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Huishang Bank Corporation Limited*

徽商銀行股份有限公司*

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

(Stock Code: 3698)

2024 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of Huishang Bank Corporation Limited (the “**Bank**”) is pleased to announce the unaudited interim results of the Bank and its subsidiaries for the six months ended June 30, 2024. This announcement, containing the full text of the 2024 Interim Report of the Bank, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results. The Bank’s 2024 Interim Report will be available for viewing on the HKEXnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Bank at www.hsbank.com.cn in September 2024.

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

Hefei, Anhui Province, the PRC
August 29, 2024

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

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

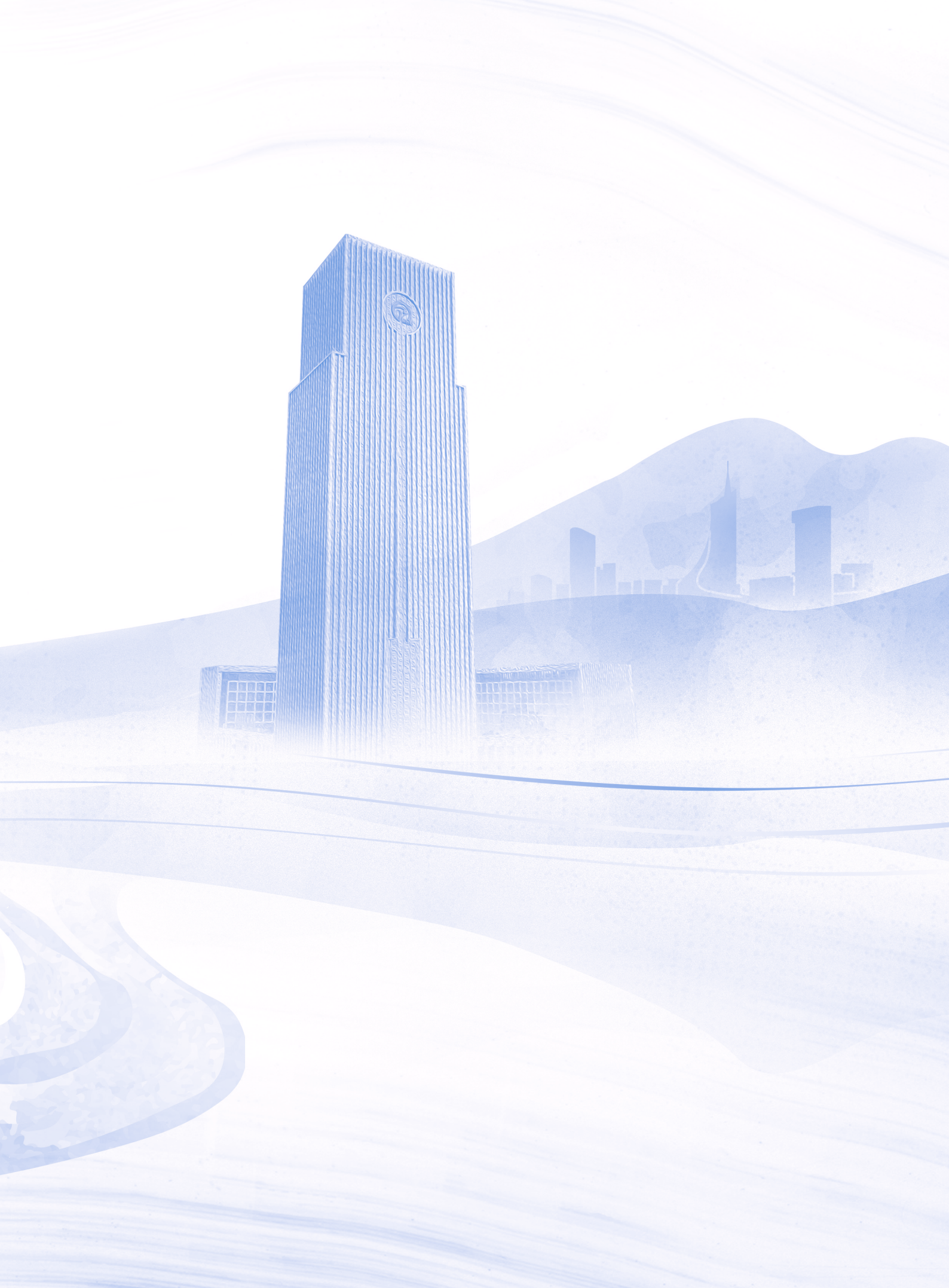


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The background of the page features a stylized, layered illustration of a mountain range and a city skyline. The mountains are depicted with soft, wavy lines in various shades of blue, creating a sense of depth and atmosphere. In the foreground, a city skyline is visible, consisting of several rectangular buildings of different heights. The overall color palette is a range of blues, from light and airy to deeper, more saturated tones. The text 'INTERIM REPORT 2024' is positioned in the upper left quadrant, enclosed within a blue, rounded rectangular frame that has a slight 3D effect.

INTERIM REPORT 2024



Definitions

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

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

Definitions

“Corporate Governance Code”	Part 2 of the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Hong Kong Listing Rules
“Latest Practicable Date”	the latest practicable date for the purpose of ascertaining certain information contained in this report, i.e. 29 August 2024
“Reporting Period”	the first half of 2024 (1 January 2024 to 30 June 2024)
“Yuan” or “RMB”	Renminbi, the lawful currency of China. Unless otherwise specified herein, the currency used in this report shall be Renminbi
“US\$” or “U.S. Dollars”	U.S. dollars, the lawful currency of the United States
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Articles of Association”	Articles of Association of the Bank currently in force
“IFRS” or “International Financial Reporting Standards”	International Financial Reporting Standards
“LPR”	Loan Prime Rate

Chapter I Corporate Information

1.1 CORPORATE INFORMATION

- 1.1.1 Registered Chinese name: 徽商银行股份有限公司¹
Registered English name: Huishang Bank Corporation Limited
- 1.1.2 Legal representative: Yan Chen
Authorized representatives: Yan Chen, Ngai Wai Fung
Secretary to the Board of Directors: Lian Baohua
Company secretary: Ngai Wai Fung
- 1.1.3 Registered and business office address: Huishang Bank Building, No. 1699 Yungu Road, Hefei, Anhui Province, the PRC
- 1.1.4 Contact address: Huishang Bank Building, No. 1699 Yungu Road, Hefei, Anhui Province, the PRC
Tel: +86-551-62667806/65195721
Fax: +86-551-62667661
Postal code: 230092
Bank's website: www.hsbank.com.cn
E-mail: 96588@hsbank.com.cn
- 1.1.5 Principal place of business in Hong Kong: 40/F, Dah Sing Finance Center, No. 248 Queen's Road East, Wanchai, Hong Kong
- 1.1.6 Domestic auditor: Ernst & Young Hua Ming LLP (Special General Partnership)
Office address: Room 01-12, Level 17, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, the PRC
International auditor: Ernst & Young
Office address: 27/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
- 1.1.7 Legal advisor as to PRC law: DeHeng Law Offices
Legal advisor as to Hong Kong law: Clifford Chance
- 1.1.8 Domestic Shares trustee agency: China Securities Depository and Clearing Corporation Limited
H Shares registrar: Computershare Hong Kong Investor Services Limited

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

Chapter I Corporate Information

1.2 COMPANY PROFILE

Headquartered in Hefei, Anhui Province, Huishang Bank is the first regional joint stock commercial bank in the PRC established through the merger and reorganization of city commercial banks and urban credit cooperatives with the approval of the former CBRC. The Bank was incorporated on 4 April 1997, and changed its name to Huishang Bank Corporation Limited on 30 November 2005. On 28 December 2005, the Bank officially merged with the 5 city commercial banks of Wuhu, Ma'anshan, Anqing, Huaibei and Bengbu and the 7 urban credit cooperatives of Lu'an, Huainan, Tongling, Fuyang Technology, Fuyang Xinying, Fuyang Yinhe and Fuyang Jinda in Anhui Province. The Bank officially opened for business on 1 January 2006. On 12 November 2013, H Shares of the Bank were listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3698). The Bank holds a financial institution license numbered B0162H234010001 from the former CBIRC Anhui Office and the unified social credit code numbered 913400001489746613 from the Anhui Administration for Market Regulation. The registered address is Huishang Bank Building, No. 1699 Yungu Road, Hefei, Anhui Province, the PRC. As at the end of June 2024, the registered capital of the Bank was RMB13,889,801,211.

The business scope of the Bank includes banking business; securities investment funds custody; sales of publicly offered securities investment funds; foreign exchange settlement and sale business; foreign exchange business. As at the end of June 2024, the Bank and its subsidiaries had 11,979 on-the-job employees. Apart from its headquarter, the Bank has 21 branches, 467 front offices and 518 self-service areas (points). The Bank also has four subsidiaries, namely Huishang Bank Financial Leasing Co., Ltd., HSBank Wealth Management Co., Ltd., Wuwei Huiyin Rural Bank Co., Ltd. and Jinzhai Huiyin Rural Bank Co., Ltd. and owns equity interest in Chery HuiYin Motor Finance Service Co., Ltd. and Mengshang Bank Co., Ltd.

By maintaining its market position as a bank “serving the local economy, serving small and medium enterprises and serving the general public”, the Bank has continuously experienced a relatively fast growth in its business development, has gradually strengthened its comprehensive strength, has steadily improved its operational management standards, and has achieved a synergic development of scale, quality and efficiency, thus winning the full recognition and widespread praise from all sectors of society. During 2024, the Bank was named one of the top 200 in the “Top 1000 World Banks” and the “Global Bank Brand Value Top 500” by The Banker, a UK magazine, with the ranking at No. 112 and No. 146, up 11 places and 6 places from the previous year, respectively. The Bank was named one of “2024 China Brand Value Top 500” by the Brand Finance, with the ranking at No. 183.

Chapter II Summary of Accounting Data and Business Data

2.1 MAIN FINANCIAL INFORMATION

Unit: RMB million, except for percentages

	January to June 2024	January to June 2023	Changes over the corresponding period of last year +/(-)%
Operational results			
Operating income ⁽¹⁾	20,692	19,788	4.57
Profit before tax	10,183	9,881	3.06
Net profit	8,986	8,486	5.90
Net profit attributable to shareholders of the Bank	8,631	8,102	6.53

Unit: RMB, except for percentages

	January to June 2024	January to June 2023	Changes over the corresponding period of last year +/(-)%
Per ordinary share			
Basic earnings attributable to shareholders of the Bank	0.62	0.58	6.90
Diluted earnings attributable to shareholders of the Bank	0.62	0.58	6.90
Closing net assets attributable to shareholders of the Bank	9.40	8.44	11.37

Unit: RMB million, except for percentages

	30 June 2024	31 December 2023	Changes over the end of last year +/(-)%
Scale indicators			
Total assets	1,928,113	1,806,144	6.75
Including: total loans and advances to customers ⁽²⁾	954,546	874,223	9.19
Total liabilities	1,773,456	1,659,417	6.87
Including: total customer deposits ⁽³⁾	1,121,090	1,020,158	9.89
Equity attributable to shareholders of the Bank	150,556	142,983	5.30

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

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

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

Chapter II Summary of Accounting Data and Business Data

2.2 FINANCIAL RATIOS

Unit: %
Changes over the corresponding period of last year +/-(-)

Profitability indicators ⁽¹⁾	January to June 2024	January to December 2023	January to June 2023	
Return on average total assets (ROA)	0.96	0.89	1.02	(0.06)
Return on average net assets (ROE)	13.75	12.52	14.53	(0.78)
Net interest spread	1.57	1.65	1.79	(0.22)
Net interest margin	1.80	1.88	2.00	(0.20)

Unit: %
Changes over the corresponding period of last year +/-(-)

Proportion of operating income	January to June 2024	January to December 2023	January to June 2023	
Net interest income	70.97	78.98	76.52	(5.55)
Net non-interest income	29.03	21.02	23.48	5.55
Cost-to-income ratio ⁽²⁾	24.07	28.05	24.60	(0.53)

Unit: %
Changes over the corresponding period of last year +/-(-)

Asset quality indicators	30 June 2024	31 December 2023	30 June 2023	
Non-performing loan ratio	1.14	1.26	1.32	(0.18)
Allowance to non-performing loan ratio	272.51	271.94	275.49	(2.98)
Allowance to loans ratio	3.10	3.43	3.62	(0.52)

Chapter II Summary of Accounting Data and Business Data

2.2 FINANCIAL RATIOS (CONTINUED)

	30 June	31 December	30 June	Unit: % Changes over the corresponding period of last year +/-
Capital adequacy indicators	2024	2023	2023	
Capital adequacy ratio	13.37	13.21	11.80	1.57
Tier 1 capital adequacy ratio	11.03	10.82	9.42	1.61
Core Tier 1 capital adequacy ratio	9.41	9.14	8.57	0.84

	30 June	31 December	30 June	Unit: % Changes over the corresponding period of last year +/-
Other indicators	2024	2023	2023	
Equity to total assets ⁽³⁾	8.02	8.12	7.55	0.47
Gearing ratio ⁽⁴⁾	91.98	91.88	92.45	(0.47)

Notes: (1) The ratios are annualized.

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

(3) Equity includes minority interests.

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

Chapter III Management Discussion and Analysis

3.1 OVERALL BUSINESS REVIEW

In the first half of 2024, following the leadership of the Party and always bearing people's interests in mind when dealing with financial work, the Bank did its utmost to develop "five major aspects" of finance, namely technology finance, green finance, inclusive finance, pension finance and digital finance, focused on the projects for transformation and improvement in nine major areas proposed by the Bank's Party committee, and made unswerving efforts in transformation promotion, cost reduction, share increase, maintaining stable revenue, structural optimization and risk control. The Bank also expedited reform and innovation, enhanced professional capabilities and delivered outstanding interim results to all sectors of society and investors.

As at the end of June 2024, the total assets of the Bank were RMB1,928,113 million, representing an increase of RMB121,969 million or 6.75% as compared with the end of last year. Among them, total loans and advances to customers were RMB954,546 million, representing an increase of RMB80,323 million or 9.19% as compared with the end of last year. Total liabilities were RMB1,773,456 million, representing an increase of RMB114,040 million or 6.87% as compared with the end of last year. Among them, total customer deposits were RMB1,121,090 million, representing an increase of RMB100,932 million or 9.89% as compared with the end of last year.

As at the end of June 2024, the Bank realized an operating income of RMB20,692 million, representing an increase of RMB904 million or 4.57% as compared with the same period of last year; net profit was RMB8,986 million, representing an increase of RMB501 million or 5.90% as compared with the same period of last year.

As at the end of June 2024, the Bank's non-performing loan balance was RMB10,872 million, representing a decrease of RMB150 million as compared with the end of last year. Non-performing loan ratio was 1.14%, representing a decrease of 0.12 percentage point as compared with the end of last year. Allowance to non-performing loan ratio was 272.51%, representing an increase of 0.57 percentage point as compared with the end of last year.

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT

3.2.1 Summary of financial performance

From January to June 2024, the Bank realized profit before tax of RMB10,183 million, representing an increase of RMB302 million or 3.06% as compared with the same period of last year. The effective income tax rate was 11.75%, representing a decrease of 2.37 percentage points as compared with the same period of last year.

	<i>Unit: RMB million</i>	
	January to June 2024	January to June 2023
Net interest income	14,686	15,142
Net fee and commission income	1,767	1,787
Other net income	4,239	2,859
Operating expenses	(4,980)	(4,868)
Impairment losses	(5,700)	(5,178)
Share of profits of associates	172	139
Profit before tax	10,183	9,881
Income tax expense	(1,197)	(1,395)
Net profit	8,986	8,486
Net profit attributable to shareholders of the Bank	8,631	8,102

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.2 Net interest income

From January to June 2024, the Bank's net interest income amounted to RMB14,686 million, representing a decrease of RMB456 million or 3.01% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB1,660 million in net interest income and changes in interest rates resulted in a decrease of RMB2,116 million in net interest income. From January to June 2024, each of the net interest spread and net interest margin of the Bank was 1.57% and 1.80%, representing a decrease of 22 basis points and 20 basis points as compared with the same period of last year, respectively.

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

Unit: RMB million, except for percentages

	January to June 2024			January to June 2023		
	Average Balance ⁽¹⁾	Interest Income	Annualized Average Yield (%)	Average Balance ⁽¹⁾	Interest Income	Annualized Average Yield (%)
Interest-earning assets						
Loans and advances to customers	924,361	19,689	4.28	819,322	19,160	4.68
Securities investments	535,909	10,494	3.94	488,957	10,100	4.13
Balances with the central bank	78,392	584	1.50	85,476	620	1.45
Deposits and placements with banks and other financial institutions	78,292	894	2.30	77,737	759	1.95
Financial leasing	65,106	2,056	6.35	64,299	2,168	6.74
Total interest-earning assets and interest income	1,682,060	33,717	4.03	1,535,791	32,808	4.27

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

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.2 Net interest income (Continued)

Unit: RMB million, except for percentages

	January to June 2024			January to June 2023		
	Average	Interest	Annualized	Average	Interest	Annualized
	Balance	Expenses	Cost Ratio	Balance	Expenses	Cost Ratio
			(%)			(%)
Interest-bearing liabilities						
Borrowings from the central bank	104,747	1,261	2.42	69,266	881	2.54
Customer deposits	1,060,051	11,282	2.14	1,001,731	10,940	2.18
Deposits and placements from banks and other financial institutions ⁽¹⁾	326,224	4,011	2.47	259,694	3,285	2.53
Debt securities issued	188,467	2,477	2.64	202,959	2,561	2.52
Total interest-bearing liabilities and interest expenses	1,679,489	19,031	2.28	1,533,650	17,666	2.30
Net interest income	–	14,686	–	–	15,142	–
Net interest spread ⁽²⁾	–	–	1.57	–	–	1.79
Net interest margin ⁽²⁾	–	–	1.80	–	–	2.00

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

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

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.2 Net interest income (Continued)

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

Unit: RMB million

	January to June 2024 vs. January to June 2023		
	Increase/(decrease) factors		Net increase/ (decrease)
	Scale ⁽¹⁾	Interest rate	
Assets			
Loans and advances to customers	2,456	(1,927)	529
Securities investments	970	(576)	394
Balances with central bank	(51)	15	(36)
Deposits and placements with banks and other financial institutions	5	130	135
Financial leasing	27	(139)	(112)
Changes in interest income	3,407	(2,498)	909
Liabilities			
Borrowings from the central bank	451	(71)	380
Customer deposits	637	(295)	342
Deposits and placements from banks and other financial institutions	842	(116)	726
Debt securities issued	(183)	99	(84)
Changes in interest expenses	1,747	(382)	1,365
Changes in net interest income	1,660	(2,116)	(456)

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

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.3 Interest income

From January to June 2024, the Bank's interest income was RMB33,717 million, representing an increase of RMB909 million or 2.77% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB3,407 million in interest income and changes in interest rates resulted in a decrease of RMB2,498 million in interest income.

Interest income from loans and advances

From January to June 2024, the interest income from loans and advances to customers of the Bank was RMB19,689 million, representing an increase of RMB529 million or 2.76% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB2,456 million in interest income from loans and advances to customers and changes in interest rates resulted in a decrease of RMB1,927 million in interest income from loans and advances to customers.

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

Unit: RMB million, except for percentages

	January to June 2024			January to June 2023		
	Average	Interest	Annualized	Average	Interest	Annualized
	Balance	Income	Yield (%)	Balance	Income	Yield (%)
Corporate loans	611,162	13,250	4.36	544,232	12,217	4.49
Personal loans	253,844	6,011	4.76	248,120	6,702	5.40
Discounted bills	59,355	428	1.45	26,970	241	1.79
Loans and advances to customers	924,361	19,689	4.28	819,322	19,160	4.68

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.3 *Interest income (Continued)*

Interest income from securities investments

From January to June 2024, the Bank's interest income from securities investments was RMB10,494 million, representing an increase of RMB394 million or 3.90% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB970 million in interest income from securities investments and changes in interest rates resulted in a decrease of RMB576 million in interest income from securities investments.

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

From January to June 2024, the Bank's interest income from deposits and placements with banks and other financial institutions was RMB894 million, representing an increase of RMB135 million or 17.79% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB5 million in interest income from deposits and placements with banks and other financial institutions and changes in interest rates resulted in an increase of RMB130 million in interest income from deposits and placements with banks and other financial institutions.

3.2.4 *Interest expenses*

From January to June 2024, the Bank's interest expenses amounted to RMB19,031 million, representing an increase of RMB1,365 million or 7.73% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB1,747 million in interest expenses while changes in interest rates resulted in a decrease of RMB382 million in interest expenses.

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.4 Interest expenses (Continued)

Interest expense on customer deposits

From January to June 2024, the Bank's interest expense on customer deposits was RMB11,282 million, representing an increase of RMB342 million or 3.13% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB637 million in interest expense on customer deposits and changes in interest rates resulted in a decrease of RMB295 million in interest expense on customer deposits.

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

Unit: RMB million, except for percentages

	January to June 2024			January to June 2023		
	Average Balance	Interest Expense	Annualized Average Cost Ratio	Average Balance	Interest Expense	Annualized Average Cost Ratio
			(%)			(%)
Corporate customer deposits						
Demand deposits	248,887	1,178	0.95	283,708	1,425	1.00
Time deposits	182,376	2,508	2.77	190,657	2,829	2.97
Sub-total	431,263	3,686	1.72	474,365	4,254	1.79
Personal customer deposits						
Demand deposits	84,546	202	0.48	83,688	210	0.50
Time deposits	490,250	6,936	2.85	391,256	5,987	3.06
Sub-total	574,796	7,138	2.50	474,944	6,197	2.61
Others ⁽¹⁾	53,992	458	1.71	52,422	489	1.87
Total customer deposits	1,060,051	11,282	2.14	1,001,731	10,940	2.18

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

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.4 Interest expenses (Continued)

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

From January to June 2024, interest expense on deposits and placements from banks and other financial institutions was RMB4,011 million, representing an increase of RMB726 million or 22.10% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB842 million in interest expense on deposits and placements from banks and other financial institutions while changes in interest rates resulted in a decrease of RMB116 million in interest expense on deposits and placements from banks and other financial institutions.

Interest expense on debt securities issued

From January to June 2024, interest expense on debt securities issued was RMB2,477 million, representing a decrease of RMB84 million or 3.28% as compared with the same period of last year, among which decrease in the scale resulted in a decrease of RMB183 million in interest expense on debt securities issued while changes in interest rates resulted in an increase of RMB99 million in interest expense on debt securities issued.

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.5 Net non-interest income

From January to June 2024, the Bank realized net non-interest income of RMB6,006 million, representing an increase of RMB1,360 million or 29.27% as compared with the same period of last year, which was primarily attributable to the increases in net trading gains and net gains on financial investments.

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

	Unit: RMB million	
	January to June 2024	January to June 2023
Fee and commission income	1,934	1,985
Settlement and clearing fees	125	95
Guarantee and commitment fees	434	445
Investment banking fees	472	428
Custody fees	453	459
Acquiring business fees	11	11
Agency commissions	408	429
Others	31	118
Fee and commission expenses	(167)	(198)
Net fee and commission income	1,767	1,787
Other net non-interest income	4,239	2,859
Net trading gains	2,900	2,165
Net gains on financial investments	1,122	441
Other operating income, net	217	253
Net non-interest income	6,006	4,646

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.5 Net non-interest income (Continued)

Net fee and commission income

From January to June 2024, net fee and commission income of the Bank was RMB1,767 million, representing a decrease of RMB20 million or 1.12% as compared with the same period of last year, which was primarily attributable to the decrease in the income from agency commissions, guarantee and commitment fees and others.

Net trading gains

From January to June 2024, net trading gains of the Bank were RMB2,900 million, representing an increase of RMB735 million or 33.95% as compared with the same period of last year, which was primarily attributable to the increase in net gains from interest rate products.

Net gains on financial investments

From January to June 2024, net gains on financial investments of the Bank were RMB1,122 million, representing an increase of RMB681 million or 154.42% as compared with the same period of last year, which was mainly due to the increase in net gains from derecognition of financial assets at fair value through other comprehensive income.

3.2.6 Operating expenses

From January to June 2024, operating expenses of the Bank were RMB4,980 million, representing an increase of RMB112 million or 2.30% as compared with the same period of last year.

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

	Unit: RMB million	
	January to June 2024	January to June 2023
Staff costs	(3,061)	(2,968)
Tax and surcharges	(210)	(211)
Depreciation and amortization	(534)	(532)
Lease expenses	(19)	(20)
Other general operating and administrative expenses	(1,156)	(1,137)
Total operating expenses	(4,980)	(4,868)

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.7 Impairment losses

From January to June 2024, the Bank's allowance to impairment losses was RMB5,700 million, representing an increase of RMB522 million or 10.08% as compared with the same period of last year.

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

	Unit: RMB million	
	January to June 2024	January to June 2023
Loans and advances to customers ⁽¹⁾	(1,973)	(4,417)
Financial investments	(3,687)	(230)
Credit commitments	200	(154)
Deposits with banks and other financial institutions	(20)	(5)
Placements with banks and other financial institutions	(62)	(19)
Financial assets held under resale agreements	(32)	(39)
Finance lease receivables	(192)	(203)
Other assets	66	(111)
Total	(5,700)	(5,178)

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

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS

3.3.1 Assets

As of 30 June 2024, the Bank's total assets amounted to RMB1,928,113 million, representing an increase of 6.75% as compared with the end of last year. The increase in total assets was primarily due to the increase in assets such as loans and advances to customers and investments.

Unit: RMB million, except for percentages

Items	30 June 2024		31 December 2023	
	Amount	% of the total	Amount	% of the total
Total loans and advances to customers	954,546	49.51	874,223	48.40
Accrued interest of loans and advances to customers	1,747	0.09	1,729	0.10
Provision for loan impairment	(29,586)	(1.53)	(29,869)	(1.65)
Net loans and advances to customers	926,707	48.06	846,082	46.84
Investments	741,127	38.44	687,389	38.06
Cash and balances with the central bank	87,769	4.55	98,612	5.46
Deposits with banks and other financial institutions	8,993	0.47	14,409	0.80
Placements with banks and other financial institutions	45,425	2.36	35,272	1.95
Derivative financial assets	102	0.01	100	0.01
Financial assets held under resale agreements	12,238	0.63	24,775	1.37
Investments in associates	5,323	0.28	5,151	0.29
Fixed assets	4,424	0.23	4,539	0.25
Right-of-use assets	1,125	0.06	1,149	0.06
Deferred income tax assets	15,005	0.78	14,238	0.79
Finance lease receivables	63,233	3.28	58,683	3.25
Goodwill	11,547	0.60	11,547	0.64
Other assets	5,094	0.26	4,196	0.23
Total assets	1,928,113	100.00	1,806,144	100.00

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.1 Assets (Continued)

3.3.1.1 Loans and advances to customers

As of 30 June 2024, the Bank's total loans and advances to customers amounted to RMB954,546 million, representing an increase of 9.19% as compared with the end of last year, and accounting for 49.51% of the Bank's total assets.

Distribution of loans by product type

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

Unit: RMB million, except for percentages

Items	30 June 2024		31 December 2023	
	Amount	% of the total	Amount	% of the total
Corporate loans	628,365	65.83	558,507	63.89
Discounted bills	61,989	6.49	56,382	6.45
Personal loans	264,192	27.68	259,334	29.66
Total loans and advances to customers	954,546	100.00	874,223	100.00

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.1 Assets (Continued)

3.3.1.2 Investments

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

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

Unit: RMB million, except for percentages

Items	30 June 2024		31 December 2023	
	Amount	% of the total	Amount	% of the total
Financial assets at FVTPL	181,535	24.49	176,260	25.64
Financial assets at fair value through other comprehensive income	148,225	20.00	169,366	24.64
Financial assets at amortised cost	411,367	55.51	341,763	49.72
Investments	741,127	100.00	687,389	100.00

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

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.1 Assets (Continued)

3.3.1.2 Investments (Continued)

Financial assets at FVTPL

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

	Unit: RMB million	
	30 June 2024	31 December 2023
Government bonds	4,177	5,793
Other debt securities	25,355	25,528
Inter-bank certificates of deposits	139	3,053
Equity investments	189	262
Beneficial rights in asset management plans, trust plans and others ⁽²⁾	145,880	135,492
Non-guaranteed wealth management products managed by other banks	3,903	3,908
Interest receivable	1,892	2,224
Total financial assets at fair value through profit or loss	181,535	176,260

Notes: (1) As the Bank has adopted IFRS 9 – Financial Instruments, the classification and measurement of relevant financial assets are presented in accordance with the requirements of the newly adopted standard.

(2) As of the end of the Reporting Period, among the investments in the above asset management plans, trust plans and others, the proportion of whose underlying assets were bond investments was 95.80% (as of the end of 2023: 91.70%).

Financial assets at fair value through other comprehensive income

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

	Unit: RMB million	
	30 June 2024	31 December 2023
Debt securities	140,251	160,415
Inter-bank certificates of deposits	5,861	5,896
Equity investments	375	305
Interest receivable	1,738	2,750
Total financial assets at fair value through other comprehensive income	148,225	169,366

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

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.1 Assets (Continued)

3.3.1.2 Investments (Continued)

Financial assets at amortised cost

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

Unit: RMB million

	30 June 2024	31 December 2023
Debt securities	293,178	227,400
Inter-bank certificates of deposits	798	–
Beneficial rights in asset management plans, trust plans and others ⁽²⁾	124,158	117,667
Interest receivable	6,197	5,970
Less: provision for impairment	(12,965)	(9,274)
Net financial assets at amortised cost	411,367	341,763

Notes: (1) As the Bank has adopted IFRS 9 – Financial Instruments, the classification and measurement of relevant financial assets are presented in accordance with the requirements of the newly adopted standard.

(2) As of the end of the Reporting Period, among the investments in the above asset management plans, trust plans and others, the proportion of whose underlying assets were bond investments was 54.23% (as of the end of 2023: 43.85%).

Carrying value and market value

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

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

Unit: RMB million

	30 June 2024		31 December 2023	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets at amortised cost	411,367	420,263	341,763	347,369

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.1 Assets (Continued)

3.3.1.3 Subsidiaries and major companies in which the Bank has shareholdings

Name	Initial investment amount (RMB'000)	Percentage of shareholdings at the end of the period (%)	Number of shares held at the end of the period (in thousand shares)	Carrying value at the end of the period (RMB'000)	Sources of shares held	Remark
Huishang Bank Financial Leasing Co., Ltd.	1,020,000	54	1,620,000	1,706,820	Promotion, participation in capital increase	Subsidiary
HSBank Wealth Management Co., Ltd.	2,000,000	100	2,000,000	2,000,000	Promotion	Subsidiary
Wuwei Huiyin Rural Bank Co., Ltd. ⁽¹⁾	40,000	40	40,000	69,513	Promotion	Subsidiary
Jinzhai Huiyin Rural Bank Co., Ltd. ⁽²⁾	32,800	41	32,800	32,800	Promotion	Subsidiary
Chery HuiYin Motor Finance Service Co., Ltd.	100,000	20	300,000	2,125,150	Promotion, participation in capital increase	Company in which the Bank has shareholdings
Mengshang Bank Co., Ltd.	3,600,000	15	3,000,000	3,197,993	Promotion	Company in which the Bank has shareholdings

Notes:

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

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

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.2 Liabilities

As of 30 June 2024, the total liabilities of the Bank amounted to RMB1,773,456 million, representing an increase of 6.87% as compared with the end of last year, which was mainly due to steady growth of customer deposits.

Unit: RMB million, except for percentages

Liabilities	30 June 2024		31 December 2023	
	Amount	% of the total	Amount	% of the total
Borrowings from the central bank	98,646	5.56	138,086	8.32
Deposits from banks and other financial institutions	183,218	10.33	164,014	9.88
Placements from banks and other financial institutions	50,469	2.85	47,086	2.84
Derivative financial liabilities	114	0.01	101	0.01
Financial assets sold under repurchase agreements	79,333	4.47	66,851	4.03
Deposits from customers	1,121,090	63.21	1,020,158	61.48
Interests payable on customer deposits	24,114	1.36	22,157	1.34
Taxes payable	2,339	0.13	1,975	0.12
Debt securities issued	196,667	11.09	181,661	10.95
Other liabilities	17,464	0.98	17,328	1.04
Total liabilities	1,773,456	100.00	1,659,417	100.00

Deposits from customers

The Bank has always been focusing on and actively expanding its deposit business. In 2024, despite increasingly intense competition among its peers, the Bank managed to maintain a steady growth in its customer deposits through various forceful measures. As of 30 June 2024, the Bank's total deposits from customers amounted to RMB1,121,090 million, representing an increase of 9.89% from the end of 2023, and accounting for 63.21% of the total liabilities of the Bank.

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.2 Liabilities (Continued)

Deposits from customers (Continued)

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

Unit: RMB million, except for percentages

Items	30 June 2024		31 December 2023	
	Balance	% of the total	Balance	% of the total
Corporate deposits				
Demand deposits	269,511	24.04	263,924	25.87
Time deposits	195,925	17.48	172,293	16.89
Subtotal	465,436	41.52	436,217	42.76
Personal customer deposits				
Demand deposits	85,822	7.66	83,051	8.14
Time deposits	510,879	45.57	448,811	43.99
Subtotal	596,701	53.23	531,862	52.14
Other deposits	58,954	5.26	52,078	5.10
Including: pledged deposits	58,407	5.21	51,706	5.07
Total customer deposits	1,121,090	100.00	1,020,158	100.00

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.3 Equity

Unit: RMB million

Items	30 June 2024	31 December 2023
Share capital ⁽¹⁾	13,890	13,890
Other equity instruments	19,999	19,999
Capital reserve	15,231	15,231
Surplus reserve	21,301	19,949
General risk reserve	19,193	17,584
Other comprehensive income	3,095	2,124
Retained earnings	57,847	54,206
Equity attributable to shareholders of the Bank	150,556	142,983
Non-controlling interest	4,100	3,744
Total equity	154,656	146,727

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

Chapter III Management Discussion and Analysis

3.4 LOAN QUALITY ANALYSIS

3.4.1 Distribution of loans by the five-category classification

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

Unit: RMB100 million, except for percentages

	30 June 2024		31 December 2023	
	Amount	% of the total	Amount	% of the total
Pass	9,344.98	97.90	8,561.83	97.94
Special mention	91.76	0.96	70.18	0.80
Substandard	62.78	0.66	56.96	0.65
Doubtful	12.40	0.13	21.19	0.24
Loss	33.54	0.35	32.07	0.37
Gross loans and advances to customers	9,545.46	100.00	8,742.23	100.00
Total non-performing loans	108.72	1.14	110.22	1.26

Under the five-category classification system of loan supervision, the non-performing loans ("NPLs") of the Bank include loans of substandard, doubtful and loss categories. In 2024, the Bank improved the quality and efficiency of disposal and mitigation and further optimized the asset quality. As at the end of the Reporting Period, the NPL ratio of the Bank was 1.14%, representing a decrease of 0.12 percentage point as compared with the end of last year.

3.4.2 Distribution of loans and NPLs by product type

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

Unit: RMB100 million, except for percentages

	30 June 2024				31 December 2023			
	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)
Corporate loans	6,283.65	65.83	71.12	1.13	5,585.07	63.89	80.85	1.45
Discounted bills ⁽¹⁾	619.89	6.49	0.00	0.00	563.82	6.45	0.00	0.00
Personal loans	2,641.92	27.68	37.60	1.42	2,593.34	29.66	29.37	1.13
Total loans and advances to customers	9,545.46	100.00	108.72	1.14	8,742.33	100.00	110.22	1.26

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

Chapter III Management Discussion and Analysis

3.4 LOAN QUALITY ANALYSIS (CONTINUED)

3.4.3 Distribution of loans and NPLs by industry

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

Unit: RMB100 million, except for percentages

	30 June 2024				31 December 2023			
	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)
Corporate loans								
Commerce and services	1,140.38	11.96	29.17	2.56	983.38	11.25	31.18	3.17
Manufacturing	1,191.41	12.48	18.58	1.56	978.75	11.20	13.39	1.37
Public utilities	2,421.55	25.37	0.95	0.04	2,231.68	25.53	1.20	0.05
Real estate	366.44	3.84	13.04	3.56	346.48	3.96	25.41	7.33
Construction	437.42	4.58	6.80	1.55	393.05	4.50	8.10	2.06
Transportation	117.32	1.23	0.48	0.41	120.71	1.38	0.54	0.45
Energy and chemical	366.00	3.83	0.31	0.08	355.55	4.07	0.32	0.09
Catering and travelling	11.72	0.12	0.34	2.90	10.85	0.12	0.28	2.58
Education and media	46.00	0.48	0.06	0.13	36.55	0.42	0.03	0.08
Financial services	79.47	0.83	0.95	1.20	56.23	0.64	0.00	0.00
Others ⁽¹⁾	105.94	1.11	0.44	0.42	71.84	0.82	0.40	0.56
Discounted bills	619.89	6.49	0.00	0.00	563.82	6.45	0.00	0.00
Personal loans	2,641.92	27.68	37.60	1.42	2,593.34	29.66	29.37	1.13
Total loans and advances to customers	9,545.46	100.00	108.72	1.14	8,742.23	100.00	110.22	1.26

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

Chapter III Management Discussion and Analysis

3.4 LOAN QUALITY ANALYSIS (CONTINUED)

3.4.4 Distribution of loans and NPLs by geographical segment

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

Unit: RMB100 million, except for percentages

	30 June 2024				31 December 2023			
	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)
Anhui province	8,487.41	88.92	79.08	0.93	7,670.54	87.74	77.45	1.01
Jiangsu province	557.84	5.84	13.69	2.45	535.59	6.13	17.71	3.31
Others	500.21	5.24	15.95	3.19	536.10	6.13	15.06	2.81
Total loans and advances to customers	9,545.46	100.00	108.72	1.14	8,742.23	100.00	110.22	1.26

3.4.5 Distribution of loans and NPLs by type of collateral

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

Unit: RMB100 million, except for percentages

	30 June 2024				31 December 2023			
	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)
Collateralized loans	2,270.29	23.79	39.00	1.72	2,261.04	25.86	37.67	1.67
Pledged loans	1,577.37	16.52	1.28	0.08	1,600.70	18.31	1.33	0.08
Guaranteed loans	3,064.00	32.10	41.10	1.34	2,546.77	29.13	50.34	1.98
Unsecured loans	2,013.91	21.10	27.34	1.36	1,769.90	20.25	20.88	1.18
Discounted bills	619.89	6.49	0.00	0.00	563.82	6.45	0.00	0.00
Total loans and advances to customers	9,545.46	100.00	108.72	1.14	8,742.23	100.00	110.22	1.26

Chapter III Management Discussion and Analysis

3.4 LOAN QUALITY ANALYSIS (CONTINUED)

3.4.6 Loans of the top 10 single borrowers

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

Unit: RMB million, except for percentages

Top 10 borrowers	Industry that borrower belongs to	30 June 2024	
		Amount of loans	% of net capital
A	Manufacturing	7,800	4.66
B	Energy and chemical	3,705	2.21
C	Commerce and services	3,679	2.20
D	Public utilities	3,027	1.81
E	Manufacturing	3,000	1.79
F	Commerce and services	2,976	1.78
G	Transportation	2,871	1.71
H	Manufacturing	2,839	1.70
I	Public utilities	2,674	1.60
J	Public utilities	2,630	1.57
Total		35,201	21.02

Chapter III Management Discussion and Analysis

3.4 LOAN QUALITY ANALYSIS (CONTINUED)

3.4.7 Distribution of loans by overdue period

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

Unit: RMB million, except for percentages

	30 June 2024	31 December 2023
Total overdue loans and advances to customers listed by duration (in RMB million)		
Less than 3 months	4,197	3,927
3 to 6 months (inclusive)	2,304	1,622
6 to 12 months	2,707	3,183
Over 12 months	2,757	1,921
Total	11,965	10,653
Percentage (%)		
Less than 3 months	35.08	36.86
3 to 6 months (inclusive)	19.25	15.23
6 to 12 months	22.63	29.88
Over 12 months	23.04	18.03
Total	100.00	100.00

3.4.8 Restructuring loans

The Bank carried out the restructuring for non-performing loans strictly following the principle of “not increasing substantive risks and not reducing risk mitigation”. During the Reporting Period, the Bank’s restructuring NPLs amounted to RMB569.7566 million, representing a decrease of RMB53.2111 million as compared with the corresponding period of last year, which included 8 corporate loans amounting to RMB529.63 million, and 7 small corporate loans amounting to RMB40.1266 million.

3.4.9 Transfer of credit assets

The Bank disposes of its non-performing credit assets by transferring such assets to third parties in its ordinary course of business. During the Reporting Period, the Bank disposed of its non-performing credit assets of RMB898,400 through transfer.

Chapter III Management Discussion and Analysis

3.4 LOAN QUALITY ANALYSIS (CONTINUED)

3.4.10 Changes in allowances for loan impairment ⁽¹⁾

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

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

	Unit: RMB million	
	30 June 2024	31 December 2023
Balance at the beginning of the period	29,972	31,421
Allowances for the period	1,973	7,913
Reversal caused by the write-down of interest on impaired loans and advances to customers	(62)	(78)
Write-offs and transfer out for the period	(3,116)	(10,372)
Reversal caused by recovery of loans and advances to customers written off	859	1,088
Balance at the end of the period	29,626	29,972

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

Chapter III Management Discussion and Analysis

3.5 CAPITAL ADEQUACY RATIO ANALYSIS

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

In the first half of 2024, the Bank calculated the capital adequacy ratio in accordance with the relevant requirements of the “Measures for Capital Management of Commercial Banks”. As of 30 June 2024, the Bank’s capital adequacy ratio was 13.37%, Tier 1 capital adequacy ratio was 11.03%, and core Tier 1 capital adequacy ratio was 9.41%.

Unit: RMB million, except for percentages

	30 June 2024	31 December 2023
Core Tier 1 capital	132,886	125,279
Including: Valid portion of paid-up capital	13,890	13,890
Valid portion of capital reserve and other comprehensive income	18,326	17,355
Surplus reserve and general reserve	40,495	37,533
Retained earnings	57,847	54,206
Valid portion of minority interests	2,329	2,296
Regulatory deductions for core Tier 1 Capital	(14,962)	(14,947)
Core Tier 1 capital, net of deductions	117,925	110,332
Other Tier 1 capital, net of deductions	20,301	20,294
Tier 1 capital, net of deductions	138,226	130,627
Tier 2 capital	29,228	28,802
Including: Valid portion of Tier 2 capital instruments and premium	14,000	14,000
Surplus loss provisions	14,610	14,199
Valid portion of minority interests	618	603
Total capital, net of deductions	167,453	159,429
Credit risk-weighted assets	1,183,388	1,135,912
Market risk-weighted assets	2,864	3,222
Operational risk-weighted assets	66,586	67,945
Risk-weighted assets	1,252,838	1,207,079
Capital adequacy ratio	13.37%	13.21%
Tier 1 capital adequacy ratio	11.03%	10.82%
Core Tier 1 capital adequacy ratio	9.41%	9.14%

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3.5 CAPITAL ADEQUACY RATIO ANALYSIS (CONTINUED)

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

Leverage ratio

Unit: RMB million, except for percentages

Items	30 June 2024	31 December 2023
Leverage ratio	6.71%	6.84%
Tier 1 capital, net of deductions	138,226	130,627
Adjusted balance of assets on and off the balance sheet	2,061,036	1,908,585

3.6 SEGMENT PERFORMANCES

Operating segments

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

Unit: RMB million, except for percentages

Items	January to June 2024		January to December 2023	
	Total profits before taking into account impairment	Percentage (%)	Total profits before taking into account impairment	Percentage (%)
Corporate banking	8,996	56.64	15,956	60.31
Retail banking	1,624	10.22	4,285	16.20
Treasury	5,997	37.76	7,813	29.53
Others	(734)	(4.62)	(1,599)	(6.04)
Total	15,883	100.00	26,455	100.00

Chapter III Management Discussion and Analysis

3.7 OTHERS

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

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

3.7.2 *Overdue outstanding debt*

As of 30 June 2024, the Bank had no overdue outstanding debt.

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

1. *National economy maintained recovery momentum*

In the first half of 2024, the national economy grew steadily, with steady production growth and ongoing recovery of demand. The GDP reached RMB61,683.6 billion in the first half of 2024, representing a year-on-year increase of 5.0%. Industrial production grew rapidly, with significant support from the equipment manufacturing industry; the service industry continued to resume, and the modern service industry recorded sound growth; employment and prices generally remained stable; residents' income continued to rise; new drivers facilitated growth, achieving new progress in high-quality development.

2. *Macro policies exerted synergistic effect*

Through sound monetary policy, the PBOC strengthened counter-cyclical adjustments, and gave greater support to major areas by utilizing a combination of interest rate, reserve funds, re-lending and other tools, contributing to a historically high level of aggregate financing to real economy (flow) for the same period. Through proactive fiscal policy, the Ministry of Finance optimized the utilization of various policy tools, effectively promoting investment and stabilizing growth. In addition, the policies on large-scale equipment renewal significantly boosted investment growth, and the policies on trade-ins of consumer goods effectively stimulated the consumption potential of residents. The greater efforts in adjustment and optimization of real estate related policies promoted the market activity.

Chapter III Management Discussion and Analysis

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

3. The financial industry maintained overall stable operation

The financial industry provided a solid support to the real economy with increasing service quality and efficiency. The cumulated aggregate financing to real economy (flow) amounted to RMB18.1 trillion. The money supply maintained stable growth, with the balance of M2, the broad money, amounting to RMB305.02 trillion, representing a year-on-year growth of 6.2%. The interest rates decreased steadily and the interest rates for loans to the real economy continued to drop.

4. Prospects and measures

In the first half of 2024, Anhui Province continued to maintain a steady and positive growth in economy, and solidly advanced high-quality development. The GDP of Anhui Province amounted to RMB2,396.7 billion, representing a year-on-year increase of 5.3%. In the future, Anhui Province will consolidate and strengthen the upward trend of economic recovery, continuously develop and expand new quality productive forces, and promote the effective improvement in quality and reasonable growth in quantity of the economy.

In the second half of 2024, the Bank will faithfully implement the guiding principles of the 3rd Plenary Session of the 20th Central Committee of the Communist Party of China, aiming to become an outstanding local mainstream bank. Adhering to the guiding role of Party building, the Bank will focus on the implementation of “projects for transformation and improvement in nine major areas” to coordinate efforts to promote reform, transformation and innovative development, effectively enhance professional capabilities, and realize its stable high-quality development in the course of supporting the “Three Places and One Area” development and contributing to the building of a modern and beautiful Anhui Province.

Firstly, the Bank will consolidate its positioning as a mainstream bank in corporate banking business. It will make solid efforts in “five major aspects” of finance (namely technology finance, green finance, inclusive finance, pension finance and digital finance), and will deepen integrated operations, optimize the coordination mechanism of comprehensive services, and provide customers with comprehensive, end-to-end, and full-cycle solutions. By offering full-cycle relay-style comprehensive services to technology companies, the Bank will strive to build itself into a distinctive bank featured with science and technology innovation finance. The Bank will delve deep into supply chain finance, trade finance, etc., to comprehensively promote the online-offline integration of small enterprise business.

Chapter III Management Discussion and Analysis

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

4. *Prospects and measures (Continued)*

Secondly, the Bank will speed up the transformation of the light-capital business. The wealth management business is an effective and important way to promote retail transformation. The Bank will drive the increase of potential customers through differentiated products and services. The Bank will strengthen marketing efforts for personal asset management services and proactively develop pension finance and children's finance, and explore new service models that can coordinate remote banking and physical outlets. By actively promoting the "Win-Win with Huishang" brand, the Bank will drive the strategic transformation of interbank business from the product management towards customer management, from asset holding towards asset trading, and from headquarter as the core to headquarter-branch collaboration. Additionally, the Bank will expand its custody business.

Thirdly, the Bank will shape new advantages in digitization and intelligence. The Bank will deepen the integration of business, technology and data, strengthen data governance efforts, and accelerate the digitalization of its operations and the realization of data value. By focusing on improving online channels such as the "Trader (交易家)" platform, mobile banking and remote banking, the Bank will promote the transformation of its remote banking operating system, which serves all customer segments, products, and channels, into a new type of financial service that is intelligent, comprehensive and integrated.

Fourthly, the Bank will comprehensively improve the quality and effectiveness of risk control and internal control. It will improve the performance of the Three Lines of Defense and develop a more professional and agile approval model; it will also accelerate the digitalization of risk control, with a particular focus on speeding up the whole-process digital transformation of credit risk control. The Bank will also adopt diversified disposal methods to continuously expand approaches for collection and settlement, striving to maximize collections and accelerate recovery.

Fifthly, the Bank will enhance its brand influence. It will develop specialized brands such as technology innovation bank, inclusive finance bank, bond bank, fund bank, and remote bank. The Bank will accelerate the implementation of key transformation initiatives and enhance business professionalism. Adhering to the customer-centric principle, the Bank will strengthen its capabilities to serve customers and achieve growth and efficiency through enhanced services.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION

3.9.1 Corporate banking business

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

In the first half of 2024, in terms of the corporate banking business, the Bank resolutely implemented the strategic deployment of Party Committee and People's Government of Anhui Province, and continued to boost high-quality development capabilities of the corporate business by focusing on the "Corporate Banking Business Enhancement Program". Adhering to providing precise financial service, it increased financial support in key areas, continuously improved the quality and efficiency of serving the real economy, and further promoted the adjustment of organizational structure, the talent team building and the establishment of coordinated development mechanism. The Bank successfully completed the target for all policy loans, further optimized the asset structure, and steadily improved the asset quality, thus the capability for sustainable and high-quality development of the corporate banking business was significantly promoted. As of June 30 2024, the Bank continued to maintain its leading position in corporate loans and deposits among commercial banks in Anhui Province. Transformation-based business lines including investment banking and transaction banking all have achieved continuous growth and have been widely recognized by the market.

Corporate loans

The Bank provides various corporate loan products, including working capital loans, fixed asset loans, and supply chain financing, to enterprises and institutions with legal operation. In the first half of 2024, the Bank continued to concentrate on key initiatives including the integrated development of the Yangtze River Delta, the development of "One Metropolis Circle and Five Areas", "Three Places and One Area", Northern Anhui revitalization, and the construction of key parks, key areas such as infrastructure, green finance, new energy vehicles, advanced manufacturing, strategic emerging industries, high-quality private enterprises, and key customer bases such as state-owned enterprises, enterprises above designated size, medium-sized enterprises, (proposed) listed companies, enterprises in the trading parks as well as SRDI enterprises, and it continued to increase financial support for real economy. The number of new customers of corporate loan hit a record high, and the per capita concentration was effectively reduced. The Bank received the first prize (general) in the "2023 Anhui Finance Supporting High-quality Development Labor Competition Assessment". As of 30 June 2024, the Bank's balance of corporate loans (including discounted bills) was RMB690,354 million, representing an increase of RMB75,465 million from the last year.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.1 Corporate banking business (Continued)

Corporate deposits

The Bank provides corporate customers with corporate deposit products and services, including corporate demand deposits, corporate time deposits, corporate call deposits, corporate agreement deposits, corporate large amount certificates of deposit and Caizhi (财智) deposits. The Bank actively addressed the challenges brought by the policy impacts of interest rate capitalization reform. The Bank is committed to promoting the marketing of low-cost deposits and making all-out efforts to provide service support for the issuance of government special bonds, financial funds bidding, refinancing bonds and other bond issuances, and endeavors to increase the proportion of corporate settlement funds, thus creating stable sources of revenue for corporate banking business. The Bank has maintained a leading market position in terms of corporate deposit business in Anhui Province from 2008 to the first half of 2024. As of 30 June 2024, the Bank's balance of corporate deposits amounted to RMB465,436 million (excluding margin deposits).

Discounted bills

In the first half of 2024, based on the overall balance of assets size, liquidity, profitability and risks, the Bank actively responded to the changes in the business environment and scientifically followed the pace of bills business development, through which, it enhanced the profitability, and facilitated the compliant and healthy development, of bills business. As of 30 June 2024, the Bank's balance of discounted bill loans amounted to RMB61,989 million, including balance of direct discounted bill loans of RMB8,477 million and balance of rediscounted bill loans of RMB53,512 million.

Transaction banking

In the first half of 2024, by actively responding to the “five major aspects” of finance (namely technology finance, green finance, inclusive finance, pension finance and digital finance) and constantly adhering to the customer-centric service philosophy, the Bank accelerated the pace of digital transformation, developed scenario-based finance to forge comprehensive financial services for industries such as automobiles, pharmaceuticals and liquor, and strived to provide smarter and more convenient financial products and services centered on the technology empowerment of core enterprises and serving small, medium and micro enterprises.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.1 Corporate banking business (Continued)

Transaction banking (Continued)

Firstly, the supply-chain financing business brought about the new trend. Focusing on key industries, sectors and areas such as new energy vehicles, strategic emerging industries and manufacturing, the Bank provided a full course of follow-up services to small and micro customers in the industrial chain by centering on “chain leader” enterprises in the industrial chain and high-quality industrial chain scenarios in the real economy. It supported the development of the new energy vehicle industry by providing scenario-based supply chain services and helped Anhui Province achieve new results in the development of its leading industries through supply-chain finance. The Bank also innovated mobile services for supply-chain finance, continued to promote the construction of supply-chain infrastructure, and jointly built a new ecosystem for industrial finance. In the first half of 2024, the credit loans granted under the Bank’s supply-chain financing business increased by 81.61% as compared with the same period of last year, and the number of customers served in the upstream and downstream of the industrial chain increased by 164.83% as compared with the same period of the last year.

Secondly, the Bank was committed to building a digital and intelligent wealth and asset management platform, to give full play to advantages in professional cash management services and meet capital management demands of customers during the entire transaction process. The Bank recorded performance highlights in serving the digital transformation of government authorities, establishing regulations on capital in people’s livelihood under multi scenarios and providing solutions in key industries. As at 30 June 2024, the Bank signed contracts with 12,848 customers on cash management, representing an increase of 17.8% from the previous year. In the first half of 2024, the transaction amount of the cash management business of the Bank reached RMB3.249 trillion.

Thirdly, the Bank continuously promoted the digital and online transformation of cross-border businesses, successfully launching the online product function for domestic foreign currency (outward remittance) transactions, which enabled customers to handle domestic outward remittance transactions online through the “Easy Remittance” function of the Trader Platform, enhancing the processing efficiency of small and frequent transactions, shortening the response time, and significantly improving the customer experience. The Bank also stepped up the development of mobile trade financing products and the optimization of the Export e-Loan (出口e貸) model, and provided efficient and convenient cross-border financial services by integrating online and offline resources, leveraging mobile Internet finance, and innovating the application in different business scenarios. In the first half of 2024, the Bank realized cross-border settlement of US\$6,001 million in total, representing a year-on-year increase of 23.44%, and realized cross-border RMB settlement of RMB8,048 million, representing an increase of 9.29% as compared with the corresponding period of last year.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.1 Corporate banking business (Continued)

Investment banking business

To promote its business transformation, the Bank focuses on developing investment banking services such as lead underwriting of debt financing instruments, asset securitization, M&A financing, structured financing, and investment and financing consulting. The Bank continuously enriches its investment banking products by launching innovative products such as asset-backed notes, rural revitalization notes and science and technology innovation notes. In the first half of 2024, the Bank continued to make breakthroughs in the fields of asset securitization and M&A loan business by successfully completing a number of asset securitization and M&A loan engagements, further satisfying the diversified corporate financing needs. In the first half of 2024, the Bank vigorously promoted the development of underwriting of debt financing instruments and completed the issuance of 112 debt financing instruments with a total amount of RMB79,326 million. In particular, the underwriting amount was RMB43,075 million, representing an increase of 73% as compared to the same period of last year.

3.9.2 Personal finance business

Business overview

In the first half of 2024, focusing on the work deployment of “breakthrough in transformation and capacity enhancement”, the Bank accelerated the reform, transformation, innovation and development of personal finance business, continued to deepen the construction of customer management system, enhanced the innovation and promotion of personal finance products, deeply promoted digital transformation, and achieved rapid growth in the operating indicators of the personal finance business, thus increasingly enhancing the market competitiveness of the personal finance business.

During the Reporting Period, the Bank launched the third “Enjoying Huishang Bank in Wealth Carnival (徽享財富節)”, a special brand publicity activity, continued to promote the implementation of the “Enjoying Huishang Bank in Four Seasons (徽享四季)”, “Enjoying Huishang Bank’s Promotion Gift (徽享提升禮)”, “Enjoying Huishang Bank’s Recommendation Gift (徽享薦面禮)” and other “Enjoying Huishang Bank” series marketing activities, and innovatively launched “Huishang Bank’s Grow (徽成長)” children’s financial products and service system. Centering on public-private initiatives, hierarchical management, ecosystem construction, customer enhancement and remote banking, etc., the Bank solidly promoted the 3.0 project of outlet capacity enhancement, facilitated the steady growth of high-quality customers, medium and high-end value customers, and further optimized the customer base structure.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.2 Personal finance business (Continued)

Business overview (Continued)

In the second half of 2024, in the face of a severe and complex external business environment, the Bank will further consolidate the role of the personal finance business as “ballast + new power + stabilizer”, continue to deepen the “customer-centric” business philosophy, strengthen coordination among all segments, public-private coordination and resource integration, speed up in promoting the transformation and development of the personal finance business, and continuously improve the contribution of personal finance business to the Bank.

Wealth management business

The Bank’s personal wealth management business mainly includes agency service for sales of personal wealth management products, agency service for sales of funds, agency service for sales of insurance products, agency service for sales of treasury bonds, agency service for sales of asset management plans of securities traders and agency service for sales of precious metals in kind. As of the end of the Reporting Period, the Bank’s personal wealth management business (including direct banking business) amounted to RMB199,813 million, the number of customers of which amounted to 1,095,400, representing an increase of 119,800 or 12.28% from the end of last year; the number of high-net value customers amounted to 108,700, representing an increase of 12,100 or 12.47% from the end of last year.

Bank card business

One card

In the first half of 2024, the Bank further deepened the expansion and operation of the customer base of personal business. The Bank proactively carried out various kinds of marketing activities for bank cards, constantly cultivated the card-using habits of customers and constantly enhanced its customer loyalty. As of 30 June 2024, the Bank had 20,359,400 debit cards, and 770,300 cards newly issued during the year; the deposit balances on debit cards were RMB247,265 million, representing an increase of 9.23% as compared with the same period of the last year.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.2 Personal finance business (Continued)

Bank card business (Continued)

Credit card

During the Reporting Period, centering on the work target of “developing distinctive businesses, conducting new layout and building brands” and following the “customer-centric” development concept, the Bank promoted the dynamic and balanced development of the credit card business in “scale, efficiency and quality”.

Firstly, the Bank consolidated the customer base. During the Reporting Period, the Bank acquired 957.43 million new high-quality customers, achieving an increase of 10.65% as at the end of the Reporting Period as compared to the same period of last year, with the number of new holders of debit cards and credit cards reaching 61,460. Secondly, the original business of the Bank improved steadily. During the Reporting Period, the credit card advance balance was RMB11,733 million, of which the transaction amount of the conventional instalment businesses, namely bills, consumption and cash, reached RMB4.756 billion, representing a year-on-year increase of 191.06%. Thirdly, the Bank focused on the main industry, and prioritized the development of first-hand vehicle instalment business. During the Reporting Period, the credit card vehicle instalment business developed rapidly, with a total investment of RMB984 million. Fourthly, following the principle of prudent risk management, the Bank strictly implemented the requirements of new regulatory rules, strengthened credit management, deepened differentiated customer management and improved the effectiveness of the management and control of incremental risks.

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3.9 BUSINESS OPERATION (CONTINUED)

3.9.2 Personal finance business (Continued)

Personal customer loans

In the first half of 2024, in terms of the personal asset business, focusing on digital transformation, the Bank accelerated the implementation of key initiatives such as the personal asset management enhancement projects and high-quality development of institutions in counties. Various measures were taken to facilitate the high-quality, high-standard and high-level development of the personal asset business, and the scale of personal loans steadily increased. As of 30 June 2024, the balance of personal loans of the Bank amounted to RMB202,810 million, representing an increase of RMB4,795 million or 2.42% as compared with the beginning of the year (excluding Internet-based loans and credit card advances).

Personal customer deposits

In the first half of 2024, facing the complex external situations including declining deposit interest rates, narrowing deposit and loan interest spreads, and intensifying market competition, the Bank persistently adhered to the business philosophy of “putting deposits in a paramount position of the Bank and putting customers first”, adapted to the situation and acted proactively. The Bank realized continuous steady growth in personal deposits through a variety of measures such as enhancing deposit management, enriching product systems, innovating marketing scenarios, promoting digital intelligence empowerment, deepening customer base management, and improving service quality and efficiency. As of 30 June 2024, the Bank’s total personal deposits amounted to RMB596,701 million, representing an increase of RMB64,839 million or 12.19% from the end of 2023.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.3 Financial market business

In the first half of 2024, the Bank adhered to the principle of serving the real economy, grasped the opportunities in the bond market, and continued to increase the resources allocated to treasury bonds, policy financial bonds, local government bonds and credit bonds, ensuring the high-quality development of its financial market business.

3.9.4 Custody business

In the first half of 2024, in terms of asset custody business, the Bank adhered to the strategic deployment of the head office, and took a customer-centered approach to foster new business growth points. Taking digital transformation as the main line, it strived to build an information bridge for funds and assets, empowered the Bank's asset-liability business, and contributed to promoting the high-quality development of the entire Bank, realizing the robust growth in the business scale and revenue from intermediate business.

As of 30 June 2024, the balance of assets under custody (excluding regulating products of corporate and investment banking funds) of the Bank amounted to RMB1,080,186 million, representing an increase of RMB59,691 million or 5.85% from the beginning of the year. The Bank generated an asset custody fee income (excluding regulating products of corporate and investment banking funds) of RMB383,249,500, representing an increase of RMB21,235,100 or 5.87% as compared with the corresponding period of last year.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.5 Distribution channels

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

Physical distribution channels

As at 30 June 2024, the Bank had built a total of 518 self-service banking outlets and put into operation a total of 1,832 sets of self-service equipment, including 997 cash recycling machines and 835 intelligent self-service terminals.

Electronic banking channels

The Bank persisted in a technology innovation-driven approach to accelerate the digital transformation of personal finance business and deepen the orderly integration between technology and business, and upheld the “mobile-first” development path to reinforce its top-level design and adhere to high-level promotion, thereby comprehensively expanding the breadth and depth of its financial services.

Mobile banking

The Bank continued to enhance the service capabilities of online channels and steadily promoted the construction of Mobile Banking 7.0. Based on the autonomy and controllability of the system, it constantly optimized and refined digital technologies such as data embedding, scenario integration, and intelligent customer service, in order to forge and enhance its own core competitiveness while providing customers with higher-quality financial products and services. As of 30 June 2024, the mobile banking customer base of the Bank experienced a steady increase, reaching a total of 10,284,600, representing a year-on-year increase of 12.47%. Customer activity also continued to improve, with 2,626,900 monthly active users, representing a year-on-year increase of 10.75%.

Remote banking

The Bank persisted in a customer-centered approach, promoting synergy between online and offline customer services and operational empowerment. Through optimization and reconstruction of business processes, upgrading and iteration of technology platforms, integration and enrichment of product rights and interests, and application of big data technology, it has actively explored and gradually formed a remote operation service system that is unique to the Bank. In the first half of 2024, the customer service center received a total of 1,057,500 inbound calls handled by human agents, with a call-taking rate of 92.46% and a customer satisfaction rate of 99.58%. Additionally, 3,693,500 outbound calls were made. The intelligent robot “Xiaowan” provided services to 519,800 customers, while the number of online human service requests reached 223,100, with a connection rate of 94.54%. The number of video customer service connections was 33,000.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.5 Distribution channels (Continued)

Open banking

The Bank continued to strengthen the promotion of open banking and the application of mobile financial scenarios. Relying on the digital financial services integrating with “platform + finance + scenario” of open banking, the Bank continuously enriched the product system of open banking and actively promoted the export of its Internet accounts and payment capabilities. In the first half of 2024, the Bank cooperated with multiple institutions in payment scenarios, providing account, payment, investment and wealth management, loan and other services to its partners. As of 30 June 2024, a total of 16 standardized products have been opened, with 219 APIs and 23 external partners. The number of transactions reached 58,263,200, serving 1,915 corporate customers and 94,300 individual customers.

Corporate online banking

In the first half of 2024, the Bank’s online banking business maintained a steady development. The Bank continuously enhanced the development of online banking security mechanisms, consistently optimized business processes and customer service experience, and improved the in-depth integration of online banking channels with business. As of the end of the Reporting Period, as for corporate online banking, the total number of customers of the Bank reached 399,700, representing an increase of 4.05% from the beginning of the year; the number of transactions reached 18,672,400, representing a year-on-year increase of 16.29%; and the transaction amount reached RMB2.59 trillion, representing a year-on-year increase of 4.59%.

Internet-based loan

During the Reporting Period, the Bank’s Internet-based loan business closely followed changes in market regulatory policies. Based on the actual business conditions, with “intelligent risk control and digital operation” as cores, it comprehensively advanced the development of the Internet-based loan business from key customers, asset investment, core source of profit, online risk control and other perspectives. As of 30 June 2024, the balance of personal online loans under the management of the Internet-based Loan Centre of the Bank was RMB45,556 million. In particular, the balance of Internet-based proprietary loan “Enjoying Huishang Bank in Salary Loans (徽享薪易贷)” amounted to RMB4.084 billion, representing an increase of RMB2.948 billion as compared with the beginning of the year.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.6 Financial business for small and micro enterprises

In the first half of 2024, with a focus on the digitalization of services for small and micro enterprises, the Bank continuously improved weaknesses in products and services to meet the diverse financial needs of small and micro enterprises. As of the end of the Reporting Period, the balance of inclusive loans to small and micro enterprises with the credit granted to a single customer less than RMB10 million (inclusive) was RMB144,143 million, representing a net increase of RMB13,624 million or 10.44% as compared with the beginning of the year; the number of accounts was 207,000; the average interest rate was 4.28%.

3.9.7 Fintech business

The Bank adhered to the spirit of the Central Financial Work Conference on the fintech development, deeply implemented the work deployment and requirements of the Provincial Party Committee and the People's Government of Anhui Province on the fintech reform, and focused on the construction of the "Three Places and One Area" to enhance the in-depth integration of science and technology innovation with industry innovation, and continuously constructs its diversify fintech service system. The Bank successfully completed the first marketization intellectual property ABS business in Anhui province, and the number of contracted customers under the "Joint Growth Plan", the number of customers for the Collective Loan Extension (貸投批量聯動) and the total filed accounts of the compensation fund pools related to the technology and science credit risks all ranked 1st in the province. The Bank won the 1st prize of the "Fintech Reform Innovation Business at the Finance Supporting High-quality Development Labor Competition in Anhui Province in 2023 (2023年安徽省金融支持高質量發展勞動競賽科創金融改革創新業務)" and ranked 1st for the excellence level in the evaluation of credit policy oriented effectiveness of sci-tech enterprises for the first quarter of 2024 throughout the province.

The Bank continuously boosted its efforts on services provided to sci-tech enterprises. It leveraged on the "1+5+N" fintech organizational structure at the headquarter, branch, and sub-branch levels and focused on the strategic emerging industry clusters of Anhui province, to proactively facilitate the batch matching services along the industry chain. As of 30 June 2024, the Bank's balance of loans to sci-tech enterprises amounted to RMB77.619 billion, representing a net increase of RMB18.059 billion or 30.32% as compared with the beginning of the year.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.7 Fintech business (Continued)

The Bank actively built its fintech ecosystem alliance by establishing cooperation relationship with over 30 institutes in investment, guarantee, security and insurance. Centered on the needs of customers, the Bank provided the joint operation of “Shares, Loans, Bonds and Insurance (股貸債保)” comprehensive services to sci-tech enterprises. The Bank strengthened its cooperation with the industry competent authorities and carried out a series of matching activities, such as introducing the policy of “Benefiting and Empowering Enterprises (益企赋能)” into enterprises. The Bank established cooperation with over 3,000 enterprises, and entered into agreements on of the “Joint Growth Plan” with a total of 3,874 enterprises, with the agreed credit amount of RMB55.082 billion.

The Bank continuously improved its full life cycle product system and formed a diversified and relay-based product spectrum covering seven major categories and over 20 types. It launched the “Technology e-Code (科技e碼通)”, which could process the online applications and approvals, and it also issued the innovative “Technology Research and Development Loan (科技研發貸)” to meet the capital requirements of enterprises in research and development and contribute to the breakthrough of key and core technologies. As for the start-up entities with the high-level talents as their core, the Bank issued the innovative “Technology Talent Loan (科技人才貸)” to provide loans for their needs in connection with their entrepreneurship and innovation projects. Under the operation concept of “investment in early-stage, small-sized and technology enterprises (投早、投小、投科技)”, the Bank enhanced promotion of the application of the “Technology Flow”, and provided online credit loans of RMB9.841 billion to 3,423 sci-tech enterprises through two online credit products under the “Technology Flow”, namely “Technology e-Loan” and “Start-up e-Loan”.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.8 Green finance business

Under guidance of the national strategy of “carbon peaking and carbon neutrality”, the Bank properly complied with the requirements of the laws and regulations of the state on environmental protection, the industrial policies and the industry access policies, actively advocated green finance and supported the development of green, low-carbon and circular economy. The Bank actively responded to central and local policies on green finance and specified the strategic position of the development of green finance. In 2024, the Bank accelerated innovation of green finance products and services, promoted empowerment of the development of green finance with fintech, conducted a wide range of business exchanges among peers, and continued to enhance credit supports for, among others, green industry development and green transformation of traditional industry. The Bank provided green finance development with differentiated support policies, to guide the accelerated accumulation of financial resources and then flow into green low-carbon field through the implementation of a series of policies, including carbon emission reduction support tools, special expenditure allocation and subsidies on loan interest rates.

The Bank fully displayed its comprehensive financial advantages, established and improved a multi-layered green finance product spectrum with wide coverage in green credit, green bonds and green investments, continuously promoted the development of the green finance business and boosted efforts in supporting green industries, providing strong financial support to the construction of demonstration areas for comprehensive and green transformation in economic and social development in Anhui Province.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.8 Green finance business (Continued)

In 2024, the Bank successfully granted the first sustainable development linked loan for supporting the steel industry in Anhui Province. The Bank has successively issued various sets of financial service plans, including the Financing Service Plan of Huishang Bank on Supporting Projects with Ecosystem-Oriented Development Model (EOD), the Financial Service Plan of Huishang Bank on “Water-Saving Loan”, the Administrative Measures of Huishang Bank for the Financing Business on the Pledge of the Carbon Emission Right (Trial) and the Implementation Plan of Huishang Bank on “Sustainable Development Linked Loan” (Trial) 《徽商银行「可持續發展掛鉤貸款」實施方案(試行)》, to guide the branches and sub-branches in fully utilizing the green finance products to support the development of green and low-carbon industry. According to the requirements under the Guidelines on Environmental Information Disclosure for Financial Institutions 《金融機構環境信息披露指南》 issued by the PBOC, the Bank completed its 2023 Environmental Information Disclosure Report, and continuously improved the green finance system and enhanced the service capability, to promote high-quality development of green finance of the Bank.

As of 30 June 2024, the green loan balance of the Bank amounted to RMB106.864 billion in total, representing an increase of RMB24.461 billion or 29.68% as compared with the end of last year. Among which, the green loan balance in Anhui Province amounted to RMB96.911 billion in total, representing an increase of RMB21.898 billion or 29.19% as compared with the end of last year. The balance of corporate green loans accounted for 10.73% of the balance of loans of the Bank in domestic and foreign currencies, representing an increase of 1.67 percentage points as compared with the end of last year.

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3.9 BUSINESS OPERATION (CONTINUED)

3.9.9 Subsidiaries and major companies in which the Bank has shareholdings

Subsidiaries

Huishang Bank Financial Leasing Co., Ltd.

Registered in Hefei, Huishang Bank Financial Leasing Co., Ltd. (“Huishang Bank Financial Leasing”) officially commenced its business operation on 30 April 2015 with an initial registered capital of RMB2,000 million. The Bank contributed RMB1,020 million to the registered capital of Huishang Bank Financial Leasing, accounting for 51% of the total registered capital. The registered capital of Huishang Bank Financial Leasing increased to RMB3,000 million in March 2018, to which the Bank contributed RMB1.62 billion, accounting for 54% of the total registered capital. As of 30 June 2024, the unaudited total assets, total liabilities, owners’ equity and net profits of Huishang Bank Financial Leasing amounted to RMB67,519 million, RMB59,100 million, RMB8,419 million and RMB714 million, respectively, and the balance of lease assets was RMB67,073 million with an NPL ratio of 1.03%.

HSBank Wealth Management Co., Ltd.

HSBank Wealth Management Co., Ltd. (徽銀理財有限責任公司) (“HSBank Wealth Management”) officially commenced its business operation on 28 April 2020. Registered in Hefei with a registered capital of RMB2 billion, HSBank Wealth Management was wholly funded by the Bank. As of 30 June 2024, the unaudited total assets, total liabilities and owners’ equity of HSBank Wealth Management amounted to RMB4,733 million, RMB218 million and RMB4,515 million, respectively.

Wuwei Huiyin Rural Bank Co., Ltd.

Registered in Wuwei City, Wuwei Huiyin officially commenced its business operation on 8 August 2010. Its registered capital was RMB100 million, to which the Bank contributed RMB40 million, accounting for 40% of the total registered capital. As of 30 June 2024, the unaudited total assets, total loans and total deposits of Wuwei Huiyin amounted to RMB3,922 million, RMB2,134 million and RMB3,665 million, respectively.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

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

Subsidiaries (Continued)

Jinzhai Huiyin Rural Bank Co., Ltd.

Registered in Jinzhai County of Lu'an City, Jinzhai Huiyin officially commenced its business operation on 28 June 2013. Its registered capital was RMB80 million, to which the Bank contributed RMB32.80 million, accounting for 41% of the total registered capital. As of 30 June 2024, the unaudited total assets, total loans and total deposits of Jinzhai Huiyin amounted to RMB2,703 million, RMB2,079 million and RMB2,386 million, respectively.

Major companies in which the Bank has shareholdings

Chery HuiYin Motor Finance Service Co., Ltd.

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

Mengshang Bank Co., Ltd.

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

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT

In the first half of 2024, faced with the complicated and changing risk situation, under the guidance of the “2021-2025 strategic plan” and the “projects for transformation and improvement in nine major areas”, and following the overall guideline of “One Goal and Two Measures”, and anchored around the main line of “Full Process Risk Control”, the Bank focused on improving the “digitalization”, “full process” and “systematization” level of comprehensive risk management, and strived to realize coordinated development that balances scale, quality and efficiency on the premise that risks are under control, so as to realize the value of comprehensive risk management and the strategic objective of transformation and upgrading of the Bank.

Adhering to the risk culture of “prudence, rationality and steadiness”, the Bank sped up in empowerment with financial technology, established a comprehensive, professional and digital risk and internal control and compliance management system and achieved the transformation from being driven by experience to being driven by data, from post-event disposal to advance warning, from single risk control to operational risk and from credit risk to the full coverage of all risks, maintaining the asset quality always at a good level in the industry. During the Reporting Period, the Bank focused on promoting comprehensive risk management enhancement project and risk control digitalization. The Bank closely monitored key risk points and sources, strengthened source control, and ensured effective daily risk monitoring to timely eliminate potential hazards. It also accelerated the construction of a digital and intelligent risk management system to comprehensively enhance risk prevention and control capabilities, increased efforts in recovering non-performing assets, and strengthened management of branches outside Anhui Province.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.1 Credit risk management

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

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

Firstly, the digital transformation of the whole process of credit risk has been accelerated. The Bank has formulated the Work Plan for Digital Transformation of All-Process Credit Risk (《全流程信用風險數字化轉型工作方案》), which specifies the digital application scenarios of six major business links, such as customer management, business declaration and acceptance, etc. The Bank promoted the integration and transformation of five major systems, such as the customer risk early warning, the five-level classification and impairment system, the portfolio risk limit system, the collateral and risk mitigation system and the credit risk management, so as to realize the intelligent and integrated management of the credit business. The Bank has formulated the Risk Model Monitoring and Evaluation Plan for Huishang Bank (《徽商銀行風險模型監測評估方案》) and put forward system construction requirements, and initially established a risk model monitoring and evaluation system.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.1 Credit risk management (Continued)

Secondly, the risk management portfolio policy has been precisely guided. The Bank has formulated annual risk management policy guidelines and put forward policy control points for major risks in a coordinated manner; optimized the annual risk preference statement, added qualitative statements of preference for country risk and environmental risk, adjusted quantitative risk preference indexes appropriately and strictly on the basis of supervisory thresholds, and set up early warning values one by one; and issued the annual credit policy and portfolio risk limit management indexes, and made efforts to guide the Bank to effectively balance the business expansion and risk prevention and control.

Thirdly, the effectiveness of risk monitoring and inspection has been manifested. With the principal of risk management and control in “early stage, small scale and early signs” (抓早、抓小、抓苗頭), the Bank conducted regular and off-site risk monitoring, organized and carried out special business inspections, bank-wide credit business risk investigations, derivatives business risk investigations, special inspections on non-credit business risk, and compliance inspections on project financing business management, thoroughly identified the risks and hidden dangers in the whole process of business operation management, and promptly guided branches, business departments, and affiliated institutions to rectify the problems identified, so as to help improve risk prevention and control capabilities.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.1 Credit risk management (Continued)

Fourthly, risk management for the branches outside Anhui Province has been further consolidated and refined. Focusing on the risk governance of off-site business of branches outside Anhui Province, the Bank has optimized the regional risk limit control indicators and carried out quarterly risk investigation of financing business of branches outside Anhui Province. Meanwhile, the Bank issued the Circular on Further Strengthening the Concentration Control of Off-site Business of Branches Outside Anhui Province 《關於進一步加強省外分行異地業務集中度管控的通知》, which guided the branches outside Anhui Province to reasonably control the scale and rate of growth of off-site business and to continuously optimize the business structure.

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

3.10.2 Management of large-scale risk exposure

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

3.10.3 Market risk management

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

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

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.3 Market risk management (Continued)

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

During the Reporting Period, the Bank measured market risk capitals in strict compliance with the "Measures for Capital Management of Commercial Banks". It measured market risk by conducting duration analysis, foreign exchange exposure analysis, scenario analysis, sensitivity analysis and the VaR (value at risk), and managed and controlled market risk through limit-based management, risk hedge, reducing risk exposure and other measures. The Bank will promote the standardized measurement of the Bank's market risk capital in an orderly manner based on changes in regulatory policies and the actual development of businesses and ensure that the market risk level matches the risk management capability and capital strength of the Bank.

The Bank regularly updates its market risk appetite and limit plan, continuously improves market risk management systems and measurement systems and strengthens the monitoring and data collection of market risk information, improves the market risk database, and promotes the systematic monitoring of the quota of important capital operations to improve the monitoring efficiency. The Bank conducts daily valuation on positions in the trading account and continuously monitors the profit and loss of positions. It regularly implements stress testing on market risk, appraises the loss tolerance of the Bank under adverse changes to market price and provides suggestions and reference to business development and market risk management.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.4 Operational risk management

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

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

During the Reporting Period, the Bank continued to improve its operational risk management. With reference to the research of the industry and the results of the seminar on new regulatory rules, the Bank explored the optimization path of the operational risk management system, put forward the construction plan and formed the project initiation report, and implemented the automated measurement of the new standard method of operational risk capital as well as deepened information technology risk assessment. With the help of the risk control matrix, the Bank conducted an in-depth review of the completeness of the information technology risk management initiatives formulated and the effectiveness of their implementation for the previous year, and attempted to carry out information technology risk assessment of emerging areas, data analysis of technology management and trend evaluation, so as to further enhance the comprehensiveness of the assessment.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.5 Liquidity risk management

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

The Bank's liquidity risk management aims to balance the relationship among "liquidity, safety and profitability", improve the liquidity management level, safeguard the sustainable and healthy development of various businesses, and implement the risk appetite featuring "prudence, rationality and soundness" of the Board of Directors, and to ensure that the Bank has sufficient funds to meet expected and unexpected capital requirements (including loan growth, deposit withdrawals, debt maturity, and changes in off-balance sheet irrevocable commitments) in a normal operating environment or under stress, so as to create a stable liquidity environment for continuing operations and promote positive interaction between liquidity management and business development.

During the Reporting Period, the Bank strengthened the liquidity risk management on a forward-looking basis, enhanced the anticipation of market situation, and effectively managed and dynamically adjusted its strategies. At the same time, the Bank implemented the coordinated management of liquidity and assets and liabilities, made reasonable adjustments to the scale and structure of assets and liabilities according to changes in market conditions and the development of business needs, to ensure its liquidity while pursuing profit growth and value growth and achieve the alignment of "liquidity, safety and profitability" of bank funds. The Bank enhanced its management level of liability stability to secure the moderate total amount of liabilities, stable sources, diversified structures, and well-matched maturities. The Bank emphasized on risk prevention and mitigation while promoting business development and profit growth. The Bank stressed the importance of "ensuring adequate liquidity" and flexibly managed and controlled the percentage of liquidity asset portfolio with the highest efficiency. According to its own characteristics and external market environment, the Bank has formulated liquidity scenarios under stress, and conducted stress tests of liquidity risks regularly to analyze the ability of coping with liquidity risks or shocks, and continuously improved stress testing methods in accordance with regulatory and internal management requirements. During the Reporting Period, the results of stress tests indicated that the Bank's liquidity risk was under control under multiple scenario stress assumptions. Meanwhile, the Bank has formulated contingency plans to prevent potential liquidity crisis and took effective emergency measures to control the spread of risks under liquidity crisis scenarios. The Bank enhanced liquidity risk monitoring and developed a scientifically sound liquidity limit indicator system. It promoted consolidated management of liquidity risk, strengthened limit-based management at the group level, and supervised and guided subsidiaries in improving their liquidity risk management to ensure overall liquidity safety at the group level.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.5 Liquidity risk management (Continued)

The Bank kept a close attention on the macro regulatory policies and the situation of fund markets. According to the business development of assets and liabilities of the whole Bank and the liquidity position, the Bank adjusted the liquidity management strategy and the pace of funds operation in a dynamic manner in response to the impact related to stage and season factors on the liquidity position, in order to improve the ability of handling liquidity risks. As of 30 June 2024, the liquidity coverage ratio of the Bank was 327.11%, while the qualified quality liquidity assets amounted to RMB169.235 billion and net cash outflow in the next 30 days was RMB51.737 billion. The net stable capital ratio of the Bank was 118.14% as of 31 March 2024, while the available stable capitals reached RMB1,168.749 billion and the required stable capitals amounted to RMB989.273 billion. As of 30 June 2024, the net stable capital ratio of the Bank was 115.97%, while the available stable capitals reached RMB1,194.941 billion and the required stable capitals amounted to RMB1,030.350 billion.

3.10.6 Interest rate risk management

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

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

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.6 Interest rate risk management (Continued)

In the first half of 2024, the Bank enhanced the management of the RMB deposit and loan interest rate, improved the loan pricing management process and vigorously implemented a market-based deposit interest rate adjustment mechanism, so as to improve its interest rate risk pricing capability and put the interest rate risk within the tolerable range of the Bank through various ways. First, the Bank improved the process for the management of the interest rate risk in the banking book, optimized the management mechanism of the interest rate risk, and continuously improved the interest rate risk management standard. Second, the Bank gradually enhanced the refined management level of interest rate risk in the banking book, continuously strengthened the duration management, provided decision-making recommendations for the reasonable adjustment and determination of the pricing methods for investment portfolios and deposit and loan portfolios based on monetary policy guidelines, and put the interest rate risk within the tolerable range of the Bank. Third, the Bank prudently conducted stress tests on the interest rate risk in the banking book to measure and forecast the interest rate risk tolerance in the banking book, and thus improve its interest rate risk management in the banking book under extreme scenarios.

3.10.7 Exchange rate risk management

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

In 2024, the RMB exchange rate fluctuated significantly in both directions. The Bank closely monitored, among others, the international economic landscape, changes in monetary policies of various countries and geopolitical risks. The Bank measured its exchange rate risk through qualitative and quantitative analysis. The major methods included gap analysis, duration analysis, exposure analysis, VAR analysis, stress testing and back testing etc. In order to maintain its exchange rate risk within an acceptable range, the Bank implemented stringent limit-based management measures, primarily including trading limits, risk limits, foreign exposure limits and stop loss limits.

The foreign exchange spot, forward and options transactions of the Bank were mainly transactions conducted on behalf of customers and the Bank adopted "back-to-back" position closing, which avoided exchange rate risks to a large extent. The Bank monitored its foreign exchange risk exposure in real time, and maintained reasonable proprietary position exposures within the limit of combined exposures of the Bank approved by the Anhui Branch of the State Administration of Foreign Exchange, and in accordance with the Bank's limit-based management requirements. In addition, the Bank actively used derivatives tools to hedge against the risk of exchange rate fluctuations.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.8 Reputation risk management

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

Reputational risk management, as an important part of the Bank's corporate governance and comprehensive risk management systems, covers all behaviors, business activities and business areas of the Bank and its subsidiaries. The Bank continues to improve the relevant systems for reputational risk management and effectively implement basic management of reputational risks to actively and effectively prevent reputational risk, with a view to minimizing the resulting negative impacts. The Bank prioritizes risk prevention and focuses on monitoring, analysis and early warning of public opinions in its daily operation. In addition, the Bank quickly resolves any sensitive misunderstanding or misinterpretation of information with an effective management system. Meanwhile, the Bank actively carries out external publicity and participates in a broad range of social welfare undertakings and public activities to live up to its corporate social responsibility, in an effort to build a sound corporate image. In the first half of 2024, the Bank effectively managed its reputation risk. There was no reputation risk incident occurred. The Bank maintained a good relationship with the media, and the media provided favorable overall feedback.

3.10.9 Compliance risk management

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

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

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.9 Compliance risk management (Continued)

During the Reporting Period, the Bank strictly implemented the regulatory requirements, conducted in-depth research on a series of regulatory policies, implemented the minutes of regulatory talks and regulatory opinions, and fully implemented the comprehensive evaluation on execution of the central bank's macro-control policies and related business management regulations in 2023, so as to promote compliance with laws and regulations. It comprehensively carried out actions to improve internal control and compliance management capabilities, and improved compliance risk management and control capabilities from seven aspects: "learning, examination, investigation, treatment, reform, evaluation, and application" (學、考、查、治、改、評、用). The Bank continued to improve the management of rules and regulations, enhance the compliance obligation database, strengthen the management of the president's authorization, optimize the assessment system, broaden the coverage of assessments; carried out coordinated management for on-site inspection projects, continuously improving the quality and effectiveness of on-site inspections, establishing and improving improved the joint review mechanism of compliance laws, and reinforcing the internal control and compliance foundation management. The Bank revised the management system on case prevention and employee behaviors, optimized the mechanism for case risk prevention and control, strengthened the investigation of case risks and abnormal employee behaviors, enhanced internal control and compliance case prevention training, and improved the quality of the Bank's case prevention work, so as to provide a guarantee for the high-quality development of the Bank.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.10 Anti-money laundering management

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

During the Reporting Period, the Bank strictly carried out money laundering risk prevention and control. The Bank conducted the interpretation of relevant laws and regulations and instructions on practical operation through training and exchanges, examinations and tests, and experience sharing, facilitating the latest laws, regulations and regulatory policies in relation to the anti-money laundering being implemented across the Bank. It actively conducted anti-money laundering themed publicity activities and anti-money laundering research activities, promoting the implementation of study results. According to the regulatory requirements, the Bank implemented various measures and conducted issue inspection, analysis and rectification work, continued to improve the working mechanism and internal management, to improve the anti-money laundering performance capabilities of employees throughout the whole Bank. The Bank continued to optimize the functions of the anti-money laundering management system, introduced data mining tools and models such as knowledge map, connected branching algorithm and intimacy association algorithm, fully applied the agile development model coordinated by business personnel and developers, improved the self-developed scoring system for suspicious early risk warning model which is applicable to the latest money laundering methods and in line with the Bank's business, and improved the accuracy of submitted suspicious transaction data. The Bank continued to advance the adjustment of customer money laundering risk classification mechanism, put into practice the principle of "laying emphasis on risks, management, quality and effects" by applying it to anti-money laundering works, to realize the integration and development of anti-money laundering internal control requirements and business line risk management, and effectively strengthen concerted efforts in anti-money laundering.

Chapter III Management Discussion and Analysis

3.11 INFORMATION TECHNOLOGY

During the Reporting Period, centered on the development of digitization and financial technology, the Bank promoted orderly implementation of financial technology strategic plans and financial technology enhancement projects. Focusing on the improvement of financial service, data management and digital infrastructure capabilities, the Bank continuously carried out the integration of business and technology to better serve its high-quality development.

Firstly, firmly pursuing the achievement of business value through technology. The Bank vigorously promoted the development of remote banking and the upgrade of mobile banking for a three-dimensional and digital customer service system; promoted the implementation of key information technology projects and put into place the localization strategy of information systems in an orderly manner; commenced the operation of the Treasury of Huishang Bank (徽銀司庫) for the improvement of the corporate financial management capabilities; facilitated innovative research and development of products such as “Agricultural Revitalization Loan of Huishang Bank” (徽農振興貸), “Enjoying Huishang Bank in Salary Loans” (徽享薪易貸) and housing mortgage business to effectively enhance financial service capabilities; empowered the integration of business and technology by improving the work mode of dispatching technology talents to business departments to better meet customer needs.

Secondly, further developing data capabilities. The Bank improved the data governance system by formulating a data quality management and evaluation mechanism, so as to continuously promote the implementation of data standards. The building of data middle office by the Bank was on the way to establish a diversified enterprise-level customer tagging system with a focus on a data mart in four major areas: retail, corporate, risk and management. It proactively introduced lots of external data and sorted out data assets, to raise data management efficiency. Product models for C-class customers of “Enjoying Huishang Bank in Salary Loans” (徽享薪易貸), transaction bank guarantee and intelligent anti-money laundering were developed to continuously strengthen risk control of online businesses. It developed a data security development plan to carry out a transparent encryption and decryption project for office data and enhance data security capabilities. A digital cross-business team amongst the head office, branches and sub-branches was set up for product innovation, user experience and other aspects, to carry out two-way collaboration and deepen the integration and empowerment of business and technology.

Thirdly, strengthening digital infrastructure capabilities. The Bank promoted the construction of an innovative private cloud for information technology applications, the second phase of the new generation wide area network infrastructure and the green and high-availability data centers, thus improving infrastructure support. The application of automated operation and maintenance scenarios was expedited to strengthen emergency plans and drill management, and continuously improve the emergency management system. It deepened the overall management of technology operation and maintenance, improved the safety management system standards, optimized the indicators and strategies of a unified monitoring platform, established a unified problem management mechanism, and continuously strengthened safety production management.

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3.12 PROFIT DISTRIBUTION OF ORDINARY SHARES

Profit distribution plan for 2023

The profit distribution plan of the Bank for 2023 was considered and approved at the 2023 annual general meeting of the Bank held on 29 June 2024.

Audited net profit of the Bank under the headquarter for 2023 was RMB13,526.40 million. Pursuant to the Articles of Association, the profit distribution plan of the Bank for 2023 is as follows:

- (1) RMB1,352.64 million, RMB1,609.48 million and RMB1,352.64 million were allocated to the statutory surplus reserve, general risk provision and discretionary surplus reserve, respectively.
- (2) It was proposed to distribute the cash dividend of RMB1.46 (tax inclusive) per ten shares, with a total cash dividend of approximately RMB2,027.91 million (tax inclusive).

The 2023 final dividend has been paid on 22 August 2024 to shareholders whose names appeared on the register of members of the Bank as at 10 July 2024. All cash dividends paid, which were denominated in RMB, were distributed to domestic shareholders in RMB or Hong Kong dollars to H shareholders, respectively. The exchange rate used for calculation of dividends paid in Hong Kong Dollars was based on the average central parity rate of RMB against Hong Kong Dollars announced by the PBOC for the five working days before the 2023 annual general meeting of the Bank (i.e. 24, 25, 26, 27 and 28 June 2024). For details, please refer to the Bank's announcement dated 1 July 2024 on poll results of the 2023 annual general meeting.

Interim profit distribution for 2024

The Bank has no interim profit distribution plan for 2024.

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3.13 SOCIAL RESPONSIBILITY

The Bank adhered to the values of “treating people with sincerity, upholding justice while pursuing interests”, honored the mission of “achieving dreams for customers, creating value for shareholders, promoting employee development and assuming responsibility of citizenship”, and has drawn up the vision of “Creating First-class Quality and Building a Centennial Huishang Bank”, as well as established the core value of “Integrity, Stability, Innovation and Harmony”. In the “Strategic Plan 2021-2025”, the Bank clearly puts forward the overall strategic positioning of building an “excellent local mainstream bank” in all aspects, building an excellent corporate culture, integrating the excellent traditional culture of Huishang Bank, and achieving the trust of customers, respect of peers and pride of employees in terms of vision, mission, philosophy, conduct and core value.

In the first half of 2024, the Bank formulated the “Huishang Bank’s Action Plan for Cultivation and Promotion of Financial Culture with Chinese Characteristics” 《徽商銀行培育和弘揚中國特色金融文化行動方案》 to make efforts for cultivation and promotion of the financial culture with Chinese characteristics, complied with the requirements of the “Five Musts and Five Nos”, and endeavored to build a high-quality corporate culture that is in line with the development strategy of Huishang Bank with the spirit of the times and the characteristics of Huishang Bank. The Bank kept abreast of the times to enrich the connotation of its corporate culture, promoted the promotion and solidification of its corporate culture, gave full play to the leading role of culture, forged consensus and strived in unity to provide cultural support for building an excellent local mainstream bank and embarking on the new journey of high-quality development of Huishang Bank.

In the first half of 2024, the Bank continued to proactively develop its excellent corporate culture, perform social responsibilities of an enterprise, implement in-depth projects for transformation and improvement in nine major areas, coordinated shareholders, customers, employees and other stakeholders, achieving the full improvement of economic, environmental and social benefits, as well as the coordinated development in terms of scale, quality, structure and efficiency, which have been widely praised by all sectors of society and granted many awards and honors.

Chapter III Management Discussion and Analysis

3.13 SOCIAL RESPONSIBILITY (CONTINUED)

With a focus on the requirements for strengthening financial services to support real economy, under the principle of honesty and trustworthiness and upholding integrity and innovation, the Bank made targeted efforts in promoting inclusive finance to reduce corporate financing costs and support the development of small and micro enterprises, making its contribution to stabilizing economic market. By upholding justice while pursuing interests, the Bank continuously strengthened the role of green credit in leverage adjustment by promoting green credit to support low-carbon economy. The Bank actively gave full play to the professional advantages of financial enterprises, mobilized and united the strengths of the entire Bank, and empowered rural revitalisation to support the development of “Rural Issues”. Being robust and prudent and in compliance with laws and regulations, the Bank continuously developed a “secure Huishang Bank”, focused on the long-term construction of a comprehensive, full-staff and full-process risk management system, and enhanced its risk management and operation capabilities to resolutely maintain the bottom line of non-occurrence of systemic risks. The Bank advocated green office, energy saving and environmental protection to reduce the negative effects of its daily operation on the environment as much as possible. The Bank actively advocated public welfare spirit, continuously promoted public welfare concepts on people’s livelihood, environmental protection and charities and advocated staff to participate in voluntary activities and jointly created branded public welfare projects in the areas of respecting the elderly, assisting the disabled and helping the needy, responding to the call by actively carrying out flood prevention and disaster relief work and organizing targeted donations, and fully displaying the image of the Bank as an excellent corporate resident. Being people-oriented, the Bank paid attention to employee capacity building, cared about the physical and mental health of its employees to create a positive and harmonious corporate culture. The Bank maintains its market positioning as a city commercial bank, strives to do a good job of developing “five major aspects” of finance (namely technology finance, green finance, inclusive finance, pension finance and digital finance), takes practical actions to help Anhui Province build “Three Places and One Area” and “Modern and Beautiful Anhui” and supports the economic and social development of Anhui in all aspects. The Bank strives to be an outstanding local mainstream bank with good customer experience, distinctive advantages, solid risk control capability and diversified comprehensive services.

Chapter III Management Discussion and Analysis

3.14 CONSUMER PROTECTION

In the first half of 2024, the Bank continued to deepen and implement consumer rights protection. It completed over 1,847 reviews on consumer protection relating to product and service systems and measures, cooperation (outsourcing) agreements and contracts, marketing activities and promotion materials, representing a year-on-year increase of 24.71%, conducted a total of over 60 specific trainings on consumer protection, covering medium and senior management, grass-roots business staff and new employees; and conducted 3,750 online and offline education and publicity activities with over 32 million person-times.

3.15 RELATED PARTY (CONNECTED) TRANSACTIONS

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

The related party (connected) transactions of the Bank mainly refer to the ordinary on-and off-balance sheet businesses, including loans, debt securities and deposits. As of 30 June 2024, the Bank has 6,346 related legal entities and 2,669 related natural persons. The related party transactions of the Bank totaled RMB52,757 million, of which the balance of credit granted in related party transactions amounted to RMB17,409 million, and services, deposits and other kinds of related party transactions amounted to RMB35,348 million.

Chapter III Management Discussion and Analysis

3.15 RELATED PARTY (CONNECTED) TRANSACTIONS (CONTINUED)

As of 30 June 2024, the balance of credit granted to the largest related party as a single customer accounted for 2.27% of the net capital of the Bank under the headquarter; the balance of credit granted to the largest single group customer accounted for 2.04% of the net capital of the Bank under the headquarter; the balance of credit granted to all related parties accounted for 9.14% of the net capital of the Bank under the headquarter, which all complied with the regulatory requirements.

During the Reporting Period, the Bank strengthened implementation and supervision of the management rules and systems of related party (connected) transactions, carried out suspected related party (connected person) identification and regular automatic verification of related party (connected person) information changes with the assistance of technological means, including big data and knowledge maps, conducted the collection of information on related parties (connected persons) and promoted effective identification and statistical foundation of related party (connected) transactions. The Bank leveraged technology to refine management of related party (connected) transactions and transform manual investigation logic into system rules, further improving the system intelligence of related party (connected) transactions, conducted targeted training on management policies of related party (connected) transaction for key departments and offices on management of related party (connected) transactions, and continued to play the professional support role of the management office of related party transaction. The Bank strengthened the role of the first line of defense in risk prevention, and improved the whole-process risk control mechanism for related party (connected) transactions, further strengthened the pricing management of related party (connected) transactions, and strictly performed review, approval, reporting and disclosure procedures on related party (connected) transactions. During the Reporting Period, the Bank's independent non-executive directors issued independent opinions on the Bank's related party (connected) transactions.

Note 46 to the financial statements discloses, among others, the related party transactions of the Bank during the Reporting Period in accordance with the International Accounting Standards. These related party transactions do not constitute the connected transactions of the Bank under the requirements of Chapter 14A of the Hong Kong Listing Rules.

Chapter IV Changes in Share Capital and Particulars of Shareholders

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

	30 June 2024		Changes during the Reporting Period	31 December 2023	
	Number of Shares (share)	Percentage (%)	Number of Shares (share)	Number of Shares (share)	Percentage (%)
Domestic Shares	10,411,051,211	74.95	0	10,411,051,211	74.95
H Shares	3,478,750,000	25.05	0	3,478,750,000	25.05
Total number of ordinary shares	13,889,801,211	100.00	0	13,889,801,211	100.00

Note: As of 30 June 2024, the Bank had a total of 17,196 shareholders of ordinary shares, including 1,342 shareholders of H Shares and 15,854 shareholders of Domestic Shares. The Bank had no controlling shareholders or de facto controller. According to the feedback from the trustee agency, a total of 106,577,095 pledged shares were under judicial freeze or other situations.

Chapter IV Changes in Share Capital and Particulars of Shareholders

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

As of 30 June 2024, the order of the top ten holders of ordinary shares of the Bank was sorted by: (1) for H Shares, the aggregate of the H Shares of the Bank held by investors which were deposited into the Central Clearing and Settlement System of Hong Kong Exchanges and Clearing Limited ("HKEX") and registered under the name of HKSCC Nominees Limited, a wholly-owned subsidiary of HKEX, representing 25.02% of the total share capital of ordinary shares and representing 99.90% of the total H Shares issued; and (2) for Domestic Shares, the order was based on the number of shares held directly under the domestic shareholders register kept by China Securities Depository and Clearing Corporation Limited.

No.	Name of shareholder	Number of shares held as at the end of the Reporting Period (share)	Percentage of total share capital of ordinary shares (%)	Type of shares	Increase/decrease during the Reporting Period (share)	Pledged or frozen (share)
1	HKSCC Nominees Limited	3,475,276,778	25.02	H Share	(58,700)	— ⁽¹⁾
2	Deposit Insurance Fund Management Co., Ltd.	1,559,000,000	11.22	Domestic Share	0	0
3	Anhui Energy Group Co., Ltd.	843,363,819	6.07	Domestic Share	0	0
4	Anhui Guoyuan Financial Holding Group Co., Ltd.	837,810,695	6.03	Domestic Share	0	0
5	Anhui Credit Financing Guaranty Group Co., Ltd.	827,658,091	5.96	Domestic Share	0	0
6	Anhui Transportation Holding Group Co., Ltd.	705,349,937	5.08	Domestic Share	0	0
7	Zhongjing Sihai Co., Ltd.	506,102,476	3.64	Domestic Share	0	0
8	Hefei Xingtai Financial Holding Group Co., Ltd.	378,395,999	2.72	Domestic Share	0	0
9	CCB Trust Co., Ltd.	313,672,053	2.26	Domestic Share	0	0
10	Wuhu Construction Investment Co., Ltd.	294,012,833	2.12	Domestic Share	0	0

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

Chapter IV Changes in Share Capital and Particulars of Shareholders

4.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES

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

No.	Name of substantial shareholder	Number of shares	Individual shareholding ratio (%)	Joint shareholding ratio (%)	Increase/Decrease of shareholding during the Reporting Period (share)
1	Deposit Insurance Fund Management Co., Ltd	1,559,000,000	11.22	11.22	0
2	Zhongjing Xinhua Asset Investment Management Co., Ltd.	224,781,227	1.62	10.59	0
	Wealth Honest Limited	631,871,000	4.55		0
	Golden Harbour Investments Management Limited	440,000,000	3.17		0
	Zhongjing Xinhua Property Management (Hong Kong) Co., Limited	173,993,400	1.25		0
3	Anhui Energy Group Co., Ltd.	843,363,819	6.07	9.70	0
	Anhui Wenergy Company Limited	150,814,726	1.09		0
	Xing An Holding Limited	329,973,600	2.38		0
	Anhui Natural Gas Development Co., Ltd.	23,579,472	0.17		0
4	Anhui Credit Financing Guaranty Group Co., Ltd.	827,658,091	5.96	7.65	0
	Anhui Guaranteed Asset Management Co., Ltd.	235,177,222	1.69		26,977,201 ⁽²⁾
5	Wkland Finance Holding Company Limited	562,254,000	4.05	7.00	0
	Wkland Finance Holding II Company Limited	410,130,600	2.95		0
6	Anhui Guoyuan Financial Holding Group Co., Ltd.	837,810,695	6.03	6.29	0
	Anhui Guoyuan Trust Co., Ltd.	35,751,470	0.26		0
	Anhui Guoyuan Ma'anshan Asset Management Co., Ltd.	361,662	0.00		0
7	Anhui Transportation Holding Group Co., Ltd.	705,349,937	5.08	5.10	0
	Anhui Transportation Holding Group (H.K.) Limited	3,299,700	0.02		0
8	Hefei Xingtai Financial Holding Group Co., Ltd.	378,395,999	2.72	4.98	0
	CCB Trust Co., Ltd.	313,672,053	2.26		0
9	Sunshine Life Insurance Corporation Limited	598,094,200	4.31	4.31	0
10	Zhongjing Sihai Co., Ltd.	506,102,476	3.64	3.64	0
11	Wuhu Construction Investment Co., Ltd.	294,012,833	2.12	2.12	0

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

(2) Anhui Guaranteed Asset Management Co., Ltd. obtained 26,977,201 Domestic Shares of the Bank through judicial ruling, and the registration of such shares was completed through China Securities Depository and Clearing Corporation Limited on 5 January 2024. Its shareholding of Domestic Shares of the Bank increased to 235,177,222 shares with an individual shareholding ratio of 1.69%.

Chapter IV Changes in Share Capital and Particulars of Shareholders

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

As of 30 June 2024, the following persons (other than the directors, supervisors and chief executives (as defined in the Hong Kong Listing Rules) of the Bank) had interests and short positions in the shares of the Bank as recorded in the register required to be kept by the Bank pursuant to section 336 of the SFO. In view of the Bank's profit distribution plan for 2017, where bonus shares were issued to shareholders on the basis of 1 share for every 10 shares, implemented in 2018, the number of shares held by shareholders in the table below reflects the number of shares held by shareholders after the issue of bonus shares.

Name of shareholder	Type of share	Long/short position	Capacity	Number of shares (share)	Percentage of the underlying shares in issue (%)	Percentage of all issued ordinary shares (%)	Notes
Deposit Insurance Fund Management Co., Ltd.	Domestic Share	Long	Beneficial owner	1,559,000,000	14.97	11.22	1
Anhui Energy Group Co., Ltd.	H Share	Long	Interest of controlled corporation	329,973,600	9.49	2.38	2
	Domestic Share	Long	Interest of controlled corporation	174,394,198	1.68	1.26	2
	Domestic Share	Long	Beneficial owner	843,363,819	8.10	6.07	2
Xing An Holdings Limited	H Share	Long	Beneficial owner	329,973,600	9.49	2.38	2
Anhui Credit Financing Guaranty Group Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	235,177,222	2.26	1.69	3
	Domestic Share	Long	Beneficial owner	827,658,091	7.95	5.96	3
Anhui Guoyuan Financial Holding Group Co., Ltd.	Domestic Share	Long	Beneficial owner	837,810,695	8.05	6.03	4
	Domestic Share	Long	Interest of controlled corporation	36,113,132	0.35	0.26	4
Anhui Transportation Holding Group Co., Ltd.	H Share	Long	Interest of controlled corporation	3,299,700	0.09	0.02	5
	Domestic Share	Long	Beneficial owner	705,349,937	6.78	5.08	5
China Vanke Co., Ltd.	H Share	Long	Interest of controlled corporation	972,384,600	27.95	7.00	6
Wkland Finance Holding Company Limited	H Share	Long	Beneficial owner	562,254,000	16.16	4.05	6
Wkland Finance Holding II Company Limited	H Share	Long	Beneficial owner	410,130,600	11.79	2.95	6
Sunshine Insurance Group Corporation Limited	H Share	Long	Interest of controlled corporation	598,094,200	17.19	4.31	7

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

Name of shareholder	Type of share	Long/short position	Capacity	Number of shares (share)	Percentage of the underlying shares in issue (%)	Percentage of all issued ordinary shares (%)	Notes
Sunshine Life Insurance Corporation Limited	H Share	Long	Beneficial owner	598,094,200	17.19	4.31	7
Shanghai Soong Ching Ling Foundation	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Zhongjing Industry (Group) Limited	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Modern Innovation Holdings Co., Limited	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Qingtian Anyin Enterprise Management Consulting Co., Ltd.	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Jing'An Shanghai Silver Investment Co., Ltd.	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Zhongjing Xinhua Asset Investment Management Co., Ltd.	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Beneficial owner	224,781,227	2.16	1.62	8
Chuangjian Group Co., Ltd.	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
Zhongjing Xinhua Property Management (Hong Kong) Co., Limited	H Share	Long	Interest of controlled corporation	1,071,871,000	30.81	7.72	10, 11, 13
	H Share	Long	Beneficial owner	173,993,400	5.00	1.25	9
Wealth Honest Limited	H Share	Long	Interest of controlled corporation	440,000,000	12.65	3.17	11, 13
	H Share	Long	Beneficial owner	631,871,000	18.16	4.55	10

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

Name of shareholder	Type of share	Long/short position	Capacity	Number of shares (share)	Percentage of the underlying shares in issue (%)	Percentage of all issued ordinary shares (%)	Notes
Wealth Honest Cayman Holdings Company Limited	H Share	Long	Interest of controlled corporation	440,000,000	12.65	3.17	11, 13
Qingdao State-owned Assets Supervision & Administration Commission	H Share	Long	Security interest	440,000,000	12.65	3.17	11
Qingdao City Construction Investment (Group) Limited	H Share	Long	Security interest	440,000,000	12.65	3.17	11
Qingdao City Construction Financial Holding Group Co., Ltd.	H Share	Long	Security interest	440,000,000	12.65	3.17	11
China Golden Harbour (Holdings) Group Limited	H Share	Long	Security interest	440,000,000	12.65	3.17	11
Golden Harbour Global Holdings Limited	H Share	Long	Security interest	440,000,000	12.65	3.17	11
Wealth Honest Fund LP	H Share	Long	Interest of controlled corporation	440,000,000	12.65	3.17	11
Golden Harbour Investments Management Limited	H Share	Long	Beneficial owner	440,000,000	12.65	3.17	11
Zheng Yonggang	Domestic Share	Long	Interest of controlled corporation	730,883,703	7.02	5.26	8, 12
Zhou Jiqing	Domestic Share	Long	Interest of controlled corporation	730,883,703	7.02	5.26	8, 12
Ningbo Qinggang Investment Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	730,883,703	7.02	5.26	8, 12
Shanshan Holdings Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	506,102,476	4.86	3.64	12
	Domestic Share	Long	Beneficial owner	224,781,227	2.16	1.62	8
	H Share	Long	Interest of acting in concert	1,245,864,400	35.81	8.97	14
Shanshan Group Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	506,102,476	4.86	3.64	12
Zhongjing Sihai Co., Ltd.	Domestic Share	Long	Beneficial owner	506,102,476	4.86	3.64	12
DRAGON SOUND	Domestic Share	Long	Interest of acting in concert	730,883,703	7.02	5.26	14
INVESTMENT LIMITED	H Share	Long	Beneficial owner	273,449,000	7.86	1.97	13

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

Name of shareholder	Type of share	Long/short position	Capacity	Number of shares (share)	Percentage of the underlying shares in issue (%)	Percentage of all issued ordinary shares (%)	Notes
JOY GLORY HOLDINGS LIMITED	Domestic Share	Long	Interest of acting in concert	730,883,703	7.02	5.26	14
	H Share	Long	Beneficial owner	532,415,400	15.30	3.83	13
SUPERIOR LOGIC INVESTMENTS LIMITED	Domestic Share	Long	Interest of acting in concert	730,883,703	7.02	5.26	14
	H Share	Long	Beneficial owner	440,000,000	12.65	3.17	13
Wang Wenyin	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 16
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	15
Liu Jiehong	H Share	Long	Interest of the Spouse	1,245,864,400	35.81	8.97	9, 10, 11, 16
	Domestic Share	Long	Interest of the Spouse	224,781,227	2.16	1.62	15
Amer Holdings Group Limited	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 16
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	15
Shenzhen Amer (Group) Limited	H Share	Long	Beneficial owner	1,245,864,400	35.81	8.97	9, 10, 11, 16
	Domestic Share	Long	Beneficial owner	224,781,227	2.16	1.62	15
Guotai Junan Securities Co., Ltd.	H Share	Long	Interest of controlled corporation	273,509,400	7.86	1.97	17
Guotai Junan International Holdings Limited	H Share	Long	Interest of controlled corporation	273,509,400	7.86	1.97	17
Haitong Securities Co., Ltd.	H Share	Long	Interest of controlled corporation	210,000,000	6.04	1.51	18
Haitong International Holdings Limited	H Share	Long	Interest of controlled corporation	210,000,000	6.04	1.51	18
Haitong International Securities Group Limited	H Share	Long	Interest of controlled corporation	210,000,000	6.04	1.51	18
Haitong International Securities (Singapore) Pte. Ltd.	H Share	Long	Security interest	210,000,000	6.04	1.51	18

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

Notes:

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

At the same time, Anhui Energy Group Co., Ltd. directly holds 843,363,819 Domestic Shares (long position) of the Bank. In addition, Anhui Energy Group Co., Ltd. is deemed to be interested in 150,814,726 Domestic Shares (long position) and 23,579,472 Domestic Shares (long position) of the Bank that were held by its controlling subsidiaries, Anhui Wenergy Company Limited and Anhui Natural Gas Development Co., Ltd., respectively.
- (3) 235,177,222 Domestic Shares (long position) of the Bank are held by Anhui Guarantee Asset Management Co., Ltd. Anhui Guarantee Asset Management Co., Ltd. is a wholly-owned subsidiary of Anhui Credit Financing Guaranty Group Co., Ltd. Anhui Credit Financing Guaranty Group Co., Ltd. is deemed to be interested in the shares of the Bank held by Anhui Guarantee Asset Management Co., Ltd. Meanwhile, Anhui Credit Financing Guaranty Group Co., Ltd. directly holds 827,658,091 Domestic Shares (long position) of the Bank.
- (4) Anhui Guoyuan Ma'anshan Asset Management Co., Ltd. and Anhui Guoyuan Trust Co., Ltd. hold 361,662 Domestic Shares (long position) and 35,751,470 Domestic Shares (long position) of the Bank, respectively. Anhui Guoyuan Financial Holding Group Co., Ltd. is deemed to be interested in the Domestic Shares of the Bank that were held by its controlling subsidiaries, Anhui Guoyuan Ma'anshan Asset Management Co., Ltd. and Anhui Guoyuan Trust Co., Ltd. At the same time, Anhui Guoyuan Financial Holding Group Co., Ltd. directly holds 837,810,695 Domestic Shares (long position) of the Bank.
- (5) Anhui Transportation Holding Group (H.K.) Limited holds 3,299,700 H Shares (long position) of the Bank. Anhui Transportation Holding Group (H.K.) Limited is a wholly-owned subsidiary directly controlled by Anhui Transportation Holding Group Co., Ltd. As such, Anhui Transportation Holding Group Co., Ltd. is deemed to be interested in the shares of the Bank held by Anhui Transportation Holding Group (H.K.) Limited. At the same time, Anhui Transportation Holding Group Co., Ltd. directly holds 705,349,937 Domestic Shares (long position) of the Bank.
- (6) China Vanke Co., Ltd. is deemed to be interested in a total of 972,384,600 H Shares (long position) of the Bank by virtue of its control over the following corporations which directly hold interests in the Bank:
 - 6.1 Wkland Finance Holding Company Limited holds 562,254,000 H Shares (long position) of the Bank. Wkland Finance Holding Company Limited is a wholly-owned subsidiary indirectly controlled by China Vanke Co., Ltd.
 - 6.2 Wkland Finance Holding II Company Limited holds 410,130,600 H Shares (long position) of the Bank. Wkland Finance Holding II Company Limited is a wholly-owned subsidiary indirectly controlled by China Vanke Co., Ltd.
- (7) Sunshine Life Insurance Corporation Limited holds 598,094,200 H Shares (long position) of the Bank. Sunshine Life Insurance Corporation Limited is a subsidiary directly controlled by Sunshine Insurance Group Corporation Limited. Sunshine Insurance Group Corporation Limited is deemed to be interested in the shares of the Bank held by Sunshine Life Insurance Corporation Limited.

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

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

Shanshan Holdings Co., Ltd. ("Shanshan Holdings") entered into an agreement with Zhongjing Xinhua on 20 August 2019, pursuant to which Shanshan Holdings acquired 224,781,227 Domestic Shares of Huishang Bank held by Zhongjing Xinhua, which have not been transferred. Pursuant to relevant requirements of the SFO, during the period from the signing of the agreement to prior to the completion of the transfer of shares, both Shanshan Holdings and Zhongjing Xinhua shall be deemed to be interested in such shares acquired or disposed and both of them are beneficial owners. Zheng Yonggang, Zhou Jiqing and Ningbo Qinggang Investment Co., Ltd. ("Ningbo Qinggang") are deemed to be interested in the above shares of the Bank held by Shanshan Holdings. According to the information submitted by shareholders, Mr. Zheng Yonggang, passed away due to illness, and the relevant equities held by Mr. Zheng Yonggang are intended to enter the inheritance process in accordance with relevant laws and regulations, and the de facto controller and ultimate beneficiary will be re-identified according to the inheritance of his equities, and the other ultimate beneficiary is a natural person, Zhou Jiqing.

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

According to the "Announcement of Zhongjing Xinhua Asset Investment Management Co., Ltd. Regarding the Company's Material Litigations" issued by Zhongjing Xinhua on the Shanghai Stock Exchange (the "SSE") on 9 July 2020, "...On 1 June 2020, the Company issued to Shanshan Holdings the "Notice on the Termination of the Framework Agreement between Shanshan Holdings Co., Ltd. and Zhongjing Xinhua Asset Investment Management Co., Ltd. on the Transfer of Shares of Huishang Bank Corporation Limited and Zhongjing Sihai Co., Ltd." ...The Company has recently filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province and has been accepted. The filing for the case has now been completed." According to the 2020 Annual Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. published on the SSE by Zhongjing Xinhua on 28 April 2021, "Progress of the dispute on transfer of equity interests in Huishang Bank with Shanshan Holdings Co., Ltd.: the Company has filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province. As Shanshan Holdings Co., Ltd. prosecuted first, the two cases have been consolidated to Shanghai Financial Court for trial. The above two cases were heard in the Financial Court on 18 January 2021, but pending for judgment as of the date of this report." According to the 2021 Interim Report of Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. published on the SSE by Zhongjing Xinhua on 30 August 2021, "The case was later transferred to Shanghai Financial Court and has not been concluded as of the date of this report." According to the "2021 Audit Report and Financial Statements of Zhongjing Xinhua Asset Investment Management Co., Ltd." disclosed on the SSE on 28 April 2022, "As of now, the above cases are in progress and pending for judgment." According to the 2022 Interim Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. disclosed by Zhongjing Xinhua on the SSE on 30 August 2022, "In the Case (1) and Case (2) regarding disputes on disposal of equity in Zhongjing Sihai, two claims of unlisted equity are involved, namely Zhongjing Xinhua's prosecution against Shanshan Holdings for the return of 51.6524% equity in Zhongjing Sihai, and Shanshan Holdings' request to acquire 225,000,000 unlisted domestic shares of Huishang Bank held by Zhongjing Xinhua, which has been withdrawn by Shanshan Holdings due to its adjustment to such request. Since 2021, the court has held several court sessions, and arranged out-of-court evidence exchange and cross-examination for Case (1) and Case (2). The court trial procedures have ended, but the two cases are pending for judgment." According to the 2022 Annual Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. disclosed by Zhongjing Xinhua on the SSE on 28 April 2023, the lawsuit status is that "the judgment of first instance trial has been pronounced and both parties have lodged their appeals; the second instance trial will be heard on 17 May 2023." According to the 2023 Audit Report of Zhongjing Xinhua Asset Investment Management Co., Ltd. disclosed by Zhongjing Xinhua on the SSE on 30 April 2024, "Shanghai High People's Court made a second instance judgment on 22 September 2023, and upheld the first instance judgment." Shanshan Holdings and Shanshan Group have applied for enforcement respectively, and Shanghai Financial Court has accepted the case. On 21 March 2024, Zhongjing Xinhua applied for retrial of the two cases to the Third Circuit Court of the Supreme People's Court. The review opinion of the Supreme People's Court was "meeting the conditions for retrial and recommending filing for review". For details, please refer to the announcements published by Zhongjing Xinhua on the SSE.

Chapter IV Changes in Share Capital and Particulars of Shareholders

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

(8) (Continued)

According to the "Announcement of Shanshan Group Co., Ltd. Regarding the Company's Material Litigations" issued by Shanshan Group Co., Ltd. ("Shanshan Group") on the SSE on 10 July 2020, "...This lawsuit is a case involving Zhongjing Xinhua sued Shanshan Holdings, Shanshan Group, and Zhongjing Sihai for the equity transfer dispute. ... Shanshan Holdings... filed a lawsuit with Shanghai Financial Court on 2 June 2020 and completed the filing." According to the 2020 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 30 April 2021, "Progress of the dispute on transfer of equity interests in the case involving Zhongjing Xinhua Asset Investment Management Co., Ltd. against Shanshan Holdings Co., Ltd., Shanshan Group Co., Ltd. and Zhongjing Sihai Co., Ltd.: the case has been transferred to Shanghai Financial Court for trial with the first trial completed in January 2021, but pending for judgment." According to the 2021 Interim Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 31 August 2021, "As of the date of this report, the case has been transferred from the Intermediate People's Court of Huangshan City to Shanghai Financial Court. At present, the first instance has been held but pending for judgment." According to the 2021 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 29 April 2022, "At present, the case is still in the process of hearing." According to the "Announcement of Shanshan Group Co., Ltd. Regarding Progress of the Company's Material Litigations" issued by Shanshan Group on the SSE on 20 January 2023, "On 17 January 2023, Shanghai Financial Court issued the first instance judgements on the two cases regarding the dispute on transfer of equity interests, namely ① the case involving Zhongjing Xinhua v. Shanshan Holdings, Shanshan Group, and Zhongjing Sihai for the dispute on equity transfer contract ([2020] Hu 74 Min Chu No. 1715), and ② the case involving Shanshan Holdings v. Zhongjing Xinhua for the dispute on equity transfer contract ([2020] Hu 74 Min Chu No. 1254) (hereinafter collectively referred to as the "Judgements"), and served the Judgements to Shanshan Holdings, Shanshan Group, and Zhongjing Sihai. Shanshan Group received the Judgements on 18 January 2023. The main content of the two Judgements are summarised as follows: (1) the Framework Agreement on the Transfer of Shares of Huishang Bank Corporation Limited and Equity Interests in Zhongjing Sihai Co., Ltd. entered into by Zhongjing Xinhua and Shanshan Holdings, the Agreement on Transfer of Equity in Zhongjing Sihai Co., Ltd. entered into by Zhongjing Xinhua and Shanshan Group, the Equity Transfer Contract entered into by Zhongjing Xinhua and Shanshan Holdings were terminated on 2 June 2020; (2) Zhongjing Xinhua shall return the amount equal to the consideration paid by Shanshan Holdings for the equity transfer; (3) Shanshan Group shall return 51.6524% equity interests in Zhongjing Sihai registered under the name of Shanshan Group, and Zhongjing Xinhua shall return the corresponding amount of equity transfer consideration; (4) other claims were rejected." According to the 2022 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 28 April 2023, "At present, such case is in the process of second instance trial at the Shanghai High People's Court." According to the "Announcement Regarding Progress of the Company's Material Litigations" published by Shanshan Group on the SSE on 25 September 2023, "On 22 September 2023, Shanghai High People's Court issued the second instance judgements on the above two disputes on transfer of equity interests respectively ...contents of the judgments: the appeals were dismissed and the original judgments were upheld". According to the 2023 Annual Report on Corporate Bonds published by Shanshan Group on 25 April 2024, "in order to safeguard the legitimate rights and interests of the company, the company has applied for enforcement". For details, please refer to the announcements published by Shanshan Group on the SSE.

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

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

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

Chapter IV Changes in Share Capital and Particulars of Shareholders

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

- (9) Zhongjing Xinhua Property Management (Hong Kong) Co., Limited ("Zhongjing Xinhua Hong Kong") holds 173,993,400 H Shares (long position) of the Bank. Zhongjing Xinhua Hong Kong is a wholly-owned subsidiary directly controlled by Chuangjian Group Co., Ltd. (創見集團有限公司, "Chuangjian Group"), which in turn is a wholly-owned subsidiary directly controlled by Zhongjing Xinhua. Shanghai Soong Ching Ling Foundation, Zhongjing Industry, Modern Innovation, Qingtian Anyin, Jing'An Silver, Zhongjing Xinhua and Chuangjian Group are deemed to be interested in the shares of the Bank held by Zhongjing Xinhua Hong Kong.

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

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

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

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

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

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

Chapter IV Changes in Share Capital and Particulars of Shareholders

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

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

In August 2019, Zhongjing Xinhua transferred its equity interests of 51.6524% in Zhongjing Sihai to Shanshan Group, upon which Shanshan Group owned 100% equity interests in Zhongjing Sihai. Shanshan Group is the subsidiary of Shanshan Holdings which owns its equity interests of 54.81%, which in turn is the subsidiary of Ningbo Qinggang which holds its equity interests of 40.54%. Zheng Yonggang and Zhou Jiqing hold the equity interests of 51% and 49% in Ningbo Qinggang, respectively. As such, Zheng Yonggang, Zhou Jiqing, Ningbo Qinggang, Shanshan Holdings and Shanshan Group are deemed to be interested in the shares of the Bank held by Zhongjing Sihai. According to the information submitted by shareholders, Mr. Zheng Yonggang, passed away due to illness, and the relevant equities held by Mr. Zheng Yonggang are intended to enter the inheritance process in accordance with relevant laws and regulations, and the de facto controller and ultimate beneficiary will be re-identified according to the inheritance of his equities, and the other ultimate beneficiary is a natural person, Zhou Jiqing.

According to the "Announcement of Shanshan Group Co., Ltd. Regarding Progress of the Company's Material Litigations" issued by Shanshan Group on the SSE on 20 January 2023, "On 17 January 2023, Shanghai Financial Court issued the first instance judgements on the two cases regarding the dispute on transfer of equity interests, namely ① the case involving Zhongjing Xinhua v. Shanshan Holdings, Shanshan Group, and Zhongjing Sihai for the dispute on equity transfer contract ([2020] Hu 74 Min Chu No. 1715), and ② the case involving Shanshan Holdings v. Zhongjing Xinhua for the dispute on equity transfer contract ([2020] Hu 74 Min Chu No. 1254) (hereinafter collectively referred to as the "Judgements"), and served the Judgements to Shanshan Holdings, Shanshan Group, and Zhongjing Sihai. Shanshan Group received the Judgements on 18 January 2023. The main content of the two Judgements are summarised as follows: (1) the Framework Agreement on the Transfer of Shares of Huishang Bank Corporation Limited and Equity Interests in Zhongjing Sihai Co., Ltd. entered into by Zhongjing Xinhua and Shanshan Holdings, the Agreement on Transfer of Equity in Zhongjing Sihai Co., Ltd. entered into by Zhongjing Xinhua and Shanshan Group, the Equity Transfer Contract entered into by Zhongjing Xinhua and Shanshan Holdings were terminated on 2 June 2020; (2) Zhongjing Xinhua shall return the amount equal to the consideration paid by Shanshan Holdings for the equity transfer; (3) Shanshan Group shall return 51.6524% equity interests in Zhongjing Sihai registered under the name of Shanshan Group, and Zhongjing Xinhua shall return the corresponding amount of equity transfer consideration; (4) other claims were rejected." According to the 2022 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 28 April 2023, "At present, such case is in the process of second instance trial at the Shanghai High People's Court." According to the "Announcement Regarding Progress of the Company's Material Litigations" published by Shanshan Group on the SSE on 25 September 2023, "On 22 September 2023, Shanghai High People's Court issued the second instance judgements on the above two disputes on transfer of equity interests respectively. ... contents of the judgments: the appeals were dismissed and the original judgments were upheld". According to the 2023 Annual Report on Corporate Bonds published by Shanshan Group on 25 April 2024, "in order to safeguard the legitimate rights and interests of the company, the company has applied for enforcement". For details, please refer to the announcements published by Shanshan Group on the SSE.

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

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

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

(13) (Continued)

According to the "Announcement of Zhongjing Xinhua Asset Investment Management Co., Ltd. Regarding the Company's Material Litigations" issued by Zhongjing Xinhua on the SSE on 9 July 2020, "... On 1 June 2020, the Company issued to Shanshan Holdings the "Notice on the Termination of the Framework Agreement between Shanshan Holdings Co., Ltd. and Zhongjing Xinhua Asset Investment Management Co., Ltd. on the Transfer of Shares of Huishang Bank Corporation Limited and Zhongjing Sihai Co., Ltd."... The Company has recently filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province and has been accepted. The filing for the case has now been completed." According to the 2020 Annual Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. published on the SSE by Zhongjing Xinhua on 28 April 2021, "Progress of the dispute on transfer of equity interests in Huishang Bank with Shanshan Holdings Co., Ltd.: the Company has filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province. As Shanshan Holdings Co., Ltd. prosecuted first, the two cases have been consolidated to Shanghai Financial Court for trial. The above two cases were heard in the Financial Court on 18 January 2021, but pending for judgment as of the date of this report." According to the 2021 Interim Report of Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. published on the SSE by Zhongjing Xinhua on 30 August 2021, "The case was later transferred to Shanghai Financial Court and has not been concluded as of the date of this report." According to the "2021 Audit Report and Financial Statements of Zhongjing Xinhua Asset Investment Management Co., Ltd." disclosed on the SSE on 28 April 2022, "As of now, the above cases are in progress and pending for judgment." According to the 2022 Interim Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. disclosed by Zhongjing Xinhua on the SSE on 30 August 2022, "In the Case (1) and Case (2) regarding disputes on disposal of equity in Zhongjing Sihai, two claims of unlisted equity are involved, namely Zhongjing Xinhua's prosecution against Shanshan Holdings for the return of 51.6524% equity in Zhongjing Sihai, and Shanshan Holdings' request to acquire 225,000,000 unlisted domestic shares of Huishang Bank held by Zhongjing Xinhua, which has been withdrawn by Shanshan Holdings due to its adjustment to such request. Since 2021, the court has held several court sessions, and arranged out-of-court evidence exchange and cross-examination for Case (1) and Case (2). The court trial procedures have ended, but the two cases are pending for judgment." According to the 2022 Annual Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. disclosed by Zhongjing Xinhua on the SSE on 28 April 2023, the lawsuit status is that "the judgment of first instance trial has been pronounced and both parties have lodged their appeals; the second instance trial will be heard on 17 May 2023." According to the 2023 Audit Report of Zhongjing Xinhua Asset Investment Management Co., Ltd. disclosed by Zhongjing Xinhua on the SSE on 30 April 2024, "Shanghai High People's Court made a second instance judgment on 22 September 2023, and upheld the first instance judgment." Shanshan Holdings and Shanshan Group have applied for enforcement respectively, and Shanghai Financial Court has accepted the case. On 21 March 2024, Zhongjing Xinhua applied for retrial of the two cases to the Third Circuit Court of the Supreme People's Court. The review opinion of the Supreme People's Court was "meeting the conditions for retrial and recommending filing for review". For details, please refer to the announcements issued by Zhongjing Xinhua on the SSE.

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

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

(13) (Continued)

According to the "Announcement of Shanshan Group Co., Ltd. Regarding the Company's Material Litigations" issued by Shanshan Group on the SSE on 10 July 2020, "... This lawsuit is a case involving Zhongjing Xinhua sued Shanshan Holdings, Shanshan Group, and Zhongjing Sihai for the equity transfer dispute. ... Shanshan Holdings ... filed a lawsuit with Shanghai Financial Court on 2 June 2020 and completed the filing." According to the 2020 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 30 April 2021, "Progress of the dispute on transfer of equity interests in the case involving Zhongjing Xinhua Asset Investment Management Co., Ltd. against Shanshan Holdings Co., Ltd., Shanshan Group Co., Ltd. and Zhongjing Sihai Co., Ltd.: the case has been transferred to Shanghai Financial Court for trial with the first trial completed in January 2021, but pending for judgment." According to the 2021 Interim Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 31 August 2021, "As of the date of this report, the case has been transferred from the Intermediate People's Court of Huangshan City to Shanghai Financial Court. At present, the first instance has been held but pending for judgment." According to the 2021 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 29 April 2022, "At present, the case is still in the process of hearing." According to the "Announcement of Shanshan Group Co., Ltd. Regarding Progress of the Company's Material Litigations" issued by Shanshan Group on the SSE on 20 January 2023, "On 17 January 2023, Shanghai Financial Court issued the first instance judgements on the two cases regarding the dispute on transfer of equity interests, namely ① the case involving Zhongjing Xinhua v. Shanshan Holdings, Shanshan Group, and Zhongjing Sihai for the dispute on equity transfer contract ([2020] Hu 74 Min Chu No. 1715), and ② the case involving Shanshan Holdings v. Zhongjing Xinhua for the dispute on equity transfer contract ([2020] Hu 74 Min Chu No. 1254) (hereinafter collectively referred to as the "Judgements"), and served the Judgements on Shanshan Holdings, Shanshan Group, and Zhongjing Sihai. Shanshan Group received the Judgements on 18 January 2023. The main content of the two Judgements are summarised as follows: (1) the Framework Agreement on the Transfer of Shares of Huishang Bank Corporation Limited and Equity Interests in Zhongjing Sihai Co., Ltd. entered into by Zhongjing Xinhua and Shanshan Holdings, the Agreement on Transfer of Equity in Zhongjing Sihai Co., Ltd. entered into by Zhongjing Xinhua and Shanshan Group, the Equity Transfer Contract entered into by Zhongjing Xinhua and Shanshan Holdings were terminated on 2 June 2020; (2) Zhongjing Xinhua shall return the amount equal to the consideration paid by Shanshan Holdings for the equity transfer; (3) Shanshan Group shall return 51.6524% equity interests in Zhongjing Sihai registered under the name of Shanshan Group, and Zhongjing Xinhua shall return the corresponding amount of equity transfer consideration; (4) other claims were rejected." According to the 2022 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 28 April 2023, "At present, such case is in the process of second instance trial at the Shanghai High People's Court." According to the "Announcement Regarding Progress of the Company's Material Litigations" published by Shanshan Group on the SSE on 25 September 2023, "On 22 September 2023, Shanghai High People's Court issued the second instance judgements on the above two disputes on transfer of equity interests respectively. ... particulars of the judgments: the appeals were dismissed and the original judgments were upheld". According to the 2023 Annual Report on Corporate Bonds published by Shanshan Group on 25 April 2024, "in order to safeguard the legitimate rights and interests of the company, the company has applied for enforcement". For details, please refer to the announcements issued by Shanshan Group on the SSE.

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

- (14) According to the disclosure of interests forms submitted by companies including Shanshan Holdings to the Hong Kong Stock Exchange, Shanshan Holdings entered into an acting in concert agreement with SUPERIOR LOGIC INVESTMENTS LIMITED, DRAGON SOUND INVESTMENT LIMITED, JOY GLORY HOLDINGS LIMITED, respectively.
- (15) According to the disclosure of interests forms submitted by Shenzhen Amer (Group) Limited ("Amer Group") to the Hong Kong Stock Exchange, Amer Group purchased 224,781,227 Domestic Shares. Amer Group is a wholly-owned subsidiary of Amer Holdings Group Limited (正威控股集團有限公司) ("Amer Holdings"), which in turn is owned as to 90% by Wang Wenyin. Liu Jiehong is the spouse of Wang Wenyin. Wang Wenyin, Liu Jiehong and Amer Holdings therefore are deemed to be interested in the Shares of the Bank held by Amer Group. According to the information available to the Bank, as of the end of the Reporting Period, the delivery of these shares has not yet been completed.
- (16) According to the disclosure of interests forms submitted by Amer Group to the Hong Kong Stock Exchange, Amer Group purchased 1,245,864,400 H Shares. Wang Wenyin, Liu Jiehong and Amer Holdings are deemed to be interested in the Shares of the Bank held by Amer Group. According to the information available to the Bank, as of the end of the Reporting Period, the delivery of these shares has not yet been completed.
- (17) According to the disclosure of interests forms submitted by Guotai Junan International Holdings Limited and Guotai Junan Securities Co., Ltd. to the Hong Kong Stock Exchange on 8 March 2022, their controlled corporation, Guotai Junan Securities (Hong Kong) Limited acquired security interests in 483,582,400 H Shares (long position). According to the disclosure of interests forms submitted by Guotai Junan International Holdings Limited and Guotai Junan Securities Co., Ltd. to the Hong Kong Stock Exchange on 28 July 2022, the foresaid security interests decreased to 273,509,400 H Shares (long position). Guotai Junan International Holdings Limited is indirectly owned as to 73.69% by Guotai Junan Securities Co., Ltd., and Guotai Junan Securities (Hong Kong) Limited is directly owned as to 100.00% by Guotai Junan International Holdings Limited. Guotai Junan Securities Co., Ltd. and Guotai Junan International Holdings Limited therefore are deemed to be interested in such shares.
- (18) According to the disclosure of interests forms submitted by Haitong Securities Co., Ltd., Haitong International Holdings Limited, Haitong International Securities Group Limited and Haitong International Securities (Singapore) Pte. Ltd. to the Hong Kong Stock Exchange, Haitong International Securities (Singapore) Pte. Ltd. acquired security interests in 210,000,000 H Shares (long position). Haitong International Holdings Limited is owned as to 100% by Haitong Securities Co., Ltd., and Haitong International Securities Group Limited is owned as to 65% by Haitong International Holdings Limited; Haitong International Securities (Singapore) Pte. Ltd. is owned as to 100% by Haitong International Securities Group Limited, and Haitong International Securities (Singapore) Pte. Ltd. is owned as to 100% by Haitong International Securities Group (Singapore) Pte. Ltd. Haitong Securities Co., Ltd., Haitong International Holdings Limited, Haitong International Securities Group Limited and Haitong International Securities (Singapore) Pte. Ltd. therefore are deemed to be interested in such shares.
- (19) The information disclosed above is based on the information available on the website of the Hong Kong Stock Exchange and the information available to the Bank as of the Latest Practicable Date. Pursuant to Section 336 of the SFO, shareholders of the Bank are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholding in the Bank changes, it is not necessary for the shareholder to notify the Bank and the Hong Kong Stock Exchange unless several criteria have been fulfilled, therefore the shareholder's latest shareholding in the Bank may be different from the shareholding filed with the Hong Kong Stock Exchange.

Save as disclosed above, the Bank is not aware of any other person (other than the directors, supervisors and chief executives (as defined in the Hong Kong Listing Rules) of the Bank) having any interests or short positions in the shares and underlying shares of the Bank as at 30 June 2024 as recorded in the register required to be kept by the Bank pursuant to section 336 of the SFO.

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

5.1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Note: For details of the position changes of the abovementioned directors, supervisors and senior management, please refer to section 5.2 "Changes in Directors, Supervisors and Senior Management of the Bank" of this report, and their remuneration for 2024 will be disclosed in the 2024 Annual Report of the Bank.

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

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

1. The Bank announced on 4 March 2024 that Mr. Chen Rui resigned as a shareholder supervisor and a member of the Supervisory Committee under the Board of Supervisors of the Bank on 29 February 2024 due to job re-allocation. His resignation took effect on the same date.
2. The Bank announced on 26 March 2024 that the Board of Supervisors of the Bank resolved on the same date to propose the appointment of Mr. He Zongan as a shareholder supervisor of the fourth session of the Board of Supervisors of the Bank. The Bank announced on 1 July 2024 that the Bank held the 2023 annual general meeting on 29 June 2024 to consider and approve the election of Mr. He Zongan as a shareholder supervisor of the fourth session of the Board of Supervisors of the Bank. His appointment took effect from the date of approval at the annual general meeting.
3. The Bank announced on 22 April 2024 that Ms. Shao Dehui resigned from the positions as a non-executive director and member of the Strategic Development and Consumer Rights Protection Committee and the Risk Management Committee of the Bank on the same day due to reaching statutory retirement age. Her resignation took effect on the same date.
4. The Bank announced on 7 May 2024 that the Board of the Bank resolved on the same date to propose the appointment of Mr. Lu Hao as a non-executive director of the fourth session of the Board of the Bank. The Bank announced on 1 July 2024 that the Bank held the 2023 annual general meeting on 29 June 2024 to consider and approve the election of Mr. Lu Hao as a non-executive director of the fourth session of the Board of the Bank. The qualification of Mr. Lu Hao is subject to approval of the National Financial Regulatory Administration Anhui Office.
5. On 4 June 2024, Ms. Zhou Tong resigned as the Director of Risk and Compliance of the Bank due to job re-allocation. Her resignation took effect on the same date.

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

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

6. Save as disclosed above, pursuant to the requirement of Rule 13.51B(1) of the Hong Kong Listing Rules, the changes in the information of directors, supervisors and senior management of the Bank during the Reporting Period and as of the Latest Practicable Date are as follows:

- (1) Mr. Ma Lingxiao, a non-executive director of the Bank, ceased to serve as a deputy director of the early correction department of Deposit Insurance Fund Management Co., Ltd., while he serves as the director of the Information Statistics Department (Research Department) of Deposit Insurance Fund Management Co., Ltd.
- (2) Ms. Zhou Yana, an independent non-executive director of the Bank, ceased to serve as an independent director of Hefei Urban Construction Development Co., Ltd. and Anhui Landun Photoelectron Co., Ltd., while she serves as an independent director of QuantumCTek Co., Ltd.
- (3) Mr. Zhong Qiushi, an employee supervisor of the Bank, serves as a researcher of the risk management department of the Bank and ceased to serve as the general manager of the risk management department of the Bank.
- (4) Mr. Wang Anning, a shareholder supervisor of the Bank, ceased to serve as the general manager of Wuhu Yuanheng Assets Operation Co., Ltd.
- (5) Ms. Dong Xiaolin, an external supervisor of the Bank, ceased to serve as a member of the Finance Institute of Nanjing City.
- (6) Mr. Zhou Zejiang, an external supervisor of the Bank, ceased to serve as an independent director of Anhui Jiuhuashan Tourism Development Co., Ltd. and Anhui Xinhua Media Co., Ltd.
- (7) Mr. Han Dongya, an external supervisor of the Bank, serves as an independent director of HuaAn Securities Co., Ltd.

Save as disclosed above, during the Reporting Period and as of the Latest Practicable Date, the Bank was not aware of any change in the information of directors or supervisors of the Bank which was required to be disclosed pursuant to the requirements of the Rule 13.51B(1) of the Hong Kong Listing Rules. For further profile details of the directors, supervisors and senior management of the Bank, please refer to section 8.3 “Profile of Directors, Supervisors and Senior Management” of the Bank’s 2023 Annual Report and the official website of the Bank.

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

5.3 EMPLOYEES

As of 30 June 2024, the Bank and its subsidiaries had a total of 11,979 employees in service. Academic distribution: The number of employees with master's degrees or above was 3,063, accounting for 25.57%. The number of employees with fulltime bachelor's degrees was 6,032, accounting for 50.35%. The number of employees with part-time bachelor's degrees was 2,483, accounting for 20.73%. The number of employees with junior college degrees or below was 401, accounting for 3.35%. Gender ratio of employees (including senior management members) was 50.18% (6,011) of male employees and 49.82% (5,968) of female employees. The Bank attaches great importance to employee diversity, equally treats employees regardless of age, gender, nationality and education background, and fully guarantees employees to have equal rights in recruitment, position adjustment, training and promotion. The Bank respects diversity in the working place and is committed to creating a professional, inclusive and diversified working environment.

Staff remuneration policy

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

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

The Bank implements the deferred payment and recovery mechanism for performance-based remuneration of senior management and personnel in key positions. For employees who violate rules and disciplines or incur significant exposure of risk losses within their responsibilities, the Bank shall deduct, stop payment and recall their performance-related remuneration for the corresponding period according to the severity. During the Reporting Period, the Bank carried out recourse and recovery related to performance-based remuneration and submitted the implementation for 2023 to the Board of Directors for consideration.

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

5.3 EMPLOYEES (CONTINUED)

Staff training

Focusing on the strategic requirements on “digital transformation”, the work requirements of “enhancing capabilities” and the business development needs for the year, the Bank conducted annual trainings with different categories at different levels to provide guarantees for staff professionalism enhancement and their career development and growth, and to provide talent guarantees and intellectual support for comprehensive construction of a well-developed modern bank.

During the Reporting Period, the Bank attached great importance to talent cultivation, adhering to the study and implementation of Xi Jinping’s Thought on Socialism with Chinese Characteristics for a New Era as its primary political task. It continued to increase investment in training resources and, relying on three training platforms, namely, the training center, “Huiyin Internet School”, and “Huiyin Academy”, innovatively launched a series of talent cultivation programs and training brands, including “Huizhuo”, “Huiyang”, “Huidun”, “Huiying”, “Huidao”, “Huijing”, “Huixing”, “Huihang” and “Huiyun”, which comprehensively covered all cadres and employees of the Bank in various positions, such as managers and professionals. The Bank accelerated the digital transformation of training, vigorously promoted a new, hybrid, and seminar-style training approach that combines online and offline methods, and took multiple measures to continuously improve the professional abilities and comprehensive qualities of all cadres and employees within the Bank.

During the Reporting Period, in accordance with the arrangements and requirements of the CPC Central Committee, Anhui Provincial Party Committee, and Anhui SASAC Party Committee regarding the study and education of Party discipline, the Bank organized a reading class for the study and education of Party discipline for the employees of Huishang Bank. Additionally, it organized an online special training course on financial culture with Chinese characteristics, which was completed by a total of 11,756 employees across the Bank, with a total learning hours of 60,500, achieving remarkable training results. The Bank actively promoted various offline training programs, including six sessions of the “Great Vision” (大視野) forward-looking leadership seminars for middle and senior management, four sessions of the “Huiying Plan” training for secondary team leaders, two sessions of the “Huijing Plan” training for outstanding grassroots employees, one special training session for enhancing the capabilities of management trainees at the head office, and one special training session on “Corporate + Financial Management” for management trainees recruited through campus recruitment by the head office in the first half of the year. Furthermore, it initiated the second “Good Lecturer of Huishang Bank” competition audition. The Bank made full use of online training channels, uploading a total of 101 high-quality micro-courses and conducting 190 live streaming sessions via Zhiniao with 245,400 viewers, with the average learning hours of 46.28 per person of Zhiniao, and 724,700 persons taking the courses.

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

5.4 BRANCHES

As of 30 June 2024, the composition of branches of the Bank is as follows:

Region	Name of the Institution	Address (China)	Post Code	Number of Branch
Head Office	Head Office	Huishang Bank Building, No. 1699 Yungu Road, Hefei	230092	1
Anhui Province	Hefei Branch	No. 626, Huangshan Road, Gaoxin District, Hefei	230001	87
	Wuhu Branch	No. 1, Beijing Road, Wuhu	241000	38
	Ma'anshan Branch	No. 3663, Taibai Road, Yushan District, Ma'anshan	243000	28
	Anqing Branch	No. 528, Renmin Road, Anqing	246000	29
	Huaibei Branch	No. 253, Renmin Zhong Road, Xiangshan District, Huaibei	235000	22
	Bengbu Branch	Floor 2-9, Block B, Financial Center Building, No. 1699 Tushan East Road, Bengbu	233000	26
	Lu'an Branch	No. 31, Meishan Middle Road, Yu'an District, Lu'an	237000	33
	Huainan Branch	Huishang Bank Huainan Branch Office Building, Shungeng West Road, Tianjia'an District, Huainan	232000	22
	Tongling Branch	No. 999, Yangjiashan Road, Tongling	244000	16
	Fuyang Branch	Business Office Building 65#, Highway Times City, No. 766 Liulin Road, Yingzhou District, Fuyang	236000	30
	Huangshan Branch	No. 2, Tunguang Avenue, Tunxi District, Huangshan	245000	11
	Chizhou Branch	No. 515, Changjiang Zhong Road, Chizhou	247000	12
	Chuzhou Branch	No. 95, Longpan Main Road, Chuzhou	239000	19
	Suzhou Branch	No. 238, Shengli West Road, Suzhou	234000	19
	Xuancheng Branch	No. 109, Meiyuan Road, Xuanzhou District, Xuancheng	242000	15
	Bozhou Branch	2# Building, Bozhou Dongming Plaza, North of Yaodu Avenue, East of Tangwang Avenue, Qiaocheng District, Bozhou	236000	17
Jiangsu Province	Nanjing Branch	No. 231, Zhongyang Road, Nanjing	210000	12
Beijing	Beijing Branch	Aboveground Portion, Building No. 8, Courtyard No. 115 Beisihuan East Road, Chaoyang District, Beijing	100101	10
Guangdong Province	Shenzhen Branch	33-35/F, Building 2, North Central One (Chuangxiang Building), intersection of Mintang Road and Baisong 2nd Road, Longhua District, Shenzhen	518000	11
Sichuan Province	Chengdu Branch	No. 365, Jiaozhi Avenue, Hi-tech Zone, Chengdu	910095	16
Zhejiang Province	Ningbo Branch	No. 676, Zhongxing Road, No. 787, No. 799 and No. 809 Baizhang East Road, Yinzhou District, Ningbo	315100	12
Total				486

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

5.5 CHANGES IN CORPORATE GOVERNANCE STRUCTURE

During the Reporting Period, the Bank abolished the IT Security Committee and the Data Governance Committee and relevant responsibilities are undertaken by the fintech development leading group. Save for the above changes, the corporate governance structure of the Bank remains unchanged from 2023. For details, please refer to section 9.1 “Corporate Governance Structure” of the Bank’s 2023 Annual Report.

Chapter VI Corporate Governance

6.1 OVERVIEW OF CORPORATE GOVERNANCE

The Bank continuously promotes improvement in the corporate governance mechanism, constantly enhances corporate governance capability and actively endeavours to adhere to international and domestic corporate governance best practices so as to safeguard the interests of shareholders and enhance corporate value. The Bank established a comparatively comprehensive corporate governance structure through clarifying the responsibilities of general meetings, the Board of Directors, the Board of Supervisors and senior management, continuously deepened the organic integration of leadership of the Party with the corporate governance, and constantly improving the Bank's decision-making, execution and supervision mechanisms to ensure the independent operation, checks and balances and organic cohesion of all parties. The Bank has incorporated the Hong Kong Listing Rules (especially the principles and code provisions set out in the Corporate Governance Code) and the Corporate Governance Standards of Banking and Insurance Institutions into the Bank's governance structure and policies. The general meeting, the Board of Directors, the Board of Supervisors and senior management of the Bank performed their respective duties, and formed good corporate governance structure. The Bank ensured its regulated operation through this governance structure. During the Reporting Period, the major duties of the general meetings, the Board of Directors, the Board of Supervisors, the committees under the Board of Directors and the Board of Supervisors, and the senior management remained unchanged, please refer to Chapter IX "Corporate Governance Report" in the 2023 Annual Report of the Bank for details.

During the Reporting Period, the general meetings of the Bank operated in a compliant manner according to laws, the Board of Directors and the Board of Supervisors earnestly performed their decision-making and supervision functions, and the committees thereunder actively fulfilled their responsibilities so as to enhance the efficiency of the corporate governance and operation, which ensured the compliant and steady operation and the sustainable and healthy development of the Bank. During the Reporting Period, the Bank convened a total of 30 meetings, including 1 general meeting, 6 Board meetings, 15 meetings of the committees under the Board of Directors, 4 meetings of the Board of Supervisors of the Bank, 2 meetings of the Nomination Committee under the Board of Supervisors and 2 meetings of the Supervisory Committee under the Board of Supervisors.

Chapter VI Corporate Governance

6.2 GENERAL MEETING

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

On 29 June 2024, the Bank held the 2023 annual general meeting in Hefei, Anhui Province. The notification, convening, holding and voting procedures of the meeting are in compliance with the Company Law of the PRC, the Articles of Association and the Hong Kong Listing Rules. For the details of attendance, main topics and voting of this general meeting, please refer to the announcement in relation to the poll results of the 2023 annual general meeting dated 1 July 2024, which was published by the Bank on the websites of the Hong Kong Stock Exchange and the Bank, respectively.

6.3 BOARD OF DIRECTORS AND BOARD OF DIRECTORS COMMITTEES MEETINGS

During the Reporting Period, the Bank held 6 Board meetings, at which 87 resolutions were considered and reviewed. The Bank held 15 meetings of the committees under the Board of Directors (including 4 Nomination and Remuneration Committee meetings, 3 Strategic Development and Consumer Rights Protection Committee meetings, 3 Risk Management Committee meetings, 4 Related Party Transaction Control Committee meetings and 1 Audit Committee meeting), at which 84 resolutions were considered.

Chapter VI Corporate Governance

6.4 BOARD OF SUPERVISORS AND BOARD OF SUPERVISORS COMMITTEES MEETINGS

During the Reporting Period, the Bank held 4 Board of Supervisors meetings, at which 37 resolutions were considered and reviewed.

The Bank held 2 meetings of the Nomination Committee under the Board of Supervisors, at which 16 resolutions were considered. The Bank held 2 meetings of the Supervisory Committee under the Board of Supervisors, at which 14 resolutions were considered.

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

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

Chapter VI Corporate Governance

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

During the Reporting Period, chairmen of the Board of Supervisors committees of the Bank were served by external supervisors, which strengthens the role of external supervisors in performance assessment, financial, risks, internal control, compliance and management and other aspects of independent oversight functions, and plays a positive role in improving the management quality and governance structure of the Bank. During the Reporting Period, external supervisors of the Bank can exercise the independent supervision function. In performing their duties, the external supervisors took the initiative to know about the Company's operation and management situations by attending meetings of the Board of Supervisors, convening meetings of the special committees under the Board of Supervisors, being present at the general meetings and Board meetings, participating in regulatory consultations, special research and inspections of the Board of Supervisors. Meanwhile, external supervisors actively participated in the research, discussion and decision-making of various issues, and were able to express independent opinions prudently and objectively in order to benefit the development of the Bank and safeguard the legitimate interests of all parties, and performed the duties of external supervisors according to law.

6.6 SECURITIES TRANSACTIONS OF DIRECTORS, SUPERVISORS AND THE RELEVANT EMPLOYEES

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

Chapter VI Corporate Governance

6.7 INTERNAL CONTROL

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

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

During the Reporting Period, the Bank continued to optimize the system of indicators on internal balanced control, clarified the key control points of internal control for various business types, organized and carried out a comprehensive and in-depth special governance in the credit field, implemented the activity of “looking back” on the remediation of outstanding problems in basic management, and fostered a good culture of internal control and compliance, guiding the Bank to develop steadily in accordance with laws and regulations. The Bank completed the assessment of its internal control operation, implemented training to improve internal control and compliance management in county-level institutions, and improved the new-generation internal control and compliance risk management system to provide strong support for the Bank’s internal control and compliance management.

Chapter VI Corporate Governance

6.8 CORPORATE GOVERNANCE PRACTICES

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

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

The term of office of the fourth session of the Board of Supervisors of the Bank expired in December 2021 and the current supervisors shall continue to perform their duties until the completion of the re-election.

In accordance with code provision F.2.2 of the Corporate Governance Code, the chairman of the board should attend the annual general meeting. Mr. Yan Chen, the chairman of the Bank, was unable to attend and preside over the 2023 annual general meeting held on 29 June 2024 due to other work arrangements. The meeting was presided over by Mr. Kong Qinglong, an executive director of the Bank, after being elected by more than half of the directors. The chairman and/or members of the Audit Committee and the Nomination and Remuneration Committee under the Board of Directors of the Bank attended the meeting, and the external auditors of the Bank attended the meeting as an observer. For details, please refer to the announcement on poll results of the 2023 annual general meeting of the Bank dated 1 July 2024.

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

Chapter VII Significant Events

7.1 HOLDING AND TRADING OF SHARES OF OTHER LISTED COMPANIES

As of the end of the Reporting Period, due to matters such as corporate bankruptcy and reorganization during the disposal of non-performing assets, including those from the acquisition of former Baoshang Bank, as ruled by the people's court, the Bank held 17,132,600 shares of Huachangda Intelligent Equipment Group Co., Ltd. (華昌達智能裝備集團股份有限公司) (stock code: 300278), 75,784,300 shares of Hainan Airlines Holding Co., Ltd. (海南航空控股股份有限公司) (stock code: 600221), 5,339,800 shares of RongFa Nuclear Equipment Co., Ltd. (融發核電設備股份有限公司) (stock code: 002366), 2,371,800 shares of Baoding Tianwei Baobian Electric Co., Ltd. (保定天威保變電氣股份有限公司) (stock code: 600550), 878,200 shares of Jiangxi Zhengbang Technology Co., Ltd. (江西正邦科技股份有限公司) (stock code: 002157), 10,364,100 shares of China Security Co., Ltd. (中安科股份有限公司) (stock code: 600654) and 2,162,600 shares of Shenzhen Feima International Supply Chain Co., Ltd. (深圳市飛馬國際供應鏈股份有限公司) (stock code: 002210).

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

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

There was no purchase, sale or redemption by the Bank or its subsidiaries of the listed securities of the Bank (including sales of treasury shares (as defined in the Hong Kong Listing Rules)) during the Reporting Period.

As of the end of the Reporting Period, the Bank did not hold any treasury shares.

Chapter VII Significant Events

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

As at 30 June 2024, the following directors, supervisors and chief executives of the Bank and their respective associates had the following interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code. The table below reflects the number of shares, any interests or short positions in underlying shares and debentures held by the directors, supervisors or chief executives of the Bank:

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

Save as disclosed above, as at 30 June 2024, the Bank was not aware that any of the directors, supervisors and chief executives of the Bank and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations.

7.4 PENALTIES AND INVESTIGATIONS OF DIRECTORS AND SUPERVISORS OF THE BANK

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

Chapter VII Significant Events

7.5 MATERIAL LITIGATIONS AND ARBITRATIONS

Insofar as the Bank is aware, as of 30 June 2024, the Bank, as a plaintiff, was involved in the following litigation proceeding in its regular course of business: the number of material pending litigations and arbitrations involving the Bank amounted to 20, with a total amount of approximately RMB3.678 billion. The number of pending litigations and arbitrations, to which the Bank is a defendant, each with an amount of more than RMB0.5 million, amounted to 40, totaling approximately RMB395 million. The Bank made provisions for impairment and estimated liabilities in respect of the cases above according to expected losses prudently, which will have no material adverse effect on the Bank's financial position and operating results.

7.6 ASSET ACQUISITION, DISPOSAL AND REORGANIZATION

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

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

7.7 INITIAL PUBLIC OFFERING OF A SHARES

The 2018 annual general meeting was convened by the Bank on 30 June 2019, at which, among others, the proposal for initial public offering and listing of A shares ("A Share Offering") was considered and approved. The Bank proposed issuing no more than 1.5 billion A shares. The Resolution on the extension of the validity period of the A Share Offering of the Bank and Resolution on the extension of the validity period of the authorization of the Board to deal with specific matters in respect of the A Share Offering were considered and approved at the 2019 annual general meeting held on 30 June 2020, the 2020 annual general meeting held on 30 June 2021, the 2021 annual general meeting held on 30 June 2022, the 2022 annual general meeting held on 30 June 2023 and the 2023 annual general meeting held on 29 June 2024 of the Bank. The Bank will extend the validity period of A Share Offering Plan and the Authorization Resolution for twelve months from the next day immediately after the expiration of original validity period (namely, the extended period will be from 30 June 2024 to 29 June 2025). Please refer to the circulars of the Bank dated 15 May 2019, 15 May 2020, 24 May 2021, 25 May 2022, 6 June 2023 and 14 May 2024 for the details of the resolution on the aforesaid A Share Offering.

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

Chapter VII Significant Events

7.8 AMENDMENTS TO THE ARTICLES OF ASSOCIATION

To further improve the corporate governance of the Bank and promote its sustainable and high-quality development, the Bank considered and approved the Resolution of Considering the Articles of Association of Huishang Bank Corporation Limited (Revised) at the 58th meeting of the fourth session of the Board of Directors held on 20 December 2023, which was considered and approved at the 2023 annual general meeting held on 29 June 2024. The revised Articles of Association shall be subject to the approval of the banking regulatory authority. For details, please refer to the announcement of the Bank dated 20 December 2023 and the announcement on the poll results of the 2023 annual general meeting dated 1 July 2024.

7.9 THE PUBLIC FLOAT OF H SHARES

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

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

Chapter VII Significant Events

7.10 REVIEW ON INTERIM RESULTS

Ernst & Young, as the external auditor of the Bank, has reviewed the interim financial report (unaudited) of the Bank prepared in accordance with the International Accounting Standards and the disclosure requirements of the Hong Kong Listing Rules. In addition, the Audit Committee under the Board of Directors of the Bank has also reviewed and approved the interim results and financial report of the Bank for the six months ended 30 June 2024. Any discrepancies between the total amount and percentages and the sum of items shown in the tables in this report are due to rounding.

7.11 PUBLICATION OF INTERIM REPORT

The Bank has prepared its interim report under the International Financial Reporting Standards and the Hong Kong Listing Rules in both Chinese and English versions, which are available on the HKEXnews website of the Hong Kong Stock Exchange at www.hkexnews.hk and the official website of the Bank at www.hsbank.com.cn. If there is any discrepancy in understanding the Chinese and English versions of the 2024 interim report, the Chinese version shall prevail.

In this report, the financial data for the six months ended 30 June 2023 and 2024 have not been audited; and the financial data for the year ended 31 December 2023 have been audited.

Chapter VIII Interim Financial Report





Chapter VIII Interim Financial Report



To the Board of Directors of Huishang Bank Corporation Limited

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

Ernst & Young
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Independent review report

To the Board of Directors of Huishang Bank Corporation Limited

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

INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 114 to 233, which comprises the condensed consolidated statement of financial position of Huishang Bank Corporation Limited (the "Bank") and its subsidiaries (the "Group") as at 30 June 2024 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

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

SCOPE OF REVIEW

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

Chapter VIII Interim Financial Report

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong

29 August 2024

Interim Condensed Consolidated Statement of Profit or Loss

For the six months period ended 30 June 2024

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

	Notes	For the six months period ended 30 June	
		2024 Unaudited	2023 Unaudited
Interest income	4	33,717,474	32,808,281
Interest expense	4	(19,031,401)	(17,666,011)
Net interest income		14,686,073	15,142,270
Fee and commission income	5	1,934,384	1,985,414
Fee and commission expense	5	(167,636)	(198,690)
Net fee and commission income		1,766,748	1,786,724
Net trading gains	6	2,899,956	2,164,872
Net gains on financial investments	7	1,122,050	440,956
Other operating income, net	8	217,310	253,064
Operating income		20,692,137	19,787,886
Operating expenses	9	(4,980,390)	(4,867,607)
Impairment losses on credits	11	(5,700,473)	(5,178,441)
Operating profit		10,011,274	9,741,838
Share of profits of associates		171,750	139,168
Profit before income tax		10,183,024	9,881,006
Income tax expense	12	(1,196,563)	(1,395,378)
Profit for the period		8,986,461	8,485,628
Net profit attributable to:			
Shareholders of the Bank		8,630,741	8,102,017
Non-controlling interests		355,720	383,611
Earnings per share attributable to the ordinary shareholders of the Bank (expressed in RMB per share)			
Basic/Diluted	13	0.62	0.58

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months period ended 30 June 2024

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

	Notes	For the six months period ended 30 June	
		2024 Unaudited	2023 Unaudited
Profit for the period		8,986,461	8,485,628
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
– Net gains on investments in equity instruments designated at fair value through other comprehensive income	38	70,427	12,573
– Share of other comprehensive income/(losses) of associates and joint ventures accounted for using the equity method		2,411	(26,031)
Less: associated impact of income tax	38	(17,607)	(3,143)
Subtotal		55,231	(16,601)
Items that may be reclassified subsequently to profit or loss			
– Net gains on investments in debt instruments measured at fair value through other comprehensive income	38	1,193,264	1,849,274
– Share of other comprehensive income/(losses) of associates and joint ventures accounted for using the equity method		20,700	(5,552)
Less: associated impact of income tax	38	(298,109)	(462,099)
Subtotal		915,855	1,381,623
Other comprehensive income for the year, net of tax		971,086	1,365,022
Total comprehensive income for the period		9,957,547	9,850,650
Total comprehensive income attributable to:			
Equity holders of the Bank		9,601,331	9,466,512
Non-controlling interests		356,216	384,138
		9,957,547	9,850,650

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

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2024

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

	Notes	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Assets			
Cash and balances with the central bank	14	87,768,957	98,611,763
Deposits with banks and other financial institutions	15	8,993,466	14,409,056
Placements with banks and other financial institutions	16	45,425,087	35,272,020
Derivative financial assets	17	102,376	100,201
Financial assets held under resale agreements	18	12,237,831	24,774,508
Loans and advances to customers, net	19	926,706,540	846,082,311
Financial investments			
– Financial assets at fair value through profit or loss	20	181,535,440	176,259,867
– Financial assets at fair value through other comprehensive income	20	148,224,838	169,365,806
– Financial assets at amortised cost	20	411,367,197	341,763,332
Investments in associates	21	5,323,143	5,151,471
Property, plant and equipment	22	4,423,962	4,538,915
Right-of-use assets	23	1,124,774	1,149,405
Deferred income tax assets	34	15,005,125	14,238,323
Finance lease receivables	24	63,232,772	58,683,197
Goodwill	25	11,547,389	11,547,389
Other assets	26	5,093,877	4,195,986
Total assets		1,928,112,774	1,806,143,550
Liabilities			
Borrowings from the central bank		98,646,415	138,086,337
Deposits from banks and other financial institutions	28	183,218,273	164,013,783
Placements from banks and other financial institutions	29	50,469,275	47,085,865
Derivative financial liabilities	17	114,095	100,667
Financial assets sold under repurchase agreements	30	79,333,383	66,850,964
Deposits from customers	31	1,145,204,582	1,042,315,067
Taxes payable	32	2,338,812	1,974,539
Debt securities issued	35	196,667,383	181,661,057
Other liabilities	33	17,464,078	17,328,429
Total liabilities		1,773,456,296	1,659,416,708

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

Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2024

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

	Notes	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Equity			
Share capital	36	13,889,801	13,889,801
Other equity instruments	36	19,999,357	19,999,357
Capital reserve	36	15,230,704	15,230,704
Surplus reserves	37	21,301,220	19,948,581
General reserves	37	19,193,491	17,584,011
Other comprehensive income	38	3,095,057	2,124,467
Retained earnings		57,846,867	54,206,156
Equity attributable to shareholders of the Bank		150,556,497	142,983,077
Non-controlling interests		4,099,981	3,743,765
Total equity		154,656,478	146,726,842
Total equity and liabilities		1,928,112,774	1,806,143,550

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

Approved and authorized for issue by the Board of Directors on 29 August 2024.

Yan Chen	Kong Qinglong	Li Dawei	Fang Lixin
Chairman	President	Financial Controller	Head of Finance Department

Interim Condensed Consolidated Statement of Changes In Equity

For the six months period ended 30 June 2024

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

	Equity attributable to shareholders of the Bank								Non-controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserves	Surplus reserves	General reserves	Other comprehensive income	Retained earnings			
	Note 36	Note 36	Note 36	Note 37	Note 37	Note 38				
	Unaudited									
As at 1 January 2024	13,889,801	19,999,357	15,230,704	19,948,581	17,584,011	2,124,467	54,206,156	3,743,765	146,726,842	
(1) Comprehensive income										
Profit for the period	-	-	-	-	-	-	8,630,741	355,720	8,986,461	
Fair value through other comprehensive income, net of tax	-	-	-	-	-	1,118,152	-	496	1,118,648	
Asset impairment through other comprehensive benefits	-	-	-	-	-	(170,673)	-	-	(170,673)	
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	-	-	-	-	-	23,111	-	-	23,111	
Total comprehensive income for the period	-	-	-	-	-	970,590	8,630,741	356,216	9,957,547	
(2) Profit distribution										
Dividends	-	-	-	-	-	-	(2,027,911)	-	(2,027,911)	
Appropriation to surplus reserves	-	-	-	1,352,639	-	-	(1,352,639)	-	-	
Appropriation to general reserves	-	-	-	-	1,609,480	-	(1,609,480)	-	-	
As at 30 June 2024	13,889,801	19,999,357	15,230,704	21,301,220	19,193,491	3,095,057	57,846,867	4,099,981	154,656,478	
As at 1 January 2023	13,889,801	9,999,811	15,230,704	17,404,333	15,597,809	900,021	46,585,163	3,214,016	122,821,658	
(1) Comprehensive income										
Profit for the period	-	-	-	-	-	-	8,102,017	383,611	8,485,628	
Fair value through other comprehensive income, net of tax	-	-	-	-	-	926,609	-	527	927,136	
Asset impairment through other comprehensive benefits	-	-	-	-	-	469,469	-	-	469,469	
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	-	-	-	-	-	(31,583)	-	-	(31,583)	
Total comprehensive income for the period	-	-	-	-	-	1,364,495	8,102,017	384,138	9,850,650	
(2) Profit distribution										
Dividends	-	-	-	-	-	-	(1,791,784)	(23,000)	(1,814,784)	
Appropriation to surplus reserves	-	-	-	1,191,608	-	-	(1,191,608)	-	-	
Appropriation to general reserves	-	-	-	-	1,919,359	-	(1,919,359)	-	-	
As at 30 June 2023	13,889,801	9,999,811	15,230,704	18,595,941	17,517,168	2,264,516	49,784,429	3,575,154	130,857,524	

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months period ended 30 June 2024

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

	For the six months period ended 30 June	
	2024 Unaudited	2023 Unaudited
Cash flows from operating activities:		
Profit before income tax	10,183,024	9,881,006
Adjustments:		
Impairment losses on credits	5,700,473	5,178,441
Recovery of assets written off	917,970	510,188
Depreciation and amortization	533,811	531,759
Net losses/(gains) on disposals of property, plant and equipment	6,911	(250)
Net gains on financial investments	(1,122,050)	(440,956)
Fair value changes in financial assets at fair value through profit or loss and derivatives	(884,534)	(365,971)
Share of results of associates ventures	(171,750)	(139,168)
Interest income from financial investments	(10,493,915)	(10,099,711)
Interest expense from lease liabilities	15,362	16,520
Interest expense from debt securities issued	2,476,967	2,560,622
Subtotal	7,162,269	7,632,480
Net changes in operating assets:		
Net decrease/(increase) in balances with the central bank	1,558,252	(6,204,509)
Net decrease/(increase) in deposits and placements with banks and other financial institutions	1,241,976	(5,432,930)
Net decrease/(increase) in financial assets at fair value through profit or loss	5,614,428	(5,437,468)
Net decrease/(increase) in financial assets held under resale agreements	12,489,603	(14,453,259)
Net increase in loans and advances to customers	(82,579,963)	(93,718,055)
Net increase in finance lease receivables	(4,641,311)	(8,296,426)
Net (increase)/decrease in other assets	(1,910,828)	988,616
Net changes in operating liabilities:		
Net increase in deposits and placements from banks and other financial institutions	22,718,900	51,292,461
Net (decrease)/increase in borrowings from the central bank	(39,831,362)	23,821,477
Net increase/(decrease) in financial assets sold under repurchase agreements	12,515,471	(7,195,025)
Net increase in deposits from customers	100,932,055	110,975,198
Net increase/(decrease) in other liabilities	1,583,885	(1,225,614)
Income taxes paid	(1,997,722)	(2,750,172)
Net cash flows from operating activities	34,855,653	49,996,774

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

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months period ended 30 June 2024

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

	For the six months period ended 30 June	
	2024 Unaudited	2023 Unaudited
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment, and other long-term assets	41,267	1,258
Purchase of property, plant and equipment, intangible assets and other long-term assets	(251,645)	(158,205)
Interest income received from financial investments	10,589,953	10,168,460
Proceeds from disposal and maturity of financial investments	400,338,336	250,268,819
Purchase of financial investments	(461,230,628)	(293,461,473)
Net cash flows from investing activities	(50,512,717)	(33,181,141)
Cash flows from financing activities:		
Proceeds from issuance of bonds	132,170,000	116,870,000
Dividends and interest paid on debts issued	(1,817,116)	(2,545,246)
Cash paid relating to lease liabilities	(167,943)	(172,160)
Cash paid relating to debt repayments	(117,824,638)	(150,702,584)
Net cash flows from financing activities	12,360,303	(36,549,990)
Impact on cash and cash equivalents resulted from exchange rate changes	(7,404)	143,890
Net decrease in cash and cash equivalents	(3,304,165)	(19,590,467)
Cash and cash equivalents at beginning of the period	43,557,585	47,294,163
Cash and cash equivalents at end of the period (Note 44)	40,253,420	27,703,696

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

Notes to Condensed Consolidated Interim Financial Statements

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

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

1.1 *Basis of preparation*

The interim condensed consolidated financial information for the six months ended 31 December 2024 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” and all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The unaudited interim financial statements contain selected explanatory notes, which provide explanations of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2023. The selected notes do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2023.

1.2 *Use of estimates and assumptions*

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.3 Changes in accounting policies

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

Amendments to IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Amendments to IFRS 16	Lease liability in a sale and leaseback
Amendments to IAS 7 and IFRS 7	Supplier Financing arrangements

The adoption of the above amendments does not have a significant impact on the Group's consolidated financial statements for the six months ended 30 June 2024.

Except for those described above, the accounting policies adopted by the Group for the interim financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The nature and assumptions related to the Group's accounting estimates are consistent with those adopted in the Group's financial statements for the year ended 31 December 2023.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

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

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Assets		
Cash and balances with the central bank	87,294,518	98,182,858
Deposits with banks and other financial institutions	6,299,659	9,004,436
Placements with banks and other financial institutions	48,291,308	41,028,273
Derivative financial assets	102,376	100,201
Financial assets held under resale agreements	12,149,913	24,033,046
Loans and advances to customers	922,878,747	842,713,816
Financial investments		
– Financial assets at fair value through profit or loss	178,992,925	174,384,530
– Financial assets at fair value through other comprehensive income	143,684,606	165,439,136
– Financial assets at amortised cost	410,904,414	341,137,274
Investments in subsidiaries	3,809,133	3,809,133
Investments in associates	5,323,143	5,151,471
Property, plant and equipment	4,175,308	4,336,185
Right-of-use assets	1,108,361	1,131,581
Deferred income tax assets	13,722,214	12,921,713
Goodwill	11,547,389	11,547,389
Other assets	4,878,996	3,854,591
Total assets	1,855,163,010	1,738,775,633
Liabilities		
Borrowings from the central bank	98,646,415	138,031,337
Deposits from banks and other financial institutions	183,711,626	164,949,830
Placements from banks and other financial institutions	2,105,702	3,609,032
Derivative financial liabilities	114,095	100,667
Financial assets sold under repurchase agreements	77,232,384	65,399,778
Deposits from customers	1,139,005,264	1,036,429,098
Taxes payable	2,160,080	1,501,918
Debt securities issued	195,637,080	180,648,206
Other liabilities	11,403,423	9,925,437
Total liabilities	1,710,016,069	1,600,595,303
Equity		
Share capital	13,889,801	13,889,801
Other equity instruments	19,999,357	19,999,357
Capital reserve	15,221,300	15,221,300
Surplus reserve	21,301,220	19,948,581
General reserve	17,906,940	16,297,460
Other comprehensive Income	3,015,451	2,091,404
Retained earnings	53,812,872	50,732,427
Total equity	145,146,941	138,180,330
Total equity and liabilities	1,855,163,010	1,738,775,633

Yan Chen

Chairman

Kong Qinglong

President

Li Dawei

Financial Controller

Fang lixin

Head of Finance Department

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

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

	Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Other comprehensive income	Retained earnings	Total equity
	Unaudited							
As at 1 January 2024	13,889,801	19,999,357	15,221,300	19,948,581	16,297,460	2,091,404	50,732,427	138,180,330
(1) Comprehensive income								
Profit for the period	-	-	-	-	-	-	8,070,475	8,070,475
Fair value through other comprehensive income, net of tax	-	-	-	-	-	1,071,609	-	1,071,609
Asset impairment through other comprehensive benefits	-	-	-	-	-	(170,673)	-	(170,673)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	-	-	-	-	-	23,111	-	23,111
Total comprehensive income for the period	-	-	-	-	-	924,047	8,070,475	8,994,522
(2) Profit distribution								
Dividends	-	-	-	-	-	-	(2,027,911)	(2,027,911)
Appropriation to surplus reserves	-	-	-	1,352,639	-	-	(1,352,639)	-
Appropriation to general reserves	-	-	-	-	1,609,480	-	(1,609,480)	-
As at 30 June 2024	13,889,801	19,999,357	15,221,300	21,301,220	17,906,940	3,015,451	53,812,872	145,146,941
As at 1 January 2023	13,889,801	9,999,811	15,221,300	17,404,333	14,408,760	886,774	43,920,764	115,731,543
(1) Comprehensive income								
Profit for the period	-	-	-	-	-	-	7,532,265	7,532,265
Fair value through other comprehensive income, net of tax	-	-	-	-	-	904,145	-	904,145
Asset impairment through other comprehensive benefits	-	-	-	-	-	468,422	-	468,422
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	-	-	-	-	-	(31,583)	-	(31,583)
Total comprehensive income for the period	-	-	-	-	-	1,340,984	7,532,265	8,873,249
(2) Profit distribution								
Dividends	-	-	-	-	-	-	(1,791,784)	(1,791,784)
Appropriation to surplus reserves	-	-	-	1,191,608	-	-	(1,191,608)	-
Appropriation to general reserves	-	-	-	-	1,888,700	-	(1,888,700)	-
As at 30 June 2023	13,889,801	9,999,811	15,221,300	18,595,941	16,297,460	2,227,758	46,580,937	122,813,008

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

4 NET INTEREST INCOME

	For the six months period ended 30 June	
	2024 Unaudited	2023 Unaudited
Interest income		
Balances with the central bank	584,683	620,437
Deposits and placements with banks and other financial institutions	893,864	759,469
Loans and advances to customers	19,688,874	19,160,244
Investment securities	10,493,915	10,099,711
Finance leases	2,056,138	2,168,420
Subtotal	33,717,474	32,808,281
Unwinding of discount on allowance	62,810	20,305
Interest expense		
Borrowings from the central bank ^(a)	(1,261,358)	(880,624)
Deposits and placements from banks and other financial institutions	(4,010,719)	(3,285,217)
Deposits from customers	(11,282,357)	(10,939,548)
Debt securities issued	(2,476,967)	(2,560,622)
Subtotal	(19,031,401)	(17,666,011)
Net interest income	14,686,073	15,142,270

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

5 NET FEE AND COMMISSION INCOME

	For the six months period ended 30 June	
	2024	2023
	Unaudited	Unaudited
Fee and commission income		
Settlement and clearing fees	124,670	94,628
Guarantee and commitment fees	434,137	445,174
Investment banking fees	471,591	427,610
Custody fees	452,942	459,185
Acquiring business fees	11,538	10,985
Agency commissions	408,328	429,445
Others	31,178	118,387
Subtotal	1,934,384	1,985,414
Fee and commission expense	(167,636)	(198,690)
Net fee and commission income	1,766,748	1,786,724

6 NET TRADING GAINS

	For the six months period ended 30 June	
	2024	2023
	Unaudited	Unaudited
Net gains/(losses) from foreign exchange	7,219	(24,845)
Net gains from interest rate products	2,912,796	2,226,511
Net losses from goods traded and others	(20,059)	(36,794)
Total	2,899,956	2,164,872

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

7 NET GAINS ON FINANCIAL INVESTMENTS

	For the six months period ended 30 June	
	2024	2023
	Unaudited	Unaudited
Net gains on derecognition of financial assets at fair value through profit or loss	80,060	163,855
Net gains on derecognition of financial assets at fair value through other comprehensive income	826,981	266,201
Net gains on derecognition of financial assets at amortised cost	204,325	–
Others	10,684	10,900
Total	1,122,050	440,956

All the net gains recognised from the derecognition of financial assets measured at amortised cost were resulted from trading for the six months period ended 30 June 2024.

8 OTHER OPERATING INCOME, NET

	For the six months period ended 30 June	
	2024	2023
	Unaudited	Unaudited
Net gains on bills	9,522	11,871
Government subsidies	192,127	209,632
Others	15,661	31,561
Total	217,310	253,064

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

9 OPERATING EXPENSES

	For the six months period ended 30 June	
	2024	2023
	Unaudited	Unaudited
Staff cost (Note 10)	(3,060,975)	(2,967,937)
Business tax and surcharges	(210,495)	(211,493)
General operating and administrative expenses	(1,088,490)	(1,083,335)
Operating lease rental expenses	(18,577)	(20,051)
Depreciation of property, plant and equipment (Note 22)	(223,712)	(211,888)
Depreciation of right-of-use assets (Note 23)	(167,928)	(180,624)
Amortization expenses for long-term prepaid expenses	(44,296)	(45,173)
Amortization expenses for intangible assets (Note 26(b))	(97,875)	(94,074)
Others	(68,042)	(53,032)
Total	(4,980,390)	(4,867,607)

10 STAFF COSTS

	For the six months period ended 30 June	
	2024	2023
	Unaudited	Unaudited
Salaries, bonuses , allowances and subsidies	(2,283,009)	(2,247,593)
Pension costs	(351,159)	(338,267)
Labor union fee and staff education fee	(42,952)	(41,839)
Other social insurance and welfare costs	(383,855)	(340,238)
Total	(3,060,975)	(2,967,937)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

11 IMPAIRMENT LOSSES ON CREDITS

	For the six months period ended 30 June	
	2024 Unaudited	2023 Unaudited
Loans and advances		
– At amortised cost	(2,036,956)	(4,402,752)
– At fair value through other comprehensive income	63,567	(14,651)
Financial investments		
– Financial assets at amortised cost	(3,851,050)	380,987
– Financial assets at fair value through other comprehensive income	163,997	(611,307)
Credit commitments	199,520	(153,801)
Deposits with banks and other financial institutions	(19,653)	(5,416)
Placements with and loans to banks and other financial institutions	(62,440)	(19,456)
Financial assets held under resale agreements	(32,061)	(39,341)
Finance lease receivables (note 24)	(191,884)	(202,962)
Other assets	66,487	(109,742)
Total	(5,700,473)	(5,178,441)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

12 INCOME TAX EXPENSE

	For the six months period ended 30 June	
	2024 Unaudited	2023 Unaudited
Current income tax		
– Chinese mainland income tax	(2,279,081)	(2,181,793)
Deferred income tax (Note 34)	1,082,518	786,415
Total	(1,196,563)	(1,395,378)

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

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

	For the six months period ended 30 June	
	2024 Unaudited	2023 Unaudited
Profit before tax	10,183,024	9,881,006
Tax calculated at the applicable statutory tax rate of 25%	(2,545,756)	(2,470,252)
Tax effect arising from tax-exempt and halved income ^(a)	1,407,684	1,122,628
Tax effect of items such as expenses not deductible for tax purposes ^(b)	(55,381)	(41,692)
Tax filing differences from previous years	(8,085)	(11,901)
Available deductible loss from previous years ^(c)	4,975	5,839
Income tax expense	(1,196,563)	(1,395,378)

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

(b) The Group's non-tax deductible expenses mainly refer to expenses in excess of the tax deductible limit under the PRC tax law, such as business entertainment expenses and the impact of union expenses.

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

13 EARNINGS PER SHARE (BASIC AND DILUTED)

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

	For the six months period ended 30 June	
	2024 Unaudited	2023 Unaudited
Net profit attributable to shareholders of the Bank (in RMB thousands)	8,630,741	8,102,017
Weighted average number of ordinary shares in issue (in thousands)	13,889,801	13,889,801
Basic earnings per share (in RMB)	0.62	0.58

- (b) Diluted earnings per share

There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding for both six-month periods ended 30 June 2024 and 30 June 2023.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

14 CASH AND BALANCES WITH THE CENTRAL BANK

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Cash	1,009,940	1,188,976
Statutory reserves ^(a)	69,507,498	71,065,750
Surplus reserves ^(b)	17,215,373	26,316,702
Subtotal	87,732,811	98,571,428
Interest receivable	36,146	40,335
Total	87,768,957	98,611,763

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

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

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Statutory reserve rate for RMB deposits	6.50%	7.00%
Statutory reserve rate for foreign currency deposits	4.00%	4.00%

As at 30 June 2024, statutory reserve rates for Jinzhai Huiyin Village and Township Bank Co., Ltd. and Wuwei Huiyin Village and Township Bank Co., Ltd. were 5.00% and 5.00% (31 December 2023: 5.00% and 5.00%).

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Banks in Mainland China	8,221,776	13,135,448
Other financial institutions in Mainland China	298,031	752,372
Banks in other countries and regions	494,353	529,086
Subtotal	9,014,160	14,416,906
Interest receivable	12,062	5,253
Less: allowances for impairment losses	(32,756)	(13,103)
Total	8,993,466	14,409,056

Deposits with banks and other financial institutions were in Stage 1, and allowances for impairment losses were RMB32,756 thousand (31 December 2023: RMB13,103 thousand).

16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Banks in Mainland China	400,000	–
Other financial institutions in Mainland China	44,954,418	35,200,000
Offshore Banks	17,448	34,896
Subtotal	45,371,866	35,234,896
Interest receivable	144,424	65,887
Less: allowances for impairment losses	(91,203)	(28,763)
Total	45,425,087	35,272,020

Placements with banks and other financial institutions were in Stage 1, and allowances for impairment losses were RMB91,203 thousand (31 December 2023: RMB28,763 thousand).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

17 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2024		
	Unaudited		
	Notional Amount	Fair value	
		Assets	Liabilities
Derivative financial instruments held for trading			
– Currency forwards	442,991	3,384	(2,398)
– Currency swaps	1,937,521	2,397	(15,619)
– Foreign exchange options	2,828,773	1,549	(1,545)
– Interest rate swaps	12,440,000	95,046	(94,533)
Total	17,649,285	102,376	(114,095)

	As at 31 December 2023		
	Audited		
	Notional Amount	Fair value	
		Assets	Liabilities
Derivative financial instruments held for trading			
– Currency forwards	545,588	3,901	(3,269)
– Currency swaps	3,753,823	1	(4,577)
– Foreign exchange options	3,942,962	1,711	(1,629)
– Interest rate swaps	15,170,000	94,588	(91,192)
Total	23,412,373	100,201	(100,667)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
By collateral type:		
Debt securities	12,407,933	24,896,536
Subtotal	12,407,933	24,896,536
Interest receivable	2,451	17,464
Less: allowances for impairment losses	(172,553)	(139,492)
Total	12,237,831	24,774,508

Financial assets held under resale agreements were in Stage 1, and allowances for impairment losses were RMB172.55 million (31 December 2023: RMB139.49 million).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

19 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis of loans and advances to customers:

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Loans and advances measured at amortised cost		
– Corporate loans	628,365,157	558,507,393
– Personal loans	264,191,525	259,333,561
Subtotal	892,556,682	817,840,954
Loans and advances measured at fair value through other comprehensive income		
– Discounted bills	61,989,292	56,381,641
Subtotal	61,989,292	56,381,641
Total	954,545,974	874,222,595
Interest receivable	1,747,029	1,728,617
Total loans and advances	956,293,003	875,951,212
Less: allowance for loans at amortised cost	(29,586,463)	(29,868,901)
Loans and advances to customers, net	926,706,540	846,082,311
Allowance for loans at fair value through other comprehensive income	(39,829)	(103,396)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 30 June 2024				
Total loans and advances to customers	928,285,491	15,388,950	10,871,533	954,545,974
Allowance for impairment losses				
Loans and advances measured at amortised cost	(13,202,116)	(7,781,247)	(8,603,100)	(29,586,463)
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 31 December 2023				
Total loans and advances to customers	849,645,455	13,555,342	11,021,798	874,222,595
Allowance for impairment losses				
Loans and advances measured at amortised cost	(13,688,290)	(6,869,967)	(9,310,644)	(29,868,901)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

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

	For the six months period ended 30 June 2024			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2024	13,688,290	6,869,967	9,310,644	29,868,901
Impairment losses for the period	(363,116)	1,160,315	1,239,757	2,036,956
Stage conversion				
Transfers to Stage 1	324,434	(255,410)	(69,024)	–
Transfers to Stage 2	(429,307)	475,723	(46,416)	–
Transfers to Stage 3	(18,185)	(469,348)	487,533	–
Write-off and transfer out	–	–	(3,115,861)	(3,115,861)
Recovery of loans and advances written off	–	–	859,277	859,277
Unwinding of discount on allowance	–	–	(62,810)	(62,810)
As at 30 June 2024	13,202,116	7,781,247	8,603,100	29,586,463

For the six months ended 30 June 2024, the domestic branch adjusted the five-level classification and customer rating of customer loans and advances, and the loan principal of RMB5.2 billion of Stage 1 was transferred to Stage 2 and Stage 3, the loan principal of RMB1.0 billion was transferred from Stage 2 to Stage 3, the loan principal of RMB0.5 billion was transferred from Stage 2 to Stage 1, the amount of loan principal transferred from Stage 3 to Stage 1 and Stage 2 is not material.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

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

	Year ended 31 December 2023			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	
As at 1 January 2023	11,498,516	8,968,007	10,913,194	31,379,717
Impairment losses for the year	4,419,305	(492,926)	3,925,000	7,851,379
Stage conversion				
Transfers to Stage 1	130,601	(107,215)	(23,386)	–
Transfers to Stage 2	(2,231,845)	2,243,347	(11,502)	–
Transfers to Stage 3	(128,287)	(3,741,246)	3,869,533	–
Write-off and transfer out	–	–	(10,372,031)	(10,372,031)
Recovery of loans and advances written off	–	–	1,087,764	1,087,764
Unwinding of discount on allowance	–	–	(77,928)	(77,928)
As at 31 December 2023	13,688,290	6,869,967	9,310,644	29,868,901

For 2023, the domestic branch adjusted the five-level classification and customer rating of customer loans and advances, and the loan principal of RMB6.0 billion of stage 1 was transferred to stage 2 and stage 3, the loan principal of RMB4.0 billion was transferred from stage 2 to stage 3, the loan principal of RMB0.7 billion was transferred from stage 2 to stage 1, the amount of loan principal transferred from Stage 3 to Stage 1 and Stage 2 is not material.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

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

	For the six months period ended 30 June 2024			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2024	101,820	1,576	–	103,396
Impairment losses for the period	(62,491)	(1,076)	–	(63,567)
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Write-off and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
Unwinding of discount on allowance	–	–	–	–
As at 30 June 2024	39,329	500	–	39,829

	Year ended 31 December 2023			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2023	29,328	12,219	–	41,547
Impairment losses for the year	72,492	(10,643)	–	61,849
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Write-off and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
Unwinding of discount on allowance	–	–	–	–
As at 31 December 2023	101,820	1,576	–	103,396

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

20 INVESTMENT SECURITIES

Financial assets at fair value through profit or loss	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Listed in mainland China		
– Government bonds	4,176,925	5,792,852
– Other debt securities	25,354,938	25,528,375
– Interbank certificates of deposits	139,256	3,052,790
– Equity	189,329	262,179
Subtotal	29,860,448	34,636,196
Unlisted		
– Beneficial rights in trust, asset management plans and others ⁽¹⁾	145,879,901	135,491,855
– Non-guaranteed wealth management products managed by other banks	3,903,472	3,907,990
Subtotal	149,783,373	139,399,845
Interest receivable	1,891,619	2,223,826
Total	181,535,440	176,259,867

As at 30 June 2024 and 31 December 2023, there was no significant limitation on the ability of the Group and the Bank to dispose of financial assets at fair value through profit or loss. Debt securities traded on the China Interbank Bond Market are included in the category “Listed in mainland China”.

Financial assets at fair value through other comprehensive income	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Debt securities		
Listed in mainland China		
– Debt securities	140,251,010	160,414,948
– Interbank certificates of deposits	5,860,961	5,895,829
Subtotal	146,111,971	166,310,777
Equity securities		
Unlisted		
– Equity investments	375,117	304,689
Subtotal	375,117	304,689
Interest receivable	1,737,750	2,750,340
Total	148,224,838	169,365,806
Allowance for impairment losses	(921,471)	(1,085,468)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

20 INVESTMENT SECURITIES (CONTINUED)

Financial assets at amortised cost	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Listed in mainland China		
– Debt securities	287,594,446	222,783,238
– Interbank certificates of deposits	798,069	–
Listed in Hong Kong		
– Debt securities	5,583,632	4,616,737
Unlisted		
– Beneficial rights in trust, asset management plans and others ⁽¹⁾	124,158,475	117,667,152
Subtotal	418,134,622	345,067,127
Interest receivable	6,197,332	5,969,912
Less: allowance for impairment losses	(12,964,757)	(9,273,707)
Financial assets at amortised cost, net	411,367,197	341,763,332

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

20 INVESTMENT SECURITIES (CONTINUED)

Investment securities analyzed by issuer are as follows:

Financial assets at fair value through profit or loss	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
By issuers		
– Government	4,176,925	5,792,852
– Banks and other financial institutions	157,779,642	150,665,914
– Legal entities	17,514,796	17,384,686
– Others	172,458	192,589
Subtotal	179,643,821	174,036,041
Interest receivable	1,891,619	2,223,826
Total	181,535,440	176,259,867
Financial assets at fair value through other comprehensive income	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Financial assets at FVOCI		
Debt instruments		
By issuer		
– Government	69,896,083	90,534,080
– Banks and other financial institutions	26,069,418	25,008,606
– Legal entities	50,146,470	50,768,091
Subtotal	146,111,971	166,310,777
Equity instruments	375,117	304,689
Interest receivable	1,737,750	2,750,340
Total	148,224,838	169,365,806
Allowance for impairment losses	(921,471)	(1,085,468)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

20 INVESTMENT SECURITIES (CONTINUED)

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

Financial assets at amortised cost	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Financial assets at AC		
By issuer		
– Government	263,281,460	193,678,580
– Banks and other financial institutions	136,314,444	129,871,822
– Legal entities	18,538,718	21,516,725
Subtotal	418,134,622	345,067,127
Interest receivable	6,197,332	5,969,912
Less: allowance for impairment losses	(12,964,757)	(9,273,707)
Financial assets at AC, net	411,367,197	341,763,332

21 INVESTMENTS IN ASSOCIATES

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

As at 30 June 2024

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

As at 31 December 2023

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

21 INVESTMENTS IN ASSOCIATES (CONTINUED)

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

Investments in associates	Six months ended	Year ended
	30 June 2024	31 December 2023
	Unaudited	Audited
Balance at beginning of the period/year	5,151,471	4,923,502
Cash dividends received	(23,189)	(18,796)
Share of results, net of tax	171,750	289,273
Other changes in equity	23,111	(42,508)
Balance at end of the period/year	5,323,143	5,151,471

The book value of investments in associates	Six months ended	Year ended
	30 June 2024	31 December 2023
	Unaudited	Audited
Chery Huiyin Motor Finance Service Co., Ltd.	2,125,150	1,983,338
MengShang Bank Co., Ltd.	3,197,993	3,168,133
Balance at end of the period/year	5,323,143	5,151,471

The Group co-financed the foundation of Chery Huiyin Motor Finance Service Co., Ltd in 2009. As at 30 June 2024, the authorized registered capital of the invested company had increased to RMB1.5 billion, and the Group's share in this associate was RMB300 million or 20% of the total capital.

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

22 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic and other equipment	Construction in progress	Total
Cost					
As at 1 January 2024	5,383,985	43,533	2,115,826	249,955	7,793,299
Additions	5,052	2,877	114,671	35,737	158,337
Transfers in/(out)	36	–	13,683	(17,584)	(3,865)
Disposals	(42,090)	(3,924)	(165,065)	–	(211,079)
Other transfers out	–	–	–	(10,812)	(10,812)
As at 30 June 2024	5,346,983	42,486	2,079,115	257,296	7,725,880
Accumulated depreciation					
As at 1 January 2024	(1,624,135)	(31,878)	(1,598,371)	–	(3,254,384)
Depreciation charge	(119,218)	(1,373)	(103,121)	–	(223,712)
Disposals	9,283	3,809	163,086	–	176,178
As at 30 June 2024	(1,734,070)	(29,442)	(1,538,406)	–	(3,301,918)
Net book value	3,612,913	13,044	540,709	257,296	4,423,962

	Buildings	Motor vehicles	Electronic and other equipment	Construction in progress	Total
Cost					
As at 1 January 2023	5,122,617	46,219	2,035,498	362,718	7,567,052
Additions	64,526	8,083	175,426	121,592	369,627
Transfers in/(out)	203,998	–	–	(214,648)	(10,650)
Disposals	(7,156)	(10,769)	(95,098)	–	(113,023)
Other transfers out	–	–	–	(19,707)	(19,707)
As at 31 December 2023	5,383,985	43,533	2,115,826	249,955	7,793,299
Accumulated depreciation					
As at 1 January 2023	(1,380,987)	(40,750)	(1,519,326)	–	(2,941,063)
Depreciation charge	(244,312)	(1,573)	(172,513)	–	(418,398)
Disposals	1,164	10,445	93,468	–	105,077
As at 31 December 2023	(1,624,135)	(31,878)	(1,598,371)	–	(3,254,384)
Net book value	3,759,850	11,655	517,455	249,955	4,538,915

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

As at 30 June 2024, the Group has buildings that have not yet received certificates of property right registration, with the cost of RMB30.97 million (31 December 2023: RMB44.72 million). The executives assume that there is no significant impact whether the certificates are obtained. The aforementioned issue will not have a material impact on the financial position or operations of the Group.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

23 RIGHT-OF-USE ASSETS

	Buildings	Motor vehicles	Electronic and other equipment	Land use rights	Total
Cost					
As at 1 January 2024	1,918,457	15,740	1,555	170,863	2,106,615
Additions	155,425	6	–	–	155,431
Disposals and transfers out	(132,851)	(2,016)	(349)	–	(135,216)
Revaluation of lease liabilities	(117)	–	–	–	(117)
As at 30 June 2024	1,940,914	13,730	1,206	170,863	2,126,713
Accumulated depreciation					
As at 1 January 2024	(884,957)	(8,027)	(1,145)	(63,081)	(957,210)
Depreciation charge	(162,976)	(2,981)	(153)	(1,818)	(167,928)
Transfers out	120,837	2,013	349	–	123,199
As at 30 June 2024	(927,096)	(8,995)	(949)	(64,899)	(1,001,939)
Net book value	1,013,818	4,735	257	105,964	1,124,774

	Buildings	Motor vehicles	Electronic and other equipment	Land use rights	Total
Cost					
As at 1 January 2023	1,816,428	14,277	5,752	170,863	2,007,320
Additions	385,351	6,323	–	–	391,674
Disposals and transfers out	(284,095)	(4,860)	(4,197)	–	(293,152)
Revaluation of lease liabilities	773	–	–	–	773
As at 31 December 2023	1,918,457	15,740	1,555	170,863	2,106,615
Accumulated depreciation					
As at 1 January 2023	(811,423)	(6,301)	(3,367)	(59,445)	(880,536)
Depreciation charge	(345,522)	(6,586)	(418)	(3,636)	(356,162)
Transfers out	271,988	4,860	2,640	–	279,488
As at 31 December 2023	(884,957)	(8,027)	(1,145)	(63,081)	(957,210)
Net book value	1,033,500	7,713	410	107,782	1,149,405

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

24 FINANCE LEASE RECEIVABLES

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

As at 30 June 2024	Within 1 year	1 to 3 years	Over 3 years	Total
Finance lease receivables	27,818,575	32,524,569	13,258,711	73,601,855
Unrealized revenue	(3,298,711)	(2,964,287)	(1,005,404)	(7,268,402)
Allowance	(356,131)	(1,474,315)	(2,224,253)	(4,054,699)
Interest receivable of finance leases	954,018	–	–	954,018
Net	25,117,751	28,085,967	10,029,054	63,232,772

As at 31 December 2023	Within 1 year	1 to 3 years	Over 3 years	Total
Finance lease receivables	28,144,428	29,102,070	10,711,905	67,958,403
Unrealized revenue	(3,161,085)	(2,449,920)	(705,296)	(6,316,301)
Allowance	(631,159)	(1,663,802)	(1,517,814)	(3,812,775)
Interest receivable of finance leases	853,870	–	–	853,870
Net	25,206,054	24,988,348	8,488,795	58,683,197

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

As at 30 June 2024	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
The carrying value of finance lease receivables	59,294,250	6,317,872	721,331	66,333,453

As at 31 December 2023	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
The carrying value of finance lease receivables	53,526,198	7,585,148	530,756	61,642,102

For the six months period ended 30 June 2024 and for the year ended 31 December 2023, the stage conversion of the carrying value of finance lease receivables was not significant.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

24 FINANCE LEASE RECEIVABLES (CONTINUED)

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

	Six months period ended 30 June 2024			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2024	595,425	2,695,675	521,675	3,812,775
Impairment losses for the period (Note 27)	67,191	144,013	(19,320)	191,884
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(7,236)	7,236	–	–
Transfers to Stage 3	(250)	(151,994)	152,244	–
Write-off and transfer out	–	–	(430)	(430)
Recovery of loans written-off	–	–	50,470	50,470
As at 30 June 2024	655,130	2,694,930	704,639	4,054,699

	Year ended 31 December 2023			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2023	391,613	2,038,012	617,969	3,047,594
Impairment losses for the period (Note 27)	240,747	707,662	(78,098)	870,311
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(36,935)	36,935	–	–
Transfers to Stage 3	–	(86,934)	86,934	–
Write-off and transfer out	–	–	(197,830)	(197,830)
Recovery of loans written-off	–	–	92,700	92,700
As at 31 December 2023	595,425	2,695,675	521,675	3,812,775

The Group's finance lease receivables are all managed by its subsidiary, HuiShang Bank Financial Leasing Co., Ltd. For the six months period ended 30 June 2024, the principal of the Group's five largest finance lease receivables and the related allowance were RMB2,055.55 million and RMB231.66 million, respectively, which accounted for 2.79% and 5.71% of the total balance, respectively (31 December 2023: the principal of the Group's five largest finance lease receivables and the related allowance were RMB1,989.15 million and RMB230.08 million, respectively, which accounted for 2.93% and 6.03% of the total balance, respectively).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

25 GOODWILL

	As at 1 January 2024	Increase in the current period	Decrease in the current period	As at 30 June 2024	allowances for impairment losses
Goodwill	14,567,826	–	–	14,567,826	(3,020,437)

	As at 1 January 2023	Increase in current year	Decrease in current year	As at 31 December 2023	allowances for impairment losses
Goodwill	14,567,826	–	–	14,567,826	(3,020,437)

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

The Group conducted goodwill impairment test at the end of each financial year. The Group assessed and determined that provision for the impairment losses of goodwill is RMB3.02 billion as at 30 June 2024.

26 OTHER ASSETS

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Other receivables ^(a)	1,005,580	1,083,986
Less: impairment allowance	(123,016)	(137,900)
Funds to be settled	826,962	115,806
Long-term prepaid expenses	209,217	206,978
Foreclosed assets	387,300	266,745
Less: impairment allowance	(93,649)	(93,649)
Intangible assets ^(b)	472,774	485,748
Investment property	29,005	–
Continued involvement in assets	1,964,308	2,021,526
Others	470,398	348,218
Less: impairment allowance	(55,002)	(101,472)
Total	5,093,877	4,195,986

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

26 OTHER ASSETS (CONTINUED)

(a) Other receivables

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

As at 30 June 2024	Within 1 year	1 to 3 years	Over 3 years	Total
Other receivables	502,987	82,584	420,009	1,005,580
Allowance for impairment losses	(4,539)	(40,924)	(77,553)	(123,016)
Net	498,448	41,660	342,456	882,564

As at 31 December 2023	Within 1 year	1 to 3 years	Over 3 years	Total
Other receivables	559,260	121,437	403,289	1,083,986
Allowance for impairment losses	(5,615)	(60,046)	(72,239)	(137,900)
Net	553,645	61,391	331,050	946,086

(b) Intangible assets

Intangible assets of the Group are mainly computer software.

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Cost		
Balance at beginning of the period/year	1,427,224	1,205,256
Additions	81,322	211,954
Transfers construction in process	3,865	10,650
Disposals	(609)	(636)
Balance at end of the period/year	1,511,802	1,427,224
Accumulated amortisation		
Balance at beginning of the period/year	(941,476)	(732,891)
Additions	(97,875)	(209,221)
Disposals	323	636
Balance at end of the period/year	(1,039,028)	(941,476)
Net book value		
At beginning of the period/year	485,748	472,365
At end of the period/year	472,774	485,748

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

27 IMPAIRMENT ALLOWANCE (EXCEPT FOR LOANS AND ADVANCES)

	As at 1 January 2024	Additions/ Deductions	Recovery	Utilised	As at 30 June 2024
Deposits with banks and other financial institutions	(13,103)	(19,653)	–	–	(32,756)
Placements with banks and other financial institutions	(28,763)	(62,440)	–	–	(91,203)
Financial assets held under resale agreements	(139,492)	(32,061)	(1,000)	–	(172,553)
Financial investments measured at fair value and whose changes are included in other comprehensive income	(1,085,468)	163,997	–	–	(921,471)
Financial assets at amortised cost	(9,273,707)	(3,851,050)	–	160,000	(12,964,757)
Finance lease receivables	(3,812,775)	(191,884)	(50,470)	430	(4,054,699)
Other assets – bad debts	(239,372)	66,487	(7,223)	2,090	(178,018)
Foreclosed assets	(93,649)	–	–	–	(93,649)
Goodwill	(3,020,437)	–	–	–	(3,020,437)
Total	(17,706,766)	(3,926,604)	(58,693)	162,520	(21,529,543)

	As at 1 January 2023	Additions/ Deductions	Recovery	Utilised	As at 31 December 2023
Deposits with banks and other financial institutions	(13,119)	16	–	–	(13,103)
Placements with banks and other financial institutions	(6,974)	(21,789)	–	–	(28,763)
Financial assets held under resale agreements	(140,373)	2,881	(2,000)	–	(139,492)
Financial investments measured at fair value and whose changes are included in other comprehensive income	(834,308)	(251,160)	–	–	(1,085,468)
Financial assets at amortised cost	(10,275,249)	833,735	–	167,807	(9,273,707)
Finance lease receivables	(3,047,594)	(870,311)	(92,700)	197,830	(3,812,775)
Other assets – bad debts	(312,944)	11,246	(5,955)	68,281	(239,372)
Foreclosed assets	(93,649)	–	–	–	(93,649)
Goodwill	(2,791,750)	(228,687)	–	–	(3,020,437)
Total	(17,515,960)	(524,069)	(100,655)	433,918	(17,706,766)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

28 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Banks in Chinese mainland	8,302,463	1,309,945
Other financial institutions in Chinese mainland	173,474,255	161,262,178
Interest payable	1,441,555	1,441,660
Total	183,218,273	164,013,783

29 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Banks in Chinese mainland	50,083,478	46,569,173
Interest payable	385,797	516,692
Total	50,469,275	47,085,865

30 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Securities sold under repurchase agreements	52,611,738	39,811,206
Bills sold under repurchase agreements	6,401,397	–
Precious metals sold under repurchase agreements	20,031,727	26,718,185
Interest payable	288,521	321,573
Total	79,333,383	66,850,964

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

31 DEPOSITS FROM CUSTOMERS

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Demand deposits		
– Corporate deposits	269,510,596	263,924,347
– Personal deposits	85,821,626	83,050,982
Time deposits (including deposits at call)		
– Corporate deposits	195,924,913	172,293,320
– Personal deposits	510,878,840	448,811,465
Pledged deposits held as collateral	58,406,809	51,706,167
Remittances payable	416,010	244,830
Other deposits	131,635	127,263
Interest payable	24,114,153	22,156,693
Total	1,145,204,582	1,042,315,067

32 TAXES PAYABLE

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Corporate income tax	1,528,016	1,246,657
Value-added tax	689,471	604,983
Business tax and surcharges	81,019	75,412
Others	40,306	47,487
Total	2,338,812	1,974,539

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

33 OTHER LIABILITIES

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Dividends payable ^(a)	2,126,701	99,903
Unearned rent and deposits under lease arrangements ^(b)	5,494,987	6,246,488
Funds to be settled	911,683	718,413
Continued involvement in liabilities	1,964,308	2,021,526
Asset securitisation	70,874	110,932
Salary and welfare payable ^(c)	2,915,250	3,057,019
Entrusted services	24,961	107,919
Long term suspension of customer deposits	700	777
Provision	1,351,169	1,554,073
– Allowance for litigation losses (Note 40)	342,151	342,151
– Provision for impairment of credit commitments ^(d)	989,475	1,188,995
– Others	19,543	22,927
Project funds payable	54,023	55,110
Lease liabilities	980,527	989,811
Others	1,568,895	2,366,458
Total	17,464,078	17,328,429

(a) Dividends payable
Dividends payable for the year ended 31 December 2023 was approved by the shareholders in a general meeting held on 29 June 2024. Details are listed in note 39.

(b) Unearned rent and deposits under lease arrangements
As at 30 June 2024, all of the Group's unearned rent and deposits under lease arrangements were related to its subsidiary, Huishang Bank Financial Leasing Co., Ltd., which include the deposits and deferred income on finance leases.

(c) Salary and welfare payable

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Short-term employee benefits	2,744,114	2,819,299
Long-term employee benefits	144,186	205,229
Defined contribution plans	13,710	19,251
Termination benefits	13,240	13,240
Total	2,915,250	3,057,019

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

33 OTHER LIABILITIES (CONTINUED)

(c) Salary and welfare payable (Continued)

Short-term employee benefits

	As at 1 January 2024	Increase in the current period	Decrease in the current period	As at 30 June 2024
Wages, bonuses, allowances and subsidies	2,390,768	2,135,319	(2,215,693)	2,310,394
Employee benefits	–	103,447	(103,447)	–
Social insurance	3,358	100,837	(99,517)	4,678
Including:				
Medical insurance	3,235	98,347	(97,056)	4,526
Occupational injury insurance	63	2,490	(2,461)	92
Maternity insurance	60	–	–	60
Housing fund	950	170,964	(167,106)	4,808
Labor union fee and staff education fee	110,455	42,952	(43,207)	110,200
Other short-term employee benefits	313,768	2,044	(1,778)	314,034
Total	2,819,299	2,555,563	(2,630,748)	2,744,114

Short-term employee benefits

	As at 1 January 2023	Increase in the current year	Decrease in the current year	As at 31 December 2023
Wages, bonuses, allowances and subsidies	2,075,635	3,986,919	(3,671,786)	2,390,768
Employee benefits	–	279,901	(279,901)	–
Social insurance	3,244	247,516	(247,402)	3,358
Including:				
Medical insurance	3,098	242,649	(242,512)	3,235
Occupational injury insurance	81	4,867	(4,885)	63
Maternity insurance	65	–	(5)	60
Housing fund	721	329,306	(329,077)	950
Labor union fee and staff education fee	111,532	112,566	(113,643)	110,455
Other short-term employee benefits	317,293	7,040	(10,565)	313,768
Total	2,508,425	4,963,248	(4,652,374)	2,819,299

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

33 OTHER LIABILITIES (CONTINUED)

(c) Salary and welfare payable (Continued)

Long-term employee benefits

	As at 1 January 2024	Increase in the current period	Decrease in the current period	As at 30 June 2024
Deferred Compensation	205,229	147,690	(208,733)	144,186
Total	205,229	147,690	(208,733)	144,186

Long-term employee benefits

	As at 1 January 2023	Increase in the current period	Decrease in the current period	As at 31 December 2023
Deferred Compensation	206,678	287,877	(289,326)	205,229
Total	206,678	287,877	(289,326)	205,229

Defined contribution plans

	As at 1 January 2024	Increase in the current period	Decrease in the current period	As at 30 June 2024
Basic pension insurance	8,782	196,385	(196,588)	8,579
Unemployment Insurance	279	6,563	(6,382)	460
Annuity scheme	10,190	154,774	(160,293)	4,671
Total	19,251	357,722	(363,263)	13,710

Defined contribution plans

	As at 1 January 2023	Increase in the current year	Decrease in the current year	As at 31 December 2023
Basic pension insurance	9,344	393,970	(394,532)	8,782
Unemployment Insurance	317	11,965	(12,003)	279
Annuity scheme	2,189	282,541	(274,540)	10,190
Total	11,850	688,476	(681,075)	19,251

Internal retirement benefits

	As at 30 June 2024	As at 31 December 2023
Internal retirement benefits payable	13,240	13,240

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

33 OTHER LIABILITIES (CONTINUED)

(d) Provision – Provision for impairment of credit commitments

	Six months period ended 30 June 2024			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2024	635,219	553,776	–	1,188,995
Impairment losses for the period	(124,857)	(78,540)	3,877	(199,520)
Stage conversion				
Transfers to Stage 1	248	(248)	–	–
Transfers to Stage 2	(567)	567	–	–
Transfers to Stage 3	–	–	–	–
As at 30 June 2024	510,043	475,555	3,877	989,475

	Year ended 31 December 2023			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2023	439,769	383,285	4,900	827,954
Impairment losses for the year	195,541	170,400	(4,900)	361,041
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(91)	91	–	–
Transfers to Stage 3	–	–	–	–
As at 31 December 2023	635,219	553,776	–	1,188,995

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

34 DEFERRED INCOME TAXES

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

	For the six months period ended 30 June 2024 Unaudited	As at 31 December 2023 Audited
Balance at beginning of the period/year	14,238,323	13,655,828
Charged to the income statement	1,082,518	1,004,780
Credited to other comprehensive income	(315,716)	(422,285)
Balance at end of the period/year	15,005,125	14,238,323

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

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Deferred income tax assets		
Impairment allowance for assets	14,406,853	12,925,163
Salary and welfare payable	603,825	673,403
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	227,696	444,500
Impairment of financial assets at fair value through other comprehensive income	230,367	271,368
Fair value changes of customer loans and advances made at fair value whose changes are included in other comprehensive income	12,291	42,619
Impairment of customer loans and advances at fair value through other comprehensive income	9,959	25,849
Credit commitment impairment	247,369	297,249
Others	569,979	581,938
Total deferred income tax assets	16,308,339	15,262,089

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

34 DEFERRED INCOME TAXES (CONTINUED)

	As at 30 June 2024 Unaudited	As at 31 December 2023 Restated
Deferred income tax liabilities		
Fair value changes of financial assets at fair value through other comprehensive income	(809,688)	(467,408)
Impairment of financial assets at fair value through other comprehensive income	(230,367)	(271,368)
Impairment of customer loans and advances at fair value through other comprehensive income	(9,959)	(25,849)
Others	(253,200)	(259,141)
Total deferred income tax liabilities	(1,303,214)	(1,023,766)
Net	15,005,125	14,238,323

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

	Six months ended 30 June	
	2024 Unaudited	2023 Unaudited
Impairment allowance for assets	1,481,690	747,136
Salary and welfare payable	(69,578)	(24,696)
Fair value changes of financial instruments and derivative financial instruments at fair value through profit or loss	(216,804)	(85,397)
Impairment changes of financial assets at fair value through other comprehensive income	(41,001)	152,827
Impairment changes of customer loans and advances at fair value through other comprehensive income	(15,890)	3,663
Credit commitment impairment	(49,880)	38,450
Others	(6,019)	(45,568)
Total	1,082,518	786,415

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

35 DEBT SECURITIES ISSUED

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
19 Financial bonds 02 ^(a)	–	1,000,000
20 Tier 2 capital bonds 01 ^(b)	8,000,000	8,000,000
21 Tier 2 capital bonds 01 ^(c)	6,000,000	6,000,000
21 Huiyin financial leasing bonds 01 ^(d)	1,000,000	1,000,000
22 Small and micro bonds 01 ^(e)	10,000,000	10,000,000
22 Green bonds ^(f)	5,000,000	5,000,000
23 Financial Bonds ^(g)	20,000,000	20,000,000
23 Small and micro bonds 01 ^(h)	10,000,000	10,000,000
24 Financial bonds 01 ⁽ⁱ⁾	20,000,000	–
Interbank certificates of deposit issued ^(j)	115,252,753	119,907,391
Interest payable	1,414,630	753,666
Total	196,667,383	181,661,057

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

35 DEBT SECURITIES ISSUED (CONTINUED)

- (a) The Group issued financial bonds of RMB1 billion on 6 March 2019 in China Interbank Bond Market, with a maturity of 5 years and a fixed coupon rate of 3.80% paid annually. The bonds are due and payable on March 8, 2024.
- (b) The Group issued financial bonds of RMB8 billion on 24 September 2020 in China Interbank Bond Market, with a maturity of 10 years and a fixed coupon rate of 4.50% paid annually. The Group has an option to redeem part or all of the bonds at face value on 28 September 2025, subject to regulatory approval. Claims on Tier 2 capital bonds are subordinate to depositors and ordinary debts and are superior to equity, other tier 1 capital instruments and mixed capital debts.
- (c) The Group issued RMB6 billion of financial bonds on 22 October 2021 in China's inter-bank bond market, with a maturity of 10 years and a fixed coupon rate of 4.09%, paid annually. The Group has an option to redeem part or all of the bonds at face value on 22 October 2026, subject to regulatory approval. Tier 2 capital bond's right of recourse is subordinate to depositors and ordinary debts and is superior to equity, other tier 1 capital instruments and mixed capital debts.
- (d) The Group issued RMB1 billion of financial bonds on 18 August 2021 in China Interbank Bond Market, with a maturity of 3 years and a fixed coupon rate of 3.50% paid annually.
- (e) The Group issued RMB10 billion of financial bonds on 25 February 2022 in China Interbank Bond Market, with a maturity of 3 years and a fixed coupon rate of 2.83% paid annually.
- (f) The Group issued RMB5 billion of financial bonds on 5 August 2022 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.53%, paid annually.
- (g) The Group issued RMB20 billion of financial bonds on 10 July 2023 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.69%, paid annually.
- (h) The Group issued RMB10 billion of financial bonds on 20 November 2023 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.78%, paid annually.
- (i) The Group issued RMB20 billion of financial bonds on 22 May 2024 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.25%, paid annually.
- (j) The Group issued 106 interbank certificates of deposit at discount with a total face value of RMB112.17 billion with maturity ranging from one month to one year. As at 30 June 2024, the total number of immature interbank certificates of deposit was 96, with a total face value of RMB101.78 billion.

For the six months period ended 30 June 2024, there were no defaults on principal and interest or other breaches to the agreements with respect to these debt securities.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

36 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND CAPITAL RESERVE

(a) Share capital

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

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Number of authorized shares fully paid in issue (in thousands)	13,889,801	13,889,801

(b) Other equity instruments

1. Perpetual bonds issued on 30 June 2024 and 31 December 2023

Perpetual bonds	Issue date	Classification	Initial interest rate	Issue price (RMB)	Amount (100 million RMB)	RMB (thousand)	Maturity date	Method
2019 Huishang Bank Perpetual bonds (i)	29 November 2019	Equity instruments	4.90%	100/share	100	10,000,000	No maturity date	floating interest rates
2023 Huishang Bank Perpetual bonds (ii)	26 October 2023	Equity instruments	3.80%	100/share	100	10,000,000	No maturity date	floating interest rates
Total amount						20,000,000		
Less: issuance fee						(643)		
Carrying amount						19,999,357		

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

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

(b) Other equity instruments (Continued)

1. Perpetual bonds issued on 30 June 2024 and 31 December 2023 (Continued)

- (i) Huishang Bank separately obtained approval on 5 August 2019 and 5 November 2019, from the former Anhui office of China Banking and Insurance Regulatory Commission ("the CBIRC") and the PBOC to issue capital bonds with fixed maturities of no more than RMB10 billion in the national interbank bond market; at the end of November 2019, Huishang Bank Successfully issued Huishang Bank Co., Ltd. 2019 No Fixed-Term Capital Bonds, and completed bond registration and custody at the Central Government Bonds Registration and Clearing Co., Ltd. The bond was filed on 29 November 2019, and was issued on 3 December 2019. The bond issuance has a scale of RMB10 billion, and the unit face value is RMB100. It is issued at par with par value and coupon rate is 4.90%.

The duration of the bond is consistent with the Bank's continuing operations. Five years after the date of issuance, the bank has the right to redeem all or part of the bond at annual interest payment date (including the interest payment date of the fifth year after the date of issuance) on the premise that the redemption prerequisites are met and the former CBIRC has approved. When the write-down triggering conditions are met, the bank has the right to write down all or part of the above-mentioned bonds that have been issued and surviving according to the total face value of the bonds if they are reported to the former CBIRC and agreed, but without the consent of the bondholders. The principal of the bond is settled in the order of depositors, general creditors and subordinated debts higher than the bonds, but before all classes of shares held by shareholders; the bonds are in the same order as other tier 1 capital instruments with the same repayment order be compensated.

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

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

(b) Other equity instruments (Continued)

1. Perpetual bonds issued on 30 June 2024 and 31 December 2023 (Continued)

- (ii) Huishang Bank separately obtained approval on 25 June, 2023 and 8 October, 2023, from the PBOC and the Anhui Supervision Bureau of the State Financial Supervision and Administration of China to issue capital bonds with fixed maturities of no more than RMB10 billion in the national interbank bond market; at the end of October 2023, Huishang Bank successfully issued Huishang Bank Co., Ltd. 2023 No Fixed-Term Capital Bonds, and completed bond registration and custody at the Interbank Market Clearing House Co., Ltd. The bond was filed on 26 October 2023, and was issued on 30 October 2023. The bond issuance has a scale of RMB10 billion, and the unit face value is RMB100. It is issued at par with par value and coupon rate is 3.80%.

The duration of the bond is consistent with the Bank's continuing operations. Five years after the date of issuance, the bank has the right to redeem all or part of the bond at annual interest payment date (including the interest payment date of the fifth year after the date of issuance) on the premise that the redemption prerequisites are met, and the NAFS has approved. When the write-down triggering conditions are met, the bank has the right to write down all or part of the above-mentioned bonds that have been issued and surviving according to the total face value of the bonds if they are reported to the NAFS and agreed, but without the consent of the bondholders. The principal of the bond is settled in the order of depositors, general creditors and subordinated debts higher than the bonds, but before all classes of shares held by shareholders; the bonds are in the same order as other tier 1 capital instruments with the same repayment order be compensated.

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

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

(b) *Other equity instruments (Continued)*

Related information attributable to equity instrument holders:

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
1. Total equity attributable to equity holders of the Bank	150,556,497	142,983,077
(1) Equity attributable to ordinary equity holders of the Bank	130,557,140	122,983,720
(2) Equity attributable to other equity holders of the Bank	19,999,357	19,999,357
2. Total equity attributable to non-controlling interests	4,099,981	3,743,765

(c) *Capital reserve*

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

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

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

(c) Capital reserve (Continued)

As at 30 June 2024, and 31 December 2023, The Group's capital surplus is as follows:

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Share premium	14,919,197	14,919,197
Others	311,507	311,507
Total	15,230,704	15,230,704

37 SURPLUS RESERVES AND GENERAL AND REGULATORY RESERVES

	Surplus reserves (a)	General reserves (b)
As at 1 January 2023	17,404,333	15,597,809
Appropriation to surplus reserves (a)	2,544,248	–
Appropriation to general reserves (b)	–	1,986,202
As at 31 December 2023	19,948,581	17,584,011
Appropriation to surplus reserves (a)	1,352,639	–
Appropriation to general reserves (b)	–	1,609,480
As at 30 June 2024	21,301,220	19,193,491

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

37 SURPLUS RESERVES AND GENERAL AND REGULATORY RESERVES (CONTINUED)

(a) *Surplus reserves*

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

As at 30 June 2024 and 31 December 2023, the Bank’s statutory surplus reserve balances were RMB10,859.95 million and RMB10,859.95 million. The others were discretionary surplus reserve.

(b) *General reserves*

Pursuant to Cai Jin [2012] No. 20 “Requirements on Impairment Allowance for Financial Institutions” (the “Requirements”) issued by the Ministry of Finance on 20 March 2012, the general reserve should not be less than 1.50% of the aggregate amount of risk assets and shall be raised within five years. The Requirements became effective from 1 July 2012.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

38 OTHER COMPREHENSIVE INCOME

Other comprehensive income to Shareholders of the Bank

	Fair value change of equity instruments at FVOCI		Fair value change of debt instruments at FVOCI		Impairment change of debt instruments at FVOCI		Other comprehensive income transferable to profit or loss under the equity method	Other comprehensive income not transferable to profit or loss under the equity method	Other comprehensive income attributable to minority shareholders		Total
	Amount before tax	income tax impact	Amount before tax	income tax impact	Amount before tax	income tax impact			Subtotal		
As at 1 January 2023	282,618	(70,655)	40,407	(10,102)	875,855	(218,964)	23,814	(22,952)	900,021	-	900,021
Changes in amount for the year	12,573	(3,143)	1,363,658	(340,890)	313,009	(78,253)	(15,072)	(27,436)	1,224,446	146	1,224,592
As at 31 December 2023	295,191	(73,798)	1,404,065	(350,992)	1,188,864	(297,217)	8,742	(50,388)	2,124,467	146	2,124,613
Changes in amount for the period	70,427	(17,607)	1,420,332	(355,000)	(227,564)	56,891	20,700	2,411	970,590	496	971,086
As at 30 June 2024	365,618	(91,405)	2,824,397	(705,992)	961,300	(240,326)	29,442	(47,977)	3,095,057	642	3,095,699

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

39 DIVIDENDS

(a) Dividends for ordinary shares

	For the six months period ended 30 June 2024 Unaudited	2023 Audited
Dividends declared for the period/year	2,027,911	1,791,784
Dividends per ordinary share (in RMB)	0.146	0.129
Dividends paid during the period/year	1,113	1,798,675

The final dividend of RMB0.146 (including tax) for every share in respect of the year ended 31 December 2023 has been approved by the shareholders in a general meeting. The dividends would be paid for the year ended 31 December 2023 on the basis of shareholders of record on 10 July 2024.

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

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

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

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

(a) *Financial guarantees and credit commitments*

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

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Bank acceptance	86,827,700	74,698,817
Letters of credit issued	43,365,689	34,280,402
Letters of guarantee issued	31,751,917	33,877,057
Loan commitments	350,558	293,625
Unused credit card lines	28,298,925	43,973,626
Total	190,594,789	187,123,527
Impairment allowance for credit commitments (Note 33(d))	989,475	1,188,995

(b) *Capital commitments*

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Contracted but not provided for	261,140	395,810

(c) *Treasury bond redemption commitments*

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

As at 30 June 2024 and 31 December 2023, the nominal value of treasury bonds the Group was obligated to redeem prior to maturity were RMB5.95 billion and RMB5.62 billion respectively.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

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

(d) Legal proceedings

During the reporting period, the Group was involved as defendants in certain lawsuits arising from its normal business operations. At 30 June 2024, provision for litigation losses as advised by in-house or external legal professionals was RMB0.34 billion (31 December 2023: RMB0.34 billion). Based on legal advice, the management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

41 COLLATERAL

(a) Pledged assets

The Group uses the following financial assets as collaterals to other banks and the Ministry of Finance of the PRC to sell repurchase transaction agreements, treasury time deposits and to borrow money from the Central Bank. As at 30 June 2024, the book value of the Group's financial assets pledged as collaterals mentioned above amounted to RMB195,644,461 thousand (31 December 2023: RMB211,583,040 thousand).

For financial assets sold under repurchase agreements, the related security rights have been transferred to the counterparties. The debt securities with titles transferred to counterparties recorded in financial assets sold under repurchase agreements that the Group did not derecognize amounted to nil as at 30 June 2024 (as at 31 December 2023: Nil).

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

41 COLLATERAL (CONTINUED)

(b) *Collateral accepted*

The Group has no collateral that can be resold or re-pledged with a carrying as at 30 June 2024 (31 December 2023: Nil). The Group had no collateral that was re-pledged and obligated to return as at 30 June 2024 (31 December 2023: Nil).

42 CREDIT RISK WEIGHTED AMOUNT OF FINANCIAL GUARANTEES AND CREDIT COMMITMENTS

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Financial guarantees and credit related commitments	78,419,439	59,961,637

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

43 STRUCTURED ENTITIES

a) *Unconsolidated structured entities managed by the Group*

The unconsolidated structure entities managed by the Group are mainly wealth management products ("WMP") issued and managed by the Bank. The Group had not provided any guarantee or undertaking with regard to principal or returns for these products. Wealth management products were mainly invested in money market instruments, bonds and loan assets. The raised funds were invested in related financial markets or financial products in accordance with the product contracts. Returns would be allocated to investors based on the performance of the assets. The Group receives management fee as the manager of these wealth management products. For the six months period ended 30 June 2024 and the year of 2023, total wealth commission income the Group received was RMB301.92 million and RMB656.47 million respectively. The Group considered its variable returns from the structured entities were insignificant and hence these entities were not consolidated.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

43 STRUCTURED ENTITIES (CONTINUED)

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

As at 30 June 2024, the carrying value of non-guaranteed wealth management products that the Group issued and managed was RMB194.22 billion (31 December 2023: RMB177.32 billion). As at 30 June 2024, the Group's maximum exposure to these unconsolidated structured entities was zero (31 December 2023: Nil). For the six months period ended 30 June 2024 and the year of 2023, the Group purchased financial assets from wealth management products not included in the scope of consolidation for a total of zero.

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

b) *Unconsolidated structured entities invested by the Group*

To maximize the usage of capital, the Group enters into transactions with unconsolidated structured entities which include wealth management products, the trust fund and asset management plan schemes issued and managed by other independent third parties during the years ended 30 June 2024 and 31 December 2023. The Group classifies these assets into "Financial assets at amortised cost" or "Financial assets at fair value through profit or loss" based on their nature.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

43 STRUCTURED ENTITIES (CONTINUED)

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

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

At 30 June 2024	Carrying value	Maximum exposure to loss
Financial investments – at FVTPL		
– Non-guaranteed wealth management products	3,903,472	3,903,472
– Trust fund and asset management plan	145,227,227	145,227,227
Financial assets at amortised cost		
– Trust fund and asset management plan	114,636,865	114,636,865

At 31 December 2023	Carrying value	Maximum exposure to loss
Financial investments – at FVTPL		
– Non-guaranteed wealth management products	3,907,990	3,907,990
– Trust fund and asset management plan	130,887,320	130,887,320
Financial assets at amortised cost		
– Trust fund and asset management plan	111,700,706	111,700,706

c) *Consolidated structured entities*

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

The Group did not provide liquidity support to these consolidated structured entities and the beneficial rights in trust and asset management plans during the period ended 30 June 2024 and the year ended 31 December 2023.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

44 CASH AND CASH EQUIVALENTS

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

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Cash	1,009,940	1,188,976
Surplus reserve with the central bank	17,215,373	26,316,702
Deposits with banks and other financial institutions	22,028,107	16,051,907
Total	40,253,420	43,557,585

- (b) Changes in liabilities arising from financing activities

	Debt securities issued	Dividends payable	Lease liabilities
At 1 January 2024	181,661,057	99,903	989,811
Proceeds from issuance of debt securities	132,170,000	–	–
Interest paid on debt issued	(1,816,003)	–	–
Cash paid relating to debt repayments	(117,824,638)	–	–
Cash paid for distribution of dividends	–	(1,113)	–
Dividends declared on the Bank's common stock	–	2,027,911	–
Interest expense	2,476,967	–	15,362
Cash paid relating to lease liabilities	–	–	(167,943)
Other changes in lease liabilities	–	–	143,297
At 30 June 2024	196,667,383	2,126,701	980,527

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

44 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Debt securities issued	Dividends payable	Lease liabilities
At 1 January 2023	218,002,133	106,794	958,017
Proceeds from issuance of debt securities	233,390,000	–	–
Interest paid on debt issued	(5,064,325)	–	–
Cash paid relating to debt repayments	(269,751,935)	–	–
Cash paid for distribution of dividends	–	(1,826,395)	–
Dividends declared on the Bank's common stock	–	1,791,784	–
Dividends declared to non-controlling shareholders	–	27,720	–
Interest expense	5,085,184	–	32,519
Cash paid relating to lease liabilities	–	–	(379,509)
Other changes in lease liabilities	–	–	378,784
At 31 December 2023	181,661,057	99,903	989,811

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

45 CREDIT ASSETS SECURITIZATION TRANSACTIONS

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

With respect to the credit assets that were securitized and qualified for derecognition, the Group derecognized the transferred credit assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was RMB0.59 billion as at 30 June 2024 (31 December 2023: RMB0.72 billion), which also approximates the Group's maximum exposure to loss.

For almost all the risks and rewards that have not been transferred nor retained which are related to credit assets and have retained control of the credit assets, the transferred credit assets are recognized in the statement of financial position to the extent of the Group's continuing involvement. For the period ended 30 June 2024, the carrying amount at the time of transfer of the original credit assets, in which the Group determined that it has continuing involvement through acquiring some tranches, was nil (for the year ended 31 December 2023: Nil) and the carrying amount of assets that the Group continues to recognise in the statement of financial position was RMB1.96 billion as at 30 June 2024(31 December 2023: RMB2.02 billion).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

46 RELATED PARTY TRANSACTIONS

(1) Related parties

The table below lists the major related legal entities of the Group with a shareholding ratio greater than 5% as at 30 June 2024:

Major related legal entities with the Group	Relationship with the Group	Location of registration	Legal representative	Registered capital	Principal activities	Share percentage (%)
Deposit Insurance Fund Management Co., Ltd.	Major shareholder	Beijing	Wang Yuling	10,000,000	Invest in equity, debt, funds, etc.; Manage the relevant assets of the deposit insurance fund in accordance with the law; Directly or on behalf of acquiring, operating, managing and disposing of assets; Handle deposit insurance related business in accordance with the law; asset valuation; Other businesses approved by relevant departments.	11.22%
Zhongjing Xinhua Asset Management Co., Ltd. (Note 1)	Major shareholder	Huangshan, Anhui	LU JIAXIAN	2,875,000	Enterprise investment management, merger and acquisition., etc	10.59%
Anhui Province Energy Group Co., Ltd.	Major shareholder	Hefei, Anhui	Chen Xiang	10,000,000	Financing and investment management of energy construction., etc	9.70%
Anhui Credit Financing Guaranty Group Co., Ltd.	Major shareholder	Hefei, Anhui	Wang Zhaoyuan	18,686,000	Financing guarantee., etc	7.65%
China Vanke Co., Ltd.	Major shareholder	Shenzhen, Guangdong	Yu Liang	10,995,210	Real estate development., etc	7.00%
Anhui Guoyuan Financial Holding Group Co., Ltd.	Major shareholder	Hefei, Anhui	Huang Linmu	6,000,000	Capital operation and asset management., etc	6.29%
Anhui Transportation Holding Group Co., Ltd.	Major shareholder	Hefei, Anhui	Xiang Xiaolong	16,000,000	Infrastructure investment and construction., etc	5.10%

Note 1: The substantial shareholder Zhongjing Xinhua Asset Management Co., Ltd. has changed the legal representative to LU JIAXIAN on 27 June 2024.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

46 RELATED PARTY TRANSACTIONS (CONTINUED)

(1) Related parties (Continued)

The table below listed the major related legal entities of the Group with a shareholding ratio greater than 5% in as at 31 December 2023:

Major related legal entities with the Group	Relationship with the Group	Location of registration	Legal representative	Registered capital	Principal activities	Share percentage (%)
Deposit Insurance Fund Management Co., Ltd. (Note 1)	Major shareholder	Beijing	Wang Yuling	10,000,000	Invest in equity, debt, funds, etc.; Manage the relevant assets of the deposit insurance fund in accordance with the law; Directly or on behalf of acquiring, operating, managing and disposing of assets; Handle deposit insurance related business in accordance with the law; asset valuation; Other businesses approved by relevant departments.	11.22%
Zhongjing Xinhua Asset Management Co., Ltd.	Major shareholder	Huangshan, Anhui	Zhu Hua	2,875,000	Enterprise investment management, merger and acquisition., etc	10.59%
Anhui Province Energy Group Co., Ltd. (Note 2)	Major shareholder	Hefei, Anhui	Chen Xiang	10,000,000	Financing and investment management of energy construction., etc	9.70%
Anhui Credit Financing Guaranty Group Co., Ltd. (Note 3)	Major shareholder	Hefei, Anhui	Wang Zhaoyuan	18,686,000	Financing guarantee., etc	7.46%
China Vanke Co., Ltd.	Major shareholder	Shenzhen, Guangdong	Yu Liang	10,995,210	Real estate development., etc	7.00%
Anhui Guoyuan Financial Holding Group Co., Ltd. (Note 4)	Major shareholder	Hefei, Anhui	Huang Linmu	6,000,000	Capital operation and asset management., etc	6.29%
Anhui Transportation Holding Group Co., Ltd.	Major shareholder	Hefei, Anhui	Xiang Xiaolong	16,000,000	Infrastructure investment and construction., etc	5.10%

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

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

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

46 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions and balances

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

a) Transactions with major shareholders and balances

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

	As at 30 June 2024		As at 31 December 2023	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Placements with and loans to banks and other financial institutions	800,000	1.76%	1,800,000	5.10%
Loans and advances to customers	3,141,055	0.34%	2,710,383	0.32%
Financial investments	590,000	0.08%	1,890,000	0.27%
Placements from banks and other financial institutions	131,695	0.07%	45,056	0.03%
Deposits from customers	6,210,996	0.54%	5,387,820	0.52%
Bank acceptance	18,180	0.02%	5,200	0.01%
Letters of guarantee issued	26,100	0.08%	30,660	0.09%
Letters of credit issued	53,270	0.12%	64,870	0.19%

	As at 30 June 2024	As at 31 December 2023
Loans and advances to customers	2.40%-6.27%	2.00%-5.95%
Placements from banks and other financial institutions	0.20%-0.72%	0.20%-1.00%
Deposits from customers	0.20%-3.55%	0.20%-4.00%

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

46 RELATED PARTY TRANSACTIONS (CONTINUED)

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

a) Transactions with major shareholders and balances (Continued)

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

	For the six months period ended 30 June			
	2024		2023	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Interest income	11,554	0.03%	47,053	0.14%
Interest expense	161,976	0.85%	287,480	1.63%
Fee and Commission expense	702	0.42%	3,969	2.00%

b) Transactions with other related parties and balances

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

	As at 30 June 2024		As at 31 December 2023	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Loans and advances to customers	4,830,989	0.52%	4,579,317	0.54%
Financial investments	466,000	0.06%	515,000	0.07%
Placements from banks and other financial institutions	19,428	0.01%	15,959	0.01%
Deposits from customers	8,439,148	0.74%	5,395,843	0.52%
Bank acceptance	658,587	0.76%	652,442	0.87%
Letters of guarantee issued	330,763	1.04%	357,735	1.06%
Letters of credit issued	703,819	1.62%	380,971	1.11%
Loan commitments	20,000	5.71%	60,000	20.43%

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

46 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions and balances (Continued)

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

	As at 30 June 2024	As at 31 December 2023
Loans and advances to customers	2.00%-5.50%	2.00%-6.00%
Placements from banks and other financial institutions	0.35%	0.35%
Deposits from customers	0.05%-5.62%	0.05%-5.95%

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

	For the six months period ended 30 June			
	2024		2023	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Interest income	5,079	0.02%	91,893	0.28%
Interest expense	23,643	0.12%	54,334	0.31%
Fee and Commission expense	59	0.04%	21	0.01%

c) Transactions with associates

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

	As at 30 June 2024		As at 31 December 2023	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Placements with and loans to banks and other financial institutions	700,000	1.54%	2,200,000	6.24%
Financial investments	200,000	0.03%	300,000	0.04%
Placements from banks and other financial institutions	112,550	0.06%	176,068	0.11%
Total	1,012,550	0.10%	2,676,068	0.30%

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

46 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions and balances (Continued)

c) Transactions with associates (Continued)

	As at 30 June 2024	As at 31 December 2023
Placements with and loans to banks and other financial institutions	1.89%-3.95%	3.55%-4.00%
Placements from banks and other financial institutions	0.72%	0.72%

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

	For the six months period ended 30 June			
	2024		2023	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Interest expense	798	0.01%	42	0.01%

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

	For the six months period ended 30 June	
	2024	2023
Emoluments for directors, supervisors and senior management	7,421	6,804

	As at 30 June 2024	As at 31 December 2023
Balances at the end of the period/year		
Loans and advances to customers	6,004	2,606
Deposits from customers	3,925	4,154

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

46 RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

	For the six months period ended 30 June	
	2024	2023
Transactions during the period		
Interest income	91	96
Interest expense	3	35

47 SEGMENT ANALYSIS

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

Corporate banking

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

Retail banking

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

Treasury

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

Others

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

47 SEGMENT ANALYSIS (CONTINUED)

For the six months period ended 30 June 2024					
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	16,288,469	6,325,840	11,103,165	–	33,717,474
Net interest expense to external customers	(4,137,782)	(7,144,575)	(7,749,044)	–	(19,031,401)
Intersegment net interest income/(expense)	(2,606,755)	4,327,355	(1,720,600)	–	–
Net interest income	9,543,932	3,508,620	1,633,521	–	14,686,073
Net fee and commission income	880,546	304,447	581,755	–	1,766,748
Net trading gains	–	–	2,899,956	–	2,899,956
Net gains from investment securities	–	–	1,122,050	–	1,122,050
Other operating income	102,369	83,874	22,128	8,939	217,310
Operating expenses	(1,530,719)	(2,272,361)	(262,528)	(914,782)	(4,980,390)
– Depreciation and amortization	(208,838)	(216,192)	(24,257)	(84,524)	(533,811)
Impairment losses on credits	(1,321,330)	(609,997)	(3,769,146)	–	(5,700,473)
Share of profits of associates	–	–	–	171,750	171,750
Profit before income tax and impairment loss	8,996,128	1,624,580	5,996,882	(734,093)	15,883,497
Profit before income tax	7,674,798	1,014,583	2,227,736	(734,093)	10,183,024
Capital expenditure	77,343	114,816	13,265	46,221	251,645

As at 30 June 2024					
	Corporate banking	Retail banking	Treasury	Others	Total
Segment assets	692,868,068	324,252,910	890,438,630	5,548,041	1,913,107,649
<i>Including: investments in associates</i>				5,323,143	5,323,143
Deferred income tax assets					15,005,125
Total assets					1,928,112,774
Segment liabilities	(506,561,533)	(646,485,956)	(613,314,047)	(7,094,760)	(1,773,456,296)
Off-balance sheet credit commitments	162,295,864	28,298,925	–	–	190,594,789

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

47 SEGMENT ANALYSIS (CONTINUED)

	For the year ended 31 December 2023				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	31,949,785	13,666,400	19,376,265	–	64,992,450
Net interest expense to external customers	(10,493,842)	(12,916,097)	(12,862,306)	–	(36,272,245)
Intersegment net interest income/(expense)	(3,932,027)	7,249,926	(3,317,899)	–	–
Net interest income	17,523,916	8,000,229	3,196,060	–	28,720,205
Net fee and commission income	1,190,192	817,848	797,195	–	2,805,235
Net trading gains	–	–	3,601,426	–	3,601,426
Net gains from investment securities	–	–	609,265	–	609,265
Dividend income	–	–	4,640	–	4,640
Other operating income	247,895	249,657	69,987	57,030	624,569
Operating expenses	(3,006,099)	(4,782,745)	(466,063)	(1,944,461)	(10,199,368)
– Depreciation and amortization	(418,444)	(443,384)	(42,066)	(175,502)	(1,079,396)
Impairment losses on credits	(5,728,763)	(3,401,690)	560,802	–	(8,569,651)
Impairment losses on assets	–	–	(228,687)	–	(228,687)
Share of profits of associates	–	–	–	289,272	289,272
Profit before income tax and impairment loss	15,955,904	4,284,989	7,812,510	(1,598,159)	26,455,244
Profit before income tax	10,227,141	883,299	8,144,625	(1,598,159)	17,656,906
Capital expenditure	183,614	292,131	28,467	118,768	622,980

	As at 31 December 2023				
	Corporate banking	Retail banking	Treasury	Others	Total
Segment assets	623,274,667	322,114,923	841,364,166	5,151,471	1,791,905,227
<i>Including: investments in associates</i>				<i>5,151,471</i>	<i>5,151,471</i>
Deferred income tax assets					14,238,323
Total assets					1,806,143,550
Segment liabilities	(472,513,542)	(574,946,730)	(603,408,585)	(8,547,851)	(1,659,416,708)
Off-balance sheet credit commitments	143,149,901	43,973,626	–	–	187,123,527

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

47 SEGMENT ANALYSIS (CONTINUED)

For the six months period ended 30 June 2024						
	Anhui Province	Jiangsu Province	Head Office	Other areas	Intersegment eliminations	Total
Net interest income from external customers	19,318,226	1,132,896	11,835,866	1,430,486	-	33,717,474
Net interest expense to external customers	(10,951,306)	(576,510)	(6,398,317)	(1,105,268)	-	(19,031,401)
Intersegment net interest income/(expense)	3,395,565	16,891	(3,877,669)	465,213	-	-
Net interest income	11,762,485	573,277	1,559,880	790,431	-	14,686,073
Net fee and commission income	1,167,319	184,705	271,815	142,909	-	1,766,748
Net trading gains	31,354	820	2,934,152	(66,370)	-	2,899,956
Net gains from investment securities	14,792	28,416	1,033,623	45,219	-	1,122,050
Other operating income	473,331	2,752	(263,730)	4,957	-	217,310
Operating expenses	(3,016,431)	(187,572)	(1,242,337)	(534,050)	-	(4,980,390)
– Depreciation and amortization	(253,226)	(17,644)	(160,020)	(102,921)	-	(533,811)
Impairment losses on credits	(1,078,624)	554,244	(2,539,123)	(2,636,970)	-	(5,700,473)
Share of profits of associates	-	-	171,750	-	-	171,750
Profit before income tax and impairment loss	10,432,850	602,398	4,465,153	383,096	-	15,883,497
Profit before income tax	9,354,226	1,156,642	1,926,030	(2,253,874)	-	10,183,024
Capital expenditure	136,784	7,217	88,694	18,950	-	251,645

As at 30 June 2024						
	Anhui Province	Jiangsu Province	Head Office	Other areas	Intersegment eliminations	Total
Segment assets	1,161,376,878	55,623,413	607,522,140	94,203,532	(5,618,314)	1,913,107,649
Including: investments in associates	-	-	5,323,143	-	-	5,323,143
Deferred income tax assets						15,005,125
Total assets						1,928,112,774
Segment liabilities	(1,140,846,365)	(55,091,865)	(485,423,870)	(93,903,377)	1,809,181	(1,773,456,296)
Off-balance sheet credit commitments	122,386,833	34,020,694	8,490	34,422,873	(244,101)	190,594,789

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

47 SEGMENT ANALYSIS (CONTINUED)

	For the year ended 31 December 2023					
	Anhui Province	Jiangsu Province	Head Office	Other areas	Intersegment eliminations	Total
Net interest income from external customers	39,290,677	2,030,453	21,101,105	2,570,215	–	64,992,450
Net interest expense to external customers	(22,050,098)	(1,048,082)	(11,080,317)	(2,093,748)	–	(36,272,245)
Intersegment net interest income/(expense)	7,639,312	(177,599)	(8,214,765)	753,052	–	–
Net interest income	24,879,891	804,772	1,806,023	1,229,519	–	28,720,205
Net fee and commission income	2,086,010	241,258	114,303	363,664	–	2,805,235
Net trading gains	13,423	1,839	4,355,431	(769,267)	–	3,601,426
Net gains from investment securities	33,505	13,514	312,786	249,460	–	609,265
Dividend income	–	–	4,640	–	–	4,640
Other operating income	536,396	5,804	48,818	33,551	–	624,569
Operating expenses	(6,816,862)	(435,498)	(1,984,313)	(962,695)	–	(10,199,368)
– Depreciation and amortization	(514,638)	(39,066)	(316,364)	(209,328)	–	(1,079,396)
Impairment losses on credits	(5,079,128)	(688,272)	(966,704)	(1,835,547)	–	(8,569,651)
Impairment losses on assets	–	–	–	(228,687)	–	(228,687)
Share of profits of associates	–	–	289,272	–	–	289,272
Profit before income tax and impairment loss	20,732,363	631,689	4,946,960	144,232	–	26,455,244
Profit before income tax	15,653,235	(56,583)	3,980,256	(1,920,002)	–	17,656,906
Capital expenditure	444,126	2,037	143,306	33,511	–	622,980

	As at 31 December 2023					
	Anhui Province	Jiangsu Province	Head Office	Other areas	Intersegment eliminations	Total
Segment assets	1,067,479,042	52,782,348	590,693,148	90,309,395	(9,358,706)	1,791,905,227
Including: investments in associates	–	–	5,151,471	–	–	5,151,471
Deferred income tax assets						14,238,323
Total assets						1,806,143,550
Segment liabilities	(1,041,055,735)	(52,198,345)	(481,472,332)	(90,239,869)	5,549,573	(1,659,416,708)
Off-balance sheet credit commitments	127,640,839	29,083,189	13,192	31,243,747	(857,440)	187,123,527

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT

Overview

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

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

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

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

48.1 Credit risk

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

48.1.1 Credit risk measurement

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.1 Credit risk measurement (Continued)

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

The five categories are defined by the Guideline as follows:

Pass:	loans for which borrowers can honor the terms of the contracts, and there is no reason to doubt their ability to repay principal and interest of loans in full and on a timely basis.
Special-mention:	loans for which borrowers are still able to service the loans currently, although the repayment of loans might be adversely affected by some factors.
Substandard:	loans for which borrowers' ability to service the loans is apparently in question and borrowers cannot depend on their normal business revenues to pay back the principal and interest of loans. Certain losses might be incurred by the Group even when guarantees are executed.
Doubtful:	The borrower is unable to repay the loan principal and interest in full, and even if the guarantee is executed, it will certainly cause a great loss.
Loss:	After all possible measures or all necessary legal proceedings have been taken, the principal and interest remain uncollectible or only a very few parts can be recovered.

(ii) Debt securities and other bills

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

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

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

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.2 Risk limit control and mitigation policies

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

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

(i) Credit risk mitigation policies

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

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.2 Risk limit control and mitigation policies (Continued)

(i) Credit risk mitigation policies (Continued)

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

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

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

(ii) Credit-related off-balance sheet commitments

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

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

	As at 30 June 2024	As at 31 December 2023
Credit risk exposures relating to on-balance sheet financial assets:		
Balances with the central bank	86,759,017	97,422,787
Deposits with banks and other financial institutions	8,993,466	14,409,056
Placements with banks and other financial institutions	45,425,087	35,272,020
Derivative financial assets	102,376	100,201
Financial assets held under resale agreements	12,237,831	24,774,508
Loans and advances to customers	926,706,540	846,082,311
Financial investments – financial assets at fair value through profit or loss	181,193,759	175,845,337
Financial investments – financial assets at fair value through other comprehensive income	147,849,721	169,061,117
Financial investments – financial assets at amortised cost	411,367,197	341,763,332
Finance lease receivables	63,232,772	58,683,197
Other financial assets	1,814,971	1,158,546
Total	1,885,682,737	1,764,572,412
Credit risk exposures in relation to off-balance sheet items are as follows:		
Bank acceptance	86,827,700	74,698,817
Letters of credit	43,365,689	34,280,402
Letters of guarantee	31,751,917	33,877,057
Loan commitments	350,558	293,625
Unused credit card lines	28,298,925	43,973,626
Total	190,594,789	187,123,527

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

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

The above table represents the worst-case scenario of credit risk exposure to the Group at 30 June 2024 and 31 December 2023, without taking into account any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

As mentioned above, 49.14% of on-balance-sheet exposure is attributable to loans and advances to customers (31 December 2023: 47.94%).

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

- 97.90% of the loans and advances are categorized as Pass in the five-category system (31 December 2023: 97.94%).
- Collateralized loans and mortgage loans, which represent the largest group in the corporate and retail portfolio respectively, are secured by collateral.
- 98.47% of the loans and advances are considered to be neither past due nor impaired (31 December 2023: 98.44%).

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

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

	As at 30 June 2024	As at 31 December 2023
Commercial banks in Chinese mainland	10,483,500	18,065,515
Other financial institutions in Chinese mainland	55,660,132	55,827,961
Commercial banks outside Chinese mainland	512,752	562,108
Total	66,656,384	74,455,584

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers

Loans and advances three-staging exposure

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

As at 30 June 2024				
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
Pass	928,285,491	6,212,964	–	934,498,455
Special-mention	–	9,175,986	–	9,175,986
Impaired	–	–	10,871,533	10,871,533
Total	928,285,491	15,388,950	10,871,533	954,545,974

As at 31 December 2023				
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
Pass	849,645,455	6,537,750	–	856,183,205
Special-mention	–	7,017,592	–	7,017,592
Impaired	–	–	11,021,798	11,021,798
Total	849,645,455	13,555,342	11,021,798	874,222,595

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

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

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

	As at 30 June 2024		As at 31 December 2023	
	Amount	%	Amount	%
Corporate loans				
Commerce and service	114,037,776	12	98,338,383	11
Manufacturing	119,141,217	12	97,874,714	11
Public utilities	242,154,775	24	223,167,928	25
Real estate	36,644,043	4	34,647,577	4
Construction	43,741,771	5	39,305,174	4
Transportation	11,732,422	1	12,070,968	1
Energy and chemistry	36,600,024	4	35,554,892	4
Catering and travelling	1,171,753	1	1,084,913	1
Education and media	4,600,183	1	3,655,159	1
Financial services	7,946,841	1	5,623,189	1
Others	10,594,352	2	7,184,496	2
Discounted bills	61,989,292	6	56,381,641	6
Subtotal	690,354,449	73	614,889,034	71
Personal loans and advances				
Mortgages	124,822,119	13	126,409,439	14
Credit cards	11,698,270	1	10,844,787	1
Others	127,671,136	13	122,079,335	14
Subtotal	264,191,525	27	259,333,561	29
Total loans and advances to customers, before impairment allowance	954,545,974	100	874,222,595	100

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

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

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

	As at 30 June 2024	As at 31 December 2023
Unsecured	201,391,127	176,990,372
Guaranteed	306,400,487	254,677,032
Collateralized	227,028,641	226,103,679
Pledged	219,725,719	216,451,512
Total loans and advances to customers	954,545,974	874,222,595

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

	As at 30 June 2024			As at 31 December 2023		
	Total	%	NPL ratio	Total	%	NPL ratio
Anhui province	848,740,518	88.92	0.93%	767,053,417	87.74	1.01%
Jiangsu province	55,784,224	5.84	2.45%	53,559,125	6.13	3.31%
Others	50,021,232	5.24	3.19%	53,610,053	6.13	2.81%
Total loans and advances to customers	954,545,974	100.00	1.14%	874,222,595	100.00	1.26%

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

	As at 30 June 2024		As at 31 December 2023	
	Corporate loans	Personal loans and advances	Corporate loans	Personal loans and advances
Neither overdue nor impaired (e)	682,212,710	257,697,862	606,591,740	254,007,899
Overdue but not impaired (f)	1,029,941	2,733,928	212,240	2,388,918
Impaired (g)	7,111,798	3,759,735	8,085,054	2,936,744
Total	690,354,449	264,191,525	614,889,034	259,333,561
Less: impairment allowance	(21,287,748)	(8,298,715)	(21,773,783)	(8,095,118)
Net	669,066,701	255,892,810	593,115,251	251,238,443

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

(e) Loans and advances neither past due nor impaired

As at 30 June 2024

Neither overdue nor impaired	Five-category classification		
	Pass	Special-mention	Total
Corporate loans			
– Commercial loans	614,902,210	5,321,208	620,223,418
– Discounted bills	61,989,292	–	61,989,292
Subtotal	676,891,502	5,321,208	682,212,710
Personal loans and advances	257,529,603	168,259	257,697,862
Total	934,421,105	5,489,467	939,910,572

As at 31 December 2023

Neither overdue nor impaired	Five-category classification		
	Pass	Special-mention	Total
Corporate loans			
– Commercial loans	545,932,650	4,277,449	550,210,099
– Discounted bills	56,381,641	–	56,381,641
Subtotal	602,314,291	4,277,449	606,591,740
Personal loans and advances	253,840,473	167,426	254,007,899
Total	856,154,764	4,444,875	860,599,639

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

(f) Loans and advances overdue but not impaired

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

As at 30 June 2024

	Up to 30 days	30 to 60 days	60 to 90 days	Total
Corporate loans	641,226	223,840	164,875	1,029,941
Personal loans and advances	1,568,101	777,505	388,322	2,733,928
Total	2,209,327	1,001,345	553,197	3,763,869

As at 31 December 2023

	Up to 30 days	30 to 60 days	60 to 90 days	Total
Corporate loans	85,536	84,876	41,828	212,240
Personal loans and advances	1,397,137	770,532	221,249	2,388,918
Total	1,482,673	855,408	263,077	2,601,158

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

As at 30 June 2024 and 31 December 2023, the fair values of collateral for corporate loans that were past due but not impaired amounted to RMB988,677 thousand and RMB19,663 thousand. The fair values of collateral for retail loans that were past due but not impaired amounted to RMB734,209 thousand and RMB1,209,776 thousand.

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

(g) Impaired loans and advances

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

	As at 30 June 2024	As at 31 December 2023
Corporate loans	7,111,798	8,085,054
Personal loans and advances	3,759,735	2,936,744
Total	10,871,533	11,021,798
Fair value of collateral		
Corporate loans	6,422,514	6,795,317
Personal loans and advances	882,501	1,016,451
Total	7,305,015	7,811,768

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

(h) Restructured loans and advances

Restructured loans and advances represent the loans whose original contract repayment terms have been modified as a result of the deterioration of borrowers' financial conditions or inability to repay the loans according to contractual terms. As at 30 June 2024, the carrying value of the restructured loans held by the Group amounted to RMB1.98 billion (31 December 2023: RMB0.99 billion).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

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

As at 30 June 2024					
	Overdue 1 to 90 days (inclusive)	Overdue 90 days to 1 year (inclusive)	Overdue 1 year to 3 years (inclusive)	Overdue over 3 years	Total
Unsecured	1,246,346	1,775,909	670,151	149,168	3,841,574
Guaranteed	892,875	1,502,510	335,914	308,183	3,039,482
Collateralized	1,888,317	1,693,952	1,138,840	94,971	4,816,080
Pledged	169,684	38,930	–	59,643	268,257
Total	4,197,222	5,011,301	2,144,905	611,965	11,965,393

As at 31 December 2023					
	Overdue 1 to 90 days (inclusive)	Overdue 90 days to 1 year (inclusive)	Overdue 1 year to 3 years (inclusive)	Overdue over 3 years	Total
Unsecured	1,169,619	1,499,245	423,188	79,818	3,171,870
Guaranteed	1,136,350	1,149,538	339,402	532,801	3,158,091
Collateralized	1,584,209	2,154,228	390,628	95,302	4,224,367
Pledged	36,869	1,975	–	59,643	98,487
Total	3,927,047	4,804,986	1,153,218	767,564	10,652,815

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.6 Financial investments

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

	As at 30 June 2024			
	Stage 1	Stage 2	Stage 3	Total
AAA	153,907,847	–	–	153,907,847
AA- to AA+	7,977,938	–	–	7,977,938
A- to A+	–	–	–	–
Unrated ^(a)	245,240,797	1,464,075	9,543,965	256,248,837
Total	407,126,582	1,464,075	9,543,965	418,134,622
Less: allowance for impairment losses	(3,866,394)	(663,558)	(8,434,805)	(12,964,757)
Net balance	403,260,188	800,517	1,109,160	405,169,865

	As at 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
AAA	127,983,891	–	–	127,983,891
AA- to AA+	20,742,169	–	–	20,742,169
A- to A+	–	–	–	–
Unrated ^(a)	189,462,598	879,000	5,999,469	196,341,067
Total	338,188,658	879,000	5,999,469	345,067,127
Less: allowance for impairment losses	(2,864,918)	(403,058)	(6,005,731)	(9,273,707)
Net balance	335,323,740	475,942	(6,262)	335,793,420

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.6 Financial investments (Continued)

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

	As at 30 June 2024			
	Stage 1	Stage 2	Stage 3	Total
AAA	51,997,747	–	–	51,997,747
AA- to AA+	7,994,711	–	–	7,994,711
A- to A+	–	–	–	–
Unrated ^(b)	85,581,499	376,500	161,514	86,119,513
Total	145,573,957	376,500	161,514	146,111,971
Allowance for impairment losses	(561,046)	(188,975)	(171,450)	(921,471)

	As at 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
AAA	49,987,027	–	–	49,987,027
AA- to AA+	43,611,497	201,658	–	43,813,155
A- to A+	–	–	–	–
Unrated ^(b)	72,349,081	–	161,514	72,510,595
Total	165,947,605	201,658	161,514	166,310,777
Allowance for impairment losses	(812,964)	(101,054)	(171,450)	(1,085,468)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.6 Financial investments (Continued)

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

	As at 30 June 2024	As at 31 December 2023
AAA	6,884,931	15,694,894
AA- to AA+	10,085,195	8,719,200
A- to A+	–	–
C	–	–
Unrated ^(c)	162,673,695	149,621,947
Total	179,643,821	174,036,041

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

48.1.7 Foreclosed collateral

	As at 30 June 2024	As at 31 December 2023
Property and land use rights	267,848	142,229
Others	119,452	124,516
Total	387,300	266,745
Allowance for impairment losses (Note 26)	(93,649)	(93,649)
Net balance	293,651	173,096

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.8 Concentration of risks of financial assets with credit risk exposure

Geographical sectors

As at 30 June 2024	Chinese mainland	Hong Kong	Others	Total
Financial assets				
Balances with the central bank	86,759,017	–	–	86,759,017
Deposits with banks and other financial institutions	8,514,509	7,787	471,170	8,993,466
Placements with banks and other financial institutions	45,406,688	–	18,399	45,425,087
Derivative financial assets	102,376	–	–	102,376
Financial assets held under resale agreements	12,237,831	–	–	12,237,831
Loans and advances to customers	926,706,540	–	–	926,706,540
Financial investments				
– financial assets at fair value through profit or loss	181,193,759	–	–	181,193,759
Financial investments				
– financial assets at fair value through other comprehensive income	147,849,721	–	–	147,849,721
Financial investments				
– financial assets at amortised cost	405,949,584	5,417,613	–	411,367,197
Finance lease receivables	63,232,772	–	–	63,232,772
Other financial assets	1,814,971	–	–	1,814,971
Total	1,879,767,768	5,425,400	489,569	1,885,682,737

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

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

Geographical sectors (Continued)

As at 31 December 2023	Mainland China	Hong Kong	Others	Total
Financial assets				
Balances with the central bank	97,422,787	–	–	97,422,787
Deposits with banks and other financial institutions	13,882,423	12,357	514,276	14,409,056
Placements with banks and other financial institutions	34,736,074	–	535,946	35,272,020
Derivative financial assets	100,201	–	–	100,201
Financial assets held under resale agreements	24,774,508	–	–	24,774,508
Loans and advances to customers	846,082,311	–	–	846,082,311
Financial investments				
– financial assets at fair value through profit or loss	175,845,337	–	–	175,845,337
Financial investments				
– financial assets at fair value through other comprehensive income	169,061,117	–	–	169,061,117
Financial investments				
– financial assets at amortised cost	339,058,049	2,705,283	–	341,763,332
Finance lease receivables	58,683,197	–	–	58,683,197
Other financial assets	1,158,546	–	–	1,158,546
Total	1,760,804,550	2,717,640	1,050,222	1,764,572,412

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk

48.2.1 Overview

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

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

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

48.2.2 Market risk measurement techniques

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

48.2.3 Interest rate risk

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.3 Interest rate risk (Continued)

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

As at 30 June 2024	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest – bearing	Total
Assets							
Cash and balances with the central bank	86,722,871	-	-	-	-	1,046,086	87,768,957
Deposits with banks and other financial institutions	8,711,238	20,012	250,154	-	-	12,062	8,993,466
Placements with banks and other financial institutions	10,690,066	18,173,514	16,417,083	-	-	144,424	45,425,087
Derivative financial assets	-	-	-	-	-	102,376	102,376
Financial assets held under resale agreements	12,235,380	-	-	-	-	2,451	12,237,831
Loans and advances to customers	64,934,473	68,600,531	324,564,577	242,087,738	225,626,467	892,754	926,706,540
Financial Investments							
– Financial assets at fair value through profit or loss	54,180,175	4,143,687	12,095,015	11,004,181	2,104,663	98,007,719	181,535,440
– Financial assets at fair value through other comprehensive income	4,358,975	5,521,134	17,284,073	78,200,468	40,747,321	2,112,867	148,224,838
– Financial assets at amortised cost	4,405,037	6,619,053	21,473,059	171,214,875	201,457,841	6,197,332	411,367,197
Finance lease receivables	61,331,155	111,927	78,611	738,467	18,594	954,018	63,232,772
Other financial assets	-	-	-	-	-	1,814,971	1,814,971
Total assets	307,569,370	103,189,858	392,162,572	503,245,729	469,954,886	111,287,060	1,887,409,475
Liabilities							
Borrowings from the central bank	(6,464,842)	(31,996,842)	(59,011,119)	-	-	(1,173,612)	(98,546,415)
Deposits from banks and other financial institutions	(22,074,718)	(33,860,000)	(120,842,000)	(5,000,000)	-	(1,441,555)	(183,218,273)
Placements from banks and other financial institutions	(8,119,230)	(7,164,248)	(32,450,000)	(2,350,000)	-	(385,797)	(50,469,275)
Derivative financial liabilities	-	-	-	-	-	(114,095)	(114,095)
Financial assets sold under repurchase agreements	(62,198,935)	(3,562,520)	(13,283,407)	-	-	(288,521)	(79,333,383)
Deposits from customers	(419,453,892)	(54,169,516)	(246,903,390)	(400,563,445)	(186)	(24,114,153)	(1,145,204,582)
Debt securities issued	(6,092,321)	(45,252,952)	(74,907,480)	(55,000,000)	(14,000,000)	(1,414,630)	(196,667,383)
Other financial liabilities	(266)	(176)	(23,429)	(492,579)	(464,077)	(2,972,526)	(3,953,053)
Total liabilities	(524,404,204)	(176,006,254)	(547,420,825)	(463,406,024)	(14,464,263)	(31,904,889)	(1,757,606,459)
Total interest rate sensitivity gap	(216,834,834)	(72,816,396)	(155,258,253)	39,839,705	455,490,623	79,382,171	129,803,016

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.3 Interest rate risk (Continued)

As at 31 December 2023	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest – bearing	Total
Assets							
Cash and balances with central bank	97,382,452	–	–	–	–	1,229,311	98,611,763
Deposits with banks and other financial institutions	14,138,706	95,035	170,062	–	–	5,253	14,409,056
Placements with banks and other financial institutions	2,399,582	11,891,423	20,915,128	–	–	65,887	35,272,020
Derivative financial assets	–	–	–	–	–	100,201	100,201
Financial assets held under resale agreements	24,757,044	–	–	–	–	17,464	24,774,508
Loans and advances to customers	300,139,299	419,166,320	55,644,016	67,131,203	2,824,444	1,177,029	846,082,311
Financial Investments							
– Financial assets at fair value through profit or loss	66,179,925	3,300,040	14,357,204	17,253,502	4,386,468	70,782,728	176,259,867
– Financial assets at fair value through other comprehensive income	5,760,828	17,042,308	15,431,287	100,243,040	27,833,314	3,055,029	169,365,806
– Financial assets at amortised cost	1,210,483	3,813,035	29,859,322	139,953,442	160,957,138	5,969,912	341,763,332
Finance lease receivables	57,356,882	106,628	482,147	737,540	–	–	58,683,197
Other financial assets	–	–	–	–	–	1,158,546	1,158,546
Total assets	569,325,201	455,414,789	136,859,166	325,318,727	196,001,364	83,561,360	1,766,480,607
Liabilities							
Borrowings from central bank	(40,317,194)	(11,755,545)	(85,231,426)	–	–	(782,172)	(138,086,337)
Deposits from banks and other financial institutions	(11,032,123)	(47,680,000)	(93,860,000)	(10,000,000)	–	(1,441,660)	(164,013,783)
Placements from banks and other financial institutions	(10,261,654)	(6,361,000)	(29,226,519)	(720,000)	–	(516,692)	(47,085,865)
Derivative financial liabilities	–	–	–	–	–	(100,667)	(100,667)
Financial assets sold under repurchase agreements	(41,589,402)	(2,790,500)	(22,149,489)	–	–	(321,573)	(66,850,964)
Deposits from customers	(416,315,332)	(69,383,164)	(168,510,061)	(365,949,817)	–	(22,156,693)	(1,042,315,067)
Debt securities issued	(2,605,499)	(44,482,393)	(74,819,499)	(45,000,000)	(14,000,000)	(753,666)	(181,661,057)
Other financial liabilities	(17)	(1,333)	(22,447)	(543,440)	(422,574)	(2,959,567)	(3,949,378)
Total liabilities	(522,121,221)	(182,453,935)	(473,819,441)	(422,213,257)	(14,422,574)	(29,032,690)	(1,644,063,118)
Total interest rate sensitivity gap	47,203,980	272,960,854	(336,960,275)	(96,894,530)	181,578,790	54,528,670	122,417,489

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.3 Interest rate risk (Continued)

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

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

	Estimated changes in net interest income	
	As at 30 June 2024	As at 31 December 2023
100 bps up along the yield curve	103,684	3,591,468
100 bps down along the yield curve	(103,684)	(3,591,468)

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

	As at 30 June 2024	As at 31 December 2023
100 bps up	(4,479,511)	(4,189,325)
100 bps down	4,762,384	4,419,203

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.3 Interest rate risk (Continued)

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

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

Therefore, the actual changes of net profit may differ from the sensitivity analysis above.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.4 Foreign Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The major principle of controlling the interest rate risk of the Group is to match assets and liabilities in different currencies and to keep interest rate risk within limits. Based on the guidelines provided by the Risk Management Committee, relevant laws, and regulations as well as evaluation on the current market, the Group sets its risk limits and minimize the possibility of mismatch through more reasonable allocation of foreign currency source and deployment. Authorization management of foreign currency exposure is categorized by business type and trader's limit of authority.

Tables below summarize the Group's exposure to foreign currency exchange rate risk at balance sheet date. Included in tables below are the Group's assets and liabilities at carrying amounts in RMB, categorized by the original currency:

	RMB	USD	EUR	Others	Total
As at 30 June 2024					
Assets					
Cash and balances with the central bank	87,547,407	219,811	611	1,128	87,768,957
Deposits with banks and other financial institutions	5,449,908	3,338,296	68,788	136,474	8,993,466
Placements with banks and other financial institutions	44,549,797	875,290	-	-	45,425,087
Derivative financial assets	96,595	1,132	2,401	2,248	102,376
Financial assets held under resale agreements	12,237,831	-	-	-	12,237,831
Loans and advances to customers	925,427,751	1,184,527	-	94,262	926,706,540
Financial investments					
- Financial assets at fair value through profit or loss	181,524,537	10,903	-	-	181,535,440
- Financial assets at fair value through other comprehensive income	148,224,838	-	-	-	148,224,838
- Financial assets at amortised cost	411,367,197	-	-	-	411,367,197
Finance lease receivables	63,232,772	-	-	-	63,232,772
Other financial assets	1,771,249	43,722	-	-	1,814,971
Total assets	1,881,429,882	5,673,681	71,800	234,112	1,887,409,475

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.4 Foreign Currency risk (Continued)

Tables below summarize the Group's exposure to foreign currency exchange rate risk at balance sheet date. Included in tables below are the Group's assets and liabilities at carrying amounts in RMB, categorized by the original currency: (Continued)

	RMB	USD	EUR	Others	Total
Liabilities					
Borrowings from the central bank	(98,646,415)	-	-	-	(98,646,415)
Deposits from banks and other financial institutions	(183,218,231)	(42)	-	-	(183,218,273)
Placements from banks and other financial institutions	(48,865,745)	(1,603,530)	-	-	(50,469,275)
Derivative financial liabilities	(94,533)	(3,962)	(6)	(15,594)	(114,095)
Financial assets sold under repurchase agreements	(79,333,383)	-	-	-	(79,333,383)
Deposits from customers	(1,139,296,156)	(5,834,112)	(49,571)	(24,743)	(1,145,204,582)
Debt securities issued	(196,667,383)	-	-	-	(196,667,383)
Other financial liabilities	(3,953,053)	-	-	-	(3,953,053)
Total liabilities	(1,750,074,899)	(7,441,646)	(49,577)	(40,337)	(1,757,606,459)
Net on-balance sheet financial position	131,354,983	(1,767,965)	22,223	193,775	129,803,016
Financial guarantees and credit commitments	168,518,964	20,513,574	1,170,590	391,661	190,594,789

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.4 Foreign Currency risk (Continued)

Tables below summarize the Group's exposure to foreign currency exchange rate risk at balance sheet date. Included in tables below are the Group's assets and liabilities at carrying amounts in RMB, categorized by the original currency: (Continued)

	RMB	USD	EUR	Others	Total
As at 31 December 2023					
Assets					
Cash and balances with central bank	98,456,650	154,003	49	1,061	98,611,763
Deposits with banks and other financial institutions	13,067,381	893,672	87,606	360,397	14,409,056
Placements with banks and other financial institutions	35,272,020	–	–	–	35,272,020
Derivative financial assets	96,160	1,963	1,663	415	100,201
Financial assets held under resale agreements	24,774,508	–	–	–	24,774,508
Loans and advances to customers	844,548,266	1,521,091	–	12,954	846,082,311
Financial investments					
– Financial assets at fair value through profit or loss	176,250,596	9,271	–	–	176,259,867
– Financial assets at fair value through other comprehensive income	169,365,806	–	–	–	169,365,806
– Financial assets at amortised cost	341,763,332	–	–	–	341,763,332
Finance lease receivables	58,683,197	–	–	–	58,683,197
Other financial assets	1,129,350	29,196	–	–	1,158,546
Total assets	1,763,407,266	2,609,196	89,318	374,827	1,766,480,607
Liabilities					
Borrowings from central bank	(138,086,337)	–	–	–	(138,086,337)
Deposits from banks and other financial institutions	(164,013,741)	(42)	–	–	(164,013,783)
Placements from banks and other financial institutions	(46,429,214)	(656,651)	–	–	(47,085,865)
Derivative financial liabilities	(91,192)	(3,248)	(1,242)	(4,985)	(100,667)
Financial assets sold under repurchase agreements	(66,850,964)	–	–	–	(66,850,964)
Deposits from customers	(1,038,416,924)	(3,799,057)	(63,961)	(35,125)	(1,042,315,067)
Debt securities issued	(181,661,057)	–	–	–	(181,661,057)
Other financial liabilities	(3,949,378)	–	–	–	(3,949,378)
Total liabilities	(1,639,498,807)	(4,458,998)	(65,203)	(40,110)	(1,644,063,118)
Net on-balance sheet financial position	123,908,459	(1,849,802)	24,115	334,717	122,417,489
Financial guarantees and credit commitments	165,889,861	20,104,824	660,094	468,748	187,123,527

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.4 Foreign Currency risk (Continued)

The Group's foreign currency exposure is not material. The major foreign currency exposure is with USD and EUR. The potential impact of 1% fluctuation of foreign currency against RMB on net profits resulted from foreign currency translation gain or loss is as follows:

Currency	Change in currency rate	Estimated change in net profit	
		As at 30 June 2024	As at 31 December 2023
USD	+1%	11,941	22,172
EUR	+1%	1,723	833

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

- Analysis is based on static gap on the balance sheet date, regardless of subsequent changes;
- No consideration of impact on the customers' behaviour resulted from interest rate changes;
- No consideration of impact on market price resulted from interest rate changes; and
- No consideration of actions taken by the Group.

Therefore, the actual changes of net profit may differ from the sensitivity analysis above.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk

48.3.1 Overview

Keeping a match between the maturity dates of assets and liabilities and maintaining an effective control over mismatches are of great importance to the Group. Due to the uncertainty of terms and types of business, it is difficult for banks to keep a perfect match. Unmatched position may increase revenues, but it also exposes the Group to greater risks of losses.

The match between the maturity dates of assets and liabilities as well as a bank's ability to replace due liabilities with acceptable costs are both key factors when evaluating its exposure to liquidity, interest rate and foreign exchange rate risks.

The Group is exposed to daily calls on its available cash resources from overnight deposits, demand accounts, time deposits fall due, debt securities payable, loan drawdowns, guarantees and other calls on cash-settled derivatives. According to previous experience, a large portion of matured deposits were not withdrawn on the maturity date and are retained by the Group. The Group sets limits on the minimum proportion of funds to be made available to cover different levels of unexpected withdrawals.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.2 Cash flow of non-derivatives

The table below presents the cash flows receivable and payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturity at the end of reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows, and the Group manages the liquidity risk based on the estimation of future cash flows.

As at 30 June 2024	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities						
Borrowings from the central bank	(6,521,399)	(33,144,080)	(60,948,445)	-	-	(100,613,924)
Deposits from banks and other financial institutions	(22,377,857)	(34,365,709)	(123,582,297)	(5,607,708)	-	(185,933,571)
Placements from banks and other financial institutions	(8,129,238)	(7,247,372)	(34,383,415)	(2,449,798)	-	(52,209,823)
Financial assets sold under repurchase agreements	(62,448,091)	(3,621,940)	(13,605,326)	-	-	(79,675,357)
Deposits from customers	(421,456,794)	(56,075,163)	(259,994,169)	(436,555,677)	(275)	(1,174,082,078)
Debt securities issued	(6,183,996)	(45,813,374)	(76,166,251)	(56,392,500)	(14,605,400)	(199,161,521)
Other financial liabilities	(2,972,792)	(176)	(23,429)	(492,579)	(464,077)	(3,953,053)
Total liabilities (contractual maturity)	(530,090,167)	(180,267,814)	(568,703,332)	(501,498,262)	(15,069,752)	(1,795,629,327)
Assets						
Cash and balances with the central bank	87,768,957	-	-	-	-	87,768,957
Deposits with banks and other financial institutions	8,785,267	20,012	190,117	-	-	8,995,396
Placements with banks and other financial institutions	10,807,957	18,369,318	19,443,520	-	-	48,620,795
Financial assets held under resale agreements	12,284,287	-	-	-	-	12,284,287
Loans and advances to customers	81,208,534	74,204,776	246,318,601	325,706,392	465,429,255	1,192,867,558
Financial investments						
- Financial assets at fair value through profit or loss	151,472,689	3,506,204	10,245,174	14,024,112	2,443,685	181,691,864
- Financial assets at fair value through other comprehensive income	4,551,513	6,207,004	20,653,146	89,078,102	43,989,504	164,479,269
- Financial assets at amortised cost	8,522,826	8,983,938	31,661,529	209,162,298	226,560,420	484,891,011
Finance lease receivables	4,622,765	4,322,478	20,330,589	43,615,126	710,897	73,601,855
Other financial assets	1,271,499	8,569	155,848	367,928	11,127	1,814,971
Financial assets held for managing liquidity risk (contractual maturity)	371,296,294	115,622,299	348,998,524	681,953,958	739,144,888	2,257,015,963
Net liquidity	(158,793,873)	(64,645,515)	(219,704,808)	180,455,696	724,075,136	461,386,636

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.2 Cash flow of non-derivatives (Continued)

The table below presents the cash flows receivable and payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturity at the end of reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows, and the Group manages the liquidity risk based on the estimation of future cash flows. (Continued)

As at 31 December 2023	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities						
Borrowings from central bank	(40,560,772)	(12,177,200)	(87,729,769)	–	–	(140,467,741)
Deposits from banks and other financial institutions	(11,316,587)	(48,371,418)	(95,764,277)	(10,841,869)	–	(166,294,151)
Placements from banks and other financial institutions	(10,791,913)	(6,414,969)	(29,711,293)	(752,769)	–	(47,670,944)
Financial assets sold under repurchase agreements	(41,842,743)	(2,865,690)	(22,696,259)	–	–	(67,404,692)
Deposits from customers	(419,056,755)	(72,794,952)	(176,707,572)	(400,190,782)	–	(1,068,750,061)
Debt securities issued	(2,625,580)	(45,200,831)	(76,229,968)	(46,225,500)	(14,605,400)	(184,887,279)
Other financial liabilities	(2,959,584)	(1,333)	(22,447)	(543,440)	(422,574)	(3,949,378)
Total liabilities (contractual maturity)	(529,153,934)	(187,826,393)	(488,861,585)	(458,554,360)	(15,027,974)	(1,679,424,246)
Assets						
Cash and balances with central bank	98,611,763	–	–	–	–	98,611,763
Deposits with banks and other financial institutions	14,146,159	95,069	170,123	–	–	14,411,351
Placements with banks and other financial institutions	2,498,775	12,113,095	21,112,168	–	–	35,724,038
Financial assets held under resale agreements	25,406,275	–	–	–	–	25,406,275
Loans and advances to customers	54,060,015	42,272,115	170,219,322	327,024,803	509,623,932	1,103,200,187
Financial investments						
– Financial assets at fair value through profit or loss	136,591,722	3,363,521	14,015,224	18,391,127	4,595,201	176,956,795
– Financial assets at fair value through other comprehensive income	6,347,885	17,671,734	18,538,509	113,109,349	30,252,576	185,920,053
– Financial assets at amortised cost	4,952,379	6,202,352	39,560,042	173,293,301	182,355,436	406,363,510
Finance lease receivables	4,303,458	4,322,872	19,297,647	39,587,429	446,999	67,958,405
Other financial assets	638,563	85,737	47,517	378,968	7,761	1,158,546
Financial assets held for managing liquidity risk (contractual maturity)	347,556,994	86,126,495	282,960,552	671,784,977	727,281,905	2,115,710,923
Net liquidity	(181,596,940)	(101,699,898)	(205,901,033)	213,230,617	712,253,931	436,286,677

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.3 Cash flow of derivative financial instruments

Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis include foreign exchange forward contracts and commodity derivatives. The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining periods from 30 June 2024 and 31 December 2023 to the contractual maturity date. The figures disclosed in the table are the contractual undiscounted cash flows.

As at 30 June 2024	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Foreign exchange derivatives						
– Outflow	(388,411)	(1,626,303)	(3,171,425)	(36,903)	–	(5,223,042)
– Inflow	387,401	1,626,249	3,158,599	36,259	–	5,208,508
Total	(1,010)	(54)	(12,826)	(644)	–	(14,534)

As at 31 December 2023	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Foreign exchange derivatives						
– Outflow	(4,001,780)	(1,515,951)	(2,717,971)	(10,103)	–	(8,245,805)
– Inflow	4,002,611	1,515,517	2,714,910	9,701	–	8,242,739
Total	831	(434)	(3,061)	(402)	–	(3,066)

Derivative financial instruments with net settlement

As at 30 June 2024	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Interest rate derivatives	225	(317)	655	203	–	766

As at 31 December 2023	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Interest rate derivatives	214	178	259	3,324	–	3,975

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.4 Maturity analysis

The table below analyses the Group's net assets and liabilities by relevant maturity classification based on the remaining periods from the balance sheet date to the contractual maturity date.

As at 30 June 2024	Repayable on demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Indefinite	Total
Cash and balances with the central bank	18,169,826	36,146	-	-	-	-	-	69,562,985	87,768,957
Deposits with banks and other financial institutions	8,603,226	120,074	20,012	250,154	-	-	-	-	8,993,466
Placements with banks and other financial institutions	18,399	10,702,432	18,246,269	16,457,987	-	-	-	-	45,425,087
Derivative financial assets	-	460	5,110	9,196	87,610	-	-	-	102,376
Financial assets held under resale agreements	-	12,237,831	-	-	-	-	-	-	12,237,831
Loans and advances to customers	-	61,130,833	68,553,982	222,585,209	221,468,356	349,132,247	3,835,913	-	926,706,540
Financial investments									
– Financial assets at fair value through profit or loss	145,279,581	1,704,776	3,487,421	10,098,586	14,051,651	2,425,400	3,704,087	783,938	181,535,440
– Financial assets at fair value through other comprehensive income	-	4,363,032	5,622,721	17,398,624	79,301,085	41,164,259	-	375,117	148,224,838
– Financial assets at amortised cost	-	4,503,868	6,759,860	21,801,164	173,531,369	204,628,694	142,242	-	411,367,197
Finance lease receivables	-	3,532,074	3,654,005	17,263,664	38,182,272	592,578	8,179	-	63,232,772
Other financial assets	-	1,212,557	8,569	155,848	367,928	11,127	58,942	-	1,814,971
Total assets	172,071,032	99,544,083	106,357,949	306,020,432	526,990,271	597,954,305	7,749,363	70,722,040	1,887,409,475
Borrowings from the central bank	-	(6,492,342)	(32,508,203)	(59,645,870)	-	-	-	-	(98,646,415)
Deposits from banks and other financial institutions	(5,556,709)	(16,714,769)	(34,201,594)	(121,602,974)	(5,142,227)	-	-	-	(183,218,273)
Placements from banks and other financial institutions	-	(8,175,067)	(7,252,296)	(32,682,416)	(2,359,496)	-	-	-	(50,469,275)
Derivative financial liabilities	-	(1,186)	(6,388)	(21,289)	(85,232)	-	-	-	(114,095)
Financial assets sold under repurchase agreements	-	(62,295,455)	(3,805,651)	(13,432,277)	-	-	-	-	(79,333,383)
Deposits from customers	(380,807,315)	(40,523,715)	(55,775,084)	(255,874,995)	(412,223,228)	(245)	-	-	(1,145,204,582)
Debt securities issued	-	(6,092,321)	(45,283,256)	(75,170,695)	(55,681,700)	(14,439,411)	-	-	(196,667,383)
Other financial liabilities	-	(2,972,792)	(176)	(23,429)	(492,579)	(464,077)	-	-	(3,953,053)
Total liabilities	(386,364,024)	(143,267,647)	(178,632,648)	(558,453,945)	(475,984,462)	(14,903,733)	-	-	(1,757,606,459)
Net liquidity gap	(214,292,992)	(43,723,564)	(72,274,699)	(252,433,513)	51,005,809	583,050,572	7,749,363	70,722,040	129,803,016

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.4 Maturity analysis (Continued)

The table below analyses the Group's net assets and liabilities by relevant maturity classification based on the remaining periods from the balance sheet date to the contractual maturity date.
(Continued)

As at 31 December 2023	Repayable on demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Indefinite	Total
Cash and balances with central bank	27,477,409	40,335	-	-	-	-	-	71,094,019	98,611,763
Deposits with banks and other financial institutions	14,023,915	120,044	95,035	170,062	-	-	-	-	14,409,056
Placements with banks and other financial institutions	-	2,401,223	11,946,523	20,924,274	-	-	-	-	35,272,020
Derivative financial assets	-	1,286	1,631	11,188	86,096	-	-	-	100,201
Financial assets held under resale agreements	-	24,774,508	-	-	-	-	-	-	24,774,508
Loans and advances to customers	-	48,169,524	36,431,751	145,833,611	220,398,907	392,577,857	2,670,661	-	846,082,311
Financial investments									
- Financial assets at fair value through profit or loss	127,171,150	1,790,875	3,385,919	13,846,205	18,019,157	4,418,451	6,539,142	1,088,968	176,259,867
- Financial assets at fair value through other comprehensive income	-	5,931,670	16,731,104	15,294,699	102,809,458	28,294,186	-	304,689	169,365,806
- Financial assets at amortised cost	-	1,243,026	3,948,774	30,488,788	142,323,573	163,759,171	-	-	341,763,332
Finance lease receivables	-	3,319,612	3,715,836	16,421,061	34,813,771	405,124	7,793	-	58,683,197
Other financial assets	-	588,769	85,737	47,517	378,968	7,761	49,794	-	1,158,546
Total assets	168,672,474	88,380,872	76,342,310	243,037,405	518,829,930	589,462,550	9,267,390	72,487,676	1,766,480,607
Borrowings from central bank	-	(40,434,046)	(11,940,370)	(85,711,921)	-	-	-	-	(138,086,337)
Deposits from banks and other financial institutions	(8,084,669)	(3,219,751)	(48,141,133)	(94,400,120)	(10,168,110)	-	-	-	(164,013,783)
Placements from banks and other financial institutions	-	(10,390,215)	(6,523,313)	(29,417,473)	(754,864)	-	-	-	(47,085,865)
Derivative financial liabilities	-	(3,307)	(1,570)	(13,490)	(82,300)	-	-	-	(100,667)
Financial assets sold under repurchase agreements	-	(41,640,136)	(2,852,009)	(22,358,819)	-	-	-	-	(66,850,964)
Deposits from customers	(365,211,363)	(53,788,419)	(72,501,738)	(174,156,618)	(376,656,929)	-	-	-	(1,042,315,067)
Debt securities issued	-	(2,605,499)	(44,780,424)	(74,832,352)	(45,304,417)	(14,138,365)	-	-	(181,661,057)
Other financial liabilities	-	(2,959,584)	(1,333)	(22,447)	(543,440)	(422,574)	-	-	(3,949,378)
Total liabilities	(373,296,032)	(155,040,957)	(186,741,890)	(480,913,240)	(433,510,060)	(14,560,939)	-	-	(1,644,063,118)
Net liquidity gap	(204,623,558)	(66,660,085)	(110,399,580)	(237,875,835)	85,319,870	574,901,611	9,267,390	72,487,676	122,417,489

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.5 Off-balance sheet items

The Group provides guarantees and letters of credit to customers based on their credit ratings and amounts of cash collateral. Usually, customers will not withdraw the amount committed by the Group in the guarantees or letters of credit in full, therefore, the amounts of funds provided for guarantees and letters of credit are commonly lower than other commitments of the Group. Meanwhile, the Group may be discharged of its obligations due to overdue or termination of the commitments. As a result, the contractual amounts for credit commitments do not represent the actual funds required.

As at 30 June 2024	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptance	86,827,700	–	–	86,827,700
Letters of credit	42,826,475	539,214	–	43,365,689
Letters of guarantee	26,140,154	5,611,463	300	31,751,917
Loan commitments	255,058	95,500	–	350,558
Unused credit card lines	9,058,949	19,239,976	–	28,298,925
Total	165,108,336	25,486,153	300	190,594,789

As at 31 December 2023	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptance	74,698,817	–	–	74,698,817
Letters of credit	33,721,028	559,374	–	34,280,402
Letters of guarantee	15,757,257	18,119,500	300	33,877,057
Loan commitments	185,325	108,300	–	293,625
Unused credit card lines	3,413,177	40,544,065	16,384	43,973,626
Total	127,775,604	59,331,239	16,684	187,123,527

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.4 Fair value of financial assets and liabilities

(a) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts and issued structured debt in the interbank market. The sources of input parameters such as LIBOR yield curve or counterparty credit risk are Thomson Reuters, Bloomberg, and China Bond.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable inputs.

(b) Financial instruments not measured at fair value

Fair value estimates are made in accordance with relevant market information and information related to various financial instruments at a particular point in time. The fair values of all kinds of financial instruments are based on the following methods and assumptions:

- (1) Balances with the central bank, deposits and placements with banks, financial assets held under resale agreements, deposits and placements from banks, financial assets sold under repurchase agreements, other assets, and other liabilities

Since these financial instruments are in short-term or under floating interest rate linked to market interest rate, their carrying values approximate to the fair values.

- (2) Loans and advances to customers at amortised cost

Since most loans and advances to customers are repriced at least annually according to market interest rate, their carrying values approximate to the fair values.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.4 Fair value of financial assets and liabilities (Continued)

(b) Financial instruments not measured at fair value (Continued)

(3) Deposits from customers

The fair values of checking accounts, savings accounts and a short-term money market deposit shall be the amounts currently payable to customers. The fair value of a time deposit is calculated based on the discounted cash flow method, and the discount rate is the current rate of a time deposit of which the term is similar to the remaining term of the time deposit being valued. At the end of the reporting period, the carrying value of deposits from customers approximates to the fair value.

(4) Finance lease receivables

The balance of finance lease receivables is calculated based on the effective interest rate method. Since the actual interest rate of a financial leasing is adjusted on a timely basis to the interest rate that the PBOC stipulates, the carrying value approximates to the fair value.

(5) Financial assets and bonds issued at amortized cost

The table below summarizes the carrying amounts and the fair values of those financial assets and liabilities not presented at their fair value on the Group's balance sheet date.

	As at 30 June 2024		As at 31 December 2023	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Financial investments				
– financial assets				
at amortised cost	411,367,197	420,263,215	341,763,332	347,368,990
Financial liabilities				
Debt securities issued	(196,667,383)	(195,740,325)	(181,661,057)	(180,470,515)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.4 Fair value of financial assets and liabilities (Continued)

(b) Financial instruments not measured at fair value (Continued)

(i) Financial assets at amortised cost

Financial assets at amortised cost whose fair values are based on quoted market prices are included in level 1. As for financial assets at amortised cost, when such information is not available and the estimated fair value represents the discounted amount of estimated future cash flows expected to be received based on observable yield curves or quoted market prices for products with similar credit, maturity and yield characteristics used where applicable, the fair value measurement will be included in level 2 or level 3.

(ii) Debt securities in issued

If the fair value is based on quoted market prices, the fair value measurement will be included in level 1. When all significant inputs required to fair value are observable, they are included in level 2.

The other financial instruments not measured at fair value in the consolidated financial statements are at the present value of the estimated future cash flows based on observable yield curves. Due to their short duration or the floating rate which is mark to market, the difference between carrying value and fair value of these financial assets is not significant.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.4 Fair value of financial assets and liabilities (Continued)

(c) Financial instruments measured at fair value

As at 30 June 2024	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (excluding interest receivable)				
– Debt securities	–	29,531,863	–	29,531,863
– Interbank certificates of deposit	–	139,256	–	139,256
– Asset management schemes by securities firms or trust companies	94,581,120	44,556,813	6,589,617	145,727,550
– Wealth management products	–	3,903,472	–	3,903,472
– Equity investment	189,329	–	152,351	341,680
Derivative financial assets	–	102,376	–	102,376
Financial assets at fair value through other comprehensive income (excluding interest receivable)				
– Debt securities	–	140,251,010	–	140,251,010
– Interbank certificates of deposit	–	5,860,961	–	5,860,961
– Equity securities	–	–	375,117	375,117
Loans and advances to customers at fair value through other comprehensive income				
– Discounted bills	–	61,989,292	–	61,989,292
Total assets	94,770,449	286,335,043	7,117,085	388,222,577
Derivative financial liabilities	–	(114,095)	–	(114,095)
Total liabilities	–	(114,095)	–	(114,095)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.4 Fair value of financial assets and liabilities (Continued)

(c) Financial instruments measured at fair value (Continued)

As at 31 December 2023	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt securities	–	31,321,227	–	31,321,227
– Interbank certificates of deposit	–	3,052,790	–	3,052,790
– Asset management schemes by securities firms or trust companies	67,261,865	55,028,951	13,048,688	135,339,504
– Wealth management products	–	3,907,990	–	3,907,990
– Equity investment	262,179	–	152,351	414,530
Derivative financial assets	–	100,201	–	100,201
Financial assets at fair value through other comprehensive income				
– Debt securities	–	160,414,948	–	160,414,948
– Interbank deposits	–	5,895,829	–	5,895,829
– Equity securities	–	–	304,689	304,689
Loans and advances to customers at fair value through other comprehensive income				
– Discounted bills	–	56,381,641	–	56,381,641
Total assets	67,524,044	316,103,577	13,505,728	397,133,349
Derivative financial liabilities	–	(100,667)	–	(100,667)
Total liabilities	–	(100,667)	–	(100,667)

There were no significant transfers within the fair value hierarchy of the Group for the six months period ended 30 June 2024 and for the year ended 2023.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.4 Fair value of financial assets and liabilities (Continued)

(c) Financial instruments measured at fair value (Continued)

The table below presents the movement in the first half of 2024 for each category of financial instruments categorized as Level 3 of the fair value hierarchy:

	Financial Assets at fair value through profit or loss	Financial Assets at fair value through other comprehensive income	Total
1 January 2024	13,201,039	304,689	13,505,728
Total gain or loss:			
– Recognised in the profit or loss	(259,354)	–	(259,354)
– Recognised in other comprehensive income	–	70,428	70,428
Purchases	–	–	–
Settlement/Derecognised	(6,199,717)	–	(6,199,717)
30 June 2024	6,741,968	375,117	7,117,085
Unrealized gains on financial assets held at 30 June 2024 Through Profit or Loss	(84,414)	–	(84,414)

The table below presents the movement in 2023 for each category of financial instruments categorized as Level 3 of the fair value hierarchy:

	Financial Assets at fair value through profit or loss	Financial Assets at fair value through other comprehensive income	Total
1 January 2023	16,614,482	292,117	16,906,599
Total gain or loss:			
– Recognised in the profit or loss	(342,886)	–	(342,886)
– Recognised in other comprehensive income	–	12,572	12,572
Purchases	–	–	–
Settlement/Derecognised	(3,070,557)	–	(3,070,557)
31 December 2023	13,201,039	304,689	13,505,728
Unrealized gains on financial assets held at 31 December 2023 Through Profit or Loss	(744,447)	–	(744,447)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.4 Fair value of financial assets and liabilities (Continued)

(c) Financial instruments measured at fair value (Continued)

The Group uses valuation techniques to determine the fair value of financial instruments when quoted prices in active markets are not available.

Financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments are stated at fair value with reference to the quoted market prices when available. If quoted market prices are not available, the fair values will be estimated using the discounted cash flow or pricing models. For debt securities, the fair values are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

48.5 Capital management

The Group takes sufficient measures of capital management to prevent inherent risks associated with the Group's business for the purpose of meeting external regulators' requirements and shareholders' expectation on returns. Capital management is also aimed to stimulate the expansion of capital scale and to improve risk management.

The Group prudently set the objective of capital ratio, taking into account regulatory requirements and the risk situation the Group faces. The Group takes a variety of actions such as limits management to ensure the realization of the objectives and to proactively adjust its capital structure in line with economic development and risk characteristics. Generally, the measure of capital structure adjustment includes the modification of dividend distribution plan, raising new capital and issuance of new bonds.

The Group has calculated its capital adequacy ratio since January 1, 2024, in accordance with the Measures on the Capital Administration of Commercial Banks issued by the State Financial Regulatory Administration in 2023. Credit risk is measured using the weighting method, market risk is measured using the simplified standard method and operational risk is measured using the standard method.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.5 Capital management (Continued)

The table below summarizes the capital adequacy ratios of the Group as at 30 June 2024 and 31 December 2023:

		As at 30 June 2024	As at 31 December 2023
Common Equity Tier-one			
Capital Adequacy Ratio	(a)	9.41%	9.14%
Tier-one Capital Adequacy Ratio	(a)	11.03%	10.82%
Capital Adequacy Ratio	(a)	13.37%	13.21%
Common Equity Tier-one Capital	(b)	132,886,235	125,279,319
Common shares		13,889,801	13,889,801
Capital reserve and other comprehensive income		18,325,761	17,355,171
Surplus reserve and General reserve		40,494,711	37,532,592
Undistributed profits		57,846,867	54,206,156
Eligible portion of minority interests		2,329,095	2,295,599
Deductible items from Common Equity Tier-one Capital	(c)	(14,961,655)	(14,946,839)
Net Common Equity Tier-one Capital		117,924,580	110,332,480
Additional Tier-one Capital	(d)	20,300,972	20,294,368
Net Tier-one Capital		138,225,552	130,626,848
Tier-two Capital	(e)	29,227,841	28,802,129
Tier 2 Capital Instruments issued and related premium		14,000,000	14,000,000
Excess loss provisions		14,609,728	14,198,905
Eligible portion of non-controlling interests		618,113	603,224
Net capital		167,453,393	159,428,977
Risk-weighted assets	(f)	1,252,838,345	1,207,079,238

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.5 Capital management (Continued)

Pursuant to the “Capital Rules for Commercial Banks”:

- (a) The scope of consolidation related to the calculation of the Group’s Capital Adequacy Ratios includes Institutions and affiliated financial subsidiaries specified in the Regulation. The Common Equity Tier-one Capital Adequacy Ratio is calculated as Net Common Equity Tier-one Capital divided by risk-weighted assets. The Tier-one Capital Adequacy Ratio is calculated as Net Tier-one Capital divided by Risk-weighted Assets. The Capital Adequacy Ratio is calculated as Net Capital divided by Risk-weighted Assets.
- (b) The Group’s Common Equity Tier-one Capital includes ordinary share capital, capital reserve (subject to regulatory limitations), surplus reserve, general reserve, retained earnings and non-controlling interests (to the extent permitted in the Common Equity Tier-one Capital under the Regulation).
- (c) The Group’s Deductible Items from Common Equity Tier-one Capital include other intangible assets (excluding land-use rights), and common equity Tier-one Capital Investments in financial institutions over which the Group has control but are out of the regulatory consolidation scope for the Capital Adequacy Ratio calculation.
- (d) The Group’s Additional Tier-one Capital includes Additional Tier-one Capital Instruments and related premium and non-controlling interests (to the extent permitted in the Additional Tier-one Capital definition under the Regulation).
- (e) The Group’s Tier-two Capital includes Tier-two Capital Instruments and related premium, excessive allowance for loan losses, and minority interests (to the extent permitted in the definition of Tier-two Capital under the Regulation).
- (f) Risk-weighted Assets include Credit Risk-weighted Assets Market Risk-weighted Assets and Operational Risk-weighted Assets.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.6 Fiduciary activities

The Group provides custodian and trustee services to third parties. These assets arising thereon are excluded from the consolidated financial statements. The Group also grants entrusted loans on behalf of third-party lenders, which are not included in the consolidated financial statements either.

	As at 30 June 2024	As at 31 December 2023
Entrusted loans	35,468,321	34,914,555
Entrusted wealth management products	194,217,533	177,319,156

49 SUBSEQUENT EVENTS

The Group has no significant subsequent events.

Appendix I – Unaudited Supplementary Financial Information

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

According to Hong Kong Listing Rules and disclosure requirements of the banking industry, the Group discloses the following supplementary financial information:

1 LIQUIDITY RATIOS

	As at 30 June 2024	As at 31 December 2023
RMB current assets to RMB current liabilities	93.46%	83.44%
Foreign currency current assets to foreign currency current liabilities	60.33%	48.15%

Liquidity ratio is calculated according to the relevant regulations published by the prior China Banking and Insurance Regulatory Commission.

2 CURRENCY CONCENTRATIONS

	USD	EUR	Others	Total
As at 30 June 2024				
Spot assets	5,673,681	71,800	234,112	5,979,593
Spot liabilities	(6,494,767)	(49,577)	(40,337)	(6,584,681)
Forward purchases	2,920,556	77,514	31,101	3,029,171
Forward sales	(151,950)	(134,378)	(1,906,767)	(2,193,095)
Net long/(short) position	1,947,520	(34,641)	(1,681,891)	230,988
As at 31 December 2023				
Spot assets	2,609,196	89,318	374,827	3,073,341
Spot liabilities	(4,458,998)	(65,203)	(40,110)	(4,564,311)
Forward purchases	2,176,715	41,864	3,697,105	5,915,684
Forward sales	(2,209,121)	(44,381)	(58,429)	(2,311,931)
Net long/(short) position	(1,882,208)	21,598	3,973,393	2,112,783

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

3 INTERNATIONAL CLAIMS

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Chinese Mainland and regards all the claims on third parties outside Chinese Mainland as cross border claims.

International claims include balances with the central bank, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held for trading, financial assets designated at fair value through profit or loss, loans and advances to customers, financial assets held under resale agreements, financial assets at fair value through other comprehensive income and financial assets at amortised cost.

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

	Banks and other financial institutions	Non-bank private institutions	Total
As at 30 June 2024			
Asia Pacific (excluding Chinese mainland)	51,747	5,417,613	5,469,360
– Hong Kong	7,787	5,417,613	5,425,400
Europe	14,615	–	14,615
North and South America	399,820	–	399,820
Oceania	31,174	–	31,174
Total	497,356	5,417,613	5,914,969
As at 31 December 2023			
Asia Pacific (excluding Chinese mainland)	570,520	2,705,283	3,275,803
– Hong Kong	12,357	2,705,283	2,717,640
Europe	30,550	–	30,550
North and South America	455,495	–	455,495
Oceania	6,014	–	6,014
Total	1,062,579	2,705,283	3,767,862

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

4 LOANS AND ADVANCES TO CUSTOMERS

4.1 Overdue loans and advances to customers

Total amounts of overdue loans and advances to customers:

	As at 30 June 2024	As at 31 December 2023
Total loans and advances to customers which have been overdue:		
Within 3 months	4,197,222	3,927,047
Within 3 to 6 months (inclusive)	2,303,827	1,622,436
Within 6 to 12 months	2,707,474	3,182,550
Over 12 months	2,756,870	1,920,782
Total	11,965,393	10,652,815
By percentage:		
Within 3 months	35.08%	36.86%
Within 3 to 6 months (inclusive)	19.25%	15.23%
Within 6 to 12 months	22.63%	29.88%
Over 12 months	23.04%	18.03%
Total	100.00%	100.00%

Total amounts of overdue loans and advances to customers and allowance assessment by geographic segment:

	Anhui Province	Jiangsu Province	Other	Total
As at 30 June 2024				
Overdue loans and advances to customers	9,333,752	1,224,949	1,406,692	11,965,393
Individually assessed	(6,148,616)	(1,089,906)	(909,274)	(8,147,796)
As at 31 December 2023				
Overdue loans and advances to customers	8,230,937	1,401,686	1,020,192	10,652,815
Individually assessed	(6,021,818)	(1,289,110)	(683,971)	(7,994,899)

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

4 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

4.1 Overdue loans and advances to customers (Continued)

Fair value of collateral against overdue loans and advances to customers:

	As at 30 June 2024	As at 31 December 2023
Fair value of collateral		
Corporate loans	7,411,191	6,814,980
Personal loans and advances	1,616,710	2,226,227
Total	9,027,901	9,041,207

4.2 Identified impaired loans and advances

	Anhui Province	Jiangsu Province	Others	Total
As at 30 June 2024				
Identified impaired loans and advances for which allowance is:	7,907,669	1,369,151	1,594,713	10,871,533
Individually assessed	(6,318,613)	(1,269,170)	(1,015,317)	(8,603,100)
As at 31 December 2023				
Identified impaired loans and advances for which allowance is:	7,745,199	1,770,710	1,505,889	11,021,798
Individually assessed	(6,466,945)	(1,669,892)	(1,173,807)	(9,310,644)

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

Huishang Bank Co., Ltd. makes a supplementary disclosure of the following information in accordance with the former CBIRC:

1. SIGNIFICANT RELATED PARTY TRANSACTIONS APPROVED BY THE BOARD OF DIRECTORS

In the first half of 2024, Huishang Bank Co., Ltd. has reviewed the proposals for significant related transactions according to the “Administrative Measures on Related Transactions of Banking and Insurance Institutions” with related parties defined in the document (hereinafter referred to as the former “CBIRC”), and the details are as follows:

Date of approval by the board of directors		Content	New facility amount (including low risk amount)	Remarks
2024/1/30	The 59th Meeting of the 4th board of directors	Proposal on the approval of related party transactions between Huishang Bank and China Vanke Co., Ltd. with the companies related	2,510,000	
		Proposal on the approval of related party transactions between Huishang Bank and Hefei Xing Tai Financial Holding Group Co., Ltd. with the companies related	12,663,000	
2024/3/27	The 60th Meeting of the 4th board of directors	Proposal on the approval of related party transactions between Huishang Bank and Anhui Guoyuan Shareholdings (Group) Co., Ltd. with the companies related	3,405,000	
2024/6/28	The 63rd Meeting of the 4th board of directors	Proposal on the approval of related party transactions between Huishang Bank and Wuhu City Construction Investment Co., Ltd. with the companies related	3,835,000	
		Proposal on the approval of related party transactions between Huishang Bank and Huishang Bank Financial Leasing Co., Ltd. with the companies related	12,000,000	
		Proposal on the approval of related party transactions between Huishang Bank and Chery HuiYin Motor Finance Service Co., Ltd. with the companies related	4,600,000	
		Proposal on the approval of related party transactions between Huishang Bank and Anhui Credit Financing Guarantee Group Co., Ltd. with the companies related	4,650,000	
		Proposal on the approval of related party transactions between Huishang Bank and Anhui Energy Group Co., Ltd. with the companies related	5,990,000	
		Proposal on the approval of related party transactions between Huishang Bank and Anhui Provincial Transportation Holdings Group Co., Ltd. with the companies related	20,687,997	

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

2. IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS

As of the end of the second quarter of 2024, the significant related party transactions between Huishang Bank Co., Ltd., and the related parties under the former CBIRC's definition are as follows:

2.1 The amount of a single related party transaction accounting for more than 1% of the net capital of the commercial bank

As of the end of the second quarter of 2024, Huishang Bank had no single transaction amount with a single related party that reached over 1% of the net capital at the end of the previous quarter.

2.2 The balances of related party transactions accounting for more than 5% of the net capital of the commercial bank

(1) Hefei Xingtai Financial Holdings (Group) Co., Ltd., and its related companies

Related party	Transaction type	Amount	Remarks
Hefei Xing Tai Financial Holding Group Co., Ltd.	Floating capital loans	599,900	
	Bond balance underwriting limit	240,000	
	Investment in bonds	190,000	
	Debt financing instrument	490	
	Underwriting fees charged	148	
Anhui Xingtai Financial Leasing Co., Ltd.	Floating capital loans	463,000	
	Domestic letter of credit	209,000	
	Underwriting fees charged	84	
	Debt financing instrument	120,000	
	Domestic factoring	134,000	
Hefei Xingtai Small Loan Co., Ltd.	Floating capital loans	30,000	
Hefei Xingtai Commercial Factoring Co., Ltd.	Floating capital loans	80,000	
Anhui Xingtai Financing Guarantee Group Co., Ltd.	E-bidding guarantee	2,480	
	Time deposit	150,302	
Hefei Xingtai Technology Credit Guarantee Co., Ltd.	Compensation fees paid by the guaranteed company to the bank	800	
CCB Trust Co., Ltd.	Trustee fee of trust scheme	59	

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

2. IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

2.2 The balances of related party transactions accounting for more than 5% of the net capital of the commercial bank (Continued)

(1) Hefei Xingtai Financial Holdings (Group) Co., Ltd., and its related companies (Continued)

Related party	Transaction type	Amount	Remarks
Huafu Fund Management Co., Ltd.	Interest of reverse repurchase	386	
	Interest of interbank deposit	1,169	
	Fund management fee	2,325	
	Consignment revenue	6	
	Trustee fees for fund products	955	
CCB Fund Management Co., Ltd.	Management fee of asset management plan	7,627	
	Interest of reverse repurchase	6,379	
	Interest of interbank deposit	44,264	
	Cash bond trading	370,000	
	Trustee fee of fund	469	
CCB Principal Capital Management Co., Ltd.	Cash bond trading	50,000	
Hefei Guokong Construction Financing Guarantee Co., Ltd	E-bidding guarantee	12,950	
	Separate letter of guarantee	488,631	
	Compensation fees paid by the guaranteed company to the bank	18,409	
	Time deposit	90,385	

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

2. IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

2.2 The balances of related party transactions accounting for more than 5% of the net capital of the commercial bank (Continued)

(1) Hefei Xingtai Financial Holdings (Group) Co., Ltd., and its related companies (Continued)

Related party	Transaction type	Amount	Remarks
Anhui Amber Property Service Co., Ltd.	Property management fees and electricity charges	79	
Anhui Public Resources Trading Group Co., Ltd.	Time deposit	404,000	
Anhui Public Resources Project Management Co., Ltd.	Bidding service charge	20	
Hefei Property Rights Trading Center	Deposit payment	270	
	Service Charge due Agent	21	
Suzhou Security Service Co., Ltd.	Security expense	1,050	
Chizhou Security Guard Service Co., Ltd.	Security expense	559	
Hefei Security Group Co., Ltd.	Security expense	10,405	
Ma'anshan MCC Hi Tech Construction Co., Ltd.	Fixed assets loan	174,450	
Hefei Xingtai Commercial Assets Operation Co., Ltd.	Time deposit	13,450	
Hefei Tongka Co., Ltd.	Time deposit	100,000	
Hefei Xingtai Guarantee Asset Management Co., Ltd.	Floating capital loans	27,000	
Hefei Urban Construction Beicheng Real Estate Co., Ltd.	Real estate project loans	262,000	
China Construction Bank Corporation	Collection fees for bank acceptance bills	2,479,000	
	Sell business at a discount	331,000	
	Transfer discount buyout business	574,000	
	Investment in asset management plan	2,380,000	

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

2. IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

2.2 The balances of related party transactions accounting for more than 5% of the net capital of the commercial bank (Continued)

(1) Hefei Xingtai Financial Holdings (Group) Co., Ltd., and its related companies (Continued)

Related party	Transaction type	Amount	Remarks
	Investment in wealth management products	389,551	
	Interest of repurchase	27,462	
	Interbank Certificate of Deposit	400,000	
	Cash bond trading	1,760,000	
	Interbank deposits	16,104,496	
	Amount of financing for precious metals	6,591,945	
	Acceptance of a bill of exchange	417,329	
	Interest of reverse repurchase	104	
	Acceptance of a bill of exchange	477,367	
	Exchange forward turnover	46,826	
	Foreign exchange options trading volume	101,913	
	Interest paid on foreign currency loans	1,014	

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

2. IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

2.2 The balances of related party transactions accounting for more than 5% of the net capital of the commercial bank (Continued)

(1) Hefei Xingtai Financial Holdings (Group) Co., Ltd., and its related companies (Continued)

Related party	Transaction type	Amount	Remarks
China Construction Bank Corporation	Interest of foreign currency borrowing and lending	1,366,549	
	Handling fees for issuing letters of credit on behalf of others	303	
Jiayin (Zhejiang) Real Estate Land Asset Appraisal Co., Ltd.	Assessment Fee	71	
MCC Jianxin Investment Fund Management (Beijing) Co., Ltd.	Collection of private equity fund custody fees	21	
Hefei High Tech Public Resources Exchange Co., Ltd.	Time deposit	12,020	
Anhui Xingtai Information Technology Co., Ltd.	Cooperative service fee	450	
Hefei Industrial Technology Development Co., Ltd.	Investment in bonds	100,000	
Anhui Cultural Property Exchange Co., Ltd.	Service Charge due Agent	10	
	Bid Security	25	
Hefei Luyang Financial City Investment Development Co., Ltd.	Syndicated Loan	3,271	
CCB Futures Co., Ltd.	Cash bond trading	70,000	

Appendix I – Unaudited Supplementary Financial Information (Continued)

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

3. RELATED PARTY TRANSACTIONS WITH RELATED NATURAL PERSONS

The related natural persons of the Bank (in accordance with the “Administrative Measures on Related Transactions between Commercial Banks and Insiders and Shareholders”) mainly include: (1) natural person shareholders of the banking and insurance institutions, the actual controller, persons acting in concert and final beneficiaries; (2) other natural persons that have a significant influence on the banking and insurance institutions and persons who hold less than 5% of the equity but have a significant influence on the management of the banking and insurance institutions; (3) shareholders, directors, and senior managers of the head office and other significant branches and legal persons who have the authority to give permissions or decide on core business such as large credit, asset transfer and insurance fund application; (4) spouses, parents, children who are already adults and siblings of the people mentioned in the articles of 1-3 above. (5) Shareholders, directors, and senior managers of the related party mentioned in the 1st and 2nd terms in the 7th article. The Bank’s natural person shareholders hold or control less than 5% of the equity, and the Bank has no major natural person shareholders.

As at the end of the second quarter of 2024, the balance of related party transactions by related natural persons of the Bank was RMB128,317 thousand, which mainly comprised personal housing loans, personal comprehensive consumption revolving loans, credit card overdrafts, and other services. The total of time deposits and other related transactions is RMB314,532 thousand. All the related transactions by related natural persons are normal related party transactions.