



甘肅銀行股份有限公司*

BANK OF GANSU CO., LTD.*

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

Stock code: 2139



2022 INTERIM REPORT

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

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Chapter 1

Definitions

In this interim report, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Articles of Association” or “Articles”	the articles of association of the Bank
“Baiyin City Commercial Bank”	the former Baiyin City Commercial Bank Co., Ltd. (白銀市商業銀行股份有限公司). In May 2011, 25 legal entities, all shareholders of Baiyin City Commercial Bank and all shareholders of Pingliang City Commercial Bank jointly promoted and incorporated the Bank
“Bank” or “our Bank”	Bank of Gansu Co., Ltd. (甘肅銀行股份有限公司), a joint stock company incorporated in Gansu Province, the PRC on November 18, 2011 with limited liability in accordance with PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Banking Ordinance”	Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Board of Directors” or “Board”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“CBRC”	the former China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CBIRC Gansu Office”	the China Banking and Insurance Regulatory Commission Gansu Office (中國銀行保險監督管理委員會甘肅監管局)
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for in Renminbi or credited as paid up
“Gansu Electric Power Investment”	Gansu Province Electric Power Investment Group Co., Ltd. (甘肅省電力投資集團有限公司), a company incorporated in the PRC on July 15, 1990, and a wholly-owned subsidiary of Gansu State-owned Assets Investment. As of the Latest Practicable Date, Gansu Electric Power Investment held approximately 4.21% of the Shares of the Bank

“Gansu Highway Aviation Tourism”	Gansu Province Highway Aviation Tourism Investment Group Co., Ltd. (甘肅省公路航空旅遊投資集團有限公司), a company incorporated in the PRC on December 24, 1999, which is wholly-owned by Gansu SASAC. As of the Latest Practicable Date, Gansu Highway Aviation Tourism held approximately 18.30% of the Shares of the Bank. It is a substantial Shareholder and connected person of the Bank
“Gansu SASAC”	the State-owned Assets Supervision and Administration Commission of the Gansu Provincial Government (甘肅省人民政府國有資產監督管理委員會)
“Gansu State-owned Assets Investment”	Gansu Province State-owned Assets Investment Group Co., Ltd. (甘肅省國有資產投資集團有限公司), a company incorporated in the PRC on November 23, 2007, and 84% of its equity interest owned by Gansu SASAC and 16% of its equity interest owned by Jiuquan Iron & Steel. As of the Latest Practicable Date, it directly held approximately 12.67% of the Shares of the Bank, and indirectly held approximately 10.74% of the Shares of the Bank through its subsidiaries, including Gansu Electric Power Investment and Jinchuan Group. It is a substantial Shareholder and connected person of the Bank
“GDP”	gross domestic product
“GRC system”	the internal control, compliance and operational risk management system
“H Share(s)”	ordinary shares issued by the Bank in Hong Kong pursuant to the global offering, with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed and traded on the Hong Kong Stock Exchange
“HK\$, “HKD” or “HK dollars”	Hong Kong Dollars, the lawful currency of Hong Kong
“HKMA”	the Hong Kong Monetary Authority
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (《香港聯合交易所有限公司證券上市規則》), as amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards, International Accounting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
“independent third party”	a person or entity not considered a connected person or associate of a connected person of the Bank under the Hong Kong Listing Rules
“Jinchuan Group”	Jinchuan Group Co., Ltd. (金川集團股份有限公司), a company incorporated in the PRC on September 28, 2001, of which Gansu State-owned Assets Investment is the largest shareholder, holding 47.97% of its equity interests. As of the Latest Practicable Date, Jinchuan Group held approximately 6.53% of the Shares of the Bank

Chapter 1 Definitions

“Jingning Chengji Rural Bank”	Pingliang Jingning Chengji Rural Bank Co., Ltd., a joint stock company with limited liability incorporated in the PRC on September 18, 2008 and a subsidiary of the Bank
“Jiuquan Iron & Steel”	Jiuquan Iron & Steel (Group) Co., Ltd. (酒泉鋼鐵(集團)有限責任公司), a company incorporated in the PRC on May 26, 1998, and 68.42% of its equity interest owned by Gansu SASAC and 31.58% of its equity interest owned by Gansu State-owned Assets Investment. As of the Latest Practicable Date, Jiuquan Iron & Steel held approximately 6.53% of the Shares of the Bank
“Latest Practicable Date”	August 30, 2022, the latest practicable date for ascertaining certain information in this interim report before its publication
“Listing”	the listing of our H Shares on the Hong Kong Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
“NPL ratio” or “non-performing loan ratio”	the percentage ratio calculated by dividing non-performing loans by total loans
“NPLs” or “non-performing loans”	loans classified as substandard, doubtful and loss according to the five-category loan classification system of the Bank
“PBoC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Pingliang City Commercial Bank”	the former Pingliang City Commercial Bank Co., Ltd. (平涼市商業銀行股份有限公司). In May 2011, 25 legal entities, all shareholders of Baiyin City Commercial Bank and all shareholders of Pingliang City Commercial Bank jointly promoted and incorporated the Bank
“PRC” or “China”	the People’s Republic of China, but for the purpose of this interim report only, excluding Hong Kong, Macau and Taiwan Region of PRC, unless otherwise specified in the context
“PRC GAAP”	the PRC Accounting Standards for Business Enterprises (中國企業會計準則) promulgated by MOF on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
“provincial city commercial bank(s)”	local city commercial bank(s), whose establishment was promoted by the provincial government
“Reporting Period”	the six months ended June 30, 2022 (namely from January 1, 2022 to June 30, 2022)
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time

“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares in the share capital of the Bank with a nominal value of RMB1.00 each
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Supervisor(s)”	the supervisor(s) of the Bank
“United States” or “U.S.”	the United States of America
“US\$”, “USD” or “U.S. dollar(s)”	U.S. dollars, the lawful currency of the United States of America
“we”, “us”, “our”, “Group” or “our Group”	the Bank and its subsidiary on a consolidated basis

In this interim report:

- *Certain amounts and percentage figures included in this interim report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*
- *Unless the context otherwise requires, the terms “associate(s)”, “close associate(s)”, “connected person(s)”, “connected transaction(s)”, “core connected person(s)” and “substantial shareholder(s)” have the meanings given to such terms in the Hong Kong Listing Rules.*
- *For the ease of reference, in this interim report, unless otherwise indicated, the terms “gross loans and advances to customers”, “loans” and “grant of loans” are used synonymously.*
- *If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.*

Chapter 2

Bank Profile

I. BASIC INFORMATION OF THE BANK

Legal Name of the Company in Chinese	:	甘肅銀行股份有限公司
Legal Name of the Company in English	:	Bank of Gansu Co., Ltd.
Legal Representative	:	Liu Qing
Authorized Representatives	:	Liu Qing, Wong Wai Chiu
Secretary to the Board of Directors	:	Hao Jumei
Company Secretary	:	Wong Wai Chiu
Registered Address	:	525-1 Donggang West Road, Chengguan District, Lanzhou City, Gansu Province, the PRC
Customer Service Hotline	:	+86 400 86 96666
Telephone	:	+86 931 877 0491
Facsimile	:	+86 931 877 1877
Website of the Bank	:	www.gsbankchina.com
Principal Place of Business in Hong Kong	:	40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong
H Share Information Disclosure Website	:	www.hkexnews.hk
Stock Listing Place, Stock Short Name and Stock Code	:	The Stock Exchange of Hong Kong Limited, BANK OF GANSU, 2139
Domestic Shares Trustee Agency	:	China Securities Depository and Clearing Corporation Limited
H Share Registrar	:	Computershare Hong Kong Investor Services Limited
PRC Legal Adviser	:	Grandall Law Firm (Shanghai)
Hong Kong Legal Adviser	:	Latham & Watkins LLP
Domestic Auditor	:	Shinewing Certified Public Accountants LLP
International Auditor	:	SHINEWING (HK) CPA Limited
Place of Inspection of the Interim Report	:	Office of the Board of the Bank

II. HISTORY OF THE BANK

In light of the lack of provincial city commercial banks in Gansu province and in order to promote the economic development of Gansu province, the People's Government of Gansu Province decided to establish a provincial city commercial bank by building on the foundations of Baiyin City Commercial Bank and Pingliang City Commercial Bank. Therefore, on May 30, 2011, 25 legal entities (including large and medium-sized SOEs in Gansu province and private enterprises in and outside Gansu province) and representatives of all shareholders of both Baiyin City Commercial Bank and Pingliang City Commercial Bank jointly entered into a promoters agreement in respect of Dunhuang Bank Co., Ltd. (敦煌銀行股份有限公司). Pursuant to the agreement, the 25 legal entities contributed cash and all shareholders of both Baiyin City Commercial Bank and Pingliang City Commercial Bank contributed the appraised net assets of Baiyin City Commercial Bank and Pingliang City Commercial Bank, respectively, to jointly incorporate Dunhuang Bank Co., Ltd.. On August 24, 2011, the General Office of the People's Government of Gansu Province approved the change to the name of the Bank to be incorporated from the former "Dunhuang Bank Co., Ltd." to "Bank of Gansu Co., Ltd.". On September 27, 2011, the CBIRC approved the establishment of the Bank. On November 18, 2011, the CBIRC Gansu Office approved the commencement of business of the Bank and the conversion of Baiyin City Commercial Bank, Pingliang City Commercial Bank and their branches and sub-branches into Baiyin Branch, Pingliang Branch and its sub-branches. On the same day, the Bank was granted the enterprise business license by the Administration for Industry and Commerce of Gansu Province and was formally incorporated under the Company Law of the People's Republic of China. The Bank is the only provincial city commercial bank in Gansu province.

The registered address of the Bank is 525-1 Donggang West Road, Chengguan District, Lanzhou City, Gansu Province, the PRC. The Bank has established a principal place of business in Hong Kong at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong and was registered as a non-Hong Kong company on June 28, 2017 under Part XVI of the Companies Ordinance. The Bank appointed Mr. Wong Wai Chiu as the Bank's authorized representative for the acceptance of service of process and notices in Hong Kong. The address for service of process on the Bank in Hong Kong is the same as the Bank's principal place of business in Hong Kong.

As the Bank was established in the PRC, the Bank's corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. The Bank carries on banking business in the PRC under the supervision and regulation of the CBIRC and the PBoC. The Bank is not an authorized institution within the meaning of the Banking Ordinance, and is not subject to the supervision of the HKMA, nor authorized to carry on banking and/or deposit-taking business in Hong Kong.

The Bank's H Shares were listed on the Main Board of the Hong Kong Stock Exchange on January 18, 2018.

III. AWARDS OF THE BANK IN THE FIRST HALF YEAR OF 2022

Awards and Honors	Awarding Parties/Media
Ranked 301st among the 2022 Top 1,000 World Banks (59th among Chinese banks)	The Banker Magazine
Ranked 435th among the 2022 Top 500 Most Valuable Global Banking Brands	The Banker Magazine
2021 Provincial Governor Financial Award (2021年度省長金融獎)	The People's Government of Gansu Province
Outstanding Case of Digital Transformation in Chinese Banking Industry for 2021	China's Insurance Quote (中國銀行保險報)
Gold Medal in "Digital Finance Innovation Competition"	Cebnet (中國電子銀行網)

Chapter 3

Financial Highlights

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Percentage change (%)	Year ended December 31, 2021
	2022 (unaudited)	2021 (unaudited)		
Results of operations				
Interest income	6,759.8	6,918.7	(2.3)	13,676.2
Interest expenses	(4,388.3)	(4,527.8)	(3.1)	(8,752.0)
Net interest income	2,371.5	2,390.9	(0.8)	4,924.2
Fee and commission income	242.2	191.3	26.6	392.4
Fee and commission expenses	(15.6)	(24.5)	(36.3)	(41.6)
Net fee and commission income	226.6	166.8	35.9	350.8
Net trading gains	257.9	415.0	(37.9)	953.1
Net gains arising from investment securities	36.0	64.4	(44.1)	192.1
Net exchange gains/(losses)	118.3	(59.1)	(300.2)	(148.5)
Other operating (expense)/income, net	(2.8)	2.2	(227.3)	5.9
Operating income	3,007.5	2,980.2	0.9	6,277.6
Operating expenses	(975.7)	(922.5)	5.8	(2,289.0)
Impairment losses on assets, net of reversals	(1,740.1)	(1,692.4)	2.8	(3,438.3)
Operating profit	291.7	365.3	(20.1)	550.3
Share of results of an associate	0.1	0.3	(66.7)	0.1
Profit before tax	291.8	365.6	(20.2)	550.4
Income tax credit	103.5	17.1	505.3	22.9
Profit for the period	395.3	382.7	3.3	573.3
Profit for the period attributable to:				
– Owners of the Bank	393.9	381.4	3.3	570.7
– Non-controlling interests	1.4	1.3	7.7	2.6
Profit for the period	395.3	382.7	3.3	573.3
Basic earnings per share (RMB)	0.03	0.03	0.00	0.04
Diluted earnings per share (RMB)	0.03	0.03	0.00	0.04

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

Chapter 3 Financial Highlights

(Expressed in millions of RMB, unless otherwise stated)	As at June 30, 2022 (unaudited)	As at December 31, 2021	Percentage change (%)
Major indicators of assets/liabilities			
Total assets	374,759.8	358,504.6	4.5
Of which: total loans and advances to customers	207,428.5	198,595.3	4.4
Total liabilities	342,331.9	326,448.2	4.9
Of which: deposits from customers	272,842.6	255,987.9	6.6
Total equity	32,428.0	32,056.4	1.2

	Six months ended June 30		Percentage change
	2022 (%) (unaudited)	2021 (%) (unaudited)	(%)
Profitability indicators (%)			
Return on assets ^{(1) (14)}	0.22	0.22	0.00
Return on equity ^{(2) (14)}	2.45	2.42	1.24
Net interest spread ^{(3) (14)}	1.43	1.63	(12.27)
Net interest margin ^{(4) (14)}	1.45	1.66	(12.65)
Net fee and commission income to operating income ratio ⁽⁵⁾	7.53	5.60	34.46
Cost-to-income ratio ⁽⁶⁾	30.78	29.15	5.59

	As at June 30, 2022 (%) (unaudited)	As at December 31, 2021 (%) (unaudited)	Percentage change (%)	As at June 30, 2021 (%) (unaudited)
Capital adequacy indicators (%)				
Core tier-one capital adequacy ratio ⁽⁷⁾	11.78	11.95	(1.42)	12.30
Tier-one capital adequacy ratio ⁽⁸⁾	11.78	11.95	(1.42)	12.30
Capital adequacy ratio ⁽⁹⁾	12.26	12.44	(1.45)	12.83
Shareholders' equity to total assets ratio	8.65	8.94	(3.24)	9.11
Assets quality indicators (%)				
Non-performing loan ratio	1.99	2.04	(2.45)	2.14
Provision coverage ratio ⁽¹⁰⁾	132.21	132.04	0.13	132.60
Provision to total loan ratio ^{(11) (12)}	2.63	2.70	(2.59)	2.84
Other indicators (%)				
Loan to deposit ratio ⁽¹³⁾	76.02	77.58	(2.01)	76.39

Chapter 3

Financial Highlights

Notes:

- (1) Calculated by dividing the net profit for a period by the average balance of total assets at the beginning and the end of that period.
- (2) Calculated by dividing the net profit for a period by the average balance of total equity at the beginning and the end of that period.
- (3) Represents the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing net fee and commission income by operating income.
- (6) Calculated by dividing total operating expenses (net of business tax and surcharges) by operating income.
- (7) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (8) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (9) Capital adequacy ratio = (total capital – corresponding capital deductions)/risk-weighted assets.
- (10) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans and advances.
- (11) Provision to total loan ratio = provision for impairment losses on loans/total loans and advances to customers.
- (12) In accordance with the relevant regulatory requirements, as a non-systematically important bank in China, the Bank made a provision to total loans at the minimum standard ratio of 2.5%.
- (13) Calculated by dividing total loans and advances to customers by total customer deposits. The loan to deposit ratio is no longer a regulatory ratio for PRC commercial banks under the amended Commercial Banking Law of the People's Republic of China, which became effective on October 1, 2015.
- (14) The ratio for the six months ended June 30, 2021 and 2022, respectively, is calculated on an annual basis.

Chapter 4

Management Discussion and Analysis

1. ENVIRONMENT AND PROSPECT

In the first half of the year, the global economic growth slowed, inflation remained high, while the geopolitical conflicts continued and international financial markets were showing high volatility. With the sporadic outbreak of COVID-19 at home, the situation of the pandemic prevention and control was generally improving but the task was still arduous. Economic development was under triple pressure from contraction of demand, supply shock, and expected weakening, and market players, especially micro, small and medium-sized enterprises, were under significantly increasing pressure. Faced with an exceptionally complex and difficult situation, under the strong leadership of the Central Committee of the CPC with Comrade Xi Jinping as the core, all regions and departments thoroughly implemented the decisions and plans of the Central Committee of the CPC and the State Council, efficiently coordinated the pandemic prevention and control and economic and social development, increased macro policy regulation, and effectively implemented a package of policy measures to stabilize the economy, leading to the effective control over the rebound of the pandemic, stabilisation and improving of national economy, marginally improving of production demand, basically stabilisation of market prices, vigorous and effective guarantee of people's livelihood and continuing high-quality development trend, with the overall social situation remaining stable.

In the first half of the year, gross domestic product (GDP) was RMB56.26 trillion, representing an increase of 2.5% year-on-year. By industry, the value added of primary, secondary and tertiary industries grew by 5.0%, 3.2% and 1.8% year-on-year respectively; inflation level picked up slightly, with national consumer price rising by 1.7% year-on-year and 2.3% year-on-year in the second quarter; the year-on-year increase in the industrial producer ex-factory price index continued to fall, rising by 7.7% year-on-year in the first half of the year, down 1 percentage point from the first quarter. The employment situation improved, with the surveyed urban unemployment rate averaging 5.7%, falling continuously in May and June. The manufacturing sector showed a resurgence in expansion, with the manufacturing purchasing managers' index (PMI) returning above the critical point in June.

From the perspective of the operation of the financial market, the demand of the real economy for financing recovered. The stock of social financing scale at the end of June was RMB334.27 trillion, representing an increase of 10.8% year-on-year, of which the balance of RMB denominated loans and foreign currency denominated loans granted to the real economy was RMB205.09 trillion and RMB2.33 trillion, respectively, representing an increase of 11.1% and 0.5% year-on-year; the balance of corporate bonds, government bonds and non-financial business domestic stock balances was RMB31.48 trillion, RMB57.72 trillion and RMB9.96 trillion, respectively, representing an increase of 10.1%, 19% and 14% year-on-year. Entrusted loans, trust loans and undiscounted bank acceptance bills all decreased year-on-year. From the perspective of structure, as of the end of June, the balance of RMB denominated loans granted to the real economy accounted for 61.4% of the stock of social financing in the same period, 0.2 percentage point higher than that of the corresponding period of the previous year; the balance of government bonds accounted for 17.3%, 1.2 percentage points higher than that of the corresponding period of the previous year; and the balance of domestic stocks of non-financial enterprises accounted for 3%, 0.1 percentage point higher than that of the corresponding period of the previous year.

Chapter 4

Management Discussion and Analysis

The economic operation of Gansu Province, where the Bank is located, showed a good trend of steady progress and quality improvement in the first half of the year, with the target and tasks for the first half of the year completed in a relatively satisfactory manner. A gross regional product of RMB523.5 billion was achieved, representing an increase of 4.2% year-on-year, with the added values of the primary, secondary and tertiary industries amounting to RMB35.50 billion, RMB195.40 billion and RMB292.63 billion, an increase of 7.6%, 4.1% and 3.8%, respectively. The added value of industries above the designated size across the province increased by 7.1% year-on-year, the total industrial output value of provincial enterprises increased by 30.59% year-on-year, and the fixed asset investment of the province increased by 10.9% year-on-year. The total retail sales of consumer goods of the province amounted to RMB201.30 billion.

At the 14th Party Congress of Gansu Province, it is pointed out that, after years of unremitting efforts, Gansu has been on a new starting point for development, entered a period of historical convergence featuring the overlapping of major national strategies and the strengthening of its own development potential, and been at a key stage of building up momentum and pursuing progress. In the next five years, Gansu Province will adhere to the general keynote of seeking progress in a stable manner and implement the general requirements of “three news and one high (namely, relying on new development stage, implementing new development concepts, creating new development patterns, and promote high-quality development)”, to build an important national clean energy and new materials base, an important science and innovation centre in the northwest region, a modern cold and arid agricultural highland, a open hub for “The Belt and Road” initiative, and a western ecological security barrier. It will promote the construction of a regional development pattern of “one core and three belts” and will also implement the “four strengthening” initiatives of strengthening science and technology, strengthening industry, strengthening provincial capital and strengthening counties. The Bank will deeply integrate into the overall development of the province, firmly grasp development opportunities, vigorously serve the real economy and strive to achieve high-quality development.

2. DEVELOPMENT STRATEGY

The Bank is committed to building itself into a “listed urban commercial bank with high-quality development and a comprehensive financial service provider of the first choice in the region”, with value creation as its core mission and high quality development as its core objective, to achieve balanced development in terms of scale, profitability, risk and capital.

To achieve the aforesaid goals, the Bank plans to: (i) build government financial business into a cornerstone business for high-quality development, realize transformation and development of traditional businesses such as retail and corporate, and turn emerging businesses such as special asset operation into profit growth points. (ii) continuously improve its risk and internal control and compliance capabilities, assets and liabilities management capabilities, omni-channel management capability, digitalization and other core capabilities; (iii) strengthen risk management and control and improve asset quality; (iv) promote the transformation of light capital and optimize the revenue structure; (v) give play to the advantages of provincial urban commercial banks and take the path of characteristics; (vi) strengthen customer management and enhance profit contribution; (vii) enrich the product system effectively and enhance market competitiveness; and (viii) optimize the structure of the talent team to empower high-quality development.

3. OVERALL BUSINESS REVIEW

The Bank's total operating income was RMB3,007.5 million for the six months ended June 30, 2022, representing an increase of 0.9% as compared with RMB2,980.2 million for the six months ended June 30, 2021. The Bank's net profit increased by 3.3% from RMB382.7 million for the six months ended June 30, 2021 to RMB395.3 million for the six months ended June 30, 2022. The Bank's operating income recorded a slight increase year on year; the net profit recorded a slightly year-on-year increase.

As at June 30, 2022, the Bank's total assets amounted to RMB374,759.8 million, representing an increase of 4.5% as compared with the end of 2021; total loans and advances to customers amounted to RMB207,428.5 million, representing an increase of 4.4% as compared with the end of 2021; the non-performing loan ratio was 1.99%, representing a decrease of 0.05 percentage point as compared with the beginning of 2022; total deposits from customers amounted to RMB272,842.6 million, representing an increase of 6.6% as compared with the end of 2021.

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Increase or decrease	Percentage change (%)
	2022	2021		
Interest income	6,759.8	6,918.7	(158.9)	(2.3)
Interest expenses	(4,388.3)	(4,527.8)	139.5	(3.1)
Net interest income	2,371.5	2,390.9	(19.4)	(0.8)
Fee and commission income	242.2	191.3	50.9	26.6
Fee and commission expenses	(15.6)	(24.5)	8.9	(36.3)
Net fee and commission income	226.6	166.8	59.8	35.9
Net trading gains	257.9	415.0	(157.1)	(37.9)
Net gains arising from investment securities	36.0	64.4	(28.4)	(44.1)
Net exchange gains/(losses)	118.3	(59.1)	177.4	(300.2)
Other operating (expense)/income, net	(2.8)	2.2	(5.0)	(227.3)
Operating income	3,007.5	2,980.2	27.3	0.9
Operating expenses	(975.7)	(922.5)	(53.2)	5.8
Impairment losses on assets, net of reversals	(1,740.1)	(1,692.4)	(47.7)	2.8
Operating profit	291.7	365.3	(73.6)	(20.1)
Share of results of an associate	0.1	0.3	(0.2)	(66.7)
Profit before tax	291.8	365.6	(73.8)	(20.2)
Income tax credit	103.5	17.1	86.4	505.3
Profit for the period	395.3	382.7	12.6	3.3
Profit for the period attributable to:				
– Owners of the Bank	393.9	381.4	12.5	3.3
– Non-controlling interests	1.4	1.3	0.1	7.7
Profit for the period	395.3	382.7	12.6	3.3

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(i) Net interest income

The net interest income was the largest component of the Bank's operating revenue, accounting for 80.2% and 78.9% of the operating income for the six months ended June 30, 2021 and 2022, respectively. The table below sets forth the Bank's interest income, interest expenses and net interest income for the periods indicated.

	Six months ended June 30,			
	2022	2021	Increase or decrease	Percentage change (%)
Interest income	6,759.8	6,918.7	(158.9)	(2.3)
Interest expenses	(4,388.3)	(4,527.8)	139.5	(3.1)
Net interest income	2,371.5	2,390.9	(19.4)	(0.8)

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2022			Six months ended June 30, 2021		
	Average balance ⁽¹⁾	Interest income	Average yield ⁽²⁾ (%)	Average balance ⁽¹⁾	Interest income	Average yield ⁽²⁾ (%)
Interest-earning assets						
Loans and advances to customers	197,753.6	5,094.0	5.15	183,500.7	5,178.3	5.64
Investment securities and other financial assets ⁽³⁾	104,158.5	1,430.1	2.75	100,688.9	1,660.7	3.30
Deposits with banks	1,559.0	14.6	1.87	837.8	13.3	3.17
Financial assets held under resale agreements and placements with banks and other financial institutions	18,280.9	176.9	1.94	17,546.1	200.3	2.28
Deposits with the central bank ⁽⁴⁾	18,011.2	128.6	1.43	22,646.1	167.7	1.48
Total interest-earning assets	339,763.2	6,844.2	4.03	325,219.6	7,220.3	4.44

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(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2022			Six months ended June 30, 2021		
	Average balance ⁽¹⁾	Interest expense	Average cost ⁽²⁾ (%)	Average balance ⁽¹⁾	Interest expense	Average cost ⁽²⁾ (%)
Interest-bearing liabilities						
Deposits from customers	267,114.9	3,412.3	2.55	260,820.6	3,671.3	2.82
Financial assets sold under repurchase agreements	3,947.9	33.7	1.71	5,624.6	61.9	2.20
Debt securities issued ⁽⁵⁾	33,618.4	476.4	2.83	25,439.5	414.9	3.26
Deposits from banks and other financial institutions	25,633.3	392.4	3.06	23,612.8	312.8	2.65
Borrowings from the central bank	6,506.2	71.2	2.19	6,098.3	64.2	2.11
Lease liabilities	189.9	2.3	2.42	240.0	2.7	2.25
Total interest-bearing liabilities	337,010.5	4,388.3	2.60	321,835.8	4,527.8	2.81
Net interest income		2,455.9			2,692.5	
Net interest spread⁽⁶⁾			1.43			1.63
Net interest margin⁽⁷⁾			1.45			1.66

Notes:

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

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2022 compared with 2021 Increase/(decrease)		
	Amount ⁽¹⁾	Interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
Interest-earning assets			
Loans and advances to customers	367.0	(449.6)	(84.3)
Investment securities and other financial assets	47.7	(276.9)	(230.6)
Deposits with banks	6.7	(5.4)	1.3
Financial assets held under resale agreements and placements with banks and other financial institutions	7.1	(29.8)	(23.4)
Deposits with the central bank	(33.1)	(5.7)	(39.1)
Change in interest income	293.1	(666.7)	(376.1)
Interest-bearing liabilities			
Deposits from customers	80.3	(352.1)	(259.0)
Financial assets sold under repurchase agreements	(14.3)	(13.8)	(28.2)
Debt securities issued	115.7	(54.7)	61.5
Deposits from banks and other financial institutions	30.9	48.4	79.6
Borrowings from the central bank	4.5	2.4	7.0
Lease liabilities	(0.6)	0.2	(0.4)
Change in interest expense	197.3	(337.9)	(139.5)
Change in net interest income	95.8	(328.8)	(236.6)

Notes:

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

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(ii) Interest income

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2022		2021	
	Amount	% of total (%)	Amount	% of total (%)
Loans and advances to customers	5,094.0	74.4	5,178.3	71.7
Investment securities and other financial assets ⁽¹⁾	1,430.1	20.9	1,660.7	23.0
Deposits with banks	14.6	0.2	13.3	0.2
Financial assets held under resale agreements and placements with banks and other financial institutions	176.9	2.6	200.3	2.8
Deposits with the central bank	128.6	1.9	167.7	2.3
Total	6,844.2	100.0	7,220.3	100.0

Notes:

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

Interest income decreased by 5.2% from RMB7,220.3 million for the six months ended June 30, 2021 to RMB6,844.2 million for the six months ended June 30, 2022, primarily due to the average yield of interest-earning assets decreased to 4.03% from 4.44% in the same period of last year. The average balance of interest-earning assets increased 4.5% from RMB325,219.6 million for the six months ended June 30, 2021 to RMB339,763.2 million for the six months ended June 30, 2022, which was to the fact that the Bank proactively increased supports for real economy to enlarge asset investment scale.

(A) Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 71.7% and 74.4% of total interest income for the six months ended June 30, 2021 and 2022, respectively. The table below sets forth the average balance, interest income and average yield of loans and advances to customers of the Bank by product for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Average balance ⁽¹⁾	Six months ended June 30,			Average yield (%)	
		2022 Interest income	Average yield (%)	2021 Average balance ⁽¹⁾ Interest income		
Corporate loans	127,171.8	3,665.8	5.77	113,653.0	3,445.0	6.06
Retail loans	46,794.6	1,141.6	4.88	41,696.0	1,289.4	6.18
Discounted bills	23,787.2	286.6	2.41	28,151.7	443.9	3.15
Total loans and advances to customers	197,753.6	5,094.0	5.15	183,500.7	5,178.3	5.64

Note:

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

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

Interest income from investment securities and other financial assets decreased by 13.9% from RMB1,660.7 million for the six months ended June 30, 2021 to RMB1,430.1 million for the six months ended June 30, 2022, primarily due to the fact that the average yield of investment securities and other financial assets decreased from 3.30% for the six months ended June 30, 2021 to 2.75% for the six months ended June 30, 2022, which was mainly due to the effect of the decrease in market interest rate. The average balance of investment securities and other financial assets increased by 3.4% from RMB100,688.9 million for the six months ended June 30, 2021 to RMB104,158.5 million for the six months ended June 30, 2022, which was mainly attributable to the newly-added standardised assets.

(C) Interest income from deposits with banks

Interest income from deposits with banks increased by 9.8% from RMB13.3 million for the six months ended June 30, 2021 to RMB14.6 million for the six months ended June 30, 2022, which was mainly due to the fact that the average balance of deposits with banks increased by 86.1% from RMB837.8 million for the six months ended June 30, 2021 to RMB1,559.0 million for the six months ended June 30, 2022, which was mainly due to the increased current assets with banks by the Banks.

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

Interest income from financial assets held under resale agreements and placements with banks and other financial institutions decreased by 11.7% from RMB200.3 million for the six months ended June 30, 2021 to RMB176.9 million for the six months ended June 30, 2022, primarily due to a decrease in the average yield of financial assets held under resale agreements and placements with banks and other financial institutions, from 2.28% for the six months ended June 30, 2021 to 1.94% for the six months ended June 30, 2022. The decrease in the average yield was mainly attributable to the effect of the decrease in market interest rate. The average balance of financial assets held under resale agreements and placements with banks and other financial institutions increased by 4.2% from RMB17,546.1 million for the six months ended June 30, 2021 to RMB18,280.9 million for the six months ended June 30, 2022, which was due to the increase of financial assets held under resale agreements and placements with banks and other financial institutions.

(E) Interest income from deposits with the central bank

Interest income from deposits with the central bank decreased by 23.3% from RMB167.7 million for the six months ended June 30, 2021 to RMB128.6 million for the six months ended June 30, 2022, primarily due to fact that the average balance of deposits with the central bank decreased 20.5% from RMB22,646.1 million for the six months ended June 30, 2021 to RMB18,011.2 million for the six months ended June 30, 2022, which was primarily due to the decrease of the average daily balance of deposit reserve with the central bank resulting from the decrease in deposit reserve ratio. The average yield in deposits with the central bank decreased from 1.48% from the six months ended June 30, 2021 to 1.43% for the six months ended June 30, 2022, with slight decrease in average yield.

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(iii) Interest expense

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2022		2021	
	Amount	% of total (%)	Amount	% of total (%)
Deposits from customers	3,412.3	77.8	3,671.3	81.0
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	33.7	0.8	61.9	1.4
Debt securities issued	476.4	10.8	414.9	9.2
Deposits from banks and other financial institutions	392.4	8.9	312.8	6.9
Borrowings from the central bank	71.2	1.6	64.2	1.4
Lease liabilities	2.3	0.1	2.7	0.1
Total	4,388.3	100.0	4,527.8	100.0

Interest expense decreased by 3.1% from RMB4,527.8 million for the six months ended June 30, 2021 to RMB4,388.3 million for the six months ended June 30, 2022, primarily due to a decrease in the average cost of interest-bearing liabilities, from 2.81% for the six months ended June 30, 2021 to 2.60% for the six months ended June 30, 2022, which was mainly attributable to the effect of the optimization of debt structures and enhancement of low-cost debt marketing proactively made by the Bank, which effectively reduced the costs of debt. The average balance of interest-bearing liabilities increased by 4.7% from RMB321,835.8 million for the six months ended June 30, 2021 to RMB337,010.5 million for the six months ended June 30, 2022, which mainly due to the fact that the Bank strengthened marketing to effectively increased the scale of debts, and the impact of the decrease in average cost on interest expense was higher than that of the increase in average balance.

(A) Interest expense on deposits from customers

Interest expense on deposits from customers decreased by 7.1% from RMB3,671.3 million for the six months ended June 30, 2021 to RMB3,412.3 million for the six months ended June 30, 2022, primarily due to the average cost of deposits from customers decreased from 2.82% for the six months ended June 30, 2021 to 2.55% for the six months ended June 30, 2022, which was mainly attributable to the adjustment of structures of deposits from customers and enhancement of low-cost deposit marketing proactively made by the Bank, which effectively reduced the costs of deposits from customers. The the average balance of deposits from customers increased by 2.4% from RMB260,820.6 million for the six months ended June 30, 2021 to RMB267,114.9 million for the six months ended June 30, 2022, which mainly due to the fact that the Bank strengthened the marketing of deposits from customers to effectively increased the scale of deposits from customers.

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(B) Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements decreased by 45.6% from RMB61.9 million for the six months ended June 30, 2021 to RMB33.7 million for the six months ended June 30, 2022, primarily due to the fact that the average balance of financial assets sold under repurchase agreements decreased by 29.8% from RMB5,624.6 million for the six months ended June 30, 2021 to RMB3,947.9 million for the six months ended June 30, 2022, which was mainly due to the adjustment of asset allocation structure and the decrease of the allocation of financial assets sold under repurchase agreements by the Bank. The average cost of financial assets sold under repurchase agreements decreased from 2.20% for the six months ended June 30, 2021 to 1.71% for the six months ended June 30, 2022, which was mainly attributable to the effect of the decrease in market interest rate.

(C) Interest expense on debt securities issued

Interest expense on debt securities issued increased by 14.8% from RMB414.9 million for the six months ended June 30, 2021 to RMB476.4 million for the six months ended June 30, 2022, primarily due to an increase of 32.2% in balance of debt securities issued from RMB25,439.5 million for the six months ended June 30, 2021 to RMB33,618.4 million for the six months ended June 30, 2022, which was primarily due to the increased issuance of interbank certificates by the Bank. The average cost of debt securities issued decreased from 3.26% for the six months ended June 30, 2021 to 2.83% for the six months ended June 30, 2022, which was primarily due to the maturity for repayment of certain issued bonds with higher interest rates, which lowered the average cost of debt securities issued in general.

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

Interest expense on deposits from banks and other financial institutions increased by 25.4% from RMB312.8 million for the six months ended June 30, 2021 to RMB392.4 million for the six months ended June 30, 2022, primarily due to the fact that the average balance of deposits from banks and other financial institutions increased by 8.6% from RMB23,612.8 million for the six months ended June 30, 2021 to RMB25,633.3 million for the six months ended June 30, 2022, which was primarily because fund raising through deposits from banks and other financial institutions was increased.

(E) Interest expense on borrowings from the central bank

Interest expense on borrowings from the central bank increased by 10.9% from RMB64.2 million for the six months ended June 30, 2021 to RMB71.2 million for the six months ended June 30, 2022, primarily due to an increase of 6.7% in the average balance of borrowings from the central bank from RMB6,098.3 million for the six months ended June 30, 2021 to RMB6,506.2 million for the six months ended June 30, 2022, and the increase in the average balance was due to the increase in the re-discounted business of and the loans from the central bank. The average cost of borrowings from the central bank increased from 2.11% for the six months ended June 30, 2021 to 2.19% for the six months ended June 30, 2022.

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(iv) Net interest spread and net interest margin

Net interest spread decreased from 1.63% for the six months ended June 30, 2021 to 1.43% for the six months ended June 30, 2022, primarily due to a decrease in the average yield of interest-earning assets from 4.44% to 4.03%, which in turn was primarily due to the fact that (i) the Bank actively responded to the national policies, reduced the burden on small and medium-sized enterprises and supported small and medium-sized enterprises to tide over the difficult times through measures such as lowering interest rates on loans; (ii) the Bank took initiative to adjust the asset structure, enhanced the support for real economy, and reduced the non-standard investment assets which resulted in the year-on-year decrease of interest income.

The net interest margin decreased from 1.66% for the six months ended June 30, 2021 to 1.45% for the six months ended June 30, 2022, which was primarily due to the fact that the Bank actively responded to the national policies, reduced the burden on small and medium-sized enterprises and supported small and medium-sized enterprises to tide over the difficult times through measures such as lowering interest rates on loans; at the same time, the Bank took initiative to adjust the asset structure, enhanced the support for real economy, and reduced the non-standard investment assets which resulted in the year-on-year decrease of interest income.

(v) Non-interest income

(A) Net fee and commission income

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2022	2021	Increase or decrease	Percentage change (%)
Fee and commission income				
Wealth management service fees	46.1	11.1	35.0	315.3
Agency service fees	36.0	33.2	2.8	8.4
Settlement and clearing fees	81.6	67.7	13.9	20.5
Bank acceptance bill service fees	5.4	17.5	(12.1)	(69.1)
Letters of guarantee fees	9.8	0.0	9.8	–
Others ⁽¹⁾	63.3	61.8	1.5	2.4
Subtotal	242.2	191.3	50.9	26.6
Fee and commission expenses	(15.6)	(24.5)	8.9	(36.3)
Net fee and commission income	226.6	166.8	59.8	35.9

Note:

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

Net fee and commission income increased by 35.9% from RMB166.8 million for the six months ended June 30, 2021 to RMB226.6 million for the six months ended June 30, 2022, primarily because the Bank actively promoted the light capital transformation, the optimization of business structure and the enhancement of marketing effort for product expansion.

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(B) Net trading gains

Net trading gains primarily included gains from selling, and the fair value changes of, financial assets held for trading. The Bank had net gains of RMB415.0 million for the six months ended June 30, 2021 and net gains of RMB257.9 million for the six months ended June 30, 2022. The decrease was primarily due to the decrease in fair value resulting from market fluctuation as well as decrease in interest income from financial assets held for trading.

(C) Net gains arising from investment securities

The net gains arising from investment securities and other financial assets included net gains arising from selling investment securities and other financial assets and revaluation gains arising from the reclassification of other comprehensive income to profit or loss upon the disposal of assets. The Bank had net gains arising from investment securities and other financial assets of RMB64.4 million for the six months ended June 30, 2021, and RMB36.0 million for the six months ended June 30, 2022.

(D) Net exchange (losses)/gains

Net exchange (losses)/gains mainly included net amounts arising out of foreign exchange settlement and foreign exchange transactions. The Bank had net exchange losses of RMB59.1 million for the six months ended June 30, 2021 and net exchange gains of RMB118.3 million for the six months ended June 30, 2022. The exchange gains were primarily due to changes in foreign exchange rates.

(E) Other operating income/(expense)

Other operating income/(expense) mainly included net amount of government subsidies and disposal income from fixed assets after deducting non-operating expenses. For the six months ended June 30, 2021, other operating income of the Bank amounted to RMB2.2 million. For the six months ended June 30, 2022, the Bank recorded other operating expense of RMB2.8 million.

(vi) Operating expenses

Operating expenses increased by 5.8% from RMB922.5 million for the six months ended June 30, 2021 to RMB975.7 million for the six months ended June 30, 2022. The increase was mainly due to the increase in staff costs. The table below sets forth the principal components of operating expense of the Bank for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2022	2021	Increase or decrease	Percentage change (%)
Staff costs	554.8	499.5	55.3	11.1
Premises and equipment expenses	213.1	197.7	15.4	7.8
General management and administrative expenses	157.7	171.6	(13.9)	(8.1)
Business tax and surcharges	50.1	53.7	(3.6)	(6.7)
Total	975.7	922.5	53.2	5.8
Cost-to-income ratio ⁽¹⁾ (%)	30.78	29.15	1.63	5.59

Note :

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

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(A) Staff costs

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Percentage change (%)
	2022	2021	Increase or decrease	
Salaries and bonuses	377.9	335.1	42.8	12.8
Social insurance	120.3	106.1	14.2	13.4
Housing allowances	41.7	36.4	5.3	14.6
Labour union and staff education expenses	3.7	5.0	(1.3)	(26.0)
Staff welfares	9.9	16.2	(6.3)	(38.9)
Others	1.3	0.7	0.6	85.7
Total staff costs	554.8	499.5	55.3	11.1

Staff costs increased by 11.1% from RMB499.50 million for the six months ended June 30, 2021 to RMB554.8 million for the six months ended June 30, 2022. The increase in staff costs was primarily due to the increased staff headcounts.

(B) Premises and equipment expenses

Premises and equipment expenses increased by 7.8% from RMB197.7 million for the six months ended June 30, 2021 to RMB213.1 million for the six months ended June 30, 2022. The increase of premises and equipment expenses was mainly due to the increase of capital expenditure, coupled with the increase of depreciation and amortisation expenses.

(C) General management and administrative expenses

General management and administrative expenses primarily included business promotion fees, administrative fees, transportation fee and repair expenses. General management and administrative expenses decreased by 8.1% from RMB171.6 million for the six months ended June 30, 2021 to RMB157.7 million for the six months ended June 30, 2022. The decrease of general management and administrative expenses was mainly due to the reasonable control of expenses by the Bank.

(D) Business tax and surcharges

The Bank pays taxes on interest income from loans, fee and commission income and securities trading gains. Business tax and surcharges were RMB53.7 million and RMB50.1 million for the six months ended June 30, 2021 and 2022, respectively.

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(vii) Impairment losses on credit/assets

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Percentage change (%)
	2022	2021	Increase or decrease	
Loans and advances to customers	1,223.6	1,109.0	114.6	10.3
Investment assets	505.5	583.4	(77.9)	(13.4)
Acceptance bills, letters of guarantees and unused credit card commitments	2.3	0.0	2.3	–
Other receivables	8.7	0.0	8.7	–
Total impairment losses on credit/assets	1,740.1	1,692.4	47.7	2.8

Impairment losses on credit/assets increased by 2.8% from RMB1,692.4 million for the six months ended June 30, 2021 to RMB1,740.1 million for the six months ended June 30, 2022 mainly due to (i) the written-off and market-based transfers of loans and advances for the period; (ii) the increased provision for the impairment loss on assets by the Bank resulting from the recurring COVID-19 which has made impact on the real economy.

Credit impairment losses on loans and advances to customers increased by 10.3% from RMB1,109.0 million for the six months ended June 30, 2021 to RMB1,223.6 million for the six months ended June 30, 2022, mainly due to (i) the written-off and market-based transfers of loans and advances for the period; (ii) the increased provision for the impairment loss on loans and advances to customers resulting from the recurring COVID-19 which has made impact on the real economy.

Credit impairment losses of investment assets decreased by 13.4% from RMB583.4 million for the six months ended June 30, 2021 to RMB505.5 million for the six months ended June 30, 2022.

(viii) Income tax credit

Income tax credit was RMB17.1 million for the six months ended June 30, 2021 and the income tax credit was RMB103.5 million for the six months ended June 30, 2022. The income tax was negative, primarily due to the increase in write-off assets during the Reporting Period, forming a temporary difference of deductible loss, while recognizing the deferred income tax assets and deferred income tax expense.

(b) Analysis of the Consolidated Statement of Financial Position

(i) Assets

As of June 30, 2022 and December 31, 2021, the total assets of the Bank were RMB374,759.8 million and RMB358,504.6 million, respectively. Major components of total assets include (i) loans and advances to customers; (ii) investment securities and other financial assets; (iii) deposits with banks; (iv) cash and deposits with the central bank; and (v) financial assets held under resale agreements. The table below sets forth the components of total assets as of the dates indicated.

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(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022		As of June 30, 2021	
	Amount	% of total (%)	Amount	% of total (%)
Assets				
Loans and advances to customers, gross	207,428.5	55.3	198,595.3	55.4
Provision for impairment losses	(5,455.0)	(1.5)	(5,354.2)	(1.5)
Loans and advances to customers, net	201,973.5	53.9	193,241.1	53.9
Investment securities and other financial assets ⁽¹⁾	126,771.0	33.8	110,593.4	30.8
Deposits with banks and placements with other financial institutions	4,913.5	1.3	8,779.3	2.4
Cash and deposits with the central bank	17,472.9	4.7	20,660.6	5.8
Financial assets held under resale agreements	10,768.6	2.9	13,092.1	3.7
Other assets ⁽²⁾	12,860.3	3.4	12,138.1	3.4
Total assets	374,759.8	100.0	358,504.6	100.0

Notes:

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

(A) Loans and advances to customers

As of June 30, 2022, the total loans and advances to customers of the Bank were RMB207,428.5 million, representing an increase of 4.4% as compared with December 31, 2021. Net loans and advances to customers accounted for 53.9% of the total assets of the Bank, leveled off with the beginning of the year.

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total (%)	Amount	% of total (%)
Corporate loans	135,104.8	65.2	126,837.4	63.8
Retail loans	47,337.7	22.8	48,006.1	24.2
Discounted bills	24,986.0	12.0	23,751.8	12.0
Total loans and advances to customers	207,428.5	100.0	198,595.3	100.0

Loans and advances to customers are the largest component of total assets. The Bank offers a variety of loan products, substantially all of which are denominated in Renminbi. Loans and advances to customers, net of provisions for impairment losses, represented both 53.9% of total assets as of June 30, 2022 and December 31, 2021.

The Bank's corporate loans increased from RMB126,837.4 million as of December 31, 2021 to RMB135,104.8 million as of June 30, 2022, representing an increase as compared with the beginning of the year.

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The Bank's retail loans mainly comprise of personal business loans, personal consumption loans and residential and commercial mortgage loans. The Bank's retail loans decreased by 1.4% from RMB48,006.1 million as of December 31, 2021 to RMB47,337.7 million as of June 30, 2022.

Loans and advances to customers by type of collateral

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total (%)	Amount	% of total (%)
Collateralized loans	90,277.4	43.5	86,698.8	43.7
Pledged loans	12,182.4	5.9	12,738.4	6.4
Guaranteed loans	78,867.7	38.0	72,524.4	36.5
Unsecured loans	26,101.0	12.6	26,633.7	13.4
Total loans and advances to customers	207,428.5	100.0	198,595.3	100.0

As of June 30, 2022 and December 31, 2021, collateralized loans, pledged loans and guaranteed loans in aggregate represented 87.4% and 86.6% of total loans and advances to customers, respectively. Collateralized loans and pledged loans are subject to loan-to-value ratio limits based on the type of collateral. The Bank usually only accepts guarantees provided by listed companies, guarantee companies or guarantor with strong guarantee capacity and in compliance with guarantee conditions. The Bank evaluates a guarantee company based on its size, credit history and risk-resistance level, as well as the value and quality of any collateral provided by the borrower.

Unsecured loans decreased by 2.0% from RMB26,633.7 million as of December 31, 2021 to RMB26,101.0 million as of June 30, 2022.

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

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022	As of December 31, 2021
As at the beginning of the Reporting Period	5,354.2	5,438.9
Charge for the period/year	1,223.6	1,472.5
Write-off and others for the period/year	(1,155.9)	(1,613.8)
Recoveries of loans and advances previously written off	33.1	56.6
As of June 30/December 31	5,455.0	5,354.2

Provisions for impairment losses on loans and advances to customers increased by 1.9% from RMB5,354.2 million as of December 31, 2021 to RMB5,455.0 million as of June 30, 2022, representing a slight increase in loan provision balance as compared with the beginning of the year.

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(B) Investment securities and other financial assets

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

Investment securities and other financial assets (original value without deducting provisions for impairment) increased by RMB16,563.0 million from RMB111,983.2 million as of December 31, 2021 to RMB128,546.2 million as of June 30, 2022, mainly due to the increased scale of debt securities investments.

(ii) Liabilities

As of June 30, 2022 and December 31, 2021, the total liabilities of the Bank were RMB342,331.9 million and RMB326,448.2 million, respectively. Major components of the liabilities include (i) deposits from customers; (ii) deposits from banks and other financial institutions; (iii) financial assets sold under repurchase agreements; (iv) debt securities issued; (v) borrowings from the central bank; (vi) placements from banks and other financial institutions; and (vii) other liabilities. The table below sets forth the components of total liabilities as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total (%)	Amount	% of total (%)
Deposits from customers	272,842.6	79.7	255,987.9	78.4
Deposits from banks and other financial institutions	17,487.1	5.1	17,844.1	5.5
Financial assets sold under repurchase agreements	200.0	0.1	6,051.5	1.9
Debt securities issued	34,291.2	10.0	28,883.3	8.8
Borrowings from the central bank	6,789.7	2.0	7,055.1	2.2
Other liabilities ⁽¹⁾	10,721.3	3.1	10,626.3	3.2
Total liabilities	342,331.9	100.0	326,448.2	100.0

Note:

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

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(A) Deposits from customers

Deposits from customers are the largest component of total liabilities. As of June 30, 2022 and December 31, 2021, deposits from customers represented 79.7% and 78.4% of the total liabilities, respectively.

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total (%)	Amount	% of total (%)
Corporate deposits				
Demand deposits	57,798.6	21.2	57,145.2	22.3
Time deposits	22,495.9	8.2	20,101.6	7.9
Subtotal	80,294.5	29.4	77,246.8	30.2
Retail deposits				
Demand deposits	34,705.8	12.7	35,183.9	13.8
Time deposits	144,645.4	53.0	129,059.5	50.4
Subtotal	179,351.2	65.7	164,243.4	64.2
Pledged deposits	10,057.4	3.7	10,108.2	3.9
Others	3,139.5	1.2	4,389.5	1.7
Total deposits from customers	272,842.6	100.0	255,987.9	100.0

Total deposits from customers increased by 6.6% from RMB255,987.9 million as of December 31, 2021 to RMB272,842.6 million as of June 30, 2022, primarily attributable to the steady increase of customer deposits in line with the business growth as a result of the enhancement of deposit marketing effort by the Bank.

(B) Debts securities issued

In April 2017, the Bank issued financial bonds in an aggregate principal amount of RMB1,000.0 million. The bonds have a term of five years and bear an interest rate of 5.00% per annum, which fell due for repayment in April 2022.

From January 1, 2022 to June 30, 2022, the Bank issued several tranches of interbank certificates in an aggregate face value of RMB34,420.0 million. These interbank certificates have terms of three months to one year and bear effective interest rates between 1.95% and 2.97% per annum.

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(iii) Shareholders' equity

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total (%)	Amount	% of total (%)
Share capital	15,069.8	46.5	15,069.8	47.0
Capital reserve	5,956.5	18.4	5,956.4	18.6
Defined benefit plan reserve	(3.9)	–	(3.9)	–
Investment revaluation reserve	133.3	0.4	157.1	0.5
Surplus reserve	1,728.0	5.3	1,727.9	5.4
General reserve	4,955.9	15.3	4,955.9	15.4
Retained earnings	4,549.6	14.0	4,155.7	13.0
Non-controlling interests	38.8	0.1	37.5	0.1
Total equity	32,428.0	100.0	32,056.4	100.0

(c) Asset quality analysis

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

For the Bank, the non-performing loans are classified into loans and advances to customers of substandard, doubtful and loss. As of June 30, 2022, the Bank's non-performing loans amounted to RMB4,126.0 million. The table below sets forth loans and advances to customers by loan classification as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total (%)	Amount	% of total (%)
Normal	195,103.6	94.1	187,139.0	94.3
Special mention	8,198.9	3.9	7,401.4	3.7
Substandard	863.5	0.4	1,041.6	0.5
Doubtful	2,024.8	1.0	1,820.8	0.9
Loss	1,237.7	0.6	1,192.5	0.6
Total loans and advances to customers	207,428.5	100.0	198,595.3	100.0
Non-performing loans and non-performing loan ratio⁽¹⁾	4,126.0	1.99	4,054.9	2.04

Note:

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

As of June 30, 2022 and December 31, 2021, the non-performing loan ratios of the Bank were 1.99% and 2.04%, respectively, representing a decrease of 0.05%.

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(ii) Concentration of loans

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

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022				As of December 31, 2021			
	Loan amount	% of total (%)	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	% of total (%)	Non-performing loan amount	Non-performing loan ratio (%)
Wholesale and retail	12,194.0	5.9	945.5	7.75	12,316.7	6.2	1,024.8	8.32
Manufacturing	30,073.2	14.5	356.2	1.18	28,447.7	14.3	342.2	1.20
Agriculture, forestry, animal husbandry and fishing	7,500.0	3.6	225.3	3.00	8,513.5	4.3	384.4	4.51
Construction	12,247.4	5.9	224.5	1.83	11,681.2	5.9	291.9	2.50
Real estate	12,476.1	6.0	0.0	0.00	11,533.1	5.8	45.0	0.39
Mining	5,020.9	2.4	80.1	1.60	5,382.0	2.7	15.4	0.29
Water, environment and public facility management	3,856.9	1.9	0.0	0.00	3,495.8	1.8	0.0	0.00
Culture, sports and entertainment	3,612.6	1.7	254.9	7.06	4,618.8	2.3	1.0	0.02
Leasing and business services	22,499.5	10.9	35.5	0.16	18,483.9	9.3	94.8	0.51
Electricity, heating power, gas and water production and supply	2,162.2	1.0	15.6	0.72	2,111.3	1.1	20.5	0.97
Transportation, storage and postal services	10,190.9	4.9	63.1	0.62	7,990.2	4.0	34.2	0.43
Education	1,619.1	0.8	2.5	0.15	1,602.6	0.8	0.2	0.01
Accommodation and catering	2,645.4	1.3	48.1	1.82	2,686.8	1.3	63.5	2.36
Financial	5,565.0	2.7	0.0	0.00	4,575.0	2.3	0.0	0.00
Health and social services	2,188.4	1.1	0.0	0.00	2,161.2	1.1	0.0	0.00
Residents and other services	468.1	0.2	6.7	1.43	505.3	0.2	22.2	4.39
Scientific research, technical service and geological prospecting	643.8	0.3	20.2	3.14	613.8	0.3	19.9	3.25
Information transmission, computer service and software	141.3	0.1	10.5	7.43	116.7	0.1	9.4	8.04
Public administration, social security and social organizations	0.0	0.0	0.0	0.00	1.8	0.0	0.0	0.00
Retail loans	47,337.7	22.8	1,837.3	3.88	48,006.1	24.2	1,685.5	3.51
Discounted bills	24,986.0	12.0	0.0	0.00	23,751.8	12.0	0.0	0.00
Total amount	207,428.5	100.0	4,126.0	1.99	198,595.3	100.0	4,054.9	2.04

Note:

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

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Loans to borrowers in the manufacturing, leasing and business services industries, real estate, construction and wholesale and retail represented the largest components of the Bank's corporate loan portfolio. Loans to these industries accounted for 65.0% and 66.2% of total corporate loans as of December 31, 2021 and June 30, 2022, respectively.

(B) Borrower concentration

Loans to the 10 largest single borrowers

The following table sets forth the 10 largest single borrowers (excluding group borrowers) as reported to the PRC regulator as of June 30, 2022 and the balances of loans to these borrowers. All of these loans were classified as normal.

(Expressed in millions of RMB, unless otherwise stated)		As of June 30, 2022	
Customers	Industries involved	Amount	% of total loans (%)
Borrower A	Manufacturing	8,000.00	3.9
Borrower B	Leasing and business services industries	2,463.00	1.2
Borrower C	Leasing and business services industries	2,427.00	1.2
Borrower D	Construction	2,398.00	1.2
Borrower E	Leasing and business services industries	2,018.00	1.0
Borrower F	Leasing and business services industries	1,994.62	1.0
Borrower G	Financial	1,945.00	0.9
Borrower H	Leasing and business services industries	1,825.00	0.9
Borrower I	Transportation, storage and postal services	1,800.00	0.9
Borrower J	Leasing and business services industries	1,650.00	0.8

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(C) Non-performing loans by product

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022			As of December 31, 2021		
	Loan amount	Non-performing Loan amount	Non-performing loan ratio ⁽¹⁾ (%)	Loan amount	Non-performing Loan amount	Non-performing loan ratio ⁽¹⁾ (%)
Corporate loans						
Working capital loans	87,081.5	1,968.9	2.27	81,466.1	2,309.9	2.84
Fixed capital loans	48,023.3	319.8	0.66	45,356.8	45.0	0.10
Others ⁽²⁾	0.0	0.0	0.00	14.5	14.5	100.00
Sub-total	135,104.8	2,288.7	1.69	126,837.4	2,369.4	1.87
Retail loans						
Personal business loans	5,145.2	1,061.0	20.62	5,479.1	1,038.7	18.96
Personal consumption loans	15,804.2	408.4	2.58	18,104.6	328.1	1.81
Residential and commercial mortgage loans	26,388.3	367.9	1.39	24,422.4	318.7	1.30
Sub-total	47,337.7	1,837.3	3.88	48,006.1	1,685.5	3.51
Discounted bills	24,986.0	0.0	0.00	23,751.8	0.0	0.00
Total non-performing loans	207,428.5	4,126.0	1.99	198,595.3	4,054.9	2.04

Notes:

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

The non-performing loan ratio of corporate loans decreased from 1.87% as of December 31, 2021 to 1.69% as of June 30, 2022.

The non-performing loan ratio of retail loans increased from 3.51% as of December 31, 2021 to 3.88% as of June 30, 2022.

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(D) Loan aging schedule

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022		As of June 30, 2021	
	Amount	% of total (%)	Amount	% of total (%)
Loans not overdue	199,808.5	96.3	185,848.9	95.6
Loans past due for:				
1 to 90 days	4,195.8	2.0	5,165.0	2.7
91 days to 1 year	1,178.3	0.6	1,237.9	0.6
1 to 3 years	1,678.1	0.8	1,977.2	1.0
3 years or more	567.8	0.3	236.7	0.1
Subtotal	7,620.0	3.7	8,616.8	4.4
Total loans and advances to customers	207,428.5	100.0	194,465.7	100.0

(d) Segments information

(i) Summary of business segment

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2022		2021	
	Amount	% of total (%)	Amount	% of total (%)
Corporate banking	1,310.0	43.6	1,274.0	42.7
Retail banking	1,072.9	35.7	914.0	30.7
Financial market operations	445.8	14.8	787.4	26.4
Others ⁽¹⁾	178.8	5.9	4.8	0.2
Total operating income	3,007.5	100.0	2,980.2	100.0

Note:

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

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(ii) Summary of geographical segment information

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

(e) Off-balance sheet commitments

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022	As of December 31, 2021
Credit commitments:		
Bank acceptances ⁽¹⁾	15,482.7	16,141.0
Letters of guarantee ⁽²⁾	2,295.2	1,926.1
Letters of credit	2,764.7	1,457.9
Unused credit card commitments	8,667.8	7,979.0
Subtotal	29,210.4	27,504.0
Capital commitments	63.6	61.1
Total	29,274.0	27,565.1

Notes:

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

Off-balance sheet commitments increased by 6.2% from RMB27,565.1 million as of December 31, 2021 to RMB29,274.0 million as of June 30, 2022. The increase in off-balance sheet commitments was mainly due to the increase in unused credit card commitments, but the decrease in bank acceptances offset the increase in certain off-balance sheet commitments.

(f) Miscellaneous

1. During the interim Reporting Period, the Bank launched the business related to the sub-loan ("ADB Sub-loan") of Asian Development Bank ("ADB"). ADB Sub-loan refers to the RMB denominated loans extended by the Bank to the final borrowers who meet the requirements of the ADB and the Bank leveraging on the capital funded by the ADB to the Chinese government, which shall be used to satisfy the production and operation needs of such borrowers. The ADB Sub-loan consists of two parts, with one part directly channeled from ADB funds and the other supported by the self-owned capital of the Bank. As of June 30, 2022, the Group has granted a total of RMB20.70 million ADB Sub-loan. Currently, it has applied for 18 reimbursement withdrawals totaling US\$3,144,800.
2. During the interim Reporting Period, the Bank actively promoted the development of inclusive business.

4. BUSINESS REVIEW

(a) Corporate banking

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

In addition, the Bank commits to seeking to develop long-term business relationships with customers by closely monitoring their financial needs and offering tailored financial solutions. As of June 30, 2022, the Bank had 3,247 corporate borrowers with total loans of RMB135,104.8 million, and 90,880 corporate deposit customers with total deposits of RMB80,294.5 million. For the six months ended June 30, 2021 and 2022, operating income from the Bank's corporate banking business accounted for 42.7% and 43.6% of its total operating income, respectively. The table below sets forth the financial performance of the Bank's corporate banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Percentage change (%)
	2022	2021	
External interest income, net ⁽¹⁾	2,872.9	2,237.7	28.4
Inter-segment interest expenses, net ⁽²⁾	(1,674.7)	(1,040.2)	61.0
Net interest income	1,198.2	1,197.5	0.1
Net fees and commission income	111.8	76.5	46.1
Operating income	1,310.0	1,274.0	2.8
Operating expenses	(425.0)	(394.4)	7.8
Impairment (loss)/profit on assets	(1,169.1)	(294.8)	296.6
Operating (loss)/profit	(284.1)	584.8	(148.6)
Profit/(loss) before tax	(284.1)	584.8	(148.6)

Notes:

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

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(i) Corporate loans

Corporate loans constituted the largest component of the Bank's loan portfolio. As of June 30, 2022 and December 31, 2021, corporate loans amounted to RMB135,104.8 and RMB126,837.4 million, accounting for 65.2% and 63.8% of the Bank's total loans and advances to customers, respectively.

(ii) Discounted bills

The Bank purchases bank and commercial acceptance bills with remaining maturities of up to one year at discounted prices to satisfy the short-term funding needs of banks and corporate customers. As of June 30, 2022 and December 31, 2021, discounted bills totaled RMB24,986.0 million and RMB23,751.8 million, accounting for 12.0% and 12.0% of the Bank's total loans and advances to customers, respectively.

(iii) Corporate deposits

The Bank accepts demand and time deposits denominated in Renminbi and major foreign currencies (including HKD, USD and Euros) from corporate customers. As of June 30, 2022 and December 31, 2021, corporate deposits totaled RMB80,294.5 million and RMB77,246.8 million, accounting for 29.4% and 30.2% of the Bank's total customer deposits, respectively.

(iv) Fees and commission-based products and services

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

(A) *Wealth management services*

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

For the six months ended June 30, 2021 and 2022, wealth management products sold by the Bank to corporate customers totaled RMB106.2 million and RMB242.2 million, respectively. The total amount of wealth management products recorded an increase resulting from the further increased publicity and sales for the corporate wealth management by the Bank coupled with intensified investment willingness of the Bank's corporate customers within the province for wealth management products.

(B) *Entrusted loans*

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

The Bank charges agency fees based on the principal amount of entrusted loans. The Bank's corporate customers bear the risk of default associated with these loans. For the six months ended June 30, 2021 and 2022, service fees charged by the Bank to corporate customers for entrusted loans totaled RMB10.97 million and RMB11.36 million, respectively.

(C) Settlement services

The Bank offers corporate customers domestic and international settlement services.

Domestic Settlement Services: The Bank provides domestic settlement services in the form of bank acceptance bills, collections and telegraphic transfers. As of June 30, 2022 and December 31, 2021, the Bank's total domestic settlement transaction volumes were approximately RMB509.909 billion and RMB925.19 billion, respectively.

International Settlement Services: The Bank obtained approval to provide international settlement services in January 2014. The Bank's international settlement services primarily include remittance, collection, letters of credit and letters of guarantee. As of June 30, 2022 and December 31, 2021, the Bank's international settlement transaction volumes were US\$234 million and US\$244 million, respectively.

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

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

(b) Retail banking

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

As of June 30, 2022, the Bank had 113,683 retail borrowers with total loans of RMB47,337.7 million and over 8.29 million retail deposit customers with total deposits of RMB179,351.2 million. For the six months ended June 30, 2021 and 2022, operating income from the Bank's retail banking business accounted for 30.7% and 35.7% of its total operating income, respectively.

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

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As of June 30, 2022, the Bank had 280,120 wealthy customers and 2,223 private banking customers. The Bank continues to grow its wealthy customer and private banking customer base by expanding its product and service portfolio. The table below sets forth the financial performance of the Bank's retail banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Percentage change (%)
	2022	2021	
External interest expenses, net ⁽¹⁾	(1,477.8)	(1,174.7)	25.8
Inter-segment interest income, net ⁽²⁾	2,504.6	2,077.6	20.6
Net interest income	1,026.8	902.9	13.7
Net fee and commission income	46.1	11.1	315.3
Operating income	1,072.9	914.0	17.4
Operating expenses	(348.1)	(282.9)	23.0
Impairment losses on assets	(57.0)	(801.9)	(92.9)
Operating profit/(loss)	667.8	(170.9)	(490.8)
Profit/(loss) before tax	667.8	(170.9)	(490.8)

Notes:

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

(i) Retail loans

The Bank offers retail customers personal business loans, personal consumption loans and personal residential and commercial mortgage loans. As of June 30, 2022 and December 31, 2021, total retail loans were RMB47,337.7 million and RMB48,006.1 million, accounting for 22.8% and 24.2% of the Bank's total loans and advances to customers, respectively.

(ii) Retail deposits

The Bank accepts demand and time deposits denominated in Renminbi and major foreign currencies from retail customers. As of June 30, 2022 and December 31, 2021, retail deposits totaled RMB179,351.2 million and RMB164,243.4 million, accounting for 65.7% and 64.2% of the Bank's total customer deposits, respectively.

(iii) Bank card services

(A) Debit cards

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

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

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

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

As of June 30, 2022, the Bank had issued approximately 9.08 million debit cards. As of June 30, 2022 and December 31, 2021, holders of these debit cards conducted transactions of approximately RMB44,986.1 million and RMB76,933.6 million, respectively.

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(B) Credit cards

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

As of June 30, 2022, the Bank had issued 637,591 credit cards, including 612,191 credit cards and 25,400 business cards. The revolving credit card line was RMB11.314 billion, of which RMB10.764 billion and RMB550 million were granted to credit cards and business cards, respectively. Balance of overdraft recorded was RMB2.632 billion, of which RMB2.595 billion and RMB37 million were made by holders of credit cards and business cards, respectively. Overdraft accounts reached 255,932, including 252,505 credit card accounts and 3,427 business card accounts. The total credit card income amounted to RMB96 million, of which RMB73 million was recorded by intermediary business, and RMB23 million was included in interest income.

(C) POS settlement services

As a payment settlement service provider, the Bank provides selected merchants with transaction fund settlement services. As of June 30, 2022, the Bank had 78,900 merchant customers for settlement services with 88.9128 million transactions, the total amount of transactions of merchant customers was approximately RMB23.233 billion.

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(iv) Fees and commission-based products and services

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

(A) *Wealth management services*

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

For the six months ended June 30, 2022 and 2021, wealth management products sold to retail customers totaled RMB23,028.03 million and RMB27,822.77 million, respectively. As of June 30, 2022, the Bank had 185,069 retail wealth management clients and the return rate of its retail wealth management products was between 3.40% and 4.45% for the six months ended June 30, 2022.

(B) *Agency services*

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

Insurance Products: as of June 30, 2022, the Bank had entered into agency agreements with 2 nationwide insurance companies to promote and distribute their insurance products.

Wealth Management: as of June 30, 2022, the Bank had entered into agency agreements with 3 wealth management companies to promote and distribute their wealth management products, with sales amounts of RMB239.70 million in total during the Reporting Period.

Precious Metal Products: the Bank received approval to distribute precious metals in China in August 2015. For the six months ended June 30, 2022 and 2021, the Bank sold an aggregate of RMB72.61 million and RMB68.72 million of precious metal products, respectively.

(C) *Payroll and payment agency services*

Payroll Services: the Bank provides payroll services to governmental agencies, public organizations and enterprises customers. As of June 30, 2022, the Bank had over 4,306,746 payroll customers. For the six months ended June 30, 2022 and 2021, the Bank paid, in the role of paying agent, average monthly salaries of approximately RMB4,386.87 million and RMB3,707.18 million, respectively.

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

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

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

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(c) Financial market operations

The Bank's financial market operations primarily include money market transactions, investment business and wealth management business, and are one of its most important revenue sources. For the six months ended June 30, 2022 and 2021, operating income from financial market operations accounted for 14.8% and 26.4% of its total operating income, respectively. The table below sets forth the financial performance of the Bank's financial market operations for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Percentage change (%)
	2022	2021	
External interest income, net ⁽¹⁾	976.4	1,327.9	(26.5)
Inter-segment interest expenses, net ⁽²⁾	(829.9)	(1,037.4)	(20.0)
Net interest income	146.5	290.5	(49.6)
Net fee and commission income	5.4	17.5	(69.1)
Net trading gains	257.9	415.0	(37.9)
Net gains arising from investment securities	36.0	64.4	(44.1)
Operating income	445.8	787.4	(43.4)
Operating expenses	(144.6)	(243.7)	(40.7)
Impairment losses on assets	(503.0)	(595.6)	(15.5)
Operating (loss)	(201.8)	(52.0)	288.1
(Loss) before tax	(201.8)	(52.0)	288.1

Notes:

(1) Represents net income and expenses from third parties.

(2) Represents inter-segment expenses and consideration of transfer.

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(i) Money market transactions

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

(A) Interbank deposits

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

As of June 30, 2022 and December 31, 2021, deposits from banks and other financial institutions totaled RMB17,487.1 million and RMB17,844.1 million, and deposits of the Bank at banks and other financial institutions (original value without deducting provisions for impairment) totaled RMB3,563.5 million and RMB4,889.3 million, respectively.

(B) Interbank placements

As of June 30, 2022 and December 31, 2021, the balances of our placements with banks and other financial institutions totaled RMB1,350.0 and RMB3,890.0 million.

(C) Repurchase and reverse repurchase transactions

The securities underlying the Bank's repurchase and reverse repurchase transactions are mainly RMB-denominated PRC government bonds and policy financial bonds. As of June 30, 2022 and December 31, 2021, financial assets held under resale agreements totaled RMB10,768.6 million and RMB13,092.1 million, respectively, and financial assets sold under repurchase agreements totaled RMB200.0 million and RMB6,051.5 million, respectively.

(ii) Investment securities and other financial assets

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

(A) Security investment by holding purpose

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total (%)	Amount	% of total (%)
Financial assets at fair value through profit or loss	33,817.5	26.7	29,942.9	27.1
Financial assets at amortised costs	82,167.8	64.8	70,974.8	64.1
Financial assets at fair value through other comprehensive income	10,456.9	8.2	9,346.8	8.5
Other equity instrument investments	328.8	0.3	328.9	0.3
Total amount of investment securities and other financial assets	126,771.0	100.0	110,593.4	100.0

Total amount of investment securities and other financial assets increased by 14.6% from RMB110,593.4 million as of December 31, 2021 to RMB126,771.0 million as of June 30, 2022.

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

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total (%)	Amount	% of total (%)
Repayable on demand	16,096.1	12.7	16,380.8	14.8
Due in three months or less	2,607.2	2.1	7,325.1	6.6
Due between three months and one year	10,757.5	8.5	12,716.3	11.5
Due between one year and five years	42,507.7	33.5	30,754.0	27.8
Due over five years	29,261.1	23.1	31,633.8	28.6
Indefinite ⁽¹⁾	25,541.4	20.1	11,783.4	10.7
Total	126,771.0	100.0	110,593.4	100.0

Note:

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

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

(C) Holding of government bonds

As of June 30, 2022, the balance of face value of government bonds held by the Bank amounted to RMB36,279.10 million. The table below sets forth the top 10 government bonds with the highest face value held by the Bank as of June 30, 2022.

Name of the bond	Face value (in millions of RMB)	Interest rate per annum (%)	Maturity date
22 Gansu Bonds 18	4,320.00	3.29	2042/6/28
22 Gansu Bonds 22	2,314.00	3.29	2042/6/28
21 Gansu 13	1,780.00	3.10	2031/9/3
20 Gansu Bonds 16	1,420.00	3.57	2040/5/29
22 Gansu Bonds 01	1,180.00	2.93	2029/2/23
18 Gansu Bonds 01	1,040.00	3.39	2023/4/24
19 Coupon-bearing bond 11	1,020.00	2.75	2022/8/8
20 Gansu Bonds 06	780.00	2.96	2027/3/10
20 Gansu Bonds 14	770.00	3.57	2040/5/29
19 Coupon-bearing bond 04	750.00	3.19	2024/4/11

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(D) Holding of financial bonds

As of June 30, 2022, the balance of face value of the financial bonds (mainly the financial bonds issued by policy banks, commercial banks and other financial institutions) held by the Bank amounted to RMB29,890.29 million. The table below sets forth the top 10 financial bonds with the highest face value held by the Bank as of June 30, 2022.

Name of the bond	Face value (in millions of RMB)	Interest rate per annum (%)	Maturity date
16 Jinchu 03	2,190.00	3.33	2026/2/22
21 Jinchu 05	1,300.00	3.22	2026/5/14
18 Nongfa 01	1,110.00	4.98	2025/1/12
20 Nongfa 08	1,090.00	3.45	2025/9/23
18 Nongfa 08	1,080.00	4.37	2023/5/25
16 Nongfa 08	1,040.00	3.37	2026/2/26
19 Jinchu 05	1,000.00	3.28	2024/2/11
16 Nongfa 05	980.00	3.33	2026/1/6
16 Nongfa 18	810.00	3.58	2026/4/22
15 Jinchu 14	800.00	3.87	2025/9/14

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(d) Distribution network

(i) Physical outlets

As of June 30, 2022, the Bank had 1 head office operational department, 12 branches, 184 sub-branches, 4 micro-to-small sub-branches and 2 community sub-branches. The Bank branch network covered all of Gansu's cities and prefectures and approximately 95% of its counties and districts. The details of branches are shown in the following table.

Name of organisation	Business address (PRC)	Postcode	Number of organization
Head office operational department	No. 525-1 Donggangxi Road, Chengguan District, Lanzhou City	730000	9
Baiyin Branch	No. 35 Lanzhou Road, Baiyin District, Baiyin City	730900	17
Pingliang Branch	Bank of Gansu Building, Xingbei Road Central, Kongtong District, Pingliang City	744000	21
Qingyang Branch	Gansu Bank Building, Honghua West Road, Xifeng District, Qingyang City	735000	15
Dingxi Branch	No. 13 Zhonghua Road, Anding District, Dingxi City	743000	12
Tianshui Branch	Floor 1-2, Tianlin Longcheng Mingzhu Building, Jihebei Road, Qinzhou District, Tianshui City	741000	14
Longnan Branch	No.1 Building, Jing'an Mingdu, South End of Jianshe Road, Chengguan Town, Wudu District, Longnan City	746000	12
Jiuquan Branch	No. 2 Suzhou Road, Suzhou District, Jiuquan City	735000	16
Jiayuguan Branch	No. 1289 Yingbin East Road, Jiayuguan City	735100	5
Zhangye Branch	No. 37 West Street, Ganzhou District, Zhangye City	734000	9
Wuwei Branch	No. 7 Xihuan Road, Liangzhou District, Wuwei City	733000	10
Linxia Branch	No. 49 Hongyuan Road, Linxia City	731100	11
Gannan Branch	No. 125 Dangzhou Street, Hezuo City, Gannan Prefecture	747000	5
Jinchang Sub-branch	No. 4 Tianjin Road, Jinchang City	737100	5
Lanzhou Chengguan Sub-branch	Family Accommodation, Quality Supervision Bureau, Nanchang Road, Chengguan District, Lanzhou City	730000	11
Lanzhou Jincheng Sub-branch	No. 613 Railway Station West Road, Chengguan District, Lanzhou City	730000	21
Lanzhou Anning Sub-branch	No.1952-1956 Jianning West Road, Anning District, Lanzhou City	730070	4
Lanzhou Xigu Sub-branch	No. 2 East Fourth Block, Fuli West Road, Xigu District, Lanzhou City	730060	2
Lanzhou New District Sub-branch	Security Housing B50, Weiyi Road, Lanzhou New District, Lanzhou City	730000	4
Total			203

(ii) Electronic banking business

(A) Internet banking

Through the internet, the Bank offers customers account management, information inquiry, remittance and transfer, payment, investment and wealth management and other financial services. As of June 30, 2022, the Bank had over 4,032,700 internet banking customers, consisting of 62,200 corporate customers and over 3,970,600 retail customers. As of June 30, 2022, the Bank's corporate customers conducted over 1.79 million online transactions with a total transaction amount of approximately RMB319.3 billion, while retail customers conducted approximately 7.07 million online transactions with a total transaction amount of approximately RMB9.98 billion.

(B) Direct banking platform

The Bank launched its direct banking platform in August 2016. Through the platform, our customers can achieve electronic account management, smart saving, investment and financing, and purchases of financial products and services. As of June 30, 2022, the Bank's direct banking platform had over 1,100,900 registered users. The AUM of customers of direct banking is approximately RMB2.6 billion.

(C) Mobile phone banking

The Bank provides customers with various financial services, such as account inquiries and management, transfers, payments and loan management. As of June 30, 2022, the Bank had approximately 3,358,500 mobile phone banking customers that had conducted approximately 6.87 million transactions through mobile phone banking, with total transaction amounts of approximately RMB87.5 billion.

(D) Telephone banking

The Bank provides customers with loan and deposit account inquiries, personal debit card account transfers, bill inquiries, lost declarations and business inquiry services through an interactive self-service voice system and live customer service. As of June 30, 2022, the Bank had 571,195 registered telephone banking customers, which were all individual customers.

(E) Self-service banking

The Bank provides convenient banking services to customers at lower operating costs through self-service facilities. The Bank's self-service banking services include balance inquiries, cash withdrawals and deposits, transfers and public utilities payments. As of June 30, 2022, the Bank had 203 outlets, 99 off-bank self-service zones and 621 self-service facilities.

(F) WeChat banking

WeChat has become an important channel that provides value-added services to retail customers. Through WeChat banking, customers can access the Bank's products and services; accounts management, transaction inquires, payment and convenience services; and the Bank's outlet locations inquiry service. As of June 30, 2022, the Bank had over 961,300 WeChat banking customers.

(G) E-commerce platform

In June 2017, the Bank formally launched its e-commerce platform "Longyin Commerce", which provides merchants with comprehensive services. These services include purchasing, sales and inventory management, and online B2B and B2C transactions. As of June 30, 2022, the platform had 1,040 merchants and 1.57 million users.

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(e) Information on the subsidiary

Jingning Chengji Rural Bank

In September 2008, Pingliang City Commercial Bank established Jingning Chengji Rural Bank with 4 other legal entities and 7 individuals. As of June 30, 2022, the Bank held an approximately 62.7% equity interest in Jingning Chengji Rural Bank. Jingning Chengji Rural Bank, a joint stock company with limited liability incorporated in the PRC, carries out its business in the PRC, primarily engaging in offering financial products and services, including loans, deposits and fee and commission-based products and services to local corporate and retail customers.

As of June 30, 2022, Jingning Chengji Rural Bank had 35 corporate loan customers, 923 corporate deposit customers, 6,660 retail loan customers and 103,477 retail deposit customers. As of June 30, 2022, Jingning Chengji Rural Bank had 12 outlets and 114 employees.

As of June 30, 2022, Jingning Chengji Rural Bank had total assets of RMB1,760.6 million, total deposits of RMB1,530.5 million and total loans of RMB1,043.5 million. In 2021, operating income attributable to Jingning Chengji Rural Bank totaled RMB48.9 million, accounting for 0.78% of the Bank's total operating income. For the six months ended June 30, 2022, operating income attributable to Jingning Chengji Rural Bank totaled RMB21.2 million, accounting for 0.70% of the Bank's total operating income.

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

(f) Operation and safety of IT systems

The Bank further optimizes and upgrades its functions of information system to support the operation and management of its businesses. For the six months ended June 30, 2021 and 2022, investments in its information and technology totaled RMB74.9 million and RMB80.7 million, respectively.

In 2022, Gansu Bank, in accordance with the Five-Year Strategic Plan, organized the promotion of product innovation and digital transformation, and formulated 28 innovative new product plans based on five major lines: public, personal, retail credit, online finance, and interbank aspects. With the goal of "Constructing United Ecological System (i.e., intelligent retail marketing ecosystem) and establishing two channels (i.e., Xiaogan Cloud Hall (小甘雲廳) and Xiaogan Micro Hall (小甘微廳))" as the goal, the Bank formulated the 20 digital transformation and improvement projects centered on digital marketing and digital operation.

In the first half of the year, Gansu Bank's product innovation and digital transformation progressed in an orderly manner, with digital marketing and operational capabilities continuing to improve. As of June 30, 2022, 14 innovative new products were put into production featuring supply chain finance, gold deposit, interbank deposit pledge, medical insurance electronic certificate, Kaixinbao (開薪寶), among others. 9 digital transformation projects, such as Xiaogan Cloud Hall, smart marketing service platform, smart customer service system, unified data asset portal and Longyintong (隴銀通), were put into production and optimized.

3. RISK MANAGEMENT

(a) Risk management of the Bank

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

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

(i) Credit risk management

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

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

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

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

Industries	Credit Strategies
<p>Advanced manufacturing industry, railways, highways, airports, pipeline transportation industry, hydropower generation, power supply, wind power generation, solar power generation, higher education, hospitals, software and information technology service industry, tap water production and supply, wastewater treatment and recycling industry, cattle and sheep raising, seed breeding, water conservancy management industry, telecommunication industry, internet and related service industry (“aggressive growth” industries)</p>	<ul style="list-style-type: none"> • priority will be given to customers in the industry who have technical advantages, established markets and great development potential.
<p>Petrochemical, metal smelting and rolling processing, general equipment manufacturing industry, thermal power generation, tourist attraction management, scenic spot management, forest park management and other tourist attractions management, non-higher education, thermal production and supply, ecological protection and environmental governance, coal mining and washing, petroleum mining, precious metal mining and processing, rare and rare earth metal mining and processing (“selective growth” industries)</p>	<ul style="list-style-type: none"> • selectively support key areas of the industry and high-quality enterprises in the industry.
<p>Traditional equipment manufacturing industry, traditional energy and mineral industry, wholesale industry, construction industry (“presence maintaining” industries)</p>	<ul style="list-style-type: none"> • prudently support with flexibility, maintain the overall total amount unchanged with a reasonable credit level under the premise of effective control of credit risk.
<p>Coking, flat glass, iron alloy smelting, calcium carbide, electrolytic aluminum (“shrinking exit” industries)</p>	<ul style="list-style-type: none"> • strictly control the of new growth through effective cut-down and effectively reduce business balances.

(ii) Market risk management

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

(A) Interest rate risk management

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

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

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

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

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

(B) Exchange rate risk management

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

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

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(iii) Operational risk management

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

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

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

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

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

(iv) Liquidity risk

(A) *Liquidity risk management*

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

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

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Management Discussion and Analysis

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

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

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

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

(B) Liquidity risk analysis

The Bank's liquidity coverage ratio

	June 30, 2022	December 31, 2021
Liquidity coverage ratio (%)	183.12	215.95

The Bank's net stable funding ratio

(Expressed in millions of RMB, unless otherwise stated)	June 30, 2022	March 31, 2022	December 31, 2021
Closing amount of available stable funding	258,131.8	251,541.4	242,269.2
Closing amount of required stable funding	203,575.5	202,027.3	194,544.1
Net stable funding ratio (%)	126.80	124.51	124.53

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Management Discussion and Analysis

(v) Reputation risk management

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

(vi) Legal compliance risk management

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

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

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

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

(vii) IT risk management

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

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

(viii) Anti-money laundering management

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

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

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

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

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

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

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Management Discussion and Analysis

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

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

(ix) Internal audits

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

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

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

2. ANALYSIS ON CAPITAL ADEQUACY RATIO

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

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

(Expressed in millions of RMB, unless otherwise stated)	June 30, 2022	December 31, 2021
Core capital		
Paid-up capital	15,069.8	15,069.8
Qualifying portion of capital reserve	5,956.5	5,956.4
Defined benefit plan reserve	(3.9)	(3.9)
Investment revaluation reserve	133.3	157.1
Surplus reserve	1,728.0	1,727.9
General risk reserve	4,955.9	4,955.9
Retained earnings	4,549.6	4,155.7
Qualifying portion of non-controlling interest	23.8	23.4
Core tier-one capital deductions ⁽¹⁾	(218.1)	(254.3)
Net core tier-one capital	32,194.9	31,788.0
Other tier-one capital ⁽²⁾	3.2	3.1
Net tier-one capital	32,198.1	31,791.1
Tier-two capital		
Surplus reserve for loan impairment	1,315.0	1,299.4
Eligible portion of non-controlling interest	6.4	6.2
Net capital base	33,519.5	33,096.7
Total risk-weighted assets	273,309.0	266,085.1
Core tier-one capital adequacy ratio (%)	11.78	11.95
Tier-one capital adequacy ratio (%)	11.78	11.95
Capital adequacy ratio (%)	12.26	12.44

Notes:

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

Chapter 5 Changes in Share Capital and Particulars of Shareholders

I. CHANGES IN SHARE CAPITAL OF THE BANK

(I) Share Capital

As of June 30, 2022 and up to the Latest Practicable Date, the share capital of the Bank is as follows:

Description of Shares	Number of Shares	Approximate Percentage of Issued Share Capital (%)
Domestic Shares	11,275,991,330	74.83
H Shares	3,793,800,000	25.17
Total	15,069,791,330	100.00

(II) Changes in Share Capital

During the Reporting Period and up to the Latest Practicable Date, there has been no changes in the share capital of the Bank.

Chapter 5 Changes in Share Capital and Particulars of Shareholders

II. PARTICULARS OF SHAREHOLDERS

(I) Particulars of Shareholdings of the Top Ten Shareholders of the Domestic Shares of the Bank

As of June 30, 2022, top ten Shareholders of the Domestic Shares of the Bank are set out as follows:

No.	Name of Shareholder	Number of Shares of the Bank Held as at June 30, 2022 ⁽¹⁾	Shareholding Percentage as at June 30, 2022 (%)	Number of Shares of the Bank Held as at the Latest Practicable Date ⁽¹⁾	Shareholding Percentage as at the Latest Practicable Date (%)	Number of Shares Pledged
1	Gansu Highway Aviation Tourism	2,657,154,433	17.63	2,657,154,433	17.63	0
2	Gansu State-owned Assets Investment	1,909,250,972	12.67	1,909,250,972	12.67	0
3	Jiuquan Iron & Steel	983,972,303	6.53	983,972,303	6.53	0
4	Jinchuan Group	983,972,303	6.53	983,972,303	6.53	0
5	Mengshang Bank Co., Ltd.	845,296,403	5.61	845,296,403	5.61	0
6	Gansu Electric Power Investment	633,972,303	4.21	633,972,303	4.21	0
7	Jingyuan Coal Industry Group Limited	239,326,800	1.59	239,326,800	1.59	0
8	Yong Xin Hua Holdings Group Co., Ltd.	239,326,800	1.59	239,326,800	1.59	239,326,800
9	Duzhe Publishing Group Limited	211,324,101	1.40	211,324,101	1.40	0
10	Ningxia Tianyuan Manganese Limited Company (寧夏天元錳業有限公司)	201,083,333	1.33	201,083,333	1.33	0
10	Jingye Group Co., Ltd. (敬業集團有限公司)	201,083,333	1.33	201,083,333	1.33	0

Notes:

- (1) The shareholding in this table refers to the number of Domestic Shares directly held in the Bank.
- (2) As at the end of the Reporting Period, so far as the Bank was aware, the Bank's 912,786,035 Shares, representing 6.06% of the Shares issued, were pledged.

Chapter 5 Changes in Share Capital and Particulars of Shareholders

(II) Interests and Short Positions of Substantial Shareholders and Other Persons

As of June 30, 2022, to the best knowledge of the Directors of the Bank after making reasonable enquiries, the following persons (other than the Bank's Directors, Supervisors and chief executive) had interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Bank under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Bank pursuant to section 336 of the SFO:

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares Directly or Indirectly Held ⁽²⁾	Approximate Percentage of the Banks Total Issued Share Capital (%)	Approximate Percentage of the Banks Relevant Class of Shares (%)
Gansu State-owned Assets Investment	Beneficial owner	Domestic Shares	1,909,250,972(L) ⁽¹⁾	12.67	16.93
	Interest in controlled corporation ⁽³⁾	Domestic Shares	1,617,944,606(L) ⁽¹⁾	10.74	14.35
Gansu Highway Aviation Tourism	Beneficial owner ⁽⁴⁾	Domestic Shares	2,657,154,433(L) ⁽¹⁾	17.63	23.56
	Interest in controlled corporation ⁽⁴⁾	Domestic Shares	100,541,667(L) ⁽¹⁾	0.67	0.89
Mengshang Bank Co., Ltd.	Beneficial owner	Domestic Shares	845,296,403(L) ⁽¹⁾	5.61	7.50
Jiuquan Iron & Steel	Beneficial owner	Domestic Shares	983,972,303(L) ⁽¹⁾	6.53	8.73
Jinchuan Group	Beneficial owner ⁽³⁾	Domestic Shares	983,972,303(L) ⁽¹⁾	6.53	8.73
Gansu Financial Holding Group Co., Ltd. (甘肅金融控股集團有限公司)	Beneficial owner	H Shares	1,250,000,000(L) ⁽¹⁾	8.29	32.95
Gansu Province Xinye Asset Management Co. Ltd.* (甘肅省新業資產經營有限責任公司)	Beneficial owner	H Shares	455,449,000(L) ⁽¹⁾	3.02	12.01

Chapter 5 Changes in Share Capital and Particulars of Shareholders

Notes:

- (1) L represents long position.
- (2) Pursuant to Part XV of the SFO, shareholders of a company are required to file disclosure of interests forms when certain criteria are fulfilled. When the shareholdings of the shareholders in the company change, it is not necessary for the shareholders to notify the company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the substantial shareholders in the company may be different from the shareholdings filed with the Hong Kong Stock Exchange.
- (3) Gansu State-owned Assets Investment directly held 1,909,250,972 Domestic Shares of the Bank, representing approximately 12.67% of the total issued share capital of the Bank. Gansu SASAC and Jiuquan Iron & Steel hold 84% and 16% equity interest in Gansu State-owned Assets Investment, respectively, while Gansu State-owned Assets Investment in turn holds 31.58% equity interest in Jiuquan Iron & Steel. Gansu State-owned Assets Investment also holds 100% of the equity interest in Gansu Electric Power Investment and 47.97% of the equity interest in Jinchuan Group. Therefore, Gansu Electric Power Investment and Jinchuan Group are controlled corporations of Gansu State-owned Assets Investment. Pursuant to the SFO, Gansu State-owned Assets Investment is deemed to be interested in the Shares held by Gansu Electric Power Investment and Jinchuan Group.
- (4) Gansu Highway Aviation Tourism held 2,657,154,433 Domestic Shares of the Bank, representing approximately 17.63% of the total issued share capital of the Bank. Gansu Highway Aviation Tourism holds 100% equity interest in Gansu Financial Capital Group Co., Ltd. (甘肅省金融資本集團有限公司), which in turn held 100,541,667 Domestic Shares of the Bank, representing approximately 0.67% of the total issued share capital of the Bank. Therefore, Gansu Financial Capital Management Co., Ltd. is a controlled corporation of Gansu Highway Aviation Tourism. Pursuant to the SFO, Gansu Highway Aviation Tourism is deemed to be interested in the Shares held by Gansu Financial Capital Management Co., Ltd.

Save as disclosed above, as of June 30, 2022, the Bank is not aware of any other person, other than the Directors, Supervisors and chief executive of the Bank, who had interests or short positions in the Shares and underlying Shares of the Bank, which were required to be recorded in the register of interests maintained by the Bank pursuant to section 336 of Part XV of the SFO, and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(III) Particulars of Controlling Shareholders and De Facto Controller

The Bank does not have a controlling Shareholder or de facto controller.

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

I. INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

Up to the Latest Practicable Date, the information on the Directors, Supervisors and senior management members of the Bank is set out as follows:

Directors

Name	Age	Date of joining the Bank	Date of appointment as Director ⁽¹⁾	Position held as of the Latest Practicable Date	Responsibilities
Mr. Liu Qing (劉青)	56	May 2011	December 3, 2018	Chairman, executive Director	Presiding over the overall operations of the Bank, and primarily responsible for matters concerning Party building, implementation of major responsibilities for fostering a clean and honest Party, the ideological and political work, as well as work concerning the Board of Directors, strategic development and assuming overall responsibility for promoting the operation and management throughout the Bank; in charge of the Office of the Board of Directors, the Strategy and Development Department and the Organization Department under the Party Committee (the Human Resources Department)

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

Name	Age	Date of joining the Bank	Date of appointment as Director ⁽¹⁾	Position held as of the Latest Practicable Date	Responsibilities
Ms. Wu Changhong (吳長虹)	59	November 2016	November 20, 2016	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which she is a member
Mr. Shi Guanglei (史光磊)	41	December 2021	December 24, 2021	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member
Mr. Zhao Xingjun (趙星軍)	53	December 2021	December 24, 2021	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member
Mr. Zhang Youda (張有達)	49	November 2016	November 20, 2016	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member
Mr. Guo Jirong (郭繼榮)	51	November 2016	November 20, 2016	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member
Ms. Yang Chunmei (楊春梅)	44	December 2021	December 24, 2021	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which she is a member

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

Name	Age	Date of joining the Bank	Date of appointment as Director ⁽¹⁾	Position held as of the Latest Practicable Date	Responsibilities
Mr. Ma Zhiqiang (馬志強)	52	September 2011	December 3, 2021	Non-executive Director (Employee Representative Director) ⁽²⁾	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member
Ms. Luo Mei (羅玫)	46	August 2017	August 12, 2017	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice on finance and accounting to the Bank based on her extensive experience in finance and accounting, and performing her duties as a Director through the Board of Directors, audit committee and nomination and remuneration committee
Mr. Wong Sincere (黃誠思)	57	August 2017	August 12, 2017	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice to the Bank in relation to compliance with Hong Kong laws and the Hong Kong Listing Rules based on his extensive experience in legal and compliance work, and performing his duties as a Director through the Board of Directors, audit committee and related party transactions and risk management committee
Mr. Dong Ximiao (董希淼)	45	December 2018	December 3, 2018	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice to the Bank based on his extensive experience in finance, and performing his duties as a Director through the Board of Directors, audit committee, nomination and remuneration committee and related party transactions and risk management committee

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

Name	Age	Date of joining the Bank	Date of appointment as Director ⁽¹⁾	Position held as of the Latest Practicable Date	Responsibilities
Mr. Wang Ting Ting (王汀汀)	45	December 2021	December 24, 2021	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice to the Bank based on his extensive experience in economic and financial research, and performing his duties as a Director through the Board of Directors, nomination and remuneration committee and related party transactions and risk management committee
Mr. Liu Guanghua (劉光華)	52	December 2021	December 24, 2021	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice to the Bank based on his extensive experience in legal work, and performing his duties as a Director through the Board of Directors, related party transactions and risk management committee and the Consumer Rights Protection Committee

Notes:

- (1) The date of appointment as a Director stated here represents the date on which the relevant person was first elected as a Director at the general meetings or the employee representatives' meetings (for employee representative Supervisors only) of the Bank.
- (2) Mr. Ma Zhiqiang has tendered his resignation to the Board of the Bank on August 12, 2022 with immediate effect. The Bank is currently identifying suitable candidates for the replacement of Mr. Ma and will make further announcement(s) in due course.

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

Supervisors

Name	Age	Date of joining the Bank	Date of appointment as a Supervisor ⁽¹⁾	Position held as of the Latest Practicable Date	Responsibilities
Ms. Tang Lan (湯瀾)	59	November 2018	November 12, 2018	Chairman of the Board of Supervisors, Employee Representative Supervisor	Responsible for overall work of the Board of Supervisors, primarily responsible for supervising the work of the Board of Directors and management to ensure compliance with laws and regulations, and responsible for auditing, security, institutional construction and logistical support. In charge of the Office of the Board of Supervisors, Audit Department, Institutional Management Department (Security Department), Administrative Affairs Department.
Mr. Zhang Yanlong (張延龍)	37	December 2021	December 24, 2021	Shareholder Supervisor	Supervising the Board of Directors and the senior management
Mr. Han Zhenjiang (韓振江)	54	December 2021	December 24, 2021	Shareholder Supervisor	Supervising the Board of Directors and the senior management
Mr. Zeng Lehu (曾樂虎)	51	June 2019	June 3, 2019	Shareholder Supervisor	Supervising the Board of Directors and the senior management
Mr. Luo Yi (羅藝)	42	June 2018	June 1, 2018	External Supervisor	Supervising the Board of Directors and the senior management
Mr. Ma Runping (馬潤平)	59	December 2021	December 24, 2021	External Supervisor	Supervising the Board of Directors and the senior management
Mr. Li Zongyi (李宗義)	52	December 2021	December 24, 2021	External Supervisor	Supervising the Board of Directors and the senior management
Mr. Wang Xiaopei (王效沛)	50	July 2012	December 3, 2021	Employee Representative Supervisor	Supervising the Board of Directors and the senior management on behalf of the employees of the Bank
Mr. Liu Peixun (劉培訓)	54	March 2012	December 3, 2021	Employee Representative Supervisor	Supervising the Board of Directors and the senior management on behalf of the employees of the Bank

Notes:

- (1) The date of appointment as a Supervisor stated here represents the date on which the relevant person was first elected as a Supervisor by the Shareholders' general meetings or the employee representatives' meetings (for employee representative Supervisors only) of the Bank.

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

Senior Management

Name	Age	Date of joining the Bank	Date of first appointment as senior management	Position held as of the Latest Practicable Date	Responsibilities
Mr. Qiu Jinhui (仇金虎)	60	January 2015	January 23, 2015	Vice president ⁽¹⁾	Responsible for the financial segment, the individual business segment and the poverty alleviation and support work through the Bank. In charge of Planning and Finance Department, Individual Business Department, Network Finance Department, Credit Card Center, and Support Office.
Ms. Hao Jumei (郝菊梅)	53	February 2012	March 5, 2019	Vice president, secretary to the Board of Directors	Responsible for the daily work of the Board of Directors, work of risk internal control segment, as well as the coordination and liaison with the companies held or invested by the Bank (such as rural banks). Mainly responsible for the promotion of risk assets resolution, liquidation and disposal works through the Bank. In charge of Risk Management Department, Asset Preservation Department, Special Assets Management Center, Credit Approval Department, and Legal and Compliance Department and assisting the chairman in taking charge of the Office of the Board of Directors and Strategic Development Department.

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

Name	Age	Date of joining the Bank	Date of first appointment as senior management	Position held as of the Latest Practicable Date	Responsibilities
Mr. Chen Jinhui (陳金輝)	53	July 2012	May 26, 2020	Vice president ⁽²⁾	Responsible for corporate banking and product innovation business, in charge of Corporate Business Department, Inclusive Finance Department and Investment Banking Department.
Mr. Du Jing (杜晶)	46	December 2011	May 26, 2020	Vice president	Responsible for operating supporting, technical supporting, financial interbank, asset management and digital transformation related work, in charge of Asset Management Department, Financial Interbank Department, Accounting and Operation Department, and Information Technology Department and Legal and Compliance Department.
Mr. Feng Yuhui (馮煜輝)	58	September 2012	July 27, 2020	Chief business officer	Responsible for the operation and management of relevant business lines and being also the secretary to the Party committee and president of Lanzhou Jincheng Sub-branch.

Notes:

- (1) Mr. Qiu Jinhu ceased to serve as the vice president of the Bank due to reaching his retirement age, effective from July 18, 2022.
- (2) Mr. Chen Jinhui ceased to serve as the vice president of the Bank due to work change, effective from July 18, 2022.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

(I) Changes of Directors

The Board of Directors of the Bank received the letter of resignation from Mr. Ma Zhiqiang, a non-executive Director (employee Director), on August 12, 2022. Due to the work rearrangement, Mr. Ma requested to resign as a non-executive Director (employee representative Director) and a member of the strategy and development committee and a chairman of the consumer rights protection committee under the Board of Directors of the Bank with effective on August 12, 2022. The Bank is identifying a suitable candidate to succeed Mr. Ma, and will otherwise publish an announcement in due course.

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

According to the Articles of Association of the Bank, the Board of Directors shall consist of fourteen Directors. The Board of Directors had twelve Directors as of the date of the Latest Practicable Date. The Bank approved the resolution at the 2022 first extraordinary general meeting on June 24, 2022 to appoint Mr. Wang Xizhen as an executive Director of the Bank, and his appointment shall not take effect until his qualifications have been approved by the regulatory body, and he has not yet performed his duties. The Bank is in the process of selecting the fourteenth Director in accordance with the Articles of Association, and will make the appointment as soon as practicable. As advised by Grandall Law Firm (Shanghai), the Bank's PRC legal adviser, although the actual number of the Directors of the Bank is lower than that set forth in the Articles of Association, the Board of Directors is still able to function properly. In the view of Grandall Law Firm (Shanghai), the composition of the Board of Directors will not result in any violation of applicable PRC laws and regulations.

(II) Changes of Supervisors

During the Reporting Period and as of the Latest Practicable Date, there was no change of Supervisors of the Bank.

(III) Changes of Senior Management Members

At the meeting on June 1, 2022, the Board considered and approved the appointment of Mr. Wang Xizhen as the president of the Bank until the expiry of the third session of the Board, and his appointment shall not take effect until his qualifications have been approved by the regulatory body, and he has not yet performed his duties.

Mr. Qiu Jinhu ceased to serve as the vice president of the Bank due to reaching his retirement age, effective from July 18, 2022.

Mr. Chen Jinhui ceased to serve as the vice president of the Bank due to work change, effective from July 18, 2022.

Save as disclosed above, no information on changes of Directors, Supervisors and senior management is required to be disclosed in accordance with Rule 13.51B(1) of the Hong Kong Listing Rules during the Reporting Period.

III. COMPANY SECRETARY

During the Reporting Period, Mr. Wong Wai Chiu (黃偉超) was the company secretary of the Bank, and his main contact person in the Bank was Ms. Hao Jumei, the vice president and secretary to the Board of the Bank, and Ms. Hao Jumei was also required to report significant events to the chairman of the Board.

IV. REMUNERATION POLICIES FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank endeavors to improve its performance evaluation system for Directors, Supervisors and senior management members. The remuneration system for the Directors, Supervisors and senior management members of the Bank adheres to the principle of unifying responsibilities, authorities and interests, combing incentives and restraints and focusing on both short-term and long-term incentives. The Bank insists on conducting remuneration system reform complementary with relevant reforms and promoting the marketization, monetization and standardization of the income allocation of the Bank's senior management.

The remuneration provided by the Bank for its executive Directors, employee representative Supervisors and senior management who are also the Bank's employees concurrently include salaries, discretionary bonus, social security plans, housing provident fund plans and other benefits. The remuneration provided by the Bank for its non-executive Directors, independent non-executive Directors and other Supervisors are determined by their responsibilities.

The Bank strictly adheres to relevant regulatory provisions when making remuneration payments. The Bank assesses senior management members and offers remuneration to them based on the results of the assessment.

V. SECURITIES TRANSACTIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank has adopted in respect of securities transactions by Directors, Supervisors and senior management, a code of conduct on terms no less exacting than the required standards set out in Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Hong Kong Listing Rules. Having making specific enquiries to all Directors, Supervisors and senior management of the Bank, the Bank confirmed that they had complied with the Model Code during the Reporting Period.

VI. POSITIONS HELD IN THE SHAREHOLDER COMPANY BY THE EXISTING DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position held with the Bank	Name of the shareholder company	Position held in the shareholder company
Ms. Wu Changhong	Non-executive Director	Gansu Highway Aviation Tourism	Member of the Party committee, and deputy general manager
Mr. Shi Guanglei	Non-executive Director	Gansu State-owned Assets Investment	Chief financial officer
Mr. Zhao Xingjun	Non-executive Director	Gansu Financial Holding Group	Member of the Party committee, and deputy general manager
Mr. Guo Jirong	Non-executive Director	Jiuquan Iron & Steel	General manager of the Capital Resources International Department
Mr. Zhang Youda	Non-executive Director	Jinchuan Group	Member of the standing committee of the Party committee, and deputy general manager
Ms. Yang Chunmei	Non-executive Director	Mengshang Bank	Deputy head (presiding over the work) of the board office
Mr. Zhang Yanlong	Shareholder Supervisor	Gansu Electric Power Investment	Deputy Director of the Capital Management Department (dispatched directors and supervisors management center)
Mr. Han Zhenjiang	Shareholder Supervisor	Gansu Jingyuan Coal Industry and Electricity Power Co., Ltd. (甘肅靖遠煤電股份有限公司)	Director, head of the assets and finance department, chief financial officer
Mr. Zeng Lehu	Shareholder Supervisor	DuZhe Publishing & Media Co., Ltd. (讀者出版傳媒有限公司)	Director and head of financial department of DuZhe Group

VII. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK AND ITS ASSOCIATED CORPORATIONS

As at June 30, 2022, the interests of the Directors, Supervisors and chief executive of the Bank in the Shares, underlying Shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code or in accordance with Divisions 7 and 8 of Part XV under the SFO are as follows:

Name	Position in the Bank	Class of Shares	Nature of Interest	Number of Shares	Percentage of Domestic Shares of the Bank (%)	Percentage of Total Share Capital of the Bank (%)
Mr. Liu Qing	Chairman, executive Director	Domestic Shares	Beneficial owner	301,714(L) ⁽¹⁾	0.003	0.002
Mr. Ma Zhiqiang ⁽²⁾	Employee Representative Director	Domestic Shares	Beneficial owner	300,000(L) ⁽¹⁾	0.003	0.002
Mr. Wang Xiaopei (王效沛)	Employee Representative Supervisor	Domestic Shares	Beneficial owner	200,000(L) ⁽¹⁾	0.002	0.001
Mr. Liu Peixun	Employee Representative Supervisor	Domestic Shares	Beneficial owner	200,000(L) ⁽¹⁾	0.002	0.001

Notes:

(1) L represents long position.

(2) Mr. Ma Zhiqiang resigned as a non-executive Director (employee representative Director) of the Bank on August 12, 2022.

Save as disclosed above, none of the Directors, Supervisors and chief executives of the Bank held any interests or short positions in the shares, underlying shares or debentures of the Bank or its associated corporations as of June 30, 2022.

VIII.EMPLOYEE, EMPLOYEE COMPENSATION POLICY AND EMPLOYEE TRAINING PROGRAM

(I) Staff Composition

As of June 30, 2022, the Bank had 4,311 employees. The table below sets forth its number of full-time employees by function as of the same date:

	Number of employees	Percentage (%)
Corporate banking	1,027	23.82
Retail banking	1,070	24.82
Financial market operations	16	0.37
Finance and accounting	516	11.97
Risk management, internal audit and legal and compliance	380	8.81
Information technology	118	2.74
Management	209	4.86
Bank Teller	684	15.86
Others	291	6.75
Total	4,311	100

The following table sets forth the number of the employees of the Bank by age as of June 30, 2022.

	Number of employees	Percentage (%)
Under 30 (inclusive)	1,435	33.29
31 to 40 years old	2,068	47.97
41 to 50 years old	547	12.69
51 years old or above	261	6.05
Total	4,311	100

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

The following table sets forth the number of the employees of the Bank by education degree as of June 30, 2022.

	Number of employees	Percentage (%)
Master's degree or above	311	7.21
Bachelor's degree	3,602	83.55
Others	398	9.24
Total	4,311	100

(II) Employee Remuneration

The Bank's employees participate in employee benefit plans, such as pension insurance, corporate annuity funds, housing provident funds, work related injury insurance, medical insurance, unemployment insurance and maternity insurance. The Bank conducts performance evaluations of employees on an annual basis to provide feedback based on the evaluations. Remuneration for full-time employees typically consists of a base salary and performance-based compensation.

Employee Training Program

The Bank focuses on employee career development and provides training programs for employees in different business lines. It has built a team of internal training providers under its human resources department.

(III) Labor Union

The Bank has established a labor union in accordance with PRC laws and regulations. It believes that it has maintained a good working relationship with its employees. As of the Latest Practicable Date, the Bank had not experienced any labor strikes or other labor disturbances that materially affected its operations or public image.

IX. THE SUBSIDIARY OF THE BANK

Jingning Chengji Rural Bank was the sole subsidiary of the Bank. The Bank holds 62.73% equity interest in Jingning Chengji Rural Bank, the financials of which have been consolidated into the Bank's financial statements. Jingning Chengji Rural Bank was established on September 18, 2008, which was originally a subsidiary of Pingliang City Commercial Bank. It offers local corporate and retail customers diversified financial products and services, including loans, deposits and fee-and commission-based products and services.

Chapter 7 Important Events

I. CORPORATE GOVERNANCE CODE

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

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

The Bank has incorporated the Corporate Governance Code and the Guidelines on Corporate Governance of Banking and Insurance Institutions issued by CBIRC (the "Corporate Governance Guidelines") into the Bank's governance structure and policies. The Corporate Governance Code and the Corporate Governance Guidelines are well reflected in the Articles of Association and the terms of reference of the Shareholders' general meeting, the Board of Directors and committees under the Board of Directors. The Bank's Shareholders' general meeting, the Board of Directors and the Board of Supervisors perform their respective duties, forming good corporate governance structure. The Bank closely monitors its operation to ensure it complies with the relevant requirements under applicable laws, regulations, codes, guidelines and the Bank's internal policies.

The Bank has established and improved the corporate governance structure and established a series of corporate government system according to Corporate Governance Code and the Corporate Governance Guidelines. Our Directors believe that during the Reporting Period, the Bank has complied with all code provisions contained in the Corporate Governance Code in force during the year and, where appropriate, adopted certain recommended best practices. The Bank has also strictly complied with the provisions regarding management of inside information required under applicable laws and regulations and the Hong Kong Listing Rules.

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

II. PROFITS AND DIVIDENDS

(1) 2021 final dividend

At the meeting of the Board of Directors of the Bank convened on March 30, 2022, the Board of Directors, after taking into consideration the need for adequate capital to support the future business development of the Bank, recommended no distribution of any 2021 final dividend or any capitalisation of capital reserve.

The proposals were considered and approved at the 2021 annual general meeting of the Bank convened on June 24, 2022.

(2) 2022 interim dividend

The Bank's revenue for the six months ended June 30, 2022 and the Bank's financial position as of the same date are set out in the interim financial statements of this interim report. The Board recommended no distribution of 2022 interim dividend or any capitalisation of capital reserve.

III. ISSUANCE OF BONDS

Interbank certificates

During the period from January 1, 2022 to June 30, 2022, the Bank issued several tranches of interbank certificates in an aggregate principal amount of RMB34,420 million. The interbank certificates have terms of three month to one year and bear effective interest rates between 1.95% and 2.97% per annum.

Financial bonds

At the meeting of the Board convened on March 30, 2020, the Board advised the Bank to issue tier 2 capital bonds of not more than RMB5 billion. The proposal was considered and approved at the 2019 annual general meeting convened on June 3, 2020 and the authorizing resolution shall be valid for 18 months from the date of approval at the annual general meeting (i.e. June 3, 2020).

In view of the latest changes in the bond market environment and the requirements of regulatory approval process, the Bank has approved upon the consideration and approval by the Board on March 29, 2021 the extension of the validity period of the Proposal on the Public Issuance of Tier-2 Capital Bonds approved at the 2020 annual general meeting to 18 months from the date of approval at the 2020 annual general meeting (i.e. May 24, 2021), and the remaining contents of the proposal remain unchanged.

At the meeting of the Board convened on August 27, 2021, the Board advised the Bank to issue financial bonds in an aggregate amount of not more than RMB10 billion (inclusive). The proposal was considered and approved at the 2021 annual general meeting convened by the Bank on June 24, 2022 and the authorizing resolution shall be valid for 24 months from the date of approval for the issuance of non-capital financial bonds from the People's Bank of China and other relevant regulatory authorities.

As of the Latest Practicable Date, the Bank has not issued any bonds as per the aforesaid authorization. The Bank will, according to relevant applicable laws and regulations and the Hong Kong Listing Rules, disclose the progress of issuing financial bonds to the Shareholders of the Bank and potential investors in a prompt manner.

Chapter 7 Important Events

IV. PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE BANK

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

V. RELATED PARTY TRANSACTIONS

During the Reporting Period, no material related party transaction (defined under the Administrative Measures for the Related Party Transactions of Banking and Insurance Institutions (《銀行保險機構關聯交易管理辦法》)) had occurred which had adverse effects on the operating results and financial position of the Bank.

VI. MATERIAL LAWSUITS AND ARBITRATIONS

Legal disputes in which the Bank and its subsidiary were involved during daily businesses mainly include actions taken against the borrowers for the purpose of recovering loans. As of the Latest Practicable Date, neither the Bank nor its subsidiary had been involved in any major pending litigation as defendant.

VII. PUNISHMENT IMPOSED ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

During the Reporting Period and as at the Latest Practicable Date, neither the Bank nor its Directors, Supervisors and senior management members had been subject to investigation, administrative sanction and criticism by CSRC, public censure by Hong Kong Stock Exchange, or punishment imposed by any other regulatory authorities and having material effect on the Bank's operations.

VIII. PUBLIC FLOAT

When it applied for the listing of its H Shares, the Bank applied to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange has granted the Bank a waiver that the minimum public float requirement under Rule 8.08(1) of the Hong Kong Listing Rules be reduced, i.e. the minimum percentage of the H Shares of the Bank from time to time held by the public being the higher of (i) 22.72%, the percentage of H Shares to be held by the public immediately after the completion of the global offering (assuming the over-allotment option is not exercised); and (ii) such percentage of H Shares to be held by the public after the exercise of the over-allotment option, provided that the higher of (i) and (ii) above is below the minimum public float requirement of 25% under Rule 8.08(1) (a) of the Hong Kong Listing Rules.

Based on the Bank's publicly available information and to the best of the Directors' knowledge, as of the Latest Practicable Date, the number of H Shares in public hands represents approximately 25.17% of the total issued share capital of the Bank, which satisfies the minimum public float requirement under Rule 8.08(1) of the Hong Kong Listing Rules.

IX. APPOINTMENT OF EXTERNAL AUDITORS

As deliberated and approved by Shareholders at the 2021 annual general meeting on June 24, 2022, the Bank reappointed Shinewing Certified Public Accountants LLP as its domestic external auditor for 2022, which is responsible for providing relevant domestic audit services in accordance with PRC GAAP; reappointed SHINEWING (HK) CPA Limited as its international external auditor for 2022, which is responsible for providing relevant overseas audit & review services in accordance with IFRS. The terms of the above two external auditors shall start from the date when the proposal on appointment of external auditors for 2022 was adopted at the 2021 annual general meeting of the Bank (namely on June 24, 2022) to the date when the 2022 annual general meeting of the Bank ended.

X. ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES, ASSETS AND BUSINESS/ENTERPRISES COMBINATIONS/MERGERS

The Bank did not carry out any acquisition and disposal of subsidiaries, associates, assets and business/enterprises combinations/mergers during the Reporting Period and as at the Latest Practicable Date.

XI. REVIEW OF INTERIM REPORT

The financial statements disclosed in this interim report have not been audited. The interim financial statements of the Bank for the six months ended June 30, 2022 prepared in accordance with IFRS issued by the International Accounting Standards Board have been reviewed by SHINEWING (HK) CPA Limited according to Hong Kong Standard on Review Engagements 2410. The Board of Directors and its audit committee have reviewed and approved the Group's unaudited consolidated interim financial data, interim report and interim results announcement for the six months ended June 30, 2022.

XII. PUBLICATION OF THE 2022 INTERIM REPORT

The 2022 interim report of the Bank prepared in accordance with the Hong Kong Listing Rules and IFRS is available on the HKEXnews website (<http://www.hkexnews.hk>) and the Bank's website (<http://www.gsbankchina.com>).

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

Chapter 8 Report on Review of Condensed Consolidated Financial Statements



SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

TO THE BOARD OF DIRECTORS OF BANK OF GANSU CO., LTD.

甘肅銀行股份有限公司

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Bank of Gansu Co., Ltd (the “Bank”) and its subsidiary (hereinafter collectively referred to as the “Group”) set out on pages 80 to 145, which comprise the condensed consolidated statement of financial position as of June 30, 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and other 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 these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements 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 8 Report on Review of Condensed Consolidated Financial Statements

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lee Shun Ming
Practising Certificate Number: P07068

Hong Kong
August 30, 2022

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

For the six months ended June 30, 2022

	Notes	Six months ended June 30,	
		2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Interest income		6,759,788	6,918,686
Interest expenses		(4,388,281)	(4,527,758)
Net interest income	4	2,371,507	2,390,928
Fee and commission income		242,203	191,306
Fee and commission expenses		(15,641)	(24,453)
Net fee and commission income	5	226,562	166,853
Net trading gains	6	257,865	414,985
Net gains arising from investment securities	7	36,000	64,362
Net exchange gains/(losses)		118,319	(59,125)
Other operating (expense)/income, net	8	(2,763)	2,177
Operating income		3,007,490	2,980,180
Operating expenses	9	(975,747)	(922,504)
Impairment losses on assets, net of reversals	10	(1,740,105)	(1,692,421)
Operating profit		291,638	365,255
Share of profit of an associate	22	73	331
Profit before tax		291,711	365,586
Income tax credit	11	103,503	17,135
Profit for the period		395,214	382,721

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

For the six months ended June 30, 2022

	Notes	Six months ended June 30,	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Profit for the period		395,214	382,721
Other comprehensive (expense)/income for the period:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Debt instrument at fair value through other comprehensive income			
– Movement of provision for impairment losses	21	(89)	(65)
– Change in fair value recognised in investment revaluation reserve		(31,571)	(10,758)
– Income tax relating to items that may be reclassified subsequently		7,915	2,706
Other comprehensive expense for the period, net of income tax		(23,745)	(8,117)
Total comprehensive income for the period		371,469	374,604
Profit for the period attributable to:			
– Owners of the Bank		393,917	381,447
– Non-controlling interests		1,297	1,274
		395,214	382,721
Total comprehensive income for the period attributable to:			
– Owners of the Bank		370,172	373,330
– Non-controlling interests		1,297	1,274
		371,469	374,604
Earnings per share			
– Basic and diluted (RMB cents)	12	2.61	2.53

Condensed Consolidated Statement of Financial Position

At June 30, 2022

		At June 30, 2022	At December 31, 2021
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Assets			
Cash and deposits with the central bank	13	17,472,854	20,660,560
Deposits with banks	14	3,563,534	4,889,320
Placements with other financial institutions	15	1,350,000	3,890,000
Financial assets held under resale agreements	16	10,768,618	13,092,054
Financial assets at amortised cost	17	82,167,755	70,974,947
Interests receivables	18	6,333,221	5,926,927
Loans and advances to customers	19	201,973,526	193,241,097
Financial assets at fair value through profit or loss	20	33,817,495	29,942,944
Financial assets at fair value through other comprehensive income	21	10,785,706	9,675,569
Interest in an associate	22	10,385	10,312
Property and equipment	23	3,008,942	3,043,380
Right-of-use assets	24	229,122	244,514
Deferred tax assets	25	1,896,639	1,862,158
Other assets	26	1,382,034	1,050,820
Total assets		374,759,831	358,504,602
Liabilities and equity			
Liabilities			
Borrowings from the central bank	28	6,789,681	7,055,091
Deposits from banks and other financial institutions	29	17,487,102	17,844,062
Financial assets sold under repurchase agreements	30	200,000	6,051,480
Deposits from customers	31	272,842,565	255,987,920
Accrued staff costs	32	395,721	504,481
Taxes payable		1,122	2,383
Interests payable	33	6,402,012	7,457,264
Debts securities issued	34	34,291,205	28,883,313
Deferred tax liabilities	25	4,173	32,972
Lease liabilities	24	182,217	197,657
Other liabilities	35	3,736,065	2,431,588
Total liabilities		342,331,863	326,448,211

Condensed Consolidated Statement of Financial Position

At June 30, 2022

	<i>Notes</i>	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Equity			
Share capital	36	15,069,791	15,069,791
Capital reserve	37(a)	5,956,530	5,956,422
Defined benefit plan reserve		(3,902)	(3,902)
Investment revaluation reserve		133,312	157,057
Surplus reserve	37(b)	1,727,903	1,727,903
General reserve	37(c)	4,955,881	4,955,881
Retained earnings		4,549,642	4,155,725
Total equity attributable to the owners of the Bank		32,389,157	32,018,877
Non-controlling interests		38,811	37,514
Total equity		32,427,968	32,056,391
Total liabilities and equity		374,759,831	358,504,602

The condensed consolidated financial statements on pages 80 to 145 were approved and authorised for issue by the board of directors of the Bank on August 30, 2022 and are signed on its behalf by:

Mr. Liu Qing
Director

Ms. Wu Changhong
Director

Ms. Tang Lan
Supervisor

Ms. Hao Jumei
Senior management

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022

	Attributable to owners of the Bank									Total RMB'000
	Share capital	Capital reserve	Defined benefit plan reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At January 1, 2022	15,069,791	5,956,422	(3,902)	157,057	1,727,903	4,955,881	4,155,725	32,018,877	37,514	32,056,391
Profit for the period	-	-	-	-	-	-	393,917	393,917	1,297	395,214
Other comprehensive expense for the period	-	-	-	(23,745)	-	-	-	(23,745)	-	(23,745)
Total comprehensive (expense)/ income for the period	-	-	-	(23,745)	-	-	393,917	370,172	1,297	371,469
Shareholders' injection (Note 37(a))	-	108	-	-	-	-	-	108	-	108
At June 30, 2022 (Unaudited)	15,069,791	5,956,530	(3,902)	133,312	1,727,903	4,955,881	4,549,642	32,389,157	38,811	32,427,968

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022

	Attributable to owners of the Bank									
	Share capital	Capital reserve	Defined benefit plan reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021	15,069,791	5,955,483	(2,762)	137,157	1,615,945	4,538,992	4,113,917	31,428,523	36,223	31,464,746
Profit for the period	-	-	-	-	-	-	381,447	381,447	1,274	382,721
Other comprehensive expense for the period	-	-	-	(8,117)	-	-	-	(8,117)	-	(8,117)
Total comprehensive (expense)/ income for the period	-	-	-	(8,117)	-	-	381,447	373,330	1,274	374,604
Shareholders' injection (Note 37(a))	-	528	-	-	-	-	-	528	-	528
Appropriation of profits										
- Appropriation to surplus reserve	-	-	-	-	55,110	-	(55,110)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(901)	(901)
At June 30, 2021 (Unaudited)	15,069,791	5,956,011	(2,762)	129,040	1,671,055	4,538,992	4,440,254	31,802,381	36,596	31,838,977

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit before tax	291,711	365,586
Adjustments for:		
Depreciation of property and equipment	121,851	109,030
Depreciation of right-of-use assets	78,539	73,559
Amortisation of intangible assets	7,164	3,363
Impairment losses on assets, net of reversals	1,740,105	1,692,421
Interest expense on lease liabilities	2,309	2,736
Interest expense on debts securities issued	476,402	414,919
Loss/(gain) on disposal of property and equipment	702	(292)
Unrealised losses from debt securities at fair value through profit or loss	80,729	29,172
Net gains arising from investment securities	(36,000)	(64,362)
Government grants	(1,903)	(780)
Interest income on financial investments	(1,345,699)	(1,359,076)
Share of profit of an associate	(73)	(331)
	1,415,837	1,265,945
Changes in operating assets		
Net decrease in deposits with the central bank	943,543	623,172
Net (increase)/decrease in deposits and placements with the banks and other financial institutions	(70,457)	68,131
Net increase in financial assets at fair value through profit or loss	(3,955,280)	(3,244,367)
Net increase in loans and advances to customers	(9,956,022)	(13,670,791)
Net increase in other operating assets	(1,935,193)	(2,062,037)
	(14,973,409)	(18,285,892)
Changes in operating liabilities		
Net (decrease)/increase in borrowings from the central bank	(265,410)	284,381
Net (decrease)/increase in deposits and placements from banks and other financial institutions	(356,960)	812,221
Net decrease in financial assets sold under repurchase agreements	(5,851,480)	(1,938,370)
Net increase in deposits from customers	16,854,645	4,877,956
Net increase/(decrease) in other operating liabilities	174,265	(1,110,017)
	10,555,060	2,926,171

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash used in operations	(3,002,512)	(14,093,776)
Income tax refunded/(paid)	40,666	(3,582)
NET CASH USED IN OPERATING ACTIVITIES	(2,961,846)	(14,097,358)
INVESTING ACTIVITIES		
Proceeds from disposal of investments	19,890,908	23,075,911
Interest income received from financial investments	1,372,915	1,086,049
Proceeds from disposal of property and equipment	1,370	2,007
Payments on acquisition of investments	(31,532,631)	(16,727,425)
Payments on acquisition of property and equipment and intangible assets	(91,047)	(122,209)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(10,358,485)	7,314,333
FINANCING ACTIVITIES		
Government grants received	1,903	780
Proceeds from capital contribution by equity shareholder	108	528
Proceeds from issue of new debt securities	33,965,874	29,465,994
Repayment of debt securities issued	(29,020,000)	(25,780,000)
Repayment of lease liabilities	(78,587)	(66,734)
Interest paid on debts securities issued	(50,000)	(123,006)
Interest paid on lease liabilities	(2,309)	(2,736)
Dividends paid	(82)	(52)
Dividends paid to non-controlling interests	(418)	(841)
NET CASH FROM FINANCING ACTIVITIES	4,816,489	3,493,933
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,503,842)	(3,289,092)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	26,699,642	28,478,667
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (Note 41)	18,195,800	25,189,575
Interest received	6,437,908	6,296,163
Interest paid (excluding interest expense on debts securities issued and lease liabilities)	(4,929,206)	(5,100,296)

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Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

1. GENERAL

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

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

The Bank obtained its finance permit No. B1228H262010001 from the CBIRC, and obtained its business license No. 91620000585910383X from the Gansu Administration of Industry and Commerce. The legal representative is Liu Qing and the address of the registered office and principal place of business is 525-1, Donggang West Road, Chengguan District, Lanzhou, Gansu Province.

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

As at June 30, 2022, the Bank has 1 head office operational department, 12 branches, 184 sub-branches, 4 micro-to-small sub-branches and 2 community sub-branches and a subsidiary. The principal activities of the Bank and its subsidiary (hereinafter collectively referred to as the “Group”) are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the CBIRC. The Group operates mainly in Gansu Province of Mainland China.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended June 30, 2022 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange, and with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”, issued by the International Accounting Standards Board (“IASB”).

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

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

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Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2021.

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB which are effective for the Group's financial year beginning January 1, 2022.

Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 3	Reference to Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to IFRSs	Annual Improvements to IFRSs 2018 – 2020 cycle

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

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Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

4. NET INTEREST INCOME

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income arising from		
– Deposits with the central bank	128,620	167,682
– Deposits with banks	14,640	13,337
– Placements with other financial institutions	6,657	91
– Loans and advances to customers:		
Corporate loans and advances	3,665,834	3,444,993
Personal loans and advances	1,141,553	1,289,365
Discounted bills	286,587	443,946
– Financial assets held under resale agreements	170,198	200,196
– Financial assets at fair value through other comprehensive income	183,340	195,566
– Financial assets at amortised cost	1,162,359	1,163,510
	6,759,788	6,918,686
Less: Interest expenses arising from		
– Borrowings from the central bank	(71,207)	(64,155)
– Deposits from banks and other financial institutions	(392,431)	(312,697)
– Deposits from customers:		
Corporate customers	(792,925)	(1,207,260)
Individual customers	(2,619,353)	(2,464,076)
– Financial assets sold under repurchase agreements	(33,654)	(61,915)
– Debts securities issued	(476,402)	(414,919)
– Lease liabilities	(2,309)	(2,736)
	(4,388,281)	(4,527,758)
	2,371,507	2,390,928

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Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

5. NET FEE AND COMMISSION INCOME

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fee and commission income		
– Wealth management service fees	46,088	11,127
– Bank acceptance bills service fees	5,449	17,466
– Agency services fees	36,011	33,231
– Settlement and clearing fees	81,614	67,705
– Letter of guarantee service fees	9,794	–
– Others	63,247	61,777
	242,203	191,306
Fee and commission expenses		
– Settlement and clearing fees	(3,476)	(3,577)
– Bank card service fees	(12,157)	(15,115)
– Others	(8)	(5,761)
	(15,641)	(24,453)
	226,562	166,853

6. NET TRADING GAINS

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Trading financial instruments		
– Realised gains from debt securities	254,180	142,587
– Unrealised losses from debt securities	(80,729)	(29,172)
Interest income arising from financial asset at FVTPL	84,414	301,570
	257,865	414,985

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Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

7. NET GAINS ARISING FROM INVESTMENT SECURITIES

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net gains on disposal of debt instruments at fair value through other comprehensive income	36,000	64,362

8. OTHER OPERATING (EXPENSE)/INCOME, NET

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants (Note)	1,903	780
Rental income	1,612	2,238
(Loss) /gain on disposal of property and equipment	(702)	292
Other operating expenses	(5,576)	(1,133)
	(2,763)	2,177

Note: Government grants recognised as other income are awarded to the Group by the PRC government as incentives primarily to encourage the development of the Group and the contribution to the local economic development. There are no unfulfilled conditions or contingencies attaching to government grants that have been recognised.

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Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

9. OPERATING EXPENSES

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff costs (including directors' emoluments)		
– Salaries and bonuses	377,870	335,060
– Staff welfares	9,865	16,195
– Social insurance	120,374	106,074
– Housing allowances	41,669	36,418
– Labor union and staff education expenses	3,718	5,004
– Others	1,313	742
	554,809	499,493
Premises and equipment expenses		
– Depreciation of property and equipment	121,851	109,030
– Depreciation of right-of-use assets	78,539	73,559
– Amortisation of intangible assets	7,164	3,363
– Rental and property management expenses	5,561	11,671
	213,115	197,623
Business tax and surcharges	50,100	53,747
Other general and administrative expenses	157,723	171,641
	975,747	922,504

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Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

10. IMPAIRMENT LOSSES ON ASSETS, NET OF REVERSALS

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Impairment losses on assets, net of reversals:		
Financial assets at FVTOCI	(89)	(65)
Financial assets at amortised cost	505,566	583,442
Other receivables	8,719	–
Loans and advances to customers	1,223,593	1,109,044
Acceptance bills, letters of guarantees and unused credit card commitments	2,316	–
	1,740,105	1,692,421

11. INCOME TAX CREDIT

(a) Income tax:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
– PRC Enterprise Income Tax	940	1,302
Over provision in prior years		
– PRC Enterprise Income Tax	(49,078)	–
Deferred tax (Note 25)		
– Current year	(55,365)	(18,437)
	(103,503)	(17,135)

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

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Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

11. INCOME TAX CREDIT (CONTINUED)

- (b) The tax charge for the six months ended can be reconciled to the profit before tax per the condensed consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Profit before tax	291,711	365,586
Tax at domestic income tax rate of 25%	72,928	91,397
Tax effect of share of result of an associate	(18)	(83)
Tax effect of expenses not deductible for tax purpose (Note (i))	243	6,909
Tax effect of income that are not taxable for tax purpose (Note (ii))	(127,167)	(114,955)
Over provision in respect of prior years	(49,078)	–
Income tax on concessionary rate	(411)	(403)
Income tax credit	(103,503)	(17,135)

Notes:

- (i) Expenses not deductible for tax purpose consists of a portion of expenditures, such as entertainment expenses and donations, which exceed the tax deduction limits in accordance with PRC tax regulation.
- (ii) Income not taxable for tax purpose consists of interest income from micro loans to farmers, which is exempted from income tax under the PRC tax regulation.

Details of the deferred taxation are set out in Note 25.

12. EARNINGS PER SHARE

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

	Six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Profit for the period attributable to owners of the Bank (RMB'000)	393,917	381,447
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	15,069,791	15,069,791

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the six months ended June 30, 2022 and 2021.

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Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

13. CASH AND DEPOSITS WITH THE CENTRAL BANK

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Cash on hand	410,099	422,799
Deposits with the central bank		
– Statutory deposit reserve (Note (a))	14,777,808	15,789,985
– Surplus deposit reserve (Note (b))	2,174,006	4,405,469
– Fiscal deposits	110,941	42,307
	17,062,755	20,237,761
	17,472,854	20,660,560

Notes:

- (a) The Group places statutory deposit reserves with the PBOC (The People's Bank Of China) in accordance with relevant regulations in the PRC. As at June 30, 2022 and December 31, 2021, the statutory deposit reserve ratios applicable to the Bank were as follows:

	At June 30, 2022 (Unaudited)	At December 31, 2021 (Audited)
Reserve ratio for RMB deposits	5.5%	6%
Reserve ratio for foreign currency deposits	8%	9%

The statutory deposit reserves are restricted balances with central bank and are not available for the Group's daily business.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of cash settlement and other kinds of unrestricted deposits.

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Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

14. DEPOSITS WITH BANKS

Analysed by type and location of counterparty

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Deposits in Mainland China – Banks	3,555,050	4,871,470
Deposits outside Mainland China – Banks	8,484	17,850
	3,563,534	4,889,320

As at June 30, 2022 and December 31, 2021, the Group classifies all deposits with banks in Stage 1 and measures the loss allowance equal to 12-month expected credit losses (“ECL”).

No movement in provision for impairment losses for the period/year ended June 30, 2022 and December 31, 2021.

15. PLACEMENTS WITH OTHER FINANCIAL INSTITUTIONS

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Placements in Mainland China – Other financial institutions	1,350,000	3,890,000

As at June 30, 2022 and December 31, 2021, the Group classifies all placements with other financial institutions in Stage 1 and measures the loss allowance equal to 12-month ECL.

No movement in provision for impairment losses for the period/year ended June 30, 2022 and December 31, 2021.

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Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

16. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
In Mainland China		
– Banks	1,426,916	284,865
– Other financial institutions	9,341,702	12,807,189
	10,768,618	13,092,054

(b) Analysed by type of security held

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Debt securities		
– Government	2,273,963	5,124,171
– Banks and other financial institutions	8,494,655	7,967,883
	10,768,618	13,092,054

As at June 30, 2022 and December 31, 2021, the Group classifies all financial assets held under resale agreements in Stage 1 and measures the loss allowance equal to 12-month ECL.

No movement in provision for impairment losses for the period/year ended June 30, 2022 and December 31, 2021.

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Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

17. FINANCIAL ASSETS AT AMORTISED COST

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Financial asset measured at amortised cost		
Debt securities issued by the following institutions in Mainland China		
– Government	31,759,407	23,014,335
– Banks and other financial institutions	23,338,857	18,299,298
– Corporations	4,401,562	4,092,582
Trust plans	14,494,745	16,184,745
Asset management plans	9,751,587	10,549,687
Asset-backed securities issued by bank and other institutions	196,864	224,000
	83,943,022	72,364,647
Less: Provision for impairment losses	(1,775,267)	(1,389,700)
	82,167,755	70,974,947
Analysed as:		
Listed outside Hong Kong	41,489,684	41,595,755
Unlisted outside Hong Kong	40,678,071	29,379,192
	82,167,755	70,974,947
Fair value	80,186,244	71,153,465

At December 31, 2021, parts of debt securities were pledged as security for repurchase agreements (June 30, 2022: nil) (Note 27(a) and Note 30(c)).

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Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

18. INTERESTS RECEIVABLES

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Interests receivables arising from:		
– Investments	2,481,358	2,508,574
– Loans and advances to customers	3,835,055	3,402,956
– Financial assets held under resale agreements	2,322	4,233
– Deposits with banks	6,700	1,666
– Placements with other financial institutions	493	739
– Deposits with the central bank	7,293	8,759
	6,333,221	5,926,927

As at June 30, 2022 and December 31, 2021, the Group classifies all interest receivables in Stage 1 and measures the loss allowance equal to 12-month ECL. The amounts of the ECL are not significant, no ECL was provided during the six months ended June 30, 2022 and the year ended December 31, 2021.

19. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Gross loans and advances to customers		
Corporate loans and advances	135,104,816	126,837,440
Personal loans and advances		
– Personal business loans	5,145,162	5,479,122
– Personal consumption loans	15,804,206	18,104,596
– Residential and commercial mortgage loans	26,388,330	24,422,355
	47,337,698	48,006,073
Discounted bills	24,985,993	23,751,790
	207,428,507	198,595,303
Less: Provision for impairment losses	(5,454,981)	(5,354,206)
	201,973,526	193,241,097

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Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

19. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by industry sector

	At June 30, 2022		
	Amount RMB'000 (Unaudited)	Percentage (Unaudited)	Loans and advances secured by collaterals RMB'000 (Unaudited)
Gross loans and advances to customers			
Corporate loans and advances			
– Manufacturing	30,073,226	14.50%	13,308,701
– Wholesale and retail	12,194,046	5.88%	7,912,729
– Real estate	12,476,086	6.01%	12,438,131
– Construction	12,247,365	5.90%	5,821,942
– Mining	5,020,884	2.42%	1,366,283
– Agriculture, forestry, animal husbandry and fishery	7,499,972	3.62%	2,125,069
– Leasing and business services	22,499,488	10.85%	7,674,090
– Water, environment and public facility management	3,856,859	1.86%	2,408,259
– Cultural, sports and entertainment	3,612,563	1.74%	3,018,918
– Accommodation and catering	2,645,469	1.27%	2,249,803
– Electricity, gas and water production and supply	2,162,273	1.04%	920,378
– Transportation, storage and postal services	10,190,866	4.91%	1,484,768
– Health and social services	2,188,420	1.06%	865,655
– Education	1,619,090	0.78%	453,991
– Finance	5,565,000	2.68%	–
– Scientific research, technical services and geological prospecting	643,775	0.31%	141,091
– Resident and other services	468,167	0.23%	382,007
– Information transmission, computer services and software	141,267	0.07%	55,264
	135,104,816	65.13%	62,627,079
Personal loans and advances	47,337,698	22.82%	27,650,276
Discounted bills	24,985,993	12.05%	–
	207,428,507	100.00%	90,277,355
Less: Provision for impairment losses	(5,454,981)		
	201,973,526		

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Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

19. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by industry sector (Continued)

	At December 31, 2021		
	Amount RMB'000 (Audited)	Percentage (Audited)	Loans and advances secured by collaterals RMB'000 (Audited)
Gross loans and advances to customers			
Corporate loans and advances			
– Manufacturing	28,447,678	14.33%	11,442,341
– Wholesale and retail	12,316,688	6.20%	8,085,139
– Real estate	11,533,091	5.81%	11,477,591
– Construction	11,681,153	5.88%	5,692,347
– Mining	5,381,971	2.71%	2,247,895
– Agriculture, forestry, animal husbandry and fishery	8,513,489	4.29%	3,081,950
– Leasing and business services	18,483,870	9.31%	7,507,456
– Water, environment and public facility management	3,495,837	1.76%	1,946,759
– Cultural, sports and entertainment	4,618,853	2.33%	3,109,858
– Accommodation and catering	2,686,797	1.35%	2,297,783
– Electricity, gas and water production and supply	2,111,298	1.06%	881,958
– Transportation, storage and postal services	7,990,238	4.02%	1,291,842
– Health and social services	2,161,248	1.09%	833,010
– Education	1,602,602	0.81%	435,347
– Finance	4,575,000	2.30%	–
– Scientific research, technical services and geological prospecting	613,820	0.31%	139,391
– Resident and other services	505,342	0.25%	412,760
– Information transmission, computer services and software	116,685	0.06%	47,317
– Public administration, social security and social organisations	1,780	0.00%	–
	126,837,440	63.87%	60,930,744
Personal loans and advances	48,006,073	24.17%	25,768,031
Discounted bills	23,751,790	11.96%	–
	198,595,303	100.00%	86,698,775
Less: Provision for impairment losses	(5,354,206)		
	193,241,097		

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Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

19. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Analysed by type of collateral

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Gross loans and advances to customers		
Unsecured loans	26,100,953	26,633,717
Guaranteed loans	78,867,832	72,524,391
Collateralised loans	90,277,355	86,698,775
Pledged loans	12,182,367	12,738,420
Less: Provision for impairment losses	207,428,507 (5,454,981)	198,595,303 (5,354,206)
	201,973,526	193,241,097

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For the six months ended June 30, 2022

19. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) Loans and advances and provision for impairment losses

	At June 30, 2022			
	Stage 1	Stage 2	Stage 3	Total
			Lifetime	
	12m ECL	Lifetime ECL	ECL-credited	
RMB'000	RMB'000	impaired	RMB'000	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gross loans and advances to customers	194,927,204	8,375,272	4,126,031	207,428,507
Less: Provision for impairment losses	(2,071,246)	(1,635,679)	(1,748,056)	(5,454,981)
	192,855,958	6,739,593	2,377,975	201,973,526

	At December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
			Lifetime	
	12m ECL	Lifetime ECL	ECL-credited	
RMB'000	RMB'000	impaired	RMB'000	
	(Audited)	(Audited)	(Audited)	(Audited)
Gross loans and advances to customers	186,577,473	7,962,980	4,054,850	198,595,303
Less: Provision for impairment losses	(1,971,530)	(1,594,378)	(1,788,298)	(5,354,206)
	184,605,943	6,368,602	2,266,552	193,241,097

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19. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(e) Movements of provision for impairment losses

The table below analyses the movements of the provision for impairment losses during the period per class of assets.

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
At January 1, 2022	1,971,530	1,594,378	1,788,298	5,354,206
Change in the provision for impairment losses				
– Transfer to Stage 1	796,577	(784,157)	(12,420)	–
– Transfer to Stage 2	(81,957)	86,121	(4,164)	–
– Transfer to Stage 3	(7,532)	(129,061)	136,593	–
– Write-offs and others	–	–	(1,155,947)	(1,155,947)
– (Reversal)/charge to profit or loss	(607,372)	868,398	962,567	1,223,593
– Recoveries of loans and advances previously written off	–	–	33,129	33,129
At June 30, 2022 (Unaudited)	2,071,246	1,635,679	1,748,056	5,454,981
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
At January 1, 2021	2,213,624	1,502,306	1,722,960	5,438,890
Change in the provision for impairment losses				
– Transfer to Stage 1	307,650	(291,185)	(16,465)	–
– Transfer to Stage 2	(78,238)	82,505	(4,267)	–
– Transfer to Stage 3	(15,585)	(241,947)	257,532	–
– Write-offs and others	–	–	(1,613,848)	(1,613,848)
– (Reversal)/charge to profit or loss	(455,921)	542,699	1,385,763	1,472,541
– Recoveries of loans and advances previously written off	–	–	56,623	56,623
At December 31, 2021 (Audited)	1,971,530	1,594,378	1,788,298	5,354,206

(f) Analysed by geographical sector

Geographically, the Group mainly conducts their businesses and most of their customers and assets are located in Gansu Province of the PRC.

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20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Financial assets held for trading (Note)	6,944,634	4,707,959
Trust plans	1,543,541	1,426,344
Asset management plans	8,318,728	8,667,227
Investment funds	17,010,592	15,141,414
	33,817,495	29,942,944
Analysed as:		
Listed outside Hong Kong	6,944,634	4,707,959
Unlisted outside Hong Kong	26,872,861	25,234,985
	33,817,495	29,942,944

Note:

Financial assets held for trading:

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Debt securities issued by the following institutions in Mainland China:		
– Banks	5,813,608	3,637,047
– Other financial institutions	1,131,026	1,070,912
	6,944,634	4,707,959

As at June 30, 2022, no financial assets at FVTPL were subject to material restrictions on the realisation (December 31, 2021: nil).

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

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21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Debt instruments at FVTOCI		
Debt securities issued by the following institutions in Mainland China		
– Government	4,646,502	4,397,478
– Banks and other financial institutions	5,810,399	4,949,286
	10,456,901	9,346,764
Unlisted equity investments designated at FVTOCI	328,805	328,805
	10,785,706	9,675,569
Analysed as:		
– Listed outside Hong Kong	10,456,901	9,346,764
– Unlisted outside Hong Kong	328,805	328,805
	10,785,706	9,675,569

At June 30, 2022 and December 31, 2021, parts of debt securities were pledged as security for repurchase agreement (Note 27(a) and Note 30(c)).

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC. These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Bank have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

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21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Movement of provision for impairment losses:

Provision for impairment losses – debt instruments at fair value through other comprehensive income	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
Provision for impairment losses at January 1, 2022	1,123	–	–	1,123
– Credit to profit or loss	(89)	–	–	(89)
Provision for impairment losses at June 30, 2022	1,034	–	–	1,034

Provision for impairment losses – debt instruments at fair value through other comprehensive income	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
Provision for impairment losses at January 1, 2021	2,603	–	–	2,603
– Credit to profit or loss	(1,480)	–	–	(1,480)
Provision for impairment losses at December 31, 2021	1,123	–	–	1,123

22. INTEREST IN AN ASSOCIATE

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Cost of investment in an associate, unlisted	3,000	3,000
Share of post-acquisition profits	7,385	7,312
	10,385	10,312

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22. INTEREST IN AN ASSOCIATE (CONTINUED)

As at June 30, 2022 and December 31, 2021, the Group had interests in the following associate:

Name of the bank	Form of entity	Country of establishment/ operation	Class of shares held	Proportion of ownerships interests or participating shares held by the Group		Proportion of voting power held		Principal activity
				2021	2022	2021	2022	
Gansu Jingchuan BOC Limited liability Fullerton Community Bank Co., Ltd* (“甘 肅涇川中銀富登村鎮 銀行股份有限公司”, “Gansu Jingchuan”)		The PRC	Ordinary share	16.67%	16.67%	16.67%	16.67%	Corporate and retail bank

Note: This associate is directly held by the Bank. The Group considered that it has the practical ability to exercise significant influence over Gansu Jingchuan even though it owns less than 20% of the ownership interest and voting control after taking into account 1) the Group’s ownership interest is significant relative to other shareholders due to the wide dispersion of shareholding interests; 2) the representation or rights to appoint/nominate directors for the board of directors of the associate; and 3) the rights to participate in the policy-making process, including dividends and other distribution.

* The English translation is for identification only.

The financial information and carrying amount, in aggregate, of the Group’s interest in an associate that is not material and is accounted for using the equity method are set out below:

	Six months ended June 30,	
	2022	2021
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
The Group’s share of profit and total comprehensive income for the period	73	331

	At June 30,	At December 31,
	2022	2021
	RMB’000	RMB’000
	(Unaudited)	(Audited)
Carrying amount of the Group’s interests in the immaterial associate	10,385	10,312

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23. PROPERTY AND EQUIPMENT

	Construction in progress RMB'000	Premises (Buildings) RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Computer software RMB'000	Office equipment RMB'000	Total RMB'000
Cost								
At January 1, 2021	440,858	2,443,633	607,447	49,922	504,017	420,389	111,280	4,577,546
Additions	100,366	20,454	25,090	927	49,363	80,600	35,432	312,232
Transfers in/(out) from construction in progress	(136,599)	136,599	-	-	-	-	-	-
Disposals	-	(42)	(18,918)	(2,284)	-	-	(4,984)	(26,228)
At December 31, 2021 and January 1, 2022	404,625	2,600,644	613,619	48,565	553,380	500,989	141,728	4,863,550
Additions	36,766	27,010	3,131	260	7,351	12,475	2,492	89,485
Transfers (out)/in from construction in progress	(9,188)	9,188	-	-	-	-	-	-
Disposals	-	-	(20,762)	(153)	-	(10,381)	(10,677)	(41,973)
At June 30, 2022 (Unaudited)	432,203	2,636,842	595,988	48,672	560,731	503,083	133,543	4,911,062
Accumulated depreciation and impairment								
At January 1, 2021	-	466,478	515,219	45,333	320,298	189,871	81,015	1,618,214
Provided for the year	-	72,921	10,736	896	37,320	68,187	35,907	225,967
Eliminated on disposals	-	(21)	(17,474)	(2,171)	-	-	(4,345)	(24,011)
At December 31, 2021 and January 1, 2022	-	539,378	508,481	44,058	357,618	258,058	112,577	1,820,170
Provided for the period	-	38,096	11,759	346	19,763	43,100	8,787	121,851
Eliminated on disposals	-	-	(19,478)	(149)	-	(10,381)	(9,893)	(39,901)
At June 30, 2022 (Unaudited)	-	577,474	500,762	44,255	377,381	290,777	111,471	1,902,120
Carrying value								
At June 30, 2022 (Unaudited)	432,203	2,059,368	95,226	4,417	183,350	212,306	22,072	3,008,942
At December 31, 2021 (Audited)	404,625	2,061,266	105,138	4,507	195,762	242,931	29,151	3,043,380

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23. PROPERTY AND EQUIPMENT (CONTINUED)

At June 30, 2022, the premises with carrying values of approximately RMB1,820,546,000 (December 31, 2021: approximately RMB1,882,372,000) was in the process of obtaining the relevant legal titles. Among them, the carrying values of premises that the Group has obtained housing property title certificates issued by the authorities but no land use right certificates were approximately RMB143,819,000 (December 31, 2021: approximately RMB158,089,000).

The aforementioned premises are located in PRC with medium term leases (10 – 50 years).

24. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

i) Right-of-use assets

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Premises	200,801	223,771
Land use rights in the PRC	28,321	20,743
	229,122	244,514

Additions to the right-of-use assets for the six months ended June 30, 2022 amounted to approximately RMB55,170,000 and RMB7,977,000 (six months ended June 30, 2021: approximately RMB23,891,000 and nil), due to new leases of office premises and land use rights respectively.

ii) Lease liabilities

As at June 30, 2022, the carrying amount of lease liabilities was approximately RMB182,217,000 (December 31, 2021: approximately RMB197,657,000).

During the six months ended June 30, 2022, the Group entered into a number of new lease agreements for office premises and land use rights and recognised lease liabilities of approximately RMB55,170,000 and RMB7,977,000 respectively (six months ended June 30, 2021: approximately RMB23,891,000 and nil).

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24. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

ii) Lease liabilities (Continued)

Amounts payable under lease liabilities	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Within one year	80,080	85,410
After one year but within two years	60,734	57,841
After two years but within five years	40,857	53,239
After five years	546	1,167
	182,217	197,657

iii) Amount recognised in profit or loss

	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Depreciation expense of premises	78,140	73,150
Depreciation expense of land use rights	399	409
Interest expense on lease liabilities	2,309	2,736
Expense relating to short-term leases	751	7,557

iv) Others

For the six months ended June 30, 2022 and 2021, the total cash outflow for leases amounted to approximately RMB81,647,000 and RMB77,027,000 respectively.

Restrictions or covenants on leases

As at June 30, 2022, lease liabilities of RMB182,217,000 are recognised with related right-of-use assets of RMB229,122,000 (December 31, 2021: lease liabilities of RMB197,657,000 are recognised with related right-of-use assets of RMB244,514,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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25. DEFERRED TAXATION

The following is an analysis of the deferred tax balances for financial reporting purposes:

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Deferred tax assets	1,896,639	1,862,158
Deferred tax liabilities	(4,173)	(32,972)
	1,892,466	1,829,186

The following are the major deferred tax assets/(liabilities) recognised and movements thereon in the six months ended June 30, 2022 and the year ended December 31, 2021:

	Provision for impairment losses on assets RMB'000 Note (i)	Net losses/ (gains) from fair value changes of financial instruments RMB'000 Note (ii)	Salaries, bonuses and allowances payable RMB'000	Tax losses RMB'000 Note (iii)	Net balance of deferred tax assets RMB'000
At January 1, 2021	1,509,622	(18,278)	26,863	291,570	1,809,777
(Charge)/credit to profit or loss	(79,500)	(5,756)	2,942	107,977	25,663
Credit/(charge) to other comprehensive income	370	(7,004)	380	-	(6,254)
At December 31, 2021 and January 1, 2022	1,430,492	(31,038)	30,185	399,547	1,829,186
Credit/(charge) to profit or loss	105,106	20,182	7,356	(77,279)	55,365
Credit to other comprehensive income	22	7,893	-	-	7,915
At June 30, 2022 (Unaudited)	1,535,620	(2,963)	37,541	322,268	1,892,466

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25. DEFERRED TAXATION (CONTINUED)

Notes:

- (i) The Group recognised provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets as at June 30, 2022 and December 31, 2021. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets as at June 30, 2022 and December 31, 2021, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.
- (iii) At June 30, 2022, the Group has unused tax losses of approximately RMB1,289,072,000 (December 31, 2021: approximately RMB1,598,188,000), available for offset against future profits. A deferred tax asset has been recognised in respect of such losses. Such tax losses could be carried forward for five years from the year in which the respective loss arose.

26. OTHER ASSETS

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Other receivables and prepayments (Note (i))	777,632	497,299
Intangible assets (Note (ii))	5,770	11,372
Repossessed assets (Note (iii))	598,632	542,109
Other	–	40
	1,382,034	1,050,820

Notes:

- (i) Other receivables and prepayments:

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Other receivables and prepayments	873,385	584,333
Less: Provision for impairment losses	(95,753)	(87,034)
	777,632	497,299

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26. OTHER ASSETS (CONTINUED)

Notes: (Continued)

(i) Other receivables and prepayments: (Continued)

Movements of allowance for impairment loss:

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
At the beginning of the period/year	87,034	91,297
Impairment losses recognised/(reversed)	8,719	(4,263)
At the end of the period/year	95,753	87,034

At June 30, 2022 and December 31, 2021, the Group classifies all other receivables in Stage 1 and measures the loss allowance equal to 12-month ECL.

(ii) Movements of intangible assets:

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Cost		
At the beginning of the period/year	43,435	33,954
Additions	1,562	10,268
Disposals	(2,155)	(787)
At the end of the period/year	42,842	43,435
Accumulated amortisation		
At the beginning of the period/year	32,063	15,434
Amortisation for the period/year	7,164	17,186
Eliminated on disposals	(2,155)	(557)
At the end of the period/year	37,072	32,063
Carrying amounts		
At the end of the period/year	5,770	11,372

These intangible assets mainly included software which are amortised over 1 – 5 years.

(iii) Repossessed assets

No impairment loss has been recognised for repossessed assets for the six months ended June 30, 2022 and the year ended December 31, 2021.

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27. PLEDGED ASSETS

(a) Assets pledged as collaterals

As at June 30, 2022, financial assets pledged by the Group as collaterals for liabilities or contingent liabilities mainly include debt securities measured at FVTOCI (December 31, 2021: debt securities measured at amortised cost and at FVTOCI), which is for repurchase agreements. The carrying amounts of the financial assets pledged as collaterals as at June 30, 2022 are approximately RMB12,732,387,000(December 31, 2021: approximately RMB18,528,195,000).

(b) Received pledged assets

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions.

28. BORROWINGS FROM THE CENTRAL BANK

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Borrowings	2,672,413	2,112,862
Re-discounted bills	4,117,268	4,942,229
	6,789,681	7,055,091

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29. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparties

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Deposits from the following institutions operating in Mainland China		
– Banks	10,745,236	10,257,480
– Other financial institutions	5,971,691	6,817,319
	16,716,927	17,074,799
Deposits from the following institutions operating outside Mainland China		
– Banks	770,175	769,263
	17,487,102	17,844,062

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30. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparties

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
In Mainland China		
– Banks	200,000	5,194,480
– Other financial institutions	–	857,000
	200,000	6,051,480

(b) Analysed by collateral

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Debt securities	200,000	6,051,480

(c) Transfer of financial assets

In daily operating activities, the Group entered into repurchase agreements with certain counterparties. As at June 30, 2022, there are debt securities measured at amortised cost and at FVTOCI with carrying amount of approximately nil and RMB224,494,000 respectively (December 31, 2021: approximately RMB5,433,512,000 and RMB1,451,199,000 respectively). The proceeds from selling such debt securities totalling RMB200,000,000 as at June 30, 2022 (December 31, 2021: approximately RMB6,051,480,000).

As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these debt securities to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these securities during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these debt securities and therefore has not derecognised from the consolidated financial statements but regarded as “collateral” for the secured lending from the counterparties.

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31. DEPOSITS FROM CUSTOMERS

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Demand deposits		
– Corporate customers	57,798,599	57,145,270
– Individual customers	34,705,762	35,183,894
	92,504,361	92,329,164
Time deposits		
– Corporate customers	22,495,904	20,101,565
– Individual customers	144,645,449	129,059,471
	167,141,353	149,161,036
Pledged deposits		
– Acceptances	7,895,095	7,576,598
– Guarantees and letters of guarantees	254,738	210,112
– Others	1,907,556	2,321,526
	10,057,389	10,108,236
Others	3,139,462	4,389,484
	272,842,565	255,987,920

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32. ACCRUED STAFF COSTS

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Salary and bonus payable	307,942	448,543
Social pension schemes payable (Note (i))	20,243	6,917
Other social insurances payable	45,716	25,821
Supplementary retirement benefits ("SRB") payable (Note (ii))	18,840	19,730
Other long-term staff welfare payable (Note (iii))	2,980	3,470
	395,721	504,481

Notes:

(i) **Social pension schemes payable**

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a defined contribution plan for the employees arranged by local government labor and social security organisations. The Group makes contributions to the retirement plan at the applicable rates based on the amounts stipulated by the relevant government organisations. The contributions by the Group for the defined contribution plan above are charged to the statement of profit or loss as they become payable in accordance with the rules of the respective defined contribution plan. The only obligation of the Group with respect to such defined contribution plan is to make the specified contributions. During the period/year ended June 30, 2022 and December 31, 2021, there was no forfeited contributions under the defined contribution plan. Accordingly, no forfeited contribution was utilised during the period/year, and there was no forfeited contribution available as at June 30, 2022 and December 31, 2021 to reduce level of contributions.

(ii) **SRB payable:**

The Group pays SRB for eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period/year. The Group's obligations in respect of the SRB were assessed using projected unit credit actuarial cost method by an external independent actuary, Wills Towers Watson (a member of Society of Actuaries in America). There was no assets under the defined benefit plans as at June 30, 2022 and December 31, 2021.

The balances of SRB of the Group are as follows:

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Present value of SRB obligation	18,840	19,730

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32. ACCRUED STAFF COSTS (CONTINUED)

Notes: (Continued)

(ii) SRB payable: (Continued)

Movements of SRB payable of the Group are as follows:

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
At the beginning of the year	19,730	17,310
Service cost	630	1,010
Interest cost	280	540
Past service cost	(810)	1,040
Actuarial gains	–	1,520
Payment made	(990)	(1,690)
At the end of the year	18,840	19,730

Principal actuarial assumptions of the Group are as follow:

	At June 30, 2022 (Unaudited)	At December 31, 2021 (Audited)
Discount rate	3.00%	3.00%
Mortality	CL5/CL6	CL5/CL6
Early retirement wage growth rate	6%	6%

Sensitivity analysis:

	Effect on SRB	
	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Discount rate (increase by 1%)	(2,250)	(2,340)
Discount rate (decrease by 1%)	3,290	3,400

Although the analysis does not take account of the full distribution of cash flows expected under the SRB, it does provide an approximation of the sensitivity of the assumptions shown.

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32. ACCRUED STAFF COSTS (CONTINUED)

Notes: (Continued)

(iii) Other long-term staff welfare payable

The Group pays compensation for termination benefits of eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period/year. The Group's obligations in respect of other long-term staff welfare payable were assessed using projected unit credit actuarial cost method by an external independent actuary (a member of Society of Actuaries in America) of Wills Towers Watson. There was no assets under the defined benefit plans as at June 30, 2022 and December 31, 2021.

The balances of other long-term staff welfare payable of the Group are as follows:

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Present value of other long-term staff welfare payable obligation	2,980	3,470

Movements of other long-term staff welfare payable of the Group are as follows:

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
At the beginning of the year	3,470	5,180
Service cost	50	(370)
Payment made	(540)	(1,340)
At the end of the year	2,980	3,470

Principal actuarial assumptions of the Group are as follow:

	At June 30, 2022 (Unaudited)	At December 31, 2021 (Audited)
Discount rate	2.3%	2.5%
Mortality	CL5/CL6	CL5/CL6
Early retirement wage growth rate	6%	6%

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32. ACCRUED STAFF COSTS (CONTINUED)

Notes: (Continued)

(iii) Other long-term staff welfare payable (Continued)

Sensitivity analysis:

	Effect on long-term staff welfare payable	
	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Discount rate (increase by 1%)	(60)	(70)
Discount rate (decrease by 1%)	60	70

Although the analysis does not take account of the full distribution of cash flows expected under other long-term staff welfare payable, it does provide an approximation of the sensitivity of the assumptions shown.

33. INTERESTS PAYABLES

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Deposits from customers	6,277,440	7,245,517
Deposits from banks and other financial institutions	103,283	151,674
Borrowings from the central bank	21,201	20,776
Debts securities issued	–	35,616
Others	88	3,681
	6,402,012	7,457,264

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34. DEBT SECURITIES ISSUED

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Fixed rates financial bonds (Note (i))	–	999,913
Interbank deposits (Note (ii))	34,291,205	27,883,400
	34,291,205	28,883,313

Notes:

(i) Fixed rates financial bonds

- (a) Fixed rate financial bonds at a face value of RMB1,000,000,000 with a term of five years were issued on April 19, 2017. The coupon rate is 5.00%. The effective interest rate per annum on the Group's fixed rate financial bonds issued is 5.02%. As at December 31, 2021, the outstanding balance of this fixed rate financial bonds issued was approximately RMB999,913,000. The fixed rate financial bonds were fully settled during the six months ended June 30, 2022.

(ii) Interbank deposits

- (a) During the six months ended June 30, 2022, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB34,420,000,000 and duration between 3 months to 1 year. As at June 30, 2022, the outstanding balance of interbank deposits issued is approximately RMB34,291,205,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 1.95% to 2.97%.
- (b) During the year ended December 31, 2021, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB63,040,000,000 and duration between 1 month to 1 year. As at December 31, 2021, the outstanding balance of interbank deposits issued is approximately RMB27,883,400,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 2.40% to 3.60%.

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35. OTHER LIABILITIES

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Other payables and accrued expenses	510,247	516,841
Clearance of inter-bank accounts	2,975,539	1,669,904
Agency business liabilities	35,279	37,130
Dividend payable	23,658	24,158
Other tax payables	80,072	101,927
Fiscal deposits	29,243	10,116
Provision for bank acceptances and letters of guarantees	39,660	37,344
Others	42,367	34,168
	3,736,065	2,431,588

36. SHARE CAPITAL

Share capital as at June 30, 2022 and December 31, 2021 are as follows:

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Registered, issued and fully paid ordinary shares of RMB1 each: – Ordinary shares	15,069,791	15,069,791

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37. RESERVES

(a) Capital reserve

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Share premium	5,633,746	5,633,746
Shareholders' injection (Note)	322,230	322,122
Changes in ownership in a subsidiary without change in control	554	554
	5,956,530	5,956,422

Note:

The promoters of the additional shares issued during the Bank's restructuring injected the Bank's net proceeds received from the disposal of non-performing assets which were entrusted to be managed by the Bank. During the six months ended June 30, 2022, net proceed of approximately RMB108,000 (six months ended June 30, 2021: approximately RMB528,000) were received as shareholders' injection. As at June 30, 2022, approximately RMB322,230,000 has been recorded as capital reserve (December 31, 2021: approximately RMB322,122,000).

(b) Surplus reserve

The surplus reserve at June 30, 2022 and December 31, 2021 represented statutory surplus reserve fund and other surplus reserve. The statutory surplus reserve fund of the Group as at June 30, 2022 were approximately RMB1,337,505,000 (December 31, 2021: approximately RMB1,337,505,000). The other surplus reserve fund of the Group as at June 30, 2022 were approximately RMB390,398,000 (December 31, 2021: approximately RMB390,398,000).

The Bank and its subsidiary are required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

(c) General reserve

With effect from July 1, 2012, pursuant to the "Administrative Measures on Accrual of Provisions by Financial Institutions" issued by the Ministry of Finance of the PRC (the "MOF") in March 2012, the Group is required, in principle, to set aside a general reserve not lower than 1.5% of the balance of its gross risk-bearing assets at each year end.

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38. DIVIDENDS

No dividend was paid or proposed during the six months ended June 30, 2022, nor has any dividend been proposed since the end of the reporting period (six months ended June 30, 2021: nil).

39. STRUCTURED ENTITIES

(a) Unconsolidated structured entities

(i) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include trust fund plans, asset management plans, asset-backed securities and wealth management products issued by other financial institutions and investment funds.

The following table set out an analysis of the gross carrying amounts of interests held by the Group as at June 30, 2022 and December 31, 2021:

	At June 30, 2022			
	Financial assets at FVTPL RMB'000 (Unaudited)	Financial assets at amortised cost RMB'000 (Unaudited)	Carrying amount RMB'000 (Unaudited)	Maximum exposure RMB'000 (Unaudited)
Trust plans	1,543,541	14,494,745	16,038,286	16,038,286
Asset management plans	8,318,728	9,751,587	18,070,315	18,070,315
Asset-backed securities issued by bank and other institutions	–	196,864	196,864	196,864
Investment funds	17,010,592	–	17,010,592	17,010,592
	26,872,861	24,443,196	51,316,057	51,316,057

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39. STRUCTURED ENTITIES (CONTINUED)

(a) Unconsolidated structured entities (Continued)

- (i) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

	Financial assets at FVTPL RMB'000 (Audited)	At December 31, 2021 Financial assets at amortised cost RMB'000 (Audited)	Carrying amount RMB'000 (Audited)	Maximum exposure RMB'000 (Audited)
Trust plans	1,426,344	16,184,745	17,611,089	17,611,089
Asset management plans	8,667,227	10,549,687	19,216,914	19,216,914
Asset-backed securities issued by bank and other institutions	–	224,000	224,000	224,000
Investment funds	15,141,414	–	15,141,414	15,141,414
	25,234,985	26,958,432	52,193,417	52,193,417

- (ii) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in as at June 30, 2022 and December 31, 2021:

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

As at June 30, 2022, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are approximately RMB24,681,267,000 (December 31, 2021: approximately RMB24,299,993,000).

- (iii) Unconsolidated structured entities sponsored by the Group during the year which the Group do not have an interest in as at June 30, 2022 and December 31, 2021:

During the six months ended June 30, 2022, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, but matured before June 30 amounted to approximately RMB1,777,885,000.

During the year ended December 31, 2021, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, but matured before December 31 amounted to approximately RMB21,511,538,000.

40. CAPITAL MANAGEMENT

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

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

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

Since January 1, 2013, the Group started computing its capital adequacy ratios in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the CBIRC.

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

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

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's interim financial statements prepared in accordance with PRC GAAP. During the period/year ended June 30, 2022 and December 31, 2021, the Group has complied with all its externally imposed capital requirements.

The Group's overall strategies towards the capital management remain unchanged from prior years and periods.

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40. CAPITAL MANAGEMENT (CONTINUED)

The Group's capital adequacy ratios as at June 30, 2022 and December 31, 2021 calculated in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the CBIRC are as follows:

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Total core tier-one capital		
Share capital	15,069,791	15,069,791
Qualifying portion of capital reserve	5,956,530	5,956,422
Defined benefit plan reserve	(3,902)	(3,902)
Investment revaluation reserve	133,312	157,057
Surplus reserve	1,727,903	1,727,903
General reserve	4,955,881	4,955,881
Retained earnings	4,549,642	4,155,725
Qualifying portions of non-controlling interests	23,833	23,394
Core tier-one capital deductions (<i>Note</i>)	(218,076)	(254,303)
Net core tier-one capital	32,194,914	31,787,968
Eligible portion of non-controlling interests	3,178	3,119
Net tier-one capital	32,198,092	31,791,087
Tier-two capital		
Surplus provision for loan impairment	1,314,997	1,299,356
Eligible portion of non-controlling interests	6,356	6,238
Net capital base	33,519,445	33,096,681
Total risk weighted assets	273,309,011	266,085,134
Core tier-one capital adequacy ratio	11.78%	11.95%
Tier-one capital adequacy ratio	11.78%	11.95%
Capital adequacy ratio	12.26%	12.44%

Note:

Core tier-one capital deductions primarily include computer software included in line item "property and equipment" and intangible assets included in line item "other assets".

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41. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following balances with an original maturity of less than three months:

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Cash on hand	410,099	422,799
Deposits with the central bank	2,174,006	4,405,469
Deposits with banks	3,493,077	4,889,320
Placements with other financial institutions	1,350,000	3,890,000
Financial assets held under resale agreements	10,768,618	13,092,054
	18,195,800	26,699,642

42. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS

(a) Related parties

(i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above shareholding, or with the right to appoint a director in the Bank.

Shareholding in the Bank:

	At June 30, 2022 (Unaudited)	At December 31, 2021 (Audited)
Gansu Province Highway Aviation Tourism Investment Group Co., Ltd.	17.63%	17.63%
Gansu State-owned Assets Investment Co., Ltd.	12.67%	12.67%
Gansu Financial Holding Group Co., Ltd.	8.29%	8.29%
Mengshang Bank Co., Ltd	5.61%	5.61%
Jiuquan Iron & Steel (Group) Co., Ltd.	6.53%	6.53%
Jinchuan Group Co., Ltd.	6.53%	6.53%

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42. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(a) Related parties (Continued)

(ii) Other related parties

Other related parties can be individuals or enterprises, which include members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 42(a)(i) or their controlling shareholders. Transactions with other related parties were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

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

(i) Transactions between the Bank and subsidiary

The subsidiary of the Bank is its related party. The transactions between the Bank and its subsidiary and among the subsidiary are eliminated on consolidation and therefore are not disclosed in this note.

(ii) Transactions between the Group and major shareholders

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Transactions during the period		
Interest income	108,805	95,467
Interest expense	36,829	53,838

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42. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

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

(ii) Transactions between the Group and major shareholders (Continued)

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Balances at end of the period/year		
Loans and advances to customers	6,308,000	5,173,000
Deposits from customers	2,078,645	2,947,761
Interests payables	7,160	10,875

(iii) Transactions between the Group and other related parties

	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Transactions during the period		
Interest income	411,729	203,638
Interest expense	115,440	113,763

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Balances at end of the period/year		
Loans and advances to customers	19,496,068	10,110,603
Deposits from customers	10,242,099	9,618,753
Deposits from banks and other financial institutions	258,092	141,363
Interests payables	12,729	12,253
Other receivables	230,000	–

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42. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Key management personnel

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

(i) Transactions between the Group and key management personnel

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Transactions during the period		
Interest income	35	49
Interest expense	67	1

	At June 30,	At December 31,
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Balances at end of the period/year		
Loans and advances to customers	1,476	1,651
Deposits from customers	5,713	4,370
Interests payables	154	61

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and allowances	1,308	1,640
Retirement benefits scheme contributions	680	695
Discretionary bonuses	653	1,030
	2,641	3,365

(d) Loans and advances to directors, supervisors and officers

During the six months ended June 30, 2022, there are loans and advances to directors, supervisors and officers of the Group amounting to approximately RMB1,568,000 (six months ended June 30, 2021: nil).

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43. SEGMENT REPORTING

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

Corporate banking

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

Retail banking

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

Financial market operations

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

Others

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

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

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

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, with the exception of deferred tax assets and liabilities and dividend payable. Segment income and expenses, assets and liabilities are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment and intangible assets.

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43. SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities

	Six months ended June 30, 2022				
	Corporate banking RMB'000 (Unaudited)	Retail banking RMB'000 (Unaudited)	Financial market operations RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Operating income					
External net interest income/(expense)	2,872,909	(1,477,800)	976,398	–	2,371,507
Internal net interest (expense)/income	(1,674,685)	2,504,627	(829,942)	–	–
Net interest income	1,198,224	1,026,827	146,456	–	2,371,507
Net fee and commission income	111,778	46,088	5,448	63,248	226,562
Net trading gains	–	–	257,865	–	257,865
Net gains arising from investment securities	–	–	36,000	–	36,000
Net exchange gains	–	–	–	118,319	118,319
Other operating expense, net	–	–	–	(2,763)	(2,763)
Operating income	1,310,002	1,072,915	445,769	178,804	3,007,490
Operating expenses	(425,016)	(348,095)	(144,625)	(58,011)	(975,747)
Impairment losses on assets, net of reversals	(1,169,064)	(56,992)	(503,015)	(11,034)	(1,740,105)
Operating (loss)/profit	(284,078)	667,828	(201,871)	109,759	291,638
Share of profit of an associate	–	–	–	73	73
(Loss)/profit before tax	(284,078)	667,828	(201,871)	109,832	291,711
Segment assets	134,217,478	47,586,824	190,025,978	1,032,912	372,863,192
Deferred tax assets	–	–	–	1,896,639	1,896,639
Total assets	134,217,478	47,586,824	190,025,978	2,929,551	374,759,831
Segment liabilities	85,760,563	186,414,535	69,504,662	624,272	342,304,032
Dividend payable	–	–	–	23,658	23,658
Deferred tax liabilities	–	–	–	4,173	4,173
Total liabilities	85,760,563	186,414,535	69,504,662	652,103	342,331,863
Other segment information					
– Depreciation and amortisation	74,335	26,355	105,242	1,622	207,554
– Capital expenditure	32,608	11,561	46,166	712	91,047

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43. SEGMENT REPORTING (CONTINUED)

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

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

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43. SEGMENT REPORTING (CONTINUED)

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

	As at December 31, 2021				
	Corporate banking RMB'000 (Audited)	Retail banking RMB'000 (Audited)	Financial market operations RMB'000 (Audited)	Others RMB'000 (Audited)	Total RMB'000 (Audited)
Segment assets	131,424,492	48,567,636	175,970,305	680,011	356,642,444
Deferred tax assets	-	-	-	1,862,158	1,862,158
Total assets	131,424,492	48,567,636	175,970,305	2,542,169	358,504,602
Segment liabilities	83,565,419	171,409,808	71,171,347	244,507	326,391,081
Deferred tax liabilities	-	-	-	32,972	32,972
Dividend payable	-	-	-	24,158	24,158
Total liabilities	83,565,419	171,409,808	71,171,347	301,637	326,448,211

(b) Geographical information

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

(c) Information about major customers

During the six months ended June 30, 2022 and 2021, no operating income from a customer contributes over 10% of the total operating income of the Group.

44. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Methods and assumptions for measurement of fair value

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

(i) Debt securities investments

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

(ii) Unlisted equity investments

Fair values of unlisted equity investments are determined with reference to the present value of the discounted cash flows model to be derived from the ownership of the investee, based on an appropriate discount rate.

(iii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at June 30, 2022 and December 31, 2021.

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

Fair values of debt securities issued are based on the present value of estimated future cash flows at June 30, 2022 and December 31, 2021. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at June 30, 2022 and December 31, 2021.

(b) Fair value measurement

(i) Financial assets

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

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

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

The carrying amount and fair value of financial assets at amortised cost are disclosed in Note 17.

The fair value of financial assets at FVTPL and FVTOCI are disclosed in Note 20 and Note 21 respectively.

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Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value measurement (Continued)

(ii) Financial liabilities

The Group's financial liabilities mainly include borrowings from the central banks, deposits from banks and other financial institutions, financial assets sold under repurchase agreements, deposits from customers, accrued staff costs, interests payables and debts securities issued.

The financial liabilities recorded at amortised cost are disclosed in Note 28, Note 29, Note 30, Note 31, Note 32, Note 33 and Note 34 respectively. Accordingly, the carrying amounts approximate the fair values.

(c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the condensed consolidated statements of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These three types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

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

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Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (Continued)

	At June 30, 2022			
	Level 1	Level 2	Level 3	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Assets				
Financial assets at FVTPL				
– Debt securities held for trading	–	6,944,634	–	6,944,634
– Trust plans	–	1,543,541	–	1,543,541
– Asset management plans	–	8,318,728	–	8,318,728
– Investment funds	–	17,010,592	–	17,010,592
Financial assets at FVTOCI				
– Debt instruments at FVTOCI	–	10,456,901	–	10,456,901
– Unlisted equity investments measured at FVTOCI	–	–	328,805	328,805
	–	44,274,396	328,805	44,603,201

	At December 31, 2021			
	Level 1	Level 2	Level 3	Total
	RMB'000 (Audited)	RMB'000 (Audited)	RMB'000 (Audited)	RMB'000 (Audited)
Assets				
Financial assets at FVTPL				
– Debt securities held for trading	–	4,707,959	–	4,707,959
– Trust plans	–	1,426,344	–	1,426,344
– Asset management plans	–	8,667,227	–	8,667,227
– Investment funds	–	15,141,414	–	15,141,414
Financial assets at FVTOCI				
– Debt instruments at FVTOCI	–	9,346,764	–	9,346,764
– Unlisted equity investments measured at FVTOCI	–	–	328,805	328,805
	–	39,289,708	328,805	39,618,513

During the six months ended June 30, 2022, there were no significant transfers among each level (December 31, 2021: nil).

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Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (Continued)

- (i) The Group uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available. The main parameters used in valuation techniques for financial instruments held by the Bank include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are basically observable and obtainable from open market.
- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below:

Financial assets	Fair value as at,			Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range	Relationship of key inputs and significant unobservable inputs to fair value
	June 30,	December 31,	Fair value				
	2022	2021	hierarchy				
	RMB'000	RMB'000					
	(Unaudited)	(Audited)					
Financial assets at FVTPL							
Debt securities – listed	6,944,634	4,707,959	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model	N/A	N/A	N/A
Trust plans	1,543,541	1,426,344	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A	N/A
Asset management plans	8,318,728	8,667,227	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A	N/A
Investment funds	17,010,592	15,141,414	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A	N/A
Financial assets at FVTOCI							
Debt securities – listed	10,456,901	9,346,764	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model	N/A	N/A	N/A
Unlisted equity investments measured at FVTOCI	328,805	328,805	Level 3	Income approach – By reference to the present value of the discounted cash flows model to be derived from the ownership of the investee, based on an appropriate discount rate	The Weighted average cost of capital (“WACC”) 5.05% (December 31, 2021: 5.05%).	N/A	The higher the weighted average cost of capital, the lower the fair value (Note)

Note:

A 5% increase in weighted average cost of capital used in isolation would result in a decrease in fair value measurement of unlisted equity investments at FVTOCI by approximately RMB10,604,000 and vice versa (December 31, 2021: RMB10,604,000 and vice versa).

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Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (Continued)

Reconciliation of Level 3 fair value measurements of financial assets:

	Unlisted equity investments designated at financial assets at FVTOCI RMB'000
At January 1, 2021	321,578
Change in fair value recognised in investment revaluation reserve	7,227
At December 31, 2021 and January 1, 2022 and June 30, 2022	328,805

45. ENTRUSTED LENDING BUSINESS

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

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Entrusted loans	14,271,566	5,407,069
Entrusted funds	14,271,566	5,407,069

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Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

46. COMMITMENTS

(a) Credit commitments

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

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

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Bank acceptances	15,482,686	16,140,969
Letters of guarantees	2,295,239	1,926,096
Unused credit card commitments	8,667,775	7,978,992
Letters of credit	2,764,742	1,457,881
	29,210,442	27,503,938

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

(b) Capital commitments

At June 30, 2022 and December 31, 2021, the Group's authorised capital commitments are as follows:

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Purchase of property and equipment – Contracted for but not provided	63,608	61,071

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Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

47. CONTINGENT LIABILITIES

The Bank and its subsidiary are involved as defendants in certain lawsuits arising from their normal business operations. As at June 30, 2022, in light of court decisions or advice from legal counsels, the directors of the Bank considered it not necessary to provide for potential losses from these claims. The directors of the Bank believe, based on legal advices, the final result of the lawsuits will not have any material impact on the financial position or operations of the Group.

48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's condensed consolidated statement of cash flows from financing activities.

	At January 1, 2022	Financing cash flows	Non-cash changes		At June 30, 2022
			New lease arrangement entered	Finance cost incurred	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Liabilities					
Debt securities issued (Note 34)	28,883,313	4,945,874	–	462,018	34,291,205
Dividend payable (Note 35)	24,158	(500)	–	–	23,658
Lease liabilities (Note 24)	197,657	(80,896)	63,147	2,309	182,217
Interests payables on debt securities issued (Note 33)	35,616	(50,000)	–	14,384	–
	29,140,744	4,814,478	63,147	478,711	34,497,080

	At January 1, 2021	Financing cash flows	Non-cash changes			At June 30, 2021
			New lease arrangement entered	Finance cost incurred	Dividend declared to non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Liabilities						
Debt securities issued (Note 34)	23,551,545	3,685,994	–	360,938	–	27,598,477
Dividend payable (Note 35)	23,716	(893)	–	–	901	23,724
Lease liabilities (Note 24)	282,817	(69,470)	23,891	2,736	–	239,974
Interests payables on debt securities issued (Note 33)	79,436	(123,006)	–	53,981	–	10,411
	23,937,514	3,492,625	23,891	417,655	901	27,872,586

Chapter 10

Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

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

1. LIQUIDITY COVERAGE RATIO AND LEVERAGE RATIO (%)

	At June 30, 2022	Average for the six months ended June 30, 2022
Liquidity coverage ratio (RMB and foreign currency)	183.12%	199.54%

	At December 31, 2021	Average for the year ended December 31, 2021
Liquidity coverage ratio (RMB and foreign currency)	215.95%	254.92%

Leverage Ratio

	At June 30, 2022
Leverage ratio (RMB and foreign currency)	8.18%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the China Banking Regulatory Commission ("CBRC") and was effective since April 1, 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with the People's Republic of China Generally Accepted Accounting Principles ("PRC GAAP"), with the specific computational formulas as follows:

Liquidity coverage ratio = high-quality liquid assets/net capital outflow in the next 30 days × 100%

Leverage ratio = (core tier 1 capital – corresponding capital deductions)/on and off-balance sheet assets after adjustment × 100%

Chapter 10

Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

2. CURRENCY CONCENTRATIONS

	At June 30, 2022		
	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	2,250,466.5	249,923.4	2,500,389.9
Spot liabilities	(51,665.1)	(48,764.8)	(100,429.9)
Net position	2,198,801.4	201,158.6	2,399,960.0

	At December 31, 2021		
	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	2,061,783.7	669,098.6	2,730,882.3
Spot liabilities	(28,574.6)	(50,234.9)	(78,809.5)
Net position	2,033,209.1	618,863.7	2,652,072.8

The above information is computed in accordance with the provisions of the CBIRC. The Group has no structural position as at December 31, 2021 and June 30, 2022.

3. INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within People's Republic of China ("PRC"), and regards all claims on third parties outside PRC as international claims. International claims include loans and advances to customers, deposit with the central bank, amounts due from banks and other financial institutions.

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

	At June 30, 2022	At December 31, 2021
Deposit with banks		
Asia Pacific, excluding mainland China	8,484	17,850
Europe	-	-
	8,484	17,850

Chapter 10

Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

4. LOANS AND ADVANCES OVERDUE FOR MORE THAN 90 DAYS BY GEOGRAPHICAL SEGMENTS

	At June 30, 2022	At December 31, 2021
Gansu Region	3,201,663	3,096,521
Mainland China, excluding Gansu Region	222,527	300,701
Total	3,424,190	3,397,222

5. GROSS AMOUNT OF LOANS AND ADVANCES OVERDUE FOR MORE THAN 90 DAYS

	At June 30, 2022	At December 31, 2021
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– Overdue between three months to six months (inclusive)	449,838	423,548
– Overdue between six months to one year (inclusive)	728,425	710,842
– Overdue between one year to three years (inclusive)	1,678,103	1,825,738
– Overdue more than three years	567,824	437,094
Total	3,424,190	3,397,222
As a percentage of total loans and advances to customers		
– Overdue between three months to six months (inclusive)	0.22%	0.21%
– Overdue between six months to one year (inclusive)	0.35%	0.36%
– Overdue between one year to three years (inclusive)	0.81%	0.92%
– Overdue more than three years	0.27%	0.22%
Total	1.65%	1.71%

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

6. NON-BANK MAINLAND CHINA EXPOSURE

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. At June 30, 2022 and December 31, 2021, substantial amounts of the Bank's exposures arose from businesses with mainland China entities or individuals.



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