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重慶農村商業銀行

CHONGQING RURAL COMMERCIAL BANK

重慶農村商業銀行股份有限公司*

Chongqing Rural Commercial Bank Co., Ltd.*

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

(Stock Code: 3618)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board of directors (the “**Board**”) of Chongqing Rural Commercial Bank Co., Ltd. 重慶農村商業銀行股份有限公司* (the “**Bank**”) is pleased to announce the unaudited interim consolidated results of the Bank and its subsidiaries (the “**Group**”) for the six months ended 30 June 2023 (the “**Interim Results**”). This announcement contains the full text of the interim report of the Group for the six months ended 30 June 2023 and the contents were prepared in accordance with the relevant disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) and International Financial Reporting Standards. The Interim Results have also been reviewed by the Board and the audit committee of the Board. This results announcement is published on the websites of the Bank (www.cqrcb.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The interim report of the Bank for the six months ended 30 June 2023 will be despatched to shareholders of the Bank and will also be available at the abovementioned websites in due course.

By order of the Board

Chongqing Rural Commercial Bank Co., Ltd.*

重慶農村商業銀行股份有限公司*

Xie Wenhui

Chairman and Executive Director

Chongqing, the PRC, 25 August 2023

As at the date of this announcement, the executive directors of the Bank are Mr. Xie Wenhui, Mr. Sui Jun and Mr. Zhang Peizong; the non-executive directors of the Bank are Ms. Hu Chun, Mr. Yin Xianglin and Ms. Gu Xiaoxu; and the independent non-executive directors of the Bank are Mr. Song Qinghua, Mr. Zhang Qiaoyun, Mr. Lee Ming Hau, Mr. Li Jiaming and Ms. Bi Qian.

* *The Bank holds a financial licence number B0335H250000001 approved by the regulatory authority of the banking industry of the PRC and was authorised by the Administration for Market Regulation of Chongqing to obtain a corporate legal person business licence with a unified social credit code 91500000676129728J. The Bank is not an authorised institution in accordance with the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking/deposit-taking business in Hong Kong.*

Important Notice

1. The Board, the Board of Supervisors and the directors, supervisors and senior management of the Bank warrant the truthfulness, accuracy and completeness of the contents of this report, and that there are no false presentations, misleading statements or material omissions herein, and are legally liable jointly and severally.
2. The 2023 interim report and the results announcement of the Bank have been considered and approved at the 31st meeting of the fifth session of the Board of Directors of the Bank convened on 25 August 2023. The number of directors who should attend the meeting is 11 with 11 directors actually attended the meeting, 1 director entrusted other directors to vote on their behalf. Some supervisors and senior management personnel of the Bank attended the meeting.
3. The 2023 interim financial report prepared by the Bank in accordance with Chinese Accounting Standards has been reviewed by KPMG Huazhen LLP in accordance with China Standards on Review Engagements, and the 2023 interim financial report prepared in accordance with International Financial Reporting Standards has been reviewed by KPMG in accordance with the International Standards on Review Engagements.
4. The Bank's chairman Xie Wenhui and vice president in charge of accounting and officer-in-charge of the accounting department Shu Jing warrant the truthfulness, accuracy and completeness of the financial statements in this report.
5. The Bank did not distribute profits, and no capitalisation of the capital reserve to share capital is proposed during the 2023 interim period.
6. This report may contain forward-looking statements such as future plans of the Bank. Such statements are made by the Bank based on the current situation and forecast, and are related to future events or the Bank's future financial, business or other performance. Possible future plans do not constitute a substantive commitment by the Bank to its investors. Investors and people concerned should be fully aware of the risks and understand the differences between plans, forecast and commitment.
7. There is no misappropriation of the Bank's funds by its controlling shareholders and other related parties for non-operating purposes and no instance of providing external guarantee that is in breach of the established decision-making procedure.
8. The Bank has no significant risks that need to draw special attention of investors. For details of the major risks that the Bank faces in its business operation and various measures adopted by the Bank, please refer to the Risk Management section in Chapter 3 under this interim report.

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Definitions

Articles of Association	Articles of Association of Chongqing Rural Commercial Bank Co., Ltd.* (重慶農村商業銀行股份有限公司), as amended from time to time
Board of Directors or Board	the board of directors of the Bank
Board of Supervisors	the board of supervisors of the Bank
PBOC or Central Bank	the People's Bank of China
CBIRC	former China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
CBIRC Chongqing Office	former China Banking and Insurance Regulatory Commission Chongqing Regulatory Bureau (中國銀行保險監督管理委員會重慶監管局)
Chongqing Rural Commercial Bank, Bank or our Bank	Chongqing Rural Commercial Bank Co., Ltd.* (重慶農村商業銀行股份有限公司)
Group	Chongqing Rural Commercial Bank Co., Ltd.* (重慶農村商業銀行股份有限公司) and its subsidiaries
CQRC Wealth Management	CQRC Wealth Management Co., Ltd.
CQRC Financial Leasing	CQRC Financial Leasing Co., Ltd.
HKD or HK dollars	the lawful currency of Hong Kong
Hong Kong	Hong Kong Special Administrative Region, the PRC
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
CG Code	Corporate Governance Code, Appendix 14 to the Hong Kong Listing Rules
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Shanghai Stock Exchange	Shanghai Stock Exchange

Definitions

PRC or China	the People's Republic of China
RMB or Renminbi	the lawful currency of the PRC
yuan	RMB yuan
United States	the United States of America
USD or U.S. dollars	the lawful currency of the United States
urban area	9 urban areas in Chongqing City, namely Yuzhong District, Dadukou District, Jiangbei District, Shapingba District, Jiulongpo District, Nan'an District, Beibei District, Yubei District and Ba'nán District
county area	Regions other than 9 urban areas of Chongqing city, also including 12 village and township banks controlled by the Bank and Qujing Branch established in another province by the Bank
CPC	the Communist Party of China (中國共產黨)
rural commercial bank	a short-hand reference to rural commercial bank (農村商業銀行)
Sannong	a short-hand reference to the Chinese pronunciation of the phrase "agriculture, rural areas and farmers"
village and township banks	bank institutions that are approved by China Banking Regulatory Authority to be incorporated in rural areas to provide services to local farmers or enterprises
Reporting Period	for the six-month period from 1 January 2023 to 30 June 2023

Company Information

I. Basic Information

Legal name and abbreviation in Chinese	重慶農村商業銀行股份有限公司 (abbreviated as “重慶農村商業銀行”)
Legal name and abbreviation in English	Chongqing Rural Commercial Bank Co., Ltd. (abbreviated as “Chongqing Rural Commercial Bank”)
Legal representative	XIE Wenhui
Authorised representatives	XIE Wenhui ZHANG Peizong
Secretary to the Board	ZHANG Peizong
Securities affairs representative	XIE Xiaozhou
Contact details for investors	Correspondence Address: No. 36 Jinshamen Road, Jiangbei District, Chongqing Telephone: (86)23-61110637 Fax: (86)23-61110844 Email address: ir@cqrcb.com
Company Secretary	LEUNG Chi Kit
Registered and office address and postcode	No. 36 Jinshamen Road, Jiangbei District, Chongqing 400023
Historical change of the registered address	The registered address of the Bank at the time of its establishment on 27 June 2008 was No. 10 Yanghe Road East, Jiangbei District, Chongqing, and was changed to the current registered address on 1 April 2017
Principal place of business in Hong Kong	31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Company’s website	www.cqrcb.com
Email address	cqrcb@cqrcb.com
Name of designated media for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Designated website of CSRC for publication of interim report	Website of the Shanghai Stock Exchange (www.sse.com.cn)

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Website of the Hong Kong Stock Exchange for publication of interim report	the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk)
Place for maintenance of interim report	Office of the Board of Directors of the Bank
A-share listing stock exchange	Shanghai Stock Exchange Stock Short Name: Yu Nong Shang Hang Stock Code: 601077
H-share listing stock exchange	The Stock Exchange of Hong Kong Limited Stock Short Name: CQRC BANK Stock Code: 3618
A share registrar	Shanghai branch of China Securities Depository and Clearing Corporation Limited Address: No. 188 Yanggaonan Road, Pudong New District, Shanghai
H share registrar	Computershare Hong Kong Investor Services Limited Address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Date of first incorporation and registration authority	27 June 2008 Administration for Market Regulation of Chongqing
Unified social credit code of corporate legal person business license	91500000676129728J
Financial license institution number	The Bank holds a financial license number B0335H250000001 approved by the CBIRC Chongqing Office
Auditors	KPMG Huazhen LLP Address: 8th Floor, KPMG Tower, Oriental Plaza, 1 East Chang An Avenue, Beijing, China Signing accountants: XUE Chenjun, WANG Weishun KPMG Address: 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong Signing accountant: CHAN Siu Tung, Thomas

Legal advisor as to PRC laws	SGLA Law Firm (Chongqing) Address: 10-12F, Building 7, Corporate Avenue, No. 7 Huasheng Road, Yuzhong District, Chongqing
Legal advisor as to Hong Kong laws	Clifford Chance LLP Address: 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong

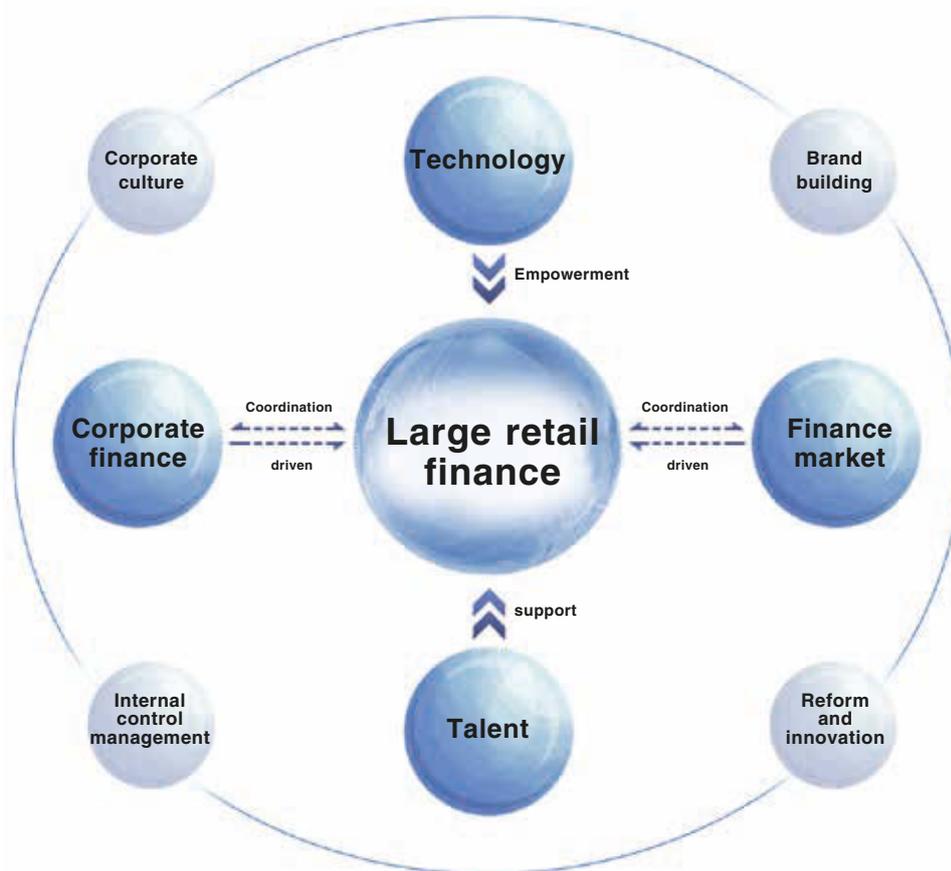
II. Business Overview

The Bank was established in 2008 and listed on the Main Board of the Hong Kong Stock Exchange in 2010 and on the main board of the Shanghai Stock Exchange in 2019. The Bank's main businesses include retail finance business, inclusive finance business, corporate finance business and financial market business. Among them, the retail finance business mainly includes personal loan and deposit business, bank card business and intermediary business, etc. Inclusive finance business mainly provides financial services for new agricultural business entities such as small and micro enterprises, farmers and farmers' professional cooperatives. The corporate finance business mainly provides a wide variety of finance products and services for enterprises and public institutions, government agencies, and financial institutions, mainly including corporate loans and deposits business, trade financing loans business, bills business, guarantees business, etc. The financial market business mainly includes capital operation business, investment banking business and asset custody business. At the same time, the Bank currently has one wholly-owned non-banking subsidiary and one non-banking holding subsidiary, which engage in wealth management business and financial leasing business, respectively.

III. The Development Strategy and Core Competitiveness

(I) Development strategy of the Bank

Under the strategic goal of “striving to become a leading regional bank in China”, the Bank further promotes the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, focuses on building a development system of “all-in-one four-wheel drive”, grasps the macro trend, conforms to the industry trend, combines its own advantages, takes the “large retail” business as the subject of core competitiveness, takes the corporate financial business, financial market business, financial technology and talent team as the “four driving forces” with interconnected development and unified goals of the Bank. The corporate financial business and the financial market business and the “large retail” are coordinated, integrated and promoted, the technology empowers the digital transformation of the Bank, and the professional talent team supports the implementation of strategies and businesses, jointly promoting the Bank’s high-quality and connotative development, continuously improving the ability of financial services to the real economy, and contributing financial forces in implementing major national strategies.



1. *The subject of “large retail”*

Based on the market positioning of “serving Sannong, serving small and medium- sized enterprises and serving county-level economy”, the Bank insists on customer- oriented principle, creates a “large retail” business ecology with distinctive features, outstanding advantages and market leadership, establishes a well-known retail brand of “Yukuai Life” with prominent features, strives to become “a retail bank with best customer experience in the central and western regions” and establishes a solid foundation for high-quality development.

– New retail thinking of “three transformations”

Transform from “product marketing” to “customer’s housekeeper”. Focus on client management, transform from “product marketing” which only provides financial products and services to “customer’s housekeeper” of all information, all channels, all businesses and all products, leverage on system tools to ensure that customers of different lines, such as small and micro enterprises, individuals and credit cards, are “managed”, and different customers can be “managed effectively” by categories and levels, so as to truly achieve “customer-oriented”.

Transform from “B2C” to “BBC”. Transform from the traditional “bank to customer” to “bank-business-customer”. Build a BBC financial ecosystem, turn the Bank into a platform, construct a client value-added rights and interests system and build an integrated ecosystem of finance and life with clients and merchants (farmers).

Transform from “traditional hall service” to “OMO integration”. Base on the outlets scene and product digitization, take the intelligent machines and tools at outlets and the working APPs of employees as an important carrier, improve the intelligent level of offline outlets, build the offline service contacts of the ecosystem, and realize the outlets transformation from transactional outlets to service marketing outlets. Open the online and offline information exchange channels and promote the collaborative integration of online and offline multi-channel customer acquisition and service.

– New retail strategy of “five attitudes”

Serve counties attentively and set up the model of rural vitalization. Seize the opportunity of the development policy of rural vitalization strategy, give play to the channel advantages of 1,449 county outlets, rely on the rural credit system construction platform and the rural service management platform to enrich digital products and services and fully tap the financial demand potential of individual and agricultural industry in rural areas.

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Serve users wholeheartedly and build a BBC financial ecosystem. Build an integrated ecosystem of finance and life based on the scene of “food, lodging and transportation; sightseeing, shopping and entertainment; medicine, education and nursing”. Bind the products with the merchants deeply with “merchant code + system” serving merchants’ products, conduct deep cooperation with farmers through agricultural industry chain services, approach the construction of the ecosystem and create scene marketing.

Serve high net worth clients intently and strengthen wealth management. Build a professional wealth management center, a professional customer manager team, a professional private banking product system, and a professional customer rights and interests system.

Serve all customers closely and reconstruct the customer operation system. Reconstruct the customer management system with the customer as the center to realize the effective management of all customers by specific organization and staff, focus on customer experience and enhance customer stickiness. Identify customers and accurately depict them in the customer whole life cycle of “seven transformations and seven contributions”, and use digital transformation to empower business marketing to truly achieve customers in batches, active customers with scenario-based services and excellent customers with characteristics.

Concentrate on technology empowerment, digital products, processes and management. Enrich mobile banking APP and micro banking functions, optimize the basic financial services of “deposit, loan, remittance, payment and inquiry”, and accelerate launches of products online to create the “Yukuai” series of online products. Establish the intelligent brain of the outlets, and create a digital workflow for customer managers and the customer digital business experience. Empower management and build automated and intelligent credit granting and risk management.

2. “Four driving forces”

(1) Corporate financial business

Stabilize the scale, optimize the structure, promote transformation, focus on optimizing the asset structure, customer structure and income structure, accelerate the pace of scenario transformation, channel transformation and settlement transformation, and enhance the linkage ability of loans, debts, investments, rent and foreign exchange.

- Enhance the business synergy, strengthen the linkage with the “large retail” business, and create the omni-channel services for accounts, corporate online banking, cards and cash management platform.

- Improve the digital management, build a big data platform for corporate business, realize customer insight, and implant the comprehensive services into the customer business ecology.
- Optimize the green financial service model, and promote the deep integration of developing green finance with serving local economic construction and social and people's livelihood.
- Actively integrate into major national strategies, increase the support for the real economy, constantly cultivate new business growth points, and promote the high-quality development of regional economy.

(2) Financial market business

Steady the income, strengthen the transactions, expand the market, and strive to become an investment expert, an asset operation housekeeper and a capital operation expert in the field of capital business.

- Develop the business in a coordinated and integrated way, continuously optimize the construction of marketing system, enrich products and services in the same industry, and enhance the breadth and depth of cooperation in the same industry.
- Focus on improving the investment and research capabilities and trading capabilities, steadily develop into trading, light-oriented and specialization, and enhance the contribution of transactions.
- Scientifically analyze the market situation, continuously optimize the customer structure, strengthen the internal and external linkage of investment banking business, and enhance the comprehensive financial service capability.
- Enhance the asset allocation and product management capabilities, serve customers with product specialization and service innovation, and build a leading platform for wealth creation, innovation and creation.

(3) Financial technology

Take digital transformation as an important breakthrough in development potential and competitiveness, accelerate the digital transformation, increase the investments in financial technology, accelerate the application of new technologies such as big data, AI and cloud computing, so as to fully release the value of financial technology, and enhance the level of technological empowerment and the value creation ability. Adhere to independent research and development, and form a "patent pool" and "standard library" with the characteristics of the rural commercial bank and local features.

– Promote the “Four Enhancements”

Enhance the level of financial technology empowerment. Strengthen basic research and application research, promote the transformation of scientific and technological achievements, establish a customer-centered management platform that runs through all kinds of businesses, support the coordinated development of businesses, empower the risk management before, during and after lending, and promote the improvement of the digital management level of the Bank.

Enhance the level of smart financial service. Continuously iterate “smart bank”, implant the gene of the platform, explore open bank, and create a modern financial service ecosystem by integrating “platform + scenario” and “scenario + finance”.

Enhance the level of online and offline integration. Solve offline bottlenecks by technological means, accelerate the transformation of the new generation of outlets and rebuild the outlet’s journey of customers to establish “Air Counter”. Make customer service precise, put application scenarios on the platform, and integrate linkage marketing. Expand advantages of online products to develop online users into comprehensive customers.

Enhance the level of data mining value. Carry out professional processing and in- depth mining through advanced technology such as big data, turn the data stock of the Bank into business flow, launch personalized, differentiated and customized exclusive services, and achieve the goal of “value-added” of data.

(4) Talent team

Adhere to the principle of “service development, talent priority, overall development and use-oriented”, coordinate the relationship between “intelligence” and “skill”, the relationship between “tower spire” and “tower base”, and the relationship between “the near one pleases” and “the far one comes”, make great efforts to promote the construction of “marketing iron army”, develop and bring up a talent team with high comprehensive quality, strong execution ability and practical work style, and provide the talent support and intellectual guarantee for promoting high-quality development of the Bank.

– Implement the “Five Programs”

Management talent leading program. Formulate strict standards for good cadres in the new era, and select and properly use a group of middle-level leaders and basic-level managers who are good at operation, understand management and adapt to strategic needs. Promote the reform of the management tenure system and contractual management, and form a management system featuring market-oriented recruitment, contractual management, differentiated compensation, and market-oriented exit.

Professional talent development program. Introduce and develop core talents in high-level key positions urgently needed in operation and management in accordance with the principle of “one matter, one approach; one person, one strategy”. Strive to build a high-skilled talent team with reasonable structure, matching echelons and outstanding performance.

Practical talents support program. Create an employer brand, conduct “internship” programs and carry out recruitment by region, level and job type. Increase the intensity of double-selection, investigation and research, up-appointment and down-transfer, and broaden the career development channels for talents.

Talent quality improvement program. Improve tracking and cultivation of management trainee, rotation and cultivation of reserve cadres as well as exchange and cultivation of up-appointment and down-transfer, and build a three-dimensional training system of “bringing in + going out, online + offline, head office + line + branch”.

Talent service guarantee program. Optimize the organizational structure, improve the compensation system, promote the digital construction of human resources, create a more high-quality platform for talent development, and form good atmosphere that is conducive to all kinds of outstanding talents to stand out and fully show their abilities.

(II) Investment value and core competitiveness of the Bank

Development strategy of sticking to our own business and clear orientation. Adhere to the main responsibility and business of supporting “agriculture, rural areas and farmers” and supporting small and micro businesses and serving the real economy, comply with the development trend of the new pattern of double circulations, deeply serve the rural vitalization and development, establish the strategic direction of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, and a development system of “all-in-one four-wheel drive”, adhere to high-quality and endogenous growth, and strive to build the Bank into a “national leading regional bank”.

Realistic, enterprising, innovative and developing corporate culture. Since its establishment, the Bank has always maintained the gene of “benchmark bank culture”, rooted in Chongqing and faced the whole country, been the pioneer, become the first “A + H” share bank in western China by overcoming many difficulties, and become the leading rural commercial bank in China. The Bank inherits the excellent tradition of “loyalty and responsibility, tenacity and enterprising, diligence and dedication, and simplicity and obligation”, and create an enterprise atmosphere of “want to do things, able to do things, and do things well”.

Scientific, efficient, sustainable and complete management system. As a local legal entity, the Bank has few management levels and short decision-making chain, which plays a key role in the development of adapting to market changes and seeking innovation. Keep adhering to refined management, integrate it into the corporate culture, establish the risk management, operation management, technology management, human resource management and financial management system and their abilities, and constantly promote the management of important management areas with advanced enterprises as the benchmark, so as to achieve the benefit from management.

Digital and intelligent technology empowerment. Adhere to the technology drive, specially establish a financial technology center, realize the complete closure of business, data, technology and channels, and build a digital rural commercial bank in an all-round way. Adhere to independent innovation, occupy the commanding height of technology, create the “three heights” cloud services, promote the “three stages” of data governance, and build the “three modules” of intelligent operation, which jointly support seven integrated major digital business capabilities, including intelligent risk control, precise marketing, efficient operation, online and offline integration, refined management, high-quality experience and cooperative ecology.

Retail finance with significant advantages and potential. Make use of three traditional advantages including outlets across the urban and rural areas, team advantages and leading client base as well as three modern advantages of new technology, new channel and new system, take customer as the center, implement the “five attitudes” strategy of retail finance, build an ecological platform, a financial life circle and a core brand, deeply tap the potential of customers, promote retail finance to constantly release potentials and become the main part of the Bank’s business development.

Corporate finance with green development and intensive cultivation. Focus on the goals of “carbon peaking and carbon neutrality” and become the first “equator bank” in the central and western regions. Establish a “1+3+22+N” green financial system structure to develop green credit and green financial products, and comprehensively promote the construction of green financial benchmark bank. Locate at the important connection point between “the Belt and Road Initiative” and the Yangtze River Economic Belt and the core city of Chengdu- Chongqing Economic Circle, and actively integrate into the major national strategies, having the strategic development advantages and opportunities. Under the background of digital economy, create the “expert” and “housekeeper” services by driving the standardized corporate customer management and the digital, integrated and scenario-based financial services with scientific and technological innovation.

Integrated and collaborative financial market business. Take “integrated financial market operator” as the goal, act collaboratively in the manner of “united as one team” of the Group, take “settlement and clearing + trust” as the support, take “investment + wealth management” as the approach, promote the three-level linkage of interbank, business line and head office-branch, constantly tap the cooperation potentials of interbank customers, and form a whole chain customer group service system of “investment + capital + trust + investment bank”.

Financial Summary

(The financial information set forth in this interim report is the Group's data prepared on a consolidated basis in accordance with the International Financial Reporting Standards and expressed in RMB unless otherwise stated)

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2023	For the six months ended 30 June 2022	Comparison between the period and the same period of last year	For the six months ended 30 June 2021
Operating results			Rate of change (%)	
Net interest income	12,043.6	12,790.8	(5.84)	13,104.0
Net non-interest income	2,825.5	2,507.1	12.70	2,067.5
Among which: net fee and commission income	992.3	1,038.9	(4.49)	1,262.5
other net non-interest income	1,833.2	1,468.2	24.86	805.0
Operating income	14,869.1	15,297.9	(2.80)	15,171.5
Operating expenses	(4,806.5)	(4,316.5)	11.35	(4,204.5)
Credit impairment losses	(1,845.2)	(3,619.5)	(49.02)	(3,953.0)
Profit before tax	8,217.4	7,361.9	11.62	7,014.0
Net profit	7,120.5	6,496.3	9.61	5,817.9
Net profit attributable to shareholders of the Bank	6,986.0	6,379.0	9.52	5,733.3
			Change in amount	
Based on per share (RMB/yuan)				
Basic earnings per share ⁽¹⁾	0.61	0.56	0.05	0.50
Diluted earnings per share ⁽¹⁾	0.61	0.56	0.05	0.50
			Change (percentage point)	
Profitability indicators (%)				
Annual average return on total assets ⁽²⁾	1.03	1.01	0.02	0.99
Annual weighted average return on net assets ⁽¹⁾	12.54	12.38	0.16	11.87
Net interest spread ⁽³⁾	1.70	1.91	(0.21)	2.06
Net interest margin ⁽⁴⁾	1.79	2.03	(0.24)	2.23
Net fee and commission income to operating income ratio	6.67	6.79	(0.12)	8.32
Cost-to-income ratio ⁽⁵⁾	31.20	27.16	4.04	26.72

Financial Summary

(Expressed in RMB million, unless otherwise stated)	30 June 2023	31 December 2022	Comparison between the end of the period and the end of last year	31 December 2021
Scale indicators			Rate of change (%)	
Total assets	1,438,791.1	1,352,301.2	6.40	1,266,291.2
Among which: Carrying balance of loans and advances to customers	673,736.0	632,677.1	6.49	582,166.5
Allowances for impairment on loans and advances to customers	(28,558.3)	(27,591.7)	3.50	(24,831.5)
Total liabilities	1,318,617.8	1,236,844.9	6.61	1,159,807.1
Among which: deposits from customers	902,482.1	824,946.8	9.40	759,360.2
Share capital	11,357.0	11,357.0	–	11,357.0
Equity attributable to shareholders of the Bank	118,306.0	113,723.5	4.03	104,952.8
Non-controlling interests	1,867.3	1,732.8	7.76	1,531.3
Total equity	120,173.3	115,456.3	4.09	106,484.1
Based on per share (RMB/yuan)			Change in amount	
Net assets per share attributable to ordinary shareholders of the Bank ⁽⁶⁾	9.89	9.49	0.40	8.89
Assets quality indicators (%)			Change (percentage point)	
Non-performing loan ratio	1.21	1.22	(0.01)	1.25
Provision coverage ratio	350.87	357.74	(6.87)	340.25
Provision-to-loan ratio	4.24	4.36	(0.12)	4.27
Capital adequacy ratio indicators (%)			Change (percentage point)	
Core Tier 1 capital adequacy ratio ⁽⁷⁾	12.86	13.10	(0.24)	12.47
Tier 1 capital adequacy ratio ⁽⁷⁾	13.57	13.84	(0.27)	12.98
Capital adequacy ratio ⁽⁷⁾	15.30	15.62	(0.32)	14.77
Total equity to total assets ratio	8.35	8.54	(0.19)	8.41
Other indicators (%)			Change (percentage point)	
Loan-to-deposit ratio	74.65	76.69	(2.04)	76.67

Financial Summary

Notes:

- (1) Calculated in accordance with the requirements of the “Rules on the Preparation and Submission of Information Disclosed by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share” (Revision 2010) issued by CSRC.
- (2) Average return on total assets represents the net profit for the period (including profit attributable to non-controlling interests) as a percentage of the average balance of total assets as at the beginning and end of the period.
- (3) Calculated as the difference between the average yield on total interest-bearing assets and the average cost rate on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-bearing assets.
- (5) Calculated by dividing total operating expenses (excluding taxes and surcharges and other operating cost) by operating income.
- (6) Calculated by dividing shareholders’ equity attributable to ordinary shareholders of the Bank after the deduction of other equity instruments as at the end of the period by the total number of ordinary share capital as at the end of the period.
- (7) Calculated in accordance with the “Regulation Governing Capital of Commercial Banks (Provisional)” promulgated by the CBRC.

Basis of Preparation of Certain Financial Indicators

Under the IFRSs, the restructuring of the Bank was accounted for as an acquisition of the business from the 39 Rural Credit Unions and Chongqing Rural Credit Cooperative Union (the “CRCU”) by the Bank on 27 June 2008 instead of merger accounting due to the fact that there were no same party or parties ultimately controlling the 39 Rural Credit Unions, CRCU and the Bank before and after the restructuring.

Management Discussion and Analysis

I. Overall Operating Analysis

In the first half of 2023, the Group earnestly implemented various national decision-making arrangements and regulatory requirements, adhered to the market positioning of “serving Sannong, serving small and medium-sized enterprises and serving county-level economy”, practiced the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, deepened the development system of “all-in-one four-wheel drive”, strived to implement the twelve words of “increasing income, preventing risks, optimizing structure, and grasping transformation”, focused on serving the main business and actively fulfilled responsibilities, with the following characteristics of operation:

The foundation of steady operation and development continued to be consolidated. The total assets amounted to RMB1,438.791 billion, representing an increase of RMB86.490 billion as compared to the end of the previous year, deposit balance of RMB902.482 billion, representing an increase of RMB77.535 billion as compared to the end of the previous year, and loan balance of RMB673.736 billion, representing an increase of RMB41.059 billion as compared to the end of the previous year. The scale of assets, deposits and loans continued to rank first in Chongqing. The profit indicator grew steadily with net profits of RMB7.121 billion, representing a year-on-year increase of RMB624 million. The asset quality maintained stable with the non-performing loan (“NPL(s)”) ratio of 1.21%, representing a decrease of 0.01 percentage point as compared to the end of the previous year. Provision coverage ratio of 350.87%, capital adequacy ratio of 15.30% and core Tier 1 capital adequacy ratio of 12.86%, showed strong risk resistance ability. The Bank ranked 115th in the “2023 Top 1000 Global Banks” of The Banker and ranked 22nd among the PRC banks on this list, maintaining the first place among the national rural commercial banks and the central and western banks.

The level of serving real economy continuously improved. The Bank proactively interconnected the major strategic opportunities, provided diversified services such as credit, bonds, investment banking, financial leasing and wealth management, and supported 141 major projects and municipal key projects in the Chengdu-Chongqing Economic Circle with credit amount of RMB108.421 billion and loan balance of RMB21.681 billion. The Bank focused on the construction of the new western land and sea corridor, and used special products such as “Land-Sea New Channel Loan” to support the financing balance of foreign trade enterprises along the routes of RMB10.566 billion. The “Two Increases and Two Controls” reached the standard in time, and the balance of inclusive small and micro enterprise loans was RMB125.211 billion, representing an increase of RMB12.173 billion as compared to the end of the previous year. The Bank continued to deeply cultivate the county area market, and the balance of agricultural loans was RMB227.289 billion, representing an increase of RMB11.664 billion as compared to the end of the previous year. The Bank continuously enriched the green financial system and was included in the scope of financial institutions supporting carbon emission reduction by the PBOC, with a green credit balance of RMB57.642 billion.

Management Discussion and Analysis

The effect of digital transformation continued to emerge. The Bank thoroughly implemented the construction and deployment of digital Chongqing, initiated the strategic planning consultation for digital transformation, actively introduced external data sources, and strengthened the financial technology innovation and empowerment. The Bank accelerated the layout of digital villages, built a financial service management platform for rural revitalization, strengthened the application of special services such as “Dialect Bank” and “Air Counter”, and made new highlights in the government affairs and people’s livelihood services. The Bank formulated the R&D technical specifications, and built an independent and controllable unified R&D platform, and the digital risk control system was becoming increasingly perfect. The Bank iteratively optimized the online products, and integrated and built the digital product system “Yukuai Loan+”, with the online loan balance of RMB145.598 billion and mobile banking users exceeding 14 million. In addition, the Bank continuously improved the service efficiency and customer experience.

II. Financial Review

(I) Income Statement Analysis

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2023	For the six months ended 30 June 2022	Change in amount	Rate of change (%)
Net interest income	12,043.6	12,790.8	(747.2)	(5.84)
Net non-interest income	2,825.5	2,507.1	318.4	12.70
Among which: Net fee and commission income	992.3	1,038.9	(46.6)	(4.49)
Net other non-interest income	1,833.2	1,468.2	365.0	24.86
Operating income	14,869.1	15,297.9	(428.8)	(2.80)
Operating expenses	(4,806.5)	(4,316.5)	(490.0)	11.35
Impairment losses on credit	(1,845.2)	(3,619.5)	1,774.3	(49.02)
Profit before tax	8,217.4	7,361.9	855.5	11.62
Income tax expenses	(1,096.9)	(865.6)	(231.3)	26.72
Net profit	7,120.5	6,496.3	624.2	9.61

In the first half of 2023, the Group recorded an operating income of RMB14.869 billion, representing a year-on-year decrease of RMB429 million or 2.80%; and recorded a net profit of RMB7.121 billion, representing a year-on-year increase of RMB624 million or 9.61%.

1. *Net interest income*

The following table sets forth, for the periods indicated, the interest income, interest expenses and net interest income of the Group:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2023	For the six months ended 30 June 2022	Change in amount	Rate of change (%)
Interest income	25,194.1	25,977.0	(782.9)	(3.01)
Interest expenses	(13,150.5)	(13,186.2)	35.7	(0.27)
Net interest income	<u>12,043.6</u>	<u>12,790.8</u>	<u>(747.2)</u>	<u>(5.84)</u>

In the first half of 2023, the Group recorded a net interest income of RMB12.044 billion, representing a year-on-year decrease of RMB747 million or 5.84%. Among which, the loan interest income accounted for 58.31% of the interest income, representing a year-on-year increase of 0.88 percentage point.

Management Discussion and Analysis

(1) Net interest spread and net interest margin

The table below sets forth, for the periods indicated, the average balances of interest-bearing assets and interest-bearing liabilities of the Group, related interest income or interest expense and average yields (for assets) or average costs rate (for liabilities). The analysis below excludes the impact of lease liabilities on the interest expenses and average balances.

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2023			For the six months ended 30 June 2022		
	Average balance	Interest income/expenses	Annualised average yield/cost rate (%)	Average balance	Interest income/expenses	Annualised average yield/cost rate (%)
Assets						
Loans and advances to customers	658,365.2	14,691.4	4.50	599,537.9	14,918.4	5.02
Financial investments	511,722.5	8,567.2	3.38	476,112.7	8,791.7	3.72
Balances with Central Bank	53,430.9	406.9	1.54	54,781.8	415.9	1.53
Due from banks and other financial institutions	132,664.7	1,528.6	2.32	139,784.0	1,851.0	2.67
Total interest-bearing assets	1,356,183.3	25,194.1	3.75	1,270,216.4	25,977.0	4.12
Liabilities						
Deposits from customers	876,626.5	8,284.5	1.91	792,130.5	7,872.2	2.00
Borrowings from Central Bank	89,351.6	1,061.9	2.40	85,747.9	1,090.5	2.56
Due to banks and other financial institutions	172,646.8	1,864.5	2.18	127,900.3	1,533.5	2.42
Debt securities issued	155,215.3	1,936.8	2.52	194,674.2	2,687.6	2.78
Total interest-bearing liabilities	1,293,840.2	13,147.7	2.05	1,200,452.9	13,183.8	2.21
Net interest income	-	12,046.4	-	-	12,793.2	-
Net interest spread ⁽¹⁾	-	-	1.70	-	-	1.91
Net interest margin ⁽¹⁾	-	-	1.79	-	-	2.03

Note:

- (1) Net interest spread refers to the difference between the average yield of interest-bearing assets and the average cost rate of interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of interest-bearing assets.

Management Discussion and Analysis

In the first half of 2023, the Group's net interest spread was 1.70%, representing a year-on-year decrease of 21 basis points; and the net interest margin was 1.79%, representing a year-on-year decrease of 24 basis points. From the perspective of assets, on the one hand, the loan prime rate continued to decline and interest rates in the capital market fell; on the other hand, the Group implemented the policy of reducing fees and surrendering profits to effectively reduce the financing costs of enterprises, resulting in the decrease of the assets yield. From the perspective of liabilities, the Group strengthened cost management and control of deposits and effectively reduced the liability financing costs.

The following table sets forth the changes in the Group's interest income and interest expenses due to changes in volume and interest rate. Changes in volume are measured by the movement of the average balance, while changes in the interest rate are measured by the movement of the average interest rate:

(Expressed in RMB million, unless otherwise stated)	Volume factor	Rate factor	Changes in amount of interest income and expenses
Assets			
Loans and advances to customers	1,312.7	(1,539.7)	(227.0)
Financial investments	596.2	(820.7)	(224.5)
Balances with Central Bank	(10.3)	1.3	(9.0)
Due from banks and other financial institutions	(82.0)	(240.4)	(322.4)
Changes in interest income	<u>1,816.6</u>	<u>(2,599.5)</u>	<u>(782.9)</u>
Liabilities			
Deposits from customers	798.5	(386.2)	412.3
Borrowings from Central Bank	42.8	(71.4)	(28.6)
Due to banks and other financial institutions	483.2	(152.2)	331.0
Debt securities issued	(492.4)	(258.4)	(750.8)
Changes in interest expenses	832.1	(868.2)	(36.1)
Changes in net interest income	<u>984.5</u>	<u>(1,731.3)</u>	<u>(746.8)</u>

Net interest income decreased by RMB747 million year-on-year, which was mainly due to the fact that the increase of RMB985 million of net interest income was driven by the changes in the average balance of various assets and liabilities, and the decrease of RMB1,731 million of net interest income was attributable to the changes in the average yield and the cost rate.

Management Discussion and Analysis

(2) Interest income

In the first half of 2023, the interest income of the Group amounted to RMB25,194 million, representing a year-on-year decrease of RMB783 million or 3.01%. The details are as follows:

① Interest Income from Loans and Advances to Customers

The average balance, interest income and annualised average yield for each component of loans and advances to customers of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2023			For the six months ended 30 June 2022		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Corporate loans	316,637.4	7,094.5	4.52	287,353.6	6,996.4	4.91
General short-term loans	56,197.7	1,067.1	3.83	62,605.0	1,276.9	4.11
Medium and long-term loans	260,439.7	6,027.4	4.67	224,748.6	5,719.5	5.13
Retail loans	287,659.3	7,161.7	5.02	272,647.3	7,530.7	5.57
General short-term loans	123,520.8	3,314.4	5.41	116,723.1	3,200.3	5.53
Medium and long-term loans	164,138.5	3,847.3	4.73	155,924.2	4,330.4	5.60
Discounted bills	54,068.5	435.2	1.62	39,537.0	391.3	2.00
Total loans and advances to customers	658,365.2	14,691.4	4.50	599,537.9	14,918.4	5.02

The interest income from loans and advances to customers amounted to RMB14.691 billion, representing a year-on-year decrease of RMB227 million or 1.52%, which was mainly attributable to the decline in the average yield of loans and advances to customers.

② Interest Income from Financial Investments

The average balance, interest income and annualised average yield for each component of financial investments of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2023			For the six months ended 30 June 2022		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Financial assets measured at amortised cost	386,606.6	7,000.9	3.65	411,882.8	7,889.0	3.86
Financial assets measured at fair value through other comprehensive income	125,115.9	1,566.3	2.52	64,229.9	902.7	2.83
Total financial investments	511,722.5	8,567.2	3.38	476,112.7	8,791.7	3.72

In the first half of 2023, interest income from financial investments amounted to RMB8.567 billion, representing a year-on-year decrease of RMB225 million or 2.55%. It was mainly due to the fact that the yield of the Group's financial investment declined as a result of the decrease in the interest rate in the capital market.

③ Interest Income from Balances with Central Bank

The Group's interest income from balances with Central Bank amounted to RMB407 million, representing a year-on-year decrease of RMB9 million or 2.16%, mainly due to the fact that the PBOC lowered the deposit reserve ratio, which resulted in the year-on-year decrease in the Group's average balance with Central Bank of RMB1.351 billion or 2.47%.

Management Discussion and Analysis

④ Interest Income from Due from Banks and Other Financial Institutions

The average balance, interest income and annualised average yield for each component of due from banks and other financial institutions of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2023			For the six months ended 30 June 2022		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Deposits and placements with banks and other financial institutions	98,230.3	1,242.2	2.55	102,592.4	1,522.5	2.99
Financial assets held under resale agreements	34,434.4	286.4	1.68	37,191.6	328.5	1.78
Total due from banks and other financial institutions	132,664.7	1,528.6	2.32	139,784.0	1,851.0	2.67

In the first half of 2023, the Group's interest income due from banks and other financial institutions amounted to RMB1,529 million, representing a year-on-year decrease of RMB322 million or 17.42%, mainly due to the fact that the yield of the Group's amount due from banks and other financial institutions decreased based on the market condition.

(3) Interest expenses

In the first half of 2023, the interest expenses of the Group were RMB13.151 billion, representing a year-on-year decrease of RMB36 million or 0.27%. The details are analyzed as follows:

① Interest Expenses on Deposits from Customers

The average balance, interest expenses and annualised average cost rate for each component of deposits from customers of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2023			For the six months ended 30 June 2022		
	Average balance	Interest expenses	Annualised average cost rate (%)	Average balance	Interest expenses	Annualised average cost rate (%)
Demand deposit	100,453.8	348.8	0.70	103,383.9	322.5	0.63
Time deposit	55,699.5	751.8	2.72	51,132.8	776.0	3.06
Subtotal corporate deposits	156,153.3	1,100.6	1.42	154,516.7	1,098.5	1.43
Demand deposit	139,803.0	155.7	0.22	128,567.6	193.0	0.30
Time deposit	580,670.2	7,028.2	2.44	509,046.2	6,580.7	2.61
Subtotal personal deposits	720,473.2	7,183.9	2.01	637,613.8	6,773.7	2.14
Total deposits from customers	876,626.5	8,284.5	1.91	792,130.5	7,872.2	2.00

In the first half of 2023, the interest expenses on deposits from customers amounted to RMB8,285 million, representing a year-on-year increase of RMB412 million or 5.24%. The interest payment rate on deposits from customers was 1.91%, representing a year-on-year decrease of 9 basis points. The Group gave full play to the advantages of outlets, channels, service teams and customer base according to the market change and constantly consolidated its core liability sources. Meanwhile, the Group optimized deposit structure, rationalized deposit pricing, strengthened the management and control of high-interest deposit limit to effectively reduce the deposit costs.

② Interest Expenses on Borrowings from Central Bank

In the first half of 2023, interest expenses on borrowings from Central Bank amounted to RMB1,062 million, representing a year-on-year decrease of RMB29 million or 2.62%, mainly due to the year-on-year decrease in the cost rate of borrowings from Central Bank.

Management Discussion and Analysis

③ Interest Expenses on Due to Banks and Other Financial Institutions

The average balance, interest expenses and annualised average cost rate for each component of due to banks and other financial institutions of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2023			For the six months ended 30 June 2022		
	Average balance	Interest expenses	Annualised average cost rate (%)	Average balance	Interest expenses	Annualised average cost rate (%)
Amounts from banks and other financial institutions	111,070.8	1,328.8	2.41	71,309.4	983.2	2.78
Financial assets sold under repurchase agreements	61,576.0	535.7	1.75	56,590.9	550.3	1.96
Total amount due to banks and other financial institutions	172,646.8	1,864.5	2.18	127,900.3	1,533.5	2.42

In the first half of 2023, the Group's interest expenses on due to banks and other financial institutions amounted to RMB1,865 million, representing a year-on-year increase of RMB331 million or 21.58%, mainly due to the fact that the Group moderately increased the interbank liabilities financing based on the change of the market situation.

④ Interest Expenses on Issued Debt Securities

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2023			For the six months ended 30 June 2022		
	Average balance	Interest expenses	Annualised average cost rate (%)	Average balance	Interest expenses	Annualised average cost rate (%)
Debt securities payable	21,006.3	361.8	3.47	21,221.6	365.2	3.47
Interbank deposit certificate	134,209.0	1,575.0	2.37	173,452.6	2,322.4	2.70
Total issued debt securities	155,215.3	1,936.8	2.52	194,674.2	2,687.6	2.78

In the first half of 2023, the interest expenses on issued debt securities of the Group amounted to RMB1,937 million, representing a year-on-year decrease of RMB751 million or 27.94%, primarily due to the fact that the Group optimized the liability structure and reduced the scale of financing from the issued debt securities.

2. *Net non-interest income*

In the first half of 2023, the Group's net non-interest income amounted to RMB2,826 million, representing a year-on-year increase of RMB318 million or 12.70%, accounting for 19.00% of the operating income, representing a year-on-year increase of 2.61 percentage points.

(1) Net fee and commission income

The following table sets forth, for the periods indicated, net fee and commission income of the Group:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2023	For the six months ended 30 June 2022	Change in amount	Rate of change (%)
Subtotal fee and commission income	1,213.3	1,209.5	3.8	0.31
Wealth management fees	91.4	273.7	(182.3)	(66.61)
Agency and fiduciary service fees	425.8	345.9	79.9	23.10
Bank card fees	286.1	156.8	129.3	82.46
Settlement and clearing fees	83.8	68.5	15.3	22.34
Others	326.2	364.6	(38.4)	(10.53)
Fee and commission expenses	(221.0)	(170.6)	(50.4)	29.54
Total net fee and commission income	992.3	1,038.9	(46.6)	(4.49)

In the first half of 2023, the net fee and commission income of the Group amounted to RMB992 million, representing a year-on-year decrease of RMB47 million or 4.49%. The net fee and commission income accounted for 6.67% of the operating income.

Agency and fiduciary service fees amounted to RMB426 million, representing a year-on-year increase of RMB80 million, mainly due to the fact that the Group increased efforts on the product marketing, thus achieving good growth of the agency business such as insurance agency business.

Bank card fees amounted to RMB286 million, representing a year-on-year increase of RMB129 million, mainly attributed to the growth of the Group's merchant business.

Management Discussion and Analysis

Settlement and clearing fees amounted to RMB84 million, representing a year-on-year increase of RMB15 million, mainly attributed to the increase in the fee income paid through online channels.

Other fee and commission income amounted to RMB326 million, representing a year-on-year decrease of RMB38 million, which was mainly due to the decline in the bond lending rates in the market.

(2) Other net non-interest income

The following table sets forth, for the periods indicated, other net non-interest income of the Group:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2023	For the six months ended 30 June 2022	Change in amount	Rate of change (%)
Net trading gain	1,292.5	971.1	321.4	33.10
Other net business gain	333.2	181.6	151.6	83.48
Share of net profits from associates	(17.1)	(28.0)	10.9	(38.93)
Net gain resulted from derecognition of financial assets at fair value through other comprehensive income	209.0	280.2	(71.2)	(25.41)
Net gain resulted from derecognition of financial assets measured at amortised cost	15.6	63.3	(47.7)	(75.36)
Total other net non-interest income	1,833.2	1,468.2	365.0	24.86

In the first half of 2023, the Group's other net non-interest income was RMB1,833 million, representing an increase of RMB365 million or 24.86% as compared with the same period of the previous year, mainly due to the increase in net gains resulted from transactions of financial assets measured at fair value through profit and loss.

3. Operating expenses

The following table sets forth, for the periods indicated, the operating expenses of the Group:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2023	For the six months ended 30 June 2022	Change in amount	Rate of change (%)
Staff costs	2,911.4	2,703.4	208.0	7.69
Salaries, bonuses and allowances	1,992.9	1,841.8	151.1	8.20
Staff benefits, social insurance premiums and housing provident fund	657.1	639.8	17.3	2.70
Others	261.4	221.8	39.6	17.85
Taxes and surcharges	146.8	144.3	2.5	1.73
Depreciation and amortisation	387.4	394.3	(6.9)	(1.75)
Other general and administrative expenses	1,339.9	1,057.8	282.1	26.67
Other operating cost	21.0	16.7	4.3	25.75
Total operating expenses	4,806.5	4,316.5	490.0	11.35

In the first half of 2023, the operating expenses of the Group amounted to RMB4,807 million, representing an increase of RMB490 million or 11.35% as compared with the same period of the previous year.

(1) Staff Costs

Staff costs were the largest component of operating expenses of the Group, accounting for 60.57% and 62.63% of the total operating expenses as of the first half of 2023 and the first half of 2022, respectively.

In the first half of 2023, staff costs amounted to RMB2,911 million, representing a year-on-year increase of RMB208 million, mainly due to the increase in labour cost.

(2) Taxes and Surcharges

Taxes and surcharges mainly relate to revenue generated from loans (interest income), transfer of securities and other financial products and services. In the first half of 2023, taxes and surcharges amounted to RMB147 million, representing a year-on-year increase of RMB3 million, which was basically stable.

(3) Depreciation and Amortization

In the first half of 2023, the depreciation and amortization amounted to RMB387 million, representing a year-on-year decrease of RMB7 million, which was basically stable.

Management Discussion and Analysis

(4) Other General and Administrative Expenses

In the first half of 2023, other general and administrative expenses amounted to RMB1,340 million, representing a year-on-year increase of RMB282 million, which was mainly due to the increase in business promotion fee and other fees related to the business development.

(5) Other Operating Cost

In the first half of 2023, the Group's other operating cost amounted to RMB21 million, representing a year-on-year increase of RMB4 million, which was mainly due to an increase of operating lease cost arising from the Group's operating lease business.

4. Impairment losses

The following table sets forth, for the periods indicated, the impairment losses of the Group:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2023	For the six months ended 30 June 2022	Change in amount	Rate of change (%)
Impairment losses on credit on loans and advances to customers	1,370.0	4,030.5	(2,660.5)	(66.01)
Impairment losses on credit on financial investments	292.7	(401.3)	694.0	(172.94)
Impairment losses on other credit	182.5	(9.7)	192.2	(1,981.44)
Total impairment losses	1,845.2	3,619.5	(1,774.3)	(49.02)

In the first half of 2023, the Group's impairment losses were RMB1,845 million, representing a year-on-year decrease of RMB1,774 million or 49.02%. Among which, impairment losses on loans and advances to customers decreased by RMB2,661 million year-on-year, mainly due to the fact that the asset quality of the Group steadily improved, and at the same time, the Group made greater efforts on the recovery and disposal of written-off assets and the recovery of previously written-off loans of RMB1.525 billion in the first half of the year led to the reversal of impairment provisions, so the credit impairment losses for the current period decreased significantly year-on-year. The impairment losses on financial investments increased by RMB694 million year-on-year and other impairment losses increased by RMB192 million year-on-year, mainly due to the fact that the Group has made forward-looking impairment provision based on the principle of prudence.

5. *Income tax expenses*

The following table sets forth the profit before tax and income tax expenses of the Group for the periods indicated:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2023	For the six months ended 30 June 2022	Change in amount	Rate of change (%)
Profit before tax	8,217.4	7,361.9	855.5	11.62
Tax calculated at applicable statutory tax rate	1,979.0	1,771.9	207.1	11.69
Add/(less) the tax effect of the following items:				
Non-deductible expenses	68.2	29.7	38.5	129.63
Non-taxable income	(956.3)	(937.0)	(19.3)	2.06
Others	6.0	1.0	5.0	500.00
Income tax expenses	<u>1,096.9</u>	<u>865.6</u>	<u>231.3</u>	<u>26.72</u>

In the first half of 2023, income tax expenses amounted to RMB1,097 million, representing an increase of RMB231 million year-on-year. The effective income tax rate was 13.35%, lower than the statutory rate of 25%, which was mainly due to the fact that the Group continued to optimize the investment structure of its business and held certain statutory tax-exempt treasury bonds and local government bonds on the basis of balancing risks and returns, thereby reducing the effective income tax rate.

Management Discussion and Analysis

(II) Analysis on Balance Sheet

1. Assets

The following table sets forth, as at the dates indicated, the composition of the Group's total assets:

(Expressed in RMB million, unless otherwise stated)	30 June 2023		31 December 2022		Change in amount	Rate of change (%)
	Amount	Percentage (%)	Amount	Percentage (%)		
Net loans and advances to customers	645,177.7	44.85	605,085.4	44.74	40,092.3	6.63
Carrying balance of loans and advances to customers	673,736.0	46.83	632,677.1	46.79	41,058.9	6.49
Allowances for impairment on loans and advances to customers ⁽¹⁾	(28,558.3)	(1.98)	(27,591.7)	(2.05)	(966.6)	3.50
Financial investments	614,143.0	42.69	572,982.8	42.37	41,160.2	7.18
Financial assets measured at amortised cost	376,325.7	26.16	401,141.7	29.66	(24,816.0)	(6.19)
Financial assets measured at fair value through other comprehensive income	133,670.6	9.29	106,005.4	7.84	27,665.2	26.10
Financial assets measured at fair value through profit and loss	104,146.7	7.24	65,835.7	4.87	38,311.0	58.19
Cash and balances with Central Bank	56,967.5	3.96	52,894.0	3.91	4,073.5	7.70
Deposits and placements with banks and other financial institutions	100,872.8	7.01	94,666.7	7.00	6,206.1	6.56
Financial assets held under resale agreements	2,536.9	0.18	8,457.2	0.63	(5,920.3)	(70.00)
Investment in associates	437.6	0.03	454.7	0.03	(17.1)	(3.76)
Goodwill	440.1	0.03	440.1	0.03	–	–
Other assets ⁽²⁾	18,215.5	1.25	17,320.3	1.29	895.2	5.17
Total assets	1,438,791.1	100.00	1,352,301.2	100.00	86,489.9	6.40

Notes:

- (1) Includes only the provision for impairment on loans and advances to customers measured at amortised cost.
- (2) Other assets consist of fixed assets, deferred income tax assets, right-of-use assets, other receivables, etc.

As of the end of June 2023, the Group's total assets amounted to RMB1,438,791 million, representing an increase of RMB86,490 million or 6.40% as compared to the end of the previous year.

The carrying balance of loans and advances to customers amounted to RMB673,736 million, representing an increase of RMB41,059 million or 6.49% over the end of the previous year and accounted for 46.83% of the total assets, representing an increase of 0.04 percentage point over the end of the previous year. Focusing on the strategic orientation of "anchoring the Bank with retail", the Group increased the credit placement of consumption loans. The Group supported rural revitalization, thoroughly promoted inclusive finance, served major strategies such as the Chengdu-Chongqing Economic Circle, built a green financial system, and increased its support for advanced manufacturing and areas that benefit people's livelihood.

Financial investments amounted to RMB614,143 million, representing an increase of RMB41,160 million or 7.18% as compared to the end of the previous year. The Group increased the investment in standardized products and also continued to enrich categories of investment products and optimized allocation strategy. Financial assets measured at fair value through profit and loss amounted to RMB104,147 million, representing an increase of RMB38,311 million or 58.19% as compared to the end of the previous year, mainly due to the increase in the investment in interbank deposit certificate. Financial assets measured at fair value through other comprehensive income amounted to RMB133,671 million, representing an increase of RMB27,665 million or 26.10% as compared to the end of the previous year. Financial assets measured at amortised cost amounted to RMB376.326 billion, representing a decrease of RMB24.816 billion or 6.19% as compared to the end of the previous year.

Total cash and balances with Central Bank amounted to RMB56,968 million, representing an increase of RMB4,074 million or 7.70% as compared to the end of the previous year, mainly attributable to the deposit of reserves with Central Bank increased along with the increase in the deposit scale of the Group.

Deposits and placements with banks and other financial institutions amounted to RMB100,873 million, representing an increase of RMB6,206 million or 6.56% as compared to the end of the previous year, mainly due to the fact that the Group increased the scale of deposits and placements with banks and other financial institutions.

Financial assets held under resale agreements amounted to RMB2,537 million, representing a decrease of RMB5,920 million or 70.00% as compared to the end of the previous year, mainly due to the reduction in the scale of financial assets held under resale agreements after comprehensively taking into account the needs of liquidity management.

Management Discussion and Analysis

(1) Loans and Advances to Customers

The following table sets forth, as at the dates indicated, the composition of the Group's loans and advances to customers:

(Expressed in RMB million, unless otherwise stated)	30 June 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans and advances	326,383.2	48.44	298,687.4	47.21
Short-term loans	49,542.4	7.35	48,907.4	7.73
Medium and long-term loans	276,840.8	41.09	249,780.0	39.48
Retail loans and advances	295,106.6	43.80	282,769.4	44.69
Personal mortgage loans ⁽¹⁾	94,846.7	14.08	96,965.2	15.33
Personal business and re-employment loans ⁽²⁾	112,383.7	16.68	101,879.8	16.10
Other loans ⁽³⁾	87,876.2	13.04	83,924.4	13.26
Discounted bills	52,246.2	7.76	51,220.3	8.10
Total loans and advances to customers	673,736.0	100.00	632,677.1	100.00

Notes:

- (1) Personal mortgage loans primarily consist of residential mortgage loans, commercial property mortgage loans, etc.
- (2) Personal business and re-employment loans primarily consist of personal loans for business purposes, personal working capital loans, small amount loans related to employment and re-employment, etc.
- (3) Other loans primarily consist of individual consumption loans, credit card loans, housing mortgage loans, rural cross-guaranteed loans, credit loans, etc.

As of the end of June 2023, the carrying balance of loans and advances to customers of the Group amounted to RMB673,736 million, representing an increase of RMB41,059 million or 6.49% as compared to the end of the previous year.

The gross amount of corporate loans and advances was RMB326,383 million, representing an increase of RMB27,696 million or 9.27% as compared to the end of the previous year. Among which, short-term loans increased by RMB635 million, and medium and long-term loans increased by RMB27,061 million. The Group facilitated rural revitalization and increased support in areas such as rural tourism and grain industry chains; optimized credit granting schemes, promoted the construction of green finance and increased the credit placement for emerging industries such as new energy and advanced materials.

Total retail loans and advances amounted to RMB295,107 million, representing an increase of RMB12.337 billion or 4.36% over the end of the previous year. The Group continued to vigorously develop inclusive finance and consumer finance retail loan business.

Among which, total personal mortgage loans amounted to RMB94,847 million, representing a decrease of RMB2,119 million or 2.18% over the end of the previous year. The Group focused on the support for the citizens' reasonable financing demands for owner-occupied houses, subject to compliance with the regulatory requirements.

Total personal business and re-employment loans amounted to RMB112,384 million, representing an increase of RMB10,504 million or 10.31% over the end of the previous year. The Group built a one-stop online financing platform, integrated the advantages of offline channels, promoted the development of personal business loan business and continued to enhance the advantages of inclusive finance.

Total other loans amounted to RMB87,876 million, representing an increase of RMB3,952 million or 4.71% over the end of the previous year. The Group optimized its marketing model, improved product adaptability and promoted the development of consumer finance.

Discounted bills amounted to RMB52,246 million, representing an increase of RMB1,026 million or 2.00% as compared to the end of the previous year. The Group increased the support for corporate short-term financing demands.

Management Discussion and Analysis

The following table sets forth, as at the dates indicated, the composition of the Group's loans by industry classification:

(Expressed in RMB million, unless otherwise stated)	30 June 2023		31 December 2022	
	Loan amount	Percentage (%)	Loan amount	Percentage (%)
Total corporate loans and advances	326,383.2	48.44	298,687.4	47.21
Leasing and business services	82,685.3	12.27	72,416.8	11.45
Water, environmental and public facility management	76,464.7	11.35	71,061.4	11.23
Manufacturing	64,432.0	9.56	61,679.4	9.75
Transportation, warehousing and postal services	26,879.7	3.99	25,503.7	4.03
Electricity, heat, gas and water production and supply industries	26,543.8	3.94	22,174.8	3.50
Wholesale and retail industries	16,574.8	2.46	15,095.2	2.39
Construction	9,545.4	1.42	8,368.1	1.32
Health and social work	6,969.4	1.03	6,834.2	1.08
Real estate	3,523.3	0.52	4,403.7	0.70
Education	2,604.1	0.39	2,285.1	0.36
Others	10,160.7	1.51	8,865.0	1.40
Retail loans and advances	295,106.6	43.80	282,769.4	44.69
Discounted bills	52,246.2	7.76	51,220.3	8.10
Total loans and advances to customers	673,736.0	100.00	632,677.1	100.00

In the first half of 2023, the Group closely followed the major national and local strategic plans, focused on serving local economic development and assisted in infrastructure construction projects. As of the end of June 2023, the balance of the Group's corporate loans invested in the top three industries (namely leasing and business service, water, environmental and public facilities management and manufacturing industries) were RMB82,685 million, RMB76,465 million and RMB64,432 million, respectively, accounting for 12.27%, 11.35% and 9.56% of the Group's total loans and advances, respectively.

(2) Financial Investments

The following table sets forth, as at the dates indicated, the composition of the Group's financial investments:

(Expressed in RMB million, unless otherwise stated)	30 June 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Bonds investment	484,295.4	78.86	468,689.6	81.81
Debt instruments issued by financial institutions	9,257.6	1.51	10,967.6	1.91
Interbank certificates of deposit	80,148.2	13.05	49,185.2	8.58
Debt financing plan	7,508.4	1.22	13,301.7	2.32
Fund	31,779.5	5.17	30,206.1	5.27
Equity instruments	1,153.9	0.19	632.6	0.11
Total financial investments	614,143.0	100.00	572,982.8	100.00

As of the end of June 2023, the total financial investment amounted to RMB614,143 million, representing an increase of RMB41,160 million or 7.18% as compared to the end of the previous year. The Group continued to strengthen its market research and judgment and actively optimized investment structure based on market changes.

The following table sets forth, as at the dates indicated, the composition of the Group's bond investments by issuer:

(Expressed in RMB million, unless otherwise stated)	30 June 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	207,857.9	42.92	188,526.5	40.22
Public institutions and quasi-government bonds	132,885.8	27.44	138,868.3	29.63
Financial institution bonds	88,489.0	18.27	90,835.8	19.38
Corporate bonds	55,062.7	11.37	50,459.0	10.77
Total bonds investment	484,295.4	100.00	468,689.6	100.00

In the first half of 2023, the Group constantly optimized the structure of financial investment and the total bonds investment of the Group amounted to RMB484.295 billion, representing an increase of RMB15.606 billion or 3.33% as compared to the end of the previous year.

Management Discussion and Analysis

(3) Foreclosed Assets

As part of its effort to recover impaired loans and advances, the Group may obtain the title of the collateral, through legal actions or voluntary delivery of the borrowers, as compensation for the losses on loans and advances and interest receivable. As of the end of June 2023, the Group's foreclosed assets was RMB39 million, and the balance of impairment allowances for foreclosed assets was RMB4 million. Please refer to "Other Assets" under Notes to the Interim Condensed Consolidated Financial Statements for details.

2. Liabilities

The following table sets forth, as at the dates indicated, the composition of the Group's total liabilities:

(Expressed in RMB million, unless otherwise stated)	30 June 2023		31 December 2022		Change in amount	Rate of change (%)
	Amount	Percentage (%)	Amount	Percentage (%)		
Deposits from customers	902,482.1	68.44	824,946.8	66.70	77,535.3	9.40
Deposits and placements from banks and other financial institutions	103,062.0	7.82	93,529.2	7.56	9,532.8	10.19
Debt securities issued	145,306.5	11.02	171,069.2	13.83	(25,762.7)	(15.06)
Borrowings from Central Bank	93,747.0	7.11	86,393.4	6.98	7,353.6	8.51
Financial assets sold under repurchase agreements	53,991.9	4.09	42,465.6	3.43	11,526.3	27.14
Other liabilities ⁽¹⁾	20,028.3	1.52	18,440.7	1.50	1,587.6	8.61
Total liabilities	1,318,617.8	100.00	1,236,844.9	100.00	81,772.9	6.61

Note: (1) Other liabilities consist of accrued staff costs, taxes payable, lease liabilities, other payables, etc.

Management Discussion and Analysis

As of the end of June 2023, the total liabilities of the Group increased by RMB81,773 million or 6.61% to RMB1,318.618 billion as compared to the end of the previous year. Deposits from customers are the most core liabilities source of the Group, representing an increase of RMB77,535 million or 9.40% as compared to the end of the previous year; deposits and placements from banks increased by RMB9,533 million or 10.19% as compared to the end of the previous year; the debt securities issued decreased by RMB25,763 million or 15.06% as compared to the end of the previous year; financial assets sold under repurchase agreements increased by RMB11,526 million or 27.14% as compared to the end of the previous year, mainly due to the adjustment of liabilities structure of the Group based on the market condition. Borrowings from Central Bank increased by RMB7,354 million or 8.51% as compared to the end of the previous year, which was mainly due to the fact that the Bank proactively used Central Bank's monetary policy tools and newly added Central Bank's special funds including re-loans in support of agriculture and micro and small enterprises, etc.

(1) Deposits from Customers

The following table sets forth, as at the dates indicated, the composition of deposits from customers of the Group:

(Expressed in RMB million, unless otherwise stated)	30 June 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Subtotal corporate deposits	151,318.3	16.77	141,081.9	17.10
Demand deposit	98,471.9	10.91	104,856.8	12.71
Time deposit	52,846.4	5.86	36,225.1	4.39
Subtotal personal deposits	741,462.0	82.16	677,351.3	82.11
Demand deposit	137,455.0	15.23	145,893.6	17.69
Time deposit	604,007.0	66.93	531,457.7	64.42
Pledged deposits	9,683.9	1.07	6,504.6	0.79
Other deposits	17.9	-	9.0	-
Total deposits from customers	902,482.1	100.00	824,946.8	100.00

Management Discussion and Analysis

In the first half of 2023, the Group leveraged its channel and retail advantages and deposits from customers steadily increased. As of the end of June 2023, total deposits from customers amounted to RMB902,482 million, representing an increase of RMB77,535 million or 9.40% as compared to the end of the previous year.

In terms of customer structure, corporate deposits amounted to RMB151,318 million with an increase of RMB10,236 million or 7.26% over the end of the previous year; personal deposits amounted to RMB741,462 million with an increase of RMB64,111 million or 9.46% over the end of the previous year, the proportion of total deposits from customers recorded a further increase of 0.05 percentage point as compared to the end of the previous year.

In terms of term structure, the demand deposits amounted to RMB235,927 million, representing a decrease of RMB14,824 million or 5.91% over the end of the previous year, and accounted for 26.14% of total deposits from customers; time deposits amounted to RMB656,853 million, representing an increase of RMB89,171 million or 15.71% over the end of the previous year, which accounted for 72.79% of the total deposits from customers.

(2) Debt Securities Issued

The Bank has not issued any corporate bonds that are required to be disclosed in accordance with the requirements of the “Rule No. 3 on Contents and Format of Information Disclosure by Companies Publicly Issuing Securities – Contents and Format of Interim Report (Revision 2021)” and the “Administrative Measures on Information Disclosure of Corporate Credit Bonds”. For details, please refer to “Debt Securities Issued” under Notes to the Interim Condensed Consolidated Financial Statements.

3. Shareholders' Equity

The following table sets forth, as at the dates indicated, the composition of shareholders' equity of the Group:

(Expressed in RMB million, unless otherwise stated)	30 June 2023		31 December 2022		Change in amount	Rate of change (%)
	Amount	Percentage (%)	Amount	Percentage (%)		
Share capital	11,357.0	9.45	11,357.0	9.84	–	–
Other equity instruments	5,997.6	4.99	5,997.6	5.19	–	–
Capital reserve	20,924.6	17.41	20,924.6	18.12	–	–
Investment revaluation reserve	411.0	0.34	(345.8)	(0.30)	756.8	(218.85)
Actuarial revaluation reserve	(576.2)	(0.48)	(576.2)	(0.50)	–	–
Surplus reserve	13,841.8	11.52	13,841.8	11.99	–	–
General reserve	19,085.8	15.88	17,848.9	15.46	1,236.9	6.93
Retained earnings	47,264.4	39.34	44,675.6	38.70	2,588.8	5.79
Equity attributable to shareholders of the Bank	118,306.0	98.45	113,723.5	98.50	4,582.5	4.03
Non-controlling interests	1,867.3	1.55	1,732.8	1.50	134.5	7.76
Total shareholders' equity	120,173.3	100.00	115,456.3	100.00	4,717.0	4.09

As of the end of June 2023, total equity amounted to RMB120,173 million, representing an increase of RMB4,717 million as compared to the end of the previous year, mainly due to the increase in retained earnings. Among which, investment revaluation reserve increased by RMB757 million as compared to the end of the previous year, mainly due to the changes in the fair value of financial assets measured at fair value through other comprehensive income invested by the Group; general reserve increased by RMB1,237 million as compared to the end of the previous year, mainly due to provision of relevant reserves in accordance with 1.5% of the balance of risk assets at the end of the previous year.

Management Discussion and Analysis

4. Off-Balance-Sheet Items

As of the end of June 2023, off-balance sheet items of the Group mainly include unused credit card limit, acceptances, letters of guarantee issued and letters of credit issued. The balances of unused credit card limit, acceptances, letters of guarantee issued and letters of credit issued amounted to RMB26,381 million, RMB13,059 million, RMB1,498 million and RMB2,676 million, respectively. All the Group's capital expenditure commitments which have been approved but were unnecessary to be presented on the balance sheet were approved but not contracted or unfulfilled contracts with an amount of RMB505 million. The operating lease commitments of the Group that are not included in the measurement of lease liabilities were not significant. For details, please refer to "Contingent Liabilities and Commitments" under Notes to the Interim Condensed Consolidated Financial Statements.

(III) Cash Flows Statement Analysis

The following table sets forth, for the periods indicated, the Group's cash flows statement:

<i>(Expressed in RMB million, unless otherwise stated)</i>	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Net cash flow from operating activities	20,041.1	64,491.5
Net cash flow from investing activities	6,697.3	(9,142.3)
Net cash flow from financing activities	<u>(30,858.4)</u>	<u>(53,471.9)</u>

Net cash inflows from operating activities amounted to RMB20,041 million, among which, the cash inflow was RMB127,686 million, representing a year-on-year increase of RMB7,764 million, mainly due to a year-on-year increase in the net increase in the deposits from customers and deposits from banks; and the cash outflow was RMB107,644 million, representing a year-on-year increase of RMB52,215 million, mainly due to a year-on-year increase in the net increase in financial assets held for trading.

Net cash inflows from investing activities amounted to RMB6,697 million. Among which, cash inflow amounted to RMB172,348 million, representing a year-on-year increase of RMB22,682 million, which was mainly due to the increase in cash received from the recovery of bond investments; cash outflow amounted to RMB165,651 million, representing a year-on-year increase of RMB6,842 million, which was mainly due to the increase in cash payments on bond investments.

Net cash outflows from financing activities amounted to RMB30,858 million. Among which, cash inflow amounted to RMB113,627 million, representing a year-on-year increase of RMB5,941 million, which was mainly due to the increase in the cash received from the issuance of bonds by the Group; cash outflow amounted to RMB144,486 million, representing a year-on-year decrease of RMB16,673 million, which was mainly due to the decrease in the cash paid for repayment of bonds.

(IV) Loan Quality Analysis

1. *Breakdown of Loans by the five-category classification*

The following table sets forth, as at the dates indicated, the distribution of the Group's loans by the five-category loan classification under which NPLs include those classified into substandard, doubtful and loss categories:

(Expressed in RMB million, unless otherwise stated)	30 June 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Normal	657,912.1	97.65	616,790.2	97.49
Special mention	7,680.4	1.14	8,170.4	1.29
Substandard	3,441.6	0.51	4,404.8	0.70
Doubtful	4,302.9	0.64	2,964.6	0.47
Loss	399.0	0.06	347.1	0.05
Total loans and advances to customers	673,736.0	100.00	632,677.1	100.00
Balance of NPLs	8,143.5	–	7,716.5	–
NPL ratio (%)	–	1.21	–	1.22

In the first half of 2023, the Bank adhered to bottom-line thinking, strictly controlled substantial risks, implemented classification management dynamically, conducted the recovery and disposal of non-performing assets in a timely manner and comprehensively improved quality of asset. As of the end of June 2023, balance of NPLs of the Group was RMB8,144 million, representing an increase of RMB427 million as compared to that of the end of the previous year. The NPL ratio was 1.21%, representing a decrease of 0.01 percentage point as compared to that of the end of the previous year. Among which, the balance of NPLs of urban area and the balance of NPLs of county area accounted for 54.70% and 45.30% of the Group, respectively.

Management Discussion and Analysis

2. Concentration of Loans

(1) Concentration by industry and distribution of NPL

The following table sets forth, as at the dates indicated, the loans and NPLs by industry:

(Expressed in RMB million, unless otherwise stated)	30 June 2023				31 December 2022			
	Loan amount	Percentage (%)	NPL amount	NPL ratio (%)	Loan amount	Percentage (%)	NPL amount	NPL ratio (%)
Corporate loans and advances	326,383.2	48.44	4,186.6	1.28	298,687.4	47.21	4,399.6	1.47
Manufacturing	64,432.0	9.56	640.3	0.99	61,679.4	9.75	734.9	1.19
Production and supply of electricity, gas and water	26,543.8	3.94	582.0	2.19	22,174.8	3.50	578.0	2.61
Real estate	3,523.3	0.52	320.6	9.10	4,403.7	0.70	320.6	7.28
Leasing and commercial services	82,685.3	12.27	162.9	0.20	72,416.8	11.45	201.9	0.28
Water conservancy, environment and public utility management	76,464.7	11.35	794.0	1.04	71,061.4	11.23	459.4	0.65
Construction	9,545.4	1.42	113.3	1.19	8,368.1	1.32	44.9	0.54
Wholesale and retail	16,574.8	2.46	700.6	4.23	15,095.2	2.39	822.5	5.45
Others	46,613.9	6.92	872.9	1.87	43,488.0	6.87	1,237.4	2.85
Retail loans and advances	295,106.6	43.80	3,955.9	1.34	282,769.4	44.69	3,315.9	1.17
Discounted bills	52,246.2	7.76	1.0	0.00	51,220.3	8.10	1.0	0.00
Total loans and advances to customers	673,736.0	100.00	8,143.5	1.21	632,677.1	100.00	7,716.5	1.22

In the first half of 2023, the Group fully researched and judged regulatory policies, strictly implemented the guidelines on credit supply, strictly controlled credit access, and strengthened the monitoring of customers in key fields and key industries. With the gradual recovery of the economy in the first half of 2023, the NPLs balance and NPLs ratio of the Group's corporate loans continued to show a "double decline" trend and asset quality continued to improve; the balance of retail NPLs increased, mainly due to the fact that the operating income of some individual industrial and commercial households and other customers had not yet effectively recovered, and their debt repayment ability was insufficient. The Group conducted classified management according to actual risks. The growth rate of the retail NPLs decreased year-on-year and asset quality remained stable.

(2) Concentration of borrowers

As of the end of June 2023, the Group's total loans to its largest single borrower accounted for 3.83% of its net capital while total loans to its top ten clients accounted for 23.28% of its net capital. All the Group's loans to top ten largest single borrowers were not NPLs as of the end of June 2023.

① Indicators of concentration

Major Regulatory Indicators (%)	Regulatory standard	30 June 2023	31 December 2022	31 December 2021
Percentage of the loans to largest single client to the net capital	≤10	3.83	3.21	2.73
Percentage of the loans to single group client to the net capital	≤15	6.51	6.73	5.84
Percentage of the loans to top ten clients to the net capital	–	<u>23.28</u>	<u>22.37</u>	<u>24.00</u>

② Top ten largest single borrowers

(Expressed in RMB million, unless otherwise stated)	Industry	30 June 2023	
		Amount	Percentage of total loans and advances (%)
Client A	Water conservancy, environment and public utility management	5,132.5	0.76
Client B	Transportation, warehousing and postal services	4,136.3	0.61
Client C	Leasing and commercial service	3,508.1	0.52
Client D	Manufacturing	3,123.2	0.46
Client E	Water conservancy, environment and public utility management	2,867.7	0.43
Client F	Production and supply of electricity, heat, gas and water	2,722.2	0.40
Client G	Water conservancy, environment and public utility management	2,544.1	0.38
Client H	Leasing and commercial service	2,483.6	0.37
Client I	Leasing and commercial service	2,357.4	0.35
Client J	Water conservancy, environment and public utility management	2,319.0	0.34

Management Discussion and Analysis

3. Distribution of Loans and NPLs by Product Type

The following table sets forth, for the dates indicated, the loans and NPLs of the Group by product type:

(Expressed in RMB million, unless otherwise stated)	30 June 2023			31 December 2022		
	Loan amount	NPL amount	NPL ratio (%)	Loan amount	NPL amount	NPL ratio (%)
Corporate loans and advances	326,383.2	4,186.6	1.28	298,687.4	4,399.6	1.47
Short-term loans	49,542.4	1,276.6	2.58	48,907.4	1,471.9	3.01
Medium and long-term loans	276,840.8	2,910.0	1.05	249,780.0	2,927.7	1.17
Retail loans and advances	295,106.6	3,955.9	1.34	282,769.4	3,315.9	1.17
Personal mortgage loans	94,846.7	959.3	1.01	96,965.2	750.5	0.77
Personal business and re-employment loans	112,383.7	1,961.3	1.75	101,879.8	1,513.0	1.49
Other loans	87,876.2	1,035.3	1.18	83,924.4	1,052.4	1.25
Discounted bills	52,246.2	1.0	0.00	51,220.3	1.0	0.00
Total loans and advances to customers	673,736.0	8,143.5	1.21	632,677.1	7,716.5	1.22

As of the end of June 2023, the non-performing ratio of corporate loans of the Group decreased by 0.19 percentage point to 1.28% as compared to the end of the previous year, whereas the retail NPL ratio increased by 0.17 percentage point to 1.34% as compared to the end of the previous year.

4. Restructured Loans and Advances to Customers

The following table sets forth, for the dates indicated, the Group's restructured loans and advances to customers:

(Expressed in RMB million, unless otherwise stated)	30 June 2023		31 December 2022	
	Amount	Percentage of the total amount of loans and advances (%)	Amount	Percentage of the total amount of loans and advances (%)
Restructured loans and advances to customers	250.7	0.04	213.2	0.03

As of the end of June 2023, the total restructured loans to customers of the Group amounted to RMB251 million, representing an increase of RMB38 million from the end of the previous year and accounted for 0.04% of the total loans and advances, representing an increase of 0.01 percentage point from the end of the previous year.

5. *Overdue Loans and Advances to Customers*

The following table sets forth, for the dates indicated, the aging analysis of the Group's overdue loans and advances to customers:

(Expressed in RMB million, unless otherwise stated)	30 June 2023		31 December 2022	
	Amount	Percentage of the total amount of loans and advances (%)	Amount	Percentage of the total amount of loans and advances (%)
Overdue within 3 months	3,531.5	0.52	2,779.1	0.44
Overdue for 3 months to 1 year	2,566.5	0.38	3,360.9	0.53
Overdue for over 1 year and within 3 years	2,732.2	0.41	1,655.0	0.26
Overdue for more than 3 years	606.3	0.09	620.1	0.10
Total overdue loans and advances to customers	9,436.5	1.40	8,415.1	1.33

As of the end of June 2023, the total overdue loans of the Group amounted to RMB9,437 million, representing an increase of RMB1,021 million from the end of the previous year; overdue loans accounted for 1.40%, representing an increase of 0.07 percentage point from the end of the previous year.

6. *Changes in Provision for Loans Impairment*

The following table sets forth, for the periods indicated, the changes in the Group's provision for loans impairment:

(Expressed in RMB million, unless otherwise stated)	Stage 1	Stage 2	Stage 3	Total
Balance as at 31 December 2022	14,175.6	6,246.7	7,169.4	27,591.7
Transfer:				
Transfer to stage 1	333.3	(311.6)	(21.7)	–
Transfer to stage 2	(108.8)	225.1	(116.3)	–
Transfer to stage 3	(48.8)	(373.9)	422.7	–
Provision for the period	1,370.7	118.8	(120.5)	1,369.0
Write-off and others for the period	–	–	(1,927.0)	(1,927.0)
Recovery of loans written-off for the period	–	–	1,524.6	1,524.6
Balance as at 30 June 2023	15,722.0	5,905.1	6,931.2	28,558.3

Management Discussion and Analysis

7. Distribution of Loans by Type of Collateral

The following table sets forth, for the dates indicated, the Group's distribution of loans and advances to customers by type of collateral:

(Expressed in RMB million, unless otherwise stated)	30 June 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Credit loans	129,752.0	19.25	110,725.3	17.50
Guaranteed loans	180,759.3	26.83	171,484.8	27.10
Collateralised loans	259,154.9	38.47	252,180.8	39.86
Pledged loans	104,069.8	15.45	98,286.2	15.54
Total loans and advances to customers	673,736.0	100.00	632,677.1	100.00

8. Loan Migration Ratios

Items (%)	30 June 2023	31 December 2022	31 December 2021
Migration ratios of normal loans	1.67	1.54	1.93
Migration ratios of special-mentioned loans	47.44	38.49	60.98
Migration ratios of substandard loans	95.28	29.81	65.23
Migration ratios of doubtful loans	14.20	2.77	1.78

Loan migration ratio is calculated according to 1104 statement of CBIRC and is the data of the Group. In the first half of 2023, the higher migration ratio of substandard loans was mainly due to the fact that the Group implemented the new regulatory requirements for risk classification of financial assets in advance and downgraded substandard loans that meet the requirements for downward migration to the doubtful or loss category in an orderly manner.

(V) Segment Information

1. Summary of Geographical Segment

(Expressed in percentage)	30 June 2023		31 December 2022	
	County	Urban	County	Urban
Deposits	71.79	28.21	71.80	28.20
Loans	49.84	50.16	50.15	49.85
Assets	51.58	48.42	51.63	48.37
Deposit-loan ratio	51.83	132.74	53.57	135.55

In the first half of 2023, the Group's deposits in county area accounted for 71.79%, representing a decrease of 0.01 percentage point over the end of the previous year. The loans in county area accounted for 49.84%, representing a decrease of 0.31 percentage point over the end of the previous year; the assets in county area accounted for 51.58%, representing a decrease of 0.05 percentage point over the end of the previous year; county-level deposit to loan ratio was 51.83%, representing a decrease of 1.74 percentage points over the end of the previous year. Based in Chongqing, the Group deeply cultivates the regional economy, continuously increases the loan placement, adheres to the positioning of supporting agriculture, rural areas and farmers and supporting small and micro enterprises, insists on improving the county's financial service capabilities, and supports the development of county economy.

2. Summary of Business Segment

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2023		For the six months ended 30 June 2022	
	Amount	Percentage of total amount (%)	Amount	Percentage of total amount (%)
Operating income				
Corporate banking business	4,629.3	31.13	4,855.5	31.74
Retail banking business	6,486.1	43.62	6,505.2	42.52
Capital operation business	3,763.2	25.31	3,959.1	25.88
Unallocated	(9.5)	(0.06)	(21.9)	(0.14)
Total operating income	14,869.1	100.00	15,297.9	100.00

Management Discussion and Analysis

In the first half of 2023, the Group's operating income of corporate banking business was RMB4,629 million, accounting for 31.13%, representing a year-on-year decrease of 0.61 percentage point; operating income of retail banking business was RMB6,486 million, accounting for 43.62%, representing a year-on-year increase of 1.10 percentage points; operating income of capital operation business was RMB3,763 million, accounting for 25.31%, representing a year-on-year decrease of 0.57 percentage point. In recent years, the Group consolidated the advantages of savings deposits and increased the efforts to provide credit support for personal and small and micro enterprises. The proportion of operating income of retail banking business continued to increase.

(VI) Differences between the Financial Statements Prepared in accordance with Chinese Accounting Standards and International Financial Reporting Standards (“IFRS”)

1. Differences between the Financial Statements prepared in accordance with Chinese Accounting Standards and IFRS

As a financial institution incorporated in the People's Republic of China, the Bank prepares consolidated financial statements of the Bank and its consolidated subsidiaries in accordance with the Accounting Standards for Enterprises promulgated by the Ministry of Finance of the People's Republic of China, relevant regulations issued by the CSRC and other regulatory agencies (collectively referred to as “Accounting Standards for Enterprises”).

The Group also compiles consolidated financial statements in accordance with the International Financial Reporting Standards and their interpretations issued by the International Accounting Standards Board and the disclosure regulations applicable to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. There are some differences between the financial statements in this report and the Group's financial statements prepared in accordance with Accounting Standards for Enterprises. The differentiated items and amounts are listed below:

(Expressed in RMB million, unless otherwise stated)	Net Assets (Consolidated)		
	30 June 2023	31 December 2022	31 December 2021
In accordance with Accounting Standards for Enterprises	119,733.2	115,016.2	106,044.0
Differentiated items and amount			
– Goodwill from acquisitions	440.1	440.1	440.1
In accordance with IFRS	<u>120,173.3</u>	<u>115,456.3</u>	<u>106,484.1</u>

2. *Reasons for the differences between the Financial Statements prepared in accordance with Chinese Accounting Standards and IFRS*

The Bank was incorporated on 27 June 2008 as a joint stock limited company, and the newly incorporated joint stock limited company acquired all the assets and liabilities of 38 County/District Rural Credit Cooperative Unions, including the former Chongqing Rural Credit Cooperative Union (重慶市農村信用合作社聯合社), Chongqing Yuzhong District Rural Credit Cooperative Union (重慶市渝中區農村信用合作社聯合社) and Chongqing Wulong Rural Cooperative Bank (重慶武隆農村合作銀行) (the “Acquisition”). The Bank first implemented the Accounting Standards for Enterprises on 1 January 2009 and was not required to recognise the goodwill generated from the Acquisition. The Bank made an initial public offering of overseas listed foreign shares (H shares) on the Hong Kong Stock Exchange on 16 December 2010 and adopted IFRS for the first time in the same year. The goodwill generated from the Acquisition was retrospectively recognized in accordance with the relevant requirements of the first implementation of IFRS.

(VII) Changes in Significant Accounting Policies and Significant Accounting Estimates and Judgments

In determining the carrying amounts of some assets and liabilities and the related profit or loss during the Reporting Period in accordance with its accounting policies, the Group makes estimates and judgments in certain aspects. The Group makes estimates and assumptions based on historical experience and expectations of future events, and reviews them on a regular basis. In addition, the Group needs to make further judgments in respect of the application of accounting policies. The Group’s management believes that the estimates and judgments made by the Group has appropriately reflected the economic context which the Group was subject to. The major areas affected by the estimates and judgments include expected credit loss measurement, fair value of financial instruments, consolidation of structured entities, deferred taxes, etc.

III. Discussion and Analysis of Main Business Operations

(I) Retail Business

Adhering to the development philosophy of “client-oriented” and based on the “obtaining and attracting customers”, “strengthening viscosity of flexible customers” and “excellent customer creating benefits”, the Bank strengthened product innovation, built a client value-added rights and interests system, and enriched clients’ rights and interests; the Bank strove to promote the business of merchants, optimized the card use environment, and accelerated the construction of BBC financial ecosystem. The Bank maintained its determination to transform and upgrade, further and deeper cultivated the retail market, and steadily pushed the retail business to a new level.

1. *Personal Deposit and Loan Business*

The increase in personal deposits reached a new high. The Bank continued to build a “functional, characteristic and scenario-based” product classification management system, optimized the deposit structure, tapped the deposit potential and contribution of key customer groups, and created characteristic deposit products and activities to enhance the customers’ sense of exclusivity and inject strong momentum into precision marketing. As of the end of June 2023, the balance of personal deposits of the Group amounted to RMB741.462 billion, representing an increase of RMB64.111 billion or 9.46% over the end of the previous year. Total personal deposits and incremental market share all ranked first in Chongqing.

The scale of consumption loans increased steadily. Focusing on the strategic orientation of “anchoring the Bank with retail”, we continued to increase the supply of retail credit. The balance of retail consumption loans (excluding mortgages and third-party joint loans) amounted to RMB36.205 billion, representing a net increase of RMB5.804 billion from the end of the previous year. The Bank ranked first in Chongqing in terms of balance and increment. The Bank launched “Yukuai Loan New Citizen Leasing Loan (渝快貸新市民租賃貸)”, and the acceptance volume of “mortgage transfer” business ranked first in Chongqing, driving a year-on-year increase of RMB1.263 billion in the increment of mortgage placement. As of the end of June 2023, the loan balance of “Yukuai Loan” (a “10 billion-level” hit product) reached a new high of RMB16.596 billion, representing an increase of RMB5.466 billion as compared with the end of the previous year and the increment increased by RMB2.91 billion year-on-year, which maintained the first place in terms of the balance and increment of similar products in Chongqing.

2. *Bank Card Business*

Debit card business grew steadily. The Bank has continuously improved the “Jiangyu” branded debit card product system and continuously improved the functions of products. As of the end of June 2023, the total number of debit cards issued by the Group reached 28,648,900. Among which, nostalgia series of debit cards issued with the function of subsidizing remote remittance fees reached an issued number of 12,836,800 and gained remote remittance funds of RMB31,638 million for the current year. The social security card business grew rapidly. The total number of social security cards issued by the Bank exceeded 6,000,000. The number of newly-issued social security cards amounted to 1,257,900 in the first half of the year with the increment in the number of cards ranking first in Chongqing.

The credit card business developed steadily. The Bank vigorously developed the installment business, strengthened the construction of merchant scenarios, continuously consolidated internal management and effectively controlled development risks to maintain rapid growth in credit card business. As of the end of June 2023, the number of new clients of credit cards was 81,400. The credit balance recorded a net increase of RMB1,249 million or 10.06% as compared to the end of the previous year. The transaction amount of merchants amounted to RMB97.698 billion, representing a year-on-year increase of 30.63%. The AUM balance of merchants amounted to RMB68.170 billion, representing an increase of 16.42% as compared to the end of the previous year; the LUM balance of merchants amounted to RMB42.912 billion, representing an increase of 9.44% as compared to the end of the previous year.

3. *Wealth Management Business*

Improve the quality and efficiency of the wealth management business. The Bank strictly implemented the access standards, and preferentially selected cooperative institutions based on the customer-characteristic rights and interests system. The Bank strengthened customer-tiered marketing, provided 16 value-added services in five categories for high-net-worth customers, and established an all-around comprehensive service capability. The Bank strengthened the technological empowerment, launched the new interface of the mobile banking for wealth management products and fund products, promoted online sales of physical precious metal, and sold the inclusive commercial medical supplementary insurance “Chongqing Yukuai Insurance” on an agency basis in Chongqing, with an amount of RMB46.6197 million and the number of customers being 362,200, ranking first in the bank agency channel in Chongqing. The Bank proactively carried out the transformation of value installment payment, and realized the “online” issuance of policies of the main agency life insurance. As of the end of June 2023, the Bank had achieved the sales of agency insurance products of RMB1.335 billion, representing a year-on-year increase of 21.14%, and achieved the commission income of the insurance agency business of RMB159 million, representing a year-on-year increase of 74.73%.

4. *Customer Management*

Build a precise marketing service system. The Bank used digital technology to promote deeper digging, label management and value enhancement of customer data and basically established a multi-dimensional customer label system of “subject, behavior and contribution”, laying a good foundation for “creating products for customers and finding customers for products”. As of the end of June 2023, the number of retail customers of the Bank reached nearly 29,000,000, and the number of active customers reached 15,370,600, representing a year-on-year increase of 361,100. The number of VIP customers recorded a net increase of 170,400 or 6.33%. The balance of VIP customers’ financial assets recorded a net increase of RMB50.9 billion or 8.48%, achieving a “double increase” of target customers and customer contributions.

5. *Electronic Distribution Channels*

Promote intelligent and digital marketing. The Bank vigorously expanded the outbound marketing business, and focused on improving the service quality and efficiency. During the Reporting Period, the customer service volume of telephone banking was 3,502,900 and the customer satisfaction rate was 99.21%. There were 1,709,100 smart outbound calls from robots, accounting for 90.70% of total outbound calls. The loan marketing output value amounted to RMB635 million, representing a year-on-year increase of 153.78%.

Reform and upgrade the mobile banking. The Bank continued to carry out transformation for elder users, enriched the non-financial functions of helping agriculture, expanded the application scenarios of interactive platforms, and improved the online payment and financial interactive services. As of the end of June 2023, the number of mobile banking users of the Group reached 14,037,300, representing a net increase of 512,500 or 3.79% as compared to the end of the previous year. The transaction amount for the year amounted to RMB762.624 billion, and there were 44,877,500 financial transactions, representing a year-on-year increase of 7.05%.

Transform and develop the corporate online banking. The Bank continued to optimize and upgrade the corporate online banking 4.0 system, and completed the online functions such as “Yukuai Assistance Procurement Loan”, APP cloud signing, and wealth management signing management to help the corporate financial digital transformation and development. As of the end of June 2023, the number of customers of corporate online banking amounted to 154,400, representing a net increase of 6,500 or 4.24% as compared with the end of the previous year. The transaction amount for the year amounted to RMB626.372 billion, and there were 6,035,000 financial transactions, representing a year-on-year increase of 11.66%.

(II) Small and Micro Businesses

The Bank adhered to the main responsibility and business of serving the real economy, closely followed the pace of economic and social development in Chongqing, seized policy opportunities, deeply promoted digital transformation and upgrading, and continued to promote the high-quality development of small and micro businesses. As of the end of June 2023, the number of customers of inclusive small and micro enterprise loans¹ of the Bank amounted to 193,100, representing an increase of 17,100 as compared with the end of the previous year; the loan balance amounted to RMB125.211 billion, representing an increase of RMB12.173 billion as compared with the end of the previous year and growth rate was 4.80 percentage points higher than the growth rate of all loans of the Bank, achieving the goal of “two increases”². The inclusive small and micro enterprise loans continued to maintain the first in Chongqing in terms of the increment and stock. The Bank was awarded as the “Advanced Unit of Financial Services for Small and Micro Enterprises for the Year of 2022” and the Bank’s regulatory evaluation result of financial services for small and micro enterprises continued to maintain the highest level “Level 1”.

Broaden the channels for acquiring customers. The Bank built an intelligent working platform for integrated financing services by relying on the technologies of big data, cloud computing and artificial intelligence and taking electronic channels such as micro banking and mobile banking as carriers, so as to provide the small and micro enterprises and individual industrial and commercial households with one-stop financing services of “application by scanning code, product matching, automatic order delivery and intelligent loan handling” and open up the online customer acquisition channel. The Bank gave full play to its multi-faceted advantages to further promote the “overall QR code distribution and all-staff marketing” campaign, helping the financial services for small and micro enterprises reach deeper and cover wider.

¹ Inclusive small and micro enterprise loans refer to small and micro enterprises loans, individual industrial and commercial households, and small and micro enterprise owners business loans with total individual credit amount below RMB10 million (inclusive), excluding bill discount and transfer discount.

² “Two Increases” means that the growth rate of inclusive small and micro enterprise loans is not lower than that of all loans at the end of the previous year, and the number of households with loan balance is not lower than that at the end of the previous year.

Management Discussion and Analysis

Deepen the transformation and upgrading. The Bank adhered to the guidance of market demand and customer experience, further promoted the digital transformation and created the differentiated competitive advantages. In terms of products, the Bank continued to deepen the multi-party cooperation among governments, banks and guarantors, built a batch business incubation platform, promoted the system interconnection and data sharing, and newly launched businesses such as “Qingfeng Loan”, “Yukuai Assistance Procurement Loan” and “Commercial Value Credit Loan”, and served a diversified customer base through multi-dimensional products. In terms of process, the Bank strengthened the technological empowerment, launched mobile survey and image acquisition tools, optimized the functions of “cloud signing”, “self-drawing” and “self-renewing loans”, continuously promoted the online and intelligent transformation of the loan handling process, and improved the financing convenience and experience of small and micro enterprises. In the first half of 2023, the amount of loans handled by the small and micro enterprise business through online channels was more than RMB60 billion, representing a year-on-year increase of more than RMB15 billion.

Deeply cultivate the market of individual industrial and commercial households. The Bank focused on the characteristics of individual industrial and commercial households, created a platform of “Yukuai Revitalization Loan”, established a differentiated model, and created a series of exclusive products such as “Yukuai Catering Loan”, “Yukuai Shangchao Loan” and “Yukuai Merchant Loan” to enhance product adaptability. The Bank went deep into the concentrated areas of individual industrial and commercial households to carry out policy propaganda and visits, strengthened the interconnection of financing needs, and increased the credit supply through intelligent loan handling channels. As of the end of June 2023, the number of individual industrial and commercial households to whom loans were granted increased by 16,800 and the amount of the loans granted to individual industrial and commercial households increased by RMB10.583 billion as compared to the end of the previous year.

(III) Corporate Business

Focusing on major fields such as the Chengdu-Chongqing Economic Circle, the new western land and sea corridor and municipal key construction projects in Chongqing, the Bank proactively carried out the construction of a green financial system, focused on advanced manufacturing, helped the real economy to become better and stronger, continuously increased its support for areas that benefit people’s livelihood such as rural revitalization and the supply of utilities, gradually improved its international settlement and cross-border service capabilities, and steadily promoted high-quality development of the corporate business.

1. *Corporate Deposit and Loan Business*

As of the end of June 2023, the balance of corporate deposits of the Group amounted to RMB151.318 billion, representing an increase of RMB10.236 billion as compared to the end of the previous year. The balance of corporate loans was RMB326.383 billion, representing an increase of RMB27.696 billion as compared to the end of the previous year.

Enhance the marketing efforts and serve the major strategies. Focusing on the Chengdu-Chongqing Economic Circle, the new western land and sea corridor and the key municipal projects, the Bank established a head office-branch linkage marketing mechanism according to the “project-based, inventory-based and responsibility-based” requirements, implemented the list classification management, and enhanced the services for major strategic projects. As of the end of June 2023, the Bank had fully covered and interconnected the major projects in Chongqing in 2023, supported 141 major projects and municipal key projects in the Chengdu-Chongqing Economic Circle, and approved a credit amount of RMB108.421 billion. The loan balance amounted to RMB21.681 billion.

Implement three “optimizations” to support advanced manufacturing. The Bank optimized the investment direction of the industry and promoted the credit resources to tilt towards Chongqing “33618” modern manufacturing cluster system industry. The Bank optimized the customer structure and increased the marketing efforts to the “specialized, refined, differential, and innovational” enterprises, and the proportion of financial services for the “specialized, refined, differential, and innovational” enterprises in Chongqing reached 67.35%. The Bank optimized the credit plan, and focused on promoting the implementation of the “Excellent Customer Promotion Plan” for manufacturing enterprises. The total amount of the loans newly released to the manufacturing industry accounted for nearly 30% of the total accumulated corporate loans in the first half of the year.

Increase investment in agriculture-related loans to help rural revitalization. The Bank implemented the first affordable rental housing project of the whole Bank. The Bank promoted the integration of agriculture and tourism, further improved the financial services of rural tourism resources, and focused on supporting the related projects in rural revitalization demonstration zones. The Bank ensured the food security, increased the financial support for the grain industry chain, and increased investment in agriculture-related loans to key grain and oil enterprises.

Properly use the policy tools to promote green development. The Bank actively participated in the construction of Chongqing Green Finance Reform and Innovation Experimental Zone. Since 2023, the Bank has been included in the scope of financial institutions supporting carbon emission reduction by the Head Office of the PBOC. The Bank successfully implemented the first green bill discount business, and obtained the special support from the PBOC for “Green Ticket Pass (綠票通)” rediscount. As of the end of June 2023, the balance of green credit was RMB57.642 billion, representing an increase of RMB8.927 billion or 18.32% as compared to the end of the previous year.

Management Discussion and Analysis

Scientifically plan transformation and optimize marketing scenarios. The standardized data system was further optimized. The Bank took the lead in developing and launching the FPA indicators on the big data platform, laying the foundation for customized and group management of asset business. The efficiency of standardized service tools was further optimized. The Bank completed the transformation of the credit application online system to improve the efficiency of credit granting. The corporate customer structure was further optimized. The Bank promoted the effective expansion of key customer groups such as VIP, comprehensive, full-product and active customers. The customer acquisition capacity of scenarios was further optimized. The Bank cooperated with retail lines and established a standardized process of scenario marketing, achieving 6,628 corporate customers of salary agency payment and interconnecting 810,000 individual customers, with a cumulative payment of more than RMB6.7 billion on an agency basis.

2. *Institutional Business*

Broaden business channels and promote the return of funds to the Bank. The Bank actively participated in the bidding for cash management of the central treasury, and won the bid for three times, bringing in a total of RMB15 billion from other cities other than Chongqing for Chongqing. The Bank adjusted the target customer base, took the initiative to conduct active marketing, and made every effort to stabilize and increase deposits. The Bank strengthened the daily notification mechanism of deposit monitoring, and monitored the changes of key large customers and the incoming and outgoing large-amount funds in real time. The Bank strengthened the efficiency of information utilization, and solidly promoted the steady growth of deposit business by means head office-branch linkage, value information transmission and marketing experience sharing. The Bank formulated the “Marketing Guidelines for Rural Collective Economic Organizations”, gave full play to the depth advantages of outlets, and continued to do a good job in the marketing of accounts and deposits of rural collective economic organizations, and the accounts opened by the rural collective economic organizations with the Bank accounted for 70.50% of those in Chongqing.

3. *International Business*

In the first half of 2023, the Bank recorded the international settlement of USD2,350 million and foreign exchange settlement and sale on behalf of customers of USD730 million. Transaction volume of foreign exchange transaction ranked the first among local corporate banks in Chongqing, of which the transaction volume of interbank current foreign exchange settlements amounted to USD2,653 million. The transaction volume of interbank forward and swap foreign exchange settlement and sale amounted to USD3,281 million.

Achieve a new breakthrough in cross-border financing. The Bank innovated the green financial service model and implemented the first cross-border carbon emission quota pledge financing business in the city. The Bank implemented the facilitation policies for cross-border financing of financial foreign exchange service enterprises, continuously promoted the increment and expansion of cross-border loans for technology enterprises, and provided cross-border financing for five technology enterprises with a cumulative amount of USD8.28 million.

Construct the dual channels of international settlement. The Bank took the lead in directly connecting the CIPS standard transceiver with the API mode among local corporate banks, realizing the automation, digitization and paperless of cross-border RMB clearing messages, and forming a dual-channel settlement system of SWIFT and CIPS.

Help the construction of the new western land and sea corridor. The Bank continued to use financing products such as “Land-Sea New Channel Loan” to provide financing support for channel enterprises, and granted a total of RMB11.4 million of “Land-Sea New Channel Loan” for four manufacturing small and micro enterprises. The Bank continued to promote the expansion and increment of “Land-Sea Chain Financing”, and used the “one-single-system” digital bills of lading of the land-sea new channel and rail-sea combined transport and the inter-bank information interaction function to grant a total of financing of USD12.465 million.

(IV) Financial Market Business

1. *Financial Inter-bank Business*

During the Reporting Period, the Bank steadily improved market influence and brand awareness. The Bank obtained the first-class dealer qualification in open market business in 2023 and was the only corporate institution in Chongqing that was granted this qualification. In the inter-bank local currency market evaluation, the Bank won honorary awards for the Active Trader of Innovative Business of the Month for many times. In terms of asset-liability allocation, the Bank gave consideration to liquidity and profitability on the premise of ensuring safety, reasonably arranged the speed of opening positions according to the trend of interest rates, made a good multi-level asset portfolio, properly used the policy advantages of various business varieties, continued to optimize the book allocation strategy and explored the investment opportunities in different markets. The Bank improved the utilization efficiency of debt resource indicators, stepped on the rhythm of debt absorption, optimized the debt maturity and product portfolio management, and broadened the financing channels. The Bank continuously improved the diversification of customer types and continuously reduced the costs of debts. In terms of transactions, the Bank continued to improve research methods and research systems, built a professional investment and research team, deeply focused on fundamentals, policies and technology aspects, enhanced the farsightedness and autonomy of investment and research analysis, selected appropriate transaction strategies, continuously enriched transaction varieties, and continuously increased asset returns through transactions.

As of the end of June 2023, the investment balance of the Group's bonds amounted to RMB484,295 million, of which government bonds, public institutions and quasi government bonds amounted to RMB340,744 million in total, representing an increase of RMB13,349 million as compared with the end of the previous year. The scale of other bonds showed an overall slight upward trend, among which, AAA¹ rated bonds were RMB102,186 million, representing an increase of RMB3,720 million over the end of the previous year. Among other bonds, AA+ rated bonds were RMB26,375 million, representing an increase of RMB5,440 million over the end of the previous year. Among other bonds, AA rated bonds were RMB14,822 million, representing a decrease of RMB4,461 million over the end of the previous year.

As of the end of June 2023, the carrying value of the Group's financial institution bonds amounted to RMB219,366 million which consisted of debt securities issued by policy banks of RMB129,948 million, asset securitization products of RMB54,463 million, commercial banking debts of RMB32,731 million and bonds issued by other financial institutions of RMB2,225 million. The breakdown of the top ten financial bonds held is as follows:

¹ Bond rating: Debt rating is prioritized. If there is no debt rating, the subject rating is used.

Management Discussion and Analysis

Unit: RMB million

Name of debt securities	Nominal value	Annualised interest rate (%)	Maturity date
Debt securities issued by policy banks in 2022	10,450.0	2.97	2032/10/14
Debt securities issued by policy banks in 2021	10,240.0	3.66	2031/3/1
Debt securities issued by policy banks in 2019	10,000.0	3.48	2029/1/8
Debt securities issued by policy banks in 2022	7,630.0	2.90	2032/8/19
Debt securities issued by policy banks in 2021	6,220.0	2.73	2024/11/11
Debt securities issued by policy banks in 2022	5,890.0	2.96	2032/7/18
Debt securities issued by policy banks in 2023	5,810.0	3.02	2033/3/6
Debt securities issued by policy banks in 2022	4,610.0	2.77	2032/10/24
Debt securities issued by policy banks in 2018	4,240.0	4.88	2028/2/9
Debt securities issued by policy banks in 2018	4,000.0	4.00	2025/11/12

2. Asset Management Business

CQRC Wealth Management, based on the position of the Group, dedicated to serving the national strategy, adhered to the development concept of “keeping integrity and making innovation, striving for excellence”, constantly forged core competitiveness, actively responded to market changes and promoted steady development.

Focusing on the three major product systems of “Heng, Yi and Xing”, CQRC Wealth Management carried out dynamic compliance monitoring on the product attributes and formed a “3+5+N” product matrix, to identify customers’ risk preferences more effectively and match their investment needs accurately. CQRC Wealth Management continued to improve the driving mechanism of investment and research, built an investment and research system covering macro, industry, strategy, assets and other multi-dimensional perspectives, implemented the dividend strategy, created the mixed fixed income + special account of stocks and bonds, deeply participated in the investment of REITs assets, actively explored the allocation of equity assets on the basis of building a risk bottom line, and drove development with innovation. CQRC Wealth Management strengthened the technological empowerment, built a framework system covering 14 types of systems centered on three core systems, i.e. “asset management system, distribution system and valuation system”, and innovatively launched a direct selling system to provide customers with more convenient financial services.

3. Investment Banking Business

The Bank led underwriting of 11 debt financing instruments of non-financial corporations, with an aggregate underwriting share of RMB4.552 billion. The total underwriting amount of all kinds of bonds amounted to RMB69.542 billion. The Bank successfully completed the issuance of “Sannong” special financial bonds of RMB2 billion.

4. *Asset Custodial Business*

In the first half of 2023, the Bank's asset custodial business closely followed the direction of digital transformation and increased investment in system technology, thus realizing the steady development of the custodial business.

(V) **Financial Technology**

Play the role of the organizational structure and promote the coordinated management of financial technology. The Bank continued to play the role of the Bank's financial technology organizational structure of "one meeting one center and one department"¹, giving priority to ensure the talent allocation and resource supply of science and technology lines. In the first half of 2023, the investment in science and technology maintained steady growth. The Bank continued to develop towards the goal of "digital rural commercial bank" and completed approval of 46 projects. The Bank established a bank-wide one-stop business demand review meeting mechanism and launched more than 10 online self-operated products, serving more than 10 million customers. As of the end of June 2023, the total number of financial technology talents in the Bank amounted to 533 and the proportion increased to 3.69%, including 5 doctors, forming a talent echelon that covers the financial capability map and has independent and controllable capabilities.

Consolidate the foundation of data platform and expand the ability to discover data value. The Bank promoted the application of regulatory data, and self-developed a one-stop enterprise information fusion query tool, and the external data service interfaces have been visited more than 100 million times in total. The Bank promoted the construction of data standardization, improved the efficiency and value of data analysis through the self-help analysis platform, continued to expand the coverage of the data service platform, and continuously improved the accuracy and timeliness of data interaction. The Bank improved the application ability of data analysis, established various precise marketing models and operational analysis models, and effectively improved the marketing effect and refined management level. The Bank optimized the intelligent data decision-making platform, and continuously improved the professionalism and efficiency of decision-making, with an average of 1.22 million decisions per day and a success rate of 99.90%.

¹ "One meeting, one center and one department" includes the Financial Technology Management Committee under the senior management level, the Financial Technology Center composed of five first-level departments of the Head Office, namely the Financial Innovation Department, the E-banking Department, the Application R&D Center, the Data Management Department and the Direct Sales Banking Team, as well as the Information Department of Science and Technology.

Comprehensively promote the construction of information systems and improve operation and maintenance level. The Bank deepened the emergency response capacity of Wanzhou disaster recovery center and promoted construction of distributed credit card core system and completed the development of the second-stage business. The Bank established a work order management system for production environment problems and built a rapid response mechanism for production problems. The Bank formulated a standardized early warning processing process, made full use of the intelligent operation and maintenance capabilities formed by the automatic operation and maintenance platform, the application intelligent early warning platform, and the unified log management platform to gradually upgrade the operation and maintenance methods. The Bank carried out Internet penetration testing and strengthened network security risk management.

Create a “patent pool” and “standard library” and construct the core competitiveness of financial technology. In the first half of 2023, the Bank submitted 7 invention patent applications in total and obtained 8 invention patent authorizations. The Bank owned a total of 17 invention patents and 8 software copyrights. Focusing on the application of financial technology, it has participated in the formulation of 7 financial industry standards, 4 of which have been published, participated in the formulation of 19 group standards, 8 of which have been published, and completed the formulation of 11 enterprise standards. The Bank proactively participated in the activity of “leaders” of enterprise standards, and three enterprise standards were listed in the list of “leaders” of enterprise standards in the financial field in 2022.

(VI) Financial Business in County Area

County area is the principle base where the Group carries out financial services. The financial business in county area has been a long-term strategic focus of the Group, and also one of the Group’s major sources of revenue. The Group actively leveraged its unique advantages such as “more outlets, extensive coverage and familiarity with people, places and regional situation”, promoted the application of new technologies such as cloud computing, big data and artificial intelligence, optimized systems and mechanisms, deepened financial products, and strengthened financial services. Leveraging on the advantages of “online + offline” omni-channel services, the Bank increased the financial supply in county area, so as to meet the needs of rural market subjects for diversified and multi-level financial products and services. As of the end of June 2023, the loan balance of the Group in county area amounted to RMB335,766 million, accounting for 49.84% of the loan balance of the Group. The deposits balance in county area amounted to RMB647,874 million, accounting for 71.79% of the deposits balance of the Group. The balance of the Group in agricultural loans amounted to RMB227,289 million, representing an increase of RMB11,664 million as compared with the end of the previous year.

1. *Channel Construction*

As of the end of June 2023, the Group had established 5 branches, 26 first-class sub-branches, 122 second-class sub-branches, 1,295 branch offices, 1 community branch and 12 village and township banks in county areas. The Group has established 2,570 CRSs, 375 ATMs, 59 multimedia inquiry machines and 1,835 smart integrated counters in county areas, and built and put into operation 446 rural convenience financial self-service points. At the same time, the Group continuously extended the cooperative network of people's social services to the county, actively built a "nearby handling" service circle of social services and banks. The Bank established 104 "nearby handling" networks and provided 258 pieces of business card-making equipment. The Group launched the Chongqing's first "Social Insurance Service Matters Entering the Bank", and connected 20 social insurance high-frequency services to the intelligent comprehensive counter, so as to facilitate the people to handle the social insurance business nearby and conveniently.

The Bank intensified the construction of county electronic channels and proactively marketed Jiangyu Card, Funong Card, Rural Revitalization Card, etc. As of the end of June 2023, the Bank had issued a total of 22,535,100 debit cards in county areas, accounting for 78.66% of the debit cards issued by the Bank, of which 470,700 were rural revitalization cards. 11,162,300 users opened mobile banking with the Bank, accounting for 79.52% of the users opening mobile banking with the Bank, representing an increase of 414,000 as compared to the end of the previous year.

2. *Business Support*

The Group paid attention to tapping the regional value, and took customers as the center and the market as the guide to effectively help the development of county-level economy. As of the end of June 2023, personal deposits in county-level areas were RMB580,043 million, representing a net increase of RMB55,589 million as compared with the end of the previous year, accounting for 78.23% of the Group's personal deposits balance. The Group took multiple measures to promote "national debt to the countryside". The branches and sub-branches in county-level areas underwrote the net value of national debt of RMB795 million, accounting for 87.73% of the net sales value of the Bank. The Group innovated the consumption assistance mode, strengthened the cooperation between the bank and the government, and continued to organize the live broadcast goods-bringing activities of "there are good things in rural areas, and Yukuai helps revitalization", which drove the sales of characteristic agricultural and sideline products in county-level areas to about RMB2.44 million, thus effectively empowering rural revitalization.

The Bank gave full play to the role of financial support to rural revitalization in key areas such as helping the integrated development of urban and rural areas and the modernization of agriculture and rural areas. The Bank increased the release of rural infrastructure loans and actively met the capital needs for construction of transportation, water supply, power supply and other fields in rural areas. The Bank sorted out regional characteristics, determined the direction of industrial development, gradually promoted the implementation of “one loan for one county”, and continued to support projects such as infrastructure and public service facilities in poverty-stricken areas to consolidate and expand the fruits of poverty alleviation.

CQRC Wealth Management took the lead in launching the “rural revitalization” series wealth management products and created a new model of “wealth management + rural revitalization”, providing rural customers with the caring services of “investing in the wealth management products during the slack season, and providing support with gains from investment for the busy season”. The cumulative issuance amount of series products exceeded RMB10 billion and the existence scale exceeded RMB8 billion. CQRC Financial Leasing focused on supporting culture and tourism, ecological engineering, rural revitalization, modern agriculture and other projects, innovated products and business models and precisely connected with micro, small and medium-sized entity enterprises and Sannong customers. The balance of leased assets in Chongqing amounted to RMB16.831 billion with the proportion of 82.05% in county areas. In 2023, the amount of newly invested rental projects in Chongqing amounted to RMB3.891 billion, with the proportion of 91.90% in county areas.

(VII) Principal Controlled and Investee Companies

1. Information on Controlled Subsidiaries

(1) Village and township banks

CQRC Village and Township Bank is a general name for the village and township banks established by the Bank as the major promoter. The establishment of village and township banks is of great significance to fulfilling the Rural Revitalization Strategy, performing social responsibility, further broadening and deepening the service to new rural construction, exploring the development of business growth and establishing a sustainable model for the growth of profit of the Bank. As of the end of the Reporting Period, the Bank has established 12 CQRC Village and Township Banks in 12 counties (districts/cities) across 5 provinces, of which the shareholding ratio is not less than 51% for all, with aggregate registered capital amounting to RMB1,662 million, total assets amounting to RMB5,096 million, net assets amounting to RMB1,876 million, the respective balance of deposits and loans amounting to RMB2,272 million and RMB4,255 million, NPL ratio and provision coverage rate of 1.19% and 366.90%, respectively, and net profits amounting to RMB28 million.

Management Discussion and Analysis

(2) CQRC Financial Leasing Co., Ltd.

CQRC Financial Leasing is a controlling subsidiary of the Bank. It was established in December 2014 with a registered capital of RMB2.5 billion. It is mainly engaged in financial leasing business, assign and transfer of finance lease assets, fixed income securities investment business, interbank lending, borrowing from financial institutions, sales and disposals of leased property business, brokerage consulting, and establishment of project companies in domestic bonded districts to conduct leasing business, etc. The Bank held 80% equity interests in CQRC Financial Leasing. As of the end of the Reporting Period, the total assets and net assets of CQRC Financial Leasing were RMB60.809 billion and RMB6.621 billion, respectively, recording a net profit of RMB634 million during the Reporting Period.

(3) CQRC Wealth Management Co., Ltd.

CQRC Wealth Management is a wholly-owned subsidiary of the Bank. It was established in June 2020. It is the first wealth management subsidiary of rural commercial banks in China and corporate banks in western China, with a registered capital of RMB2 billion. It is primarily engaged in public offering of wealth management products to the general public, investment and management of properties entrusted by investors; private placement of wealth management products to qualified investors, investment and management of properties entrusted by investors; wealth management advisory and consulting services; and other businesses approved by the banking supervisory authorities of the State Council. As of the end of the Reporting Period, the total assets and net assets of CQRC Wealth Management were RMB2.864 billion and RMB2.809 billion, respectively, recording a net profit of RMB76 million during the Reporting Period.

2. *Principal Investee Companies*

Chongqing Xiaomi Consumer Finance Co., Ltd. is the second licensed consumer finance company in Chongqing. It was established in May 2020 and is mainly engaged in granting personal consumption loans business. Its registered capital was RMB1.5 billion. The Bank held its 30% equity interests. As of the end of the Reporting Period, the total assets and net assets of Chongqing Xiaomi Consumer Finance Co., Ltd. were RMB16.189 billion and RMB1.459 billion, respectively.

IV. Key Issues of Operation Concerns

(I) About profitability

During the Reporting Period, the Group achieved an operating revenue of RMB14.869 billion, representing a year-on-year decrease of the operating revenue, mainly due to the decrease in the net interest margin. However, the decrease was narrowed as compared with the first quarter. The Group recorded a net profit of RMB7.121 billion, representing a year-on-year increase of RMB624 million and a year-on-year growth rate of 9.61%.

In the first half of the year, the Group adhered to high-quality development as the core and maintained a good momentum of “three stability” in operation and development. Firstly, the business scale achieved “steady growth”. The Group’s asset scale exceeded RMB1,400 billion, representing an increase of RMB86.49 billion or 6.40% as compared to the end of the previous year. The loan scale exceeded RMB670 billion, representing an increase of RMB41.059 billion or 6.49% as compared to the end of the previous year. The deposit scale exceeded RMB900 billion, representing an increase of RMB77.535 billion or 9.40% as compared to the end of the previous year, hitting a new high in increment. Secondly, the business structure was “steady improved”. The proportions of loans and deposits continued to increase, with various loans accounting for 46.83% of the total assets, representing an increase of 0.04 percentage point as compared to the end of the previous year, and various deposits accounting for 68.44% of the total liabilities, representing an increase of 1.74 percentage points as compared to the end of the previous year. Thirdly, the non-interest income achieved a “steady increase”. The Group achieved non-interest income of RMB2.826 billion, representing a year-on-year increase of RMB318 million or 12.70%, of which gains from financial investment and changes in valuation increased by RMB203 million or 15.40% year-on-year, which was mainly due to the fact that the Group strengthened the research and judgment on interest rate trends, seized market opportunities, flexibly adjusted trading strategies, strengthened swing trade and increased asset returns.

Looking forward to the second half of the year, the Group will focus on consolidating the customer base and scale advantages, actively seize major strategic development opportunities, continue to promote the progress of digital transformation, improve the market penetration ability and efficiency of financial services, highlight its own characteristics, build the core advantages and stabilize the performance growth.

Management Discussion and Analysis

Firstly, the Group will dig the source of “increment”, focusing on digging major strategies, rural revitalization, small and micro enterprises and private enterprises, and consumption credit market space. At the same time, the Group will strengthen the marketing of scenario services, continue to expand the scale of high-quality assets and liabilities, and stabilize the leading position in the deposit and loan market. Secondly, the Group will seize the key of “increasing income”, increase the proportions of deposits and loans, further strengthen the pricing management and enhance the comprehensive return to customers. The Group will enhance the service capability of traditional intermediary businesses, improve the customer product system and optimize the investment layout and trading strategy to drive the steady growth of non-interest income. Thirdly, the Group will lay a solid foundation for “efficiency improvement”, strengthen the refined management of financial resources, improve the evaluation mechanism of resource utilization efficiency, increase the inclination of resources in terms of the digging of comprehensive contribution to customers and the improvement of management efficiency and other aspects, and give full play to the leverage of financial resources, so as to realize the digitalization and intellectualization of marketing, customer management, pricing management, post-loan management and other businesses in the whole life cycle and empower the development of front-line businesses. Fourthly, the Group will emphasize the core of “increasing profits”, build a management system for non-performing assets, and insist on seeking benefits from non-performing assets. The Group will strengthen the forward-looking asset quality monitoring and control, continuously strengthen the assessment of potential risks and constantly consolidate the quality of assets.

(II) About net interest margin

In the first half of 2023, the Group’s net interest margin was 1.79%, representing a year-on-year decrease of 24 basis points and a decrease of 18 basis points as compared to the end of the previous year. The asset-side yield continued to be under pressure due to the influence of the reset price of floating interest rate loans on stock and the downward trend of market interest rates. Firstly, the intensification of competition in asset investment, together with the continuous role of economic stabilization policies, led to a decline in the yield of various loans. Secondly, the growth of housing mortgage loans and consumer loans with relatively high returns slowed down due to the continuous downturn in the real estate market and the weak consuming willingness of residents. Thirdly, the market interest rate fluctuated at a low level, and the income level of treasury business also declined. The Group consolidated the advantages of liability volume and price, and the liability costs were stable with a slight decline. Firstly, the Group actively expanded the scale of core deposits, and the proportion of deposits increased by 1.74 percentage points as compared to the end of the previous year. At the same time, the Group strengthened the control over the limit of high-interest deposits and implemented the market-oriented adjustment mechanism of interest rates, and the interest rate of deposits decreased by 9 basis points year-on-year. Secondly, the Group flexibly arranged interbank funds and rationally optimized the structure and term of active liabilities according to the trend of market interest rate. As of the end of June, the Group’s liability cost ratio was 2.05%, representing a year-on-year decrease of 16 basis points.

Looking forward to the second half of the year, the Group will continue to optimize the asset-liability structure, strengthen the pricing management of interest rates, enhance the advantages of core liabilities such as deposits, and strive to stabilize the net interest margin at a reasonable level. On the asset side, the Group will rely on multi-scenarios and multi-channels to accurately reach customers, emphasize the use of featured products, seize the opportunity to expand domestic demand and promote consumption, increase the supply of credit, and stabilize the income of loans. At the same time, the Group will strengthen the forward-looking analysis of market interest rates, seize market opportunities, enrich trading strategies and reasonably manipulate the “product structure and term structure” to stabilize the investment income of financial assets. On the liability side, the Group will focus on the growth of low-cost core deposits, seize the opportunity of market-oriented adjustment of deposit interest rates, strengthen the volume and price control of high-interest deposits, and guide the interest-bearing costs of deposits to decline. At the same time, the Group will, in combination with the needs of business development, expand the diversified liabilities, and actively use the Central Bank’s monetary policy tools to keep the liability cost stable with a slight decline.

(III) About asset quality

In the first half of 2023, the Group continued to increase support for local economic development, strengthened supervision on credit risks at the same time, strictly controlled the material risks, prudently carried out classification management of risks and prospectively made impairment provisions. The asset quality steadily improved.

The asset quality maintained a positive momentum. As of the end of June 2023, the percentage of the latter four types of loans of the Group was 2.35%, representing a decrease of 0.16 percentage point over the end of the previous year, among which, the NPL ratio was 1.21%, representing a decrease of 0.01 percentage point over the end of the previous year; the percentage of loans of concern was 1.14%, representing a decrease of 0.15 percentage point over the end of the previous year. Various indicators maintained at a good level in the industry.

The quality of corporate loans continued to improve. As of the end of June 2023, the corporate NPL balance and the NPL ratio of the Group decreased by RMB213 million and 0.19 percentage point over the end of the previous year, respectively. The overall asset quality maintained a positive trend.

The growth rate of non-performing retail loans slowed down. In the first half of the year, the growth rate of non-performing retail loans of the Group decreased by 46.92 percentage points year-on-year and the NPL formation ratio also showed a year-on-year decrease trend. As of the end of June 2023, secured loans accounted for 88.93% of non-performing retail loans, of which, mortgaged and pledged loans accounted for 83.39%. The collateral value covered 1.66 times of the principal of loans, with good risk mitigation capabilities.

Management Discussion and Analysis

Overdue loans were under effective management and control. As of the end of June 2023, the overdue rate decreased by 0.02 percentage point year-on-year, and the growth rate of overdue loans in the first half of the year decreased by 14.84 percentage points year-on-year. Secured loans among overdue loans accounted for 86.64%, of which, mortgaged and pledged loans accounted for 71.30%. The collateral value covered 1.79 times of the principal of loans, with good risk mitigation capabilities.

The Group continued to promote the implementation of the new classification regulations. The Group actively promoted the internalization of external regulations in accordance with the requirements of the Measures for Classification of Financial Assets Risks, and continuously conducted survey of financial assets. In general, the Group has cleared the potentially risky loans in an orderly manner in the early stage, and the impact of the new classification regulations on the quality of Group's assets is controllable. Subsequently, the Group will advance step by step and make a smooth transition.

Looking forward to the second half of the year, the Group will continuously optimize the credit structure, continuously strengthen the monitoring and evaluation of financial asset risks in combination with the new classification regulations, and dynamically implement classification management. In addition, the Group will accelerate the application of intelligent risk control, improve the management and control level of credit risks, and continue to recover and dispose of non-performing assets properly. On the whole, it is expected that the quality of assets will continue to be stable in the second half of the year, and relevant indicators will continue to be controllable and maintain a good level.

(IV) About impairment provision

The Group has always adhered to the business philosophy of giving equal importance to efficiency and scale, quality and speed, and internal control and development and the principles of compliance, prudent and stable operation, strictly implemented the relevant requirements of the Administrative Measures for the Implementation of the Expected Credit Loss Approach of Commercial Banks, followed the comprehensiveness, authenticity, prudence, dynamics and matching of impairment provision, and maintained the continuity of the provision approach. There were no significant changes in provision approach. As of the end of June 2023, the balance of credit risk loss provision of the Group amounted to RMB31,695 million, representing an increase of RMB1,463 million as compared to the end of the previous year. Among which, the balance of credit asset impairment provision amounted to RMB28,573 million. The provision coverage ratio was 350.87% and provision-to-loan ratio was 4.24%, maintaining at a relatively high level and ranking at the front of listed banks. The Group's provision coverage ratio of loans overdue for more than 90 days was 483.88%, and that of loans overdue for more than 60 days was 434.13%. The Group continued to maintain the sufficient risk replenishment capability.

In the first half of 2023, the Group made provision for credit impairment losses of RMB1,845 million, representing a year-on-year decrease of RMB1.774 billion or 49.02%, the main reasons of which are as follows: firstly, the Group's asset quality has steadily improved, and non-performing corporate loans continued to achieve a "double decline". The provision for credit impairment losses of the company line decreased by RMB2.254 billion or 84.35% year-on-year, the growth rate of non-performing retail loans slowed down and the NPLs formation ratio decreased year-on-year. Secondly, the Group made great efforts on collection and disposal of written-off assets and demanded benefits from the non-performing assets, the recovery of previously written-off loans in the first half of the year led to the reversal of impairment provisions, resulting in a significant year-on-year decrease in credit impairment losses for the current period.

V. Risk Management

During the Reporting Period, in the face of changes in the risk situation under the stabilization and recovery of the domestic economy, the Group strengthened the research and analysis, proactively responded, made great efforts to improve the ability of risks in terms of target control, forward-looking identification, quantitative analysis, monitoring report and efficient disposal, and adhered to the bottom line of preventing and resolving financial risks.

Analyze the risk situation and proactively strengthen monitoring and analysis. The Group strengthened the monitoring of the quality of assets and the measurement of key time indicators, conducted dynamic screening of the loans affected by the new regulations on classification of financial assets, formulated a step-by-step plan, effectively linked the risk classification, impairment provision and non-performing asset disposal, so as to resolve the risks in an orderly manner while achieving a sustained improvement in the quality of assets and a high level of risk offsetting.

Improve the mechanism and measures and constantly consolidate the management foundation. The Group formulated annual risk preference and issued annual risk management opinions. The Group focused on promoting the implementation of new regulatory regulations such as Measures for the Risk Classification of Financial Assets of Commercial Banks, Administrative Measures for the Implementation of the Expected Credit Loss Approach of Commercial Banks and Administrative Measures for Off-Balance-Sheet Business Risks of Commercial Banks, improving the internal regulations and optimizing the system. The Group continued to increase the authorization of branches in the fields of retail, Sannong, and inclusive small and micro enterprises. The Group continued to carry out key supervision and monitoring of business indicators, analyzed and summarized the risk events of overseas banks and carried out special stress tests. The Group strengthened the assessment of the risks of online credit products, and established a closed-loop management mechanism from product innovation, model strategy review to post-operation evaluation.

Management Discussion and Analysis

Strengthen the overall planning and steadily promote the control over digital risks. The internal evaluation system and model were continuously upgraded, and six peer rating models including banks, securities and insurance companies were optimized. The risk data mart included the information such as customer early warning and risk disposal, the customer risk view was further improved, an online risk data analysis center was established, and the visual customization of statements was realized. The large-amount risk exposure system was continuously optimized, providing strong support for the control of credit concentration. The system design of model risk management was initially completed, and the Group continued to implement the risk control model management of digital credit products with assessment as the starting point.

In the next step, the Group will take concrete measures from the aspects of “continuously optimizing risk management mechanism tools, proactively strengthening the monitoring and identification of various risks, giving full play to the effect of risk assessment mechanism and striving to improve the ability of risk quantitative analysis” to continuously improve the overall risk management level.

(I) Risk Management Structure

The Bank's risk management structure consists of the Board of Directors, the Board of Supervisors, senior management and related special committees authorized by it, the headquarters' risk management department, other relevant functional departments, the audit department and branches and subsidiaries. The Board of Directors assumed the ultimate responsibility for comprehensive risk management and set up a risk management committee to perform responsibilities related to comprehensive risk management with the Board's authorization. The senior management assumed the responsibilities for implementing comprehensive risk management, carrying out Board resolutions, and setting up risk management committees to make collective decisions on risk management related matters. The Board of Supervisors assumed the responsibilities for overseeing comprehensive risk management, supervising and inspecting the due diligence performance of the Board of Directors and senior management in respect of risk management and supervising their rectification.

The headquarters' risk management department took the lead in the daily management of comprehensive risks, and was responsible for leading the implementation of comprehensive risk management system and timely reporting to the senior management on the Group's comprehensive risks and various major risks. Each department of the headquarters assumed direct responsibility for the risk management of the line and the department, and managed various risks of the Bank including credit risk, market risk, liquidity risk, and operational risk in accordance with the division of responsibilities. The audit department of the headquarters is responsible for performing internal audits on relevant performance of duties. Each branch is responsible for the daily management of comprehensive risks of the branch. Under the framework of the Bank's overall risk appetite and risk management policies, each subsidiary institution has established a comprehensive risk management system that is appropriate to the business nature, scale and complexity of its business.

(II) Credit Risk Management

Credit risk refers to the risk of losses of banking business arising from the failure of the borrower or the counterparty of the Bank to fulfil relevant obligations as per the contract for various reasons.

In the first half of 2023, the Group actively implemented the government and regulatory policies and guidelines, continuously strengthened the support for major projects related to local economic development, and constantly strengthened the management and control of credit risks. The Group continuously improved the credit risk management system, issued the annual credit investment guidelines, promoted the optimization of credit asset structure, promoted the digitalization of credit management in an orderly manner, improved the post-loan management mechanism, improved the monitoring dimensions and data sources of early warning signals, optimized the intelligent post-loan function, and analyzed the credit risks in advance. The Group properly conducted risk assessment, comprehensively sorted out and conducted risk evaluation of financial assets in combination with the management requirements of the new regulations on risk classification, strictly controlled the dynamics of substantive risks and implemented classified management, and made adequate impairment provisions. The Group strengthened the technical support of risk measurement, conducted credit risk stress tests, and quantitatively evaluated the risk tolerance level of the Group under various stress scenarios. The Group strictly controlled the concentration risk, carried out the large-amount risk exposure management, continuously optimized the functions of large-amount risk exposure system, and promoted the application of various functions. As of the end of June 2023, the relevant indicators of large-amount risk exposure of the Group were better than the regulatory standards.

(III) Market Risk Management

Market risk refers to the risk of losses from on-balance-sheet and off-balance-sheet businesses of the Group arising from adverse changes in the market price (such as interest rate, exchange rate, stock price and commodity price, etc.). The market risks faced by the Group include interest rate risk and exchange rate risk. The purpose of market risk management is to control potential market risk losses through monitoring and other measures to the extent that the Group can bear, thus maximizing risk-adjusted returns.

The Group proactively manages its interest rate risk and exchange rate risk in accordance with the regulatory requirements and with reference to the relevant provisions in the “New Basel Capital Accord”. The Group has also formulated a management system for market risks through regulations on authorization, credit extension and risk limit, and measures such as monitoring and reporting.

Management Discussion and Analysis

In the first half of 2023, the Group continuously improved the ability of active market risk management: firstly, the Group formulated the annual market risk limit plan, monitored the market risks on a daily basis, reported the market risks on a regular basis, and properly made timely risk warnings to business departments; secondly, the Group conducted comparative analysis and special stress tests with respect to overseas banks' risk events in the first half of the year, evaluated the Bank's liquidity and capital tolerance capacity under extreme stress scenarios such as market and liquidity risks, and provided forward-looking guidance for market risk management; at the same time, the Group, according to the current macro policies and economic situation, optimized the annual stress test scenarios, conducted market risk stress tests quarterly, and successfully passed the annual stress test organized by the PBOC; thirdly, the Group strengthened the analysis of interest rates and exchange rates, regularly conducted relevant business analysis on economic fundamentals, financial data and market risks, and reported to the senior management and the Board of Directors, so as to provide a basis for decision-making; fourthly, the Group promoted the construction of market risk management system as planned, and constantly improved the digitalization and refined level of market risk management.

1. *Interest Rate Risk Analysis*

Interest rate risk is the major market risk faced by the Group. In terms of banking books, the Group measures interest rate sensitivity gap on a regular basis, evaluates interest rate risk through gap analysis, and further assesses the impact of interest rate changes on economic value and net interest income in varied interest rate scenarios. The stress test results show that the interest rate risk of banking books is controllable. In terms of trading books, the Group monitors the valuation and quota implementation of the bond business on a daily basis. No limit was triggered in the first half of 2023. In the first half of 2023, the liquidity of the banking system generally remained reasonably abundant. The interest rate of 10-year government bonds broke through 2.635% downward due to the weak repair of endogenous kinetic energy in the domestic economy. The monetary policy continuously remained flexible and moderate. In the first half of the year, the Central Bank successively cut the reserve requirement ratio and interest rates, and the shibor interest rate of each term showed an overall large downward trend. It is expected that the domestic economic recovery will continue to rebound and improve in the second half of the year. The Group will pay close attention to the macroeconomic policies and the recovery of economic fundamentals, improve the forward-looking management of interest rate risks, and strengthen the differential refined pricing of internal and external interest rates, so as to ensure the continuous improvement of the Group's revenue and market value.

Management Discussion and Analysis

The structure of the Group's interest rate risk gap based on the contract re-pricing date or maturity date (whichever was earlier) is as follows:

(Expressed in RMB million)	Within 3 months	3 months - 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Interest rate gap as at 30 June 2023	<u>(235,366.0)</u>	<u>42,957.6</u>	<u>58,977.9</u>	<u>215,705.5</u>	<u>27,568.0</u>	<u>109,843.0</u>
Interest rate gap as at 31 December 2022	<u>(93,461.9)</u>	<u>(92,031.2)</u>	<u>30,914.2</u>	<u>233,888.4</u>	<u>26,119.0</u>	<u>105,428.5</u>

As of the end of June 2023, the Group's accumulated gaps of interest rate risk for all maturities amounted to RMB109.843 billion, representing an increase of RMB4.415 billion over the end of the previous year.

2. Interest Rate Sensitivity Analysis

The following table illustrates the interest rate sensitivity analysis of the Group on the assumption that the overall interest rate in the market moves in parallel and not considering any risk management actions the management may take to mitigate interest rate risk:

(Expressed in RMB million)	The Group 30 June 2023		The Group 31 December 2022	
	Impact on net profit	Impact on other comprehensive income	Impact on net profit	Impact on other comprehensive income
Increase in 100 basis points	(189.1)	(4,134.9)	492.6	(3,346.6)
Decrease in 100 basis points	<u>189.0</u>	<u>4,476.5</u>	<u>(597.9)</u>	<u>3,634.0</u>

3. Exchange Rate Risk Analysis

Exchange rate risk primarily results from mismatches in the currency denomination of the Group's assets and liabilities and currency position mismatches caused by currency mismatched between capitals and foreign currency transactions. The Group mainly adopts foreign exchange exposure analysis, sensitivity analysis and other means to measure exchange rate risk. The Group is mainly engaged in the Renminbi business with certain transactions related to US dollars and Euro but seldom conducts transactions in other currencies. Transactions in foreign currencies are mainly the Group's self-operated and agency current business, self-operated and agency swaps business and agency forward business.

Management Discussion and Analysis

In the first half of 2023, the exchange rate of USD against RMB rose sharply mainly due to the different economic cycles and opposite monetary policies of China and the United States together with the slowdown of domestic economic recovery, deepening the upside-down spread between China and the United States. As of the end of June, the spot exchange rate of USD against RMB in the inter-bank foreign exchange market had closed at 7.226, representing an increase of 3.75% as compared to the end of the previous year. With the appreciation of USD, the Bank appropriately increased its exposure to USD as compared to the end of last year, the total foreign exchange exposure was a positive exposure of RMB620 million, and the foreign exchange risk was controllable as a whole. The Group will continuously pay attention to the global economic situation, strengthen the study and judgment on the trend of foreign exchange rate and reasonably allocate local and foreign currency assets. The Group will strengthen its management capability of its exposure to foreign exchange risks and the management standard of foreign exchange assets and liabilities by enhancing the dynamic management of the deposits and loans of foreign exchange and arranging the utilization of foreign exchange capital reasonably. The Group will also actively explore the usage of derivative financial instruments for exchange rate to hedge against exchange rate risk.

As of the end of June 2023, the position of foreign currencies on the Group's balance sheet denominated in RMB is as follows:

(Expressed in RMB million)	RMB	U.S. dollars RMB equivalent	HK dollars RMB equivalent	Other currencies RMB equivalent	Total
Net position as at 30 June 2023	<u>110,201.0</u>	<u>(394.2)</u>	<u>24.8</u>	<u>11.4</u>	<u>109,843.0</u>
Net position as at 31 December 2022	<u>104,539.6</u>	<u>684.7</u>	<u>182.6</u>	<u>21.6</u>	<u>105,428.5</u>

4. Exchange Rate Sensitivity Analysis

The following table illustrates the exchange rate sensitivity analysis of the Group on the assumption that the RMB spot and forward exchange rate against USD changes and not considering any risk management actions the management may take to mitigate exchange rate risk:

Exchange rate changes (Expressed in RMB million)	30 June 2023 Impact on net profit	31 December 2022 Impact on net profit
RMB 5% appreciation	<u>14.8</u>	(25.7)
RMB 5% depreciation	<u>(14.8)</u>	<u>25.7</u>

(IV) Liquidity Risk Management

Liquidity risk refers to the risk of inability in getting sufficient funds at reasonable costs in a timely manner to repay due liabilities or fulfill other obligations for payments or meet the other capital needs required for the conduction of normal business. The objective of liquidity risk management of the Group is to meet the liquidity needs of asset, liability and off-balance sheet activities and meet its payment obligation to external parties on a timely basis, to maintain stable operation with overall security, to protect the interests of depositors, and to effectively balance fund profitability and overall security no matter during the normal operation or at a highly stressed condition through the development of a scientific and comprehensive liquidity risk management mechanism and the implementation of effective identification, measurement, monitoring and reporting measures on liquidity risk.

The Board of Directors of the Group is ultimately responsible for liquidity risk management. The Asset and Liability Management Commission and Risk Management Commission under senior management are responsible for establishing policies and strategies relating to the Group's overall management of liquidity risk. The Assets and Liabilities Management Department, the Risk Management Department, the Capital Operation Department, the International Operations Department and other related departments cooperated with each other to form an organizational structure of liquidity risk management with division of work and cooperation, clear responsibilities and efficient operation.

The Group ensured payment through continuous monitoring and management of positions across the Bank. The Group, leveraging its unremitting efforts in strengthening liquidity monitoring as well as the application of the FTP, a system for internal fund transfer pricing, had improved the management level of internal fund allocation under the system. The Group updated liquidity pressure tests scenarios annually and carried out liquidity pressure tests quarterly to examine the ability of the Group to withstand risks under extreme pressure. The results showed that the management of liquidity risks under pressure, though more difficult, was controllable.

The Group adhered to the prudent and compliant operation philosophy, continued to optimize the asset-liability structure, formulated and implemented the liquidity risk preference and limit control plan for 2023, carried out calculation of the indicators of forward-looking liquidity risks in combination with the external environment and internal business change needs, deployed in advance and dynamically adjusted the management strategies for liquidity risks, and promoted the indicators of liquidity risks to meet the standards continuously. The Group continued to strengthen the management of daytime liquidity risks, improved the management information system of liquidity risks, strengthened the monitoring and control of high-quality liquidity assets, and promoted the implementation of refined management.

Management Discussion and Analysis

In the first half of 2023, the macro policies adhered to the tone of “stability first, seeking progress while maintaining stability”, and the overall economic operation improved. The prudent monetary policy was precise and powerful. The Group stepped up the counter-cyclical adjustment to keep the total liquidity in line with market demand, and the liquidity in the banking system remained reasonably abundant in general. The Group strictly implemented the control mechanism of liquidity risk limit and maintained a good liquidity level, and all the main indicators reflecting the liquidity status of the Group met the regulatory requirements.

The Group appraised the liquidity risk conditions by means of liquidity gap analysis. As of the end of June 2023, the liquidity gap analysis of the Group is as follows:

(Expressed in RMB million)	Undiscounted contractual cash flows categorised by contractual maturities							Total
	Overdue/Undated	On demand	Within 1 month	1-3 months	3 months -1 year	1-5 years	Over 5 years	
Net position of assets and liabilities as at 30 June 2023	<u>49,274.0</u>	<u>(200,656.7)</u>	<u>(54,568.3)</u>	<u>(59,567.8)</u>	<u>(187,760.5)</u>	<u>227,710.7</u>	<u>618,056.3</u>	<u>392,487.7</u>
Net position of assets and liabilities as at 31 December 2022	<u>49,738.8</u>	<u>(224,999.6)</u>	<u>(55,398.6)</u>	<u>(118,162.8)</u>	<u>(85,096.9)</u>	<u>181,401.5</u>	<u>652,309.1</u>	<u>399,791.5</u>

The Group measured and disclosed its liquidity ratio, net stable funding ratio and liquidity coverage ratio in accordance with the relevant requirements of Methods for Liquidity Risk Management in Commercial Banks (《商業銀行流動性風險管理辦法》) issued by the CBIRC.

As of the end of June 2023, the liquidity ratio of the Group is as follows:

Liquidity ratio (%)	30 June 2023	31 December 2022	31 December 2021
Renminbi	97.28	87.55	79.86
Foreign currency	111.93	<u>236.85</u>	<u>92.89</u>

Liquidity ratio is calculated by dividing current assets by current liabilities.

Management Discussion and Analysis

As of the end of June 2023, the net stable funding ratio of the Group is as follows:

(Expressed in RMB million)	30 June 2023	31 March 2023
Available stable funding	954,577.04	963,034.84
Required stable funding	783,596.00	788,799.31
Net stable funding ratio (%)	121.82	122.09

Net stable funding ratio is calculated by dividing available stable funding by the required stable funding. It is used to evaluate whether commercial banks have sufficient and stable funding sources to meet the needs of various assets and off-balance sheet risk exposures.

As of the end of June 2023, the liquidity coverage ratio of the Group is as follows:

(Expressed in RMB million)	30 June 2023
Qualified and high-quality liquid assets	170,983.19
Net cash outflows in future 30 days	53,492.78
Liquidity coverage rate (%)	319.64

The qualified and high-quality liquid assets mean various assets which can be cashed quickly in the financial market through sale or mortgage (pledge) without loss or with minimal loss in the pressure scenarios set by the liquidity coverage ratio. The net cash outflow in future 30 days means the differences between the expected total cash outflow and the expected total cash inflow in the future 30 days in the pressure scenarios set by the liquidity coverage ratio. The expected total cash outflow is the sum of products of the balance of the relevant liabilities and off-balance sheet items and its expected churn rate or extraction rate in the pressure scenarios set by the liquidity coverage ratio. The expected total cash inflow is the sum of products of the balance of the relevant on and off-balance sheet contractual receivables and its expected inflow rate in the pressure scenarios set by the liquidity coverage ratio. The expected total cash inflow which can be included shall not exceed 75% of the expected total cash outflow.

(V) Operational Risk Management

Operational risk refers to the risk of losses due to imperfections in internal procedures and scientific and technological information systems or errors in personnel, or external events. Through the principles of comprehensiveness and prudence, the Group implements an operational risk management strategy that matches the Bank's asset size and business complexity, based on a comprehensive risk management system and in compliance with the overall risk appetite.

During the Reporting Period, the Group continued to improve its operational risk management system to strictly guard against major operational risk events and strive to achieve comprehensive identification and effective control of operational risks. Firstly, the Group closely monitored and identified operational risks. The Group continuously updated and improved the monitoring system of key risk indicators, regularly collected index data and risk loss data, and consolidated the foundation of risk measurement. Secondly, the Group comprehensively evaluated measures to improve risk control. The Group identified and sorted out key risk links in the process of various operation and management activities, updated and optimized risk control measures and improved management capabilities through system evaluation. Thirdly, the Group carried out a number of risk investigations. The Group organized and conducted the special screening on anti-money laundering, employee behaviors, illegal fund-raising risk and case risk and the post-event daily supervision, cash receipt and payment and special inspection on anti-counterfeit currency business to constantly strengthen risk prevention in key areas. Fourthly, the Group has consolidated the management of business continuity. The Group coordinated and formulated an exercise plan, carried out a centralized switching exercise of the new remote disaster recovery center system, verified the business takeover capability of the disaster recovery center to effectively ensure the stable operation of the Group's business. Fifthly, the Group strengthened the outsource risk management. The Group organized and conducted the special assessment on information technology outsourcing risk and the screening on case risks of outsourcing business lines and evaluated the risk status of each link of the outsourcing business to continuously improve the quality and efficiency of outsourcing risk management.

(VI) Reputation Risk Management

Reputation risk refers to the risk of negative evaluation of the Group by the stakeholders, the public and the media due to the Group's operations, management and other actions or external events, thereby damaging the brand value of the Group, adversely affecting the normal operation of the Group, or even affecting market stability and social stability.

During the Reporting Period, the Group established and improved the reputation risk management mechanism, and further strengthened the classified management of reputation risks, customer emergency and complaint handling, emergency handling of sudden public opinion, information release process management, and standardized management of publicity work, etc. At the same time, the Group continued to properly monitor and deal with the public opinion, actively and effectively prevented reputation risks and responded to negative public opinion events, and actively maintained the Bank's good market image to achieve the overall goal of reputation risk management.

(VII) Information Technology Risk Management

Information technology risks refer to operational, legal, and reputational risks arising from the use of information technology due to natural factors, human factors, technical loopholes, and management defects.

During the Reporting Period, the Group continued to improve the information technology risk management system and enhance the efficiency of information technology risk management, without any major information technology risk events. Firstly, optimize the institutional system. The Group updated the implementation rules for information technology risk assessment and further standardized various aspects of information technology risk assessment to enhance the comprehensiveness, effectiveness and operability of the systems. Secondly, strengthen operation and maintenance management and control. The Group strengthened the 7×24 operation and maintenance on-duty management, strove to maintain network security at important points such as New Year's Day, Spring Festival, and the "Two Sessions", and effectively maintained the stable operation of important businesses. Thirdly, implement assessment and monitoring. The Group established an expert group to implement the risk assessment links before the construction of important information system projects and regularly carried out information technology risk monitoring and analysis to identify and deal with potential risks in a timely manner.

(VIII) Money Laundering Risk Management

The Bank conscientiously implemented the spirit of Chongqing Anti-Money Laundering Work Conference, consolidated the foundation of performing its duties, and improved the effectiveness of preventing money laundering risks.

During the Reporting Period, the Bank strictly implemented the regulatory requirements for anti-money laundering, actively responded to the work deployment, revised the internal control system for anti-money laundering, optimized the system functions, held joint anti-money laundering meetings, promoted the collaborative linkage, carried out data governance and supervision and management in a normalized manner, strengthened training and publicity, improved the initiative, consciousness and enthusiasm of all employees in performance of the anti-money laundering duty, promoted the transformation of anti-money laundering work to “risk-oriented”, actively cooperated with the “three-year action” to crack down on money laundering crimes, constructed a new development pattern of anti-money laundering work, and played an overall role in the security and stability of anti-money laundering services.

(IX) Internal Audit

The Group has established a sound internal audit system according to laws and regulations. The internal audit team works under the leadership of the Party Committee and the Board, and is accountable to and reports to the Party Committee and the Board. The Board was responsible for establishing and maintaining an effective internal audit system to ensure that internal audit had sufficient independence. The internal audit departments were equipped with designated audit personnel, which was in compliance with the regulatory requirements.

During the Reporting Period, the internal audit adhered to the goal of serving organizations, paid equal attention to post supervision and prevention in advance, strengthened risk research and judgment, highlighted the key points of audit, properly implemented the audit projects, and further improved the level of audit supervision. The Bank kept the integrity and made innovation, continuously improved the internal control evaluation system, formed objective and fair evaluation conclusions, played the encouraging and guiding role, and promoted the realization of internal control objectives. The Bank strengthened the application of audit results, deepened the promotion of three rectification mechanisms including linkage rectification, audit and supervision, assessment and evaluation, promoted the implementation of national policies, regulatory requirements and the strategy of the Head Office, and helped the Bank to develop with high quality.

(X) Related Party Transactions

During the Reporting Period, in accordance with the requirements for listed banks, the Bank continued to improve its management of related party transactions. The Bank strengthened the management of the list of related parties. It regularly collected information from related parties, conducted dynamic management and timely update of the list, strengthened identification of related parties, thereby laying a solid foundation for related party transaction management. The Bank strictly examined and approved related party transactions, controlled the compliance risks of related party transactions, standardized the implementation of the review and disclosure standards of related party transactions, and performed the obligation of filing or submitting related party transactions in a timely manner. The Bank strengthened the concentration management and control of related party transactions. It regularly monitored indicators of concentration for substantial shareholders and related parties of the Bank to prevent concentration risk. During the Reporting Period, all relevant indicators met the regulatory requirements.

1. *Related party transactions during the ordinary course of business*

During the Reporting Period, the Bank conducted related party transactions by following the regulatory requirements and the Administrative Measures for the Related Party Transactions (《關聯交易管理辦法》) of the Bank, the related party transactions were priced fairly and in line with the overall interests of the Bank and shareholders.

- (1) During the Reporting Period, the Bank conducted related party transactions by following the relevant regulations of the CBIRC, and a total of 4 significant related party transactions were approved. The net credit amount was RMB16.408 billion as at the end of the Reporting Period, as follows:

Unit: RMB0'000

No.	Name of related party	Transaction type	Net credit amount	Percentage of net capital (%)
1	Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司) and group members	Credit	648,263.00	4.84
2	CQRC Financial Leasing Co., Ltd. (渝農商金融租賃有限責任公司)	Credit	430,000.00	3.21
3	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and group members	Credit	338,149.60	2.52
4	Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) and group members	Credit	224,362.37	1.67

Management Discussion and Analysis

- (2) In accordance with the relevant regulations of the Shanghai Stock Exchange, during the Reporting Period, the balance of the Bank's loans to related natural persons under the relevant regulations of the Shanghai Stock Exchange was RMB10.4410 million. Related party transactions that occurred between the Bank and related parties under the relevant regulations of the Shanghai Stock Exchange considered by the Board and general meetings are as follows:

The 28th meeting of the fifth session of the Board of Directors and the 2022 annual general meeting of the Bank considered and approved the “the resolution in relation to the related party transactions with Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司) and its related parties”, “the resolution in relation to the related party transactions with Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and its related parties” and “the resolution in relation to the related party transactions with Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) and its related parties” on 27 April 2023 and 25 May 2023 respectively, agreeing on the group comprehensive credit limit of RMB9,942.33 million to Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司) with a credit period of 1 year, the group comprehensive credit limit of RMB17,500.00 million to Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) with a credit period of 1 year and the group comprehensive credit limit of RMB17,500.00 million to Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) with a credit period of 1 year. For details, please refer to the “Announcement on Related Party Transactions of Chongqing Rural Commercial Bank Co., Ltd.” (Announcement No.: 2023-015) published by the Bank on the website of the Shanghai Stock Exchange on 28 April 2023.

2. *Related party transactions in connection with purchase or sale of assets or equity interests*

During the Reporting Period, the Bank was not involved in related party transaction in connection with purchase or sale of assets or equity interest.

3. *Related party transactions in connection with joint external investment*

During the Reporting Period, the Bank was not involved in related party transaction in connection with joint external investment.

4. *Claims, debt transactions with related parties*

During the Reporting Period, the Bank was not involved in claims or debt transactions of a non-operating nature.

5. *Business transactions with related finance companies*

During the Reporting Period, there was no finance company controlled by the Bank. The Bank was not involved in deposits, loans, credit or other financial business with related finance companies.

6. *Other significant related party transactions*

During the Reporting Period, apart from the transactions mentioned above, the Bank did not have any other significant related party transactions that met the requirements of the securities regulatory authorities.

VI. Capital Management

The Group implemented comprehensive capital management, including the formulation of capital management policies, capital planning, capital adequacy ratio management plans, capital measurement, internal capital adequacy assessment, capital allocation and capital assessment management. The goal of the Group's capital management is to mainly accumulate internal capital, with external capital as supplement, to effectively balance capital supply and demand, to strengthen capital restrictions and guidance to the business, so as to maintain a capital level that is consistently higher than regulatory requirements, and to reserve a certain room for margin and buffer as security.

In the first half of 2023, the Group continued to promote the refinement of capital management, formulated and implemented the capital planning for 2023-2025, rationally arranged risk-weighted asset plans, adjusted business structure, improved capital utilization efficiency, maintained continuous growth of capital, further consolidated capital strength of the Bank, and constantly enhanced the service capability for real economy. During the Reporting Period, the capital indicators performed well, providing a strong guarantee for the Group's stable business development and strategic implementation.

Management Discussion and Analysis

(I) Capital Adequacy Ratio

The Group calculates the core tier 1 capital adequacy ratios, tier 1 capital adequacy ratios, and capital adequacy ratios in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) promulgated by the CBIRC and relevant provisions, among which, the credit risk was measured at weight method, the market risk was measured at standard method and the operational risk was measured at basic indicator approach. The calculation range of capital adequacy ratio includes all branches of the Bank, its subsidiary village and township banks, CQRC Financial Leasing and CQRC Wealth Management.

As at the end of June 2023, the Group's capital adequacy ratio was 15.30%, representing a decrease of 0.32 percentage point from the end of the previous year; the core tier 1 capital adequacy ratio and the tier 1 capital adequacy ratio were 12.86% and 13.57%, respectively, representing decreases of 0.24 percentage point and 0.27 percentage point respectively from the end of the previous year.

The slight decreases in the Group's capital adequacy ratio at each tier from the end of the previous year were mainly due to the lower growth rate of net capital compared to the growth rate of risk-weighted assets as a result of utilization of the prior year's shareholders dividends to fully offset the core tier 1 capital in the second quarter of 2023.

The following table sets forth the relevant capital adequacy ratio of the Group and the Bank at the dates indicated.

Calculation results of capital adequacy ratio of the Group and the Bank

(Expressed in RMB million, unless otherwise stated)	30 June 2023		31 December 2022	
	The Group	The Bank	The Group	The Bank
Core tier 1 capital, net	112,641.4	101,501.7	107,950.9	97,443.0
Net tier 1 capital	118,773.7	107,499.3	114,065.8	103,440.7
Net capital	133,976.4	121,696.9	128,708.3	117,221.9
Risk-weighted assets	875,581.0	810,022.1	824,181.2	768,312.2
Include: Credit risk weighted assets	805,494.2	745,001.8	762,042.6	711,276.4
Market risk weighted assets	15,075.1	13,980.4	7,126.9	5,995.9
Operational risk weighted assets	55,011.7	51,039.9	55,011.7	51,039.9
Core tier 1 capital adequacy ratio (%)	12.86	12.53	13.10	12.68
Tier 1 capital adequacy ratio (%)	13.57	13.27	13.84	13.46
Capital adequacy ratio (%)	15.30	15.02	15.62	15.26

Capital adequacy ratio of the Group

(Expressed in RMB million, unless otherwise stated)	30 June 2023	31 December 2022
Core tier 1 capital	113,318.7	108,605.7
Portion of paid-in capital that may be included	11,357.0	11,357.0
Portion of capital reserve that may be included	20,759.4	20,002.6
Surplus reserve and general risk reserve	32,927.6	31,690.7
Retained earnings	47,264.3	44,675.6
Non-controlling interests	1,010.4	879.8
Core tier 1 capital deductible items	(677.3)	(654.8)
Goodwill, net of relevant deferred tax liabilities	(440.1)	(440.1)
Other intangible assets (excluding land use rights), net of relevant deferred tax liabilities	(245.0)	(225.1)
Total of others that should be deducted from core tier 1 capital	7.8	10.4
Core tier 1 capital, net	112,641.4	107,950.9
Other tier 1 capital	6,132.3	6,114.9
Undated capital bonds	5,997.6	5,997.6
Non-controlling interests	134.7	117.3
Net tier 1 capital	118,773.7	114,065.8
Tier 2 capital	15,202.7	14,642.5
Tier 2 capital instruments and related premium that may be included	5,000.0	5,000.0
Excessive loan loss allowances	9,944.4	9,407.9
Non-controlling interests	258.3	234.6
Net capital	133,976.4	128,708.3
Total risk-weighted assets	875,581.0	824,181.2
Core tier 1 capital adequacy ratio (%)	12.86	13.10
Tier 1 capital adequacy ratio (%)	13.57	13.84
Capital adequacy ratio (%)	15.30	15.62

Management Discussion and Analysis

The following table shows the credit risk exposures of the Group as measured by weighting method on the dates indicated.

(Expressed in RMB million, unless otherwise stated)	30 June 2023		31 December 2022	
	Risk exposure	Unmitigated risk exposure	Risk exposure	Unmitigated risk exposure
On-balance sheet credit risk	1,373,661.5	1,317,981.3	1,325,576.4	1,264,821.3
Off-balance sheet credit risk	28,920.1	12,882.8	26,640.5	12,176.9
Counterparty credit risk	26,974.1	26,974.1	12,523.7	12,523.7
Total	<u>1,429,555.7</u>	<u>1,357,838.2</u>	<u>1,364,740.6</u>	<u>1,289,521.9</u>

According to the Regulatory Requirements on the Information Disclosure Regarding the Capital Composition of the Commercial Banks (《關於商業銀行資本構成信息披露的監管要求》) issued by the CBIRC, the information concerning the capital composition statements, detailed explanation on relevant items and the main characteristics of the capital instrument of the Reporting Period will be further disclosed in the “investor relations – capital supervision” column on the website of the Bank (www.cqrcb.com).

(II) Leverage Ratio

The Group measured and disclosed its leverage ratio in accordance with Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》).

As at the end of June 2023, the Group’s leverage ratio was 8.09%, a decrease of 0.18 percentage point from the end of the previous year, mainly because the growth rate of net tier 1 capital was lower than the growth rate of on-balance sheet and off-balance sheet assets.

The following table sets out the Group’s related accounting items corresponding with the regulatory items of leverage ratio and the differences between regulatory items and accounting items as at the date indicated.

(Expressed in RMB million, unless otherwise stated)	30 June 2023
Consolidated total assets	1,438,791.1
Consolidated adjustments	–
Customer assets adjustments	–
Derivatives adjustment	66.0
Securities financing transactions adjustments	198.9
Off-balance sheet item adjustments	29,231.0
Other adjustments	(677.3)
The balance of assets on and off-balance sheet after adjustments	<u>1,467,609.7</u>

The following table sets out information of the Group's leverage ratio, net tier 1 capital, assets on and off-balance sheet after adjustments and relevant details as at the date indicated.

(Expressed in RMB million, unless otherwise stated)	30 June 2023
Assets on the balance sheet (excluding derivatives and securities financing transactions)	1,436,145.9
Less: tier 1 capital deduction	(677.3)
The balance of assets on the balance sheet after adjustments (excluding derivatives and securities financing transactions)	1,435,468.6
Replacement cost of various types of derivatives (net of qualified margins)	108.3
Potential risk exposure in various derivatives	66.0
The sum of collaterals deducted from the balance sheet	–
Less: assets receivables formed due to qualified margins	–
Less: the balance of derivative assets formed due to transactions with central counterparties for providing clearing service for the customers	–
Notional principal for sold credit derivatives	–
Less: the balance of sold credit derivative assets which can be deducted	–
The balance of derivative assets	174.3
The balance of accounting assets for securities financing transactions	2,536.9
Less: the balance of securities financing transactions assets which can be deducted	–
Counterparty credit risk exposure to securities financing transactions	198.9
The balance of securities financing transactions assets formed due to securities financing transactions by proxy	–
The balance of securities financing transactions assets	2,735.8
The balance of items off balance sheet	51,550.4
Less: the balance of items off balance sheet reduced due to credit conversion	(22,319.4)
The balance of items off balance sheet after adjustments	29,231.0
Tier 1 capital, net	118,773.7
The balance of assets on and off-balance sheet after adjustments	1,467,609.7
Leverage ratio (%)	8.09

VII. Outlook

(I) Industry Pattern and Trend

In the first half of 2023, China's economy continued to recover and the industrial upgrading achieved remarkable results. The GDP increased by 5.5% year-on-year, the contribution rate of additional value of service industry to economic growth reached 66.1%, and the national per capita disposable income actually increased by 5.8%. China's economic recovery rate was in a leading position among the major economies in the world. In the second half of the year, China will intensify the regulation and control of macro policies, focus on expanding domestic demand, boosting confidence and preventing risks and constantly promote the continuous improvement of economic operation, the continuous enhancement of endogenous power, the continuous improvement of social expectations and the continuous resolution of potential risks, so as to promote the sustained economic recovery and strive to achieve the annual development goals.

In terms of the regional economy of Chongqing during the same period, Chongqing adhered to the general work tone of striving for progress while maintaining stability, and focused on promoting high-quality development. The policy effect of steady growth, stable employment and stable commodity prices continued to appear, and the economic operation maintained a recovery trend. Chongqing achieved a gross regional product of RMB1.43 trillion, representing a year-on-year increase of 4.6%, and the per capita disposable income of residents increased by 5.3% year-on-year. Chongqing promoted the effective implementation of the "Project No.1" in the Chengdu-Chongqing Economic Circle. The amount of accumulated investments in key municipal projects was RMB241.1 billion, representing a year-on-year increase of 17.3%, and accounting for 54.7% of the annual investment plan. In the second half of the year, Chongqing will accelerate the shaping of Chongqing's new business card of "Digital Manufacturing and Smart Industry" by focusing on the "33618" modern manufacturing cluster system, and promote the effective improvement of Chongqing's economy in quality and the reasonable growth of Chongqing's economy in quantity.

(II) Development Strategy and Operating Plan of the Company

The Bank will continue to further promote the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, focus on building a development system of “all-in-one four-wheel drive”, and promote the “three changes” of the Bank through all-round digital transformation, so as to take the road of stable and high-quality development. Firstly, consolidate and improve the financial ecology and focus on strengthening the subject of “large retail”. The Bank will make every effort to enhance its capacity for serving rural revitalization and inclusive finance and the sense of gain of the subjects of small-micro markets, highlight the recognition of county financial brands, strengthen the construction of ecological scenarios, establish and improve the online product system, and maximize the development space of “large retail”. Secondly, continue to strengthen the linkage and integration, and constantly enhance the role of “Four Drives”. For the corporate financial business, the Bank will strengthen collaborative and linkage marketing, cultivate the Company’s competitiveness in financial market, improve the digital level of the Company’s businesses, create comprehensive services and enhance comprehensive returns. For the financial market business, the Bank will focus on improving investment and research capabilities and trading capabilities, reasonably match the scales and periods of products, and enhance trading contribution. For the financial technology, the Bank will focus on the integration and innovation of businesses and technology, continuously promote the optimization and upgrading of technology systems, and enhance the ability of technology to support businesses. The Bank will attach great importance to the introduction of talent, shape all employees’ innovative, research-oriented, digital and market-oriented thinking, build a multi-functional and compound team, and promote the transformation and development of the Bank. Thirdly, adhere to the digital transformation with technology empowerment and enhance the new vitality of modern finance. On the one hand, the Bank will fully integrate into the construction of digital Chongqing, strengthen the cooperation between government and banks, expand the high-quality digital resources of government affairs and improve the service efficiency. On the other hand, the Bank will fully implement the digital genetic transformation and promote the digital transformation of business model, management process and organizational structure, so as to improve the efficiency, optimize the experience, enhance the competitiveness and promote the better development of the Bank. Fourthly, sort out and optimize the mechanisms and processes and effectively improve the management vitality. The Bank will lay a solid foundation for risk prevention and control in an all-round way, strive to stabilize the quality of assets, and serve the steady development of the Bank’s businesses. In addition, the Bank will solidly promote the key reform tasks, continuously improve the efficiency of resource allocation, and effectively broaden the coverage of financial services.

Corporate Governance

I. Overview of Corporate Governance

During the Reporting Period, the Bank convened a total of 1 general meeting, at which 12 proposals were considered and approved and 3 reports were reviewed. The Bank convened 5 meetings of the Board of Directors (46 proposals were considered and approved and 32 reports were heard or reviewed), 25 meetings of the Special Committees of the Board of Directors (including 3 meetings of the Strategic Development Committee, 4 meetings of the Audit Committee, 5 meetings of the Related Party Transaction Supervision Committee, 6 meetings of the Risk Management Committee, 1 meeting of the Remuneration Committee, 2 meetings of Nomination Committee, 3 meetings of Consumer Rights Protection Committee and 1 meeting of the Sannong Financial Service Committee, at which 40 proposals were considered and 24 reports were reviewed), 4 meetings of the Board of Supervisors (15 proposals were considered and 11 reports were heard) and 3 meetings of the Special Committees of the Board of Supervisors (10 proposals were considered and no reports were heard).

The Bank has strictly complied with the principles and code provisions of Part 2 of the CG Code set out in Appendix 14 to the Hong Kong Listing Rules and also complied with most of the recommended best practices therein. During the Reporting Period, the legal action which the directors may face is basically covered in the internal risk management and control scope of the Bank. Meanwhile, the Bank purchased the “liability insurance for directors, supervisors and senior management” for all directors. In addition, in respect of the deviation from the code provision C.2.1 of the CG Code as set out in the corporate governance report in the Bank’s 2022 annual report, in view of the fact that Mr. Sui Jun obtained the approval on the qualification as the president from the CBIRC Chongqing Office and officially performed his duties in July 2023, since then, Mr. Xie Wenhui has served as the chairman of the Bank and Mr. Sui Jun has served as the president of the Bank. The Bank has complied with the requirements of the code provision C.2.1 of the CG Code.

The Bank also strictly complied with the requirements under the relevant laws and regulations, and the Hong Kong Listing Rules in respect of management of inside information. There is no significant difference between the corporate governance of the Bank and that as required by the laws including the Company Law of the People’s Republic of China and administrative regulations and the relevant requirements to the corporate governance for listed company of the CSRC and Hong Kong Stock Exchange.

The Bank will continue to review and enhance its corporate governance to ensure that it will continue to meet the requirements of Part 2 of the CG Code and the rising expectations of shareholders and investors.

II. Securities Transactions by Directors and Supervisors

The Bank has adopted the model code of conduct regarding securities transactions by its directors, supervisors and relevant employees, on terms no less exacting than the required standards as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules. Having made specific enquiries with all directors and supervisors of the Bank, all directors and supervisors of the Bank confirmed that they have complied with the aforesaid code during the Reporting Period.

III. Amendments to the Articles of Association

On 16 September 2022, the resolution in relation to the proposed amendments to the Articles of Association of Chongqing Rural Commercial Bank Co., Ltd. was considered and approved at the 2022 second extraordinary general meeting. The general meeting authorized the Board to adjust the content of the Articles of Association correspondingly in accordance with the opinions from or requirements of the regulatory authorities, the stock exchange where the Bank's shares are listed and relevant departments. The Board authorized the senior management to deal with the approval of the amendments to the Articles of Association and the filing with the market supervision authorities and other matters. On 30 March 2023, the Board made further minor amendments to the Articles of Association in accordance with the feedback from the regulatory authorities and upon authorization and approval at the general meeting. For details, please refer to the relevant announcement of the Bank. The newly amended Articles of Association shall be effective upon approval by the regulatory authority.

IV. Details of the General Meeting

Session of meeting	Convening date	Resolutions of the meeting	Website to publish resolutions
2022 annual general meeting	25 May 2023	12 resolutions and 3 reports including the 2022 work report of the Board of Directors of Chongqing Rural Commercial Bank Co., Ltd.	Official website of the Bank (www.cqrcb.com) and website of Shanghai Stock Exchange (www.sse.com.cn) and the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk)

V. Information on Directors, Supervisors, Senior Management, Employees and Institutes

(I) Basic Information on Directors, Supervisors and Senior Management

1. Information on existing directors, supervisors and senior management

Directors

Name	Position	Gender	Age	Term of office of directors ¹
Xie Wenhui	Secretary to the Party Committee, Chairman, Executive Director	Male	51	August 2014 –
Sui Jun	Deputy Secretary to the Party Committee, President, Executive Director	Male	54	July 2023 –
Zhang Peizong	Member of the Party Committee, Vice President, Secretary to the Board, Executive Director	Male	48	December 2018 –
Hu Chun	Non-executive Director	Female	51	October 2022 –
Yin Xianglin	Non-executive Director	Male	41	December 2020 –
Gu Xiaoxu	Non-executive Director	Female	52	December 2020 –
Song Qinghua	Independent Non-executive Director	Male	57	September 2017 –
Zhang Qiaoyun	Independent Non-executive Director	Male	60	December 2018 –
Lee Ming Hau	Independent Non-executive Director	Male	45	June 2019 –
Li Jiaming	Independent Non-executive Director	Male	57	December 2020 –
Bi Qian	Independent Non-executive Director	Female	54	December 2020 –

¹ The term of office of directors shown in this table was the term approved by the CBIRC Chongqing Office.

Supervisors

Name	Position	Gender	Age	Term of office of supervisors
Yang Xiaotao	Member of the Party Committee, Head of Supervisors	Male	59	February 2022 –
Huang Qingqing	Shareholder Representative Supervisor	Female	38	October 2020 –
Zhang Jinruo	External Supervisor	Male	42	October 2020 –
Hu Yuancong	External Supervisor	Male	49	October 2020 –
Zhang Yingyi	External Supervisor	Male	50	October 2020 –
Zheng Yi	Employee Representative Supervisor	Male	57	November 2011 –
Le Xiaoming	Employee Representative Supervisor	Male	46	June 2019 –
Zhou Wei	Employee Representative Supervisor	Female	45	November 2021 –

Senior Management

Name	Position	Gender	Age	Term of office of senior management ¹
Sui Jun	Deputy Secretary to the Party Committee, President, Executive Director	Male	54	March 2023 –
Wang Min	Member of the Party Committee, Vice President	Male	59	July 2015 –
Dong Lu	Member of the Party Committee, Vice President	Female	47	May 2011 –
Shu Jing	Member of the Party Committee, Vice President	Female	51	October 2015 –
Zhang Peizong	Member of the Party Committee, Vice President, Secretary to the Board, Executive Director	Male	48	September 2016 –

¹ The term of office of the president and vice president shown in this table was the time appointed or nominated by superior departments.

2. *Changes in directors, supervisors and senior management*

(1) Engagement and resignation

Due to the new appointment of Mr. Sui Jun as the president of the Bank, Mr. Xie Wenhui ceased to serve as the president of the Bank since April 2023.

Mr. Sui Jun has served the deputy secretary of the Party Committee of the Bank since March 2023. He was elected as the president of the Bank by the Board in April 2023 and a director of the Bank by the general meeting of shareholders in May 2023, and obtained the approval on his qualifications as the president and director of the Bank from the CBIRC Chongqing Office in July 2023 and officially performed his duties since then.

Due to personal job arrangement, Mr. Zhang Peng ceased to serve as a non-executive director and a member of relevant special committees of the Board since August 2023.

Due to job transfer, Mr. Gao Song ceased to serve as a member of the Party Committee and vice president of the Bank since August 2023.

(2) Change in information

During the Reporting Period, there were no changes in the information relating to the directors, supervisors and senior management that are required to be disclosed pursuant to Rule 13.51B of the Hong Kong Listing Rules.

3. Particulars of changes in shareholdings of directors, supervisors and senior management

Shareholdings of existing directors, supervisors and senior management

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Increase/ (Decrease) in the number of shares during the Reporting Period	Reasons for Increase/(Decrease)
Directors					
Xie Wenhui	Secretary to the Party Committee, Chairman, Executive Director	46,500	46,500	- -	
Sui Jun	Deputy Secretary to the Party Committee, President, Executive Director	75,400	75,400	- -	
Zhang Peizong	Member of the Party Committee, Vice President, Secretary to the Board, Executive Director	39,300	39,300	- -	
Yin Xianglin	Non-executive Director	2,900	2,900	- -	
Supervisor					
Yang Xiaotao	Member of the Party Committee, Head of Supervisors	25,700	25,700	- -	
Senior Management					
Wang Min	Member of the Party Committee, Vice President	41,000	41,000	- -	
Dong Lu	Member of the Party Committee, Vice President	39,000	39,000	- -	
Shu Jing	Member of the Party Committee, Vice President	39,300	39,300	- -	

Shareholdings of outgoing directors, supervisors and senior management

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Increase/ (Decrease) in the number of shares during the Reporting Period	Reasons for Increase/(Decrease)
Director					
Zhang Peng	Non-executive Director	6,800	6,800	- -	
Senior Management					
Gao Song	Member of the Party Committee, Vice President	38,700	38,700	- -	

(II) Basic Information of Employees and Institutions

1. Employees

As of the end of June 2023, the Group had 14,846 regular employees, among which, the Bank had 14,428 employees and subsidiaries had 418 employees.

Number of regular employees of the Bank	14,428
Position Structure	
Management	2,935
Business Personnel	8,544
Risk Control	1,038
General Management	1,231
Supporting	680
Age Structure	
Below 30	1,526
31-40	6,982
41-50	3,389
Above 51	2,531
Academic Background Structure	
Master's degree and above	971
Bachelor's degree	10,360
College's degree and below	3,097

Note: In addition, the Bank had 405 dispatch workers, 407 internally retired employees and 7,068 retired employees.

2. *Employee remuneration policy*

The Bank adheres to the principle of linking total salaries to enterprise benefits to determine the unified remuneration level of the Bank. The basic remuneration consists of the basic salary and the position salary, in which the basic salary is determined as different grades according to working years, educational background, etc. to match the corresponding standards, and the position salary is linked to the position level. Employee positions are divided into management, professional technology, handling and operation sequences; for non-management sequences, different salary standards are determined according to different position levels. Performance remuneration is a floating remuneration that reflects the Bank's operating benefits and employees' performance. According to the principle of "give priority to benefits with due consideration to fairness", performance remuneration is linked to the annual operating performance. The Bank fully mobilizes the enthusiasm of employees at all levels by establishing and improving a market-oriented and profit-targeted incentive and restraint mechanism, so as to promote the business development and improve the operating efficiency of the Bank.

3. *Overview of human resources management*

In the first half of 2023, the Bank continued to promote the talent forcing strategy to be improved and more practical, as well as implemented and effective. The Bank conducted more than 790 training sessions in total, with 76,000 participants, increased the proportion of financial technology talents to 3.69%. The Bank participated in the "Talent Program of Chongqing", with 21 employees being selected in the "Jiangbei Outstanding Talent Program" and "Jiangbei Grassroots Talent Program".

4. *The distribution of branches*

The Bank has put the construction of distribution channels into its medium and long-term strategic development plan. As at the end of June 2023, the Bank had 1,754 branches, including the Head Office and the business department, 7 branches, 35 first-class sub-branches, 150 second-class sub-branches, 1 community sub-branch, and 1,559 branch offices. The network of sub-branches covers all the 38 administrative districts and counties with 1,447 distribution outlets in the county area of Chongqing and 305 outlets in the city's urban area.

The Bank is committed to providing customers with more convenient and efficient financial self-services. As at the end of June 2023, the Bank established 123 24-hour self-service banking centers with 6,358 self-service equipment (including: 2,385 smart counters, 3,375 CRSs, 539 ATMs, and 59 self-service inquiry machines), and the proportion of machine to outlet was 3.62:1. The Bank continued to deepen the basic financial services in rural areas, promoted the service coverage expansion and supported rural revitalization. 454 convenient rural financial service centers had been established and put into use.

Corporate Governance

Name	Address	Number of outlets	Number of staff	Assets size (RMB100 million)
The headquarters and its business department	No. 36 Jinshamen Road, Jiangbei District, Chongqing City	2	1,666	3,724.11
Yuzhong Branch	No. 142 Xinhua Road, Yuzhong District, Chongqing City	8	139	64.37
Dadukou Branch	1-3, 1-4-1-1, Block 1, 1-4-1-2, 1-4-2-2, Block 1,11 Tianchenhuafu, Chunhui Road Street, Dadukou District, Chongqing City	14	159	135.39
Jiangbei Branch	1-1, No. 10, Yanghe Road East, Jiangbei District, Chongqing City	28	284	304.76
Shapingba Branch	Annex 37, 38, 39, No. 118 Xiaoyanggong Bridge, Shapingba District, Chongqing City	29	286	265.88
Jiulongpo Branch	Annex 1, No. 2 Xijiao Road, Yang Jia Ping, Jiulongpo District, Chongqing City	40	313	300.31
Kexuecheng Branch	No. 28, Xiyong Avenue, High-tech Zone, Chongqing City	17	320	167.86
Nan'an Branch	No. 24 Jiangnan Avenue, Nanping, Nan'an District, Chongqing City	30	256	258.93
Beibei Branch	No. 20 Beixia West Road, Beibei District, Chongqing City	27	298	253.47
Yubei Branch	1-1, Block 1, No. 91 Shuanglong Avenue, Shuanglonghu Street, Yubei District, Chongqing City	37	235	271.68
Liangjiang Branch	No. 21, 23, 25 Jintong Road, New North Zone, Chongqing City	17	139	186.03
Ba'nan Branch	No. 145 Longzhou Avenue, Ba'nan District, Chongqing City	56	374	363.44
Wansheng Branch	No. 36 Wandong North Road, Wansheng District, Chongqing City	13	123	82.49
Fuling Branch	Block 1, Hongfu Building No. 55 Xinghua Middle Road, Fuling District, Chongqing City	75	453	330.28
Changshou Branch	No. 13 Xiangyang Road, Fengcheng Street Office, Changshou District, Chongqing City	47	329	239.16
Jiangjin Branch	Annex 6, Annex 7, No. 183, Xijiang Avenue, Shengquan Street, Jiangjin District, Chongqing City	83	492	494.52
Hechuan Branch	No. 2 Jiuchang Road, Hechuan District, Chongqing City	89	582	531.38
Yongchuan Branch	No. 399, Honghe Middle Road, Yongchuan District, Chongqing City	56	355	309.29
Nanchuan Branch	No. 24 Jinfo Avenue, Nanchuan District, Chongqing City	40	282	187.21
Qijiang Branch	No. 34 Jiulong Avenue, Wenlong Street, Qijiang District, Chongqing City	43	311	216.58
Tongnan Branch	No. 4 Xingtong Avenue, Guilin Street Office, Tongnan District, Chongqing City	40	270	190.34
Tongliang Branch	No. 102 Zhongxing Road, Bachuan Street, Tongliang District, Chongqing City	50	352	244.48

Corporate Governance

Name	Address	Number of outlets	Number of staff	Assets size (RMB100 million)
Dazu Branch	Annex 2, No.390 Wuxing Avenue, Tangxiang Street Office, Dazu District, Chongqing City	39	291	216.47
Rongchang Branch	No. 106 Haitang Avenue, Changzhou Street, Rongchang District, Chongqing City	36	269	206.25
Bishan Branch	No. 4 Bitong Road, Bicheng Street, Bishan District, Chongqing City	40	318	268.11
Wanzhou Branch	No. 91 Taibai Road, Wanzhou District, Chongqing City	95	632	525.84
Liangping Branch	No. 1, Block 26, Minghao Commercial Area, Liangshan Street, Liangping District, Chongqing City	46	342	268.90
Chengkou Branch	No. 30 South Street, Gecheng Town, Chengkou County, Chongqing City	25	156	75.15
Fengdu Branch	No. 187 2nd Shangye Road, Sanhe Street, Fengdu County, Chongqing City	47	316	236.20
Dianjiang Branch	No. 371 Renmin East Road, Guixi Street, Dianjiang County, Chongqing City	47	304	213.69
Zhong County Branch	No. 49 Ba Wang Road, Zhongzhou Town, Zhong County, Chongqing City	60	378	258.31
Kaizhou Branch	(Shimin Plaza) Kaizhou Avenue, Hanfeng Street Office, Kaizhou District, Chongqing City	64	464	480.52
Yunyang Branch	No. 1335 Yunjiang Avenue, Qinglong Road, Yunyang County, Chongqing City	68	441	346.28
Fengjie Branch	No. 32 Gongping Lane, Yufu Street, Fengjie County, Chongqing City	46	335	234.71
Wuxi Branch	No. 258 Guangdong Middle Road, Wushan County, Chongqing City	31	237	125.30
Wuxi Branch	Unit 1-1, No.7 Yanghe Garden, No.25, Binhe Zhilu, Boyang Street, Wuxi County, Chongqing City	38	269	143.26
Qianjiang Branch	No. 217 Jiefang Road, Chengdong Street, Qianjiang District, Chongqing City	34	272	126.29
Wulong Branch	No. 36 Furong Middle Road, Furong Street, Wulong District, Chongqing City	35	267	153.71
Shizhu Branch	Annex 12, No.36 Xinkai Road, Nanbin Street, Shizhu Tujia Autonomous County, Chongqing City	32	216	153.79
Xiushan Branch	No. 35, Yuxiu Avenue, Zhonghe Street, Xiushan Tujia and Miao Autonomous County, Chongqing City	36	248	134.35
Youyang Branch	No. 6, Taohuayuan Middle Road, Taohuayuan Town, Youyang Tujia and Miao Autonomous County, Chongqing City	46	296	178.52
Pengshui Branch	Annex 4, No.2 Shizui Street, Hanjia Street, Pengshui Miao and Tujia Autonomous County, Chongqing City	46	309	157.74
Qujing Branch	No. 460, Qilin West Road, Qilin District, Qujing City, Yunnan Province	2	50	10.90
Total		1,754	14,428	13,636.26

VI. Implementation of Dividends Distribution

According to the resolution passed at the 2022 annual general meeting of the Bank held on 25 May 2023, a cash dividend of RMB0.2714 per share (tax inclusive) for 2022 was distributed to all shareholders with a total of RMB3.082 billion (tax inclusive) distributed, based on the total share capital of 11.357 billion shares. Specifically: cash dividend of RMB2.400 billion (tax inclusive) was distributed for A shares on 29 June 2023; cash dividend of RMB682 million (tax inclusive) was distributed for H shares in HK dollars on 29 June 2023.

VII. Profit Distribution Proposal or Proposal for Capitalisation of Capital Reserve

The Bank did not distribute profits and no capitalisation of the capital reserve is proposed during the 2023 interim period.

VIII. Incentive Measures

During the Reporting Period, the Bank had no equity incentive plan, employee stock ownership plan or other employee incentives.

Environmental and Social Responsibilities

I. Green Finance

The Bank actively transmitted the concept of energy conservation and environmental protection, carried out green environmental protection public welfare activities, implemented energy conservation and emission reduction measures, and created a green “paperless” office environment, helping Chongqing to speed up the construction of a “beautiful place with beautiful scenery”.

Continue to make greater efforts on the green credit placement. The Bank strengthened cooperation with frontier institutions in the field of green development, continued to optimize the green finance service model, promoted the deep integration of the development of green finance with serving local economic development and social and people’s livelihood, and strove to become a benchmark bank of green finance. As of the end of June 2023, the Bank’s green credit balance was RMB57.642 billion, representing a net increase of RMB8.927 billion or 18.32% as compared to the end of the previous year, which were mainly invested in clean energy, rail transit, new energy vehicles, water resources treatment and other projects.

Gradually show the multi-point marketing effect of green projects. The Bank continued to focus on the resource-endowed projects such as wind power and photovoltaics. The Bank marketed 29 wind power projects in total with a loan balance of RMB2.015 billion, and 14 photovoltaic projects in total with a loan balance of RMB561 million. Both the accumulated credit and the released amount of wind and light power generation projects ranked top in Chongqing. The Bank successfully obtained the fund of RMB76 million from the first batch of carbon emission reduction support tools of local corporate financial institutions in Chongqing. The Bank handled the first high-tech and “specialized, refined, differential and innovational” carbon emission quota pledge cross-border financing business in Chongqing, and further played the role of carbon asset financing.

Basically establish the green financial service system. The Bank continued to innovate green credit products, completed the operation of the system for the clean and renewable energy income loan and the green electricity loan, and launched credit products such as solid waste loan, carbon quota mortgage (pledge) loan and green truck mortgage loan, thus broadening corporate financing channels. The Bank enriched green consumer products, issued green credit cards, and launched green car preferential installment activities. The Bank built an integrated green financial service system covering green credit, green bonds, leasing, wealth management, consumption, investment and other products.

II. Rural Revitalization

In the first half of 2023, the Bank thoroughly implemented the decisions and arrangements made by the CPC Central Committee, the State Council, Chongqing Municipal Committee and Chongqing Municipal Government on comprehensively promoting rural revitalization, strictly implemented the requirements of regulatory authorities at all levels, strengthened the leadership of Party building, materialized the innovation-driven, deepened the financial empowerment, and vigorously promoted the financial support to comprehensively promote rural revitalization and accelerate the construction of an agricultural power.

Strengthen the system and mechanism and create a new model for supporting agriculture, serving agriculture and benefiting farmers. The Bank improved the responsibility system for rural revitalization, in which the Party Committee of the Head Office coordinates the overall situation, the Party committees of branches and sub-branches are responsible for relevant work at different levels, the special work classes take the lead in promoting relevant work, the functional departments work together and the business institutions implement relevant work in detail, and invested more human, credit and financial resources in the important areas, key areas and weak links of rural revitalization. At the same time, the Bank launched the service model of “Party Building + Finance + Grid”, providing grid services with prescribed formats, prescribed personnel and prescribed responsibilities, and went deep into the rural front line to carry out service interconnection. As of the end of June 2023, the balance of the Group’s agricultural loans was RMB227.289 billion, representing an increase of RMB11.664 billion as compared to the end of the previous year.

Promote effective connection and make great efforts to consolidate the results of poverty alleviation. The Bank promoted the expansion of the service coverage of “Yukuai Assistance Agricultural Loan”, levered the credit investment by establishing government risk compensation to boost rural revitalization, and signed business cooperation agreements with 30 districts and counties. The Bank promoted the incremental expansion of micro-credit for poverty-stricken people, supported the production and operation of poverty-stricken households and marginal poverty-prone households, and achieved the “Four Firsts in Chongqing City” in the accumulated loans over the years, the accumulated loans in the current year, the net increase of loans in the current year and the balance of outstanding loans. The Bank sent more than 30 first secretaries and staff members to go deep into the countryside to help the poor and support the effective connection between the consolidation of achievements and the rural revitalization.

Focus on innovation-driven and shape a new ecology of digital rural finance. The Bank continued to enrich the financial product system and created agricultural assistance products such as “Yukuai Village Loan”, “Yukuai Revitalization Loan” and “Yukuai Loan · New Citizen Lease Loan” to meet the increasingly diversified and multi-level financial needs of rural market subjects. The Bank used the advantages of financial technology to establish a financial service management platform for rural revitalization and an intelligent fiscal and taxation service platform for “Jiangyu Kuaiji” to promote the construction of the “integrated” digital rural service platform and empower rural revitalization. For example, the Bank further promoted the “whole village credit extension” work by relying on 1 digital intelligence platform, 1 smart phone and 1 rating credit system built by the Bank, so that farmers could complete the whole loan process without leaving the village. As of the end of June 2023, the above platforms had served nearly 50% of the administrative villages in Chongqing City.

Insist on helping farmers and benefiting the people and properly serve as the vanguard of rural revitalization. The Bank established an “online + offline” service network to provide all-weather and omni-channel, 7×24-hour comprehensive financial services for various rural customers by relying on offline service channels such as physical outlets, featured institutions, convenience service points and inclusive finance service bases, online service channels such as rural version of mobile banking and air banking, and online service functions such as “Cloud Signing”, “Self-service Mortgage” and “Self-renewing Loans”. The Bank innovated the mode of consumption assistance and caring assistance, strengthened the live broadcast goods-bringing brand of “there are good things in rural areas, and Yukuai helps revitalization”, and made excellent public welfare activities of “five walks”, “agricultural technology going to the countryside”, “consultation with Chinese medicine” and “Yukuai village travel” to continuously improve the “warmth” of financial services.

III. Protection of Consumer Rights and Interests

In the first half of 2023, the Bank always adhered to the initial intention of “finance for the people”, and included the protection of financial consumer rights and interests into the corporate governance, the construction of corporate culture and the business development strategy, and constantly improved the level of protection of consumer rights and interests.

In terms of the construction of systems and mechanisms, the Board of Directors bore the ultimate responsibility for protection of consumer rights and interests, the Consumer Rights and Interests Protection Committee of the Board of Directors was established to make overall planning and guidance for protection of consumer rights and interests, and the Leading Group for Consumer Rights and Interests of the senior management was established. The Bank established and improved eleven mechanisms, including the internal assessment mechanism, the information disclosure mechanism, the review mechanism, the consumer suitability management mechanism, the traceability management mechanism of sale behaviors, the working mechanism of complaint handling, the protection mechanism of consumer personal information, and the management mechanism of the list of cooperative institutions, to promote the Bank to operate in compliance with laws and regulations.

Environmental and Social Responsibilities

In terms of complaint handling, the Bank actively used the multiple means such as mediation and arbitration to efficiently handle consumer complaints in compliance with laws and regulations. The Bank carried out monitoring and analysis of complaint data on a regular basis, actively found and solved the root causes of complaint risks by taking advantage of the directionality and real-time nature of complaint information, and promoted traceability and rectifications. In the first half of the year, the Bank accepted a total of 953 consumer complaints, mainly involving 12 business categories including RMB savings, loans and bank cards, 6 complaint handling channels including business sites, self-service machines, electronic channels and third-party channels, and 12 complaint reasons including service attitude and quality, business system and facilities, systems and business rules and procedures. The consumer complaints involved 43 branches and sub-branches of the Bank, including 42 branches and sub-branches in Chongqing and 1 branch in Yunnan.

In terms of financial knowledge propaganda and education, the Bank, by relying on the propaganda brand of “Jiangyu Consumer Protection Micro Classroom” and the propaganda image of “Yu Xiaomei”, built a “one-point, three-channel” financial knowledge propaganda area and focused on the key groups of “new people, young people, old people and rural people” to carry out thematic publicity activities such as “3.15 Education and Publicity Week”, “Publicity of Financial Knowledge”, “Popularizing Financial Knowledge, Guarding the Purse”, “Preventing Illegal Fund Raising” and “Preventing Telecom Fraud”, and conducted more than 5,000 special publicity sessions in total.

Major Events

I. Performances of Undertakings

During the Reporting Period, the Bank and its shareholders, directors, supervisors and senior management promptly and strictly fulfilled various obligations and responsibilities undertaken in the Prospectus for Initial Public Offering disclosed on 20 September 2019 and the Announcement on the Listing of the Shares under Initial Public Offering disclosed on 28 October 2019.

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking
Undertakings in relation to the initial public offer	Limited sales of shares	Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) and Loncin Holdings Co., Ltd. (隆鑫控股有限公司) ¹	<p>Within 36 months from the listing of the shares issued by Chongqing Rural Commercial Bank, the Company shall not transfer or entrust others to manage the domestic shares issued by Chongqing Rural Commercial Bank directly or indirectly held by the Company before the initial public offering of A shares, and the part of those shares held by the Company will not be repurchased by Chongqing Rural Commercial Bank.</p> <p>Shareholders' intention to hold shares and undertakings in relation to reducing their holdings:</p> <ol style="list-style-type: none"> 1. Within 6 months from the listing date of shares issued by Chongqing Rural Commercial Bank, if the closing price of A shares of Chongqing Rural Commercial Bank is lower than the issue price for 20 consecutive trading days, or the closing price is lower than the issue price as at the end of the 6-month period upon the listing (if the day is not a trading day, it will be the first trading day after that day), the lock-up period of the shares of Chongqing Rural Commercial Bank held by it will be automatically extended for another 6 months on the basis of 36 months. If Chongqing Rural Commercial Bank has any ex-rights and ex-dividend events such as dividend distribution, bonus shares of issue, and capitalisation of capital reserves after the issuance and listing, the issue price will be adjusted by ex-rights and ex-dividend. 2. Within 2 years after the expiry of the above lock-up period (including the extended lock-up period), if it reduces its holdings in Chongqing Rural Commercial Bank's A shares directly or indirectly held by it before this issuance of Chongqing Rural Commercial Bank (excluding A shares newly purchased from the public market after this issuance of Chongqing Rural Commercial Bank), the reduction price shall not be lower than the issue price of the issuance. If Chongqing Rural Commercial Bank has any ex-rights and ex-dividend events such as dividend distribution, bonus shares of issue, and capitalisation of capital reserves after the issuance and listing, the issue price will be adjusted by ex-rights and ex-dividend. 	29 October 2019 – 29 April 2025

¹ The 433,221,289 restricted shares of the Bank held by Loncin Holdings Co., Ltd. (隆鑫控股有限公司) were judicially transferred by Chongqing No. 5 Intermediate People's Court to Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) on 22 December 2022. The transferee, Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) will continue to fulfill the above commitments regarding such transferred shares.

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking
			<p>3. After the expiry of the lock-up period (including the extended lock-up period) of the shares of Chongqing Rural Commercial Bank held by it, when it reduces its holdings of Chongqing Rural Commercial Bank's A shares, it will notify Chongqing Rural Commercial Bank in writing of the intention to reduce its holdings and the amount of its proposed reduction and Chongqing Rural Commercial Bank shall perform the announcement obligation (if required) in accordance with the rules in force at that time. After 3 trading days from the date of the announcement of Chongqing Rural Commercial Bank, it can reduce its holdings of Chongqing Rural Commercial Bank's A shares.</p>	
Undertakings in relation to the initial public offer	Limited sales of shares	Individuals of the Bank who hold more than 50,000 internal employee shares of the Bank	The shares of Chongqing Rural Commercial Bank that I hold will not be transferred within 3 years from the listing date of the A shares of Chongqing Rural Commercial Bank. After the expiry of the above 3-year lock-up period, the shares of Chongqing Rural Commercial Bank sold by me in each year shall not exceed 15% of my total shareholdings in Chongqing Rural Commercial Bank. The total number of shares of the Chongqing Rural Commercial Bank transferred by me within 5 years from the expiry of the above 3-year lock-up period shall not exceed 50% of my total shareholdings in Chongqing Rural Commercial Bank. 1 resigned employee of the Bank did not sign these letters of commitment due to personal reasons.	29 October 2019 – 29 October 2027
Undertakings in relation to the initial public offer	Shareholding reduction	Domestic Shareholders holding over 1% of shares of the Bank ¹	The Company will comply with Several Provisions on the Reduction of Shares Held by the Shareholders, Directors, Supervisors, and Senior Executives of the Listed Company (《上市公司股東、董監高減持股份的若干規定》) issued by the CSRC, and relevant requirements under the Rules Governing the Listing of Stocks (《股票上市規則》) and the Detailed Implementing Rules of the Shanghai Stock Exchange for Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies (《上海證券交易所上市公司股東及董事、監事、高級管理人員減持股份實施細則》) issued by the Shanghai Stock Exchange.	29 October 2019 – permanent

¹ Prior to the initial public offering of A Shares of the Bank, domestic Shareholders holding over 1% of shares of the Bank include Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司), Loncin Holdings Co., Ltd. (隆鑫控股有限公司), Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司), Beijing Jiuding Real Estate Development Co., Ltd. (北京九鼎房地產開發有限責任公司), Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司), Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司), Jiangsu Huaxi Group Co., Ltd. (江蘇華西集團有限公司), Chongqing Water Group Co., Ltd. (重慶水務集團股份有限公司), Panhua Group Co., Ltd. (攀華集團有限公司), Chongqing Guanghua Holding (Group) Co., Ltd. 重慶光華控股(集團)有限公司) and Chongqing Jinyuan Times Shopping Mall Co., Ltd. (重慶金源時代購物廣場有限公司).

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking
Undertakings in relation to the initial public offer	Resolution of horizontal competition	Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	<ol style="list-style-type: none"> The existing main business of the Company and its subsidiaries (including wholly-owned, holding subsidiaries and enterprises that the Company has actual controls over them) does not involve commercial banking business, and has no horizontal competition with Chongqing Rural Commercial Bank. During the period of the Company as a substantial shareholder of Chongqing Rural Commercial Bank, the Company and its subsidiaries (including wholly-owned, holding subsidiaries and enterprises that the Company has actual controls over them) will not, directly or indirectly, engage in business activities that compete with or may compete with the main business of Chongqing Rural Commercial Bank in any way. The Company will supervise its subsidiaries in accordance with this undertaking and exercise necessary rights to ensure them to comply with this undertaking. Notwithstanding Articles 1 and 2 above, considering that the Company is a wholly state-owned company whose establishment has been approved by Chongqing Municipal People's Government and engaged in comprehensive investment and management of state-owned asset and carries out businesses including financial businesses such as investment in securities companies, banks and insurance companies, and manages relevant financial assets, the Company and the enterprises controlled by the Company may invest in enterprises engaged in commercial banking business, to the extent authorized by Chongqing Municipal People's Government, in any form permitted by laws and regulations (including but not limited to sole proprietorship, joint venture, cooperative operation and direct or indirect ownership of shares or other interests in other companies or enterprises). As at the date of giving the undertakings, the Company invested in Bank of Chongqing Co., Ltd. and held 13.02% of shares of the bank, in addition to investment in Chongqing Rural Commercial Bank. 	20 September 2019 – permanent

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking
			<p>4. The Company undertakes to fairly treat the commercial banks in which the company and the enterprises controlled by the Company invest, and will not grant or provide to any commercial banks, government approval, authorization, license or business opportunities obtained or possibly obtained by the Company and the enterprises controlled by the Company for carrying out commercial banking business, or use the status as a major shareholder of Chongqing Rural Commercial Bank or the information obtained with such status, to make any decision or judgment which is adverse to Chongqing Rural Commercial Bank but beneficial to other commercial banks in which the Company or the enterprises controlled by the Company invest, and will make efforts to avoid the occurrence of such event. In exercising the rights of a shareholder of Chongqing Rural Commercial Bank, the Company will act in the best interests of Chongqing Rural Commercial Bank as if the Chongqing Rural Commercial Bank is the sole commercial bank in which the Company invests, and the business judgment of the Company as a shareholder of Chongqing Rural Commercial Bank to seek the best interests for Chongqing Rural Commercial Bank will not be affected as a result of the investment of the Company and the enterprises controlled by the Company in other commercial banks.</p> <p>5. The Company warrants that it will strictly comply with relevant rules and regulations of CSRC and the stock exchange where Chongqing Rural Commercial Bank is listed, the Articles of Association of Chongqing Rural Commercial Bank, measures for management of related party transactions and other corporate management policies, exercise the rights of a shareholder and perform obligations of a shareholder equally with other shareholders, and will not use the status as a major shareholder to seek improper advantage, or damage the legitimate rights and interests of Chongqing Rural Commercial Bank and other shareholders.</p>	

II. Misappropriation of the Funds by Controlling Shareholder or Other Related Parties

During the Reporting Period, the Bank had no misappropriation of the Bank's funds by controlling shareholders or other related parties for non-operating purposes.

III. Appointment and Removal of Accounting Firms

As considered and approved by the 2022 annual general meeting of the Bank, the Bank appointed KPMG Huazhen LLP and KPMG as external auditors of the Bank for 2023 which will be responsible for providing relevant services pursuant to PRC and international auditing standards, respectively. The term of the appointment is one year. For details, please refer to documents of the 2022 general meeting of the Bank and relevant resolution announcements.

IV. Matters Relating to Insolvency or Restructuring

During the Reporting Period, the Bank had no matters relating to insolvency or restructuring.

V. Material Legal Proceedings and Arbitrations

During the Reporting Period, there were no material legal proceedings or arbitrations which had substantial impact on the operating activities of the Group.

As of the end of the Reporting Period, pending legal proceedings in which the Group was a defendant or a third party involved an amount of RMB4.6564 million. In the view of the Bank, these will not have any material effect on the Bank's operating activities.

VI. Penalties Imposed on the Bank and Directors, Supervisors and Senior Management of the Bank

During the Reporting Period, none of the Bank or its directors, supervisors and senior management was investigated or subject to compulsory measures in accordance with the law, subject to criminal penalties, investigated by the CSRC or subject to administrative penalties, significant administrative penalties by other competent authorities, subject to detention measures by disciplinary inspection and supervision authorities and affecting the performance of their duties, or subject to compulsory measures by other competent authorities and affecting the performance of their duties.

VII. Integrity

During the Reporting Period, the Bank did not exist the situations neither of refusing the execution of obligations determined in valid legal instruments of the court nor unsettling significant due debts.

Major Events

VIII. Material Related Party Transactions

During the Reporting Period, for details of related party transactions of the Bank, please refer to the section headed “Management Discussion and Analysis – V. Risk Management – (X) Related Party Transactions” of this report.

IX. Material Contracts and their Performance

During the Reporting Period, the Bank did not have any major custody, contracting or leasing of the assets of other companies or other custody, contracting or leasing of the assets of the Bank. The guarantee business is the daily business of the Bank. During the Reporting Period, except for the financial guarantee business within the business scope approved by the regulatory authorities, the Bank had no other major guarantee matters that needed to be disclosed.

X. Acquisition and Disposal of Assets and Merger of Enterprises

During the Reporting Period, the Bank had no material acquisition and disposal of assets and merger of enterprises.

XI. Review

The interim condensed consolidated financial information for the six months ended 30 June 2023 prepared by the Bank in accordance with International Financial Reporting Standards has been reviewed by KPMG, which has issued unqualified review report.

The unaudited interim report of the Bank for the six months ended 30 June 2023 has been reviewed by the Audit Committee of the Board of Directors and the Board of Directors.

This report was prepared in Chinese and English respectively. In case of any ambiguity in the understanding of the Chinese and English versions of the report, the Chinese version shall prevail.

Changes in Shares and Particulars of Shareholders

I. Changes in Share Capital of Ordinary Shares

(I) Changes in Ordinary Shares

Unit: share

	31 December 2022		Change for the Reporting Period	30 June 2023	
	Number of shares	Percentage (%)		Number of shares	Percentage (%)
I. Shares with selling restrictions	2,953,388,246	26.01	(2,944,171,611)	9,216,635	0.08
1. State-owned shares	-	-	-	-	-
2. Shares held by state-owned legal persons	2,807,392,900	24.72	(2,807,392,900)	0	0.00
3. Shares held by other domestic investors	145,995,346	1.29	(136,778,711)	9,216,635	0.08
Among which: Shares held by domestic non-state-owned legal persons	136,902,811	1.21	(136,778,711)	124,100	0.00
Shares held by domestic natural persons	9,092,535	0.08	0	9,092,535	0.08
4. Shares held by foreign investors	-	-	-	-	-
II. Tradable shares without selling restrictions	8,403,611,754	73.99	2,944,171,611	11,347,783,365	99.92
1. RMB-denominated ordinary shares	5,890,275,713	51.86	2,944,171,611	8,834,447,324	77.79
2. Domestic listed foreign shares	-	-	-	-	-
3. Overseas listed foreign shares	2,513,336,041	22.13	-	2,513,336,041	22.13
4. Others	-	-	-	-	-
III. Total ordinary shares	11,357,000,000	100.00	-	11,357,000,000	100.00

Note: the shares held by domestic non-state-owned legal persons out of the Shares with selling restrictions include the shares in the “specified account for securities held by unidentified person” of the Bank.

(II) Explanation of changes in ordinary shares

During the Reporting Period, there was no change in the total share capital of the Bank, while the number of shares with selling restrictions decreased by 2,944,171,611 and the number of shares without selling restrictions increased by 2,944,171,611, which was due to the lawful releasing of shares with selling restrictions under the Bank’s initial public offering of A shares and trading thereof from 4 May 2023 upon the expiration of the 42-month lock-up period.

Changes in Shares and Particulars of Shareholders

II. Particulars of Shareholders

(I) Total Number of Shareholders

As at the end of the Reporting Period, the total number of shareholders of the Bank was 216,900 holders. Of which, 215,719 was the shareholders of A shares and 1,181 was the shareholders of H shares. As of 31 July 2023 (i.e. the end of the previous month on the publication date of the Bank's A-share interim report), the total number of shareholders of the Bank was 214,738 holders. Of which, 213,559 was the shareholders of A shares and 1,179 was the shareholders of H shares.

(II) Shareholdings of the Top Ten Shareholders

1. *Particulars of shareholdings of the top ten shareholders and top ten shareholders without selling restrictions*

Unit: share

Name of shareholder (Full name)	Increase/ (Decrease) during the Reporting Period	Particulars of shareholdings of the top ten shareholders			Pledged, marked or frozen		
		Number of shares held at the end of the period	Percentage (%)	Number of shares held with selling restrictions	Condition of shares	Number of shares	Nature of shareholder
HKSCC Nominees Limited	46,000	2,506,380,771	22.07	0	-	-	Overseas legal person
Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	0	988,000,000	8.70	0	-	-	State-owned legal person
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	0	797,087,430	7.02	0	-	-	State-owned legal person
Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	0	589,084,181	5.19	0	-	-	State-owned legal person
Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)	0	433,221,289	3.81	0	-	-	State-owned legal person
Hong Kong Securities Clearing Company Limited	98,400,718	356,983,109	3.14	0	-	-	Overseas legal person
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	0	160,000,000	1.41	0	Pledged, judicial freezing	160,000,000	Domestic non-state-owned legal person
Loncin Holdings Co., Ltd. (隆鑫控股有限公司)	0	136,778,711	1.20	0	Pledged Judicial freezing	127,425,073 136,778,711	Domestic non-state-owned legal person
Chongqing Water Group Co., Ltd. (重慶水務集團股份有限公司)	0	125,000,000	1.10	0	-	-	State-owned legal person
Xiamen Huishanghong Equity Investment Co., Ltd. (廈門市匯尚泓股權投資有限公司)	(69,930,000)	118,070,000	1.04	0	-	-	Domestic non-state-owned legal person

Changes in Shares and Particulars of Shareholders

Particulars of shareholdings of the top ten shareholders without selling restrictions			
Name of shareholder	Number of tradable shares held without selling restrictions	Type and number of shares	
		Type	Number
HKSCC Nominees Limited	2,506,380,771	H shares	2,506,380,771
Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	988,000,000	A shares	988,000,000
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	797,087,430	A shares	797,087,430
Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	589,084,181	A shares	589,084,181
Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)	433,221,289	A shares	433,221,289
Hong Kong Securities Clearing Company Limited	356,983,109	A shares	356,983,109
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	160,000,000	A shares	160,000,000
Loncin Holdings Co., Ltd. (隆鑫控股有限公司)	136,778,711	A shares	136,778,711
Chongqing Water Group Co., Ltd. (重慶水務集團股份有限公司)	125,000,000	A shares	125,000,000
Xiamen Huishanghong Equity Investment Co.,Ltd. (廈門市匯尚泓股權投資有限公司)	118,070,000	A shares	118,070,000
Statement on specific repurchase accounts of top ten shareholders	Nil		
Statement on aforesaid shareholder's entrusted voting rights, trusted voting rights and abandoned voting rights	Nil		
Statement on the related relations or concerted actions among the shareholders above	HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) and Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) are parties acting in concert		
Statement on preference shareholders with resumed voting right and their number of shares held	Nil		

Notes:

- (1) The number of shares held by HKSCC Nominees Limited represents the total number of H shares of the Bank held by all institutional and individual investors who maintained an account with it as at the end of the Reporting Period.
- (2) The number of shares held by Hong Kong Securities Clearing Company Limited represents the number of A Shares (northbound shares of Shanghai-Hong Kong Stock Connect) held by it as a nominee designated by and on behalf of investors from Hong Kong and overseas.

Changes in Shares and Particulars of Shareholders

2. Number of shares held by and selling restriction of the top ten shareholders with selling restrictions

Unit: share

No.	Name of shareholder with selling restrictions	Number of shares held with selling restrictions	Details of approved tradable shares with selling restrictions		Selling restrictions
			Time available for trading	Additional number of approved tradable shares	
1	Zhang Li	224,230	Release in batches: October 2023: 39,570 shares; October 2024: 39,570 shares; October 2025: 13,190 shares; October 2027: 131,900 shares;	0	48 months, 60 months, 72 months and 96 months from the date of the Bank's listing, respectively
2	Chen Kaiming	200,090	Release in batches: October 2023: 35,310 shares; October 2024: 35,310 shares; October 2025: 11,770 shares; October 2027: 117,700 shares;	0	48 months, 60 months, 72 months and 96 months from the date of the Bank's listing, respectively
3	Xu Min	132,855	Release in batches: October 2023: 23,445 shares; October 2024: 23,445 shares; October 2025: 7,815 shares; October 2027: 78,150 shares;	0	48 months, 60 months, 72 months and 96 months from the date of the Bank's listing, respectively
4	Zhu Jingmei	116,875	Release in batches: October 2023: 20,625 shares; October 2024: 20,625 shares; October 2025: 6,875 shares; October 2027: 68,750 shares;	0	48 months, 60 months, 72 months and 96 months from the date of the Bank's listing, respectively
5	Wang Shaoji	112,370	Release in batches: October 2023: 19,830 shares; October 2024: 19,830 shares; October 2025: 6,610 shares; October 2027: 66,100 shares;	0	48 months, 60 months, 72 months and 96 months from the date of the Bank's listing, respectively
6	Luo Jing	111,605	Release in batches: October 2023: 19,695 shares; October 2024: 19,695 shares; October 2025: 6,565 shares; October 2027: 65,650 shares;	0	48 months, 60 months, 72 months and 96 months from the date of the Bank's listing, respectively
7	Xu Xiaohong	106,250	Release in batches: October 2023: 18,750 shares; October 2024: 18,750 shares; October 2025: 6,250 shares; October 2027: 62,500 shares;	0	48 months, 60 months, 72 months and 96 months from the date of the Bank's listing, respectively
8	Zeng Lifeng	102,000	Release in batches: October 2023: 18,000 shares; October 2024: 18,000 shares; October 2025: 6,000 shares; October 2027: 60,000 shares;	0	48 months, 60 months, 72 months and 96 months from the date of the Bank's listing, respectively

Changes in Shares and Particulars of Shareholders

No.	Name of shareholder with selling restrictions	Number of shares held with selling restrictions	Details of approved tradable shares with selling restrictions		
			Time available for trading	Additional number of approved tradable shares	Selling restrictions
9	Yang Hongkun	96,730	Release in batches: October 2023: 17,070 shares; October 2024: 17,070 shares; October 2025: 5,690 shares; October 2027: 56,900 shares;	0	48 months, 60 months, 72 months and 96 months from the date of the Bank's listing, respectively
10	Liang Shuang	95,625	Release in batches: October 2023: 16,875 shares; October 2024: 16,875 shares; October 2025: 5,625 shares; October 2027: 56,250 shares;	0	48 months, 60 months, 72 months and 96 months from the date of the Bank's listing, respectively
Statement on the related relations or concerted actions among the shareholders above			Not aware of related relations or concerted actions existing among the shareholders above		

(III) Explanation of the Absence of Controlling Shareholders and Actual Controllers of the Company

The shareholding structure of the Bank is diversified, as of the end of the Reporting Period, the percentage of shareholding of the largest shareholder was 8.70%, and there are no controlling shareholders holding more than 50% of the shares. For major shareholders holding more than 5% of the shares, their respective shares do not exceed 10% of the total share capital, and their total shareholding does not exceed 50%. As the voting rights enjoyed by the shares held by them are not sufficient to make a material impact on resolutions approved on general meetings, no controlling shareholder of the Bank existed. The Bank does not have any person who can actually control the Bank through investment relations, agreements or other arrangements, although not being a shareholder of the Bank, so no actual controller existed.

(IV) Particulars of Major Shareholders

1. Major shareholders holding more than 5% of the shares

- (1) Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司) was established in February 2004 with a registered capital of RMB10 billion. It is a state-owned assets operation company organized under the approval of Chongqing Municipal Government and mainly engaged in the acquisition and disposal of assets and relevant property investment, investment advisory, financial consultancy, consultancy and agency for corporate reorganizations and mergers, custody of enterprises and assets under the authority of the municipal government.

As at the end of the Reporting Period, Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司) held 988,000,000 A shares of the Bank, representing 8.70% of the total share capital of the Bank, and Chongqing Yufu (Hong Kong) Co., Ltd. (重慶渝富(香港)有限公司), Chongqing River & Holiday Hotel Management Co., Ltd. (重慶兩江假日酒店管理有限公司), Chongqing Chuanyi Automation Co., Ltd. (重慶川儀自動化股份有限公司), Chongqing Sanxia Financing Guarantee Group Corporation (重慶三峽融資擔保集團股份有限公司), all being the related parties of Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司), respectively held 13,246,000 H shares, 2,000,000 A shares, 10,000,000 A shares and 15,000,454 A shares of the Bank, respectively. Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司) and its related parties jointly held 1,028,246,454 shares of the Bank, accounting for 9.05% of the total share capital of the Bank collectively.

- (2) Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) was established in February 1993 with a registered capital of RMB20 billion. It is a large investment group with city infrastructure constructions as its major business, covering real estates, financial equity, intelligent traffic, medical and health service, exhibition economy, general aviation and other industries, positioning itself as a “general contractor, general construction agent and general operator” of major infrastructure projects.

As at the end of the Reporting Period, Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) held 797,087,430 A shares of the Bank, representing 7.02% of the total share capital of the Bank, and its related party Chongqing Yukaifa Co., Ltd. (重慶渝開發股份有限公司) held 30,000,000 A shares of the Bank. Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and its related party jointly held 827,087,430 A shares of the Bank, accounting for 7.28% of the total share capital of the Bank collectively.

Changes in Shares and Particulars of Shareholders

- (3) Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) (formerly known as “Chongqing Transport and Travel Investment Group Company Limited” (重慶交通旅遊投資集團有限公司)) was established in December 2002 with a registered capital of RMB5.287 billion. It is a wholly-owned controlling subsidiary of Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司). It implemented a two-wheel drive strategy of “asset management + equity investment” and was engaged in commercial asset investment and operation management, as well as financial equity investment.

Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) was established in August 2018 with a registered capital of RMB20 billion. It is a solely state-owned enterprise established under the approval of the municipal government and the Finance Bureau of Chongqing City performed the duties of making capital contribution. The Company takes it as its responsibility to coordinate the proper use of capital and assets resources, fill the shortcomings of major infrastructure, promote the optimal layout of emerging formats and serve the economic and social development strategy, and engages in investment and financing, industry cultivation, equity operation, capital operation, value management, etc.

As at the end of the Reporting Period, Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) held 589,084,181 A shares of the Bank, representing 5.19% of the total share capital of the Bank, and its related party Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) held 433,221,289 A shares of the Bank, representing 3.81% of the total share capital of the Bank. Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) and its related parties jointly held 1,022,305,470 A shares of the Bank, accounting for 9.00% of the total share capital of the Bank collectively.

2. Other major shareholders under regulations

- (1) Xiamen Huishanghong Equity Investment Co., Ltd. (廈門市匯尚泓股權投資有限公司), formerly known as “Xiamen Gaoxinhong Equity Investment Co., Ltd.” (廈門市高鑫泓股權投資有限公司), was established in May 2001 with a registered capital of RMB0.1 billion, and is engaged in private fund equity investment, investment management, asset management and other activities.

As at the end of the Reporting Period, Xiamen Huishanghong Equity Investment Co., Ltd. (廈門市匯尚泓股權投資有限公司) held 118,070,000 A shares of the Bank, representing 1.04% of the total share capital of the Bank. Xiamen Huishanghong Equity Investment Co., Ltd. is a major shareholder of the Bank who has assigned a supervisor to the Bank.

Changes in Shares and Particulars of Shareholders

- (2) Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) was established in November 1987 with a registered capital of RMB3,899,930,914. It is an A-share listed company. Its business segments include: jewellery and fashion, business management, cultural catering, food and beverage, Chinese fashion watches, beauty and health, and real estates with composite functions.

As at the end of the Reporting Period, Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) held 150,549,000 H shares of the Bank, representing 1.33% of the total share capital of the Bank, and its related parties Fosun International Limited, Fidelidade-Companhia de Seguros, S.A., Shanghai Fosun High Technology (Group) Co., Ltd. (上海復星高科技(集團)有限公司), Peak Reinsurance Company Limited, Fosun Hani Securities Limited, Hong Kong Xinmao Investment Co., Limited (香港鑫茂投資有限公司) and Hainan Mining Co., Ltd. (海南礦業股份有限公司) held 190,170,000 H shares of the Bank in total. Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) and its related parties jointly held 340,719,000 H shares of the Bank, accounting for 3.00% of the total share capital of the Bank collectively. Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) and its related parties are major shareholders of the Bank who have assigned a director to the Bank.

Name of shareholder	Controlling shareholder	Actual controller	Ultimate beneficiary
Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司)	Chongqing SASAC	Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Chongqing SASAC	Chongqing SASAC	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)
Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)	The Finance Bureau of Chongqing City	Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)

Changes in Shares and Particulars of Shareholders

Name of shareholder	Controlling shareholder	Actual controller	Ultimate beneficiary
Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)	The Finance Bureau of Chongqing City	The Finance Bureau of Chongqing City	Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)
Xiamen Huishanghong Equity Investment Co., Ltd. (廈門市匯尚泓股權投資有限公司)	Xiamen Huishangcheng Trade Co., Ltd. (廈門匯尚成貿易有限責任公司)	Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming	Xiamen Huishanghong Equity Investment Co., Ltd. (廈門市匯尚泓股權投資有限公司)
Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司)	Shanghai Fosun High Technology (Group) Co., Ltd. (上海復星高科技(集團)有限公司)	Guo Guangchang	Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司)

Note:

As at the end of the Reporting Period, there were no major shareholders holding 10% or more of the shares (as defined under the Hong Kong Listing Rules) of the Bank.

(V) Substantial Interests and Short Positions

As at the end of June 2023, to the knowledge of the Bank, the following individuals (other than the directors, supervisors and chief executives) had interests and short positions in the shares of the Bank which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance of Hong Kong, or interests and short positions in the shares of the Bank as recorded in the register required to be kept by the Bank under Section 336 of the Securities and Futures Ordinance of Hong Kong:

Changes in Shares and Particulars of Shareholders

A Shares

Unit: share

Name of shareholder	Capacity	Number of shares held	Percentage of the A shares (%)	Percentage of the total share capital (%)
Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	Beneficial Owner	988,000,000	11.17	8.70
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Beneficial Owner	797,087,430	9.01	7.02
Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	Beneficial Owner	589,084,181	6.66	5.19
Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)	Beneficial Owner	433,221,289	4.90	3.81

H Shares

Unit: share

Name of shareholder	Capacity	Number of shares held ⁽³⁾	Percentage of the H shares (%)	Percentage of the total share capital (%)
BlackRock Global Funds	Beneficial Owner	132,885,000 (L)	5.29	1.17
Guo Guangchang ⁽¹⁾⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
Fosun International Holdings Ltd. ⁽¹⁾⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
Fosun Holdings Limited ⁽¹⁾⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
Fosun International Limited ⁽¹⁾⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) ⁽²⁾	Beneficial Owner	150,549,000 (L)	5.99	1.33

Changes in Shares and Particulars of Shareholders

Notes:

- (1) Guo Guangchang holds 85.29% equity interests in Fosun International Holdings Ltd. Fosun International Holdings Ltd. holds 100% equity interests in Fosun Holdings Limited. Fosun Holdings Limited holds 71.05% equity interests in Fosun International Limited. Therefore, Guo Guangchang, Fosun International Holdings Ltd. and Fosun Holdings Limited are all deemed to be interested in the shares of the Bank held by Fosun International Limited and various corporations controlled by it. Guo Guangchang holds jointly a long position in 340,719,000 H shares of the Bank through Fosun International Limited and other corporations controlled by it.
- (2) According to Notice of Disclosure of Corporate Major Shareholders' Interests filed by Guo Guangchang, Fosun International Holdings Ltd. and Fosun International Limited on 13 October 2020, the long position of 340,719,000 H shares of the Bank that they are deemed to hold, compose of a long position of 150,549,000 H shares of the Bank directly held by Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司). Fosun International Limited holds 100% equity interests in Shanghai Fosun High Technology (Group) Co., Ltd. and Shanghai Fosun High Technology (Group) Co., Ltd. directly and indirectly (through its subsidiary) holds 68.59% equity interests in Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) in total, therefore, Guo Guangchang, Fosun International Holdings Ltd., Fosun Holdings Limited and Fosun International Limited are all deemed to be interested in a long position in 150,549,000 H shares of the Bank held by Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司).
- (3) (L) – Long position.

Changes in Shares and Particulars of Shareholders

(VI) Directors', Supervisors' and the Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Bank

As of 30 June 2023, the interests of the directors, supervisors and the chief executive of the Bank and their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance of Hong Kong or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules were as follows:

						<i>Unit: share</i>
Name	Position	Capacity	Number of A shares held	Percentage of the A shares (%)	Percentage of the total share capital (%)	
Directors						
Xie Wenhui	Secretary to the Party Committee, Chairman, Executive Director	Beneficial owner	46,500	0.00053	0.00041	
Sui Jun	Deputy Secretary to the Party Committee, President, Executive Director	Beneficial owner	75,400	0.00085	0.00066	
Zhang Peizong	Member of the Party Committee, Vice President, Secretary of the Board, Executive Director	Beneficial owner	39,300	0.00044	0.00035	
Yin Xianglin	Non-executive Director	Beneficial owner	2,900	0.00003	0.00003	
Supervisor						
Yang Xiaotao	Member of the Party Committee, Head of Supervisors	Beneficial owner	25,700	0.00029	0.00023	

Note: The above number of shares refers to long position.

Save as disclosed above, none of the directors, the supervisors, or the chief executives of the Bank or their associates held any 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 Securities and Futures Ordinance of Hong Kong) as at 30 June 2023.

III. Issue, Purchase, Sale and Redemption of Securities

During the Reporting Period, save as disclosed in this interim report, the Bank has not issued new ordinary shares or publicly issued any corporate bonds listed on the stock exchange, nor the Bank and its subsidiaries purchased, sold or redeemed any shares and securities of the Bank.

On 24 April 2023, the Bank publicly issued the Special Financial Bonds for Sannong of Chongqing Rural Commercial Bank Co., Ltd. (Phase I) for 2023 (the bond referred to as “23 Chongqing Rural Commercial Sannong Bond 01”, bond code: 2321013) in the national interbank bond market through book-building process and filing. The term of such bond is 3 years with an issuing scale of RMB2 billion and the coupon rate of 2.90%. The raised funds are used to grant agriculture loans, improve the quality and efficiency of rural financial services and support rural revitalization and development.

In the first half of 2023, none of the Bank’s financial bonds has been redeemed.

Report on Review of Interim Financial Statements

To the Board of Directors of Chongqing Rural Commercial Bank Co., Ltd.

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

Introduction

We have reviewed the interim financial statements set out on pages 130 to 239, which comprises the interim condensed consolidated statement of financial position of Chongqing Rural Commercial Bank Co., Ltd. (the “Bank”) and its subsidiaries (collectively the “Group”) as of 30 June 2023 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six months ended 30 June 2023, and the notes to the interim condensed consolidated financial statements. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of interim financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim Financial Reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial statements in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the International Auditing and Assurance Standards Board. A review of the interim financial information consists of making enquiries, 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.

Report on Review of Interim Financial Statements (Continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2023 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 August 2023

Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
Interest income		25,194,093	25,976,990
Interest expense		(13,150,522)	(13,186,147)
Net interest income	5	<u>12,043,571</u>	<u>12,790,843</u>
Fee and commission income		1,213,318	1,209,513
Fee and commission expense		(221,000)	(170,614)
Net fee and commission income	6	<u>992,318</u>	<u>1,038,899</u>
Net trading gains	7	1,292,461	971,113
Share of profits of associates		(17,101)	(27,959)
Other operating income, net	8	333,270	181,480
Net gains on derecognition of financial assets measured at fair value through other comprehensive income		208,974	280,235
Net gains on derecognition of financial assets measured at amortised cost		<u>15,616</u>	<u>63,338</u>
Operating income		14,869,109	15,297,949
Operating expenses	9	(4,806,519)	(4,316,486)
Credit impairment losses	10	(1,845,180)	(3,619,523)
Profit before tax		8,217,410	7,361,940
Income tax expense	11	(1,096,902)	(865,652)
Profit for the period		<u>7,120,508</u>	<u>6,496,288</u>
Attributable to:			
– Shareholders of the Bank		6,986,015	6,378,968
– Non-controlling interests		134,493	117,320
Earnings per share (Expressed in Renminbi (“RMB”) Yuan per share)			
Basic and diluted	12	<u>0.61</u>	<u>0.56</u>

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Profit for the period	7,120,508	6,496,288
Other comprehensive income, after tax:		
Items that will not be reclassified to profit or loss:		
– Changes in remeasurement of defined benefit plans	–	60
– Changes in fair value of equity instruments measured at fair value through other comprehensive income	(44,594)	(57,591)
Items that may be reclassified:		
– Changes in fair value of debt instruments measured at fair value through other comprehensive income	792,080	(412,433)
– Credit impairment losses of debt instruments measured at fair value through other comprehensive income	9,284	6,648
Other comprehensive income for the period (net of tax)	756,770	(463,316)
Total comprehensive income for the period	7,877,278	6,032,972
Total comprehensive income attributable to:		
Shareholders of the Bank	7,742,785	5,915,652
Non-controlling interests	134,493	117,320

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

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Assets			
Cash and balances with central bank	14	56,967,451	52,894,028
Deposits with banks and other financial institutions	15	9,805,211	12,028,449
Placements with banks and other financial institutions	16	91,067,636	82,638,207
Derivative financial assets	17	108,275	16,314
Financial assets held under resale agreements	18	2,536,922	8,457,236
Loans and advances to customers	19	645,177,749	605,085,448
Financial investments:	20		
– Financial assets measured at fair value through profit or loss		104,146,651	65,835,694
– Financial assets measured at fair value through other comprehensive income		133,670,556	106,005,356
– Financial assets measured at amortised cost		376,325,700	401,141,674
Investments in associates	21(2)	437,584	454,685
Property and equipment	22	4,824,057	4,738,478
Right-of-use assets	23	193,679	157,986
Goodwill	24	440,129	440,129
Deferred tax assets	25	10,914,925	10,773,326
Other assets	26	2,174,573	1,634,235
Total assets		<u>1,438,791,098</u>	<u>1,352,301,245</u>
Liabilities			
Borrowings from central bank	27	93,747,037	86,393,367
Deposits from banks and other financial institutions	28	48,971,318	51,844,467
Placements from banks and other financial institutions	29	54,090,646	41,684,692
Financial liabilities measured at fair value through profit or loss		5,666,003	3,245,979
Derivative financial liabilities	17	28,589	12,450
Financial assets sold under repurchase agreements	30	53,991,874	42,465,622
Deposits from customers	31	902,482,065	824,946,754
Accrued staff costs	32	5,115,821	5,293,169
Debt securities issued	33	145,306,497	171,069,176
Income tax payable		736,917	654,438
Lease liabilities		167,874	135,385
Other liabilities	34	8,313,188	9,099,465
Total liabilities		<u>1,318,617,829</u>	<u>1,236,844,964</u>

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

Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	<i>Notes</i>	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Equity			
Share capital	35	11,357,000	11,357,000
Other equity instruments	36	5,997,648	5,997,648
Capital reserve	37	20,924,618	20,924,618
Investment revaluation reserve	38	411,008	(345,762)
Actuarial changes reserve		(576,208)	(576,208)
Surplus reserve	39	13,841,815	13,841,815
General reserve	40	19,085,796	17,848,932
Retained earnings	41	<u>47,264,340</u>	<u>44,675,479</u>
Equity attributable shareholders of the Bank		118,306,017	113,723,522
Non-controlling interests		<u>1,867,252</u>	<u>1,732,759</u>
Total equity		<u>120,173,269</u>	<u>115,456,281</u>
Total equity and liabilities		<u>1,438,791,098</u>	<u>1,352,301,245</u>

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 August 2023.

XIE WENHUI

CHAIRMAN

SHU JING
HEAD OF ACCOUNTING
DEPARTMENT

(COMPANY CHOP)

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

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023 — Unaudited

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Attributable to shareholders of the Bank							Subtotal	Non-controlling interests	Total	
		Share capital	Other equity instrument	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve				Retained earnings
As at 1 January 2023		11,357,000	5,997,648	20,924,618	(345,762)	(576,208)	13,841,815	17,848,932	44,675,479	113,723,522	1,732,759	115,456,281
Profit for the period		-	-	-	-	-	-	-	6,986,015	6,986,015	134,493	7,120,508
Other comprehensive income		-	-	-	756,770	-	-	-	-	756,770	-	756,770
Total comprehensive income for the period		-	-	-	756,770	-	-	-	6,986,015	7,742,785	134,493	7,877,278
Appropriation to general reserve	40	-	-	-	-	-	-	1,236,864	(1,236,864)	-	-	-
Dividends paid to ordinary equity holders	13	-	-	-	-	-	-	-	(3,082,290)	(3,082,290)	-	(3,082,290)
Dividends paid to other equity instrument holders	13	-	-	-	-	-	-	-	(78,000)	(78,000)	-	(78,000)
As at 30 June 2023		11,357,000	5,997,648	20,924,618	411,008	(576,208)	13,841,815	19,085,796	47,264,340	118,306,017	1,867,252	120,173,269

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

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2022 — Unaudited

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Attributable to shareholders of the Bank								Non-controlling interests	Total	
		Share capital	Other equity instrument	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings			Subtotal
As at 1 January 2022		11,357,000	3,998,338	20,924,618	195,760	(641,232)	12,930,678	15,881,397	40,306,220	104,952,779	1,531,365	106,484,144
Profit for the period		-	-	-	-	-	-	-	6,378,968	6,378,968	117,320	6,496,288
Other comprehensive income		-	-	-	(463,376)	60	-	-	-	(463,316)	-	(463,316)
Total comprehensive income for the period		-	-	-	(463,376)	60	-	-	6,378,968	5,915,652	117,320	6,032,972
Capital contribution from other equity instrument holders	36	-	1,999,930	-	-	-	-	-	-	1,999,930	-	1,999,930
Appropriation to general reserve	40	-	-	-	-	-	-	1,872,119	(1,872,119)	-	-	-
Dividend distribution	13	-	-	-	-	-	-	-	(2,867,643)	(2,867,643)	(861)	(2,868,504)
As at 30 June 2022		11,357,000	5,998,268	20,924,618	(267,616)	(641,172)	12,930,678	17,753,516	41,945,426	110,000,718	1,647,824	111,648,542

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

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2022 — Audited

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Attributable to shareholders of the Bank							Subtotal	Non-controlling interests	Total	
		Share capital	Other equity instrument	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve				Retained earnings
As at 1 January 2022		11,357,000	3,998,338	20,924,618	195,760	(641,232)	12,930,678	15,881,397	40,306,220	104,952,779	1,531,365	106,484,144
Profit for the year		-	-	-	-	-	-	-	10,275,574	10,275,574	202,270	10,477,844
Other comprehensive income		-	-	-	(541,522)	65,024	-	-	-	(476,498)	(15)	(476,513)
Total comprehensive income for the year		-	-	-	(541,522)	65,024	-	-	10,275,574	9,799,076	202,255	10,001,331
Capital contribution from other equity instrument holders	36	-	1,999,310	-	-	-	-	-	-	1,999,310	-	1,999,310
Appropriation to surplus reserve	39	-	-	-	-	-	911,137	-	(911,137)	-	-	-
Appropriation to general reserve	40	-	-	-	-	-	-	1,967,535	(1,967,535)	-	-	-
Dividends paid to ordinary equity holders	13	-	-	-	-	-	-	-	(2,867,643)	(2,867,643)	(861)	(2,868,504)
Dividends paid to other equity instrument holders	13	-	-	-	-	-	-	-	(160,000)	(160,000)	-	(160,000)
As at 31 December 2022		11,357,000	5,997,648	20,924,618	(345,762)	(576,208)	13,841,815	17,848,932	44,675,479	113,723,522	1,732,759	115,456,281

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Operating activities		
Profit before tax	8,217,410	7,361,940
Adjustments for:		
Depreciation and amortisation	408,462	410,999
Credit impairment losses	1,845,180	3,619,523
Interest income arising from investment securities	(8,567,213)	(8,791,685)
Interest expense arising from debt securities issued	1,936,776	2,687,603
Net gains on disposal of investment securities	(877,731)	(1,165,211)
Net losses on investments in associates	17,101	27,959
Dividend income from investment securities	(2,400)	–
Net gains on disposal of property, equipment and other assets	(3,283)	(6,222)
Fair value gains	(429,830)	(8,400)
Foreign exchange gains	(41,225)	(53,692)
Operating cash flows before movements in working capital	2,503,247	4,082,814
Net change in operating assets and operating liabilities:		
(Increase)/decrease in balances with central bank, deposits with banks and other financial institutions	(383,060)	4,345,373
(Increase)/decrease in placements with banks and other financial institutions	(8,107,495)	1,918,108
(Increase)/decrease in financial assets held under resale agreements	(2,108)	386,576
Increase in financial assets held for trading purpose	(37,713,590)	(4,505,001)
Increase in loans and advances to customers	(40,756,029)	(33,960,139)
Increase in financial assets sold under repurchase agreements	11,592,600	9,061,573
Increase in borrowings from central bank	7,118,760	8,322,051
Increase in placements from banks and other financial institutions	12,354,756	9,828,860
Increase in deposits from customers, deposits from banks and other financial institutions	75,201,227	64,164,360
Increase in financial liabilities measured at fair value through profit or loss	2,420,006	2,708,131
Increase in other operating assets	(1,670,574)	(1,840,852)
(Decrease)/increase in other operating liabilities	(1,108,408)	1,042,709
Cash from operating activities	21,449,332	65,554,563
Income tax paid	(1,408,279)	(1,063,050)
Net cash generated from operating activities	20,041,053	64,491,513

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

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
Investing activities			
Cash received from disposal and redemption of investment securities		162,910,403	139,133,781
Interest income received from investment securities		9,396,403	10,502,385
Cash received from disposal of property, equipment and other assets		38,855	30,277
Dividends income from investment securities		2,400	–
Cash paid for purchase of investment securities		(165,156,175)	(158,597,777)
Cash paid for purchase of property, equipment and other assets		(494,620)	(211,011)
Net cash generated from/(used in) investing activities		6,697,266	(9,142,345)
Financing activities			
Cash received from debt securities issued		113,627,383	105,686,882
Cash received from issuance of other equity instruments		–	1,999,930
Repayments of debt securities issued		(140,700,000)	(157,810,000)
Dividends paid to shareholders of the Bank		(3,116,151)	(2,611,217)
Dividends paid to shareholders of non-controlling interests		–	(861)
Interest paid on debt securities issued		(626,837)	(696,100)
Cash paid in other financing activities		(42,752)	(40,544)
Net cash used in financing activities		(30,858,357)	(53,471,910)
Net (decrease)/increase in cash and cash equivalents			
		(4,120,038)	1,877,258
Cash and cash equivalents as at 1 January		31,518,342	35,785,425
Effect of foreign exchange rate changes		18,513	58,688
Cash and cash equivalents as at 30 June	42	27,416,817	37,721,371
Net cash from operating activities include:			
Interest received		15,947,641	16,793,344
Interest paid		(11,530,248)	(11,029,613)
Net interest received from operating activities		4,417,393	5,763,731

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

Notes to The Interim Condensed Consolidated Financial Statements

(Amounts in thousands of Renminbi, unless otherwise stated)

1 GENERAL INFORMATION

Chongqing Rural Commercial Bank Co., Ltd. (the “Bank”) is a joint-stock commercial bank incorporated in the People’s Republic of China (the “PRC”) on 27 June 2008. Prior to its incorporation, the business acquired by the Bank (the “Business”) was carried out by 38 rural credit cooperative unions and Chongqing Wulong Rural Cooperative Bank in Chongqing of the PRC (collectively, the “39 Rural Credit Unions”). All of them were managed by the Chongqing Rural Credit Cooperative Union (the “CRCCU”) at the municipal level of Chongqing, the PRC.

Pursuant to the promoters’ agreement among the promoters of the Bank, the Bank acquired all the assets and liabilities of the 39 Rural Credit Unions and the CRCCU on 27 June 2008, and the Business was transferred to the Bank.

The Bank was listed on the Stock Exchange of Hong Kong Limited on 16 December 2010 and was listed on Shanghai Stock Exchange on 29 October 2019.

The Bank has financial services certificate No. B0335H250000001 issued by the China Banking Regulatory Commission (the former “CBRC”), and a corporate legal person business license with a unified social credit code 91500000676129728J issued by the Chongqing Administration of Industry and Commerce.

The principal activities of the Bank and its subsidiaries (together referred to as the “Group”) comprise provision of banking services, which includes deposit taking, loan lending, payment and settlement services, wealth management, financial leasing and other services as approved by the regulator.

2 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”), as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. The principal accounting policies and methods of computation used in preparing the interim condensed consolidated financial statements are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2022.

The interim condensed consolidated financial statement should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2022, which have been audited.

(1) New standards, amendments and interpretations effective in 2023 and adopted by the Group

			Effective for annual periods beginning on or after	Notes
(a)	IFRS 17	Insurance Contracts	1 January 2023	(i)
(b)	Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023	(i)
(c)	Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023	(i)
(d)	Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	(i)

- (i) Descriptions of these standards and amendments were disclosed in the Group's consolidated financial statements for the year ended 31 December 2022. The adoption of these standards and amendments did not have significant impact on the operating results, comprehensive income, or financial position of the Group.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(2) New standards, amendments and interpretations not yet effective and have not been adopted before their effective dates

			Effective for annual periods beginning on or after	Notes
(a)	Amendments to IFRS 16	Lease Liabilities in a Sale and Leaseback	1 January 2024	(i)
(b)	Amendments to IAS 1 (2020)	Classification of Liabilities as Current or Non-current	1 January 2024	(i)
(c)	Amendments to IAS 1 (2022)	Non-current Liability with Covenants	1 January 2024	(i)
(d)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The effective date has now been deferred indefinitely	(i)

- (i) Descriptions of these standards and amendments were disclosed in the Group's consolidated financial statements for the year ended 31 December 2022. The Group anticipates that the adoption of these standards and amendments will not have a significant impact on the Group's financial statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In preparing these interim condensed consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the uncertainties of significant judgments and estimates made by management in applying the Group's accounting policies were the same as those that applied to the Group's consolidated financial statements for the year ended 31 December 2022.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

5 NET INTEREST INCOME

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Interest income		
Loans and advances to customers	14,691,323	14,918,426
Including: Corporate loans and advances	7,094,478	6,996,400
Personal loans and advances	7,161,686	7,530,698
Discounted bills	435,159	391,328
Financial investments	8,567,213	8,791,685
Including: Financial assets measured at amortised cost	7,000,897	7,888,951
Financial assets measured at fair value through other comprehensive income	1,566,316	902,734
Placements with banks and other financial institutions	1,173,936	1,405,302
Balances with central bank	406,896	415,884
Financial assets held under resale agreements	286,390	328,532
Deposits with banks and other financial institutions	68,335	117,161
Subtotal	<u>25,194,093</u>	<u>25,976,990</u>
Interest expense		
Deposits from customers	(8,284,547)	(7,872,228)
Debt securities issued	(1,936,776)	(2,687,603)
Borrowings from central bank	(1,061,887)	(1,090,479)
Placements from banks and other financial institutions	(748,883)	(677,904)
Deposits from banks and other financial institutions	(579,926)	(305,262)
Financial assets sold under repurchase agreements	(535,717)	(550,256)
Lease liabilities	(2,786)	(2,415)
Subtotal	<u>(13,150,522)</u>	<u>(13,186,147)</u>
Net interest income	<u>12,043,571</u>	<u>12,790,843</u>
Included in interest income		
Interest income on listed investments	8,231,008	8,135,513
Interest income on unlisted investments	<u>336,205</u>	<u>656,172</u>
Total	<u>8,567,213</u>	<u>8,791,685</u>

Listed investments mainly include securities traded in the interbank bond market in Mainland China and securities listed on the stock exchange.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

6 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Fee and commission income		
Agency and fiduciary service fees	425,756	345,853
Bank card fees	286,125	156,814
Wealth management fees	91,438	273,694
Settlement and clearing fees	83,847	68,475
Others	326,152	364,677
Subtotal	1,213,318	1,209,513
Fee and commission expense		
Bank card fees	(181,301)	(135,523)
Settlement and clearing fees	(12,753)	(11,479)
Others	(26,946)	(23,612)
Subtotal	(221,000)	(170,614)
Total	992,318	1,038,899

7 NET TRADING GAINS

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Net gains on financial assets measured at fair value through profit or loss	1,298,355	986,711
Net losses on financial liabilities measured at fair value through profit or loss	(359)	–
Net losses on derivative financial instruments	(5,535)	(15,598)
Total	1,292,461	971,113

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

8 OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Government grants	243,913	119,268
Foreign exchange gains	41,225	53,692
Rental income	35,967	31,110
Net gains on disposal of property, equipment and other assets	3,283	6,222
Penalty and compensation income	3,348	2,883
Donation	–	(40,000)
Others, net	5,534	8,305
Total	<u>333,270</u>	<u>181,480</u>

9 OPERATING EXPENSES

	Notes	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
Staff costs	(1)	2,911,434	2,703,399
General operating and administrative expenses		1,268,447	995,926
Depreciation and amortisation		387,422	394,353
Tax and surcharges		146,827	144,324
Costs of operating lease business		21,040	16,646
Others		71,350	61,838
Total		<u>4,806,519</u>	<u>4,316,486</u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

9 OPERATING EXPENSES (Continued)

(1) Staff costs

	Notes	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
Salaries, bonuses and allowances		1,992,950	1,841,631
Social insurance		415,977	397,849
Housing funds		190,088	178,596
Labour union fees and staff education expenses		102,913	63,506
Enterprise annuity		92,283	86,021
Supplementary retirement benefits	32(1)	66,190	67,520
Staff welfare		51,032	63,436
Early retirement benefits	32(2)	—	4,840
Total		<u>2,911,433</u>	<u>2,703,399</u>

10 CREDIT IMPAIRMENT LOSSES

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Loans and advances to customers:		
Measured at amortised cost	1,369,007	4,025,309
Measured at fair value through other comprehensive income	953	5,149
Financial investments:		
Financial assets measured at amortised cost	281,198	(404,789)
Financial assets measured at fair value through other comprehensive income	11,525	3,476
Loan commitments	119,149	(11,046)
Other assets	59,118	3,966
Placements with banks and other financial institutions measured at amortised cost	13,802	(1,536)
Placements with banks and other financial institutions measured at fair value through other comprehensive income	(100)	239
Deposits with banks and other financial institutions	(3,838)	(5,856)
Financial assets held under resale agreements	(5,634)	4,611
Total	<u>1,845,180</u>	<u>3,619,523</u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

11 INCOME TAX EXPENSE

(1) Income tax expense

	Notes	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
Income tax expense comprises:			
Current income tax			
– PRC Enterprise Income Tax		1,490,757	1,803,216
Deferred tax	25(2)	(393,855)	(937,564)
Total		<u>1,096,902</u>	<u>865,652</u>

(2) Reconciliation between income tax expense and profit before tax per the interim condensed consolidated income statement:

The tax charges for the six months ended 30 June 2023 and 30 June 2022 can be reconciled to the profit per the interim condensed consolidated income statement as follows:

	Notes	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
Profit before tax		<u>8,217,410</u>	<u>7,361,940</u>
Tax calculated at applicable statutory tax rate of 25%		2,054,353	1,840,485
Difference of income tax calculated at subsidiaries' applicable statutory tax rate of 15%		(75,308)	(68,538)
Tax effect of non-taxable income and tax reduction	(a)	(956,321)	(937,021)
Tax effect of expenses not deductible for tax purpose	(b)	68,174	29,703
Others		<u>6,004</u>	<u>1,023</u>
Income tax expense		<u>1,096,902</u>	<u>865,652</u>

- (a) Interest income from government bonds and local government bonds is not subject to income tax; and interest income from railway construction bonds is subject to income tax levied at half in accordance with the relevant PRC tax regulations.
- (b) Non-deductible expenses mainly include staff costs and entertainment expenses in excess of deduction allowed under the relevant PRC tax regulations.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

12 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is as follows:

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Earnings:		
Profit for the period attributable to shareholders of the Bank	6,986,015	6,378,968
Less: profit for the period attributable to other equity instrument holders of the Bank	(78,000)	–
Profit for the period attributable to ordinary equity holders of the Bank	6,908,015	6,378,968
Number of shares:		
Weighted average number of shares in issue (thousand)	11,357,000	11,357,000
Basic and diluted earnings per share (RMB Yuan)	0.61	0.56

There was no potential dilutive ordinary share outstanding for the six months ended 30 June 2023 and the six months ended 30 June 2022. Accordingly, diluted earnings per share was the same as basic earnings per share.

13 DIVIDENDS

	Notes	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
Dividend recognised as distribution during the period			
Year 2022 – RMB27.14 cents per share	(1)	3,082,290	–
Year 2021 – RMB25.25 cents per share	(2)	–	2,867,643
Interest on perpetual bonds declared and paid	(3)	78,000	–

- (1) A dividend of RMB27.14 cents per share (tax inclusive) in respect of the year ended 31 December 2022 with a total of RMB3,082 million has been proposed by the Board of Directors on 30 March 2023 and was approved by the shareholders in the 2022 annual general meeting on 25 May 2023.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

13 DIVIDENDS (Continued)

- (2) A dividend of RMB25.25 cents per share (tax inclusive) in respect of the year ended 31 December 2021 with a total of RMB2,868 million has been proposed by the Board of Directors on 30 March 2022 and was approved by the shareholders in the 2021 annual general meeting on 26 May 2022.
- (3) As at 26 April 2023, the Bank distributed the interest of perpetual bonds amounting to RMB78 million.

The Bank does not propose interim dividend for year 2023.

14 CASH AND BALANCES WITH CENTRAL BANK

	Notes	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Cash		2,928,817	3,093,479
Statutory reserve deposits with central bank	(1)	48,403,887	47,048,579
Surplus reserve deposits with central bank	(2)	5,608,892	2,671,483
Other deposits with central bank	(3)	25,855	80,487
Total		56,967,451	52,894,028

- (1) The Group places statutory reserve deposits with The People's Bank of China ("PBOC"). These statutory reserve deposits are not available for the Group's daily operations.

The Bank's statutory reserve deposits rates as at the balance sheet date are as follows:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
– RMB statutory reserve deposits rates	5.50%	5.75%
– Foreign currency statutory reserve deposits rates	6.00%	6.00%

Statutory reserve deposits rates of the Bank's subsidiaries are subject to relevant PBOC requirements.

- (2) The surplus reserve deposits are maintained with PBOC for clearing purposes.
- (3) The majority of other deposits with central bank are fiscal deposits placed with PBOC. Fiscal deposits refer to funds from fiscal institutions and deposited with PBOC in accordance with regulations, which cannot be used for daily business operations. Fiscal deposits placed with PBOC are non-interest bearing.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Deposits with:		
Domestic banks	7,812,952	9,530,499
Other domestic financial institutions	1,791,054	2,033,781
Overseas banks	207,071	473,873
Subtotal	9,811,077	12,038,153
Expected credit loss (“ECL”) allowances	(5,866)	(9,704)
Carrying amount	<u>9,805,211</u>	<u>12,028,449</u>

As at 30 June 2023, deposits with other financial institutions in mainland China of the Group and the Bank included RMB1.94 million security deposits. There were restrictions on the Group and the Bank’s ability to use these deposits (As at 31 December 2022: RMB0.96 million security deposits for the Group and the Bank).

16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Placements with banks and other financial institutions measured at amortised cost		
Placements with:		
Other domestic financial institutions	91,109,564	82,253,986
ECL allowances	(41,928)	(28,126)
Carrying amount of placements with banks and other financial institutions measured at amortised cost	<u>91,067,636</u>	<u>82,225,860</u>
Placements with banks and other financial institutions measured at fair value through other comprehensive income		
Placements with:		
Other domestic financial institutions	–	412,347
Carrying amount of placements with banks and other financial institutions measured at fair value through other comprehensive income	<u>–</u>	<u>412,347</u>
Carrying amount	<u>91,067,636</u>	<u>82,638,207</u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

17 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	As at 30 June 2023 (Unaudited)			As at 31 December 2022 (Audited)		
	Contract/ Nominal amount	Fair Value		Contract/ Nominal amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Currency derivatives						
Currency forward	848,349	15,483	(12,865)	787,618	13,130	(10,739)
Foreign exchange swap	1,754,544	76,740	(13,417)	–	–	–
Interest derivatives						
Interest swap	11,722,380	2,307	(2,307)	5,670,710	1,711	(1,711)
Others	<u>732,000</u>	<u>13,745</u>	<u>–</u>	<u>190,000</u>	<u>1,473</u>	<u>–</u>
Total	<u>15,057,273</u>	<u>108,275</u>	<u>(28,589)</u>	<u>6,648,328</u>	<u>16,314</u>	<u>(12,450)</u>

The nominal amount of derivative financial instruments only provides a basis for comparison with the fair value of the assets or liabilities recognised in the balance sheet, and does not represent the future cash flow or current fair value, and therefore does not reflect the credit risk or market risk faced by the Group.

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Analysed by collateral type:		
Debt securities	2,039,567	8,464,706
Bills	<u>499,191</u>	<u>–</u>
Subtotal	2,538,758	8,464,706
ECL allowances	<u>(1,836)</u>	<u>(7,470)</u>
Carrying amount	<u>2,536,922</u>	<u>8,457,236</u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysis of loans and advances to customers

	Notes	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Gross amount of loans and advances to customers measured at amortised cost		621,489,732	581,456,814
ECL allowances		<u>(28,558,278)</u>	<u>(27,591,636)</u>
Carrying amount of loans and advances measured at amortised cost	(a)	592,931,454	553,865,178
Carrying amount of loans and advances measured at fair value through other comprehensive income		<u>52,246,295</u>	<u>51,220,270</u>
Total		<u><u>645,177,749</u></u>	<u><u>605,085,448</u></u>

As at the balance sheet date, certain discounted bills were pledged as collaterals in repurchase agreement transactions (see Note 46 (5) for details).

(a) Carrying amount of loans and advances measured at amortised cost

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Corporate loans and advances	322,735,815	295,665,920
Trade financing	<u>3,647,353</u>	<u>3,021,462</u>
Subtotal	<u>326,383,168</u>	<u>298,687,382</u>
Personal loans and advances		
– Mortgages	94,846,651	96,965,182
– Loans to private business	112,383,729	101,879,780
– Credit cards	13,706,787	12,463,940
– Others	<u>74,169,397</u>	<u>71,460,530</u>
Subtotal	<u>295,106,564</u>	<u>282,769,432</u>
ECL allowances	<u>(28,558,278)</u>	<u>(27,591,636)</u>
Carrying amount of loans and advances measured at amortised cost	<u><u>592,931,454</u></u>	<u><u>553,865,178</u></u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(2) Loans and advances to customers analysed by security type

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Unsecured loans	129,752,069	110,725,271
Guaranteed loans	180,759,267	171,484,835
Collateralised and other secured loans		
Including: Collateralised loans	259,154,887	252,180,788
Pledged loans	<u>104,069,804</u>	<u>98,286,190</u>
Total	<u>673,736,027</u>	<u>632,677,084</u>

(3) Loans and advances to customers analysed by industry

	As at 30 June 2023 (Unaudited)		As at 31 December 2022 (Audited)	
	Amount	%	Amount	%
Leasing and commercial services	82,791,401	12.29	72,536,209	11.46
Water conservancy, environment and public facilities management	76,479,412	11.35	71,087,656	11.24
Manufacturing	70,521,076	10.47	65,147,896	10.30
Retail and wholesale	34,516,752	5.12	31,349,584	4.96
Financial business	28,665,845	4.26	31,762,868	5.02
Transportation, logistics and postal services	27,170,421	4.03	25,723,822	4.07
Production and supply of electricity, heating, gas and water	26,543,789	3.94	22,268,907	3.52
Construction	9,756,117	1.45	8,562,214	1.35
Sanitation and social work	6,969,398	1.03	6,834,180	1.08
Real estate	3,523,269	0.52	4,403,721	0.70
Education	2,604,140	0.39	2,285,138	0.36
Culture, sports and entertainment	1,835,794	0.27	2,098,958	0.33
Others	<u>7,252,049</u>	<u>1.08</u>	<u>5,846,499</u>	<u>0.92</u>
Subtotal of corporate loans and advances	378,629,463	56.20	349,907,652	55.31
Personal loans and advances	<u>295,106,564</u>	<u>43.80</u>	<u>282,769,432</u>	<u>44.69</u>
Total	<u>673,736,027</u>	<u>100.00</u>	<u>632,677,084</u>	<u>100.00</u>

As at 30 June 2023, corporate loans and advances include RMB52,246 million discounted bills (As at 31 December 2022: RMB51,220 million).

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(4) Overdue loans analysed by security type and overdue period

	As at 30 June 2023 (Unaudited)				
	Overdue within three months (including three months)	Overdue between three months and one year (including one year)	Overdue between one year and three years (including three years)	Overdue over three years	Total
Unsecured loans	625,442	362,623	244,977	27,603	1,260,645
Guaranteed loans	659,090	512,255	659,305	515,561	2,346,211
Collateralised loans	2,159,674	1,622,183	1,778,366	60,449	5,620,672
Pledged loans	87,343	69,400	49,524	2,695	208,962
Total	3,531,549	2,566,461	2,732,172	606,308	9,436,490

	As at 31 December 2022 (Audited)				
	Overdue within three months (including three months)	Overdue between three months and one year (including one year)	Overdue between one year and three years (including three years)	Overdue over three years	Total
Unsecured loans	477,414	437,295	221,825	47,954	1,184,488
Guaranteed loans	973,792	428,928	896,687	525,435	2,824,842
Collateralised loans	1,263,749	2,494,693	485,247	45,740	4,289,429
Pledged loans	64,105	–	51,219	1,000	116,324
Total	2,779,060	3,360,916	1,654,978	620,129	8,415,083

Overdue loans refer to all or part of the principal or interest overdue for more than one day.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(5) Movements of ECL allowances on loans and advances to customers

(a) Movements of ECL allowances on loans and advances to customers measured at amortised cost

	Six months ended 30 June 2023 (Unaudited)			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023	14,175,856	6,246,569	7,169,211	27,591,636
Transfer:				
to stage 1	333,280	(311,586)	(21,694)	–
to stage 2	(108,764)	225,028	(116,264)	–
to stage 3	(48,754)	(373,946)	422,700	–
Additions during the period	1,370,728	118,784	(120,505)	1,369,007
Written-off and transfers out during the period	–	–	(1,927,007)	(1,927,007)
Recoveries during the period	–	–	1,524,642	1,524,642
As at 30 June 2023	<u>15,722,346</u>	<u>5,904,849</u>	<u>6,931,083</u>	<u>28,558,278</u>
	Year ended 31 December 2022 (Audited)			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	12,704,188	4,212,745	7,914,569	24,831,502
Transfer:				
to stage 1	997,610	(951,037)	(46,573)	–
to stage 2	(635,650)	672,246	(36,596)	–
to stage 3	(105,531)	(1,598,263)	1,703,794	–
Additions during the year	1,215,239	3,910,878	2,586,862	7,712,979
Written-off and transfers out during the year	–	–	(7,064,831)	(7,064,831)
Recoveries during the year	–	–	2,111,986	2,111,986
As at 31 December 2022	<u>14,175,856</u>	<u>6,246,569</u>	<u>7,169,211</u>	<u>27,591,636</u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(5) Movements of ECL allowances on loans and advances to customers (Continued)

(b) Movements of ECL allowances on loans and advances to customers measured at fair value through other comprehensive income

	Six months ended 30 June 2023 (Unaudited)			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2023	12,532	–	1,000	13,532
Transfer:				
to stage 1	–	–	–	–
to stage 2	–	–	–	–
to stage 3	–	–	–	–
Additions during the period	953	–	–	953
As at 30 June 2023	<u>13,485</u>	<u>–</u>	<u>1,000</u>	<u>14,485</u>
	Year ended 31 December 2022 (Audited)			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2022	6,404	–	1,000	7,404
Transfer:				
to stage 1	–	–	–	–
to stage 2	–	–	–	–
to stage 3	–	–	–	–
Additions during the year	6,128	–	–	6,128
As at 31 December 2022	<u>12,532</u>	<u>–</u>	<u>1,000</u>	<u>13,532</u>

ECL allowances on loans and advances to customers measured at fair value through other comprehensive income are recognised in other comprehensive income. Impairment losses are recognised in profit or loss for the current period and does not influence the carrying amount of the financial asset in the balance sheet.

For the ECL allowances on loans and advances to customers measured at fair value through other comprehensive income held by the Group and the basis for evaluating whether the credit risk has increased significantly, see Note 48 (1).

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

20 FINANCIAL INVESTMENTS

	<i>Notes</i>	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Financial assets measured at fair value through profit or loss	(1)	104,146,651	65,835,694
Financial assets measured at fair value through other comprehensive income	(2)	133,670,556	106,005,356
– Debt instruments		132,516,695	105,372,759
– Equity instruments		1,153,861	632,597
Financial assets measured at amortised cost	(3)	<u>376,325,700</u>	<u>401,141,674</u>
Total		<u><u>614,142,907</u></u>	<u><u>572,982,724</u></u>

(1) Financial assets measured at fair value through profit or loss

By nature

	<i>Notes</i>	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Interbank certificates of deposit		52,921,853	16,047,570
Funds		31,779,460	30,206,133
Debt securities	(a)	11,422,007	10,990,099
Asset management plans		6,286,524	7,346,424
Trust plans		970,824	970,824
Investment in wealth management products (“WMPs”)		395,230	262,014
Others		<u>370,753</u>	<u>12,630</u>
Total		<u><u>104,146,651</u></u>	<u><u>65,835,694</u></u>
Analysed as:			
– Listed outside Hong Kong		64,701,983	27,037,669
– Unlisted		<u>39,444,668</u>	<u>38,798,025</u>
Total		<u><u>104,146,651</u></u>	<u><u>65,835,694</u></u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

20 FINANCIAL INVESTMENTS (Continued)

(1) Financial assets measured at fair value through profit or loss (Continued)

By nature (Continued)

(a) Debt securities analysed by type of issuers

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Debt securities issued by:		
Financial institution bonds	7,456,252	7,924,928
Corporate bonds	1,957,676	745,518
Public sector and quasi-government bonds	1,321,334	1,592,041
Government bonds	686,745	727,612
	<u>11,422,007</u>	<u>10,990,099</u>
Total	<u>11,422,007</u>	<u>10,990,099</u>

Bond investments in financial assets measured at fair value through profit or loss are all traded in bond market in mainland China.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

20 FINANCIAL INVESTMENTS (Continued)

(2) Financial assets measured at fair value through other comprehensive income

	Notes	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Debt instruments:			
Public sector and quasi-government bonds		73,345,656	72,155,976
Financial institution bonds		23,190,688	14,330,377
Interbank certificates of deposit		14,372,698	2,311,676
Government bonds		13,397,674	12,128,610
Corporate bonds		<u>8,209,979</u>	<u>4,446,120</u>
Subtotal	(a)	<u>132,516,695</u>	<u>105,372,759</u>
Equity instruments:			
Corporations		1,080,272	568,378
Banks and other financial institutions		73,589	64,219
Subtotal		<u>1,153,861</u>	<u>632,597</u>
Total		<u>133,670,556</u>	<u>106,005,356</u>
Analysed as:			
Listed outside Hong Kong	(b)	133,081,833	105,997,356
Unlisted		<u>588,723</u>	<u>8,000</u>
Total		<u>133,670,556</u>	<u>106,005,356</u>

(a) As at balance sheet date, part of the financial assets measured at fair value through other comprehensive income were pledged as collaterals for repurchase and other transactions, see Note 46 (5).

(b) Debt instruments measured at fair value through other comprehensive income presented as “Listed outside Hong Kong” are traded in bond market in mainland China; equity instruments presented as “Listed outside Hong Kong” are all listed in mainland China.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

20 FINANCIAL INVESTMENTS (Continued)

(2) Financial assets measured at fair value through other comprehensive income (Continued)

Movements of ECL allowances on financial assets measured at fair value through other comprehensive income

	Six months ended 30 June 2023 (Unaudited)			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023	11,160	–	–	11,160
Transfer:				
to stage 1	–	–	–	–
to stage 2	–	–	–	–
to stage 3	–	–	–	–
Charge	11,525	–	–	11,525
As at 30 June 2023	<u>22,685</u>	<u>–</u>	<u>–</u>	<u>22,685</u>
	Year ended 31 December 2022 (Audited)			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	610	–	–	610
Transfer:				
to stage 1	–	–	–	–
to stage 2	–	–	–	–
to stage 3	–	–	–	–
Charge	10,550	–	–	10,550
As at 31 December 2022	<u>11,160</u>	<u>–</u>	<u>–</u>	<u>11,160</u>

ECL allowances on debt instruments measured at fair value through other comprehensive income are recognised in other comprehensive income. Impairment losses are recognised in profit or loss for the current period and does not influence the carrying amount of the financial asset in the balance sheet.

For the ECL allowances on debt instruments measured at fair value through other comprehensive income held by the Group and the basis for evaluating whether the credit risk has increased significantly, see Note 48 (1).

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

20 FINANCIAL INVESTMENTS (Continued)

(3) Financial assets measured at amortised cost

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Debt securities (by type of issuers):		
Government bonds	193,810,987	175,704,316
Public sector and quasi-government bonds	58,221,058	65,122,341
Financial institution bonds	57,856,124	68,597,139
Corporate bonds	44,998,350	45,365,814
Subtotal	354,886,519	354,789,610
Interbank certificates of deposit	12,856,899	30,833,976
Debt financing plans	7,805,618	13,811,167
Trust plans	3,373,168	4,022,227
Gross balances	378,922,204	403,456,980
ECL Allowances	(2,596,504)	(2,315,306)
Net balances	<u>376,325,700</u>	<u>401,141,674</u>
Analysed as:		
Listed in Hong Kong	146,247	141,651
Listed outside Hong Kong	367,436,781	385,322,573
Unlisted	8,742,672	15,677,450
Total	<u>376,325,700</u>	<u>401,141,674</u>

As at the balance sheet date, certain financial assets measured at amortised cost were pledged as collaterals in repurchase and other transactions, see Note 46 (5).

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

20 FINANCIAL INVESTMENTS (Continued)

(3) Financial assets measured at amortised cost (Continued)

Movements of ECL allowances on financial assets measured at amortised cost

	Six months ended 30 June 2023 (Unaudited)			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023	686,334	6,669	1,622,303	2,315,306
Transfer:				
to stage 1	-	-	-	-
to stage 2	-	-	-	-
to stage 3	-	-	-	-
(Reverse)/Charge	(235,770)	362	516,606	281,198
As at 30 June 2023	<u>450,564</u>	<u>7,031</u>	<u>2,138,909</u>	<u>2,596,504</u>

	Year ended 31 December 2022 (Audited)			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	1,188,701	8,948	1,067,837	2,265,486
Transfer:				
to stage 1	7,582	(7,582)	-	-
to stage 2	(995)	995	-	-
to stage 3	(31,567)	-	31,567	-
(Reverse)/Charge	(477,387)	4,308	522,899	49,820
As at 31 December 2022	<u>686,334</u>	<u>6,669</u>	<u>1,622,303</u>	<u>2,315,306</u>

For the ECL allowances on debt instruments measured at amortised cost held by the Group and the basis for evaluating whether the credit risk has increased significantly, see Note 48 (1).

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

21 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND STRUCTURED ENTITIES

(1) Investments in subsidiaries

As at 30 June 2023, details of the Bank's subsidiaries are set out below:

Name of entity	Date of incorporation	Nature of entity	Place of incorporation/ Principal place of operation	Paid-in capital (RMB, million)	Proportion of equity interest (%)	Proportion of voting rights in the general meeting (%)	Principal activities
Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd.	23/04/2010	Joint stock company	Jiangsu	200	58.50	58.50	Banking
Sichuan Dazhu CQRC Village and Township Bank Co., Ltd.	12/11/2010	Joint stock company	Sichuan	100	81.00	81.00	Banking
Yunnan Dali CQRC Village and Township Bank Co., Ltd.	14/12/2010	Limited liability company	Yunan	200	90.00	90.00	Banking
Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd.	04/12/2012	Limited liability company	Yunan	100	100.00	100.00	Banking
Yunnan Heqing CQRC Village and Township Bank Co., Ltd.	09/01/2013	Limited liability company	Yunan	100	81.00	81.00	Banking
Guangxi Luzhai CQRC Village and Township Bank Co., Ltd.	09/01/2013	Limited liability company	Guangxi	100	90.00	90.00	Banking
Fujian Shaxian CQRC Village and Township Bank Co., Ltd.	04/02/2013	Limited liability company	Fujian	100	93.00	93.00	Banking
Fujian Fu'an CQRC Village and Township Bank Co., Ltd.	05/02/2013	Limited liability company	Fujian	200	85.00	85.00	Banking
Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd.	23/04/2013	Limited liability company	Yunan	62	82.26	82.26	Banking
Fujian Pingtan CQRC Village and Township Bank Co., Ltd.	09/08/2013	Limited liability company	Fujian	100	59.00	59.00	Banking
CQRC Financial Leasing Co., Ltd.	19/12/2014	Limited liability company	Chongqing	2,500	80.00	80.00	Financial Leasing
Fujian Shishi CQRC Village and Township Bank Co., Ltd.	02/09/2015	Limited liability company	Fujian	200	51.00	51.00	Banking
Yunnan Xishan CQRC Village and Township Bank Co., Ltd.	05/01/2016	Limited liability company	Yunan	200	90.00	90.00	Banking
CQRC Wealth Management Co., Ltd.	28/06/2020	Limited liability company	Chongqing	2,000	100.00	100.00	Wealth Management

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

21 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND STRUCTURED ENTITIES (Continued)

(1) Investments in subsidiaries (Continued)

For the six months ended 30 June 2023, there was no change in the proportion of equity interest or voting rights the Bank held in its subsidiaries.

All the 14 subsidiaries above were sponsored to establish by the Bank. As at 30 June 2023 and 31 December 2022, the amount of non-controlling interests of each subsidiary of the Bank, individually or collectively, was insignificant to the Group and hence not disclosed further.

There was no significant restriction on the Bank's or its subsidiaries' ability to access or use its assets and settle its liabilities.

(2) Investments in associates

Name of entity	Date of incorporation	Nature of entity	Place of incorporation/ Principal place of operation	Paid-in capital (RMB, million)	Proportion of equity interest (%)	Proportion of voting rights in the general meeting (%)	Principal activities
Chongqing Xiaomi Consumer Finance Co., Ltd.	29/05/2020	Limited liability company	Chongqing	1,500	30.00	30.00	Consumer Finance

Details of the Group's interests in associates are as follows:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Investment cost:		
Non-listed	454,685	451,432
Proportion of the Group in consolidated income and other comprehensive income after deducting profit distribution	(17,101)	3,253
	<u>437,584</u>	<u>454,685</u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

21 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND STRUCTURED ENTITIES (Continued)

(2) Investments in associates (Continued)

The key financial information of Chongqing Xiaomi Consumer Finance Co., Ltd. is as follows:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Total assets	<u>16,189,257</u>	<u>11,285,657</u>
	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Profit for the period/year	<u>(57,003)</u>	<u>10,842</u>

Investment income enjoyed by the Group is recognised according to the financial position of Chongqing Xiaomi Consumer Finance Co., Ltd. as follows:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Net assets of associates	1,458,613	1,515,616
Share of entity interest	30.00%	30.00%
Shares of net assets of the Group in associates	<u>437,584</u>	<u>454,685</u>

There was no significant restriction on the associate's ability to remit funds to the Group in the form of cash dividends, or to repay loans or prepayments to the Group.

(3) The Group also consolidated structured entities as disclosed in Note 45 Structured Entities.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

22 PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment	Motor vehicles	Furniture and Fixtures	Construction in progress	Total
Cost						
As at 1 January 2022	7,548,750	1,533,665	94,304	1,186,898	449,017	10,812,634
Additions	29,406	87,689	–	89,617	335,698	542,410
Transferred in/(out)	219,168	3,903	1,541	5,210	(271,905)	(42,083)
Reductions	(84,749)	(49,689)	(10,793)	(58,247)	–	(203,478)
As at 31 December 2022 (Audited)	7,712,575	1,575,568	85,052	1,223,478	512,810	11,109,483
Additions	22,140	140,144	–	173,750	106,830	442,864
Transferred in/(out)	114,688	–	4,727	737	(120,152)	–
Reductions	(26,017)	(28,897)	(2,681)	(35,068)	(21,547)	(114,210)
As at 30 June 2023 (Unaudited)	7,823,386	1,686,815	87,098	1,362,897	477,941	11,438,137
Accumulated depreciation						
As at 1 January 2022	(3,965,900)	(1,086,825)	(80,207)	(723,541)	–	(5,856,473)
Charge for the year	(412,499)	(177,700)	(3,063)	(97,080)	–	(690,342)
Reductions	61,014	48,078	10,469	56,249	–	175,810
As at 31 December 2022 (Audited)	(4,317,385)	(1,216,447)	(72,801)	(764,372)	–	(6,371,005)
Charge for the period	(202,311)	(79,369)	(1,649)	(49,451)	–	(332,780)
Reductions	25,084	28,043	2,601	33,977	–	89,705
As at 30 June 2023 (Unaudited)	(4,494,612)	(1,267,773)	(71,849)	(779,846)	–	(6,614,080)
Carrying amount						
As at 30 June 2023 (Unaudited)	<u>3,328,774</u>	<u>419,042</u>	<u>15,249</u>	<u>583,051</u>	<u>477,941</u>	<u>4,824,057</u>
As at 31 December 2022 (Audited)	<u>3,395,190</u>	<u>359,121</u>	<u>12,251</u>	<u>459,106</u>	<u>512,810</u>	<u>4,738,478</u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

22 PROPERTY AND EQUIPMENT (Continued)

As at 30 June 2023, the Group had no significant amount of temporarily idle assets. (As at 31 December 2022: Nil)

According to relevant laws and regulations, the legal title of fixed assets previously held by the predecessor entity are to be transferred to the Bank, subsequent to the Bank's transformation into a joint stock company. As at 30 June 2023, the registration transfer process of certain properties has not been completed. Management believes that the incomplete registration transfer process does not affect the Bank's right to inherit these assets or adversely affect the Bank's operations.

As at 30 June 2023, the carrying amount of fixed assets leased out through operating leases in the course of the Group's leasing business was RMB447 million (As at 31 December 2022: RMB302 million).

23 RIGHT-OF-USE ASSETS

As at 30 June 2023, the right-of-use assets recognised by the Group mainly include operation buildings, and are mainly used for daily business. Depreciation expense for the six months ended 30 June 2023 amounted to RMB33 million (For the year ended 31 December 2022: RMB62 million), and the accumulated depreciation as at 30 June 2023 amounted to RMB142 million (As at 31 December 2022: RMB123 million).

24 GOODWILL

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Cost and carrying amount	<u>440,129</u>	<u>440,129</u>

As at 30 June 2023, based on assessment performed by the Bank, there was no impairment for the goodwill (As at 31 December 2022: Nil).

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

25 DEFERRED TAXATION

(1) Recognised deferred tax assets and liabilities which have not been offset:

	As at 30 June 2023 (Unaudited)				
	Deductible temporary differences	Deferred tax assets	Taxable temporary differences	Deferred tax liabilities	Net balance
ECL allowances	41,514,045	10,011,267	–	–	10,011,267
Accrued and unpaid staff costs	3,561,758	883,752	–	–	883,752
Retirement benefits	859,850	214,869	–	–	214,869
Provision	411,595	102,899	–	–	102,899
Government grants	71,754	17,938	–	–	17,938
Adjustments of book value of assets and liabilities on the date of establishment	63,540	15,885	(154,463)	(38,616)	(22,731)
Changes in fair value of financial instruments	43,070	10,768	(889,364)	(222,341)	(211,573)
Depreciation expense and others	264,715	66,179	(590,699)	(147,675)	(81,496)
Total	46,790,327	11,323,557	(1,634,526)	(408,632)	10,914,925

	As at 31 December 2022 (Audited)				
	Deductible temporary differences	Deferred tax assets	Taxable temporary differences	Deferred tax liabilities	Net balance
ECL allowances	40,026,438	9,731,170	–	–	9,731,170
Accrued and unpaid staff costs	2,766,914	685,041	–	–	685,041
Retirement benefits	878,784	219,602	–	–	219,602
Changes in fair value of financial instruments	536,148	134,037	–	–	134,037
Provision	304,144	76,036	–	–	76,036
Government grants	73,052	18,263	–	–	18,263
Adjustments of book value of assets and liabilities on the date of establishment	73,332	18,333	(155,916)	(38,979)	(20,646)
Depreciation expense and others	211,628	52,907	(492,336)	(123,084)	(70,177)
Total	44,870,440	10,935,389	(648,252)	(162,063)	10,773,326

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

25 DEFERRED TAXATION (Continued)

(2) The followings are the major deferred tax assets and liabilities recognised and movements thereon:

	Six months ended 30 June 2023 (Unaudited)			
	1 January 2023	Recognised in profit or loss	Recognised in equity	30 June 2023
Deferred tax				
– ECL allowances	9,731,170	283,192	(3,095)	10,011,267
– Accrued and unpaid staff costs	685,041	198,711	–	883,752
– Retirement benefits	219,602	(4,733)	–	214,869
– Provision	76,036	26,863	–	102,899
– Government grants	18,263	(325)	–	17,938
– Adjustment of book value of assets and liabilities on the date of establishment	(20,646)	(2,085)	–	(22,731)
– Changes in fair value of financial instruments	134,037	(96,449)	(249,161)	(211,573)
– Depreciation expense and others	(70,177)	(11,319)	–	(81,496)
Total	<u>10,773,326</u>	<u>393,855</u>	<u>(252,256)</u>	<u>10,914,925</u>
	Year ended 31 December 2022 (Audited)			
	1 January 2022	Recognised in profit or loss	Recognised in equity	31 December 2022
Deferred tax				
– ECL allowances	8,495,790	1,239,574	(4,194)	9,731,170
– Accrued and unpaid staff costs	632,381	52,660	–	685,041
– Retirement benefits	244,937	(3,654)	(21,681)	219,602
– Changes in fair value of financial instruments	(185,182)	134,517	184,702	134,037
– Provision	76,365	(329)	–	76,036
– Government grants	18,912	(649)	–	18,263
– Adjustment of book value of assets and liabilities on the date of establishment	(15,671)	(4,975)	–	(20,646)
– Depreciation expense and others	(80,178)	10,001	–	(70,177)
Total	<u>9,187,354</u>	<u>1,427,145</u>	<u>158,827</u>	<u>10,773,326</u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

26 OTHER ASSETS

	<i>Notes</i>	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Other receivables	(1)	908,273	894,476
Items in process of clearing and settlement		461,510	–
Land use rights		337,412	354,825
Intangible assets	(2)	245,016	225,113
Pre-paid tax		133,449	76,822
Interest receivable	(3)	24,734	26,576
Foreclosed assets	(4)	35,005	35,057
Others		29,174	21,366
Total		2,174,573	1,634,235

(1) The amounts mainly represent receivables from suppliers, decoration fees of leased assets, temporary payments of other receivables, deferred expenditure.

(2) Intangible assets are mainly computer software which are amortised over 10 years.

(3) Interest receivable

As at 30 June 2023 and 31 December 2022, the Group included the interests on financial instruments, accrued using the effective interest rate method, in the carrying amounts of the corresponding financial instruments, and recorded the interests on related financial instruments that had become due and receivable but not yet been received as at the balance sheet date in interest receivable under other assets.

(4) Foreclosed assets

Analysed by type

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Land use rights and buildings	38,885	38,970
Allowance for impairment losses	(3,880)	(3,913)
Total	35,005	35,057

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

27 BORROWINGS FROM CENTRAL BANK

As at 30 June 2023, borrowings from central bank mainly contain the medium-term lending facilities from PBOC, PBOC special refinancing and refinancing for supporting agricultural and small companies. As at 30 June 2023, the principal of the Bank's medium-term lending facilities from PBOC amounted to RMB43,900 million (As at 31 December 2022: RMB42,100 million).

28 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Deposits from domestic banks	14,575,685	3,045,425
Deposits from other domestic financial institutions	<u>34,395,633</u>	<u>48,799,042</u>
Total	<u><u>48,971,318</u></u>	<u><u>51,844,467</u></u>

Deposits from banks and other financial institutions are interest bearing at prevailing market rate.

29 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Placements from domestic banks	49,900,678	37,754,479
Placements from other domestic financial institutions	<u>4,189,968</u>	<u>3,930,213</u>
Total	<u><u>54,090,646</u></u>	<u><u>41,684,692</u></u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

30 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Analysed by collateral type:		
– Debt securities	30,815,131	17,996,016
– Bills	23,176,743	24,469,606
Total	<u>53,991,874</u>	<u>42,465,622</u>

31 DEPOSITS FROM CUSTOMERS

	<i>Notes</i>	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Demand deposits			
Corporate customers		98,471,914	104,856,775
Individual customers		137,454,969	145,893,555
Time deposits			
Corporate customers		52,846,406	36,225,155
Individual customers		604,006,952	531,457,655
Pledged deposits	(1)	9,683,926	6,504,592
Others (Including outward remittance and remittance outstanding)		<u>17,898</u>	<u>9,022</u>
Total		<u>902,482,065</u>	<u>824,946,754</u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

31 DEPOSITS FROM CUSTOMERS (Continued)

(1) Analysed by products for which pledged deposits are required:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Bank acceptances	7,994,651	4,611,922
Loans and receivables	1,103,488	1,223,568
Letters of credit	233,412	308,601
Letters of guarantee	62,642	67,428
Others	289,733	293,073
Total	<u>9,683,926</u>	<u>6,504,592</u>

32 ACCRUED STAFF COSTS

	<i>Notes</i>	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Supplementary retirement benefits	(1)	2,399,991	2,384,904
Salaries, bonuses and allowances		2,170,736	2,368,178
Labor union fees and staff education expenses		360,008	336,067
Early retirement benefits	(2)	85,026	103,960
Enterprise annuity	(3)	100,060	100,060
Total		<u>5,115,821</u>	<u>5,293,169</u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

32 ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits

The Group sponsors defined benefit plans for qualified employees. The defined benefit plans include supplementary retirement benefits. Supplemental retirement benefits include supplemental pensions and medical benefits.

The plans mainly expose the Group to actuarial risks such as: interest rate risk, longevity risk and employee benefit risk.

- Interest risk: A decrease in the bond interest rate will increase the plan liability.
- Longevity risk: Present value of the defined benefit plan liability is calculated with reference to the best estimate of the mortality or survival ages of the participants both during and after their employment. An increase in life expectancy of the participants will increase the plan's liability.
- Employee benefit risk: Present value of the defined benefit plan liabilities are calculated with reference to the future benefits of the participants. As such, an increase in the benefit of the participants will increase the plan's liability.

The Group's obligation in respect of the supplementary retirement benefits at the end of the reporting period was calculated using the projected accumulated unit credit method by Willis Towers Watson, an external independent actuary.

The principal assumptions used for the purpose of actuarial valuation for supplementary retirement benefits were as follows:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Discount rate – supplementary retirement benefits	3.25%	3.25%
Discount rate – early retirement benefits	2.50%	2.50%
Annual growth rate of enterprise annuity payment	6.00%	6.00%
Annual average medical expense inflation rate	7.00%	7.00%
Expected increase rate of cost of living for beneficiaries	4.50%	4.50%
Mortality rate	China Insurance Industry Experience Mortality Table 2010-2013	

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

32 ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

Amounts recognised in comprehensive income in respect of the supplementary retirement benefits are as follows:

	Notes	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
Service cost:			
– Current service cost		26,480	28,420
– Past service cost	(a)	–	450
Net interest expense		39,710	38,650
Components of supplementary retirement benefit costs recognised in profit or loss		66,190	67,520
Remeasurement of the net defined benefit liability:			
– Actuarial gains resulting from experience adjustments	(a)	–	(80)
Components of supplementary retirement benefit costs recognised in other comprehensive income		–	(80)
Total		66,190	67,440

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

32 ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

Movements in present value of the supplementary retirement benefits in the current year were as follows:

	Notes	Six months ended 30 June 2023 (Unaudited)	Year ended 31 December 2022 (Audited)
Defined benefit obligation at the beginning of the period/year		2,384,904	2,426,844
Interest cost		39,710	77,600
Gains arising from remeasurement of the defined benefit liability			
– Actuarial gains resulting from experience adjustments	(a)	–	(86,690)
Current service cost		26,480	56,840
Past service cost	(a)	–	1,740
Benefits paid		<u>(51,103)</u>	<u>(91,430)</u>
Defined benefit obligation at the end of the period/year		<u>2,399,991</u>	<u>2,384,904</u>

(a) The changes resulting from the plan amendments recognised in profit or loss in past service cost and the remeasurement of the net liabilities of the defined benefit plans are mainly caused by the actuarial difference of insurance premium.

(2) Early retirement benefits

Internal retirement benefits include basic salary and allowances paid monthly/annually, social insurance premiums and housing funds, and supplemental medical benefits in excess of the statutory level paid by the government-mandated basic medical program to original and new retired staff until they reach their normal retirement age.

For the six months ended 30 June 2023, the Group has not incurred any provision (year ended 31 December 2022: RMB11 million) and paid RMB19 million (year ended 31 December 2022: RMB43 million) in respect of the early retirement benefits plan.

(3) Enterprise annuity

According to the laws, regulations and rules, such as the Notice of Chongqing Human Resources and Social Security Bureau, Chongqing Finance Bureau on ‘the implementation of the enterprise annuity measures’ (Yurenshefa [2018] No. 133), the Opinions of Chongqing State-owned Assets Supervision and Administration Commission on the establishment of enterprise annuity by municipal key state-owned enterprises (Yuguozi [2018] No. 597), the Bank launched enterprise annuity in 2019, which applies to on-the-job contract employees, internally retired employees and regular employees of subsidiaries who retire on or after 1 January 2019 and voluntarily join the enterprise annuity plan.

There was no forfeited contribution available to reduce the contribution payable by the Group under the above plan.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

33 DEBT SECURITIES ISSUED

(1) Debt securities issued analysed by type:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Interbank certificates of deposit issued	126,059,564	143,558,606
Bonds issued	<u>19,246,933</u>	<u>27,510,570</u>
Total	<u>145,306,497</u>	<u>171,069,176</u>

(2) Movements of debt securities issued:

	Notes	Six months ended 30 June 2023 (Unaudited)				Ending Balance
		Beginning Balance	Issued during the period	Paid during the period	Interest and Amortisation	
Interbank certificates of deposit issued	(a)	143,558,606	112,930,000	(132,003,970)	1,574,928	126,059,564
Bonds issued	(b)	<u>27,510,570</u>	<u>2,000,000</u>	<u>(10,625,485)</u>	<u>361,848</u>	<u>19,246,933</u>
Total		<u>171,069,176</u>	<u>114,930,000</u>	<u>(142,629,455)</u>	<u>1,936,776</u>	<u>145,306,497</u>

	Notes	Year ended 31 December 2022 (Audited)				Ending Balance
		Beginning Balance	Issued during the period	Paid during the period	Interest and Amortisation	
Interbank certificates of deposit issued	(a)	202,866,702	219,371,099	(282,530,000)	3,850,805	143,558,606
Bonds issued	(b)	<u>22,387,708</u>	<u>6,997,906</u>	<u>(2,668,100)</u>	<u>793,056</u>	<u>27,510,570</u>
Total		<u>225,254,410</u>	<u>226,369,005</u>	<u>(285,198,100)</u>	<u>4,643,861</u>	<u>171,069,176</u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

33 DEBT SECURITIES ISSUED (Continued)

(2) Movements of debt securities issued: (Continued)

- (a) As at 30 June 2023, there were 96 outstanding interbank certificates of deposit issued by the Group and Bank with maximum maturity of 366 days. (As at 31 December 2022: there were 162 outstanding interbank certificates of deposit issued by the Group and Bank with maximum maturity of 365 days.)
- (b) As at the balance sheet date, details of bonds issued by the Group are shown as follows:

	Notes	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Fixed rate financial bond for “agriculture, rural areas and farmers” maturing in January 2023	(i)	–	2,061,884
Fixed rate financial bond maturing in March 2023	(ii)	–	8,184,089
Fixed rate green financial bond maturing in November 2023	(iii)	2,045,991	2,010,055
Fixed rate green financial bond maturing in June 2024	(iv)	3,005,760	3,055,391
Fixed rate financial bond maturing in July 2025	(v)	5,142,562	5,069,842
Fixed rate green financial bond maturing in December 2025	(vi)	2,032,738	2,003,730
Fixed rate financial bond for “agriculture, rural areas and farmers” maturing in April 2026	(vii)	2,010,074	–
Tier-two capital fixed rate bond maturing in June 2029	(viii)	5,009,808	5,125,579
Total		<u>19,246,933</u>	<u>27,510,570</u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

33 DEBT SECURITIES ISSUED (Continued)

(2) Movements of debt securities issued: (Continued)

- (b) As at the balance sheet date, details of bonds issued by the Group are shown as follows:
(Continued)
- (i) On 9 January 2020, the Bank issued a three-year fixed rate financial bond for “agriculture, rural areas and farmers”, with a coupon rate of 3.20%, payable annually.
 - (ii) On 12 March 2020, the Bank issued a three-year fixed rate financial bond, with a coupon rate of 2.89%, payable annually.
 - (iii) On 5 November 2020, the Bank issued a three-year fixed rate green financial bond, with a coupon rate of 3.60%, payable annually.
 - (iv) On 3 June 2021, the Bank issued a three-year fixed rate green financial bond, with a coupon rate of 3.29%, payable annually.
 - (v) On 5 July 2022, the Bank issued a three-year fixed rate financial bond, with a coupon rate of 2.93%, payable annually.
 - (vi) On 6 December 2022, the Bank issued a three-year fixed rate green financial bond, with a coupon rate of 3.00%, payable annually.
 - (vii) On 24 April 2023, the Bank issued a three-year fixed rate financial bond for “agriculture, rural areas and farmers”, with a coupon rate of 2.90%, payable annually.
 - (viii) On 13 June 2019, the Bank issued a 10-year tier-two capital fixed rate bonds with a coupon rate of 4.60%, payable annually. The Bank has an option to redeem all of the bond at face value on 14 June 2024 if specified redemption conditions stipulated in the offering documents are met, subject to regulatory approval. The tier-two capital bond has the write-down feature, which allows the Bank to write down the entire principals of the bond when regulatory triggering events as stipulated in the offering documents occur and any accumulated unpaid interest would become not payable.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

34 OTHER LIABILITIES

	<i>Notes</i>	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Other payables	(1)	6,515,378	7,250,668
Tax payable (excluding corporate income tax payable)	(2)	515,497	466,533
Provision	(3)	432,596	304,144
Deferred income	(4)	393,806	519,945
Notes payable		303,071	490,353
Dividends payable		87,321	43,073
Contract liabilities		65,519	24,749
Total		<u>8,313,188</u>	<u>9,099,465</u>

(1) Other payables

	<i>Notes</i>	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Leasing business related payables		4,149,003	3,709,211
Payables from providing agency services		1,017,421	2,354,433
Items in process of clearing and settlement		197,736	322,196
Long term loans	(a)	32,898	32,898
Others		1,118,320	831,930
Total		<u>6,515,378</u>	<u>7,250,668</u>

- (a) The amount represents special-purpose loans from International Fund for Agriculture Development (“IFAD”) to support petty loans in the PRC.

As at 30 June 2023 and 31 December 2022, the loans bear a fixed interest rate of 0.75% per annum. As at 30 June 2023, these loans have 20 years to maturity with similar terms with related loans granted to customers.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

34 OTHER LIABILITIES (Continued)

(2) Tax payable (excluding corporate income tax payable)

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Value added tax	412,449	414,246
Individual income tax	42,910	7,320
Urban maintenance and construction tax	27,010	24,086
Others	<u>33,128</u>	<u>20,881</u>
Total	<u><u>515,497</u></u>	<u><u>466,533</u></u>

(3) Provision

Provision mainly contains ECL allowance for loan commitments. As at 30 June 2023 and 31 December 2022, the provisions for the Group's guarantees and commitments are mainly in stage 1.

(4) Deferred income

Deferred income mainly represents deferred financial leasing income and government grants, for which the income will be amortised and recognised over the periods necessary to match them with the related costs.

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Deferred leasing income	323,291	448,165
Government grants	<u>70,515</u>	<u>71,780</u>
Total	<u><u>393,806</u></u>	<u><u>519,945</u></u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

35 SHARE CAPITAL

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Listed domestically (A shares), with par value of RMB1.00 per share	8,843,664	8,843,664
Listed overseas (H shares), with par value of RMB1.00 per share	<u>2,513,336</u>	<u>2,513,336</u>
Share capital	<u><u>11,357,000</u></u>	<u><u>11,357,000</u></u>

36 OTHER EQUITY INSTRUMENTS

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Perpetual bonds	<u><u>5,997,648</u></u>	<u><u>5,997,648</u></u>

(1) Perpetual bonds outstanding at the end of the period:

Financial instruments issued	Issue date	Accounting classification	Original interest	Issue price (Yuan)	Amount in shares (in millions)	In RMB (in millions)	Maturity	Conversion conditions	Conversion status
2021 Perpetual bond in RMB	24/08/2021	Equity	4.00%	100	40	4,000	No fixed maturity date	N/A	N/A
2022 Perpetual bond in RMB	28/04/2022	Equity	3.90%	100	20	2,000	No fixed maturity date	N/A	N/A
Less: Issuance costs						<u>(2)</u>			
Carrying amount						<u><u>5,998</u></u>			

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

36 OTHER EQUITY INSTRUMENTS (Continued)

(2) Main clauses

The Bank issued perpetual bond with the amount of RMB2 billion in the national interbank bond market on 28 April 2022. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.90%.

The Bank issued perpetual bond with the amount of RMB4 billion in the national interbank bond market on 24 August 2021. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 4.00%.

The perpetual bonds will continue to be outstanding so long as the Bank's business continues to operate. The bonds have set forth terms regarding the Bank's redemption with pre-conditions, by which the Bank is entitled to redeem the bonds after five years since the issue date in whole or in part on the annual interest payment date (including the interest payment date of the fifth year after the issue date). If, after the issuance, the perpetual bonds no longer qualify as additional tier-one capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the whole but not part of the perpetual bonds.

The claims in respect of the perpetual bonds are subordinated to the claims of depositors, general creditors, and subordinated indebtedness that rank senior to the perpetual bonds; and will rank in priority to all classes of equity shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier-one capital instruments of the Bank that rank pari passu with the perpetual bonds.

Upon the occurrence of a Non-Viability Triggering Event, the Bank has the right to write down in whole or in part, without the need for the consent of the holders of the bonds. The bonds are written down according to the proportion of their outstanding par value in the total outstanding par value of all other tier-one capital instruments with the same trigger event.

The distributions on the perpetual bonds are non-cumulative, and the Bank shall have the right to cancel, in whole or in part, distributions on the bonds and any such cancellation shall not constitute an event of default. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the bonds, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

36 OTHER EQUITY INSTRUMENTS (Continued)

(3) Statement of changes in perpetual bonds outstanding at the end of the period:

Financial instruments in issued	Beginning Balance		Increased during the period		Ending Balance	
	Amount	Book value	Amount	Book value	Amount	Book value
	(In millions)	(In thousand Yuan)	(In millions)	(In thousand Yuan)	(In millions)	(In thousand Yuan)
2021 perpetual bonds in RMB	40	3,998,338	-	-	40	3,998,338
2022 perpetual bonds in RMB	20	1,999,310	-	-	20	1,999,310
Total	<u>60</u>	<u>5,997,648</u>	<u>-</u>	<u>-</u>	<u>60</u>	<u>5,997,648</u>

(4) Equity attributable to equity instrument holders

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Total equity attributable to equity holders of the parent company	118,306,017	113,723,522
Equity attributable to ordinary equity holders of the parent company	112,308,369	107,725,874
Equity attributable to other equity holders of the parent company	5,997,648	5,997,648
Total equity attributable to non-controlling interests	1,867,252	1,732,759
Equity attributable to non-controlling interests of ordinary shares	1,867,252	1,732,759

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

37 CAPITAL RESERVE

The Bank issued shares at a premium. Share premium was recorded in capital reserve after deducting direct issuance costs which mainly included underwriting fees and professional fees. Where the Bank acquired equity interests from non-controlling shareholders, which is assessed as equity transactions. The difference between fair value of any considerations paid and the relevant share acquired of the carrying amount of net assets of the subsidiary was recorded in capital reserve.

The acquisition of additional interests from the non-controlling shareholders of its subsidiaries is equity transaction. The capital premium of discount amount was charged to capital reserve.

Capital reserve of the Bank included premium of RMB910 million from the placement of ordinary shares in 2010, premium of RMB7,706 million from the initial public offering of overseas listed foreign shares on the Stock Exchange of Hong Kong Limited in 2010, premium of RMB3,291 million from the placement of ordinary shares in 2017, and premium of RMB8,531 million from the initial public offering of A shares on the Shanghai Stock Exchange in 2019. Equity premium excluding direct issue costs is included in capital reserve. Direct issue costs mainly include underwriting fees and professional agency service fees.

38 INVESTMENT REVALUATION RESERVE

	Pre-tax amount	Tax impact	Net-of-tax amount
As at 1 January 2022	261,014	(65,254)	195,760
Fair value (losses)/gains for the year			
Amount reclassified to profit or loss upon disposal of financial assets measured at fair value through other comprehensive income	(556,924)	139,231	(417,693)
Amount that cannot be reclassified to profit or loss upon disposal of financial assets measured at fair value through other comprehensive income	(165,106)	41,277	(123,829)
As at 31 December 2022 (Audited)	(461,016)	115,254	(345,762)
Fair value gains/(losses) for the period			
Amount reclassified to profit or loss upon disposal of financial assets measured at fair value through other comprehensive income	1,068,484	(267,120)	801,364
Amount that cannot be reclassified to profit or loss upon disposal of financial assets measured at fair value through other comprehensive income	(59,458)	14,864	(44,594)
As at 30 June 2023 (Unaudited)	548,010	(137,002)	411,008

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

39 SURPLUS RESERVE

Under the relevant PRC Laws, the Bank and its subsidiaries are required to appropriate 10% of its net profit to a non-distributable statutory surplus reserve. Appropriation to statutory surplus reserve may cease when the balance of such reserves has reached 50% of the share capital.

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under the Generally Accepted Accounting Principles of the PRC (“PRC GAAP”) to the discretionary surplus reserve upon approval by the shareholders in the general meetings. The discretionary surplus reserve may be used to offset accumulated loss of the Bank, if any, and may be converted into capital.

For the six months ended 30 June 2023, the Bank did not make any appropriation to statutory surplus reserve (For the six months ended 30 June 2022: Nil). For the six months ended 30 June 2023, the Bank did not make any appropriation to discretionary surplus reserve (For the six months ended 30 June 2022: Nil).

40 GENERAL RESERVE

Pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued by the Ministry of Finance of the PRC, in addition to the allowances for impairment losses, the Bank and its subsidiaries are required to establish and maintain a general reserve within equity to address potential unidentified impairment losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the above measures.

For the six months ended 30 June 2023, the Bank transferred RMB1,124 million to general reserve pursuant to the regulatory requirement (six months ended 30 June 2022: RMB1,666 million).

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

41 RETAINED EARNINGS

The movements of retained earnings of the Group are set out below:

	Six months ended 30 June 2023 (Unaudited)	Year ended 31 December 2022 (Audited)
Retained earnings at the beginning of the period/year	44,675,479	40,306,220
Profit for the period/year	6,986,015	10,275,574
Appropriation to surplus reserve	–	(911,137)
Appropriation to general reserve	(1,236,864)	(1,967,535)
Dividends paid to ordinary equity holders	(3,082,290)	(2,867,643)
Dividends paid to other equity instrument holders	(78,000)	(160,000)
	<u>47,264,340</u>	<u>44,675,479</u>

42 CASH AND CASH EQUIVALENTS

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents include the following balances with an original maturity of less than three months:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Cash	2,928,817	3,093,479
Surplus reserve deposits with central bank	5,608,892	2,671,483
Deposits with banks and other financial institutions	8,731,814	10,037,939
Placements with banks and other financial institutions	7,803,994	7,450,000
Financial assets held under resale agreements	2,343,300	8,265,441
	<u>27,416,817</u>	<u>31,518,342</u>
Total	<u>27,416,817</u>	<u>31,518,342</u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

43 SEGMENT ANALYSIS

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the board of directors and relevant management committees (chief operating decision maker) for the purposes of allocating resources to segments and assessing their performance. The Group operates mainly in Chongqing, the PRC. Majority of its customers and non-current assets are located in Chongqing, the PRC. The Group's chief operating decision maker reviews financial information based on business activities for the purpose of allocating resources and performance assessment.

The measurement of segment assets and liabilities, segment income and results is based on the Group's accounting policies in accordance with accounting rules and financial regulations applicable to PRC enterprises. There is no significant difference between the segment accounting policies and the policies applied in preparing the consolidated financial statements.

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

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The products and services include current account, deposits, overdraft, loans, trade related products, other types of credit services and foreign currency services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The products and services include personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

Financial market operations

The Group's financial market operations segment conducts money market or repurchase transactions. The operating results of this segment include the impact of profit or loss on internal fund surpluses or shortages between segments due to interest-bearing assets and interest-bearing liabilities.

Unallocated

Unallocated include other businesses not included in the above reporting segments or businesses that cannot be allocated on a reasonable basis, including equity investment businesses and income tax expense.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

43 SEGMENT ANALYSIS (Continued)

	Six months ended 30 June 2023 (Unaudited)					
	Corporate banking	Personal banking	Financial market operations	Segment total	Unallocated	Total
External interest income	7,602,325	7,495,894	10,095,874	25,194,093	-	25,194,093
External interest expense	(1,024,387)	(7,186,617)	(4,939,518)	(13,150,522)	-	(13,150,522)
Inter-segment interest (expense)/income	(2,271,890)	5,580,982	(3,309,092)	-	-	-
Net interest income	4,306,048	5,890,259	1,847,264	12,043,571	-	12,043,571
Fee and commission income	246,858	628,217	338,243	1,213,318	-	1,213,318
Fee and commission expense	(23,279)	(173,845)	(23,876)	(221,000)	-	(221,000)
Net fee and commission income	223,579	454,372	314,367	992,318	-	992,318
Net trading gains	-	-	1,292,461	1,292,461	-	1,292,461
Share of profits of associates	-	-	-	-	(17,101)	(17,101)
Other operating income, net	99,717	141,465	84,486	325,668	7,602	333,270
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	-	-	208,974	208,974	-	208,974
Net gains on derecognition of financial assets measured at amortised cost	-	-	15,616	15,616	-	15,616
Operating income	4,629,344	6,486,096	3,763,168	14,878,608	(9,499)	14,869,109
Operating expenses	(1,336,720)	(2,318,187)	(1,151,612)	(4,806,519)	-	(4,806,519)
Credit impairment losses	(417,992)	(1,096,482)	(330,706)	(1,845,180)	-	(1,845,180)
Profit before tax	2,874,632	3,071,427	2,280,850	8,226,909	(9,499)	8,217,410
Income tax expense	-	-	-	-	(1,096,902)	(1,096,902)
Profit for the period	2,874,632	3,071,427	2,280,850	8,226,909	(1,106,401)	7,120,508
Depreciation and amortisation included in operating expenses	128,784	186,854	92,824	408,462	-	408,462
Capital expenditure	137,557	238,556	118,507	494,620	-	494,620
	As at 30 June 2023 (Unaudited)					
	Corporate banking	Personal banking	Financial market operations	Segment total	Unallocated	Total
Segment assets	334,244,256	284,470,231	802,665,978	1,421,380,465	17,410,633	1,438,791,098
Segment liabilities	168,622,227	744,682,232	403,232,079	1,316,536,538	2,081,290	1,318,617,829
Supplementary information - Credit commitments	17,232,370	26,381,330	-	43,613,700	-	43,613,700

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

43 SEGMENT ANALYSIS (Continued)

	Six months ended 30 June 2022 (Unaudited)					
	Corporate banking	Personal banking	Financial market operations	Segment total	Unallocated	Total
External interest income	7,469,096	7,865,214	10,642,680	25,976,990	-	25,976,990
External interest expense	(1,038,222)	(6,706,374)	(5,441,551)	(13,186,147)	-	(13,186,147)
Net inter-segment interest (expense)/income	(1,923,515)	4,953,625	(3,030,110)	-	-	-
Net interest income	4,507,359	6,112,465	2,171,019	12,790,843	-	12,790,843
Fee and commission income	319,375	470,270	419,868	1,209,513	-	1,209,513
Fee and commission expense	(30,925)	(120,572)	(19,117)	(170,614)	-	(170,614)
Net fee and commission income	288,450	349,698	400,751	1,038,899	-	1,038,899
Net trading gains	-	-	971,113	971,113	-	971,113
Share of profits of associates	-	-	-	-	(27,959)	(27,959)
Other operating income, net	59,633	43,067	72,670	175,370	6,110	181,480
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	-	-	280,235	280,235	-	280,235
Net gains on derecognition of financial assets measured at amortised cost	-	-	63,338	63,338	-	63,338
Operating income	4,855,442	6,505,230	3,959,126	15,319,798	(21,849)	15,297,949
Operating expenses	(1,418,988)	(1,789,230)	(1,108,268)	(4,316,486)	-	(4,316,486)
Credit impairment losses	(2,671,558)	(1,351,820)	403,855	(3,619,523)	-	(3,619,523)
Profit before tax	764,896	3,364,180	3,254,713	7,383,789	(21,849)	7,361,940
Income tax expense	-	-	-	-	(865,652)	(865,652)
Profit for the period	764,896	3,364,180	3,254,713	7,383,789	(887,501)	6,496,288
Depreciation and amortisation included in operating expenses	146,380	163,293	101,326	410,999	-	410,999
Capital expenditure	69,371	87,464	54,176	211,011	-	211,011
	As at 30 June 2022 (Unaudited)					
	Corporate banking	Personal banking	Financial market operations	Segment total	Unallocated	Total
Segment assets	298,979,219	264,115,090	736,519,843	1,299,614,152	16,641,342	1,316,255,494
Segment liabilities	168,881,468	661,730,547	371,702,299	1,202,314,314	2,292,638	1,204,606,952
Supplementary information - Credit commitments	14,099,280	26,128,796	-	40,228,076	-	40,228,076

There was no significant transactions with a single external customer that the Group mainly relied on.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

44 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Information about subsidiaries of the Bank

Information about subsidiaries of the Bank is disclosed in Note 21 (1).

(2) Information about associates of the Bank

Information about insignificant associates of the Bank is disclosed in Note 21 (2).

(3) Related parties with no controlling relationship

There are certain related party transactions between the Bank and related parties with no controlling relationship. The conditions and prices of these transactions are determined on the basis of market price and normal business procedure or contractual terms. They are assessed based on transaction type and approved by corresponding decision-making authority.

Principal shareholders identified as related parties of the Bank

The names and share of equity interests of shareholders with more than 5% (including 5%) shares of the Bank, or shareholders who hold less than 5% of the total shares or capital but have significant influence on the Bank's operation and management are as follows:

Name of shareholders	Notes	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Chongqing Yufu Capital Operation Group Co., Ltd. ("Yufu Group") 重慶渝富資本運營集團有限公司		8.70%	8.70%
Chongqing City Construction Investment (Group) Co., Ltd. ("City Investment Group") 重慶市城市建設投資(集團)有限公司		7.02%	7.02%
Chongqing Development and Real Estate Management Co., Ltd. ("Development and Real Estate Company") 重慶發展置業管理有限公司	(a)	5.19%	5.19%
Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. 上海豫園旅遊商城(集團)股份有限公司		1.33%	1.33%
Loncin Holdings Co., Ltd. ("Loncin Holdings") 隆鑫控股有限公司	(a)	1.20%	1.20%
Xiamen Huishanghong Equity Investment Co., Ltd. 廈門市匯尚泓股權投資有限公司	(b)	<u>1.04%</u>	<u>1.66%</u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

44 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(3) Related parties with no controlling relationship (Continued)

Principal shareholders identified as related parties of the Bank (Continued)

- (a) Loncin Holdings originally held 570 million restricted shares of the Bank, accounting for 5.02% of the total share capital of the Bank. As at 22 December 2022, 433 million restricted shares of the Bank held by Loncin Holdings were transferred by the Fifth Intermediate People's Court of Chongqing Municipality to Chongqing Development Investment Company ("Development Investment Company"), and the number of judicially transferred shares accounted for 3.81% of the total share capital of the Bank. Thereafter, Loncin Holdings held 137 million shares of the Bank, and its shareholding ratio dropped to 1.20%.

Development and Real Estate Company, a wholly-owned subsidiary of Development Investment Company, is a shareholder of the Bank, holding 589 million shares of the Bank, accounting for 5.19% of the total share capital of the Bank. After the judicial transfer, Development and Real Estate Company and its persons-acting-in-concert Development Investment Company hold a total of 1,022 million shares of the Bank, accounting for 9.00% of the total share capital of the Bank.

- (b) Xiamen Gaoxinhong Equity Investment Co., Ltd. changed its name to Xiamen Huishanghong Equity Investment Co., Ltd. on 1 April 2022.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

44 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(4) Related party transactions

The amounts of significant transactions, significant transaction balances and significant off-balance sheet items between the Group and its related parties as at the balance sheet date were as follows:

	Yufu Group and its affiliates	City Investment Group and its affiliates	Development and Real Estate Company and its affiliates	Loncin Holdings and its affiliates	Other related legal entities	Related personnel	Total	Proportion in amount/ balance of similar transactions
Significant transactions for the six months ended								
30 June 2023 (Unaudited):								
Interest income	108,946	56,937	63,451	5,855	10,903	1,467	247,559	0.98%
Interest expense	(40,537)	(13,564)	(22,728)	(7,304)	(74,581)	(4,485)	(163,199)	1.24%
Fee and commission income	6,725	4	588	22	14	4	7,357	0.61%
Net trading gains	11,333	1,212	-	-	(1,309)	-	11,236	0.87%
Other comprehensive income	9,370	1,470	11,697	-	(53,454)	-	(30,917)	(4.09%)
Significant transaction balances as at 30 June								
2023: (Unaudited):								
Deposits with banks and other financial institutions	-	12	-	-	378,356	-	378,368	3.86%
Derivative financial assets	113	-	120	-	10,684	-	10,917	10.08%
Loans and advances to customers	7,050,908	2,336,863	2,632,461	227,189	-	95,794	12,343,215	1.83%
Financial assets measured at amortised cost	-	772,473	461,124	-	383,930	-	1,617,527	0.43%
Financial assets measured at fair value through other comprehensive income	65,589	50,806	418,164	-	404,977	-	939,536	0.70%
Deposits from banks and other financial institutions	(114,362)	(2)	-	-	-	-	(114,364)	0.23%
Derivative financial liabilities	(113)	-	(120)	-	-	-	(233)	0.81%
Deposits from customers	(2,921,598)	(418,745)	(2,521,235)	(934,850)	(665,702)	(117,342)	(7,579,472)	0.84%
Debt securities issued	-	-	-	-	(10,300,000)	-	(10,300,000)	7.09%
Placements from banks and other financial institutions	-	(1,211,555)	-	-	-	-	(1,211,555)	2.24%
Significant off-balance sheet items as at 30 June								
2023: (Unaudited):								
Unutilised credit card facilities	-	-	-	-	-	402,037	402,037	1.52%
Letters of guarantee	-	400,000	-	-	-	-	400,000	26.70%
Entrusted lending arrangements	-	-	-	47,000	-	-	47,000	1.22%
The balance of the loan guaranteed by related guaranteed companies	8,813,648	-	204,193	192,950	-	-	9,210,791	1.37%
The balance of financial investments guaranteed by related guarantee companies	2,620,000	-	-	26,820	-	-	2,646,820	0.43%
Related parties' investment in WMPs issued by the Group	9,679	-	-	-	-	175,982	185,661	0.15%

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

44 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(4) Related party transactions (Continued)

	Yufu Group and its affiliates	City Investment Group and its affiliates	Development and Real Estate Company and its affiliates	Loncin Holdings and its affiliates	Other related legal entities	Related personnel	Total	Proportion in amount/ balance of similar transactions
Significant transactions for the six months ended 30 June 2022 (Unaudited):								
Interest income	87,926	63,520	17,669	40,315	8,581	1,790	219,801	0.85%
Interest expense	(28,585)	(6,482)	(6,486)	(2,170)	(90,188)	(3,271)	(137,182)	1.04%
Fee and commission income	6,702	3	376	7	4	4	7,096	0.59%
Net trading gains	1,600	-	-	-	-	-	1,600	0.16%
Other comprehensive income	(60,029)	-	-	-	-	-	(60,029)	14.55%
Significant transaction balances as at 31 December 2022 (Audited):								
Deposits with banks and other financial institutions								
	-	-	-	-	939,569	-	939,569	7.80%
Derivative financial assets								
	-	-	-	-	348	-	348	2.13%
Loans and advances to customers								
	6,104,083	2,338,207	1,437,029	606,370	5,008	66,764	10,557,461	1.67%
Financial assets measured at fair value through profit or loss								
	708,936	-	-	-	-	-	708,936	1.08%
Financial assets measured at amortised cost								
	-	651,482	-	-	541,747	-	1,193,229	0.30%
Financial assets measured at fair value through other comprehensive income								
	56,219	-	400,265	-	854,316	-	1,310,800	1.24%
Deposits from banks and other financial institutions								
	(56,566)	-	-	-	-	-	(56,566)	0.11%
Deposits from customers								
	(2,512,509)	(658,162)	(1,125,118)	(714,109)	(690,243)	(100,061)	(5,800,202)	0.70%
Debt securities issued								
	-	-	-	-	(2,800,000)	-	(2,800,000)	1.64%
Significant off-balance sheet items as at 31 December 2022 (Audited):								
Unutilised credit card facilities								
	-	-	-	-	-	303,420	303,420	1.21%
Entrusted lending arrangements								
	-	-	-	47,000	-	-	47,000	1.19%
The balance of the loan guaranteed by related guarantee companies								
	16,341,109	-	-	235,035	-	-	16,576,144	2.62%
The balance of financial investments guaranteed by related guarantee companies								
	3,154,000	-	-	89,400	-	-	3,243,400	0.57%
Related parties' investment in WMPs issued by the Group								
	5,000	-	-	-	-	196,975	201,975	0.15%

The above transactions with related parties were conducted on normal commercial terms and in the normal course of business and were priced in accordance with the principles of transactions with independent third parties.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

44 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(5) Key management personnel remuneration

Key management personnel are those persons in the Group who have the authority and responsibility to plan, direct and control the activities of the Bank or the Group.

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Paid remuneration (before tax)	1,348	1,282
Retirement plan contributions	463	482
Others	132	112
Total	<u>1,943</u>	<u>1,876</u>

Key management personnel remuneration refers to paid remuneration to directors and key management personnel in the current year approved in accordance with internal and external management requirements, including basic annual salary and advance performance salary for the six months ended 30 June 2023 that was paid in accordance with external regulatory requirements.

Certain key management personnel's final emoluments for the six months ended 30 June 2023 have not been finalised on report date as required by relevant authorities. Management of the Group believes that difference in emoluments will not have significant impact on the consolidated financial statements of the Group for the six months ended 30 June 2023.

For the six months ended 30 June 2023, both the loans made to key management personnel and their relatives, and the corresponding interest income were not significant.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

44 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(6) Transactions between the Bank and its subsidiaries

Amounts of significant transactions between the Bank and its subsidiaries during the reporting period were as follows:

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Interest income	86,077	81,365
Interest expense	(975)	(693)

For the six months ended 30 June 2023 and 2022, transactions between the Bank and its subsidiaries other than the transactions above were not significant.

Amounts of significant transaction balances between the Bank and its subsidiaries as at the balance sheet date were as follows:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
	Deposits with banks and other financial institutions	1,184,130
Placements with banks and other financial institutions	4,336,972	6,251,133
Deposits from banks and other financial institutions	(1,182,572)	(1,219,739)

For the six months ended 30 June 2023 and the year ended 31 December 2022, outstanding balances between the Bank and its subsidiaries other than the balances above were not significant.

All intra-group transactions and balances have been off set when preparing the consolidated financial statements.

As at 30 June 2023 and 31 December 2022, the principal balance of WMPs issued by the Bank's subsidiary and purchased by the Bank amounted to RMB5,919 million and RMB6,000 million.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

44 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(7) Transactions between the Group and its associates

As at 30 June 2023, the Group's related party transactions with associates mainly included deposits from associates amounting to RMB307 million.

As at 31 December 2022, the Group's related party transactions with associates mainly included deposits from associates amounting to RMB170 million.

(8) Transactions with enterprise annuity plan

In addition to contributions to the Group's enterprise annuity fund, no related party transactions have been made during the reporting period.

45 STRUCTURED ENTITIES

(1) Unconsolidated structured entities managed by the Group

Unconsolidated structured entities managed by the Group consist primarily of collective investment vehicles ("WMPs") formed to issue and distribute WMPs, which are not subject to any guarantee by the Group of the principal invested or interest to be paid. The WMPs invest in a range of basic assets, most typically money market instruments and debt securities. As the manager of WMPs, the Group invests, on behalf of its customers, the funds raised in the assets as described in the contract related to each WMP and distribute gain to investors on the basis of the operation performance of those products. As for the WMPs that variable return of the Group in relation to the WMPs is not significant, they are not consolidated by the Group.

As at 30 June 2023 and 31 December 2022, the outstanding WMPs issued by the Group amounted to RMB113,375 million and RMB130,335 million, respectively, which represent the total size of the WMP vehicles. The interest of the Group as managers providing service from the operation of the WMPs mainly consists of wealth management fees. For the six months ended 30 June 2023, the Group's interest in the WMP vehicles included in fee and commission income was RMB91 million (For the six months ended 30 June 2022: RMB361 million).

There was no contractual liquidity arrangement, guarantee or other commitment among or between the Group, WMP vehicles or any third parties that could increase the level of the Group's risk from or reduce its interest in WMP vehicles disclosed above for the six months ended 30 June 2023 and the year ended 31 December 2022. The Group is not required to absorb any loss incurred by WMPs before other parties.

The WMPs issued by the Group did not cause losses to the interests of the Group, nor did they encounter financial difficulties for the six months ended 30 June 2023 and the year ended 31 December 2022.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

45 STRUCTURED ENTITIES (Continued)

(2) Unconsolidated structured entities held by the Group

The Group invests in a number of other unconsolidated structured entities which are issued or managed by other entities for investment return, and records trading gains or losses and interest income therefrom. As at 30 June 2023 and 31 December 2022, the Group's maximum risk exposure from these unconsolidated structured entities is summarised in the table below.

	As at 30 June 2023 (Unaudited)			
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Total
Asset-backed securities	–	52,920,044	1,542,937	54,462,981
Funds	30,628,097	–	–	30,628,097
Asset management plans and trust plans	7,257,348	1,234,259	–	8,491,607
Investments in WMPs	395,230	–	–	395,230
Total	38,280,675	54,154,303	1,542,937	93,977,915

	As at 31 December 2022 (Audited)			
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Total
Asset-backed securities	–	63,773,961	863,920	64,637,881
Funds	28,933,676	–	–	28,933,676
Asset management plans and trust plans	8,317,248	2,375,750	–	10,692,998
Investments in WMPs	262,014	–	–	262,014
Total	37,512,938	66,149,711	863,920	104,526,569

The underlying assets of trust plans and asset-backed securities primarily include trust loans and credit assets. The underlying assets of funds, asset management plans and WMPs primarily include interbank assets and bonds. Asset-backed securities were all issued by financial institutions.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

45 STRUCTURED ENTITIES (Continued)

(3) Consolidated structured entities

The Group managed or invested in several structured entities, including funds, asset management plans, trust plans, WMPs and asset-backed securities. The Group mainly assesses its overall economic interests (including the expected return from direct ownership and management fee) in the structured entities and its decision-making rights covered through its involvement in the decisions on the establishment of the structured entities and relevant contract arrangements. If the Group has power over a structured entity and variable returns and the ability to use that power to affect its returns from the structured entity through arrangements such as investment contracts, then the Group believes that it has control over the structured entity and include it in the consolidated financial statements. If the Group has no substantive power over principal activities of a structured entity, or enjoys immaterial economic interests and thus acts as an agent rather than a principal, the Group does not need to include it in the consolidated financial statements.

The Group's consolidated structured entities included certain WMPs issued by CQRC Wealth Management Co., Ltd., certain funds and asset management plans held by the Group. As at 30 June 2023, the Group's consolidated structured entities amounted to RMB20,972 million (As at 31 December 2022: RMB21,380 million). The Group included these investments and corresponding liabilities in the corresponding financial assets and financial liabilities based on their nature according to the accounting policies of the Group.

46 CONTINGENT LIABILITIES AND COMMITMENTS

(1) Legal proceedings

The Group has been involved as defendants in certain lawsuits arising from its normal business operations. As at 30 June 2023, the provision made by the Group was not significant in accordance with court judgement or advice of legal counsel (As at 31 December 2022, the Group made a provision of RMB4.36 million in accordance with court judgement or advice of legal counsel). Management of the Group believes final results of these lawsuits will not have a material impact on the financial position or operations of the Group based on legal advice.

(2) Capital commitments

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Approved but not contracted or provided for	<u>504,631</u>	<u>585,580</u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

46 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(3) Loan commitments

Loan commitments include unutilised credit card facilities, issued acceptances, financial guarantees and letters of credit.

The amount of credit card facilities represents the amount when unutilised credit card facilities are fully drawn. Acceptances represent commitments of the Group to pay acceptances issued by customers. The Group expects most acceptances to be settled simultaneously with reimbursements from customers. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed to completely perform as contracted.

As credit card facilities may not be utilised before expiration, the amounts set out in the following table do not represent expected future cash outflows.

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Unutilised credit card facilities	26,381,330	25,118,064
Acceptances	13,058,574	9,490,259
Letters of credit issued	2,675,900	2,990,636
Letters of guarantee	1,497,896	339,228
Total	<u>43,613,700</u>	<u>37,938,187</u>

The Group grants loan commitments to specific customers. The directors of the Group are of the opinion that such commitments are conditional and revocable and are therefore not included in the commitment's disclosure above.

Credit risk weighted amount of loan commitments

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Loan commitments	<u>13,379,090</u>	<u>13,286,089</u>

Credit risk-weighted amount of loan commitments are calculated in accordance with guidelines issued by the regulator based on, among other things, the counterparty's credit worthiness and maturity. Contingent liabilities and loan commitments are subject to risk weights ranging from 0% to 100%.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

46 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(4) Operating lease commitments

As at the balance sheet date, the Group's operating lease commitments not recognised as lease liabilities were not significant.

(5) Collaterals

Assets pledged as collaterals

The carrying amounts of assets pledged by the Group as collaterals and respective liabilities were as follows:

	As at 30 June 2023 (Unaudited)		As at 31 December 2022 (Audited)	
	Collaterals	Liabilities	Collaterals	Liabilities
Bonds	145,983,800	128,869,527	125,605,969	108,569,421
Bills	23,157,208	23,176,743	24,528,431	24,469,606
Total	<u>169,141,008</u>	<u>152,046,270</u>	<u>150,134,400</u>	<u>133,039,027</u>

Collaterals accepted

As part of the repurchase agreements, the Group has accepted collateral that is allowed to sell or repledge in the absence of default by their owners. As at 30 June 2023, the fair value of collateral accepted by the Group mentioned above amounted to RMB209 million (31 December 2022: RMB207 million). As at 30 June 2023 and 31 December 2022, the Group had sold or re-pledged, but was obligated to return all the collateral mentioned above. These transactions are conducted under standard terms in the normal course of business.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

46 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(6) Bond underwriting commitments and redemption obligations

The Group and the Bank did not have any irrevocable bond underwriting commitment as at the balance sheet date.

As an underwriting agent of PRC government bonds, the Group has the obligation to buy back if bond holders decided to redeem the bonds before maturity. The redemption price is the principal value of the Bonds plus unpaid interest till redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant requirements set by Ministry of Finance or PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations of the Group for government bonds sold but not yet matured as at the balance sheet date based on their principal value were as follows:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Redemption obligations	<u>6,147,091</u>	<u>5,393,896</u>

47 TRANSFER OF FINANCIAL ASSETS

(1) Credit asset securitisation

During securitisation transactions, the Group sells assets to special purpose trusts from whom the asset-backed securities are subsequently sold to investors. The Group may hold some asset-backed securities in these businesses, thus reserving part of risks and rewards of transferred credit assets. The Group analyses and judges whether to derecognise relevant credit assets based on degree of risk and reward retention.

As at 30 June 2023 and 31 December 2022, the Group has no outstanding balance of credit asset securitization business.

(2) Transfer of credit assets

For the six months ended 30 June 2023, the carrying amount of the Group disposed non-performing loans was not significant (For the six months ended 30 June 2022: RMB6 million) by transferring them to third parties. The Group analysed whether to derecognise related credit assets based on degree of risk and reward retention. The Group has derecognised relevant credit assets after assessment.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47 TRANSFER OF FINANCIAL ASSETS (Continued)

(3) Repurchase agreements

In daily operating activities, the Group entered repurchase agreements with certain counterparties. The Group sold debt securities and bills to certain counterparties and were subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices. As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these debt securities and bills to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these securities during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these debt securities and therefore has not derecognised from the consolidated financial statements but regarded as “collateral” for the secured lending from the counterparties.

(4) Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or repledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 30 June 2023, the carrying amount of debt securities lent to counterparties was RMB15,430 million (As at 31 December 2022: RMB13,960 million).

48 FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks in its operating activities, including:

- Credit risk
- Market risk
- Liquidity risk

The primary risk management purpose of the Group is to maintain risk within acceptable parameters and satisfy the regulatory requirements.

The Group has designed risk management policies and has set up controls to identify, analyse, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practice.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework

The Board of Directors sets out a risk management committee. The risk management committee is responsible for setting the overall risk management and internal control strategies of the Group and the Bank, monitoring credit risk, market risk, liquidity risk and operation risk, periodically assessing the overall risk position, risk acceptance and management capabilities, and making recommendations and suggestions on risk management and internal control of the Group and the Bank.

Following the risk management strategies sets by the risk management committee, the Risk Management Department of the Group formulates and implements relevant risk management policies and procedures to monitor the risk arising from financial instruments of the Group.

(1) Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The major credit risk of the Group comes from loans and advances to customers and other on-balance sheet and off-balance sheet credit risk exposures.

The Group implements the "Measures for Management of Bad Debt Verification of Financial Enterprises" issued by Ministry of Finance. For those claims that have taken necessary measures and implemented necessary procedures and are still unable to recover, they will be written off after approval if complying with the conditions for the recognition of bad debts. For the six months ended 30 June 2023, the Group wrote off non-performing loans of RMB1,900.82 million (For the six months ended 30 June 2022: RMB1,684.97 million).

Loans and advances to customers

The Group exercises standardised credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring, and non-performing loans management. The Group enhances its credit risk management by strict access and standard credit management procedures; strengthening customer investigation, lending approval and post lending monitoring; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrade of Credit Management System.

Due from banks and other financial institutions

The Group adopts a Group-to-Group principle for credit to financial institutions. The Group sets credit lines for financial institutions and single financial institution that has financial transactions with the Group.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(1) Credit risk (Continued)

Bonds and other notes

The Group manages the credit risk exposure of bonds and other notes by controlling the scale of investment, setting the list of granting entities, rating access, Group-to-Group credit, and post-investment management.

Other financial assets

Other financial assets mainly include asset management products, debt financing plans, funds, trust plans, wealth management plans issued by other banks, etc. The Group implements a rating system for cooperating with financial institutions and sets credit lines for the ultimate financing party of the asset management products and debt financing plans, and conducts subsequent risk management on a regular basis.

Loan commitments

The main purpose of the loan commitments is to ensure that customers receive the funds they need. The letters of guarantee, acceptances and letters of credit issued are an irrevocable undertaking of the Group, that is, the Group undertakes to pay on behalf of its customer to the third party or to perform the payment on behalf of customers upon their failure to perform under the terms of the contract. There is a possibility that customer violates the terms of the contract and the Group needs to perform the payment on behalf of its customers. Risks arising from financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management procedures and policies.

(a) ECL Measurement

Exposures to credit risk groups

The Group has obtained sufficient information and comprehensively considered credit risk characteristics such as product types, customer types, industry risk characteristics, responses to macro economy, etc., to group the exposures to expected credit losses.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(1) Credit risk (Continued)

Loan commitments (Continued)

(a) ECL Measurement (Continued)

Financial Instrument Stages

The Group adopts a “three-stage” model for impairment based on changes in credit quality or credit impairment has occurred since initial recognition, to estimate the ECL. The main definitions of financial instrument three stages:

- Stage 1: Financials instruments with no significant increase in credit risk after initial recognition. ECL losses in the next 12 months is recognised.
- Stage 2: There are significant increase in credit risk since initial recognition, but no objective evidence of impairment of the financial instrument. Lifetime ECL of financial instruments is recognised.
- Stage 3: Financial instruments show objective evidence of impairment as at the balance sheet date. Lifetime ECL of financial instruments is recognised.

Significant Increase in Credit Risk

The Group sufficiently considers available and valid information, including forward-looking information, in order to decide the stage of financial assets, which reflects the significant increase in credit risk. The major factors considered include internal and external credit grading, repayment ability, operation capacity, contract terms of the loan, repayment behaviours, etc. The Group evaluates the change in default risk on reporting date and initial recognition of one financial instrument or a portfolio of financial instruments that shares the similar credit risk features.

The Group sets a series of quantitative and qualitative criteria to determine whether there are significant changes in credit risk of financial instruments since initial recognition. The following factors are mainly considered:

- Interest or principal paid by debtors is overdue for more than 30 days but less than 90 days;
- A significant decrease in debtor’s credit rating compared to that of initial recognition;
- Significant adverse changes in the debtor’s operations or financial situation;
- Other objective evidence indicating there are significant changes in credit risk.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(1) Credit risk (Continued)

Loan commitments (Continued)

(a) ECL Measurement (Continued)

Definition on Default and Credit-impaired Assets

The Group determined whether the assets were credit impaired based on a series of quantitative and qualitative standards such as credit ratings, and the risk profile changes of the debtor. The Group defines a financial instrument as in default when it meets one or more of the following criteria. In order to evaluate whether a financial asset is credit impaired, the Group considers the following criteria:

- Credit rating grade is D;
- Significant financial difficulty of the borrower or issuer;
- Breach of contract term, such as a default or delinquency in interest or principal payments for over 90 days;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for financial assets because of financial difficulties;
- Other objective evidence indicating there is an impairment of the financial asset.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(1) Credit risk (Continued)

Loan commitments (Continued)

(a) ECL Measurement (Continued)

Measuring ECL – Explanation of Inputs, Assumptions and Estimation Techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

The PD represents the likelihood of a borrower breaching the contractual terms or defaulting on its financial obligation over a specific time, either the next 12 months, or the remaining lifetime of the obligation.

The LGD refers to the extent of loss on a defaulted exposure, which is the ratio of the expected loss in the total amount of a loan. The Group's LGD is calculated in line with recovery amount according to different types of guarantees.

The EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The discounted cash flow approach is applicable to financial assets credit impairment has occurred with large amount and high risk. The ECL of financial assets using the discounted cash flow approach is measured based on the difference between the book value and the present value of estimated future cash flows discounted at a certain discount rate.

The Group reviews assumptions related to ECL model periodically, including but not limited to changes in PD and LGD.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(1) Credit risk (Continued)

Loan commitments (Continued)

(a) ECL Measurement (Continued)

Forward-looking Information

The evaluation of ECL incorporates forward-looking information.

The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio, mainly including growth rate of GDP in Chongqing Province, M2, PCDI of urban residents, etc, to calculate the forward-looking impact of the macro-economic environment on ECL.

The Group has established forecast model along with time series data collection of the above key economic indicators from Wind China Macro and Industry Database and internal data. On this basis, combined with the experience of experts, a certain proportion of the predicted value of the model is used as the forecast value of future key economic indicators and the weights of the three scenarios, optimistic, baseline and pessimistic are determined.

Similar to other economic projections, there is a high degree of inherent uncertainty in the estimation of expected values and likelihood of occurrence, so actual results may differ from forecasts. The Group updates the expected values of macroeconomic indicators periodically. The Group believes that these projections reflect the Group's best estimate of possible outcomes to determine that the scenarios selected are appropriate to represent possible scenarios.

For the six months ended 30 June 2023, the forecast value range of the Group's baseline scenario for the year-on-year growth rate of Chongqing's gross product (GDP) as at Jun 30 2024 is 4.4%-6.6%.

Combined with expert judgement, the Group set the weighting of multiple scenarios based on the principle of taking the baseline scenario as the main and the rest scenarios as a supplement. The weight of the baseline scenario of the Group as at 30 June 2023 is slightly higher than the weights of other scenarios.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(1) Credit risk (Continued)

Loan commitments (Continued)

(a) ECL Measurement (Continued)

Sensitivity Analysis

ECL are sensitive to the parameters used in the model, the macro-economic variables of the forecast, the weight probabilities in the three scenarios, and other factors considered in the application of expert judgement. Changes in these inputs, assumptions, models, and judgements will have an impact on the significant increase in credit risk and the measurement of ECL.

As at 30 June 2023, the Group's credit impairment provision would increase by RMB684 million, assuming that the weighting of the optimistic scenario is reduced by 10% while the weighting of the baseline scenario is increased by 10%. The Group's credit impairment provision would decrease by RMB1,472 million, if the weighting of the pessimistic scenario is reduced by 10%, and the weight of baseline scenario is increased by 10%.

As at 31 December 2022, the Group's credit impairment provision would increase by RMB716 million, assuming that the weighting of the optimistic scenario is reduced by 10% while the weighting of the baseline scenario is increased by 10%. The Group's credit impairment provision would decrease by RMB1,434 million, if the weighting of the pessimistic scenario is reduced by 10%, and the weight of baseline scenario is increased by 10%.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(1) Credit risk (Continued)

Loan commitments (Continued)

(b) Maximum exposure to credit risk

As at the balance sheet date, the maximum exposure to credit risk of the Group without considering any collateral held or other credit enhancements are as follows:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Balances with central bank	54,038,634	49,800,549
Deposits with banks and other financial institutions	9,805,211	12,028,449
Placements with banks and other financial institutions	91,067,636	82,638,207
Derivative financial assets	108,275	16,314
Financial assets held under resale agreements	2,536,922	8,457,236
Loans and advances to customers	645,177,749	605,085,448
Financial investments		
– Financial assets measured at fair value through profit or loss	103,788,528	65,835,694
– Financial assets measured at fair value through other comprehensive income	132,516,695	105,372,759
– Financial assets measured at amortised cost	376,325,700	401,141,674
Other financial assets	<u>1,394,517</u>	<u>908,051</u>
Subtotal	1,416,759,867	1,331,284,381
Off-balance sheet loan commitments	<u>43,302,813</u>	<u>37,746,449</u>
Total	<u><u>1,460,062,680</u></u>	<u><u>1,369,030,830</u></u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(1) Credit risk (Continued)

Loan commitments (Continued)

(b) Maximum exposure to credit risk (Continued)

The Group conducts internal stratified management of asset risk characteristics according to the quality status of assets. Financial assets included in the ECL are further classified into “risk level 1”, “risk level 2”, “risk level 3” and “default” within each stage according to internal rating scales and overdue days, the results of this layered management are used by the Bank for internal credit risk management purposes. “Risk level 1” means that the asset quality is good, and the rating is high, or there is no overdue situation, or there is no reason to suspect that the asset is expected to default; “Risk level 2” means medium rating, or although there is a certain overdue situation, the asset quality is good or there may be factors that have an adverse effect, but there is no sufficient reason to suspect that the asset is expected to default. “Risk level 3” means that the rating is low or the overdue situation is more serious, which means that there are factors that have a significantly adverse effect on the asset default, but there is no event indicating that the default has occurred. The criteria for “default” is consistent with definition of credit impairment that has occurred.

Maximum exposure to credit risk of loans and advances to customers measured at amortised cost analysed by internal stratified management:

	As at 30 June 2023 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Credit rating				
Risk level 1	513,085,690	1,453,369	–	514,539,059
Risk level 2	82,143,493	12,585,164	–	94,728,657
Risk level 3	–	3,473,322	–	3,473,322
Default	–	–	8,748,694	8,748,694
Gross carrying amount	595,229,183	17,511,855	8,748,694	621,489,732
ECL allowance	(15,722,346)	(5,904,849)	(6,931,083)	(28,558,278)
Carrying amount	<u>579,506,837</u>	<u>11,607,006</u>	<u>1,817,611</u>	<u>592,931,454</u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(1) Credit risk (Continued)

Loan commitments (Continued)

(b) Maximum exposure to credit risk (Continued)

	As at 31 December 2022 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Credit rating				
Risk level 1	480,491,197	960,762	–	481,451,959
Risk level 2	74,847,845	10,837,640	–	85,685,485
Risk level 3	–	4,977,263	–	4,977,263
Default	–	–	9,342,107	9,342,107
Gross carrying amount	555,339,042	16,775,665	9,342,107	581,456,814
ECL allowance	(14,175,856)	(6,246,569)	(7,169,211)	(27,591,636)
Carrying amount	<u>541,163,186</u>	<u>10,529,096</u>	<u>2,172,896</u>	<u>553,865,178</u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(1) Credit risk (Continued)

Loan commitments (Continued)

(c) Analysis of credit quality on financial assets

As at 30 June 2023, the Group's credit risk stages of financial instruments included in impairment assessment are as follows:

	As at 30 June 2023 (Unaudited)							
	Book value				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Financial assets measured at amortised cost</i>								
Balances with central bank	54,038,634	-	-	54,038,634	-	-	-	-
Deposits with banks and other financial institutions	9,811,077	-	-	9,811,077	(5,866)	-	-	(5,866)
Placements with banks and other financial institutions	91,109,564	-	-	91,109,564	(41,928)	-	-	(41,928)
Financial assets held under resale agreements	2,538,758	-	-	2,538,758	(1,836)	-	-	(1,836)
Loans and advances to customers	595,229,183	17,511,855	8,748,694	621,489,732	(15,722,346)	(5,904,849)	(6,931,083)	(28,558,278)
Financial assets measured at amortised cost	374,750,847	798,189	3,373,168	378,922,204	(450,564)	(7,031)	(2,138,909)	(2,596,504)
Other financial assets	1,384,098	36,914	189,867	1,610,879	(38,643)	(11,371)	(166,348)	(216,362)
Total	1,128,862,161	18,346,958	12,311,729	1,159,520,848	(16,261,183)	(5,923,251)	(9,236,340)	(31,420,774)
<i>Financial assets measured at fair value through other comprehensive income</i>								
Loans and advances to customers	52,245,295	-	1,000	52,246,295	(13,485)	-	(1,000)	(14,485)
Financial assets measured at fair value through other comprehensive income	132,516,695	-	-	132,516,695	(22,685)	-	-	(22,685)
Total	184,761,990	-	1,000	184,762,990	(36,170)	-	(1,000)	(37,170)
Loan commitments	43,396,089	121,664	95,947	43,613,700	(267,031)	(26,247)	(17,609)	(310,887)

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(1) Credit risk (Continued)

Loan commitments (Continued)

(c) Analysis of credit quality on financial assets (Continued)

As at 31 December 2022, the Group's credit risk stages of financial instruments included in impairment assessment are as follows:

	As at 31 December 2022 (Audited)							
	Book value				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Financial assets measured at amortised cost</i>								
Balances with central bank	49,800,549	-	-	49,800,549	-	-	-	-
Deposits with banks and other financial institutions	12,038,153	-	-	12,038,153	(9,704)	-	-	(9,704)
Placements with banks and other financial institutions	82,253,986	-	-	82,253,986	(28,126)	-	-	(28,126)
Financial assets held under resale agreements	8,464,706	-	-	8,464,706	(7,470)	-	-	(7,470)
Loans and advances to customers	555,339,042	16,775,665	9,342,107	581,456,814	(14,175,856)	(6,246,569)	(7,169,211)	(27,591,636)
Financial assets measured at amortised cost	399,339,551	744,261	3,373,168	403,456,980	(686,334)	(6,669)	(1,622,303)	(2,315,306)
Other financial assets	948,432	-	72,054	1,020,486	(53,956)	-	(58,479)	(112,435)
Total	<u>1,108,184,419</u>	<u>17,519,926</u>	<u>12,787,329</u>	<u>1,138,491,674</u>	<u>(14,961,446)</u>	<u>(6,253,238)</u>	<u>(8,849,993)</u>	<u>(30,064,677)</u>
<i>Financial assets measured at fair value through other comprehensive income</i>								
Placements with banks and other financial institutions	412,347	-	-	412,347	(100)	-	-	(100)
Loans and advances to customers	51,219,270	-	1,000	51,220,270	(12,532)	-	(1,000)	(13,532)
Financial assets measured at fair value through other comprehensive income	<u>105,372,759</u>	<u>-</u>	<u>-</u>	<u>105,372,759</u>	<u>(11,160)</u>	<u>-</u>	<u>-</u>	<u>(11,160)</u>
Total	<u>157,004,376</u>	<u>-</u>	<u>1,000</u>	<u>157,005,376</u>	<u>(23,792)</u>	<u>-</u>	<u>(1,000)</u>	<u>(24,792)</u>
Loan commitments	<u>37,751,494</u>	<u>137,864</u>	<u>48,829</u>	<u>37,938,187</u>	<u>(152,252)</u>	<u>(29,549)</u>	<u>(9,937)</u>	<u>(191,738)</u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(1) Credit risk (Continued)

Loan commitments (Continued)

(d) Concentration risk

(i) Loans and advances to customers

The industry concentration risk of loans and advances to customers refers to Note 19 (3).

(ii) Bonds and other investments

The Group uses credit ratings to monitor the credit risk positions of its debt investment portfolio. The ratings can refer to the rating evaluated by the rating agencies recognised by PBOC.

As at the balance sheet date, the gross carrying amounts of bonds and other investments by investment ratings were as follows:

	As at 30 June 2023 (Unaudited)			Total
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	
Debt securities:				
AAA	7,106,205	128,103,300	24,892,540	160,102,045
AA	639,562	10,396,224	420,839	11,456,625
Unrated debt securities and others:				
Government bonds	686,745	128,341,997	12,758,519	141,787,261
Public sector and quasi-government bonds	1,321,334	56,210,595	73,345,656	130,877,585
Corporate bonds	1,668,161	28,031,463	6,726,443	36,426,067
Financial institution bonds	–	3,802,940	–	3,802,940
Funds	31,779,460	–	–	31,779,460
Interbank certificates of deposit	52,921,853	12,856,899	14,372,698	80,151,450
Trust and asset management plans	7,257,348	3,373,168	–	10,630,516
Wealth management products	395,230	–	–	395,230
Others	12,630	7,805,618	–	7,818,248
Total	103,788,528	378,922,204	132,516,695	615,227,427

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(1) Credit risk (Continued)

Loan commitments (Continued)

(d) Concentration risk (Continued)

(ii) Bonds and other investments (Continued)

	As at 31 December 2022 (Audited)			Total
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	
Debt securities:				
AAA	23,231,494	106,283,372	18,446,870	147,961,736
AA	1,486,522	39,486,580	1,859,846	42,832,948
Unrated debt securities and others:				
Government bonds	727,612	175,704,316	12,128,610	188,560,538
Public sector and quasi-government bonds	1,592,041	62,243,672	72,155,976	135,991,689
Corporate bonds	–	814,940	331,981	1,146,921
Financial institution bonds	–	1,090,706	329,524	1,420,230
Funds	30,206,133	–	–	30,206,133
Interbank certificates of deposit	–	–	119,952	119,952
Trust and asset management plans	8,317,248	4,022,227	–	12,339,475
Wealth management products	262,014	–	–	262,014
Others	12,630	13,811,167	–	13,823,797
Total	65,835,694	403,456,980	105,372,759	574,665,433

(e) Restructured loans and advances

Restructured loans and advances are non-performing loans which have been renegotiated due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Restructured loans are subject to ongoing monitoring. As at 30 June 2023, the non-performing loans and advances which have been renegotiated amounted to RMB251 million (As at 31 December 2022: RMB213 million), of which RMB10 million was more than 90 days overdue (As at 31 December 2022: RMB14 million).

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(1) Credit risk (Continued)

Loan commitments (Continued)

(f) Credit-impaired loans and advances

The portions covered and not covered by collaterals held are as follows:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Portion covered	5,444,629	5,002,250
Portion not covered	<u>3,305,065</u>	<u>4,181,480</u>
Total	<u><u>8,749,694</u></u>	<u><u>9,183,730</u></u>

(2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, and stock prices. Market risk arises from the proprietary business of the Group.

The Group is primarily exposed to interest rate risk arising from corporate and personal banking and treasury operations. Interest rate risk is inherent in many of its business and largely arises from mismatches between the re-pricing dates of interest-generating assets and interest-bearing liabilities.

The Group's foreign currency risk is the risk of loss in respect of its foreign currency exposures, arising from transactions taken on foreign currency denominated assets and liabilities, which results from movements in foreign exchange rates.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(2) *Market risk (Continued)*

(a) Interest rate risk

The Group's interest rate risk arises from the mismatches between contractual maturities or re-pricing dates of interest-generating assets and interest-bearing liabilities, as well as the inconsistent variations in the benchmark interest rate on which the assets and liabilities are based.

The Group regularly monitor the macro-economic factors that may impact on PBOC benchmark interest rates. In order to reduce the impact of changes in interest rate, the majority of the loans are floating rate loans. In addition, the Group manages the interest rate margin on interest-generating assets and interest-bearing liabilities with reference to the prevailing PBOC benchmark interest rates, by enhancing the price negotiation ability.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(2) Market risk (Continued)

(a) Interest rate risk (Continued)

(i) Analysis of repricing date structure

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Group's financial assets and liabilities.

	As at 30 June 2023 (Unaudited)					Total
	Non-interest bearing	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Financial assets						
Cash and balances with central bank	3,029,402	53,938,049	–	–	–	56,967,451
Deposits with banks and other financial institutions	13,324	9,353,001	429,895	8,991	–	9,805,211
Placements with banks and other financial institutions	797,918	34,659,535	55,610,183	–	–	91,067,636
Derivative financial assets	108,275	–	–	–	–	108,275
Financial assets held under resale agreements	1,920	2,535,002	–	–	–	2,536,922
Loans and advances to customers (Note i)	2,067,193	109,739,759	428,388,760	87,192,515	17,789,522	645,177,749
Financial investments (Note ii)	48,789,328	89,280,060	86,537,555	186,559,054	202,976,910	614,142,907
Other financial assets	1,394,517	–	–	–	–	1,394,517
Total financial assets	56,201,877	299,505,406	570,966,393	273,760,560	220,766,432	1,421,200,668
Financial liabilities						
Borrowings from central bank	648,420	16,137,020	76,961,597	–	–	93,747,037
Deposits from banks and other financial institutions	276,967	38,394,351	10,300,000	–	–	48,971,318
Placements from banks and other financial institutions	457,836	17,951,399	34,081,411	1,600,000	–	54,090,646
Financial liabilities measured at fair value through profit or loss	5,666,003	–	–	–	–	5,666,003
Derivative financial liabilities	28,589	–	–	–	–	28,589
Financial assets sold under repurchase agreements	123,976	50,671,971	3,195,927	–	–	53,991,874
Deposits from customers	14,307,629	343,639,919	340,435,288	204,099,229	–	902,482,065
Debt securities issued	251,563	68,065,109	62,993,648	8,997,082	4,999,095	145,306,497
Lease liabilities	–	11,659	40,925	86,320	28,970	167,874
Other financial liabilities	6,872,872	–	–	–	32,898	6,905,770
Total financial liabilities	28,633,855	534,871,428	528,008,796	214,782,631	5,060,963	1,311,357,673
Interest rate risk gap	27,568,022	(235,366,022)	42,957,597	58,977,929	215,705,469	109,842,995

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(2) Market risk (Continued)

(a) Interest rate risk (Continued)

(i) Analysis of repricing date structure (Continued)

	As at 31 December 2022 (Audited)					Total
	Non-interest bearing	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Financial assets						
Cash and balances with central bank	3,246,192	49,647,836	–	–	–	52,894,028
Deposits with banks and other financial institutions	15,250	11,229,389	783,810	–	–	12,028,449
Placements with banks and other financial institutions	816,175	35,337,976	46,484,056	–	–	82,638,207
Derivative financial assets	16,314	–	–	–	–	16,314
Financial assets held under resale agreements	7,835	8,449,401	–	–	–	8,457,236
Loans and advances to customers (Note i)	1,939,600	303,355,100	192,466,801	89,727,652	17,596,295	605,085,448
Financial investments (Note ii)	46,757,797	86,988,262	66,132,386	151,691,075	221,413,204	572,982,724
Other financial assets	908,051	–	–	–	–	908,051
Total financial assets	53,707,214	495,007,964	305,867,053	241,418,727	239,009,499	1,335,010,457
Financial liabilities						
Borrowings from central bank	413,474	13,108,583	72,871,310	–	–	86,393,367
Deposits from banks and other financial institutions	218,844	14,525,623	37,100,000	–	–	51,844,467
Placements from banks and other financial institutions	406,638	11,392,339	28,285,715	1,600,000	–	41,684,692
Financial liabilities measured at fair value through profit or loss	3,175,482	–	–	–	70,497	3,245,979
Derivative financial liabilities	12,450	–	–	–	–	12,450
Financial assets sold under repurchase agreements	190,324	34,392,848	7,882,450	–	–	42,465,622
Deposits from customers	14,904,819	458,683,625	152,518,494	198,839,816	–	824,946,754
Debt securities issued	514,969	56,353,327	99,204,629	9,997,329	4,998,922	171,069,176
Lease liabilities	–	13,478	35,607	67,434	18,866	135,385
Other financial liabilities	7,751,196	–	–	–	32,898	7,784,094
Total financial liabilities	27,588,196	588,469,823	397,898,205	210,504,579	5,121,183	1,229,581,986
Interest rate risk gap	26,119,018	(93,461,859)	(92,031,152)	30,914,148	233,888,316	105,428,471

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(2) Market risk (Continued)

(a) Interest rate risk (Continued)

(i) Analysis of repricing date structure (Continued)

Note i The amount of loans and advances to customers classified as “Less than 3 months” included overdue amounts (net of provision for impairment losses) of RMB3,128 million as at 30 June 2023 (RMB2,741 million as at 31 December 2022). Overdue mentioned above means that the principal or interest is overdue by one day or more.

Note ii Financial investments comprise financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost.

(ii) Interest rate sensitivity analysis

The following table illustrates the potential impact after taxation of a parallel upward or downward shift of 100 basis points of the yields of all the currencies on the net profit and comprehensive income, based on the structure of interest-earning assets and interest-bearing liabilities as at the balance sheet date.

	As at 30 June 2023 (Unaudited)		As at 31 December 2022 (Audited)	
	Net profit	Other comprehensive income	Net profit	Other comprehensive income
+100 basis points	<u>(189,144)</u>	<u>(4,134,921)</u>	<u>492,611</u>	<u>(3,346,570)</u>
- 100 basis points	<u>189,046</u>	<u>4,476,546</u>	<u>(597,941)</u>	<u>3,633,982</u>

Given the nature of demand deposits, their interest rate fluctuations are less volatile than those of other products; therefore, the impact of yield curves movement on interest expenses related to demand deposits has been excluded.

The sensitivity analysis on net profit is based on reasonably possible changes in interest rates in the coming year with the assumption that the structure of financial assets and financial liabilities held at the end of the reporting period remain unchanged.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(2) Market risk (Continued)

(a) Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

The sensitivity analysis on other comprehensive income is the effect on changes of debt instruments measured at fair value through other comprehensive income at the end of reporting period after adjusting in accordance with the reasonably possible changes in interest rates.

The Group, based on regulatory requirement, conducts interest risk management in accordance with relevant regulations in Basel Accord.

This assumption does not represent the policy of use of funds and interest rate risk management of the Group. Therefore, the impact mentioned above may be different from actual situations.

Besides, the impact analysis of changes in interest rate mentioned above is a way of illustration, showing the estimated changes of net profit and other comprehensive income in cases of estimated yield and current interest risk of the Group. However, the risk management measures which may be adopted by management have not been taken into consideration in the analysis.

(b) Foreign currency risk

Foreign currency risk is the risk of loss, which results from negative movements in foreign exchange rates. The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and to a lesser extent in other currencies. The Group's foreign currency transactions mainly involve foreign currency treasury business, deposits, loans and advances, foreign exchanges and derivatives. The Group's foreign currency risk mainly arises from currency mismatch between foreign currency assets and liabilities and currency derivatives.

The Group controls foreign currency risk by setting relevant limits, taking the initiative to adjust the structure of foreign currency assets for a proper matching of currency structure of assets and liabilities, and applying appropriate exchange rate financial derivatives to manage foreign currency asset and liability portfolios and structural positions. Meanwhile, the Group conducts foreign currency sensitivity analysis on a regular basis.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(2) Market risk (Continued)

(b) Foreign currency risk (Continued)

(i) Exposure to foreign currency risk

As at the balance sheet date, the exposure to foreign currency risk are as follows:

	As at 30 June 2023 (Unaudited)				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Financial assets					
Cash and balances with central bank	56,894,964	72,423	64	–	56,967,451
Deposits with banks and other financial institutions	9,460,911	285,913	16,110	42,277	9,805,211
Placements with banks and other financial institutions	91,067,636	–	–	–	91,067,636
Derivative financial assets	31,235	66,505	9,655	880	108,275
Financial assets held under resale agreements	2,536,922	–	–	–	2,536,922
Loans and advances to customers	644,414,416	763,333	–	–	645,177,749
Financial investments (Note i)	613,996,660	146,247	–	–	614,142,907
Other financial assets	1,394,517	–	–	–	1,394,517
Total financial assets	1,419,797,261	1,334,421	25,829	43,157	1,421,200,668
Financial liabilities					
Borrowings from central bank	93,747,037	–	–	–	93,747,037
Deposits from banks and other financial institutions	48,971,318	–	–	–	48,971,318
Placements from banks and other financial institutions	52,706,240	1,384,406	–	–	54,090,646
Financial liabilities measured at fair value through profit or loss	5,666,003	–	–	–	5,666,003
Derivative financial liabilities	2,505	25,170	914	–	28,589
Financial assets sold under repurchase agreements	53,991,874	–	–	–	53,991,874
Deposits from customers	902,179,672	272,398	74	29,921	902,482,065
Debt securities issued	145,306,497	–	–	–	145,306,497
Lease liabilities	167,874	–	–	–	167,874
Other financial liabilities	6,857,259	46,620	–	1,891	6,905,770
Total financial liabilities	1,309,596,279	1,728,594	988	31,812	1,311,357,673
Net position	110,200,982	(394,173)	24,841	11,345	109,842,995
Loan commitments	43,121,204	471,963	–	20,533	43,613,700

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(2) Market risk (Continued)

(b) Foreign currency risk (Continued)

(i) Exposure to foreign currency risk (Continued)

	As at 31 December 2022 (Audited)				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Financial assets					
Cash and balances with central bank	52,786,974	106,963	91	–	52,894,028
Deposits with banks and other financial institutions	11,411,241	377,659	182,656	56,893	12,028,449
Placements with banks and other financial institutions	82,638,207	–	–	–	82,638,207
Derivative financial assets	6,412	9,902	–	–	16,314
Financial assets held under resale agreements	8,457,236	–	–	–	8,457,236
Loans and advances to customers	604,440,925	644,523	–	–	605,085,448
Financial investments (Note i)	572,841,073	141,651	–	–	572,982,724
Other financial assets	908,051	–	–	–	908,051
Total financial assets	1,333,490,119	1,280,698	182,747	56,893	1,335,010,457
Financial liabilities					
Borrowings from central bank	86,393,367	–	–	–	86,393,367
Deposits from banks and other financial institutions	51,844,467	–	–	–	51,844,467
Placements from banks and other financial institutions	41,580,184	104,508	–	–	41,684,692
Financial liabilities measured at fair value through profit or loss	3,245,979	–	–	–	3,245,979
Derivative financial liabilities	9,626	2,824	–	–	12,450
Financial assets sold under repurchase agreements	42,465,622	–	–	–	42,465,622
Deposits from customers	824,466,731	444,616	123	35,284	824,946,754
Debt securities issued	171,069,176	–	–	–	171,069,176
Lease liabilities	135,385	–	–	–	135,385
Other financial liabilities	7,740,045	44,049	–	–	7,784,094
Total financial liabilities	1,228,950,582	595,997	123	35,284	1,229,581,986
Net position	104,539,537	684,701	182,624	21,609	105,428,471
Loan commitments	37,362,077	561,897	–	14,213	37,938,187

Note i Financial investments comprise financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(2) Market risk (Continued)

(b) Foreign currency risk (Continued)

(ii) Foreign currency sensitivity analysis

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against USD by 5% on net profit.

	Sensitivity of net profit and equity	
	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
RMB5% appreciation	14,781	(25,676)
RMB5% depreciation	(14,781)	25,676

The impact on the net profit arises from the effects of movement in RMB exchange rate on the net positions of foreign monetary assets and liabilities. Changes in foreign exchange rate will not affect other comprehensive income.

The effect on the net profit is based on the assumption that the Group's net foreign currency at the end of the reporting period remains unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ to the actual situation.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(3) *Liquidity risk*

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flow or maturity mismatches of assets and liabilities.

The Asset and Liability Management Committee of the Group mapped out the index management system of the ratios of asset and liability structure, based on the principles of liquidity, safety, and profitability; determines annual target values of these indexes in accordance with regulatory requirement and business plan; and allocates the tasks to branches for implementation.

The Group established the supervision system of indexes of asset and liability management, the liquidity reverse system, and relevant emergency management measures, to reduce the liquidity risk of the Group. The Group worked out the regulatory indicators of liquidity in accordance with the requirement of regulator and reported in periodically manner.

The assets which can be used for repaying debt and paying for the outstanding credit commitments contain cash and balances with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets measured at fair value through profit or loss, and so forth. In normal operation, majority of deposits will not be withdrawn immediately on the maturity date. Therefore, the Group will retain this part of cash flow.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(3) Liquidity risk (Continued)

(a) Maturity analysis

The table below summarises the maturity analysis of financial assets and liabilities by remaining contractual maturities at the end of the reporting period.

	As at 30 June 2023 (Unaudited)							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Financial assets								
Cash and balances with central bank	48,407,872	8,537,709	-	21,870	-	-	-	56,967,451
Deposits with banks and other financial institutions	-	8,338,160	393,680	630,901	433,345	9,125	-	9,805,211
Placements with banks and other financial institutions	-	-	11,053,640	23,966,005	56,047,991	-	-	91,067,636
Derivative financial assets	-	-	66,981	2,617	27,872	10,805	-	108,275
Financial assets held under resale agreements	-	-	2,342,497	194,425	-	-	-	2,536,922
Loans and advances to customers	3,127,674	-	37,730,019	43,989,365	183,457,001	195,859,959	181,013,731	645,177,749
Financial investments (Note i)	2,758,872	38,686,698	16,897,954	23,367,982	86,991,351	192,465,891	252,974,159	614,142,907
Other financial assets	24,734	1,369,783	-	-	-	-	-	1,394,517
Total financial assets	54,319,152	56,932,350	68,484,771	92,173,165	326,957,560	388,345,780	433,987,890	1,421,200,668
Financial liabilities								
Borrowings from central bank	-	-	5,368,993	10,886,902	77,491,142	-	-	93,747,037
Deposits from banks and other financial institutions	-	944,774	16,480,130	21,168,329	10,378,085	-	-	48,971,318
Placements from banks and other financial institutions	-	-	7,734,094	10,364,931	34,376,214	1,615,407	-	54,090,646
Financial liabilities measured at fair value through profit or loss	5,666,003	-	-	-	-	-	-	5,666,003
Derivative financial liabilities	-	-	9,377	2,422	16,790	-	-	28,589
Financial assets sold under repurchase agreements	-	-	42,739,996	8,052,352	3,199,526	-	-	53,991,874
Deposits from customers	-	254,009,724	39,379,439	49,589,069	343,597,935	215,905,898	-	902,482,065
Debt securities issued	-	-	12,811,994	55,253,114	63,046,207	9,185,374	5,009,808	145,306,497
Lease liabilities	-	-	2,726	8,933	40,925	86,320	28,970	167,874
Other financial liabilities	-	2,634,587	164,998	41,800	696,918	3,258,531	108,936	6,905,770
Total financial liabilities	5,666,003	257,589,085	124,691,747	155,367,852	532,843,742	230,051,530	5,147,714	1,311,357,673
Net position	48,653,149	(200,656,735)	(56,206,976)	(63,194,687)	(205,886,182)	158,294,250	428,840,176	109,842,995

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(3) Liquidity risk (Continued)

(a) Maturity analysis (Continued)

	As at 31 December 2022 (Audited)							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Financial assets								
Cash and balances with central bank	47,129,066	5,764,962	-	-	-	-	-	52,894,028
Deposits with banks and other financial institutions	-	8,783,071	1,455,398	1,002,048	787,932	-	-	12,028,449
Placements with banks and other financial institutions	-	-	9,366,166	26,385,190	46,886,851	-	-	82,638,207
Derivative financial assets	-	-	177	728	13,936	1,473	-	16,314
Financial assets held under resale agreements	-	-	8,457,236	-	-	-	-	8,457,236
Loans and advances to customers	2,741,401	-	27,917,430	34,531,318	182,370,165	180,517,509	177,007,625	605,085,448
Financial investments (Note i)	2,396,092	38,040,055	7,852,277	20,291,872	66,785,917	156,872,988	280,743,523	572,982,724
Other financial assets	13,576	894,475	-	-	-	-	-	908,051
Total financial assets	52,280,135	53,482,563	55,048,684	82,211,156	296,844,801	337,391,970	457,751,148	1,335,010,457
Financial liabilities								
Borrowings from central bank	-	-	5,477,214	8,044,843	72,871,310	-	-	86,393,367
Deposits from banks and other financial institutions	-	675,850	8,488,966	5,422,826	37,256,825	-	-	51,844,467
Placements from banks and other financial institutions	-	-	1,671,632	9,831,507	28,565,950	1,615,603	-	41,684,692
Financial liabilities measured at fair value through profit or loss	3,175,482	-	-	-	-	-	70,497	3,245,979
Derivative financial liabilities	-	-	177	718	11,555	-	-	12,450
Financial assets sold under repurchase agreements	-	-	25,381,384	9,164,540	7,919,698	-	-	42,465,622
Deposits from customers	-	274,302,225	64,511,907	120,184,922	155,342,177	210,605,523	-	824,946,754
Debt securities issued	-	-	6,248,351	50,351,199	99,473,376	9,997,329	4,998,921	171,069,176
Lease liabilities	-	-	6,321	7,157	35,607	67,434	18,866	135,385
Other financial liabilities	-	3,566,617	240,019	358,862	525,282	3,004,658	88,656	7,784,094
Total financial liabilities	3,175,482	278,544,692	112,025,971	203,366,574	402,001,780	225,290,547	5,176,940	1,229,581,986
Net position	49,104,653	(225,062,129)	(56,977,287)	(121,155,418)	(105,156,979)	112,101,423	452,574,208	105,428,471

Note i Financial investments comprise financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(3) Liquidity risk (Continued)

(b) Analysis of the undiscounted contractual cash flows

The tables below presents the cash flows of financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period. The Group's actual cash flows on these instruments may vary significantly from this analysis.

	As at 30 June 2023 (Unaudited)							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Financial assets								
Cash and balances with central bank	48,407,872	8,537,709	-	21,870	-	-	-	56,967,451
Deposits with banks and other financial institutions	-	8,338,160	393,819	633,282	438,818	9,951	-	9,814,030
Placements with banks and other financial institutions	-	-	11,065,054	24,072,110	56,988,827	-	-	92,125,991
Financial assets held under resale agreements	-	-	2,342,976	194,425	-	-	-	2,537,401
Loans and advances to customers	3,748,482	-	38,216,125	45,443,507	194,971,125	232,124,445	334,390,394	848,894,078
Financial investments (Note i)	2,758,872	38,686,698	18,374,446	26,263,281	100,007,375	240,015,956	289,277,621	715,384,249
Other financial assets	24,734	1,369,783	-	-	-	-	-	1,394,517
Total financial assets	54,939,960	56,932,350	70,392,420	96,628,475	352,406,145	472,150,352	623,668,015	1,727,117,717
Financial liabilities								
Borrowings from central bank	-	-	5,554,685	11,054,465	78,261,831	-	-	94,870,981
Deposits from banks and other financial institutions	-	944,774	16,497,948	21,239,044	10,494,688	-	-	49,176,454
Placements from banks and other financial institutions	-	-	7,744,678	10,416,509	34,845,768	1,679,387	-	54,686,342
Financial liabilities measured at fair value through profit or loss	5,666,003	-	-	-	-	-	-	5,666,003
Financial assets sold under repurchase agreements	-	-	42,749,766	8,073,255	3,218,147	-	-	54,041,168
Deposits from customers	-	254,009,724	39,415,439	49,831,349	348,918,939	228,663,507	-	920,838,958
Debt securities issued	-	-	12,830,000	55,530,000	63,686,047	10,744,277	5,470,438	148,260,762
Lease liabilities	-	-	3,184	9,815	44,273	93,941	32,338	183,551
Other financial liabilities	-	2,634,587	164,998	41,800	696,918	3,258,531	108,936	6,905,770
Total financial liabilities	5,666,003	257,589,085	124,960,698	156,196,237	540,166,611	244,439,643	5,611,712	1,334,629,989
Net position	49,273,957	(200,656,735)	(54,568,278)	(59,567,762)	(187,760,466)	227,710,709	618,056,303	392,487,728
Derivative financial instruments								
Settled by total amount								
-Total inflows	-	-	1,341,172	62,923	1,257,594	12,284	-	2,673,973
-Total outflows	-	-	(1,283,567)	(62,727)	(1,241,612)	-	-	(2,587,906)
Net position	-	-	(359)	(736)	(1,212)	-	-	(2,307)
Total derivative financial instruments	-	-	57,246	(540)	14,770	12,284	-	83,760
Loan commitments	862,591	26,381,330	2,763,457	6,083,947	6,433,394	1,070,981	18,000	43,613,700

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (Continued)

(3) Liquidity risk (Continued)

(b) Analysis of the undiscounted contractual cash flows (Continued)

	As at 31 December 2022 (Audited)							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Financial assets								
Cash and balances with central bank	47,129,066	5,764,962	-	-	-	-	-	52,894,028
Deposits with banks and other financial institutions	-	8,791,606	1,456,272	1,007,919	795,044	-	-	12,050,841
Placements with banks and other financial institutions	-	-	9,377,433	26,510,754	47,556,680	-	-	83,444,867
Financial assets held under resale agreements	-	-	8,430,233	-	-	-	-	8,430,233
Loans and advances to customers	3,375,542	-	28,285,024	35,521,763	194,039,085	214,861,508	336,525,943	812,608,865
Financial investments (Note i)	2,396,092	38,040,055	9,328,046	23,242,896	79,450,227	205,324,367	321,433,067	679,214,750
Other financial assets	13,576	948,431	-	-	-	-	-	962,007
Total financial assets	52,914,276	53,545,054	56,877,008	86,283,332	321,841,036	420,185,875	657,959,010	1,649,605,591
Financial liabilities								
Borrowings from central bank	-	-	5,645,145	8,407,404	73,646,138	-	-	87,698,687
Deposits from banks and other financial institutions	-	675,850	8,493,981	5,445,355	37,635,658	-	-	52,250,844
Placements from banks and other financial institutions	-	-	1,673,971	9,882,934	29,062,883	1,706,707	-	42,326,495
Financial liabilities measured at fair value through profit or loss	3,175,482	-	169	343	1,542	8,215	79,679	3,265,430
Financial assets sold under repurchase agreements	-	-	25,385,486	9,186,467	7,976,058	-	-	42,548,011
Deposits from customers	-	274,302,225	64,578,277	120,632,845	157,295,519	222,367,558	-	839,176,424
Debt securities issued	-	-	6,251,884	50,524,089	100,756,508	11,623,914	5,459,551	174,615,946
Lease liabilities	-	-	6,703	7,882	38,342	73,342	21,938	148,207
Other financial liabilities	-	3,566,617	240,019	358,862	525,282	3,004,658	88,656	7,784,094
Total financial liabilities	3,175,482	278,544,692	112,275,635	204,446,181	406,937,930	238,784,394	5,649,824	1,249,814,138
Net position	49,738,794	(224,999,638)	(55,398,627)	(118,162,849)	(85,096,894)	181,401,481	652,309,186	399,791,453
Derivative financial instruments								
Settled by total amount								
-Total inflows	-	-	-	15,929	778,767	9,440	-	804,136
-Total outflows	-	-	-	(15,919)	(776,386)	-	-	(792,305)
Net position	-	-	(177)	(386)	(1,149)	-	45	(1,667)
Total derivative financial instruments	-	-	(177)	(376)	1,232	9,440	45	10,164
Loan commitments	1,003,293	25,118,064	1,360,458	2,954,661	7,424,526	59,178	18,007	37,938,187

Note i Financial investments comprise financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

49 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(1) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In estimating fair value of an asset or a liability, the Group uses market-observable data to the extent it is available such as the market price of listed equity securities on exchanges. Where Level 1 inputs are not available, fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models, including discounted cash flow analysis, using prices from observable current market transactions for similar instruments to the extent available.

The main valuation techniques used by the Group is the discounted cash flow model for financial instruments. The main inputs used in discounted cash flow model include recent transaction prices, interest rates and counterparty credit spreads, as appropriate. If these parameters used are substantively based on observable market data and/or obtainable from active open market, the instruments are classified as Level 2.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

49 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(1) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

The following tables give the information about book value of the Group's financial instruments measured at fair value:

	As at 30 June 2023 (Unaudited)			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Recurring fair value measurement				
Assets				
Derivative financial assets	–	94,530	13,745	108,275
Loans and advances to customers	–	–	52,246,295	52,246,295
Financial assets measured at fair value through profit or loss				
– Debt securities	–	11,422,007	–	11,422,007
– Funds	8,315,608	23,463,852	–	31,779,460
– Asset management plans and trust plans	–	–	7,257,348	7,257,348
– Interbank certificates of deposit	–	52,921,853	–	52,921,853
– Wealth management products	–	395,230	–	395,230
– Others	358,123	–	12,630	370,753
Financial assets measured at fair value through other comprehensive income				
– Debt securities	–	118,143,997	–	118,143,997
– Interbank certificates of deposit	–	14,372,698	–	14,372,698
– Equity instruments:	565,138	–	588,723	1,153,861
Total assets measured at fair value on a recurring basis	<u>9,238,869</u>	<u>220,814,167</u>	<u>60,118,741</u>	<u>290,171,777</u>
Liabilities				
Derivative financial liabilities	–	(28,589)	–	(28,589)
Financial liabilities measured at fair value through profit or loss	–	(5,666,003)	–	(5,666,003)
Total liabilities measured at fair value on a recurring basis	<u>–</u>	<u>(5,694,592)</u>	<u>–</u>	<u>(5,694,592)</u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

49 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(1) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

	As at 31 December 2022 (Audited)			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Recurring fair value measurement				
Assets				
Derivative financial assets	–	14,841	1,473	16,314
Loans and advances to customers	–	–	51,220,270	51,220,270
Financial assets measured at fair value through profit or loss				
– Debt securities	–	10,990,099	–	10,990,099
– Funds	3,342,682	26,863,451	–	30,206,133
– Asset management plans and trust plans	–	–	8,317,248	8,317,248
– Interbank certificates of deposit	–	16,047,570	–	16,047,570
– Wealth management products	–	262,014	–	262,014
– Others	–	–	12,630	12,630
Financial assets measured at fair value through other comprehensive income				
– Debt securities	–	103,061,083	–	103,061,083
– Interbank certificates of deposit	–	2,311,676	–	2,311,676
– Equity instruments:	624,597	–	8,000	632,597
Total assets measured at fair value on a recurring basis	<u>3,967,279</u>	<u>159,550,734</u>	<u>59,559,621</u>	<u>223,077,634</u>
Liabilities				
Derivative financial liabilities	–	(12,450)	–	(12,450)
Financial liabilities measured at fair value through profit or loss	–	(3,245,979)	–	(3,245,979)
Total liabilities measured at fair value on a recurring basis	<u>–</u>	<u>(3,258,429)</u>	<u>–</u>	<u>(3,258,429)</u>

There were no significant transfers of the Group's financial assets and liabilities between all levels during the reporting period.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

49 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(1) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

(a) Level 1 fair value measurement

If there is a reliable quoted price in an active market (such as an authorized stock exchange or an active open-end fund manager), the closing price or redemption price in the active market on the last trading day before balance sheet date shall be used as fair value.

(b) Level 2 fair value measurement

Financial instruments of the Group that are classified as level 2 mainly include debt securities, interbank certificates of deposit, open-ended funds with fixed open term and WMPs.

The fair value of debt securities and interbank deposit certificates are determined using valuation results provided by the securities clearing institutions and exchanges. The fair value of open-ended funds with fixed open term and WMPs are based on net value per unit provided by managers. Observable inputs that reflect market conditions were adopted by relevant institutions in the valuation process.

(c) Level 3 fair value measurement

The Group has developed relevant processes to determine the appropriate valuation techniques and inputs used in continuous level 3 fair value measurement, and regularly review the relevant processes and the appropriateness of the determination of fair value.

Financial instruments of the Group that are classified as level 3 mainly include discounted bills, asset management plans and trust plans. Their fair values are based on net asset provided by third parties or fair values of underlying assets (mainly include bonds traded in inter-bank bond market and money market financial instruments), or calculated using discounted cash flows with unobservable inputs including risk adjusted discount rate.

The above assumptions and methods provide a unified basis for calculation of fair value of the Group's assets and liabilities. However, since other institutions may use different methods and assumptions, the fair values disclosed by different financial institutions may not be completely comparable.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

49 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(2) Reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy

For the six months ended 30 June 2023 (Unaudited)

	Total gains and losses during the period		Additions and settlements		For asset held and liabilities assumed at the end of the period, unrealised gains or losses recognised in profit or loss during the period		
	As at 1 January 2023	Recognised in profit or loss	Recognised in other comprehensive income	Purchases	Settlements	As at 30 June 2023	
Assets							
Derivative instruments							
– Derivative financial assets	1,473	(2,333)	–	14,605	–	13,745	(2,333)
Loans and advances to customers							
– Loans and advances measured at fair value through other comprehensive income	51,220,270	435,159	31,789	49,500,202	(48,941,125)	52,246,295	–
Financial assets measured at fair value through profit or loss							
– Asset management plans and trust plans	8,317,248	35,649	–	6,250,875	(7,346,424)	7,257,348	33,685
– Others	12,630	–	–	–	–	12,630	–
Financial assets measured at fair value through other comprehensive income							
– Unlisted equity securities	8,000	–	–	580,723	–	588,723	–
Total	<u>59,559,621</u>	<u>468,475</u>	<u>31,789</u>	<u>56,346,405</u>	<u>(56,287,549)</u>	<u>60,118,741</u>	<u>31,352</u>

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

49 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS
(Continued)

(2) Reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy (Continued)

For the year ended 31 December 2022 (Audited)

	Total gains and losses during the year		Additions and settlements		For asset held and liabilities assumed at the end of the year, unrealised gains or losses recognised in profit or loss during the year		
	As at 1 January 2022	Recognised in profit or loss	Recognised in other comprehensive income	Purchases	Settlements	As at 31 December 2022	
Assets							
Derivative instruments							
– Derivative financial assets	4,720	(7,967)	–	4,720	–	1,473	(7,967)
Loans and advances to customers							
– Loans and advances measured at fair value through other comprehensive income	26,326,500	821,521	(65,588)	89,095,758	(64,957,921)	51,220,270	–
Financial assets measured at fair value through profit or loss							
– Asset management plans and trust plans	10,119,419	(766,806)	–	7,346,424	(8,381,789)	8,317,248	(803,864)
– Investment in WMPs	826,838	4,589	–	–	(831,427)	–	–
– Others	12,630	–	–	–	–	12,630	–
Financial assets measured at fair value through other comprehensive income							
– Unlisted equity securities	8,000	–	–	–	–	8,000	–
Total	37,298,107	51,337	(65,588)	96,446,902	(74,171,137)	59,559,621	(811,831)

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

49 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(3) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not measured at their fair values. Financial assets and liabilities for which the carrying amounts approximate their fair values, such as balances with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers, borrowings from central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements and Deposits from customers are not included in the table below.

	As at 30 June 2023 (Unaudited)		As at 31 December 2022 (Audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets measured at amortised cost	<u>376,325,700</u>	<u>387,097,944</u>	<u>401,141,674</u>	<u>408,246,860</u>
Financial liabilities				
Debt securities issued	<u>145,306,497</u>	<u>145,543,554</u>	<u>171,069,176</u>	<u>171,136,659</u>

Fair values of these financial assets and financial liabilities not measured at fair value are determined as follows:

- (a) Fair values of investments in debt securities, interbank certificates of deposit and debt securities issued are measured based on the quotes provided by the securities clearing institutions. Observable inputs that reflect market conditions are used by quotation institutions when preparing the quotation.
- (b) There is no quoted price of market or referable organisations for trust plans and debt financing plans included in financial assets measured at amortised cost. Therefore, fair values of those investments are determined by using the discounted cash flow method with credit risk adjusted yield curve of relevant investments at the end of the reporting period.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

50 CAPITAL MANAGEMENT

The Group's objectives on capital management are as follows:

- safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- support the Group's stability and growth;
- allocate capital in an efficient and risk based approach to optimise risk adjusted return to the shareholders; and
- maintain an adequate capital base to support the development of business.

Regulator requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with the Administrative Measures on the Capital of Commercial Banks (Trial). For systematically important banks, regulator requires minimum core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%, respectively. For non-systematically important banks, regulator requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. As at 30 June 2023 and 31 December 2022, the Group is in compliance with these legal and regulatory requirements.

The weighted credit risk assets of on-balance sheet exposures are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, considering any eligible collateral or guarantee. The similar calculation is adopted for off-balance sheet credit risk exposures, with adjustments made to reflect the more contingent nature of any potential loss. Market risk-weighted assets are calculated using the standardised approach. Basic indicator approach is used to calculate the risk weighted assets of operational risk.

The Group calculated and disclosed the following net core tier-one capital, net tier-one capital and net capital in accordance with the Administrative Measures on the Capital of Commercial Banks (Trial) and relevant requirements promulgated by regulator.

Notes to The Interim Condensed Consolidated Financial Statements (Continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

50 CAPITAL MANAGEMENT(Continued)

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Components of capital base		
Core tier-one capital:		
Share capital	11,357,000	11,357,000
Valid portion of capital reserve	20,759,418	20,002,648
Surplus reserve and general reserve	32,927,611	31,690,747
Retained earnings	47,264,340	44,675,479
Valid portion of non-controlling interests	1,010,356	879,791
Total core tier-one capital	<u>113,318,725</u>	<u>108,605,665</u>
Deductions:		
Goodwill	(440,129)	(440,129)
Other intangible assets	(245,016)	(225,113)
Other deductible items from core tier-one capital	7,787	10,381
Net core tier-one capital	<u>112,641,367</u>	<u>107,950,804</u>
Other tier-one capital:		
Other equity instruments	5,997,648	5,997,648
Non-controlling interests	134,714	117,306
Net tier-one capital	<u>118,773,729</u>	<u>114,065,758</u>
Tier-two capital:		
Valid portion of tier-two capital instruments issued and related premium	5,000,000	5,000,000
Surplus provision for loan impairment	9,944,373	9,407,934
Valid portion of non-controlling interests	258,312	234,611
Net capital base	<u>133,976,414</u>	<u>128,708,303</u>

51 EVENTS AFTER THE REPORTING PERIOD

The Group and the Bank have no significant events after the reporting period.

52 COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform to current period's presentation.

Unreviewed Supplemental Financial Information

For the six months ended 30 June 2023

(Amounts in millions of Renminbi, unless otherwise stated)

LIQUIDITY RATIO (EXPRESSED IN PERCENTAGE)

The Group

	As at 30 June 2023	As at 31 December 2022
RMB current assets to RMB current liabilities	97.28	87.55
Foreign currency current assets to foreign currency current liabilities	<u>111.93</u>	<u>236.85</u>

LIQUIDITY COVERAGE RATIO (EXPRESSED IN PERCENTAGE)

The Group

	As at 30 June 2023	As at 31 December 2022
Liquidity coverage ratio	<u>319.64</u>	<u>296.92</u>

CURRENCY CONCENTRATIONS

The Group

	Equivalent in Renminbi			Total
	USD	HKD	Others	
As at 30 June 2023				
Spot assets	1,212.6	16.3	6,186.3	7,415.2
Spot liabilities	(1,740.8)	(190.5)	(6,175.9)	(8,107.2)
Forward purchases	1,747.1	350.4	31.5	2,129.0
Forward sales	(641.5)	(175.2)	–	(816.7)
Net position	<u>577.4</u>	<u>1.0</u>	<u>41.9</u>	<u>620.3</u>

	Equivalent in Renminbi			Total
	USD	HKD	Others	
As at 31 December 2022				
Spot assets	1,171.3	184.4	3,359.5	4,715.2
Spot liabilities	(614.4)	(184.6)	(3,337.7)	(4,136.7)
Forward purchases	400.1	–	–	400.1
Forward sales	(428.0)	–	(5.6)	(433.6)
Net position	<u>529.0</u>	<u>(0.2)</u>	<u>16.2</u>	<u>545.0</u>

Unreviewed Supplemental Financial Information (Continued)

For the six months ended 30 June 2023

(Amounts in millions of Renminbi, unless otherwise stated)

INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, the Group's international claims are the sum of cross-border claims in all currencies and local claims in foreign currencies.

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

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 transfer. 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 on an overseas branch of a bank whose head office is located in another country.

	Banks and other financial institutions	Non-bank private sectors	Total
As at 30 June 2023			
Asia Pacific	281.7	921.8	1,203.5
– of which attributed to Hong Kong	71.3	–	71.3
North America	124.0	–	124.0
Europe	13.2	–	13.2
Total	<u>418.9</u>	<u>921.8</u>	<u>1,340.7</u>

	Banks and other financial institutions	Non-bank private sectors	Total
As at 31 December 2022			
Asia Pacific	433.6	786.5	1,220.1
– of which attributed to Hong Kong	185.0	–	185.0
North America	256.0	–	256.0
Europe	39.4	–	39.4
Total	<u>729.0</u>	<u>786.5</u>	<u>1,515.5</u>

Unreviewed Supplemental Financial Information (Continued)

For the six months ended 30 June 2023

(Amounts in millions of Renminbi, unless otherwise stated)

SUMMARY OF INFORMATION ON GEOGRAPHICAL SEGMENTS

When information is prepared based on the geographical segments, total operating income is allocated in accordance with the locations of branches recording the income. The table below sets forth the total operating income attributable to county area branches and urban area branches for the periods indicated.

	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Country Area (Note)	Urban Area	Total	Country Area (Note)	Urban Area	Total
Net interest income	2,107.9	9,935.7	12,043.6	3,440.6	9,350.2	12,790.8
Net fee and commission income	462.5	529.8	992.3	343.4	695.5	1,038.9
Net trading gains	–	1,292.5	1,292.5	–	971.1	971.1
Share of profits of associates	–	(17.1)	(17.1)	–	(27.9)	(27.9)
Other operating income, net	16.2	317.1	333.3	16.5	165.0	181.5
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	–	209.0	209.0	–	280.2	280.2
Net gains on derecognition of financial assets measured at amortised cost	–	15.6	15.6	–	63.3	63.3
Total operating income	2,586.6	12,282.6	14,869.2	3,800.5	11,497.4	15,297.9
Internal transfer of income and expenses	4,107.3	(4,107.3)	–	3,787.9	(3,787.9)	–
Income after adjustment	<u>6,693.9</u>	<u>8,175.3</u>	<u>14,869.2</u>	<u>7,588.4</u>	<u>7,709.5</u>	<u>15,297.9</u>

Note: County Area refers to regions other than Urban Area of Chongqing City. The information of County Area also includes the information of the twelve village and township bank subsidiaries and the information of Qujing Branch.

Unreviewed Supplemental Financial Information (Continued)

For the six months ended 30 June 2023

(Amounts in millions of Renminbi, unless otherwise stated)

ABSTRACT OF GEOGRAPHICAL SEGMENTS

(Expressed in percentage)	As at 30 June 2023		As at 31 December 2022	
	Country Area	Urban Area	Country Area	Urban Area
Deposits	71.79	28.21	71.80	28.20
Loans	49.84	50.16	50.15	49.85
Assets	51.58	48.42	48.88	51.12
Loan-deposit ratio	<u>51.83</u>	<u>132.74</u>	<u>53.57</u>	<u>135.55</u>

(Expressed in percentage)	As at 30 June 2023		As at 30 June 2022	
	Country Area	Urban Area	Country Area	Urban Area
Return on average total assets	0.84	1.21	0.91	1.11
Net fee and commission income to operating income	6.91	6.48	4.53	9.02
Cost-to-income ratio	<u>35.89</u>	<u>27.61</u>	<u>30.14</u>	<u>24.45</u>

CAPITAL ADEQUACY RATION

The Group calculated the following core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with the Administrative Measures on the Capital of Commercial Banks (Trial) and relevant requirements promulgated by regulator.

	As at 30 June 2023	As at 31 December 2022
Core tier-one capital adequacy ratio	<u>12.86%</u>	<u>13.10%</u>
Tier-one capital adequacy ratio	<u>13.57%</u>	<u>13.84%</u>
Capital adequacy ratio	<u>15.30%</u>	<u>15.62%</u>
Net core tier-one capital	<u>112,641,367</u>	<u>107,950,804</u>
Net tier-one capital	<u>118,773,729</u>	<u>114,065,758</u>
Net capital base	<u>133,976,414</u>	<u>128,708,303</u>
Risk-weighted assets:		
Credit risk-weighted assets	805,494,230	762,042,642
Market risk-weighted assets	15,075,148	7,126,871
Operational risk-weighted assets	55,011,691	55,011,691

Organizational Chart

