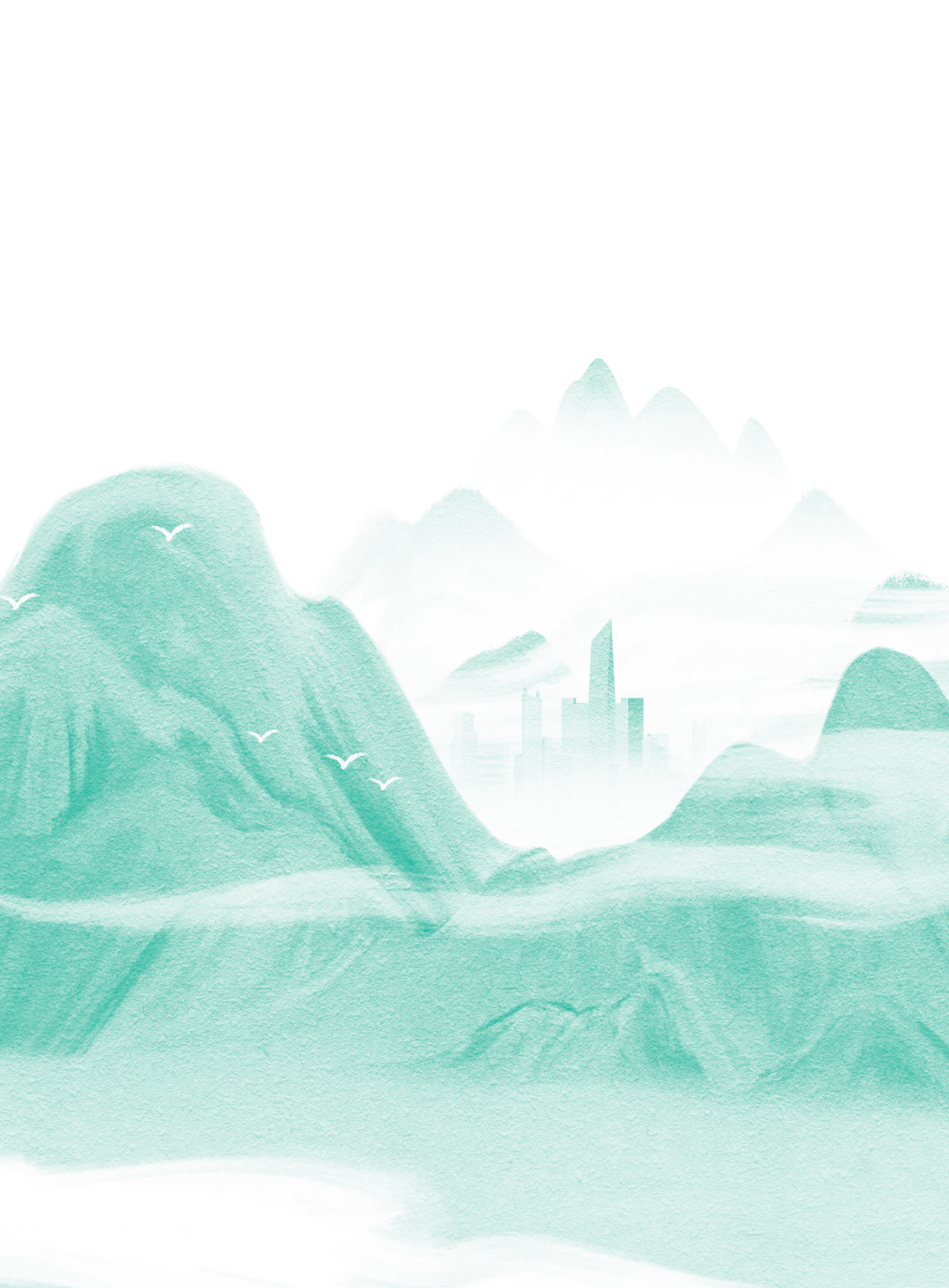
7.11 PUBLICATION OF INTERIM REPORT

The Bank has prepared its interim report under the International Financial Reporting Standards and the Hong Kong Listing Rules in both Chinese and English versions, which are available on the HKEXnews website of the Hong Kong Stock Exchange at www.hkexnews.hk and the official website of the Bank at www.hsbank.com.cn. If there is any discrepancy in understanding the Chinese and English versions of the 2023 interim report, the Chinese version shall prevail.

In this report, the financial data for the six months ended 30 June 2022 and 2023 have not been audited; and the financial data for the year ended 31 December 2022 have been audited.

Chapter VIII Interim Financial Report





Chapter VIII Interim Financial Report



To the Board of Directors of Huishang Bank Corporation Limited

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

Ernst & Young
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Report on Review of Interim Financial Information

To the Board of Directors of Huishang Bank Corporation Limited

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

INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 106 to 223, which comprises the condensed consolidated statement of financial position of Huishang Bank Corporation Limited (the “Bank”) and its subsidiaries (the “Group”) as at 30 June 2023 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board.

The directors of the Bank are responsible for the preparation and presentation of this 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.

Chapter VIII Interim Financial Report

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

29 August 2023

Interim Condensed Consolidated Statement of Profit or Loss

For the six month period ended 30 June 2023

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

	Notes	For the six month period ended 30 June	
		2023 Unaudited	2022 Unaudited
Interest income	4	32,808,281	29,657,843
Interest expense	4	(17,666,011)	(15,923,996)
Net interest income		15,142,270	13,733,847
Fee and commission income	5	1,985,414	3,117,259
Fee and commission expense	5	(198,690)	(174,496)
Net fee and commission income		1,786,724	2,942,763
Net trading gains	6	2,164,872	1,649,661
Net gains on financial investments	7	440,956	548,874
Other operating income, net	8	253,064	239,737
Operating income		19,787,886	19,114,882
Operating expenses	9	(4,867,607)	(4,416,255)
Impairment losses on credits	11	(5,178,441)	(6,331,241)
Operating profit		9,741,838	8,367,386
Share of profits of associates		139,168	168,668
Profit before income tax		9,881,006	8,536,054
Income tax expense	12	(1,395,378)	(1,200,664)
Profit for the period		8,485,628	7,335,390
Net profit attributable to:			
Shareholders of the Bank		8,102,017	7,242,904
Non-controlling interests		383,611	92,486
Earnings per share attributable to the ordinary shareholders of the Bank (expressed in RMB per share)			
Basic/Diluted	13	0.58	0.52

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six month period ended 30 June 2023

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

	Note	For the six month period ended 30 June	
		2023 Unaudited	2022 Unaudited
Profit for the period		8,485,628	7,335,390
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
– Net gains/(losses) on investments in equity instruments designated at fair value through other comprehensive income	38	12,573	30,842
– Share of other comprehensive income of associates and joint ventures accounted for using the equity method		(26,031)	(13,250)
Less: associated impact of income tax	38	(3,143)	(7,711)
Subtotal		(16,601)	9,881
Items that may be reclassified subsequently to profit or loss			
– Net gains on investments in debt instruments measured at fair value through other comprehensive income	38	1,849,274	411,930
– Share of other comprehensive income of associates and joint ventures accounted for using the equity method		(5,552)	50,123
Less: associated impact of income tax	38	(462,099)	(102,981)
Subtotal		1,381,623	359,072
Other comprehensive income for the year, net of tax		1,365,022	368,953
Total comprehensive income for the period		9,850,650	7,704,343
Total comprehensive income attributable to:			
Equity holders of the Bank		9,466,512	7,611,857
Non-controlling interests		384,138	92,486
		9,850,650	7,704,343

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

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2023

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

	Notes	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Assets			
Cash and balances with the central bank	14	91,740,479	104,693,610
Deposits with banks and other financial institutions	15	6,804,044	10,719,612
Placements with banks and other financial institutions	16	29,588,216	20,695,386
Derivative financial assets	17	189,297	129,682
Financial assets held under resale agreements	18	27,070,062	12,658,904
Loans and advances to customers, net	19	824,012,146	734,798,375
Financial investments			
– Financial assets at fair value through profit or loss	20	145,545,305	122,955,300
– Financial assets at fair value through other comprehensive income	20	146,776,648	139,941,437
– Financial assets at amortised cost	20	354,284,304	334,781,873
Investments in associates	21	5,012,292	4,923,502
Property, plant and equipment	22	4,522,275	4,625,989
Right-of-use assets	23	1,120,301	1,126,784
Deferred income tax assets	34	13,977,001	13,655,828
Finance lease receivables	24	65,994,962	57,807,458
Goodwill	25	11,776,076	11,776,076
Other assets	26	4,480,374	4,945,870
Total assets		1,732,893,782	1,580,235,686
Liabilities			
Borrowings from the central bank		107,132,024	82,907,774
Deposits from banks and other financial institutions	28	165,082,909	123,611,239
Placements from banks and other financial institutions	29	53,625,223	43,862,693
Derivative financial liabilities	17	195,512	116,985
Financial assets sold under repurchase agreements	30	47,243,336	54,476,425
Deposits from customers	31	1,024,114,253	912,776,127
Taxes payable	32	2,287,563	2,907,816
Debt securities issued	35	184,190,409	218,002,133
Other liabilities	33	18,165,029	18,752,836
Total liabilities		1,602,036,258	1,457,414,028

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

Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2023

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

	Notes	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Equity			
Share capital	36	13,889,801	13,889,801
Other equity instruments	36	9,999,811	9,999,811
Capital reserve	36	15,230,704	15,230,704
Surplus reserves	37	18,595,941	17,404,333
General reserves	37	17,517,168	15,597,809
Other comprehensive income	38	2,264,516	900,021
Retained earnings		49,784,429	46,585,163
Equity attributable to shareholders of the Bank		127,282,370	119,607,642
Non-controlling interests		3,575,154	3,214,016
Total equity		130,857,524	122,821,658
Total equity and liabilities		1,732,893,782	1,580,235,686

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

Approved and authorized for issue by the Board of Directors on 29 August 2023.

Yan Chen

Chairman

Kong Qinglong

President

Li Dawei

Financial Controller

Fang Lixin

Head of Finance Department

Interim Condensed Consolidated Statement of Changes in Equity

For the six months period ended 30 June 2023

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

	Equity attributable to shareholders of the Bank								Total equity
	Share capital	Other equity instruments	Capital reserves	Surplus reserves	General reserves	Other comprehensive income	Retained earnings	Non-controlling interests	
	Note 36	Note 36	Note 36	Note 37	Note 37	Note 38			
As at 1 January 2023	13,889,801	9,999,811	15,230,704	17,404,333	15,597,809	900,021	46,585,163	3,214,016	122,821,658
(1) Comprehensive income									
Profit for the period	-	-	-	-	-	-	8,102,017	383,611	8,485,628
Fair value through other comprehensive income, net of tax	-	-	-	-	-	926,609	-	527	927,136
Asset impairment through other comprehensive benefits	-	-	-	-	-	469,469	-	-	469,469
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	-	-	-	-	-	(31,583)	-	-	(31,583)
Total comprehensive income for the period	-	-	-	-	-	1,364,495	8,102,017	384,138	9,850,650
(2) Profit distribution									
Dividends	-	-	-	-	-	-	(1,791,784)	(23,000)	(1,814,784)
Appropriation to surplus reserves	-	-	-	1,191,608	-	-	(1,191,608)	-	-
Appropriation to general reserves	-	-	-	-	1,919,359	-	(1,919,359)	-	-
As at 30 June 2023	13,889,801	9,999,811	15,230,704	18,595,941	17,517,168	2,264,516	49,784,429	3,575,154	130,857,524
As at 1 January 2022	13,889,801	9,999,811	15,230,704	15,180,759	13,531,015	1,527,772	39,204,123	2,951,666	111,515,651
(3) Comprehensive income									
Profit for the period	-	-	-	-	-	-	7,242,904	92,486	7,335,390
Fair value through other comprehensive income, net of tax	-	-	-	-	-	(8,399)	-	-	(8,399)
Asset impairment through other comprehensive benefits	-	-	-	-	-	340,479	-	-	340,479
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	-	-	-	-	-	36,873	-	-	36,873
Total comprehensive income for the period	-	-	-	-	-	368,953	7,242,904	92,486	7,704,343
(4) Profit distribution									
Dividends	-	-	-	-	-	-	(1,236,192)	(18,400)	(1,254,592)
Appropriation to surplus reserves	-	-	-	1,031,966	-	-	(1,031,966)	-	-
Appropriation to general reserves	-	-	-	-	1,915,328	-	(1,915,328)	-	-
As at 30 June 2022	13,889,801	9,999,811	15,230,704	16,212,725	15,446,343	1,896,725	42,263,541	3,025,752	117,965,402

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months period ended 30 June 2023

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

	For the six month period ended 30 June	
	2023 Unaudited	2022 Unaudited
Cash flows from operating activities:		
Profit before income tax	9,881,006	8,536,054
Adjustments:		
Impairment losses on credits	5,178,441	6,331,241
Recovery of assets written off	510,188	632,662
Depreciation and amortization	531,759	509,853
Net losses on disposals of property, plant and equipment	(250)	201
Net gains on financial investments	(440,956)	(548,874)
Fair value changes in financial assets at fair value through profit or loss and derivatives	(365,971)	(119,936)
Share of results of associates ventures	(139,168)	(168,668)
Interest income from financial investments	(10,099,711)	(9,664,366)
Interest expense from lease liabilities	16,520	17,461
Interest expense from debt securities issued	2,560,622	2,598,980
Subtotal	7,632,480	8,124,608
Net changes in operating assets:		
Net increase in balances with the central bank	(6,204,509)	(6,311,398)
Net increase in deposits and placements with banks and other financial institutions	(5,432,930)	(2,588,576)
Net (increase)/decrease in financial assets at fair value through profit or loss	(5,437,468)	26,657,973
Net increase in financial assets held under resale agreements	(14,453,259)	(12,697,120)
Net increase in loans and advances to customers	(93,718,055)	(89,813,815)
Net increase in finance lease receivables	(8,296,426)	(7,161,436)
Net decrease/(increase) in other assets	988,616	(3,262,600)
Net changes in operating liabilities:		
Net increase/(decrease) in deposits and placements from banks and other financial institutions	51,292,461	(14,329,582)
Net increase in borrowings from the central bank	23,821,477	7,673,836
Net (decrease)/increase in financial assets sold under repurchase agreements	(7,195,025)	49,232,256
Net increase in deposits from customers	110,975,198	150,512,264
Net (decrease)/increase in other liabilities	(1,225,614)	2,012,030
Income taxes paid	(2,750,172)	(3,645,085)
Net cash flows from operating activities	49,996,774	104,403,355

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

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months period ended 30 June 2023

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

	For the six month period ended 30 June	
	2023 Unaudited	2022 Unaudited
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment, and other long-term assets	1,258	–
Purchase of property, plant and equipment, intangible assets and other long-term assets	(158,205)	(292,715)
Interest income received from financial investments	10,168,460	9,743,559
Proceeds from disposal and maturity of financial investments	84,441,086	43,710,028
Purchase of financial investments	(127,633,740)	(134,931,748)
Net cash flows from investing activities	(33,181,141)	(81,770,876)
Cash flows from financing activities:		
Proceeds from issuance of bonds	116,870,000	101,387,914
Dividends and interest paid on debts issued	(2,545,246)	(2,646,404)
Cash paid relating to lease liabilities	(172,160)	(165,129)
Cash paid relating to debt repayments	(150,702,584)	(106,823,317)
Net cash flows from financing activities	(36,549,990)	(8,246,936)
Impact on cash and cash equivalents resulted from exchange rate changes	143,890	80,990
Net increase in cash and cash equivalents	(19,590,467)	14,466,533
Cash and cash equivalents at beginning of the period	47,294,163	33,467,968
Cash and cash equivalents at end of the period (Note 44)	27,703,696	47,934,501

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

Notes to Condensed Consolidated Interim Financial Statements

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

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

1.1 *Basis of preparation*

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” and all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The unaudited interim financial statements contain selected explanatory notes, which provide explanations of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2022. The selected notes do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”), and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022.

1.2 *Use of estimates and assumptions*

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

1.3 *Consolidation*

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

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.4 Changes in significant accounting policies

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

Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The adoption of the above amendments does not have a significant impact on the Group's consolidated financial statements for the six months ended June 30, 2023.

Except for those described above, the significant accounting policies adopted by the Group for the interim financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

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

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are relevant to the Group. These amendments, new standards and interpretations are not yet effective for the period ended 30 June 2023 and have not been adopted in the financial statements.

Standards	Effective for annual periods beginning
Amendments to IAS 1 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to IFRS 16 <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to IFRS 10 and IAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date has been deferred indefinitely
Amendments to IAS 7 and IFRS 7 <i>The supplier finance arrangements</i>	1 January 2024

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

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The nature and assumptions related to the Group's accounting estimates are consistent with those adopted in the Group's financial statements for the year ended 31 December 2022.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

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

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Assets		
Cash and balances with the central bank	91,351,994	104,268,932
Deposits with banks and other financial institutions	5,150,873	7,573,430
Placements with banks and other financial institutions	33,588,216	23,895,404
Derivative financial assets	189,297	129,682
Financial assets held under resale agreements	27,070,062	12,658,904
Loans and advances to customers	821,374,105	731,031,594
Financial investments		
– Financial assets at fair value through profit or loss	144,971,598	121,900,793
– Financial assets at fair value through other comprehensive income	143,085,367	136,776,582
– Financial assets at amortised cost	353,456,609	334,125,407
Investments in subsidiaries	3,809,133	3,809,133
Investments in associates	5,012,292	4,923,502
Property, plant and equipment	4,308,188	4,401,340
Right-of-use assets	1,100,435	1,107,979
Deferred income tax assets	13,046,308	12,958,767
Goodwill	11,776,076	11,776,076
Other assets	4,145,382	4,578,553
Total assets	1,663,435,935	1,515,916,078
Liabilities		
Borrowings from the central bank	107,077,024	82,846,187
Deposits from banks and other financial institutions	165,865,974	123,929,794
Placements from banks and other financial institutions	5,334,660	3,966,949
Derivative financial liabilities	195,512	116,985
Financial assets sold under repurchase agreements	47,243,336	54,476,425
Deposits from customers	1,018,018,359	906,879,117
Taxes payable	2,149,436	2,798,989
Debt securities issued	183,160,204	214,948,859
Other liabilities	11,578,422	10,221,230
Total liabilities	1,540,622,927	1,400,184,535
Equity		
Share capital	13,889,801	13,889,801
Other equity instruments	9,999,811	9,999,811
Capital reserve	15,221,300	15,221,300
Surplus reserve	18,595,941	17,404,333
General reserve	16,297,460	14,408,760
Other comprehensive Income	2,227,758	886,774
Retained earnings	46,580,937	43,920,764
Total equity	122,813,008	115,731,543
Total equity and liabilities	1,663,435,935	1,515,916,078

Yan Chen

Chairman

Kong Qinglong

President

Li Dawei

Financial Controller

Fang Lixin

Head of Finance Department

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

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

	Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Other comprehensive income	Retained earnings	Total equity
	Unaudited							
As at 1 January 2023	13,889,801	9,999,811	15,221,300	17,404,333	14,408,760	886,774	43,920,764	115,731,543
(1) Comprehensive income								
Profit for the period	-	-	-	-	-	-	7,532,265	7,532,265
Fair value through other comprehensive income, net of tax	-	-	-	-	-	904,145	-	904,145
Asset impairment through other comprehensive benefits	-	-	-	-	-	468,422	-	468,422
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	-	-	-	-	-	(31,583)	-	(31,583)
Total comprehensive income for the period	-	-	-	-	-	1,340,984	7,532,265	8,873,249
(2) Profit distribution								
Dividends	-	-	-	-	-	-	(1,791,784)	(1,791,784)
Appropriation to surplus reserves	-	-	-	1,191,608	-	-	(1,191,608)	-
Appropriation to general reserves	-	-	-	-	1,888,700	-	(1,888,700)	-
As at 30 June 2023	13,889,801	9,999,811	15,221,300	18,595,941	16,297,460	2,227,758	46,580,937	122,813,008
As at 1 January 2022	13,889,801	9,999,811	15,221,300	15,180,759	12,961,130	1,515,986	37,402,081	106,170,868
(1) Comprehensive income								
Profit for the period	-	-	-	-	-	-	6,459,353	6,459,353
Fair value through other comprehensive income, net of tax	-	-	-	-	-	(12,789)	-	(12,789)
Asset impairment through other comprehensive benefits	-	-	-	-	-	340,922	-	340,922
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	-	-	-	-	-	36,873	-	36,873
Total comprehensive income for the period	-	-	-	-	-	365,006	6,459,353	6,824,359
(2) Profit distribution								
Dividends	-	-	-	-	-	-	(1,236,192)	(1,236,192)
Appropriation to surplus reserves	-	-	-	1,031,966	-	-	(1,031,966)	-
Appropriation to general reserves	-	-	-	-	1,447,629	-	(1,447,629)	-
As at 30 June 2022	13,889,801	9,999,811	15,221,300	16,212,725	14,408,759	1,880,992	40,145,647	111,759,035

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

4 NET INTEREST INCOME

	For the six month period ended 30 June	
	2023 Unaudited	2022 Unaudited
Interest income		
Balances with the central bank	620,437	553,528
Deposits and placements with banks and other financial institutions	759,469	576,501
Loans and advances to customers	19,160,244	17,063,496
Investment securities	10,099,711	9,664,366
Finance leases	2,168,420	1,799,952
Subtotal	32,808,281	29,657,843
Unwinding of discount on allowance	20,305	72,368
Interest expense		
Borrowings from the central bank ^(a)	(880,624)	(799,259)
Deposits and placements from banks and other financial institutions	(3,285,217)	(3,583,767)
Deposits from customers	(10,939,548)	(8,941,990)
Debt securities issued	(2,560,622)	(2,598,980)
Subtotal	(17,666,011)	(15,923,996)
Net interest income	15,142,270	13,733,847

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

5 NET FEE AND COMMISSION INCOME

	For the six month period ended 30 June	
	2023 Unaudited	2022 Unaudited
Fee and commission income		
Settlement and clearing fees	94,628	78,523
Guarantee and commitment fees	445,174	376,821
Investment banking fees	427,610	408,840
Custody fees	459,185	402,800
Bank card fees	79,302	93,862
Acquiring business fees	10,985	11,197
Agency commissions	429,445	1,451,568
Others	39,085	293,648
Subtotal	1,985,414	3,117,259
Fee and commission expense	(198,690)	(174,496)
Net fee and commission income	1,786,724	2,942,763

6 NET TRADING GAINS

	For the six month period ended 30 June	
	2023 Unaudited	2022 Unaudited
Net losses from foreign exchange	(24,845)	(35,228)
Net gains from interest rate products	2,226,511	1,674,351
Net (losses)/gains from goods traded and others	(36,794)	10,538
Total	2,164,872	1,649,661

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

7 NET GAINS ON FINANCIAL INVESTMENTS

	For the six month period ended 30 June	
	2023 Unaudited	2022 Unaudited
Net gains on derecognition of financial assets at fair value through profit or loss	163,855	426,410
Net gains on derecognition of financial assets at fair value through other comprehensive income	266,201	115,812
Net gains on derecognition of financial assets at amortised cost	–	108
Others	10,900	6,544
Total	440,956	548,874

All the net gains recognised from the derecognition of financial assets measured at amortised cost were resulted from trading for the six month period ended 30 June 2023.

8 OTHER OPERATING INCOME, NET

	For the six month period ended 30 June	
	2023 Unaudited	2022 Unaudited
Net gains on bills	11,871	133,218
Government subsidies	209,632	87,931
Others	31,561	18,588
Total	253,064	239,737

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

9 OPERATING EXPENSES

	For the six month period ended 30 June	
	2023 Unaudited	2022 Unaudited
Staff cost (Note 10)	(2,967,937)	(2,536,606)
Business tax and surcharges	(211,493)	(211,021)
General operating and administrative expenses	(1,083,335)	(1,097,821)
Operating lease rental expenses	(20,051)	(21,647)
Depreciation of property, plant and equipment (Note 22)	(211,888)	(209,309)
Depreciation of right-of-use assets (Note 23)	(180,624)	(181,553)
Amortization expenses for long-term prepaid expenses	(45,173)	(41,197)
Amortization expenses for intangible assets (Note 26(b))	(94,074)	(77,794)
Others	(53,032)	(39,307)
Total	(4,867,607)	(4,416,255)

10 STAFF COSTS

	For the six month period ended 30 June	
	2023 Unaudited	2022 Unaudited
Salaries, bonuses, allowances and subsidies	(2,247,593)	(1,843,873)
Pension costs	(338,267)	(293,787)
Labor union fee and staff education fee	(41,839)	(39,145)
Other social insurance and welfare costs	(340,238)	(359,801)
Total	(2,967,937)	(2,536,606)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

11 IMPAIRMENT LOSSES ON CREDITS

	For the six month period ended 30 June	
	2023 Unaudited	2022 Unaudited
Loans and advances		
– At amortised cost	(4,402,752)	(4,379,662)
– Stage 1	(3,197,505)	(1,075,225)
– Stage 2	(263,664)	(1,504,970)
– Stage 3	(941,583)	(1,799,467)
– At fair value through other comprehensive income	(14,651)	(33,431)
– Stage 1	15,243	(22,630)
– Stage 2	(29,894)	(10,801)
Financial investments		
– Financial assets at amortised cost	380,987	(679,248)
– Financial assets at fair value through other comprehensive income	(611,307)	(420,541)
Credit commitments	(153,801)	(90,377)
Deposits with banks and other financial institutions	(5,416)	10,375
Placements with and loans to banks and other financial institutions	(19,456)	(423)
Financial assets held under resale agreements	(39,341)	(63,828)
Finance lease receivables (note 24)	(202,962)	(633,073)
Other assets	(109,742)	(41,033)
Total	(5,178,441)	(6,331,241)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

12 INCOME TAX EXPENSE

	For the six month period ended 30 June	
	2023 Unaudited	2022 Unaudited
Current income tax		
– Chinese mainland income tax	(2,181,793)	(2,334,125)
Deferred income tax (Note 34)	786,415	1,133,461
Total	(1,395,378)	(1,200,664)

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

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

	For the six month period ended 30 June	
	2023 Unaudited	2022 Unaudited
Profit before tax	9,881,006	8,536,054
Tax calculated at the applicable statutory tax rate of 25%	(2,470,252)	(2,134,014)
Tax effect arising from tax-exempt and halved income ^(a)	1,122,628	991,380
Tax effect of items such as expenses not deductible for tax purposes ^(b)	(41,692)	(41,226)
Tax filing differences from previous years	(11,901)	(1,891)
Impact of unrecognized deductible temporary difference and deductible tax loss ^(c)	–	(14,913)
Available deductible loss from previous years ^(d)	5,839	–
Income tax expense	(1,395,378)	(1,200,664)

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

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

(c) The subsidiary of the Group, Wuwei Huiyin Village and Township Bank Co., Ltd. incurred tax losses for the 2022, and the Group cannot reasonably assess if the subsidiary will have sufficient taxable income to realise the tax loss in the future, so the deferred income tax assets of the tax loss are not recognized.

(d) The subsidiary of the Group, Wuwei Huiyin Village and Township Bank Co., Ltd. incurred tax profits for the current period, therefore utilizing the available deductible loss from previous years

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

13 EARNINGS PER SHARE (BASIC AND DILUTED)

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

	For the six month period ended 30 June	
	2023 Unaudited	2022 Unaudited
Net profit attributable to shareholders of the Bank (in RMB thousands)	8,102,017	7,242,904
Weighted average number of ordinary shares in issue (in thousands)	13,889,801	13,889,801
Basic earnings per share (in RMB)	0.58	0.52

- (b) *Diluted earnings per share*

There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding for both six month periods ended 30 June 2023 and 30 June 2022.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

14 CASH AND BALANCES WITH THE CENTRAL BANK

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Cash	1,076,890	1,089,606
Statutory reserves ^(a)	74,291,225	68,086,716
Surplus reserves ^(b)	16,333,894	35,477,802
Subtotal	91,702,009	104,654,124
Interest receivable	38,470	39,486
Total	91,740,479	104,693,610

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

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

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Statutory reserve rate for RMB deposits	7.25%	7.50%
Statutory reserve rate for foreign currency deposits	6.00%	6.00%

As at 30 June 2023, statutory reserve rates for Jinzhai Huiyin Village and Township Bank Co., Ltd. and Wuwei Huiyin Village and Township Bank Co., Ltd. were 5.0% and 5.0% (31 December 2022: 5.0% and 5.0%).

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Banks in Mainland China	5,843,547	9,535,443
Other financial institutions in Mainland China	190,673	593,716
Banks in other countries and regions	783,692	597,596
Subtotal	6,817,912	10,726,755
Interest receivable	4,667	5,976
Less: allowances for impairment losses	(18,535)	(13,119)
Total	6,804,044	10,719,612

Allowances for impairment losses of deposits with banks and other financial institutions were RMB18,535 thousand (31 December 2022: RMB13,119 thousand).

16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Banks in Mainland China		–
Other financial institutions in Mainland China	29,500,000	20,600,000
Offshore Banks	69,588	61,658
Subtotal	29,569,588	20,661,658
Interest receivable	45,058	40,702
Less: allowances for impairment losses	(26,430)	(6,974)
Total	29,588,216	20,695,386

Placements with banks and other financial institutions were in Stage 1, and allowances for impairment losses were RMB26,430 thousand (31 December 2022: RMB6,974 thousand).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

17 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2023		
	Notional Amount	Unaudited	
		Assets	Liabilities
Derivative financial instruments held for trading			
– Currency forwards	930,029	23,361	(20,374)
– Currency swaps	2,333,793	62,997	(73,819)
– Interest rate swaps	14,950,000	102,939	(101,319)
Total	18,213,822	189,297	(195,512)

	As at 31 December 2022		
	Notional Amount	Audited	
		Assets	Liabilities
Derivative financial instruments held for trading			
– Currency forwards	596,012	9,220	(8,347)
– Currency swaps	1,504,914	32,466	(21,291)
– Interest rate swaps	15,120,000	87,996	(87,347)
Total	17,220,926	129,682	(116,985)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
By collateral type:		
Debt securities	27,059,728	12,793,887
Bills	189,418	–
Subtotal	27,249,146	12,793,887
Interest receivable	2,630	5,390
Less: allowances for impairment losses	(181,714)	(140,373)
Total	27,070,062	12,658,904

Financial assets held under resale agreements were in Stage 1, and allowances for impairment losses were RMB181.71 million (31 December 2022: RMB140.37 million).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

19 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis of loans and advances to customers:

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Loans and advances measured at amortised cost		
– Corporate loans	565,527,715	466,717,597
– Personal loans	256,913,545	254,081,624
Subtotal	822,441,260	720,799,221
Loans and advances measured at fair value through other comprehensive income		
– Discounted bills	30,683,163	43,509,833
Subtotal	30,683,163	43,509,833
Total	853,124,423	764,309,054
Interest receivable	1,747,203	1,869,038
Total loans and advances	854,871,626	766,178,092
Less: allowance for loans at amortised cost	(30,859,480)	(31,379,717)
Loans and advances to customers, net	824,012,146	734,798,375
Allowance for loans at fair value through other comprehensive income	(56,198)	(41,547)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 30 June 2023				
Total loans and advances to customers	829,799,281	12,103,240	11,221,902	853,124,423
Allowance for impairment losses				
Loans and advances measured at amortised cost	(14,766,359)	(6,004,251)	(10,088,870)	(30,859,480)
As at 31 December 2022				
Total loans and advances to customers	737,938,498	15,009,624	11,360,932	764,309,054
Allowance for impairment losses				
Loans and advances measured at amortised cost	(11,498,516)	(8,968,007)	(10,913,194)	(31,379,717)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

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

	For the six month period ended 30 June 2023			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2023	11,498,516	8,968,007	10,913,194	31,379,717
Impairment losses for the period	3,197,505	263,664	941,583	4,402,752
Stage conversion				
Transfers to Stage 1	217,783	(96,632)	(121,151)	–
Transfers to Stage 2	(118,362)	144,960	(26,598)	–
Transfers to Stage 3	(29,083)	(3,275,748)	3,304,831	–
Write-off and transfer out	–	–	(5,403,486)	(5,403,486)
Recovery of loans and advances written off	–	–	500,800	500,800
Unwinding of discount on allowance	–	–	(20,303)	(20,303)
As at 30 June 2023	14,766,359	6,004,251	10,088,870	30,859,480

For the six month ended 30 June 2023, the domestic branch adjusted the five-level classification and customer rating of customer loans and advances, and the loan principal of RMB2.7 billion of Stage 1 was transferred to Stage 2 and Stage 3, the loan principal of RMB3.7 billion was transferred from Stage 2 to Stage 3, the loan principal of RMB0.8 billion was transferred from Stage 2 to Stage 1, the loan principal of RMB0.2 billion was transferred from Stage 3 to Stage 1 and Stage 2.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

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

	Year ended 31 December 2022			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	
As at 1 January 2022	10,065,265	8,200,128	9,650,872	27,916,265
Impairment losses for the year	2,565,984	207,141	3,131,563	5,904,688
Stage conversion				
Transfers to Stage 1	182,199	(76,934)	(105,265)	–
Transfers to Stage 2	(1,081,146)	1,119,540	(38,394)	–
Transfers to Stage 3	(233,786)	(481,868)	715,654	–
Write-off and transfer out	–	–	(3,618,971)	(3,618,971)
Recovery of loans and advances written off	–	–	1,307,776	1,307,776
Unwinding of discount on allowance	–	–	(130,041)	(130,041)
As at 31 December 2022	11,498,516	8,968,007	10,913,194	31,379,717

For 2022, the domestic branch adjusted the five-level classification and customer rating of customer loans and advances, and the loan principal of RMB4.0 billion of stage 1 was transferred to stage 2 and stage 3, the loan principal of RMB0.8 billion was transferred from stage 2 to stage 3, the loan principal of RMB0.1 billion was transferred from stage 2 to stage 1. The loan principal of RMB0.2 billion was transferred from stage 3 to stage 1 and stage 2.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

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

	For the six month period ended 30 June 2023			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2023	29,328	12,219	–	41,547
Impairment losses for the period	(15,243)	29,894	–	14,651
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Write-off and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
Unwinding of discount on allowance	–	–	–	–
As at 30 June 2023	14,085	42,113	–	56,198

	Year ended 31 December 2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2022	33,302	3,848	–	37,150
Impairment losses for the year	(3,974)	8,371	–	4,397
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Write-off and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
Unwinding of discount on allowance	–	–	–	–
As at 31 December 2022	29,328	12,219	–	41,547

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

20 INVESTMENT SECURITIES

Financial assets at fair value through profit or loss	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Listed in mainland China		
– Government bonds	5,728,245	5,084,358
– Other debt securities	24,720,026	20,820,780
– Interbank certificates of deposits	912,820	196,078
– Equity	928,155	993,250
Subtotal	32,289,246	27,094,466
Unlisted		
– Beneficial rights in trust and asset management plans	107,470,797	89,925,176
– Non-guaranteed wealth management products managed by other banks ⁽¹⁾	4,033,307	4,541,600
Subtotal	111,504,104	94,466,776
Interest receivable	1,751,955	1,394,058
Total	145,545,305	122,955,300

As at 30 June 2023 and 31 December 2022, there was no significant limitation on the ability of the Group and the Bank to dispose of financial assets at fair value through profit or loss. Debt securities traded on the China Interbank Bond Market are included in the category “Listed in mainland China”.

Financial assets at fair value through other comprehensive income	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Debt securities		
Listed in mainland China		
– Debt securities	142,136,005	137,067,205
– Interbank certificates of deposits	2,455,347	–
Subtotal	144,591,352	137,067,205
Equity securities		
Unlisted		
– Equity investments	304,689	292,117
Subtotal	304,689	292,117
Interest receivable	1,880,607	2,582,115
Total	146,776,648	139,941,437

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

20 INVESTMENT SECURITIES (CONTINUED)

Financial assets at amortised cost	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Listed in mainland China		
– Debt securities	210,693,013	179,080,381
– Interbank certificates of deposits	299,941	–
Listed in Hong Kong		
– Debt securities	1,912,163	1,777,638
Unlisted		
– Beneficial rights in trust and asset management plans ⁽¹⁾	146,767,249	157,538,068
Subtotal	359,672,366	338,396,087
Interest receivable	4,462,715	6,661,035
Less: allowance for impairment losses	(9,850,777)	(10,275,249)
Financial assets at amortised cost, net	354,284,304	334,781,873

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

20 INVESTMENT SECURITIES (CONTINUED)

Investment securities analyzed by issuer are as follows:

Financial assets at fair value through profit or loss	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
By issuers		
– Government	5,728,245	5,084,358
– Banks and other financial institutions	121,469,629	101,554,045
– Legal entities	16,366,916	14,667,456
– Others	228,560	255,383
Subtotal	143,793,350	121,561,242
Interest receivable	1,751,955	1,394,058
Total	145,545,305	122,955,300
Financial assets at fair value through other comprehensive income	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Financial assets at FVOCI		
Debt instruments		
By issuer		
– Government	72,102,099	70,333,278
– Banks and other financial institutions	19,541,123	17,390,331
– Legal entities	52,948,130	49,343,596
Subtotal	144,591,352	137,067,205
Equity instruments	304,689	292,117
Interest receivable	1,880,607	2,582,115
Total	146,776,648	139,941,437

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

20 INVESTMENT SECURITIES (CONTINUED)

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

Financial assets at amortised cost	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Financial assets at AC		
By issuer		
– Government	169,577,008	143,192,504
– Banks and other financial institutions	165,849,709	174,255,312
– Legal entities	24,245,649	20,948,271
Subtotal	359,672,366	338,396,087
Interest receivable	4,462,715	6,661,035
Less: allowance for impairment losses	(9,850,777)	(10,275,249)
Financial assets at AC, net	354,284,304	334,781,873

21 INVESTMENTS IN ASSOCIATES

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

As at 30 June 2023

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

As at 31 December 2022

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

21 INVESTMENTS IN ASSOCIATES (CONTINUED)

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

Investments in associates	Six month ended	Year ended
	30 June 2023	31 December 2022
	Unaudited	Audited
Balance at beginning of the period/year	4,923,502	4,715,591
Cash dividends received	(18,795)	(14,904)
Share of results, net of tax	139,168	221,953
Other changes in equity	(31,583)	862
Balance at end of the period/year	5,012,292	4,923,502

The book value of investments in associates	Six month ended	Year ended
	30 June 2023	31 December 2022
	Unaudited	Audited
Chery Huiyin Motor Finance Service Co., Ltd.	1,842,147	1,729,425
MengShang Bank Co., Ltd.	3,170,145	3,194,077
Balance at end of the period/year	5,012,292	4,923,502

The Group co-financed the foundation of Chery Huiyin Motor Finance Service Co., Ltd in 2009. As at 30 June 2023, the authorized registered capital of the invested company had increased to RMB1.5 billion, and the Group's share in this associate was RMB300 million or 20% of the total capital.

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

22 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic and other equipment	Construction in progress	Total
Cost					
As at 1 January 2023	5,122,617	46,219	2,035,498	362,718	7,567,052
Additions	1,128	2,547	61,824	53,773	119,272
Transfers in/(out)	1,039	–	10,144	(18,096)	(6,913)
Disposals	(72)	(6,329)	(10,771)	–	(17,172)
Other transfers out	–	–	–	(3,177)	(3,177)
As at 30 June 2023	5,124,712	42,437	2,096,695	395,218	7,659,062
Accumulated depreciation					
As at 1 January 2023	(1,380,987)	(40,750)	(1,519,326)	–	(2,941,063)
Depreciation charge	(118,799)	(677)	(92,412)	–	(211,888)
Disposals	72	6,138	9,954	–	16,164
As at 30 June 2023	(1,499,714)	(35,289)	(1,601,784)	–	(3,136,787)
Net book value	3,624,998	7,148	494,911	395,218	4,522,275
	Buildings	Motor vehicles	Electronic and other equipment	Construction in progress	Total
Cost					
As at 1 January 2022	5,057,738	50,557	1,940,423	288,477	7,337,195
Additions	59,890	1,422	175,708	124,941	361,961
Transfers in/(out)	34,902	–	–	(43,647)	(8,745)
Disposals	(29,913)	(5,760)	(80,633)	–	(116,306)
Other transfers out	–	–	–	(7,053)	(7,053)
As at 31 December 2022	5,122,617	46,219	2,035,498	362,718	7,567,052
Accumulated depreciation					
As at 1 January 2022	(1,176,488)	(45,940)	(1,412,179)	–	(2,634,607)
Depreciation charge	(233,514)	(398)	(182,104)	–	(416,016)
Disposals	29,015	5,588	74,957	–	109,560
As at 31 December 2022	(1,380,987)	(40,750)	(1,519,326)	–	(2,941,063)
Net book value	3,741,630	5,469	516,172	362,718	4,625,989

All land and buildings of the Group are located in mainland China.

As at 30 June 2023, the Group has buildings that have not yet received certificates of property right registration, with the cost of RMB30.98 million (31 December 2022: RMB959.35 million). The executives assume that there is no significant impact whether the certificates are obtained. The aforementioned issue will not have a material impact on the financial position or operations of the Group.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

23 RIGHT-OF-USE ASSETS

	Buildings	Motor vehicles	Electronic and other equipment	Land use rights	Total
Cost					
As at 1 January 2023	1,816,428	14,277	5,752	170,863	2,007,320
Additions	176,995	2,693	–	–	179,688
Disposals and transfers out	(73,068)	(1,916)	(949)	–	(75,933)
Revaluation of lease liabilities	816	–	–	–	816
As at 30 June 2023	1,921,171	15,054	4,803	170,863	2,111,891
Accumulated depreciation					
As at 1 January 2023	(811,423)	(6,301)	(3,367)	(59,445)	(880,536)
Depreciation charge	(174,279)	(3,277)	(645)	(2,423)	(180,624)
Transfers out	67,311	1,916	343	–	69,570
As at 30 June 2023	(918,391)	(7,662)	(3,669)	(61,868)	(991,590)
Net book value	1,002,780	7,392	1,134	108,995	1,120,301

	Buildings	Motor vehicles	Electronic and other equipment	Land use rights	Total
Cost					
As at 1 January 2022	1,673,666	12,731	4,803	170,863	1,862,063
Additions	379,368	8,560	949	–	388,877
Disposals and transfers out	(238,517)	(7,014)	–	–	(245,531)
Revaluation of lease liabilities	1,911	–	–	–	1,911
As at 31 December 2022	1,816,428	14,277	5,752	170,863	2,007,320
Accumulated depreciation					
As at 1 January 2022	(672,749)	(7,377)	(1,735)	(49,905)	(731,766)
Depreciation charge	(351,600)	(5,521)	(1,632)	(9,540)	(368,293)
Transfers out	212,926	6,597	–	–	219,523
As at 31 December 2022	(811,423)	(6,301)	(3,367)	(59,445)	(880,536)
Net book value	1,005,005	7,976	2,385	111,418	1,126,784

All land and buildings of the Group are located in mainland China.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

24 FINANCE LEASE RECEIVABLES

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

As at 30 June 2023	Within 1 year	1 to 3 years	Over 3 years	Total
Finance lease receivables	31,963,996	33,122,846	10,727,989	75,814,831
Unrealized revenue	(3,812,628)	(2,969,381)	(706,846)	(7,488,855)
Allowance	(442,364)	(1,642,502)	(1,171,630)	(3,256,496)
Interest receivable of finance leases	925,482	–	–	925,482
Net	28,634,486	28,510,963	8,849,513	65,994,962

As at 31 December 2022	Within 1 year	1 to 3 years	Over 3 years	Total
Finance lease receivables	25,568,362	32,517,523	8,400,147	66,486,032
Unrealized revenue	(2,814,272)	(3,115,676)	(532,475)	(6,462,423)
Allowance	(150,475)	(2,079,834)	(817,285)	(3,047,594)
Interest receivable of finance leases	831,443	–	–	831,443
Net	23,435,058	27,322,013	7,050,387	57,807,458

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

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 30 June 2023				
The carrying value of finance lease receivables	65,104,548	2,522,829	698,599	68,325,976

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 31 December 2022				
The carrying value of finance lease receivables	56,699,035	2,699,247	625,327	60,023,609

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

24 FINANCE LEASE RECEIVABLES (CONTINUED)

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

	Six month period ended 30 June 2023			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2023	391,613	2,038,012	617,969	3,047,594
Impairment losses for the period (Note 27)	555,970	(340,763)	(12,245)	202,962
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(507)	507	–	–
Transfers to Stage 3	–	(86,934)	86,934	–
Write-off and transfer out	–	–	–	–
Reversal due to the original write-off	–	–	5,940	5,940
As at 30 June 2023	947,076	1,610,822	698,598	3,256,496

	Year ended 31 December 2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2022	777,871	176,919	1,540,517	2,495,307
Impairment losses for the period (Note 27)	(343,194)	1,767,261	(152,344)	1,271,723
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(43,064)	109,309	(66,245)	–
Transfers to Stage 3	–	(15,477)	15,477	–
Write-off and transfer out	–	–	(727,592)	(727,592)
Recovery of reversals resulting from original write-offs	–	–	8,156	8,156
As at 31 December 2022	391,613	2,038,012	617,969	3,047,594

The Group's finance lease receivables are all managed by its subsidiary, Huishang Bank Financial Leasing Co., Ltd. For the six month period ended 30 June 2023, the principal of the Group's five largest finance lease receivables and the related allowance were RMB2,146.04 million and RMB19.31 million, respectively, which accounted for 3.25% and 0.59 % of the total balance, respectively (31 December 2022: the principal of the Group's five largest finance lease receivables and the related allowance were RMB2,048.06 million and RMB7.96 million, respectively, which accounted for 3.08% and 0.26% of the total balance, respectively).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

25 GOODWILL

	As at 1 January 2023	Increase in the current period	Decrease in the current period	As at 30 June 2023	allowances for impairment losses
Goodwill	14,567,826	–	–	14,567,826	(2,791,750)

	As at 1 January 2022	Increase in current year	Decrease in current year	As at 31 December 2022	allowances for impairment losses
Goodwill	14,567,826	–	–	14,567,826	(2,791,750)

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

The Group conducted goodwill impairment test at the end of each financial year. The Group assessed and determined that provision for the impairment losses of goodwill is RMB2.79 billion as at 30 June 2023.

26 OTHER ASSETS

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Other receivables ^(a)	1,218,669	1,614,145
Less: impairment allowance	(185,853)	(194,525)
Long-term prepaid expenses	190,073	205,218
Foreclosed assets	271,808	247,294
Less: impairment allowance	(93,649)	(93,649)
Intangible assets ^(b)	415,514	472,365
Continued involvement in assets	2,218,008	2,178,265
Others	684,074	635,176
Less: impairment allowance	(238,270)	(118,419)
Total	4,480,374	4,945,870

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

26 OTHER ASSETS (CONTINUED)

- (a) Other receivables
The Group's other receivables are analysed by age as follows:

As at 30 June 2023	Within 1 year	1 to 3 years	Over 3 years	Total
Other receivables	656,379	137,759	424,531	1,218,669
Allowance for impairment losses	(35,249)	(64,158)	(86,446)	(185,853)
Net	621,130	73,601	338,085	1,032,816

As at 31 December 2022	Within 1 year	1 to 3 years	Over 3 years	Total
Other receivables	1,083,769	117,708	412,668	1,614,145
Allowance for impairment losses	(37,228)	(69,462)	(87,835)	(194,525)
Net	1,046,541	48,246	324,833	1,419,620

- (b) Intangible assets
Intangible assets of the Group are mainly computer software.

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Cost		
Balance at beginning of the period/year	1,205,256	1,047,743
Additions	30,310	150,395
Transfers construction in process	6,913	8,745
Disposals	–	(1,627)
Balance at end of the period/year	1,242,479	1,205,256
Accumulated amortisation		
Balance at beginning of the period/year	(732,891)	(569,699)
Additions	(94,074)	(164,694)
Disposals	–	1,502
Balance at end of the period/year	(826,965)	(732,891)
Net book value		
At end of the period/year	415,514	472,365

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

27 IMPAIRMENT ALLOWANCE (EXCEPT FOR LOANS AND ADVANCES)

	As at 1 January 2023	Additions/ Deductions	Recovery	Utilised	As at 30 June 2023
Deposits with banks and other financial institutions	(13,119)	(5,416)	-	-	(18,535)
Placements with banks and other financial institutions	(6,974)	(19,456)	-	-	(26,430)
Financial assets held under resale agreements	(140,373)	(39,341)	(2,000)	-	(181,714)
Financial investments measured at fair value and whose changes are included in other comprehensive income	(834,308)	(611,307)	-	-	(1,445,615)
Financial assets at amortised cost	(10,275,249)	380,987	-	43,485	(9,850,777)
Finance lease receivables	(3,047,594)	(202,962)	(5,940)	-	(3,256,496)
Other assets – bad debts	(312,944)	(109,742)	(1,448)	11	(424,123)
Foreclosed assets	(93,649)	-	-	-	(93,649)
Goodwill	(2,791,750)	-	-	-	(2,791,750)
Total	(17,515,960)	(607,237)	(9,388)	43,496	(18,089,089)

	As at 1 January 2022	Additions/ Deductions	Recovery	Utilised	As at 31 December 2022
Deposits with banks and other financial institutions	(490,479)	9,800	-	467,560	(13,119)
Placements with banks and other financial institutions	(10,330)	3,356	-	-	(6,974)
Financial assets held under resale agreements	(25,664)	(112,709)	(2,000)	-	(140,373)
Financial investments measured at fair value and whose changes are included in other comprehensive income	(419,927)	(414,381)	-	-	(834,308)
Financial assets at amortised cost	(13,876,264)	664,647	-	2,936,368	(10,275,249)
Finance lease receivables	(2,495,307)	(1,271,723)	(8,156)	727,592	(3,047,594)
Other assets – bad debts	(164,090)	(103,708)	(45,882)	736	(312,944)
Foreclosed assets	(93,649)	-	-	-	(93,649)
Goodwill	-	(2,791,750)	-	-	(2,791,750)
Total	(17,575,710)	(4,016,468)	(56,038)	4,132,256	(17,515,960)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

28 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Banks in Chinese mainland	1,493,960	2,233,638
Other financial institutions in Chinese mainland	161,999,317	119,665,384
Interest payable	1,589,632	1,712,217
Total	165,082,909	123,611,239

29 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Banks in Chinese mainland	53,088,353	43,390,147
Interest payable	536,870	472,546
Total	53,625,223	43,862,693

30 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Securities sold under repurchase agreements	20,892,908	30,003,540
Bills sold under repurchase agreements	199,802	2,908,389
Precious metals sold under repurchase agreements	25,939,194	21,315,000
Interest payable	211,432	249,496
Total	47,243,336	54,476,425

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

31 DEPOSITS FROM CUSTOMERS

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Demand deposits		
– Corporate deposits	284,446,336	244,865,979
– Personal deposits	82,363,575	88,420,066
Time deposits (including deposits at call)		
– Corporate deposits	173,420,598	187,972,606
– Personal deposits	413,026,413	320,201,049
Pledged deposits held as collateral	51,272,241	52,404,836
Remittances payable	402,050	163,587
Other deposits	200,072	127,964
Interest payable	18,982,968	18,620,040
Total	1,024,114,253	912,776,127

32 TAXES PAYABLE

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Corporate income tax	1,496,705	2,065,084
Value-added tax	676,613	685,404
Business tax and surcharges	79,295	68,674
Others	34,950	88,654
Total	2,287,563	2,907,816

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

33 OTHER LIABILITIES

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Dividends payable ^(a)	1,916,094	106,794
Unearned rent and deposits under lease arrangements ^(b)	5,875,495	5,439,217
Funds to be settled	765,796	1,163,364
Continued involvement in liabilities	2,218,008	2,178,265
Asset securitisation	187,089	201,779
Salary and welfare payable ^(c)	2,613,414	2,745,108
Entrusted services	122,548	426,964
Long term suspension of customer deposits	667	690
Provision	1,282,232	1,147,294
– Allowance for litigation losses (Note 40)	267,316	267,316
– Provision for impairment of credit commitments ^(d)	981,755	827,954
Project funds payable	53,656	48,331
Lease liabilities	976,518	958,017
Others	2,153,512	4,337,013
Total	18,165,029	18,752,836

(a) Dividends payable
Dividends payable for the year ended 31 December 2022 was approved by the shareholders in a general meeting held on 30 June 2023. Details are listed in note 39.

(b) Unearned rent and deposits under lease arrangements
As at 30 June 2023, all of the Group's unearned rent and deposits under lease arrangements were related to its subsidiary, Huishang Bank Financial Leasing Co., Ltd., which include the deposits and deferred income on finance leases.

(c) Salary and welfare payable

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Short-term employee benefits	2,366,558	2,508,425
Long-term employee benefits	216,569	206,678
Defined contribution plans	14,852	11,850
Termination benefits	15,435	18,155
Total	2,613,414	2,745,108

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

33 OTHER LIABILITIES (CONTINUED)

(c) Salary and welfare payable (Continued)

Short-term employee benefits

	As at 1 January 2023	Increase in the current period	Decrease in the current period	As at 30 June 2023
Wages, bonuses, allowances and subsidies	2,075,634	2,105,761	(2,247,587)	1,933,808
Employee benefits	–	89,900	(89,900)	–
Social insurance	3,244	89,781	(89,115)	3,910
Including:				
Medical insurance	3,098	87,521	(86,865)	3,754
Occupational injury insurance	81	2,260	(2,250)	91
Maternity insurance	65	–	–	65
Housing fund	721	153,452	(150,417)	3,756
Labor union fee and staff education fee	111,532	41,839	(42,053)	111,318
Other short-term employee benefits	317,293	1,530	(5,057)	313,766
Total	2,708,424	2,482,263	(2,624,129)	2,366,558

Short-term employee benefits

	As at 1 January 2022	Increase in the current year	Decrease in the current year	As at 31 December 2022
Wages, bonuses, allowances and subsidies	1,744,153	43,555,534	(3,224,052)	2,075,635
Employee benefits	–	301,265	(301,265)	–
Social insurance	3,116	213,414	(213,286)	3,244
Including:				
Medical insurance	2,969	209,504	(209,375)	3,098
Occupational injury insurance	82	3,910	(3,911)	81
Maternity insurance	65	–	–	65
Housing fund	727	311,809	(311,815)	721
Labor union fee and staff education fee	90,522	106,701	(85,691)	111,532
Other short-term employee benefits	313,769	5,551	(2,027)	317,293
Total	2,152,287	4,494,274	(4,138,136)	2,508,425

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

33 OTHER LIABILITIES (CONTINUED)

(c) Salary and welfare payable (Continued)

Long-term employee benefits

	As at 1 January 2023	Increase in the current period	Decrease in the current period	As at 30 June 2023
Deferred Compensation	206,678	141,832	(131,941)	216,569
Total	206,678	141,832	(131,941)	216,569

Long-term employee benefits

	As at 1 January 2022	Increase in the current period	Decrease in the current period	As at 30 June 2022
Deferred Compensation	118,337	465,564	(377,223)	206,678
Total	118,337	465,564	(377,223)	206,678

Defined contribution plans

	As at 1 January 2023	Increase in the current period	Decrease in the current period	As at 30 June 2023
Basic pension insurance	9,344	184,428	(182,925)	10,847
Unemployment Insurance	317	5,575	(5,570)	322
Annuity scheme	2,189	153,839	(152,345)	3,683
Total	11,850	343,842	(340,840)	14,852

Defined contribution plans

	As at 1 January 2022	Increase in the current year	Decrease in the current year	As at 31 December 2022
Basic pension insurance	9,023	367,558	(367,237)	9,344
Unemployment Insurance	545	10,650	(10,878)	317
Annuity scheme	21,318	242,171	(261,300)	2,189
Total	30,886	620,379	(639,415)	11,850

	As at 30 June 2023	As at 31 December 2022
Early retirement benefits	15,435	18,155

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

33 OTHER LIABILITIES (CONTINUED)

(d) Provision – Provision for impairment of credit commitments

	Six month period ended 30 June 2023			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2023	439,769	383,285	4,900	827,954
Impairment losses for the period	177,561	(41,334)	17,574	153,801
Stage conversion				
Transfers to Stage 1	23,489	(23,489)	–	–
Transfers to Stage 2	(43)	43	–	–
Transfers to Stage 3	–	–	–	–
As at 30 June 2023	640,776	318,505	22,474	981,755

	Year ended 31 December 2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2022	1,090,687	829	–	1,091,516
Impairment losses for the year	(650,905)	382,456	4,887	(263,562)
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	(13)	–	13	–
As at 31 December 2022	439,769	383,285	4,900	827,954

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

34 DEFERRED INCOME TAXES

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

	For the six month period ended 30 June 2023 Unaudited	As at 31 December 2022 Audited
Balance at beginning of the period/year	13,655,828	12,617,628
Charged to the income statement	786,415	828,663
Credited to other comprehensive income	(465,242)	209,537
Balance at end of the period/year	13,977,001	13,655,828

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

	As at 30 June 2023 Unaudited	As at 31 December 2022 Restated
Deferred income tax assets		
Impairment allowance for assets	12,913,546	12,166,410
Salary and welfare payable	550,961	575,657
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	318,589	403,986
Impairment of financial assets at fair value through other comprehensive income	361,404	208,577
Fair value changes of customer loans and advances made at fair value whose changes are included in other comprehensive income	11,652	28,651
Impairment of customer loans and advances at fair value through other comprehensive income	14,050	10,387
Credit commitment impairment	245,439	206,989
Others	589,541	636,174
Total deferred income tax assets	15,005,182	14,236,831
Deferred income tax liabilities		
Fair value changes of financial assets at fair value through other comprehensive income	(401,160)	(109,407)
Impairment of financial assets at fair value through other comprehensive income	(361,404)	(208,577)
Impairment of customer loans and advances at fair value through other comprehensive income	(14,050)	(10,387)
Others	(251,567)	(252,632)
Total deferred income tax liabilities	(1,028,181)	(581,003)
Net	13,977,001	13,655,828

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

34 DEFERRED INCOME TAXES (CONTINUED)

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

	Six month ended 30 June	
	2023 Unaudited	2022 Unaudited
Impairment allowance for assets	747,136	1,072,011
Salary and welfare payable	(24,696)	(42,909)
Fair value changes of financial instruments and derivative financial instruments at fair value through profit or loss	(85,397)	(33,922)
Impairment changes of financial assets at fair value through other comprehensive income	152,827	105,135
Impairment changes of customer loans and advances at fair value through other comprehensive income	3,663	8,357
Credit commitment impairment	38,450	22,595
Others	(45,568)	2,194
Total	786,415	1,133,461

35 DEBT SECURITIES ISSUED

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
19 Financial bonds 02 ^(a)	1,000,000	1,000,000
20 Small and micro bonds 01 ^(b)	–	9,999,412
20 Tier 2 capital bonds ^(c)	8,000,000	8,000,000
20 Huiyin financial leasing bonds 01 ^(d)	–	2,000,000
21 Tier 2 capital bonds 01 ^(e)	6,000,000	6,000,000
21 Huiyin financial leasing bonds 01 ^(f)	1,000,000	1,000,000
22 Small and micro bonds 01 ^(g)	10,000,000	10,000,000
22 Green bonds ^(h)	5,000,000	5,000,000
Interbank certificates of deposit issued ⁽ⁱ⁾	152,501,990	174,335,161
Interest payable	688,419	667,560
Total	184,190,409	218,002,133

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

35 DEBT SECURITIES ISSUED (CONTINUED)

- (a) The Group issued financial bonds of RMB1 billion on 8 March 2019 in China Interbank Bond Market, with a maturity of 5 years and a fixed coupon rate of 3.8% paid annually.
- (b) The Group issued financial bonds of RMB10 billion on 27 April 2020 in China Interbank Bond Market, with a maturity of 3 years and a fixed coupon rate of 2.3% paid annually. The bond was due for payment on April 27, 2023.
- (c) The Group issued financial bonds of RMB8 billion on 28 September 2020 in China Interbank Bond Market, with a maturity of 10 years and a fixed coupon rate of 4.5% paid annually. The Group has an option to redeem part or all of the bonds at face value on 28 September 2025, subject to regulatory approval. Claims on Tier 2 capital bonds are subordinate to depositors and ordinary debts and are superior to equity, other tier 1 capital instruments and mixed capital debts.
- (d) The Group issued financial bonds of RMB2 billion on 16 April 2020 in China Interbank Bond Market, with a maturity of 3 years and a fixed coupon rate of 2.9% paid annually. The bond was due for payment on April 27, 2023.
- (e) The Group issued RMB6 billion of financial bonds on 26 October 2021 in China's inter-bank bond market, with a maturity of 10 years and a fixed coupon rate of 4.09% paid annually. The Group has an option to redeem part or all of the bonds at face value on 22 October 2026, subject to regulatory approval. Tier 2 capital bond's right of recourse is subordinate to depositors and ordinary debts and is superior to equity, other tier 1 capital instruments and mixed capital debts.
- (f) The Group issued RMB1 billion of financial bonds on 18 August 2021 in China Interbank Bond Market, with a maturity of 3 years and a fixed coupon rate of 3.50% paid annually.
- (g) The Group issued RMB10 billion of financial bonds on 1 March 2022 in China Interbank Bond Market, with a maturity of 3 years and a fixed coupon rate of 2.83% paid annually.
- (h) The Group issued RMB5 billion of financial bonds on 9 August 2022 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.53%, paid annually.
- (i) The Group issued 103 interbank certificates of deposit at discount with a total face value of RMB116.87 billion with maturity ranging from three months to one year. As at 30 June 2023, the face value of the undue interbank certificates of deposit issued was RMB154.14 billion.

For the six month period ended 30 June 2023, there were no defaults on principal and interest or other breaches to the agreements with respect to these debt securities.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

36 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND CAPITAL RESERVE

(a) *Share capital*

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

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Number of authorized shares fully paid in issue (in thousands)	13,889,801	13,889,801

(b) *Other equity instruments*

1. Perpetual bonds issued on 30 June 2023 and 31 December 2022

Perpetual bonds	Issue date	Classification	Initial interest rate	Issue price (RMB)	Amount		Maturity date	Method
					(100 million RMB)	RMB (thousand)		
2019 Huishang Bank Perpetual bonds	29 November 2019	Equity instruments	4.90%	RMB100/share	100	10,000,000	No maturity date	floating interest rates
Total amount						10,000,000		
Less: issuance fee						(189)		
Carrying amount						9,999,811		

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

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

(b) Other equity instruments (Continued)

1. Perpetual bonds issued on 30 June 2023 and 31 December 2022 (Continued)

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

The duration of the bonds is consistent with the Bank’s continuing operations. Five years after the date of issuance, the bank has the right to redeem all or part of the bonds at annual interest payment date (including the fifth anniversary of the interest paying day) on condition that the redemption prerequisites are met and t the former CBIRC’s approval. When the write-down triggering conditions are met, the Bank has the right to write down all or part of the above-mentioned bonds that have been issued and surviving according to the total face value of the bonds if they are reported to and agreed by the former CBIRC, while the consent of the bondholders is unnecessary. The principal of the bond will be settled after depositors, general creditors and subordinated debts which are higher in the order than the bonds, and it will be settled before all classes of shares held by shareholders; the bonds rank the same as other tier 1 capital instruments in the same repayment order to be compensated.

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

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

(b) *Other equity instruments (Continued)*

Related information attributable to equity instrument holders:

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
1. Total equity attributable to equity holders of the Bank	127,282,370	119,607,642
(1) Equity attributable to ordinary equity holders of the Bank	117,282,559	109,607,831
(2) Equity attributable to other equity holders of the Bank	9,999,811	9,999,811
2. Total equity attributable to Non-controlling interests	3,575,154	3,214,016

(c) *Capital reserve*

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

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

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

(c) Capital reserve (Continued)

As at June 30, 2023 and December 31, 2022, The Group's capital surplus is as follows:

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Share premium	14,919,197	14,919,197
Others	311,507	311,507
Total	15,230,704	15,230,704

37 SURPLUS RESERVES AND GENERAL AND REGULATORY RESERVES

	Surplus reserves (a)	General reserves (b)
As at 1 January 2022	15,180,759	13,531,015
Appropriation to surplus reserves (a)	2,223,574	–
Appropriation to general reserves (b)	–	2,066,794
As at 31 December 2022	17,404,333	15,597,809
Appropriation to surplus reserves (a)	1,191,608	–
Appropriation to general reserves (b)	–	1,919,359
As at 30 June 2023	18,595,941	17,517,168

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

37 SURPLUS RESERVES AND GENERAL AND REGULATORY RESERVES (CONTINUED)

(a) *Surplus reserves*

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

As at 30 June 2023 and 31 December 2022, the Bank’s statutory surplus reserve balances were RMB9,507.31 million and RMB9,507.31 million. The others were discretionary surplus reserve.

(b) *General reserves*

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

38 OTHER COMPREHENSIVE INCOME

Other comprehensive income to Shareholders of the Bank

	Fair value change of equity instruments at FVOCI		Fair value change of debt instruments at FVOCI		Impairment change of debt instruments at FVOCI		Share of other comprehensive income of associates and joint ventures accounted for using the equity method		Subtotal	Other comprehensive income to Non-controlling interests	Total
	Amount before tax	income tax impact	Amount before tax	income tax impact	Amount before tax	income tax impact					
	As at 1 January 2022	215,867	(53,966)	1,364,086	(341,021)	457,077	(114,271)	-			
Changes in amount for the previous year	66,751	(16,689)	(1,323,679)	330,919	418,778	(104,693)	23,814	(22,952)	(627,751)	-	(627,751)
As at 31 December 2022	282,618	(70,655)	40,407	(10,102)	875,855	(218,964)	23,814	(22,952)	900,021	-	900,021
Changes in amount for the period	12,573	(3,143)	1,222,788	(305,609)	625,959	(156,490)	(5,552)	(26,031)	1,364,495	527	1,365,022
As at 30 June 2023	295,191	(73,798)	1,263,195	(315,711)	1,501,814	(375,454)	18,262	(48,983)	2,264,516	527	2,265,043

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

39 DIVIDENDS

(a) Dividends for ordinary shares

	For the six month period ended 30 June 2023 Unaudited	2022 Audited
Dividends declared for the period/year	1,791,784	1,236,192
Dividends per ordinary share (in RMB)	0.129	0.089
Dividends paid during the period/year	5,484	1,303,502

The final dividend of RMB0.129 (including tax) for every share in respect of the year ended 31 December 2022 has been approved by the shareholders in a general meeting. The dividends would be paid for the year ended 31 December 2022 on the basis of shareholders of record on 11 July 2023.

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

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

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

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

(a) *Financial guarantees and credit commitments*

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

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Bank acceptance	63,806,224	66,038,457
Letters of credit issued	31,430,342	24,247,898
Letters of guarantee issued	36,286,406	38,563,607
Loan commitments	494,990	775,532
Unused credit card lines	41,421,278	41,880,342
Total	173,439,240	171,505,836
Impairment allowance for credit commitments (Note 33(d))	981,755	827,954

(b) *Capital commitments*

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Contracted but not provided for	242,621	211,664

(c) *Treasury bond redemption commitments*

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

As at 30 June 2023 and 31 December 2022, the nominal values of treasury bonds the Group was obligated to redeem prior to maturity were RMB5.42 billion and RMB5.20 billion respectively.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

40 FINANCIAL GUARANTEES AND CREDIT COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(d) *Legal proceedings*

During the reporting period, the Group was involved as defendants in certain lawsuits arising from its normal business operations. At 30 June 2023, provision for litigation losses as advised by in-house or external legal professionals was RMB0.27 billion (31 December 2022: RMB0.27 billion). Based on legal advice, the management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

41 COLLATERAL

(a) *Pledged assets*

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

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Fair value changes of financial assets at fair value through other comprehensive income	58,504,941	55,005,513
Financial assets at amortised cost	64,821,214	49,457,875
Fair value changes of financial assets at fair value through profit or loss	13,395,000	10,789,720
Discounted bills	1,042,855	6,468,262
Total	137,764,010	122,662,370

For financial assets sold under repurchase agreements, the related security rights have been transferred to the counterparties. The debt securities with titles transferred to counterparties recorded in financial assets sold under repurchase agreements that the Group did not derecognize amounted to nil as at 30 June 2023 (as at 31 December 2022: Nil).

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

41 COLLATERAL (CONTINUED)

(b) *Collateral accepted*

The Group has no collateral that can be resold or re-pledged with a carrying as at 30 June 2023 (31 December 2022: none). The Group had no collateral that was re-pledged and obligated to return as at 30 June 2023 (31 December 2022: none).

42 CREDIT RISK WEIGHTED AMOUNT OF FINANCIAL GUARANTEES AND CREDIT COMMITMENTS

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Financial guarantees and credit related commitments	64,829,661	69,311,358

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

43 STRUCTURED ENTITIES

a) *Unconsolidated structured entities managed by the Group*

The unconsolidated structure entities managed by the Group are mainly wealth management products (“WMP”) issued and managed by the Bank. The Group had not provided any guarantee or undertaking with regard to principal or returns for these products. Wealth management products were mainly invested in money market instruments, bonds and loan assets. The raised funds were invested in related financial markets or financial products in accordance with the product contracts. Returns would be allocated to investors based on the performance of the assets. The Group receives management fee as the manager of these wealth management products. For the six month period ended 30 June 2023 and the year of 2022, total wealth commission income the Group received was RMB354.58 million and RMB2,062.33 million respectively. The Group considered its variable returns from the structured entities were insignificant and hence these entities were not consolidated.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

43 STRUCTURED ENTITIES (CONTINUED)

a) *Unconsolidated structured entities managed by the Group (Continued)*

As at 30 June 2023, the carrying value of non-guaranteed wealth management products that the Group issued and managed was RMB182.05 billion (31 December 2022: RMB211.49 billion). The total book value of the Group's investments in the above-mentioned financial products was RMB31 million (31 December 2022: 554 million). As at 30 June 2023, the Group did not purchase financial assets of wealth management products that were not included in the scope of consolidation (31 December 2022: Nil).

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

b) *Unconsolidated structured entities invested by the Group*

To maximize the usage of capital, the Group entered transactions with unconsolidated structured entities which included wealth management products, the trust fund and asset management plan schemes issued and managed by other independent third parties during the period ended 30 June 2023 and 31 December 2022. The Group classifies these assets into "investments at amortised cost" or "financial assets at fair value through profit or loss" based on their nature. As the investor of these entities, the Group earns interest from these transactions.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

43 STRUCTURED ENTITIES (CONTINUED)

b) *Unconsolidated structured entities invested by the Group (Continued)*

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

At 30 June 2023	Carrying value	Maximum exposure to loss
Financial investments – at FVTPL		
– Non-guaranteed wealth management products	4,033,307	4,033,307
– Trust fund and asset management plan	102,099,260	102,099,260
Financial assets at amortised cost		
– Trust fund and asset management plan	139,751,565	139,751,565

At 31 December 2022	Carrying value	Maximum exposure to loss
Financial investments – at FVTPL		
– Non-guaranteed wealth management products	4,541,600	4,541,600
– Trust fund and asset management plan	84,516,787	84,516,787
Financial assets at amortised cost		
– Trust fund and asset management plan	147,647,500	147,647,500

c) *Consolidated structured entities*

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

The Group did not provide liquidity support to these consolidated structured entities and the beneficial rights in trust and asset management plans during the period ended 30 June 2023 and the year ended 31 December 2022.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

44 CASH AND CASH EQUIVALENTS

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

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Cash	1,076,890	1,089,606
Surplus reserve with the central bank	16,333,894	35,477,802
Deposits with banks and other financial institutions	10,292,912	10,726,755
Total	27,703,696	47,294,163

(b) Changes in liabilities arising from financing activities

	Debt securities issued	Dividends payable	Lease liabilities
At 1 January 2023	218,002,133	106,794	958,017
Proceeds from issuance of debt securities	116,870,000	-	-
Interest paid on debt issued	(2,539,762)	-	-
Cash paid relating to debt repayments	(150,702,584)	-	-
Cash paid for distribution of dividends	-	(5,484)	-
Dividends declared on the Bank's common stock	-	1,791,784	-
Dividends declared to non-controlling shareholders	-	23,000	-
Interest expense	2,560,622	-	16,520
Cash paid relating to lease liabilities	-	-	(172,160)
Other changes in lease liabilities	-	-	174,141
At 30 June 2023	184,190,409	1,916,094	976,518

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

44 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Changes in liabilities arising from financing activities (Continued)

	Debt securities issued	Dividends payable	Lease liabilities
At 1 January 2022	182,887,991	174,104	943,816
Proceeds from issuance of debt securities	251,310,000	–	–
Interest paid on debt issued	(5,090,003)	–	–
Cash paid relating to debt repayments	(216,232,268)	–	–
Cash paid for distribution of dividends	–	(1,326,621)	–
Dividends declared on the Bank's common stock	–	1,236,192	–
Dividends declared to non-controlling shareholders	–	23,119	–
Interest expense	5,126,413	–	35,041
Cash paid relating to lease liabilities	–	–	(385,620)
Other changes in lease liabilities	–	–	364,780
At 31 December 2022	218,002,133	106,794	958,017

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

45 CREDIT ASSETS SECURITIZATION TRANSACTIONS

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

With respect to the credit assets that were securitized and qualified for derecognition, the Group derecognized the transferred credit assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was RMB0.83 billion as at 30 June 2023 (31 December 2022: RMB0.84 billion), which also approximates the Group's maximum exposure to loss.

For almost all the risks and rewards that have not been transferred nor retained which are related to credit assets and have retained control of the credit assets, the transferred credit assets are recognized in the statement of financial position to the extent of the Group's continuing involvement. For the period ended 30 June 2023, the carrying amount at the time of transfer of the original credit assets, in which the Group determined that it has continuing involvement through acquiring some tranches, was nil (for the year ended 31 December 2022: Nil) and the carrying amount of assets that the Group continues to recognise in the statement of financial position was RMB2.22 billion as at 30 June 2023(31 December 2022: RMB2.18 billion).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

46 RELATED PARTY TRANSACTIONS

(1) *Related parties*

The table below lists the major related legal entities of the Group with a shareholding ratio greater than 5% as at 30 June 2023:

Major related legal entities with the Group	Relationship with the Group	Location of registration	Legal representative	Registered capital	Principal activities	Share percentage (%)
Deposit Insurance Fund Management Co., Ltd.	Major shareholder	Beijing	Wang Yuling	10,000,000	Invest in equity, debt, funds, etc.; Manage the relevant assets of the deposit insurance fund in accordance with the law; Directly or on behalf of acquiring, operating, managing and disposing of assets; Handle deposit insurance related business in accordance with the law; asset valuation; Other businesses approved by relevant departments.	11.22%
Zhongjing Xinhua Asset Management Co., Ltd.	Major shareholder	Huangshan, Anhui	GAO YANG	2,875,000	Enterprise investment management, merger and acquisition., etc	10.59%
Anhui Province Energy Group Co., Ltd.	Major shareholder	Hefei, Anhui	Chen Xiang	10,000,000	Financing and investment management of energy construction., etc	9.70%
Anhui Credit Financing Guaranty Group Co., Ltd.	Major shareholder	Hefei, Anhui	Wang Zhaoyuan	18,686,000	Financing guarantee., etc	7.46%
China Vanke Co., Ltd.	Major shareholder	Shenzhen, Guangdong	Yu Liang	10,995,210	Real estate development., etc	7.00%
Anhui Guoyuan Financial Holding Group Co., Ltd.	Major shareholder	Hefei, Anhui	Huang Linmu	6,000,000	Capital operation and asset management., etc	6.29%
Anhui Transportation Holding Group Co., Ltd.	Major shareholder	Hefei, Anhui	Xiang Xiaolong	16,000,000	Infrastructure investment and construction., etc	5.10%

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

46 RELATED PARTY TRANSACTIONS (CONTINUED)

(1) *Related parties (Continued)*

The table below listed the major related legal entities of the Group with a shareholding ratio greater than 5% in as at 31 December 2022:

Major related legal entities with the Group	Relationship with the Group	Location of registration	Legal representative	Registered capital	Principal activities	Share percentage (%)
Deposit Insurance Fund Management Co., Ltd.	Major shareholder	Beijing	Wang Yuling	10,000,000	Invest in equity, debt, funds, etc.; Manage the relevant assets of the deposit insurance fund in accordance with the law; Directly or on behalf of acquiring, operating, managing and disposing of assets; Handle deposit insurance related business in accordance with the law; asset valuation; Other businesses approved by relevant departments.	11.22%
Zhongjing Xinhua Asset Management Co., Ltd.	Major shareholder	Huangshan, Anhui	GAO YANG	2,875,000	Enterprise investment management, merger and acquisition., etc	10.59%
Anhui Province Energy Group Co., Ltd.	Major shareholder	Hefei, Anhui	Chen Xiang	10,000,000	Financing and investment management of energy construction., etc	9.70%
Anhui Credit Financing Guaranty Group Co., Ltd.	Major shareholder	Hefei, Anhui	Wang Zhaoyuan	18,686,000	Financing guarantee., etc	7.27%
China Vanke Co., Ltd.	Major shareholder	Shenzhen, Guangdong	Yu Liang	10,995,210	Real estate development., etc	7.00%
Anhui Guoyuan Financial Holding Group Co., Ltd.	Major shareholder	Hefei, Anhui	Huang Linmu	6,000,000	Capital operation and asset management., etc	6.29%
Anhui Transportation Holding Group Co., Ltd.	Major shareholder	Hefei, Anhui	Xiang Xiaolong	16,000,000	Infrastructure investment and construction., etc	5.10%

Note 1: The substantial shareholder Deposit Insurance Fund Management Co., Ltd. has changed the legal representative to Wang Yuling on 16 November 2022.

Note 2: The substantial shareholder Anhui Province Energy Group Co., Ltd. has changed the registered capital to RMB10 billion on 26 September 2022.

Note 3: The substantial shareholder Anhui Credit Financing Guaranty Group Co., Ltd. has changed the legal representative to Wang Zhaoyuan on 20 July 2022.

Note 4: The substantial shareholder Anhui Guoyuan Financial Holding Group Co., Ltd. has changed the legal representative to Huang Linmu on 14 July 2022.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

46 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) *Related party transactions and balances*

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

a) Transactions with major shareholders and balances

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

	As at 30 June 2023		As at 31 December 2022	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Placements with and loans to banks and other financial institutions	1,400,000	4.74%	900,000	4.35%
Loans and advances to customers	3,075,065	0.37%	2,323,562	0.32%
Financial investments	1,650,000	0.26%	1,050,000	0.18%
Placements from banks and other financial institutions	90,026	0.05%	32,412	0.03%
Deposits from customers	5,168,009	0.50%	22,951,563	2.51%
Bank acceptance	76,350	0.12%	74,963	0.11%
Letters of guarantee issued	12,206	0.02%	5,234	0.01%
Letters of credit issued	486,120	1.55%	400,000	1.51%

	As at 30 June 2023	As at 31 December 2022
Loans and advances to customers	2.45%-6.27%	3.00%-6.00%
Placements from banks and other financial institutions	0.35%-0.72%	0.35%-0.72%
Deposits from customers	0.20%-3.95%	0.25%-4.18%

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

46 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions and balances (Continued)

a) Transactions with major shareholders and balances (Continued)

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

	For the six month period ended 30 June			
	2023		2022	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Interest income	47,053	0.14%	59,617	0.20%
Interest expense	287,480	1.63%	307,372	1.93%
Fee and Commission expense	3,969	2.00%	4,970	2.85%

b) Transactions with other related parties and balances

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

	As at 30 June 2023		As at 31 December 2022	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
	Loans and advances to customers	4,598,589	0.56%	2,481,839
Financial investments	732,678	0.11%	245,000	0.04%
Placements from banks and other financial institutions	4,792	0.01%	4,482	0.01%
Deposits from customers	5,730,235	0.56%	2,948,339	0.32%
Bank acceptance	77,767	0.12%	373,126	0.57%
Letters of guarantee issued	258,324	0.71%	281,476	0.73%
Letters of credit issued	432,000	1.37%	262,000	0.99%
Loan commitments	80,000	16.16%	85,000	10.96%

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

46 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions and balances (Continued)

b) Transactions with other related parties and balances (Continued)

	As at 30 June 2023	As at 31 December 2022
Loans and advances to customers	2.10%-5.18%	1.80%-5.23%
Placements from banks and other financial institutions	0.35%	0.35%
Deposits from customers	0.05%-4.08%	0.25%-4.18%

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

	For the six month period ended 30 June			
	2023		2022	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Interest income	91,893	0.14%	48,754	0.16%
Interest expense	54,334	0.31%	21,721	0.14%
Fee and Commission expense	21	0.01%	3,216	1.84%

c) Transactions with associates

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

	As at 30 June 2023		As at 31 December 2022	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
	Placements with and loans to banks and other financial institutions	2,200,000	7.44%	2,000,000
Financial investments	300,000	0.05%	300,000	0.05%
Placements from banks and other financial institutions	170,782	0.10%	144,127	0.12%
Total	2,670,782	0.32%	2,444,127	0.33%

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

46 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions and balances (Continued)

c) Transactions with associates (Continued)

	As at 30 June 2023	As at 31 December 2022
Placements with and loans to banks and other financial institutions	3.00%-3.50%	3.00%-3.50%
Placements from banks and other financial institutions	0.72%	0.72%-1.08%

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

	For the six month period ended 30 June			
	2023		2022	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Interest expense	42	0.01%	60	0.01%

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

	For the six month period ended 30 June	
	2023	2022
Emoluments for directors, supervisors and senior management	6,804	8,141

	As at 30 June 2023	As at 31 December 2022
Balances at the end of the period/year		
Loans and advances to customers	3,272	3,826
Deposits from customers	3,465	3,898

	For the six month period ended 30 June	
	2023	2022
Transactions during the period		
Interest income	96	112
Interest expense	35	10

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

47 SEGMENT ANALYSIS

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

Corporate banking

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

Retail banking

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

Treasury

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

Others

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

47 SEGMENT ANALYSIS (CONTINUED)

For the six month period ended 30 June 2023

	Corporate				Total
	banking	Retail banking	Treasury	Others	
Net interest income from external customers	16,020,786	6,986,431	9,801,064	–	32,808,281
Net interest expense to external customers	(4,742,377)	(6,197,170)	(6,726,464)	–	(17,666,011)
Intersegment net interest income/(expense)	(1,679,387)	3,336,039	(1,656,652)	–	–
Net interest income	9,599,022	4,125,300	1,417,948	–	15,142,270
Net fee and commission income	822,713	446,792	517,219	–	1,786,724
Net trading gains	–	–	2,164,872	–	2,164,872
Net gains from investment securities	–	–	440,956	–	440,956
Other operating income	197,424	–	31,440	24,200	253,064
Operating expenses	(1,904,826)	(2,075,494)	(777,504)	(109,783)	(4,867,607)
– Depreciation and amortization	(244,499)	(202,950)	(73,878)	(10,432)	(531,759)
Impairment losses on credits	(3,387,630)	(1,535,619)	(255,192)	–	(5,178,441)
Share of profits of associates	–	–	–	139,168	139,168
Profit before income tax and impairment loss on credits	8,714,333	2,496,598	3,794,931	53,585	15,059,447
Profit before income tax	5,326,703	960,979	3,539,739	53,585	9,881,006
Capital expenditure	66,593	149,255	7,347	69,520	292,715

As at 30 June 2023

	Corporate				Total
	banking	Retail banking	Treasury	Others	
Segment assets	616,678,125	301,886,633	795,339,731	5,012,292	1,718,916,781
<i>Including: investments in associates</i>	–	–	–	5,012,292	5,012,292
Deferred income tax assets					13,977,001
Total assets					1,732,893,782
Segment liabilities	(543,377,772)	(487,829,890)	(563,014,629)	(7,813,967)	(1,602,036,258)
Off-balance sheet credit commitments	132,017,962	41,421,278	–	–	173,439,240

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

47 SEGMENT ANALYSIS (CONTINUED)

	For the year ended 31 December 2022				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	26,440,610	14,084,233	20,437,383	–	60,962,226
Net interest expense to external customers	(9,163,674)	(9,547,037)	(13,546,854)	–	(32,257,565)
Intersegment net interest income/(expense)	(513,544)	3,103,835	(2,590,291)	–	–
Net interest income	16,763,392	7,641,031	4,300,238	–	28,704,661
Net fee and commission income	2,383,438	142,583	1,653,870	–	4,179,891
Net trading gains	–	–	2,119,173	–	2,119,173
Net gains from investment securities	–	–	745,599	–	745,599
Dividend income	–	–	6,400	–	6,400
Other operating income	–	–	201,216	272,701	473,917
Operating expenses	(3,037,428)	(568,067)	(5,786,199)	(82,768)	(9,474,462)
– Depreciation and amortization	(525,178)	(246,545)	(261,332)	(2,825)	(1,035,880)
Impairment losses on credits	(3,941,382)	(3,191,834)	262,975	–	(6,870,241)
Impairment losses on assets	–	–	(2,791,750)	–	(2,791,750)
Share of profits of associates	–	–	–	221,953	221,953
Profit before income tax and impairment loss on credits	16,109,402	7,215,547	3,240,297	411,886	26,977,132
Profit before income tax	12,168,020	4,023,713	711,522	411,886	17,315,141
Capital expenditure	241,808	153,643	162,857	1,760	560,068

	As at 31 December 2022				
	Corporate banking	Retail banking	Treasury	Others	Total
Segment assets	548,057,164	290,981,625	722,617,567	4,923,502	1,566,579,858
<i>Including: investments in associates</i>	–	–	–	4,923,502	4,923,502
Deferred income tax assets					13,655,828
Total assets					1,580,235,686
Segment liabilities	(542,773,213)	(378,376,193)	(528,982,742)	(7,281,880)	(1,457,414,028)
Off-balance sheet credit commitments	129,625,494	41,880,342	–	–	171,505,836

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

47 SEGMENT ANALYSIS (CONTINUED)

	For the six month period ended 30 June 2023					
	Anhui Province	Jiangsu Province	Head Office	Other areas	Intersegment eliminations	Total
Net interest income from external customers	23,892,653	1,519,430	6,302,971	1,093,227	-	32,808,281
Net interest expense to external customers	(12,810,366)	(814,662)	(3,379,422)	(661,561)	-	(17,666,011)
Intersegment net interest income/(expense)	3,172,628	(148,841)	(3,108,493)	84,706	-	-
Net interest income	14,254,915	555,927	(184,944)	516,372	-	15,142,270
Net fee and commission income	1,252,257	79,636	330,350	124,481	-	1,786,724
Net trading gains	-	-	2,164,872	-	-	2,164,872
Net gains from investment securities	-	-	440,956	-	-	440,956
Other operating income	190,471	12,113	50,247	233	-	253,064
Operating expenses	(3,342,505)	(212,563)	(881,765)	(430,774)	-	(4,867,607)
– Depreciation and amortization	(319,659)	(20,328)	(84,327)	(107,445)	-	(531,759)
Impairment losses on credits	(3,385,386)	(215,290)	(893,077)	(684,688)	-	(5,178,441)
Share of profits of associates	-	-	139,168	-	-	139,168
Profit before income tax and provisions	12,355,138	435,113	2,058,884	210,312	-	15,059,447
Profit before income tax	8,969,752	219,823	1,165,807	(474,376)	-	9,881,006
Capital expenditure	190,234	12,098	50,185	40,198	-	292,715

	As at 30 June 2023					
	Anhui Province	Jiangsu Province	Head Office	Other areas	Intersegment eliminations	Total
Segment assets	1,064,569,609	53,568,645	544,361,728	66,755,951	(10,339,152)	1,718,916,781
<i>Including: investments in associates</i>	-	-	5,012,292	-	-	5,012,292
Deferred income tax assets						13,977,001
Total assets						1,732,893,782
Segment liabilities	(1,045,122,873)	(53,267,276)	(443,572,641)	(66,603,487)	6,530,019	(1,602,036,258)
Off-balance sheet credit commitments	150,753,574	22,643,680	12,426	1,620,000	(1,590,440)	173,439,240

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

47 SEGMENT ANALYSIS (CONTINUED)

	For the year ended 31 December 2022					Total
	Anhui Province	Jiangsu Province	Head Office	Other areas	Intersegment eliminations	
Net interest income from external customers	42,251,905	2,788,838	13,855,037	2,066,446	-	60,962,226
Net interest expense to external customers	(21,605,100)	(1,426,045)	(7,084,637)	(2,141,783)	-	(32,257,565)
Intersegment net interest income/(expense)	2,429,905	160,386	(3,790,474)	1,200,183	-	-
Net interest income	23,076,710	1,523,179	2,979,926	1,124,846	-	28,704,661
Net fee and commission income	2,815,654	185,847	923,295	255,095	-	4,179,891
Net trading gains	1,637,110	108,057	536,833	(162,827)	-	2,119,173
Net gains from investment securities	534,893	35,306	175,400	-	-	745,599
Dividend income	4,591	303	1,506	-	-	6,400
Other operating income	334,369	22,070	109,644	7,834	-	473,917
Operating expenses	(7,042,411)	(404,395)	(1,093,373)	(934,283)	-	(9,474,462)
– Depreciation and amortization	(595,314)	(39,294)	(195,212)	(206,060)	-	(1,035,880)
Impairment losses on credits	(3,364,100)	(222,048)	(1,103,139)	(2,180,954)	-	(6,870,241)
Impairment losses on assets	-	-	-	(2,791,750)	-	(2,791,750)
Share of profits of associates	-	-	221,953	-	-	221,953
Profit before income tax and provisions	21,360,916	1,470,367	3,855,184	290,665	-	26,977,132
Profit before income tax	17,996,816	1,248,319	2,752,045	(4,682,039)	-	17,315,141
Capital expenditure	347,548	22,940	113,966	75,614	-	560,068

	As at 31 December 2022					Total
	Anhui Province	Jiangsu Province	Head Office	Other areas	Intersegment eliminations	
Segment assets	954,658,562	47,452,023	507,325,845	65,035,208	(7,891,780)	1,566,579,858
Including: investments in associates	-	-	4,923,502	-	-	4,923,502
Deferred income tax assets						13,655,828
Total assets						1,580,235,686
Segment liabilities	(935,816,401)	(46,667,160)	(425,284,877)	(53,728,237)	4,082,647	(1,457,414,028)
Off-balance sheet credit commitments	153,172,047	19,508,225	12,564	1,110,000	(2,297,000)	171,505,836

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT

Overview

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

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

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

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

48.1 Credit risk

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

48.1.1 Credit risk measurement

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.1 Credit risk measurement (Continued)

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

The five categories are defined by the Guideline as follows:

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

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

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

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

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

(ii) Debt securities and other bills

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

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

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

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.2 Risk limit control and mitigation policies

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

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

(i) Credit risk mitigation policies

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

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.2 Risk limit control and mitigation policies (Continued)

(i) Credit risk mitigation policies (Continued)

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

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

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

(ii) Credit-related off-balance sheet commitments

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

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

	As at 30 June 2023	As at 31 December 2022
Credit risk exposures relating to		
on-balance sheet financial assets:		
Balances with the central bank	90,663,589	103,604,004
Deposits with banks and other financial institutions	6,804,044	10,719,612
Placements with banks and other financial institutions	29,588,216	20,695,386
Derivative financial assets	189,297	129,682
Financial assets held under resale agreements	27,070,062	12,658,904
Loans and advances to customers	824,012,146	734,798,375
Financial investments – financial assets at fair value through profit or loss	144,617,150	121,962,050
Financial investments – financial assets at fair value through other comprehensive income	146,471,959	139,649,320
Financial investments – financial assets at amortised cost	354,284,304	334,781,873
Finance lease receivables	65,994,962	57,807,458
Other financial assets	837,634	1,498,026
Total	1,690,533,363	1,538,304,690
Credit risk exposures in relation to		
off-balance sheet items are as follows:		
Bank acceptance	63,806,224	66,038,457
Letters of credit	31,430,342	24,247,898
Letters of guarantee	36,286,406	38,563,607
Loan commitments	494,990	775,532
Unused credit card lines	41,421,278	41,880,342
Total	173,439,240	171,505,836

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

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

The above table represents the worst-case scenario of credit risk exposure to the Group at 30 June 2023 and 31 December 2022, without taking into account any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

As mentioned above, 48.74% of on-balance-sheet exposure is attributable to loans and advances to customers (31 December 2022: 47.77%).

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

- 97.79% of the loans and advances are categorized as Pass in the five-category system (31 December 2022: 97.16%);
- Collateralized loans and mortgage loans, which represent the largest group in the corporate and retail portfolio respectively, are secured by collateral;
- 98.35% of the loans and advances are considered to be neither past due nor impaired (31 December 2022: 98.19%).

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

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

	As at 30 June 2023	As at 31 December 2022
Commercial banks in Chinese mainland	10,742,367	10,150,830
Other financial institutions in Chinese mainland	51,869,659	33,265,844
Commercial banks outside Chinese mainland	850,296	657,228
Total	63,462,322	44,073,902

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers

Loans and advances three-staging exposure

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

As at 30 June 2023				
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
Pass	829,799,281	4,456,354	–	834,255,635
Special-mention	–	7,646,886	–	7,646,886
Loss	–	–	11,221,902	11,221,902
Total	829,799,281	12,103,240	11,221,902	853,124,423

As at 31 December 2022				
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
Pass	737,938,498	4,632,501	–	742,570,999
Special-mention	–	10,377,123	–	10,377,123
Impaired	–	–	11,360,932	11,360,932
Total	737,938,498	15,009,624	11,360,932	764,309,054

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

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

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

	As at 30 June 2023		As at 31 December 2022	
	Amount	%	Amount	%
Corporate loans				
Commerce and service	107,218,235	12	84,259,164	10
Manufacturing	87,359,003	10	78,067,795	9
Public utilities	241,171,081	28	195,966,928	24
Real estate	29,015,877	3	27,739,152	4
Construction	39,453,696	5	34,472,028	5
Transportation	13,517,998	1	11,607,685	2
Energy and chemistry	28,407,094	3	21,932,132	3
Catering and travelling	1,107,461	1	682,344	1
Education and media	3,548,221	1	3,063,919	1
Financial services	7,359,594	1	5,718,801	1
Others	7,369,455	1	3,207,649	1
Discounted bills	30,683,163	3	43,509,833	6
Subtotal	596,210,878	69	510,227,430	67
Personal loans and advances				
Mortgages	124,771,680	15	124,425,045	16
Credit cards	15,865,912	2	23,541,838	3
Others	116,275,953	14	106,114,741	14
Subtotal	256,913,545	31	254,081,624	33
Total loans and advances to customers, before impairment allowance	853,124,423	100	764,309,054	100

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

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

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

	As at 30 June 2023	As at 31 December 2022
Unsecured	179,147,867	167,949,745
Guaranteed	244,874,359	175,284,041
Collateralized	227,662,737	223,644,624
Pledged	201,439,460	197,430,644
Total loans and advances to customers	853,124,423	764,309,054

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

	As at 30 June 2023			As at 31 December 2022		
	Total	% NPL ratio		Total	% NPL ratio	
Anhui province	742,095,131	86.99%	0.95%	665,858,912	87.12%	1.14%
Jiangsu province	55,746,879	6.53%	3.97%	51,515,358	6.74%	3.34%
Others	55,282,413	6.48%	3.53%	46,934,784	6.14%	4.38%
Total loans and advances to customers	853,124,423	100.00%	1.32%	764,309,054	100.00%	1.49%

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

	As at 30 June 2023		As at 31 December 2022	
	Corporate loans	Personal loans and advances	Corporate loans	Personal loans and advances
Neither overdue nor impaired ^(a)	586,555,474	252,448,874	500,756,662	249,695,215
Overdue but not impaired ^(b)	1,222,946	1,675,227	397,053	2,099,192
Impaired ^(a)	8,432,458	2,789,444	9,073,715	2,287,217
Total	596,210,878	256,913,545	510,227,430	254,081,624
Less: impairment allowance	(23,656,139)	(7,203,341)	(24,887,267)	(6,492,450)
Net	572,554,739	249,710,204	485,340,163	247,589,174

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

- (e) Loans and advances neither past due nor impaired

As at 30 June 2023

Neither overdue nor impaired	Five-category classification		
	Pass	Special-mention	Total
Corporate loans			
– Commercial loans	550,371,784	5,500,527	555,872,311
– Discounted bills	30,683,163	–	30,683,163
Subtotal	581,054,947	5,500,527	586,555,474
Personal loans and advances	252,265,535	183,339	252,448,874
Total	833,320,482	5,683,866	839,004,348

As at 31 December 2022

Neither overdue nor impaired	Five-category classification		
	Pass	Special-mention	Total
Corporate loans			
– Commercial loans	448,335,861	8,910,968	457,246,829
– Discounted bills	43,509,833	–	43,509,833
Subtotal	491,845,694	8,910,968	500,756,662
Personal loans and advances	249,566,531	128,684	249,695,215
Total	741,412,225	9,039,652	750,451,877

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

- (f) Loans and advances overdue but not impaired

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

As at 30 June 2023

	Up to 30 days	30 to 60 days	Total
Corporate loans	895,160	327,786	1,222,946
Personal loans and advances	1,090,165	585,062	1,675,227
Total	1,985,325	912,848	2,898,173

As at 31 December 2022

	Up to 30 days	30 to 60 days	Total
Corporate loans	310,986	86,067	397,053
Personal loans and advances	1,413,070	686,122	2,099,192
Total	1,724,056	772,189	2,496,245

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

As at 30 June 2023 and 31 December 2022, the fair values of collateral for corporate loans that were past due but not impaired amounted to RMB1,456,127 thousand and RMB81,119 thousand. The fair values of collateral for retail loans that were past due but not impaired amounted to RMB1,075,862 thousand and RMB1,211,102 thousand.

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

(g) Impaired loans and advances

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

	As at 30 June 2023	As at 31 December 2022
Corporate loans	8,432,458	9,073,715
Personal loans and advances	2,789,444	2,287,217
Total	11,221,902	11,360,932
Fair value of collateral		
Corporate loans	7,431,762	9,031,373
Personal loans and advances	1,094,128	965,890
Total	8,525,890	9,997,263

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

(h) Restructured loans and advances

Restructured loans and advances represent the loans whose original contract repayment terms have been modified as a result of the deterioration of borrowers' financial conditions or inability to repay the loans according to contractual terms. As at 30 June 2023, the carrying value of the restructured loans held by the Group amounted to RMB1.89 billion (31 December 2022: RMB4.13 billion).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

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

	As at 30 June 2023				
	Overdue 1 to 90 days (inclusive)	Overdue 90 days to 1 year (inclusive)	Overdue 1 year to 3 years (inclusive)	Overdue over 3 years	Total
Unsecured	1,149,055	1,216,003	374,979	45,336	2,785,373
Guaranteed	1,071,559	416,944	1,362,115	383,714	3,234,332
Collateralized	1,976,748	1,429,797	873,317	122,597	4,402,459
Pledged	92,085	–	589,340	19,753	701,178
Total	4,289,447	3,062,744	3,199,751	571,400	11,123,342

	As at 31 December 2022				
	Overdue 1 to 90 days (inclusive)	Overdue 90 days to 1 year (inclusive)	Overdue 1 year to 3 years (inclusive)	Overdue over 3 years	Total
Unsecured	1,287,569	962,315	368,642	3,400,764	6,019,290
Guaranteed	851,615	527,219	1,642,346	219,011	3,240,191
Collateralized	1,441,172	1,052,050	507,631	68,334	3,069,187
Pledged	136,407	91,855	644,711	–	872,973
Total	3,716,763	2,633,439	3,163,330	3,688,109	13,201,641

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.6 Financial investments

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

	As at 30 June 2023			
	Stage 1	Stage 2	Stage 3	Total
AAA	108,916,262	–	–	108,916,262
AA- to AA+	22,807,096	285,606	–	23,092,702
A- to A+	190,144	119,097	–	309,241
Unrated ^(a)	220,368,115	861,000	6,125,046	227,354,161
Total	352,281,617	1,265,703	6,125,046	359,672,366
Less: allowance for impairment losses	(3,436,427)	(396,815)	(6,017,535)	(9,850,777)
Net balance	348,845,190	868,888	107,511	349,821,589

	As at 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
AAA	114,225,668	118,311	–	114,343,979
AA- to AA+	7,070,605	–	–	7,070,605
A- to A+	477,964	–	–	477,964
Unrated ^(a)	207,238,122	3,169,150	6,096,267	216,503,539
Total	329,012,359	3,287,461	6,096,267	338,396,087
Less: allowance for impairment losses	(2,425,938)	(1,861,925)	(5,987,386)	(10,275,249)
Net balance	326,586,421	1,425,536	108,881	328,120,838

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.6 Financial investments (Continued)

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

	For the six month period ended 30 June 2023			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	Total
As at 1 January 2023	2,425,938	1,861,925	5,987,386	10,275,249
Addition	1,011,632	(1,427,200)	34,581	(380,987)
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(1,143)	1,143	–	–
Transfers to Stage 3	–	(39,053)	39,053	–
Write-off and transfer out	–	–	(43,485)	(43,485)
Recovery of loans and advances written off	–	–	–	–
As at 30 June 2023	3,436,427	396,815	6,017,535	9,850,777
	Year ended 31 December 2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	Total
As at 1 January 2022	3,516,490	247,889	10,111,885	13,876,264
Addition	(986,326)	1,543,883	(1,222,204)	(664,647)
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(104,226)	104,226	–	–
Transfers to Stage 3	–	(34,073)	34,073	–
Write-off and transfer out	–	–	(2,936,368)	(2,936,368)
Recovery of loans and advances written off	–	–	–	–
As at 31 December 2022	2,425,938	1,861,925	5,987,386	10,275,249

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.6 Financial investments (Continued)

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

	As at 30 June 2023			
	Stage 1	Stage 2	Stage 3	Total
AAA	14,404,663	–	–	14,404,663
AA- to AA+	48,229,185	–	–	48,229,185
A- to A+	85,617	–	–	85,617
Unrated ^(b)	81,705,541	–	166,346	81,871,887
Total	144,425,006	–	166,346	144,591,352
Allowance for impairment losses	(1,368,462)	–	(77,153)	(1,445,615)

	As at 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
AAA	36,984,023	171,450	–	37,155,473
AA- to AA+	14,949,439	–	–	14,949,439
A- to A+	45,912	–	–	45,912
Unrated ^(b)	84,916,381	–	–	84,916,381
Total	136,895,755	171,450	–	137,067,205
Allowance for impairment losses	(790,053)	(44,255)	–	(834,308)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.6 Financial investments (Continued)

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

	For the six month period ended 30 June 2023			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	Total
As at 1 January 2023	790,053	44,255	–	834,308
Addition	578,409	–	32,898	611,307
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	(44,255)	44,255	–
Written and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
As at 30 June 2023	1,368,462	–	77,153	1,445,615
	Year ended 31 December 2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	Total
As at 1 January 2022	419,927	–	–	419,927
Addition	373,880	40,501	–	414,381
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(3,754)	3,754	–	–
Transfers to Stage 3	–	–	–	–
Written and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
As at 31 December 2022	790,053	44,255	–	834,308

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.6 Financial investments (Continued)

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

	As at 30 June 2023	As at 31 December 2022
AAA	6,877,365	6,183,296
AA- to AA+	7,684,521	5,543,362
A- to A+	–	52,240
Unrated ^(c)	129,231,464	109,782,344
Total	143,793,350	121,561,242

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

48.1.7 Foreclosed collateral

	As at 30 June 2023	As at 31 December 2022
Property and land use rights	144,522	106,708
Others	127,286	140,586
Total	271,808	247,294
Allowance for impairment losses (Note 26)	(93,649)	(93,649)
Net balance	178,159	153,645

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.8 Concentration of risks of financial assets with credit risk exposure

Geographical sectors

As at 30 June 2023	Chinese mainland	Hong Kong	Others	Total
Financial assets				
Balances with the central bank	90,663,589	–	–	90,663,589
Deposits with banks and other financial institutions	6,025,594	17,107	761,343	6,804,044
Placements with banks and other financial institutions	29,516,370	–	71,846	29,588,216
Derivative financial assets	189,297	–	–	189,297
Financial assets held under resale agreements	27,070,062	–	–	27,070,062
Loans and advances to customers	824,012,146	–	–	824,012,146
Financial investments				
– financial assets at fair value through profit or loss	144,617,150	–	–	144,617,150
Financial investments				
– financial assets at fair value through other comprehensive income	146,471,959	–	–	146,471,959
Financial investments				
– financial assets at amortised cost	352,376,902	1,907,402	–	354,284,304
Finance lease receivables	65,994,962	–	–	65,994,962
Other financial assets	837,634	–	–	837,634
Total	1,687,775,665	1,924,509	833,189	1,690,533,363

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

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

Geographical sectors (Continued)

As at 31 December 2022	Mainland China	Hong Kong	Others	Total
Financial assets				
Balances with the central bank	103,604,004	–	–	103,604,004
Deposits with banks and other financial institutions	10,124,961	21,983	572,668	10,719,612
Placements with banks and other financial institutions	20,632,810	–	62,576	20,695,386
Derivative financial assets	129,682	–	–	129,682
Financial assets held under resale agreements	12,658,904	–	–	12,658,904
Loans and advances to customers	734,798,375	–	–	734,798,375
Financial investments				
– financial assets at fair value through profit or loss	121,962,050	–	–	121,962,050
Financial investments				
– financial assets at fair value through other comprehensive income	139,649,320	–	–	139,649,320
Financial investments				
– financial assets at amortised cost	333,039,614	1,742,259	–	334,781,873
Finance lease receivables	57,807,458	–	–	57,807,458
Other financial assets	1,498,026	–	–	1,498,026
Total	1,535,905,204	1,764,242	635,244	1,538,304,690

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk

48.2.1 Overview

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

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

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

48.2.2 Market risk measurement techniques

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

48.2.3 Interest rate risk

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.3 Interest rate risk (Continued)

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

As at 30 June 2023	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest - bearing	Total
Assets							
Cash and balances with the central bank	90,825,119	-	-	-	-	1,115,360	91,740,479
Deposits with banks and other financial institutions	6,574,377	70,000	155,000	-	-	4,667	6,804,044
Placements with banks and other financial institutions	5,524,251	4,811,550	19,207,357	-	-	45,058	29,588,216
Derivative financial assets	-	-	-	-	-	189,297	189,297
Financial assets held under resale agreements	27,067,432	-	-	-	-	2,630	27,070,062
Loans and advances to customers	253,702,092	294,754,601	121,414,811	22,209,471	131,357,430	573,741	824,012,146
Financial Investments							
- Financial assets at fair value through profit or loss	5,478,288	952,229	13,653,286	22,035,089	4,411,267	99,015,146	145,545,305
- Financial assets at fair value through other comprehensive income	5,413,003	5,403,593	11,355,315	90,269,879	32,149,562	2,185,296	146,776,648
- Financial assets at amortised cost	9,396,405	4,138,468	34,748,313	147,987,928	153,550,475	4,462,715	354,284,304
Finance lease receivables	63,327,037	159,320	616,306	966,817	-	925,482	65,994,962
Other financial assets	-	-	-	-	-	837,634	837,634
Total assets	467,108,004	310,289,761	201,150,388	283,469,184	321,468,734	109,357,026	1,692,843,097
Liabilities							
Borrowings from the central bank	(35,953,678)	(19,537,157)	(50,746,000)	(29,200)	-	(865,989)	(107,132,024)
Deposits from banks and other financial institutions	(19,719,986)	(45,121,290)	(88,652,001)	(10,000,000)	-	(1,589,632)	(165,082,909)
Placements from banks and other financial institutions	(8,830,160)	(9,367,387)	(34,090,806)	(800,000)	-	(536,870)	(53,625,223)
Derivative financial liabilities	-	-	-	-	-	(195,512)	(195,512)
Financial assets sold under repurchase agreements	(22,206,460)	(5,214,935)	(19,610,509)	-	-	(211,432)	(47,243,336)
Deposits from customers	(432,280,662)	(50,343,570)	(192,535,294)	(329,595,348)	(376,411)	(18,982,968)	(1,024,114,253)
Debt securities issued	(6,703,619)	(43,245,154)	(103,553,217)	(16,000,000)	(14,000,000)	(688,419)	(184,190,409)
Other financial liabilities	(12)	(323)	(22,745)	(601,460)	(351,978)	(3,294,108)	(4,270,626)
Total liabilities	(525,694,577)	(172,829,816)	(489,210,572)	(357,026,008)	(14,728,389)	(26,364,930)	(1,585,854,292)
Total interest rate sensitivity gap	(58,586,573)	137,459,945	(288,060,184)	(73,556,824)	306,740,345	82,992,096	106,988,805

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.3 Interest rate risk (Continued)

As at 31 December 2022	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest- bearing	Total
Assets							
Cash and balances with central bank	103,564,518	-	-	-	-	1,129,092	104,693,610
Deposits with banks and other financial institutions	10,503,572	80,024	130,040	-	-	5,976	10,719,612
Placements with banks and other financial institutions	699,836	5,998,041	13,956,807	-	-	40,702	20,695,386
Derivative financial assets	-	-	-	-	-	129,682	129,682
Financial assets held under resale agreements	12,653,514	-	-	-	-	5,390	12,658,904
Loans and advances to customers	229,985,412	249,334,801	100,799,762	19,890,349	133,143,471	1,644,580	734,798,375
Financial Investments							
- Financial assets at fair value through profit or loss	6,681,779	2,899,630	11,925,581	17,358,255	5,293,630	78,796,425	122,955,300
- Financial assets at fair value through other comprehensive income	3,010,293	11,667,470	13,006,923	79,501,054	29,881,464	2,874,233	139,941,437
- Financial assets at amortised cost	4,015,444	10,966,217	33,603,616	158,252,287	121,283,274	6,661,035	334,781,873
Finance lease receivables	49,738,359	308,696	7,034,073	726,330	-	-	57,807,458
Other financial assets	-	-	-	-	-	1,498,026	1,498,026
Total assets	420,852,727	281,254,879	180,456,802	275,728,275	289,601,839	92,785,141	1,540,679,663
Liabilities							
Borrowings from central bank	(24,143,322)	(8,018,095)	(50,283,141)	-	-	(463,216)	(82,907,774)
Deposits from banks and other financial institutions	(15,392,105)	(12,146,460)	(83,060,457)	(11,300,000)	-	(1,712,217)	(123,611,239)
Placements from banks and other financial institutions	(7,019,125)	(5,296,000)	(29,075,022)	(2,000,000)	-	(472,546)	(43,862,693)
Derivative financial liabilities	-	-	-	-	-	(116,985)	(116,985)
Financial assets sold under repurchase agreements	(37,209,400)	(3,148,060)	(13,869,469)	-	-	(249,496)	(54,476,425)
Deposits from customers	(399,001,412)	(52,203,627)	(183,775,113)	(252,228,116)	(6,947,820)	(18,620,039)	(912,776,127)
Debt securities issued	(9,838,433)	(53,983,666)	(122,512,474)	(17,000,000)	(14,000,000)	(667,560)	(218,002,133)
Other financial liabilities	(52)	(2,020)	(21,334)	(659,595)	(275,017)	(3,971,062)	(4,929,080)
Total liabilities	(492,603,849)	(134,797,928)	(482,597,010)	(283,187,711)	(21,222,837)	(26,273,121)	(1,440,682,456)
Total interest rate sensitivity gap	(71,751,122)	146,456,951	(302,140,208)	(7,459,436)	268,379,002	66,512,020	99,997,207

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.3 Interest rate risk (Continued)

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

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

	Estimated changes in net interest income	
	As at 30 June 2023	As at 31 December 2022
100 bps up along the yield curve	2,264,311	1,955,117
100 bps down along the yield curve	(2,264,311)	(1,955,117)

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

	As at	As at
	30 June 2023	31 December 2022
100 bps up	(4,094,646)	(3,558,508)
100 bps down	4,340,331	3,781,307

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.3 Interest rate risk (Continued)

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

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

Therefore, the actual changes of net profit may differ from the sensitivity analysis above.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.4 Foreign Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The major principle of controlling the interest rate risk of the Group is to match assets and liabilities in different currencies and to keep interest rate risk within limits. Based on the guidelines provided by the Risk Management Committee, relevant laws and regulations as well as evaluation on the current market, the Group sets its risk limits and minimize the possibility of mismatch through more reasonable allocation of foreign currency source and deployment. Authorization management of foreign currency exposure is categorized by business type and trader's limit of authority.

Tables below summarize the Group's exposure to foreign currency exchange rate risk at balance sheet date. Included in tables below are the Group's assets and liabilities at carrying amounts in RMB, categorized by the original currency:

	RMB	USD	EUR	Others	Total
As at 30 June 2023					
Assets					
Cash and balances with the central bank	91,619,057	117,783	34	3,605	91,740,479
Deposits with banks and other financial institutions	5,331,374	1,140,684	26,636	305,350	6,804,044
Placements with banks and other financial institutions	29,588,216	-	-	-	29,588,216
Derivative financial assets	102,939	21,290	1,656	63,412	189,297
Financial assets held under resale agreements	27,070,062	-	-	-	27,070,062
Loans and advances to customers	821,651,348	2,357,265	-	3,533	824,012,146
Financial investments					
– Financial assets at fair value through profit or loss	145,535,846	9,459	-	-	145,545,305
– Financial assets at fair value through other comprehensive income	146,776,648	-	-	-	146,776,648
– Financial assets at amortised cost	354,284,304	-	-	-	354,284,304
Finance lease receivables	65,994,962	-	-	-	65,994,962
Other financial assets	812,821	24,813	-	-	837,634
Total assets	1,688,767,577	3,671,294	28,326	375,900	1,692,843,097

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.4 Foreign Currency risk (Continued)

Tables below summarize the Group's exposure to foreign currency exchange rate risk at balance sheet date. Included in tables below are the Group's assets and liabilities at carrying amounts in RMB, categorized by the original currency: (Continued)

	RMB	USD	EUR	Others	Total
Liabilities					
Borrowings from the central bank	(107,132,024)	-	-	-	(107,132,024)
Deposits from banks and other financial institutions	(164,720,270)	(362,639)	-	-	(165,082,909)
Placements from banks and other financial institutions	(52,035,599)	(1,589,624)	-	-	(53,625,223)
Derivative financial liabilities	(101,319)	(51,236)	(1,596)	(41,361)	(195,512)
Financial assets sold under repurchase agreements	(47,243,336)	-	-	-	(47,243,336)
Deposits from customers	(1,022,173,015)	(1,921,845)	(14,979)	(4,414)	(1,024,114,253)
Debt securities issued	(184,190,409)	-	-	-	(184,190,409)
Other financial liabilities	(4,270,626)	-	-	-	(4,270,626)
Total liabilities	(1,581,866,598)	(3,925,344)	(16,575)	(45,775)	(1,585,854,292)
Net on-balance sheet financial position	106,900,979	(254,050)	11,751	330,125	106,988,805
Financial guarantees and credit commitments	150,113,586	22,018,951	416,686	890,017	173,439,240

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.4 Foreign Currency risk (Continued)

Tables below summarize the Group's exposure to foreign currency exchange rate risk at balance sheet date. Included in tables below are the Group's assets and liabilities at carrying amounts in RMB, categorized by the original currency: (Continued)

	RMB	USD	EUR	Others	Total
As at 31 December 2022					
Assets					
Cash and balances with central bank	104,291,692	400,822	32	1,064	104,693,610
Deposits with banks and other financial institutions	5,793,780	1,812,260	3,029,881	83,691	10,719,612
Placements with banks and other financial institutions	20,695,386	-	-	-	20,695,386
Derivative financial assets	87,995	39,806	1,881	-	129,682
Financial assets held under resale agreements	12,658,904	-	-	-	12,658,904
Loans and advances to customers	731,899,405	2,888,568	10,402	-	734,798,375
Financial investments					
- Financial assets at fair value through profit or loss	122,945,030	10,270	-	-	122,955,300
- Financial assets at fair value through other comprehensive income	139,941,437	-	-	-	139,941,437
- Financial assets at amortised cost	334,781,873	-	-	-	334,781,873
Finance lease receivables	57,807,458	-	-	-	57,807,458
Other financial assets	1,496,999	1,027	-	-	1,498,026
Total assets	1,532,399,959	5,152,753	3,042,196	84,755	1,540,679,663
Liabilities					
Borrowings from central bank	(82,907,774)	-	-	-	(82,907,774)
Deposits from banks and other financial institutions	(122,414,777)	(1,196,352)	-	(110)	(123,611,239)
Placements from banks and other financial institutions	(43,206,042)	(656,651)	-	-	(43,862,693)
Derivative financial liabilities	(87,347)	(6,630)	(1,717)	(21,291)	(116,985)
Financial assets sold under repurchase agreements	(54,476,425)	-	-	-	(54,476,425)
Deposits from customers	(906,053,848)	(6,639,651)	(58,654)	(23,974)	(912,776,127)
Debt securities issued	(218,002,133)	-	-	-	(218,002,133)
Other financial liabilities	(4,929,079)	(1)	-	-	(4,929,080)
Total liabilities	(1,432,077,425)	(8,499,285)	(60,371)	(45,375)	(1,440,682,456)
Net on-balance sheet financial position	100,322,534	(3,346,532)	2,981,825	39,380	99,997,207
Financial guarantees and credit commitments	148,054,531	23,063,410	374,249	13,646	171,505,836

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.4 Foreign Currency risk (Continued)

The Group's foreign currency exposure is not material. The major foreign currency exposure is with USD and EUR. The potential impact of 1% fluctuation of foreign currency against RMB on net profits resulted from foreign currency translation gain or loss is as follows:

	Estimated change in net profit/(loss)	
	As at 30 June 2023	As at 31 December 2022
1% of appreciation of foreign exchange against RMB	277	30,626
1% of depreciation of foreign exchange against RMB	(277)	(30,626)

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

- Analysis is based on static gap on the balance sheet date, regardless of subsequent changes;
- No consideration of impact on the customers' behaviour resulted from interest rate changes;
- No consideration of impact on market price resulted from interest rate changes; and
- No consideration of actions taken by the Group.

Therefore, the actual changes of net profit may differ from the sensitivity analysis above.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk

48.3.1 Overview

Keeping a match between the maturity dates of assets and liabilities and maintaining an effective control over mismatches are of great importance to the Group. Due to the uncertainty of terms and types of business, it is difficult for banks to keep a perfect match. Unmatched position may increase revenues but it also exposes the Group to greater risks of losses.

The match between the maturity dates of assets and liabilities as well as a bank's ability to replace due liabilities with acceptable costs are both key factors when evaluating its exposure to liquidity, interest rate and foreign exchange rate risks.

The Group is exposed to daily calls on its available cash resources from overnight deposits, demand accounts, time deposits fall due, debt securities payable, loan drawdowns, guarantees and other calls on cash-settled derivatives. According to previous experience, a large portion of matured deposits were not withdrawn on the maturity date and are retained by the Group. The Group sets limits on the minimum proportion of funds to be made available to cover different levels of unexpected withdrawals.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.2 Cash flow of non-derivatives

The table below presents the cash flows receivable and payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturity at the end of reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows, and the Group manages the liquidity risk based on the estimation of future cash flows.

As at 30 June 2023	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities						
Borrowings from the central bank	(36,030,848)	(20,374,089)	(52,403,797)	(30,907)	-	(108,839,641)
Deposits from banks and other financial institutions	(19,862,806)	(45,741,912)	(90,568,975)	(11,387,282)	-	(167,560,975)
Placements from banks and other financial institutions	(9,069,850)	(9,465,728)	(36,003,402)	(846,588)	-	(55,385,568)
Financial assets sold under repurchase agreements	(22,227,199)	(5,296,812)	(20,091,717)	-	-	(47,615,728)
Deposits from customers	(434,295,075)	(52,267,245)	(203,438,094)	(361,593,681)	(395,540)	(1,051,989,635)
Debt securities issued	(6,857,542)	(43,942,787)	(105,652,381)	(16,414,390)	(14,605,400)	(187,472,500)
Other financial liabilities	(3,294,120)	(323)	(22,745)	(601,460)	(351,978)	(4,270,626)
Total liabilities (contractual maturity)	(531,637,440)	(177,088,896)	(508,181,111)	(390,874,308)	(15,352,918)	(1,623,134,673)
Assets						
Cash and balances with the central bank	91,740,479	-	-	-	-	91,740,479
Deposits with banks and other financial institutions	6,580,585	70,109	155,240	-	-	6,805,934
Placements with banks and other financial institutions	5,613,366	4,975,469	19,538,399	-	-	30,127,234
Financial assets held under resale agreements	27,081,246	-	-	-	-	27,081,246
Loans and advances to customers	60,452,950	42,955,203	217,066,649	253,059,914	518,959,899	1,092,494,615
Financial investments						
- Financial assets at fair value through profit or loss	104,467,114	1,004,786	13,825,525	23,243,927	4,736,502	147,277,854
- Financial assets at fair value through other comprehensive income	7,737,515	6,049,820	15,543,137	103,109,854	34,827,358	167,267,684
- Financial assets at amortised cost	14,869,921	6,466,674	45,264,469	182,064,009	173,285,716	421,950,789
Finance lease receivables	4,625,371	4,214,820	19,605,236	46,828,551	540,853	75,814,831
Other financial assets	325,976	65,363	55,947	333,884	56,464	837,634
Financial assets held for managing liquidity risk (contractual maturity)	323,494,523	65,802,244	331,054,602	608,640,139	732,406,792	2,061,398,300
Net liquidity	(208,142,917)	(111,286,652)	(177,126,509)	217,765,831	717,053,874	438,263,627

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.2 Cash flow of non-derivatives (Continued)

The table below presents the cash flows receivable and payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturity at the end of reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows, and the Group manages the liquidity risk based on the estimation of future cash flows. (Continued)

As at 31 December 2022	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities						
Borrowings from central bank	(24,328,086)	(8,215,147)	(51,780,172)	-	-	(84,323,405)
Deposits from banks and other financial institutions	(15,493,068)	(12,264,764)	(84,976,196)	(13,341,146)	-	(126,075,174)
Placements from banks and other financial institutions	(7,499,489)	(5,335,069)	(29,533,800)	(2,161,588)	-	(44,529,946)
Financial assets sold under repurchase agreements	(37,231,275)	(3,265,900)	(14,335,540)	-	-	(54,832,715)
Deposits from customers	(400,309,470)	(54,354,393)	(193,864,695)	(277,421,847)	(7,041,145)	(932,991,550)
Debt securities issued	(9,936,386)	(54,828,344)	(124,677,447)	(17,469,842)	(14,605,400)	(221,517,419)
Other financial liabilities	(3,971,113)	(2,020)	(21,334)	(659,595)	(275,018)	(4,929,080)
Total liabilities (contractual maturity)	(498,768,887)	(138,265,637)	(499,189,184)	(311,054,018)	(21,921,563)	(1,469,199,289)
Assets						
Cash and balances with central bank	104,693,610	-	-	-	-	104,693,610
Deposits with banks and other financial institutions	10,510,548	80,049	130,078	-	-	10,720,675
Placements with banks and other financial institutions	763,649	6,125,408	14,112,571	-	-	21,001,628
Financial assets held under resale agreements	13,094,911	-	-	-	-	13,094,911
Loans and advances to customers	78,488,903	49,756,634	169,061,251	219,615,075	466,047,742	982,969,605
Financial investments						
- Financial assets at fair value through profit or loss	85,466,135	2,943,334	12,102,530	19,885,787	5,743,023	126,140,809
- Financial assets at fair value through other comprehensive income	6,303,278	12,854,293	16,000,310	91,893,481	33,250,527	160,301,889
- Financial assets at amortised cost	11,997,692	13,426,880	43,782,133	191,018,196	138,317,239	398,542,140
Finance lease receivables	4,025,734	3,953,547	17,627,821	40,773,962	104,968	66,486,032
Other financial assets	673,954	110,640	359,582	353,800	50	1,498,026
Financial assets held for managing liquidity risk (contractual maturity)	316,018,414	89,250,785	273,176,276	563,540,301	643,463,549	1,885,449,325
Net liquidity	(182,750,473)	(49,014,852)	(226,012,908)	252,486,283	621,541,986	416,250,036

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.3 Cash flow of derivative financial instruments

Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis include foreign exchange forward contracts and commodity derivatives. The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining periods from 30 June 2023 and 31 December 2022 to the contractual maturity date. The figures disclosed in the table are the contractual undiscounted cash flows.

As at 30 June 2023	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Foreign exchange derivatives						
– Outflow	(329,972)	(1,590,517)	(1,432,809)	(8,342)	–	(3,361,640)
– Inflow	314,152	1,472,613	1,385,229	8,232	–	3,180,226
Total	(15,820)	(117,904)	(47,580)	(110)	–	(181,414)

As at 31 December 2022	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Foreign exchange derivatives						
– Outflow	(554,952)	(276,083)	(1,257,513)	–	–	(2,088,548)
– Inflow	535,429	277,386	1,290,183	–	–	2,102,998
Total	(19,523)	1,303	32,670	–	–	14,450

Derivative financial instruments with full delivery

As at 30 June 2023	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Interest rate derivatives	175	148	(147)	1,479	–	1,655
As at 31 December 2022	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Interest rate derivatives	174	125	115	549	–	963

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.4 Maturity analysis

The table below analyses the Group's net assets and liabilities by relevant maturity classification based on the remaining periods from the balance sheet date to the contractual maturity date.

As at 30 June 2023	Repayable on demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Indefinite	Total
Cash and balances with the central bank	17,377,682	38,470	-	-	-	-	-	74,324,327	91,740,479
Deposits with banks and other financial institutions	6,578,870	-	70,054	155,120	-	-	-	-	6,804,044
Placements with banks and other financial institutions	-	5,537,107	4,840,139	19,210,970	-	-	-	-	29,588,216
Derivative financial assets	-	9,174	71,655	14,110	94,358	-	-	-	189,297
Financial assets held under resale agreements	-	27,070,062	-	-	-	-	-	-	27,070,062
Loans and advances to customers	-	51,531,494	36,771,512	209,345,387	160,464,684	363,404,279	2,494,790	-	824,012,146
Financial investments									
- Financial assets at fair value through profit or loss	96,798,612	976,464	952,709	13,506,823	22,398,353	4,459,244	4,782,478	1,670,622.00	145,545,305
- Financial assets at fair value through other comprehensive income	-	5,468,902	5,493,075	11,512,170	91,545,021	32,452,791	-	304,689	146,776,648
- Financial assets at amortised cost	-	9,553,542	4,278,135	35,224,355	150,214,566	154,897,826	115,880	-	354,284,304
Finance lease receivables	-	3,451,917	3,840,655	16,671,807	41,738,996	491,575	12	-	65,994,962
Other financial assets	-	315,314	65,363	55,947	333,884	56,464	10,662	-	837,634
Total assets	120,755,164	103,952,446	56,183,297	305,696,689	466,789,862	555,762,179	7,403,822	76,299,638	1,692,843,097
Borrowings from the central bank	-	(35,989,047)	(19,911,962)	(51,201,815)	(29,200.00)	-	-	-	(107,132,024)
Deposits from banks and other financial institutions	(11,022,812)	(8,805,040)	(45,542,475)	(89,329,899)	(10,382,683)	-	-	-	(165,082,909)
Placements from banks and other financial institutions	-	(9,030,629)	(9,456,226)	(34,312,031)	(826,337)	-	-	-	(53,625,223)
Derivative financial liabilities	-	(6,775)	(46,414)	(49,195)	(93,128)	-	-	-	(195,512)
Financial assets sold under repurchase agreements	-	(22,222,216)	(5,275,542)	(19,745,578)	-	-	-	-	(47,243,336)
Deposits from customers	(385,939,467)	(48,327,036)	(52,045,764)	(200,008,916)	(337,399,803)	(393,267)	-	-	(1,024,114,253)
Debt securities issued	-	(6,705,864)	(43,249,573)	(103,679,338)	(16,116,678)	(14,438,956)	-	-	(184,190,409)
Other financial liabilities	-	(3,294,120)	(323)	(22,745)	(601,460)	(351,978)	-	-	(4,270,626)
Total liabilities	(396,962,279)	(134,380,727)	(175,528,279)	(498,349,517)	(365,449,289)	(15,184,201)	-	-	(1,585,854,292)
Net liquidity gap	(276,207,115)	(30,428,281)	(119,344,982)	(192,652,828)	101,340,573	540,577,978	7,403,822	76,299,638	106,988,805

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.4 Maturity analysis (Continued)

The table below analyses the Group's net assets and liabilities by relevant maturity classification based on the remaining periods from the balance sheet date to the contractual maturity date. (Continued)

As at 31 December 2022	Repayable								Total
	on demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Indefinite	
Cash and balances with central bank	36,514,787	39,486	-	-	-	-	-	68,139,337	104,693,610
Deposits with banks and other financial institutions	10,459,533	50,015	80,024	130,040	-	-	-	-	10,719,612
Placements with banks and other financial institutions	-	705,377	6,026,594	13,963,415	-	-	-	-	20,695,386
Derivative financial assets	-	2,058	5,338	45,086	77,200	-	-	-	129,682
Financial assets held under resale agreements	-	12,658,904	-	-	-	-	-	-	12,658,904
Loans and advances to customers	-	73,090,000	42,918,403	163,219,822	137,965,284	315,156,793	2,448,073	-	734,798,375
Financial investments									
- Financial assets at fair value through profit or loss	74,593,805	2,399,432	2,829,798	11,684,461	18,759,712	5,293,630	5,646,480	1,747,982	122,955,300
- Financial assets at fair value through other comprehensive income	-	5,585,124	11,667,470	13,006,923	79,508,339	29,881,464	-	292,117	139,941,437
- Financial assets at amortised cost	-	10,416,601	10,966,217	33,603,616	158,252,287	121,364,174	178,978	-	334,781,873
Finance lease receivables	-	2,833,915	3,414,285	14,854,661	36,606,317	98,171	109	-	57,807,458
Other financial assets	-	595,548	110,640	359,582	353,800	50	78,406	-	1,498,026
Total assets	121,568,125	108,376,460	78,018,769	250,867,606	431,522,939	471,794,282	8,352,046	70,179,436	1,540,679,663
Borrowings from central bank	(28)	(24,235,351)	(8,105,050)	(50,567,345)	-	-	-	-	(82,907,774)
Deposits from banks and other financial institutions	(6,172,532)	(9,311,420)	(12,208,711)	(83,843,974)	(12,074,602)	-	-	-	(123,611,239)
Placements from banks and other financial institutions	-	(7,491,671)	(5,296,000)	(29,075,022)	(2,000,000)	-	-	-	(43,862,693)
Derivative financial liabilities	-	(22,906)	(4,972)	(12,047)	(77,060)	-	-	-	(116,985)
Financial assets sold under repurchase agreements	-	(37,212,678)	(3,241,400)	(14,022,347)	-	-	-	-	(54,476,425)
Deposits from customers	(360,383,779)	(40,850,171)	(54,335,522)	(190,533,537)	(259,724,507)	(6,948,611)	-	-	(912,776,127)
Debt securities issued	-	(9,838,433)	(53,983,666)	(122,557,023)	(17,484,267)	(14,138,744)	-	-	(218,002,133)
Other financial liabilities	-	(3,971,113)	(2,020)	(21,334)	(659,595)	(275,018)	-	-	(4,929,080)
Total liabilities	(366,556,339)	(132,933,743)	(137,177,341)	(490,632,629)	(292,020,031)	(21,362,373)	-	-	(1,440,682,456)
Net liquidity gap	(244,988,214)	(24,557,283)	(59,158,572)	(239,765,023)	139,502,908	450,431,909	8,352,046	70,179,436	99,997,207

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.5 Off-balance sheet items

The Group provides guarantees and letters of credit to customers based on their credit ratings and amounts of cash collateral. Usually, customers will not withdraw the amount committed by the Group in the guarantees or letters of credit in full, therefore, the amounts of funds provided for guarantees and letters of credit are commonly lower than other commitments of the Group. Meanwhile, the Group may be discharged of its obligations due to overdue or termination of the commitments. As a result, the contractual amounts for credit commitments do not represent the actual funds required.

As at 30 June 2023	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptance	63,806,224	–	–	63,806,224
Letters of credit	29,782,179	1,648,163	–	31,430,342
Letters of guarantee	6,821,177	29,464,129	1,100	36,286,406
Loan commitments	424,990	70,000	–	494,990
Unused credit card lines	6,206,861	35,144,338	70,079	41,421,278
Total	107,041,431	66,326,630	71,179	173,439,240

As at 31 December 2022	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptance	66,038,457	–	–	66,038,457
Letters of credit	24,247,898	–	–	24,247,898
Letters of guarantee	27,156,099	11,407,208	300	38,563,607
Loan commitments	705,532	70,000	–	775,532
Unused credit card lines	3,031,097	38,845,785	3,460	41,880,342
Total	121,179,083	50,322,993	3,760	171,505,836

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.4 Fair value of financial assets and liabilities

(a) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts and issued structured debt in the interbank market. The sources of input parameters such as LIBOR yield curve or counterparty credit risk are Thomson Reuters, Bloomberg and China Bond.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable inputs.

(b) Financial instruments not measured at fair value

Fair value estimates are made in accordance with relevant market information and information related to various financial instruments at a particular point in time. The fair values of all kinds of financial instruments are based on the following methods and assumptions:

- (1) Balances with the central bank, deposits and placements with banks, financial assets held under resale agreements, deposits and placements from banks, financial assets sold under repurchase agreements, other assets and other liabilities

Since these financial instruments are in short-term or under floating interest rate linked to market interest rate, their carrying values approximate to the fair values.

- (2) Loans and advances to customers at amortised cost

Since most loans and advances to customers are repriced at least annually according to market interest rate, their carrying values approximate to the fair values.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.4 Fair value of financial assets and liabilities (Continued)

(b) Financial instruments not measured at fair value (Continued)

(3) Deposits from customers

The fair values of checking accounts, savings accounts and a short-term money market deposit shall be the amounts currently payable to customers. The fair value of a time deposit is calculated based on the discounted cash flow method, and the discount rate is the current rate of a time deposit of which the term is similar to the remaining term of the time deposit being valued. At the end of the reporting period, the carrying value of deposits from customers approximates to the fair value.

(4) Finance lease receivables

The balance of finance lease receivables is calculated based on the effective interest rate method. Since the actual interest rate of a financial leasing is adjusted on a timely basis to the interest rate that the PBOC stipulates, the carrying value approximates to the fair value.

The table below summarizes the carrying amounts and the fair values of those financial assets and liabilities not presented at their fair value on the Group's balance sheet date.

	As at 30 June 2023				
	Carrying value	Level 1	Fair value Level 2	Level 3	Total
Financial assets					
Financial investments					
– Financial assets at amortised cost	354,284,304	–	357,946,256	–	357,946,256
Financial liabilities					
Debt securities issued	(184,190,409)	–	(182,761,623)	–	(182,761,623)

	As at 31 December 2022				
	Carrying value	Level 1	Fair value Level 2	Level 3	Total
Financial assets					
Financial investments					
– Financial assets at amortised cost	334,781,873	–	338,812,983	–	338,812,983
Financial liabilities					
Debt securities issued	(218,002,133)	–	(215,982,460)	–	(215,982,460)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.4 Fair value of financial assets and liabilities (Continued)

(b) Financial instruments not measured at fair value (Continued)

(i) Financial assets at amortised cost

Financial assets at amortised cost whose fair values are based on quoted market prices are included in level 1. As for financial assets at amortised cost, when such information is not available and the estimated fair value represents the discounted amount of estimated future cash flows expected to be received based on observable yield curves or quoted market prices for products with similar credit, maturity and yield characteristics used where applicable, the fair value measurement will be included in level 2 or level 3.

(ii) Debt securities in issued

If the fair value is based on quoted market prices, the fair value measurement will be included in level 1. When all significant inputs required to fair value are observable, they are included in level 2.

The other financial instruments not measured at fair value in the consolidated financial statements are at the present value of the estimated future cash flows based on observable yield curves. Due to their short duration or the floating rate which is mark to market, the difference between carrying value and fair value of these financial assets is not significant.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.4 Fair value of financial assets and liabilities (Continued)

(c) Financial instruments measured at fair value

As at 30 June 2023	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (excluding interest receivable)				
– Debt securities	–	30,448,271	–	30,448,271
– Interbank certificates of deposit	–	912,820	–	912,820
– Asset management schemes by securities firms or trust companies	48,918,899	58,551,898	–	107,470,797
– Wealth management products	–	4,033,307	–	4,033,307
– Equity investment	928,155	–	–	928,155
Derivative financial assets	–	189,297	–	189,297
Financial assets at fair value through other comprehensive income (excluding interest receivable)				
– Debt securities	–	142,136,005	–	142,136,005
– Interbank certificates of deposit	–	2,455,347	–	2,455,347
– Equity securities	–	304,689	–	304,689
Loans and advances to customers at fair value through other comprehensive income				
– Discounted bills	–	30,683,163	–	30,683,163
Total assets	49,847,054	269,714,797	–	319,561,851
Derivative financial liabilities	–	(195,512)	–	(195,512)
Total liabilities	–	(195,512)	–	(195,512)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.4 Fair value of financial assets and liabilities (Continued)

(c) Financial instruments measured at fair value (Continued)

As at 31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (excluding interest receivable)				
– Debt securities	–	25,905,138	–	25,905,138
– Interbank certificates of deposit	–	196,078	–	196,078
– Asset management schemes by securities firms or trust companies	29,336,639	60,588,537	–	89,925,176
– Wealth management products	–	4,541,600	–	4,541,600
– Equity investment	993,250	–	–	993,250
Derivative financial assets	–	129,682	–	129,682
Financial assets at fair value through other comprehensive income (excluding interest receivable)				
– Debt securities	–	137,067,205	–	137,067,205
– Equity securities	–	292,117	–	292,117
Loans and advances to customers at fair value through other comprehensive income				
– Discounted bills	–	43,509,833	–	43,509,833
Total assets	30,329,889	272,230,190	–	302,560,079
Derivative financial liabilities	–	(116,985)	–	(116,985)
Total liabilities	–	(116,985)	–	(116,985)

The Group uses valuation techniques to determine the fair value of financial instruments when quoted prices in active markets are not available.

Financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments are stated at fair value with reference to the quoted market prices when available. If quoted market prices are not available, the fair values will be estimated using the discounted cash flow or pricing models. For debt securities, the fair values are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.5 Capital management

The Group takes sufficient measures of capital management to prevent inherent risks associated with the Group's business for the purpose of meeting external regulators' requirements and shareholders' expectation on returns. Capital management is also aimed to stimulate the expansion of capital scale and to improve risk management.

The Group prudently set the objective of capital ratio, taking into account regulatory requirements and the risk situation the Group faces. The Group takes a variety of actions such as limits management to ensure the realization of the objectives and to proactively adjust its capital structure in line with economic development and risk characteristics. Generally, the measure of capital structure adjustment includes the modification of dividend distribution plan, raising new capital and issuance of new bonds.

On 1 January 2013, the Group implemented "The Trial Measures for Capital Management of Commercial Banks" promulgated by the CBRC on 7 June 2012.

The table below summarizes the capital adequacy ratios of the Group as at 30 June 2023 and 31 December 2022:

		As at 30 June 2023	As at 31 December 2022
Common Equity Tier-one			
Capital Adequacy Ratio	(a)	8.57%	8.60%
Tier-one Capital Adequacy Ratio	(a)	9.42%	9.53%
Capital Adequacy Ratio	(a)	11.80%	12.02%
Common Equity Tier-one Capital	(b)	119,792,742	111,852,410
Common shares		13,889,801	13,889,801
Capital reserve and other comprehensive income		17,495,220	16,130,725
Surplus reserve and General reserve		36,113,109	33,002,142
Undistributed profits		49,784,429	46,585,163
Eligible portion of minority interests		2,510,183	2,244,579
Deductible items from Common Equity Tier-one Capital	(c)	(15,543,496)	(16,529,307)
Net Common Equity Tier-one Capital		104,249,246	95,323,103
Additional Tier-one Capital	(d)	10,324,031	10,289,343
Net Tier-one Capital		114,573,277	105,612,446
Tier-two Capital	(e)	28,935,625	27,540,773
Tier 2 Capital Instruments issued and related premium		14,000,000	14,000,000
Excess loan loss provisions		14,273,971	12,949,689
Eligible portion of non-controlling interests		661,654	591,084
Net capital		143,508,902	133,153,219
Risk-weighted assets	(f)	1,215,918,171	1,107,824,126

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.5 Capital management (Continued)

Pursuant to the “Capital Rules for Commercial Banks (Provisional)”:

- (a) The scope of consolidation related to the calculation of the Group’s Capital Adequacy Ratios includes Institutions and affiliated financial subsidiaries specified in the Regulation. The Common Equity Tier-one Capital Adequacy Ratio is calculated as Net Common Equity Tier-one Capital divided by risk-weighted assets. The Tier-one Capital Adequacy Ratio is calculated as Net Tier-one Capital divided by Risk-weighted Assets. The Capital Adequacy Ratio is calculated as Net Capital divided by Risk-weighted Assets.
- (b) The Group’s Common Equity Tier-one Capital includes ordinary share capital, capital reserve (subject to regulatory limitations), surplus reserve, general reserve, retained earnings and non-controlling interests (to the extent permitted in the Common Equity Tier-one Capital under the Regulation).
- (c) The Group’s Deductible Items from Common Equity Tier-one Capital include other intangible assets (excluding land-use rights), and common equity Tier-one Capital Investments in financial institutions over which the Group has control but are out of the regulatory consolidation scope for the Capital Adequacy Ratio calculation.
- (d) The Group’s Additional Tier-one Capital includes preference shares and non-controlling interests (to the extent permitted in the Additional Tier-one Capital definition under the Regulation).
- (e) The Group’s Tier-two Capital includes Tier-two Capital Instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and minority interests (to the extent permitted in the definition of Tier-two Capital under the Regulation).
- (f) Risk-weighted Assets include Credit Risk-weighted Assets Market Risk-weighted Assets and Operational Risk-weighted Assets.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.6 Fiduciary activities

The Group provides custodian and trustee services to third parties. These assets arising thereon are excluded from the consolidated financial statements. The Group also grants entrusted loans on behalf of third-party lenders, which are not included in the consolidated financial statements either.

	As at	As at
	30 June 2023	31 December 2022
Entrusted loans	34,132,676	35,487,178
Entrusted wealth management products	182,044,732	211,489,029

49 SUBSEQUENT EVENTS

1 Issuance of financial bonds

With the approval of the People's Bank of China, the bank completed the issuance of the "Huishang Bank Co., Ltd. 2023 Financial Bonds" in the national interbank bond market in July 2023, with a total issuance amount of RMB20 billion. The funds raised by bonds will be used to meet the issuer's asset liability allocation needs, enrich funding sources, optimize debt maturity structure, and promote stable business development.

Except for the above matter, the Group has no significant subsequent events.

Appendix I – Unaudited Supplementary Financial Information

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

According to Hong Kong Listing Rules and disclosure requirements of the banking industry, the Group discloses the following supplementary financial information:

1 LIQUIDITY RATIOS

	As at 30 June 2023	As at 31 December 2022
RMB current assets to RMB current liabilities	72.83%	71.94%
Foreign currency current assets to foreign currency current liabilities	27.94%	98.43%

2 CURRENCY CONCENTRATIONS

	USD	EUR	Others	Total
As at 30 June 2023				
Spot assets	3,671,294	31,859	372,367	4,075,520
Spot liabilities	(3,925,344)	(16,575)	(45,775)	(3,987,694)
Forward purchases	395,636	27,297	681,014	1,103,947
Forward sales	(1,539,075)	(30,515)	(585,953)	(2,155,543)
Net long/(short) position	(1,397,489)	12,066	421,653	(963,770)
As at 31 December 2022				
Spot assets	5,152,753	3,042,196	84,755	8,279,704
Spot liabilities	(8,499,285)	(60,371)	(45,375)	(8,605,031)
Forward purchases	246,304	42,472	–	288,776
Forward sales	(1,274,455)	(45,948)	(481,442)	(1,801,845)
Net long/(short) position	(4,374,683)	2,978,349	(442,062)	(1,838,396)

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

3 INTERNATIONAL CLAIMS

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Chinese Mainland, and regards all the claims on third parties outside Chinese Mainland as cross border claims.

International claims include balances with the central bank, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held for trading, financial assets designated at fair value through profit or loss, loans and advances to customers, financial assets held under resale agreements, financial assets at fair value through other comprehensive income and financial assets at amortised cost.

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

	Banks and other financial institutions	Non-bank private institutions	Total
As at 30 June 2023			
Asia Pacific (excluding Chinese mainland)	116,143	1,907,402	2,023,545
– Hong Kong	17,107	1,907,402	1,924,509
Europe	13,408	–	13,408
North and South America	718,241	–	718,241
Oceania	2,504	–	2,504
Total	850,296	1,907,402	2,757,698
As at 31 December 2022			
Asia Pacific (excluding Chinese mainland)	89,356	1,742,259	1,831,615
– Hong Kong	21,983	1,742,259	1,764,242
Europe	31,023	–	31,023
North and South America	522,162	–	522,162
Oceania	14,686	–	14,686
Total	657,227	1,742,259	2,399,486

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

4 LOANS AND ADVANCES TO CUSTOMERS

4.1 Overdue loans and advances to customers

Total amounts of overdue loans and advances to customers:

	As at 30 June 2023	As at 31 December 2022
Total loans and advances to customers which have been overdue:		
Within 3 months	4,289,447	3,716,763
Within 3 to 6 months (inclusive)	1,822,286	1,193,123
Within 6 to 12 months	1,240,458	1,440,316
Over 12 months	3,771,151	6,851,439
Total	11,123,342	13,201,641
By percentage:		
Within 3 months	38.56%	28.15%
Within 3 to 6 months (inclusive)	16.38%	9.04%
Within 6 to 12 months	11.15%	10.91%
Over 12 months	33.91%	51.90%
Total	100.00%	100.00%

Total amounts of overdue loans and advances to customers and allowance assessment by geographic segment:

	Anhui Province	Jiangsu Province	Other	Total
As at 30 June 2023				
Overdue loans and advances to customers	7,514,148	1,724,214	1,884,980	11,123,342
Individually assessed	(5,286,432)	(1,611,772)	(1,667,910)	(8,566,114)
As at 31 December 2022				
Overdue loans and advances to customers	9,587,917	1,439,776	2,173,948	13,201,641
Individually assessed	(7,377,519)	(1,307,715)	(1,946,082)	(10,631,316)

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

4 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

4.1 Overdue loans and advances to customers (Continued)

Fair value of collateral against overdue loans and advances to customers:

	As at 30 June 2023	As at 31 December 2022
Fair value of collateral		
Corporate loans	8,887,889	9,112,492
Personal loans and advances	2,169,990	2,176,992
Total	11,057,879	11,289,484

4.2 Identified impaired loans and advances

	Anhui Province	Jiangsu Province	Others	Total
As at 30 June 2023				
Identified impaired loans and advances for which allowance is:				
Individually assessed	7,058,508	2,212,499	1,950,895	11,221,902
	(6,102,486)	(2,210,756)	(1,775,628)	(10,088,870)
As at 31 December 2022				
Identified impaired loans and advances for which allowance is:				
Individually assessed	7,585,934	1,718,128	2,056,870	11,360,932
	(7,172,097)	(1,757,473)	(1,983,624)	(10,913,194)

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

Huishang Bank Co., Ltd. makes a supplementary disclosure of the following information in accordance with the former CBIRC:

1. SIGNIFICANT RELATED PARTY TRANSACTIONS APPROVED BY THE BOARD OF DIRECTORS

In the first half of 2023, Huishang Bank Co., Ltd. approved a proposal on the significant related party transactions in accordance with the “Administrative Measures on Related Transactions between Commercial Banks and Insiders and Shareholders”, “Interim Measures on the Management of Equity of Commercial Banks” and other provisions, the details are as follows:

Date of approval by the board of directors	Content	New facility amount (including low risk amount)	Remarks	
2023/2/10	The 50th Meeting of the 4th board of directors	Proposal on the approval of related party transactions between Huishang Bank and Anhui Publishing Group Co., Ltd. with the companies related	4,000,000	
		Proposal on the approval of related party transactions between Huishang Bank and Anhui High Speed Investment Real Estate Development Co., Ltd. with the companies related	1,800,000	
2023/3/30	The 51st Meeting of the 4th board of directors	Proposal on the approval of related party transactions between Huishang Bank and Anhui Province Energy Group Co., Ltd. with the companies related	4,609,000	Indirectly to Huaibei Guoan Power Co., Ltd. 50 million credit line
		Proposal on the approval of related party transactions between Huishang Bank and China Vanke Co., Ltd. with the companies related	1,500,000	
		Proposal on the approval of related party transactions between Huishang Bank and Anhui Guoyuan Shareholdings (Group) Co., Ltd. with the companies related	4,360,000	
		Proposal on the approval of related party transactions between Huishang Bank and Chery Huiyin Motor Finance Service Co., Ltd. with the companies related	4,000,000	
2023/5/15	The 52nd Meeting of the 4th board of directors	Proposal on the approval of related party transactions between Huishang Bank and Anhui Provincial Communications Holding Group Co., Ltd. with the companies related	17,974,112	
2023/6/29	The 54th Meeting of the 4th board of directors	Proposal on the approval of related party transactions between Huishang Bank and Huishang Bank Financial Leasing Co., Ltd. with the companies related	11,000,000	

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

2. IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS

As of the end of the second quarter of 2023, the significant related party transactions between Huishang Bank Co., Ltd. and the related parties under the former CBIRC's definition are as follows:

2.1 *The amount of a single related party transaction accounting for more than 1% of the net capital of the commercial bank*

As of the end of the second quarter of 2023, Huishang Bank had no single transaction amount with a single related party that reached over 1% of the net capital at the end of the previous quarter.

2.2 *The balances of related party transactions accounting for more than 5% of the net capital of the commercial bank*

(1) **Hefei Xingtai Financial Holdings (Group) Co., Ltd. and its related companies**

Related party	Transaction type	Amount	Remarks
Hefei Xing Tai Financial Holding Group Co., Ltd.	Floating capital loans	687,500	
	Charge underwriting fees	148	
	Investment in bonds	295,000	
	Bond balance underwriting limit	300,000	
Anhui Xingtai Financial Leasing Co., Ltd.	Floating capital loans	542,000	
	Domestic letter of credit	282,000	
	Investment in bonds	137,678	
Hefei Xingtai Asset Management Co., Ltd.	Floating capital loans	50,000	
Hefei Xingtai Commercial Factoring Co., Ltd.	Floating capital loans	100,000	
Anhui Xingtai Financing Guarantee Group Co., Ltd.	Kuai e-Loan Guarantee Fee	1	
	E-bidding guarantee	8,580	
	Time deposit	221,963	
Hefei Xingtai Technology Credit Guarantee Co., Ltd.	Compensation fees paid by the guarantee company to the bank	6,470	
CCB Trust Co., Ltd.	Interest of reverse repurchase	6	
	Interest of interbank deposit	12,366	
	Trustee fee of trust scheme	21	
Huafu Fund Management Co., Ltd.	Interest of reverse repurchase	2,474	
	Interest of interbank deposit	1,789	
	Fund management fee	395	
	Cash bond trading	120,000	
	Intermediate income	0.1	
	Trustee fee of fund products	616	

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

2. IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

2.2 The balances of related party transactions accounting for more than 5% of the net capital of the commercial bank (Continued)

(1) Hefei Xingtai Financial Holdings (Group) Co., Ltd. and its related companies (Continued)

Related party	Transaction type	Amount	Remarks
CCB Principal Asset Management Co., Ltd.	Management fee of asset management plan	2,894	
	Interest of reverse repurchase	8,517	
	Interest of interbank deposit	38,125	
	Cash bond trading	943,000	
	Trustee fee of fund	2,091	
	Interest of time deposit	37,821	
CCB Principal Capital Management Co., Ltd.	Cash bond trading	290,000	
Hefei Guokong Construction Financing Guarantee Co., Ltd	E-bidding guarantee	105,239	
	Separate letter of guarantee	454,606	
	Compensation fees paid by the guarantee company to the bank	10,250	
Hefei Urban Construction Development Co., Ltd.	Time deposit	100,245	
	Domestic forfaiting under letter of credit	2,469	
Anhui Amber Property Service Co., Ltd.	Property management fees	26	
Anhui Public Resources Trading Group Co., Ltd.	Time deposit	404,000	
Anhui Public Resources Project Management Co., Ltd.	Bidding service charge	13	
Hefei Property Rights Trading Center	Bid deposits charge	18	
Suzhou Security Service Co., Ltd.	Security expense	995	
Chizhou Security Guard Service Co., Ltd.	Security expense	600	
Hefei Security Group Co., Ltd.	Security expense	9,148	
Ma'anshan MCC Hi Tech Construction Co., Ltd.	Fixed assets loan	323,650	
Hefei Xingtai Commercial Assets Operation Co., Ltd.	Time deposit	22,647	

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

2. IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

2.2 The balances of related party transactions accounting for more than 5% of the net capital of the commercial bank (Continued)

(1) Hefei Xingtai Financial Holdings (Group) Co., Ltd. and its related companies (Continued)

Related party	Transaction type	Amount	Remarks
Changfeng County Sme Credit Guarantee Center	Time deposit	6,093	
Hefei Tongka Co., Ltd	Time deposit	90,000	
Hefei Urban Construction Beicheng Real Estate Co., Ltd.	Real estate project loans	263,000	
China Construction Bank Corporation	Collection fees for bank acceptance bills	1,288,000	
	Sell business at a discount	1,152,000	
	Transfer discount buyout business	1,753,000	
	Investment in asset management plan	5,530,000	
	Interest of repurchase	26,882	
	Interest of reverse repurchase	32,929	
	Cash bond trading	3,550,000	
	Interbank Certificate of Deposit	365	
	Interbank deposits	3,682	
	Payment discount bank acceptance bill	417,329	
	Forward transaction	44,755	
	Spot transaction	526,226	
	Interest of foreign currency borrowing and lending	4,004	
	Handling fees for issuing letters of credit on behalf of others	751	
Hexin Real Estate Evaluation Co., Ltd.	Assessment Fee	95	
MCC Jianxin Investment Fund Management (Beijing) Co., Ltd.	Trustee fee of fund	171	
Hefei Xingtai Equity Investment Management Co., Ltd.	Floating capital loans	50,000	

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

3. RELATED PARTY TRANSACTIONS WITH RELATED NATURAL PERSONS

The related natural persons of the Bank (in accordance with the “Administrative Measures on Related Transactions between Commercial Banks and Insiders and Shareholders”) mainly include: (1) natural person shareholders of the banking and insurance institutions, the actual controller, persons acting in concert and final beneficiaries; (2) other natural persons that have a significant influence on the banking and insurance institutions and persons who hold less than 5% of the equity but have a significant influence on the management of the banking and insurance institutions; (3) shareholders, directors, and senior managers of the head office and other significant branches and legal persons who have the authority to give permissions or decide on core business such as large credit, asset transfer and insurance fund application; (4) spouses, parents, children who are already adults and siblings of the people mentioned in the articles of 1-3 above. (5) Shareholders, directors and senior managers of the related party mentioned in the 1st and 2nd terms in the 7th article. The Bank’s natural person shareholders hold or control less than 5% of the equity, and the Bank has no major natural person shareholders.

As at the end of the second quarter of 2023, the balance of related party transactions by related natural persons of the Bank was RMB125,626 thousand, which mainly comprised personal housing loans, personal comprehensive consumption revolving loans, credit card overdrafts, and other services. The total of time deposits and other related transactions is RMB294,405 thousand. All the related transactions by related natural persons are normal related party transactions.



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