



泸州银行股份有限公司

LUZHOU BANK CO., LTD.

泸州银行股份有限公司*
Luzhou Bank Co., Ltd.*

(於中華人民共和國註冊成立的股份有限公司)
(A joint stock company incorporated in the People's Republic of China with limited liability)
股份代號：1983 Stock Code: 1983



中期報告
INTERIM REPORT **2024**

- * 泸州银行股份有限公司並非香港法例第155章《銀行業條例》所指認可機構，不受香港金融管理局的監督，亦不獲授權在香港經營銀行／接受存款業務。
- * Luzhou Bank Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking/deposit-taking business in Hong Kong.

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Corporate Overview

I. CORPORATE PROFILE

- (i) Legal Names
 - 1. Legal Chinese Name: 泸州银行股份有限公司
(Abbreviation: “泸州银行”)
 - 2. Legal English Name: LUZHOU BANK CO., LTD.
(Abbreviation: “LUZHOU BANK”)
- (ii) Registered Capital: RMB2,717,752,062
- (iii) Legal Representative: Mr. YOU Jiang
- (iv) Authorized Representatives: Mr. LIU Shirong and Ms. ZHANG Xiao
- (v) Joint Company Secretaries: Mr. MING Yang and Ms. ZHANG Xiao
- (vi) Listing Exchange of H Shares: The Stock Exchange of Hong Kong Limited
- (vii) Abbreviated Stock Name and Stock Code: LUZHOU BANK (1983.HK)
- (viii) Registered Address: Building 1, No. 18, Section 3, Jiucheng Avenue, Jiangyang District, Luzhou, Sichuan Province, the PRC
- (ix) Principal Place of Business in Hong Kong: 40th Floor, Dah Sing Financial Centre, No. 248 Queen’s Road East, Wanchai, Hong Kong
- (x) Contact Address:
Building 1, No. 18, Section 3, Jiucheng Avenue, Jiangyang District, Luzhou, Sichuan Province, the PRC
Post Code: 646000
Website: www.lzccb.cn
- (xi) Auditor:
International: PricewaterhouseCoopers
Address: 22/F, Prince’s Building, Central, Hong Kong
Domestic: PricewaterhouseCoopers Zhong Tian Limited Liability Partnership (Special General Partnership)
Address: 11/F, PricewaterhouseCoopers Center, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai, the PRC
- (xii) PRC Legal Advisor: JunHe LLP, Shanghai Office
- (xiii) Hong Kong Legal Advisor: Clifford Chance
- (xiv) H Share Registrar and Transfer Office: Computershare Hong Kong Investor Services Limited
- (xv) Other Relevant Information of the Bank
Registration Date: September 15, 1997
Registration Authority: Luzhou City Administration for Market Regulation in Sichuan Province, the PRC
Unified Social Credit Code: 91510500708926271U
Financial License Institution Number: B0210H251050001
Customer Service and Complaints Hotline: 0830-96830
Tel: 0830-2362606
Fax: 0830-3100625
E-mail: ir@lzccb.cn

II. CORPORATE INFORMATION

Headquartered in Luzhou, the PRC, Luzhou Bank Co., Ltd. was established on September 15, 1997 as approved by the PBOC. The Bank has Chengdu Branch, Meishan Branch and Suining Branch with a total of 41 operating outlets established. As of the end of the Reporting Period, our total assets amounted to RMB165,162 million, our total customer loans amounted to RMB100,443 million, and our total customer deposits amounted to RMB130,257 million.

Our H Shares have been listed on the Main Board of the Hong Kong Stock Exchange on December 17, 2018 (stock code: 1983).

Financial Summary

Unit: RMB'000

Item	For the six months ended June 30,		Year-on-year change
	2024	2023	
Operating results			change (%)
Net interest income	1,757,680	1,554,533	13.07
Net fee and commission income	82,592	69,620	18.63
Operating income	2,835,908	2,446,656	15.91
Operating expenses	(898,069)	(716,788)	25.29
Expected credit losses/other assets impairment losses	(903,809)	(872,342)	3.61
Profit before income tax	1,035,133	860,297	20.32
Net profit	808,336	675,272	19.71
Net profit attributable to Shareholders of the Bank	808,336	675,272	19.71
Per share (RMB)			change
Net assets per share attributable to our Shareholders ⁽¹⁾	3.55	3.37	0.18
Basic earnings per share ⁽²⁾	0.26	0.21	0.05
Diluted earnings per share	0.26	0.21	0.05

Item	June 30,	December 31,	Year-on-year change
	2024	2023	
Scale indicators (RMB'000)			change (%)
Total assets	165,162,479	157,636,383	4.77
Of which: net customer loans ⁽³⁾	95,295,780	88,465,685	7.72
Total liabilities	153,808,830	146,709,384	4.84
Of which: customer deposits	130,257,010	117,624,516	10.74
Share capital	2,717,752	2,717,752	0.00
Equity attributable to our Shareholders	11,353,649	10,926,999	3.90
Total equity	11,353,649	10,926,999	3.90
Asset quality indicators (%)			change
NPL ratio	1.39	1.35	0.04
Allowance coverage ratio	372.07	372.42	(0.35)
Allowance to gross loan ratio	5.16	5.01	0.15
Capital adequacy indicators (%)			change
Core tier-one capital adequacy ratio ⁽⁴⁾	8.03	8.12	(0.09)
Tier-one capital adequacy ratio ⁽⁴⁾	9.45	9.61	(0.16)
Capital adequacy ratio ⁽⁴⁾	12.46	12.74	(0.28)
Other indicators (%)			change
Liquidity ratio	82.26	80.14	2.12

Financial Summary

Item	For the six months ended June 30,		
	2024	2023	Year-on-year change
Profitability indicators (%)			change
Return on average total assets ⁽⁵⁾	1.00	0.89	0.11
Return on average equity ⁽⁶⁾	14.07	12.41	1.66
Net interest spread ⁽⁷⁾	2.77	2.74	0.03
Net interest margin ⁽⁸⁾	2.55	2.44	0.11
Cost-to-income ratio ⁽⁹⁾	29.97	28.02	1.95

Notes:

- (1) Net assets per share attributable to our Shareholders = (equity attributable to our Shareholders – other equity instruments)/the number of ordinary shares at the end of the period.
- (2) Basic earnings per share are calculated by dividing the net profit for the year/period attributable to our Shareholders by the weighted average number of ordinary shares during the period.
- (3) Net customer loans = total customer loans – impairment allowance on customer loans.
- (4) The capital adequacy ratio related indicators in the above table were calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) 《商業銀行資本管理辦法(試行)》 and other relevant regulatory requirements.
- (5) Return on average total assets = net profit/the average balance of total assets at the beginning and the end of the period.
- (6) Return on average equity = net profit attributable to our Shareholders of ordinary shares/the weighted average balance of equity attributable to our Shareholders of ordinary shares at the beginning and the end of the period.
- (7) Net interest spread = the average yield on interest-earning assets – the average cost rate of interest-bearing liabilities.
- (8) Net interest margin = net interest income/the average balance of interest-earning assets.
- (9) Cost-to-income ratio = (operating expenses – tax and surcharges)/operating income.

Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

1. ENVIRONMENT AND PROSPECT

In the first half of 2024, in the face of complex situations, the weak momentum of global economic growth, sticky inflation, the frequently-occurred geopolitical conflicts, international trade frictions, and other issues, China's economy has withstood the pressure to keep its fundamentals stable and achieve constant improvement of development quality. China's GDP in the first half of 2024 was RMB61.7 trillion, representing a year-on-year increase of 5.0%, with a stable overall operation and an upgrading structure, and it is expected to maintain a leading growth rate, still being an important engine and a stable force of world economic growth. Sichuan Province, the Bank's main operating region, has vigorously implemented the development strategy of "synchronous development of new industrialization, informatization, urbanization and agricultural modernization, integration of urban and rural, and co-prosperity of five districts" ("四化同步、城鄉融合、五區共興"), with its GDP reaching RMB2.95 trillion in the first half of the year, representing a year-on-year increase of 5.4%, which was 0.4 percentage point higher than the national level.

Looking forward, the external environment will be more complex, severe and uncertain, while the adjustment of domestic structure continues to deepen, and there are still many difficulties and challenges. However, in general, the favorable conditions for China's development are stronger than the unfavorable factors, and the positive factors for promoting economic transformation and upgrading and high-quality development also continue to accumulate; the long-term positive fundamentals of the economy and the general trend of high-quality development remain unchanged. Sichuan and Chongqing work closely together to promote the construction of the Chengdu-Chongqing Double City Economic Circle, accelerating towards "driving an important growth pole and a new source of power for high-quality development across the country" ("帶動全國高質量發展的重要增長極和新的動力源"). By actively using the advantages of location and policy to adhere to the overall focus of "synchronous development of new industrialization, informatization, urbanization and agricultural modernization, in-depth integration of urban and rural, and co-flying with the strategy of 'One Body with Two Wings'" ("四化同步推進、城鄉深度融合、'一體兩翼'齊飛"), Luzhou City solidifies the construction of a region-central city in the new era led by Chinese-style modernization, ushering in new opportunities for development in many fields.

Under the complicated internal and external environments, the banking industry typically confronted multiple pressures such as narrowing interest spread, slowing income growth, and pressure on asset quality. In the first half of 2024, the Bank proactively responded to the pressures and challenges, paid close attention to business development and internal management, and firmly carried out business transformation, with the total loan amount exceeding RMB100 billion for the first time, the cost of liabilities continuing to decline, and the net interest spread, NPL ratio and other indicators continuing to maintain a better level of the national city commercial banks. In the future, the Bank will adhere to the general tone of seeking progress while maintaining stability, coordinate business development and risk control efforts, continue to enhance its ability and level of service for the real economy, strive to improve the quality of development, and return the extensive concern and trust from investors with excellent results.

2. DEVELOPMENT STRATEGIES

In the second half of 2024, the Bank will focus on high-quality development, adhere to the optimization of asset structure through business transformation and the reduction of liabilities costs and the increase in the proportion of high-quality customers through business innovation, further strengthen the whole-process management and control of credit risks, proactively prevent reputational risks, enhance financial technology, ensure the stable operation of the Bank's network system, and build a distinctive city commercial bank in boosting regional economic development based on the characteristic development strategy of the Chengdu-Chongqing Double City Economic Circle and Luzhou "One Body with Two Wings".

Management Discussion and Analysis

3. ANALYSIS OF STATEMENTS OF PROFITS

3.1 Financial Results Highlights

Unit: RMB'000

Item	For the six months ended June 30,	
	2024	2023
Net interest income	1,757,680	1,554,533
Net fee and commission income	82,592	69,620
Net gains on trading activities, net gains on financial investments and other operating income	995,636	822,503
Operating expenses	(898,069)	(716,788)
Expected credit losses/other assets impairment losses	(903,809)	(872,342)
Share of profits of an associate	1,103	2,771
Profit before income tax	1,035,133	860,297
Income tax expenses	(226,797)	(185,025)
Net profit	808,336	675,272
Of which: net profit attributable to Shareholders of the Bank	808,336	675,272

For the six months ended June 30, 2024, the Bank's profit before income tax amounted to RMB1,035 million, representing an increase of RMB175 million or 20.32% as compared to the same period of the previous year, and net profit amounted to RMB808 million, representing an increase of RMB133 million or 19.71% as compared to the same period of the previous year. The following table sets forth the impacts of changes in the Bank's major profit or loss items on profit before income tax.

Unit: RMB'000

Item	Amount
Profit before income tax for the six months ended June 30, 2023	860,297
Changes in 2024	
Changes in net interest income	203,147
Changes in net fee and commission income	12,972
Changes in net gains on trading activities, net gains on financial investments and other operating income	173,133
Changes in operating expenses	(181,281)
Changes in expected credit losses/other assets impairment losses	(31,467)
Changes in share of profits of an associate	(1,668)
Profit before income tax for the six months ended June 30, 2024	1,035,133

Management Discussion and Analysis

3.2 Operating Income

In the first half of 2024, the Bank's operating income amounted to RMB2,836 million, representing an increase of RMB389 million or 15.91% as compared to the same period of the previous year. Among which, net interest income accounted for 61.98%. Net non-interest income amounted to RMB1,078 million, accounting for 38.02%. The following table sets forth the components of the Bank's operating income and its comparison with the same period of the previous year.

Unit: %

Item	For the six months ended June 30,	
	2024	2023
Net interest income	61.98	63.54
Net fee and commission income	2.91	2.84
Net gains on trading activities, net gains on financial investments and other operating income	35.11	33.62
Total	100.00	100.00

3.3 Net Interest Income

For the six months ended June 30, 2024, the Bank's net interest income amounted to RMB1,758 million, representing an increase of RMB203 million or 13.07% as compared to the same period of the previous year, mainly due to the increase in the scale on interest-earning assets. The following table sets forth the average balance, interest income/expense and average yield/cost rate of the assets and liabilities of the Bank for the periods indicated. The average balances of interest-earning assets and interest-bearing liabilities are daily average balances.

Unit: RMB'000

Item	For the six months ended June 30,					
	2024			2023		
	Average balance	Interest income/expense	Average yield/cost rate (%)	Average balance	Interest income/expense	Average yield/cost rate (%)
Interest-earning assets						
Customer loans	100,567,702	3,130,275	6.23	87,450,488	2,836,225	6.49
Investment ⁽¹⁾	24,457,460	522,984	4.28	27,698,305	681,023	4.92
Due from and placements with banks and other financial institutions ⁽²⁾	3,632,146	35,904	1.98	3,608,155	35,664	1.98
Balances with central bank	9,163,631	55,853	1.22	8,591,215	52,929	1.23
Total	137,820,939	3,745,016	5.43	127,348,163	3,605,841	5.66

Management Discussion and Analysis

Unit: RMB'000

Item	For the six months ended June 30,					
	2024			2023		
	Average balance	Interest income/expense	Average yield/cost rate (%)	Average balance	Interest income/expense	Average yield/cost rate (%)
Interest-bearing liabilities						
Customer deposits	124,928,002	1,666,666	2.67	117,549,337	1,751,717	2.98
Amounts due to and placements with banks and other financial institutions ⁽³⁾	6,377,540	71,050	2.23	7,505,372	78,307	2.09
Debt securities issued	12,013,363	188,596	3.14	10,433,762	170,879	3.28
Others	6,126,680	61,024	1.99	4,930,844	50,405	2.04
Total	149,445,585	1,987,336	2.66	140,419,315	2,051,308	2.92
Net interest income	-	1,757,680	-	-	1,554,533	-
Net interest spread	-	-	2.77	-	-	2.74
Net interest margin	-	-	2.55	-	-	2.44

Notes:

- (1) Investments indicated in section 3.3 include credit related financial assets, financial assets at fair value through other comprehensive income and financial assets measured at amortized cost.
- (2) Due from and placements with banks and other financial institutions indicated in section 3.3 include financial assets held under resale agreements.
- (3) Amounts due to and placements with banks and other financial institutions indicated in section 3.3 include financial assets sold under repurchase agreements.

As of June 30, 2024, the average balance of interest-earning assets of the Bank was RMB137,821 million, representing an increase of RMB10,473 million or 8.22% as compared to the same period of the previous year, mainly due to an increase in the customer loan volume. Net interest margin was 2.55%, representing an increase of 0.11 percentage point as compared to the same period of the previous year, mainly because the increase in the net interest income was higher than the increase in the volume of interest-earning assets; net interest spread was 2.77%, representing an increase of 0.03 percentage point as compared to the same period of the previous year, mainly because the increase in the average cost of interest-bearing liabilities was higher than the increase in the average yield on interest-earning assets.

Management Discussion and Analysis

The following table sets forth the distribution of changes in the Bank's interest income and interest expense due to volume and interest rate changes for the periods indicated: the volume changes were measured by changes in average balance; interest rate changes were measured by changes in average interest rate, and changes in interest income and expense due to volume and interest rate changes were included in the changes in interest income and expense due to volume changes.

Unit: RMB'000

Item	June 30, 2024 vs. June 30, 2023		
	Due to volume	Due to interest rate	Net increase (decrease)
Assets			
Customer loans	408,287	(114,237)	294,050
Investments	(69,300)	(88,739)	(158,039)
Due from and placements with banks and other financial institutions	237	3	240
Balances with central bank	3,489	(565)	2,924
Changes in interest income	342,713	(203,538)	139,175
Liabilities			
Customer deposits	98,439	(183,490)	(85,051)
Amounts due to and placements with banks and other financial institutions	(12,565)	5,308	(7,257)
Debt securities issued	24,798	(7,081)	17,717
Others	11,911	(1,292)	10,619
Changes in interest expense	122,583	(186,555)	(63,972)
Changes in net interest income	220,130	(16,983)	203,147

3.4 Interest Income

For the six months ended June 30, 2024, the Bank's interest income amounted to RMB3,745 million, representing an increase of RMB139 million or 3.86% as compared to the same period of the previous year, mainly due to an increase in the scale of interest-earning assets. The interest income from customer loans and investments constituted the major part of the interest income of the Bank.

Management Discussion and Analysis

3.4.1 Interest income from customer loans

For the six months ended June 30, 2024, the Bank's interest income from customer loans amounted to RMB3,130 million, representing an increase of RMB294 million or 10.37% as compared to the same period of the previous year. The following table sets forth the average balance, interest income and average yield of each component of the customer loans of the Bank for the periods indicated.

Unit: RMB'000

Item	For the six months ended June 30,					
	Average balance	2024 Interest income	Average yield (%)	Average balance	2023 Interest income	Average yield (%)
Corporate loans	87,083,654	2,747,095	6.31	74,766,130	2,460,501	6.58
Personal loans	13,484,048	383,180	5.68	12,684,358	375,724	5.92
Total customer loans	100,567,702	3,130,275	6.23	87,450,488	2,836,225	6.49

3.4.2 Interest income from investments

For the six months ended June 30, 2024, the Bank's interest income from investments amounted to RMB523 million, representing a decrease of RMB158 million or 23.21% as compared to the same period of the previous year, mainly due to the decrease in both the investment volume and the average yield.

3.4.3 Interest income due from and placements with banks and other financial institutions

For the six months ended June 30, 2024, the Bank's interest income due from and placements with banks and other financial institutions amounted to RMB36 million, which remained stable with the same period of the previous year.

3.4.4 Interest income from balances with central bank

For the six months ended June 30, 2024, the Bank's interest income from balances with central bank amounted to RMB56 million, representing an increase of RMB3 million as compared to the same period of the previous year, mainly due to the increase in the scale from balances with central bank.

Management Discussion and Analysis

3.5 Interest Expense

For the six months ended June 30, 2024, the Bank's interest expense amounted to RMB1,987 million, representing a decrease of RMB64 million or 3.12% as compared to the same period of the previous year, mainly due to the decrease in the average cost rate of interest-bearing liabilities. Interest expenses on customer deposits and debt securities issued constituted the major part of the interest expense of the Bank.

3.5.1 Interest expense on customer deposits

For the six months ended June 30, 2024, the Bank's interest expense on customer deposits amounted to RMB1,667 million, representing a decrease of RMB85 million or 4.86% as compared to the same period of the previous year. The following table sets forth the average balance, interest expense and average cost rate of each component of the Bank's customer deposits for the periods indicated.

Unit: RMB'000

Item	For the six months ended June 30,					
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Corporate deposits	53,793,514	522,322	1.94	53,387,451	617,812	2.31
Personal deposits	71,134,488	1,144,344	3.22	64,161,886	1,133,905	3.53
Total customer deposits	124,928,002	1,666,666	2.67	117,549,337	1,751,717	2.98

3.5.2 Interest expense on amounts due to and placements with banks and other financial institutions

For the six months ended June 30, 2024, the interest expense on amounts due to and placements with banks and other financial institutions was RMB71 million, representing a decrease of RMB7 million or 9.27% as compared to the same period of the previous year, mainly due to the decrease in the volume of amounts due to and placements with banks and other financial institutions.

3.5.3 Interest expense on debt securities issued

For the six months ended June 30, 2024, the Bank's interest expense on debt securities issued amounted to RMB189 million, representing an increase of RMB18 million or 10.37% as compared to the same period of the previous year, mainly due to the increase in the volume of debt securities issued.

Management Discussion and Analysis

3.6 Net Non-interest Income

For the six months ended June 30, 2024, the Bank's net non-interest income amounted to RMB1,078 million, representing an increase of RMB186 million or 20.86% as compared to the same period of the previous year. The following table sets forth the major components of the Bank's net non-interest income for the periods indicated and the same period of the previous year.

Unit: RMB'000

Item	For the six months ended June 30,	
	2024	2023
Fee and commission income	104,615	84,602
Fee and commission expense	(22,023)	(14,982)
Net fee and commission income	82,592	69,620
Net gains on trading activities, net gains on financial investments and other operating income	995,636	822,503
Total net non-interest income	1,078,228	892,123

3.7 Net Fee and Commission Income

For the six months ended June 30, 2024, the Bank's net fee and commission income amounted to RMB82.592 million, representing an increase of RMB12.972 million as compared to the same period of the previous year.

Unit: RMB'000

Item	For the six months ended June 30,	
	2024	2023
Fee and commission income		
Commission income from settlement services	1,916	1,066
Commission income from bank card services	676	676
Commission income from agency services	1,254	1,076
Commission income from guarantees and credit commitment services	3,991	1,023
Commission income from wealth management agency services	94,274	80,513
Commission income from investment banking services	2,402	–
Other commission income	102	248
Total	104,615	84,602
Fee and commission expense	(22,023)	(14,982)

Management Discussion and Analysis

3.8 Net Gains on Trading Activities, Net Gains on Financial Investments and Other Operating Income

For the six months ended June 30, 2024, the Bank's net gains on trading activities, net gains on financial investments and other operating income amounted to a total gain of RMB996 million, representing an increase of RMB173 million or 21.05% as compared to the same period of the previous year. Among them, net gains on trading activities decreased by RMB127 million as compared to the same period of the previous year, net gains on financial investments increased by RMB28 million as compared to the same period of the previous year, and other operating income increased by RMB272 million as compared to the same period of the previous year. The following table sets forth the major components of the Bank's net gains on trading activities, net gains on financial investments and other operating income for the periods indicated.

Unit: RMB'000

Item	For the six months ended June 30,	
	2024	2023
Net gains on trading activities	492,091	618,879
Net gains on financial investments	197,435	169,418
Other operating income	306,110	34,206
Total	995,636	822,503

3.9 Operating Expenses

For the six months ended June 30, 2024, the Bank's operating expenses amounted to RMB898 million, representing an increase of RMB181 million or 25.29% as compared to the same period of the previous year. Among them, staff costs increased by RMB10 million or 2.22% as compared to the same period of the previous year, business and administrative expenses increased by RMB138 million or 86.93% as compared to the same period of the previous year. The following table sets forth the major components of the Bank's operating expenses for the periods indicated.

Unit: RMB'000

Item	For the six months ended June 30,	
	2024	2023
Staff costs (including Directors' and Supervisors' emoluments (allowance inclusive))	444,107	434,451
Business and administrative expenses	296,844	158,801
Depreciation and amortization	84,888	74,043
Taxes and surcharges	48,277	31,284
Professional service fees	12,668	9,937
Expenditures on public welfare donations	5,140	4,230
Others	6,145	4,042
Total	898,069	716,788

Management Discussion and Analysis

3.10 Expected credit losses/other assets impairment losses

For the six months ended June 30, 2024, the Bank's expected credit losses/other assets impairment losses amounted to RMB904 million, representing an increase of RMB31 million or 3.61% as compared to the same period of the previous year. The following table sets forth the major components of the Bank's expected credit losses for the periods indicated.

Unit: RMB'000

Item	For the six months ended June 30,	
	2024	2023
ECL for loans at amortised cost	630,126	623,593
ECL for loans – FVOCI	2,713	16,028
ECL for credit related financial assets	22,072	33,089
ECL for financial assets measured at amortised cost	248,389	187,721
ECL for financial assets – FVOCI	(17,445)	(47)
ECL for reverse repurchase agreements, due from other banks and financial institutions	(4,473)	(4,455)
ECL for guarantee commitments	22,156	7,731
ECL for other receivables	237	–
Other assets impairment losses	34	8,682

Expected credit losses on loans constituted the largest part of expected credit losses/other assets impairment losses. For the six months ended June 30, 2024, the expected credit losses on loans (including discounted bills) amounted to RMB633 million, representing a decrease of RMB7 million or 1.06% as compared to the same period of the previous year.

Management Discussion and Analysis

4. ANALYSIS OF MAJOR ITEMS OF THE STATEMENT OF FINANCIAL POSITION

4.1 Assets

As of the end of June 2024, the Bank's total assets amounted to RMB165,162 million, representing an increase of RMB7,526 million or 4.77% as compared to the end of the previous year, mainly due to the increase of the Bank's customer loans. The following table sets forth the components of the Bank's total assets as of the dates indicated.

Unit: RMB'000

Item	June 30, 2024		December 31, 2023	
	Amount	% of total	Amount	% of total
Total customer loans	100,443,105	60.81	93,038,601	59.02
ECL allowance on loans at amortized cost	(5,147,325)	(3.11)	(4,572,916)	(2.90)
Net customer loans	95,295,780	57.70	88,465,685	56.12
Cash and balances with central bank	11,973,853	7.25	9,078,649	5.76
Financial assets held under resale agreements, due from other banks and financial institutions	830,237	0.50	5,050,528	3.20
Financial investments – credit related financial assets	2,437,520	1.48	1,738,496	1.10
Financial investments – financial assets at fair value through profit or loss	28,770,256	17.42	28,448,399	18.05
Financial investments – financial assets at fair value through other comprehensive income	5,036,055	3.05	6,568,084	4.17
Financial investments – amortized cost	17,134,744	10.37	14,793,402	9.38
Investment in an associate	56,046	0.03	54,943	0.04
Fixed assets	1,014,781	0.61	997,030	0.63
Deferred income tax assets	1,613,566	0.98	1,451,661	0.92
Other assets	999,641	0.61	989,506	0.63
Total assets	165,162,479	100.00	157,636,383	100.00

Management Discussion and Analysis

Customer loans

As of the end of June 2024, the Bank's total customer loans amounted to RMB100,443 million, representing an increase of RMB7,405 million or 7.96% as compared to the end of the previous year; net customer loans amounted to RMB95,296 million, representing an increase of RMB6,830 million or 7.72% as compared to the end of the previous year. The following table sets forth the customer loans of the Bank by product type as of the dates indicated.

Unit: RMB'000

Item	June 30, 2024		December 31, 2023	
	Amount	% of total	Amount	% of total
Corporate loans	86,155,778	85.78	78,308,970	84.17
Discounted bills	59,788	0.06	277,686	0.30
Personal loans	13,599,195	13.54	13,869,937	14.91
Accrued interest	628,344	0.62	582,008	0.62
Total customer loans	100,443,105	100.00	93,038,601	100.00
Less: ECL allowance on loans at amortized cost	(5,147,325)	/	(4,572,916)	/
Net customer loans	95,295,780	/	88,465,685	/

Corporate loans

As of the end of June 2024, the Bank's total corporate loans amounted to RMB86,156 million, representing an increase of RMB7,847 million or 10.02% as compared to the end of the previous year, accounting for 85.78% of the total customer loans, representing an increase of 1.61 percentage points as compared to the end of the previous year.

Discounted bills

As of the end of June 2024, the Bank's total discounted bills amounted to RMB60 million, representing a decrease of RMB218 million or 78.47% as compared to the end of the previous year, accounting for 0.06% of the total customer loans, representing a decrease of 0.24 percentage point as compared to the end of the previous year.

Personal loans

As of the end of June 2024, the Bank's personal loans amounted to RMB13,599 million, representing a decrease of RMB271 million or 1.95% as compared to the end of the previous year, accounting for 13.54% of the total customer loans, representing a decrease of 1.37 percentage points as compared to the end of the previous year.

Management Discussion and Analysis

Investments

As of the end of June 2024, the carrying value of the Bank's investments amounted to RMB53,379 million, representing an increase of RMB1,830 million or 3.55% as compared to the end of the previous year. The following table sets forth the components of the Bank's investment portfolio as of the dates indicated.

Unit: RMB'000

Item	June 30, 2024		December 31, 2023	
	Amount	% of total	Amount	% of total
Financial investments – credit related financial assets	2,437,520	4.57	1,738,496	3.37
Financial investments – financial assets at fair value through profit or loss	28,770,256	53.90	28,448,399	55.19
Financial investments – financial assets at fair value through other comprehensive income	5,036,055	9.43	6,568,084	12.74
Financial investments – amortized cost	17,134,744	32.10	14,793,402	28.70
Total	53,378,575	100.00	51,548,381	100.00

Financial investments – credit related financial assets

The Bank's credit related financial assets are corporate loans extended through consolidated structured entities (trust and asset management plans). The following table sets forth the components of the Bank's credit related financial assets as of the dates indicated.

Unit: RMB'000

Item	June 30, 2024	December 31, 2023
Financial investments – credit related financial assets		
– Trust and asset management plans	2,931,017	2,218,000
Less: ECL allowance	(681,225)	(659,153)
Accrued interest	187,728	179,649
Total	2,437,520	1,738,496

Management Discussion and Analysis

Financial investments – financial assets at fair value through profit or loss

The following table sets forth the components of the Bank's financial assets at fair value through profit or loss as of the dates indicated.

Unit: RMB'000

Item	June 30, 2024	December 31, 2023
Financial investments – financial assets at fair value through profit or loss		
– Listed outside Hong Kong	6,065,751	5,909,543
– Unlisted	22,704,505	22,538,856
Total	28,770,256	28,448,399

Financial investments – financial assets at fair value through other comprehensive income

The following table sets forth the components of the Bank's financial assets at fair value through other comprehensive income as of the dates indicated.

Unit: RMB'000

Item	June 30, 2024	December 31, 2023
Financial investments – financial assets at fair value through other comprehensive income		
– Listed outside Hong Kong	1,145,021	1,553,584
– Listed in Hong Kong	35,771	35,453
– Unlisted	3,730,493	4,841,682
Subtotal	4,911,285	6,430,719
Accrued interest	124,770	137,365
Total	5,036,055	6,568,084

Management Discussion and Analysis

Financial investments-amortized cost

The following table sets forth the components of the Bank's financial assets measured at amortized cost as of the dates indicated.

Unit: RMB'000

Item	June 30, 2024	December 31, 2023
Financial investments–amortized cost		
– Listed in Hong Kong	35,544	35,414
– Listed outside Hong Kong	3,338,430	3,342,833
– Unlisted	14,341,793	11,801,932
Subtotal	17,715,767	15,180,179
Accrued interest	446,209	392,062
Less: ECL allowance	(1,027,232)	(778,839)
Total	17,134,744	14,793,402

4.2 Liabilities

As of the end of June 2024, the Bank's total liabilities amounted to RMB153,809 million, representing an increase of RMB7,100 million or 4.84% as compared to the end of the previous year, mainly due to the stable increase in customer deposits. The following table sets forth the components of the Bank's total liabilities as of the dates indicated.

Unit: RMB'000

Item	June 30, 2024		December 31, 2023	
	Amount	% of total	Amount	% of total
Customer deposits	130,257,010	84.69	117,624,516	80.17
Due to banks and other financial institutions	4,060,031	2.64	7,153,622	4.88
Financial liabilities at fair value through profit or loss	64,358	0.04	–	–
Borrowings from central bank	6,045,464	3.93	6,050,233	4.12
Current tax liabilities	271,917	0.17	527,878	0.36
Debt securities issued	11,963,080	7.78	14,179,588	9.67
Other liabilities	1,146,970	0.75	1,173,547	0.80
Total liabilities	153,808,830	100.00	146,709,384	100.00

Management Discussion and Analysis

Customer deposits

As of the end of June 2024, the Bank's total customer deposits amounted to RMB130,257 million, representing an increase of RMB12,632 million or 10.74% as compared to the end of the previous year, accounting for 84.69% of the Bank's total liabilities, being the Bank's primary source of funding. The following table sets forth the components of the Bank's customer deposits by product type and customer type as of the dates indicated.

Unit: RMB'000

Item	June 30, 2024		December 31, 2023	
	Amount	% of total	Amount	% of total
Corporate deposits	53,417,210	41.01	47,318,577	40.23
Demand deposits	43,674,485	33.53	39,339,964	33.45
Time deposits	9,742,725	7.48	7,978,613	6.78
Personal deposits	74,239,589	56.99	67,750,902	57.60
Demand deposits	16,628,343	12.76	15,845,346	13.47
Time deposits	57,611,246	44.23	51,905,556	44.13
Accrued interest	2,600,211	2.00	2,555,037	2.17
Total customer deposits	130,257,010	100.00	117,624,516	100.00

As of the end of June 2024, the Bank's corporate demand deposits accounted for 33.53% of total customer deposits, representing an increase of 0.08 percentage point as compared to the end of the previous year. Corporate demand deposits accounted for 81.76% of corporate deposits, representing a decrease of 1.38 percentage points as compared to the end of the previous year; and personal demand deposits accounted for 22.40% of personal deposits, representing a decrease of 0.99 percentage point as compared to the end of the previous year.

Amounts due to banks and other financial institutions

As of the end of June 2024, the Bank's amounts due to banks and other financial institutions amounted to RMB4,060 million, representing a decrease of RMB3,094 million or 43.25% as compared to the end of the previous year.

Debt securities issued

As of the end of June 2024, the Bank's bonds payable amounted to RMB11,963 million, representing a decrease of RMB2,217 million or 15.63% as compared to the end of the previous year.

Management Discussion and Analysis

4.3 Equity Attributable to Shareholders

As of the end of June 2024, the Bank's equity attributable to Shareholders amounted to RMB11,354 million, representing an increase of RMB427 million or 3.90% as compared to the end of the previous year.

Unit: RMB'000

Item	June 30, 2024	December 31, 2023
Share capital	2,717,752	2,717,752
Other equity instruments	1,696,824	1,696,824
Capital surplus	1,786,355	1,786,355
Other reserves	2,881,167	2,727,309
Retained earnings	2,271,551	1,998,759
Total equity attributable to Shareholders	11,353,649	10,926,999

5. OTHER FINANCIAL INFORMATION

5.1 Analysis of Off-balance Sheet Items

The Bank's off-balance sheet items include credit commitments, operating lease commitments and capital commitments. Credit commitments are the most important parts and as of the end of the Reporting Period, the balance of credit commitments amounted to RMB2,833 million.

5.2 Overdue and Outstanding Debts

As of the end of the Reporting Period, the Bank had no overdue or outstanding debts.

5.3 Assets Pledged

As of the end of the Reporting Period, some of the Bank's assets were pledged as collaterals under agreements with the central bank. For details, please refer to note 36 to the financial statements.

6. ANALYSIS OF LOAN QUALITY

During the Reporting Period, the Bank continued to strengthen its dynamic monitoring on changes in credit asset quality and thoroughly implemented various regulatory policies, and the scale of credit assets maintained growth. Due to the complex and changing economic environment, certain companies have struggled with operating difficulties under the impact of the post-pandemic economy. The Bank continuously strengthened internal management, enhanced risk control ability, and resolved loan risks through multiple ways and channels. The level of provision coverage met regulatory requirements and the quality of our loans was strictly controlled. As of the end of the Reporting Period, the Bank's total loans amounted to RMB99,815 million, representing an increase of 7.96% as compared to the end of the previous year, total NPLs amounted to RMB1,384 million, representing an increase of RMB139 million as compared to the end of the previous year, and the NPL ratio was 1.39%, representing an increase of 0.04 percentage point as compared to the end of the previous year.

Distribution of Loans by Five-Category Classification

Unit: RMB'000

Item	June 30, 2024		December 31, 2023	
	Amount	% of total	Amount	% of total
Normal loans	97,078,519	97.26	90,030,721	97.37
Special mention loans	1,352,509	1.35	1,181,332	1.28
Substandard loans	589,381	0.59	344,426	0.37
Doubtful loans	279,562	0.28	424,103	0.46
Loss loans	514,790	0.52	476,011	0.52
Total customer loans	99,814,761	100.00	92,456,593	100.00
Total NPLs	1,383,733	1.39	1,244,540	1.35

Pursuant to the regulatory requirements on risk-based classification of loans, the Bank has adopted five-category classification to manage the quality of loans. NPLs include loans classified as substandard, doubtful and loss. As at the end of the Reporting Period, the percentage of substandard loans increased by 0.22 percentage point to 0.59% as compared to the end of the previous year, the percentage of doubtful loans decreased by 0.18 percentage point to 0.28% as compared to the end of the previous year, and the percentage of loss loans was unchanged at 0.52% as compared to the end of the previous year.

Management Discussion and Analysis

Distribution of Loans and NPLs by Industry

Unit: RMB'000

Item	June 30, 2024				December 31, 2023			
	Amount of loans	% of total	Amount of NPLs	NPL ratio %	Amount of loans	% of total	Amount of NPLs	NPL ratio %
Corporate loans	86,155,778	86.32	933,451	1.08	78,308,970	84.70	827,210	1.06
Leasing and commercial services	31,417,556	31.48	200,000	0.64	28,855,608	31.21	200,000	0.69
Construction	26,710,063	26.76	90,853	0.34	25,076,793	27.12	91,811	0.36
Wholesale and retail	8,334,212	8.35	34,267	0.41	6,050,689	6.54	56,788	0.94
Manufacturing	2,672,076	2.68	18,290	0.68	2,270,505	2.46	-	-
Real estate	8,485,506	8.50	568,973	6.71	8,453,640	9.14	408,973	4.84
Accommodation and catering	562,606	0.56	-	-	447,779	0.48	-	-
Education	226,300	0.23	-	-	328,600	0.36	-	-
Administration of water conservancy, environment and public facilities	1,620,092	1.62	-	-	2,129,322	2.30	-	-
Transportation, warehousing and express services	1,236,738	1.24	-	-	963,653	1.04	25,669	7.06
Others	4,890,629	4.90	21,068	0.43	3,732,381	4.04	43,969	1.18
Discounted bills	59,788	0.06	-	-	277,686	0.30	63,500	22.87
Retail loans	13,599,195	13.62	450,282	3.31	13,869,937	15.00	353,830	2.55
Total customer loans	99,814,761	100.00	1,383,733	1.39	92,456,593	100.00	1,244,540	1.35

In 2024, the Bank actively optimized the allocation of risk-bearing assets and the service of the real economy. The Bank also actively adjusted its credit structure and increased credit support to small and micro enterprises, agriculture-related economy, livelihood projects and other fields. We strictly controlled credit granted to industries with overcapacity and uncertain prospects, to improve the risk resistance for new credit assets continually. By industry, the Bank's non-performing corporate loans mainly involved real estate, leasing and commercial services and construction, which accounted for 92.11% of our total non-performing corporate loans.

Management Discussion and Analysis

Distribution of Loans and NPLs by Product Type

Unit: RMB'000

Item	June 30, 2024				December 31, 2023			
	Amount of loans	% of total	Amount of NPLs	NPL ratio %	Amount of loans	% of total	Amount of NPLs	NPL ratio %
Corporate loans	86,155,778	86.32	933,451	1.08	78,308,970	84.70	827,210	1.06
Working capital loans	69,322,015	69.45	362,399	0.52	61,280,704	66.28	406,012	0.66
Fixed asset loans	16,833,763	16.87	571,052	3.39	17,028,266	18.42	421,198	2.47
Discounted bills	59,788	0.06	-	-	277,686	0.30	63,500	22.87
Retail loans	13,599,195	13.62	450,282	3.31	13,869,937	15.00	353,830	2.55
Individual housing loans	2,468,987	2.47	32,710	1.32	2,633,552	2.85	31,587	1.20
Personal business loans	9,038,026	9.05	383,959	4.25	8,975,875	9.71	292,271	3.26
Personal consumption loans	2,092,182	2.10	33,613	1.61	2,260,510	2.44	29,972	1.33
Total customer loans	99,814,761	100.00	1,383,733	1.39	92,456,593	100.00	1,244,540	1.35

Under the background of the transformation of old and new driving forces and the continuous promotion of supply-side reform, the Bank actively addressed the changes of demand for effective credits, and maintained solid growth of corporate loan scale while adhering to the principle of prudent extension. At the end of the Reporting Period, the proportion of corporate loans of the Bank increased by 1.62 percentage points to 86.32% compared with the end of the previous year.

The NPL ratio of corporate loans increased by 0.02 percentage point to 1.08% as compared to the end of the previous year.

The balance of retail loans decreased by RMB271 million as compared to that at the beginning of the year, while the proportion of retail loans decreased by 1.38 percentage points to 13.62%.

The NPL ratio of retail loans increased by 0.76 percentage point to 3.31% as compared to the end of the previous year.

Management Discussion and Analysis

Distribution of Loans and NPLs by Geographical Region

Unit: RMB'000

Geographical Region	June 30, 2024				December 31, 2023			
	Amount of loans	% of total	Amount of NPLs	NPL ratio %	Amount of loans	% of total	Amount of NPLs	NPL ratio %
Luzhou	65,676,809	65.80	950,531	1.45	60,972,936	65.95	781,774	1.28
Outside Luzhou	34,137,952	34.20	433,202	1.27	31,483,657	34.05	462,766	1.47
Total customer loans	99,814,761	100.00	1,383,733	1.39	92,456,593	100.00	1,244,540	1.35

The Bank continuously optimized the regional allocation of credit resources and enhanced risk management and control in key industries by serving the economy of Luzhou and actively expanding its cross-regional business.

Distribution of Loans and NPLs by Type of Collateral

Unit: RMB'000

Item	June 30, 2024				December 31, 2023			
	Amount of loans	% of total	Amount of NPLs	NPL ratio %	Amount of loans	% of total	Amount of NPLs	NPL ratio %
Unsecured loans	31,779,589	31.84	243,075	0.76	26,643,591	28.82	159,510	0.60
Guaranteed loans	49,956,091	50.05	335,304	0.67	47,053,796	50.89	388,206	0.83
Collateralized loans	14,823,968	14.85	805,146	5.43	15,526,477	16.79	633,266	4.08
Pledged loans	3,255,113	3.26	208	0.01	3,232,729	3.50	63,558	1.97
Total customer loans	99,814,761	100.00	1,383,733	1.39	92,456,593	100.00	1,244,540	1.35

The Bank enhanced risk prevention and control through risk mitigation measures such as adding in guarantors and collaterals, with guaranteed loans and collateralized loans accounting for 64.90%.

Management Discussion and Analysis

Details of Our Ten Largest Single Borrowers

Unit: RMB'000

Name of borrowers	Industry	Amount of loans as of the end of the Reporting Period	% of net capital base	% of total loans
A	Leasing and commercial services	1,300,000	8.70	1.30
B	Leasing and commercial services	1,294,500	8.66	1.30
C	Scientific research and technology services	1,243,000	8.32	1.25
D	Leasing and commercial services	1,200,000	8.03	1.20
E	Construction	989,903	6.62	0.99
F	Leasing and commercial services	917,500	6.14	0.92
G	Leasing and commercial services	900,000	6.02	0.90
H	Real estate	898,500	6.01	0.90
I	Real estate	870,000	5.82	0.87
J	Financial services	847,483	5.67	0.85
Total		10,460,886	69.99	10.48

As of the end of the Reporting Period, the total loans of our ten largest single borrowers amounted to RMB10,461 million, accounting for 69.99% of the Bank's net capital base and 10.48% of the Bank's total loans. The loan balance of the largest single borrower was RMB1,300 million, accounting for 8.70% of the Bank's net capital base.

Distribution of Loans by Period Overdue (Excluding Interest Receivable)

Unit: RMB'000

Period overdue	June 30, 2024		December 31, 2023	
	Amount	% of total loans	Amount	% of total loans
Overdue for up to 3 months (inclusive)	660,320	0.66	364,811	0.39
Overdue for over 3 months up to 1 year (inclusive)	218,549	0.22	396,572	0.43
Overdue for over 1 year up to 3 years (inclusive)	594,537	0.60	516,345	0.56
Overdue for over 3 years	58,616	0.06	61,769	0.07
Total overdue loans	1,532,022	1.54	1,339,497	1.45
Total customer loans	99,814,761	100.00	92,456,593	100.00

As of the end of the Reporting Period, the Bank's overdue loans amounted to RMB1,532 million, representing an increase of RMB193 million as compared to the end of the previous year. The percentage of overdue loans in the Bank's total loans was 1.54%, representing an increase of 0.09 percentage point as compared to the end of the previous year. Among them, loans overdue for up to 3 months (inclusive) amounted to RMB660 million, accounting for 43.10% of overdue loans. The Bank has adopted a stricter classification criterion, under which loans whose principal or interest has been overdue for over 1 day (inclusive) would be deemed as overdue loans.

Foreclosed Assets and Provision for Its Impairment Allowance

As of the end of the Reporting Period, the Bank's total foreclosed assets amounted to RMB99,066 thousand with a provision for impairment allowance of RMB13,021 thousand, and the net foreclosed assets amounted to RMB86,045 thousand.

Management Discussion and Analysis

Changes in Expected Credit Losses Allowance of Loans at Amortized Cost

The following table sets forth the changes in the Bank's allowance for expected credit losses of loans at amortized cost:

Unit: RMB'000

Item	June 30, 2024	December 31, 2023
Balance at the beginning of the year	4,572,916	3,181,774
New financial assets originated or purchased	911,254	927,334
Remeasurement	465,976	1,502,752
Repayments	(747,104)	(871,106)
Written-offs and disposals for the period	(108,583)	(238,388)
Recoveries of loans written-off in the previous year	9,122	37,424
Unwinding of discount	43,744	33,154
Impact of exchange rate	–	(28)
Balance at the end of the year	5,147,325	4,572,916

As of the end of the Reporting Period, the Bank's balance of allowance for expected credit losses of loans at amortized cost amounted to RMB5,147 million, representing an increase of RMB574 million or 12.56% as compared to the end of the previous year.

Corresponding Measures Taken against Non-performing Assets

During the Reporting Period, the Bank mainly adopted the following measures for management of non-performing assets to enhance management and control on the asset quality and ensure its stability:

Strengthening the monitoring of overdue loans and loans that were showing other early warning signs, and properly collecting and disposing of non-performing loans. Firstly, we have strengthened post-loan management and risk warnings, identified potential risks and signs of risks in a timely manner, and strictly prevented potential risks from turning into substantive risks by strengthening vigilance, fully researching and judging, and planning in advance; secondly, we have specified the main body responsible for risk elimination and disposal, formulated "one-customer, one-policy" disposal plan, seized the key points of time, improved the efficiency of collection, and quickly promoted the effective implementation of the plan; thirdly, we have facilitated the use of the existing judicial resources, maintained an open channel to collect through litigation, strengthened communication with the court and other relevant departments, strived to obtain maximum support, and ensured orderly and efficient collection work through litigation; fourthly, we have optimized asset quality and written off loans which could be written-off, if appropriate; fifthly, we have established good communication mechanisms with relevant government departments and peer institutions to maintain an open channel to exchange information, and jointly address potential problems arising from corporate operations by concerted efforts.

Management Discussion and Analysis

Credit Extension to Group Customers and Risk Management

The Bank adhered to the principles of “implementing unified credit extension, providing an appropriate amount and conducting real-time monitoring” (“統一授信、額度適度、實時監控”) in extending credit to group customers. Firstly, the Bank strengthened the identification of group customers by identifying group customers based on the principle of “substance is more important than form” (“實質重於形式”) and the invisible relationship among enterprises; secondly, to prevent large-sum credit risk, the Bank implemented unified credit management of credit extension to group customers and laid emphasis on prevention of customer risks associated with long position financing and excessive credit extension; thirdly, the Bank controlled the credit limit through establishing credit account of group customers, combed and updated the list of group customers in a timely manner and prudently approved credit limit to prevent concentration risk and improve its group customer management level on an ongoing basis.

Discount Loans Representing over 20% (Inclusive) of the Total Loans as of the end of the Reporting Period

As of the end of the Reporting Period, the Bank did not have discount loans representing over 20% (inclusive) of the total loans.

7. ANALYSIS OF CAPITAL ADEQUACY RATIOS

The capital management of the Bank is targeted to meet regulatory requirements, constantly enhance the ability to resist risk of capital and boost return on capital, and reasonably set the capital adequacy ratio target and guide business development with a comprehensive application of means such as performance appraisal and capital allocation in a bid to achieve the coordinated development of its overall strategy, business development and capital management strategy.

We conduct regular internal capital evaluation and evaluate our capital adequacy and risk resistance ability by reference to stress testing. According to our internal capital evaluation and risk profile, we timely adjust our capital plans, optimize resource allocation and guide branches and management departments to transform into low-capital-expenditure businesses to ensure the realization of the set capital adequacy ratio target.

Management Discussion and Analysis

We calculate our capital adequacy ratio in accordance with the Administrative Measures for the Capital of Commercial Banks (《商業銀行資本管理辦法》) and other relevant regulatory provisions. The on-balance-sheet credit risk weighted assets are calculated with the risk weights prescribed by the second-tier banks, which are determined in accordance with each asset, counterparty credit and other relevant risks and by considering the effects of qualified pledge and guarantee; the same method is also applied to the calculation of off-balance-sheet credit risk exposure. Market risk-weighted assets are calculated with the simplified standard method, and the operational risk-weighted assets are calculated with the basic indicator method. During the Reporting Period, we complied with the capital requirements prescribed by regulatory authorities.

The following table sets forth the information of our capital adequacy ratio as of the dates indicated.

Unit: RMB'000

	June 30, 2024	December 31, 2023
Total capital before deductions	14,967,174	14,472,646
Of which: Core tier-one capital	9,656,825	9,230,175
Additional tier-one capital	1,696,824	1,696,824
Tier-two capital	3,613,525	3,545,647
Total net capital	14,947,324	14,453,601
Net core tier-one capital	9,636,975	9,211,130
Net additional tier-one capital	1,696,824	1,696,824
Net tier-one capital	11,333,799	10,907,954
Total risk-weighted assets	119,958,897	113,482,896
Core tier-one capital adequacy ratio	8.03%	8.12%
Tier-one capital adequacy ratio	9.45%	9.61%
Capital adequacy ratio ⁽¹⁾	12.46%	12.74%

As of the end of the Reporting Period, the Bank had a capital adequacy ratio of 12.46%, representing a decrease of 0.28 percentage point as compared to the end of the previous year, which was 1.96 percentage points higher than the regulatory requirement; a tier-one capital adequacy ratio of 9.45%, representing a decrease of 0.16 percentage point as compared to the end of the previous year, which was 0.95 percentage point higher than the regulatory requirement; and a core tier-one capital adequacy ratio of 8.03%, representing a decrease of 0.09 percentage point as compared to the end of the previous year, which was 0.53 percentage point higher than the regulatory requirement. During the Reporting Period, the growth rate of net capital of the Bank was slightly lower than the growth rate of risk-weighted assets, which resulted in a decrease in capital adequacy ratio compared with the end of the previous year. However, our capital adequacy ratio at each tier was still higher than regulatory standards.

Note:

(1) Capital adequacy ratio = total net capital/total risk-weighted assets.

Management Discussion and Analysis

Liquidity Ratios

	As of December 31, 2023
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RMB current assets to RMB current liabilities	80.14%
Foreign currency current assets to foreign currency current liabilities	N/A

	As of June 30, 2024
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RMB current assets to RMB current liabilities	82.26%
Foreign currency current assets to foreign currency current liabilities	N/A

8. RISK MANAGEMENT

Credit Risk

We adhered to the risk control principle of “active compliance, strict risk control and internal control strengthening” and kept intensifying efforts for credit risk management through credit extension structure optimization, credit system improvement, credit staff cultivation and internal examination enhancement, non-performing loan reduction, etc. During the Reporting Period, we intensified credit risk management mainly in the following aspects:

1. Optimizing credit structure adjustment by adhering to the guidance of government policies. To actively respond to the national economic development strategy, focusing on the national direction of industrial structure adjustment, keeping up with the regional economic development strategy, further scientifically digging of and reasonably allocating our credit resources and promoting sustainable and healthy development of our credit business.
2. Strengthening credit extension review and approval, and strictly implementing hierarchical authorization management for credit business. We strengthened unified credit extension and unified management, and implemented hierarchical authorization for credit extension business according to our business development needs; enhanced credit extension risk review and strictly implemented the independent review and approval mechanism based on the principle of “objectivity and fairness, legal review, independent credit granting/approval, and responsibility for risks” and “substance is more important than form”, with a focus on the review of industrial policies, credit policies, use of loan, repayment ability and guarantee ability. We reinforced credit extension management of the Group and laid emphasis on prevention of customer risks associated with long position financing and excessive credit extension. We also effectively identified high-risk customers, focused on substantial risks and proposed risk prevention measures to strictly control risks.

Management Discussion and Analysis

3. Strengthening risk screening and risk control in key areas. In accordance with the requirements of the regulatory authorities and our risk management and control, the Bank actively carried out various types of risk screening.
4. Strengthening post-loan management by fully integrating all related activities to effectively assess the risk landscape of the Bank's credit business and prevent post-loan risks. We stepped up efforts on the analysis and summarization of the causes behind issues identified during the post-loan inspections and summed up our experiences in post-loan management in a timely manner to continuously improve our credit business practices. Meanwhile, emphasis was placed on developing each institution's capacity to supervise and inspect post-loan management practices, while enhancing role-based checks and balances to effectively serve as a second line of defense. Regarding problems discovered during inspections and post-loan management, we provided corrective opinions, urged compliance with these corrective requirements, and worked to improve our ability to manage and control credit risks.
5. Strengthening the monitoring of overdue loans and loans that were showing other early warning signs, and properly collecting and disposing of non-performing loans. We have strengthened asset quality screening and management of loans associated with risk warnings, formulated risk prevention and control measures in a timely manner, and firmly prevented loans from turning into non-performing loans; we have worked out "one-customer, one-policy" risk mitigation plans in light of the specific situations of non-performing loans, and enhanced collection efforts and efficiency through non-litigation collection, litigation or arbitration collection, enforcement of notarization and credit assignment; we have established good communication mechanisms with peer institutions and government departments to maintain an open channel to convey information, and jointly address potential problems arising from corporate operations by concerted efforts.
6. Strengthening the construction of credit team and promoting high-quality and effective development of the credit business. With the purpose of "reality in touch, demand satisfaction, rapid improvement and effectiveness", we conducted themed training through external experts and internal business backbone personnel. Supplemented with tests or exams, we kept enhancing the training and guidance for credit line staff, improved the business ability and risk compliance awareness of our credit line staff across the Bank and established an enterprise risk control culture that was able to prevent and control substantial risks and cases.

Management Discussion and Analysis

Operational Risk

Operational risk refers to the risk of loss arising from inadequate or problematic internal procedures, employees and information technology systems, and external events.

We continuously strengthened the prevention and control measures of operational risk and prevented systematic operational risk and major operational risk losses. As of the end of the Reporting Period, there was no material operational risk event or case risk event.

As the top decision-making body of our operational risk management, our Board bears the ultimate responsibility for monitoring the effectiveness of operational risk management, works out operational risk management strategies and general policies that are consistent with our strategic objectives and applicable to the Bank, and regularly reviews the operational risk reports submitted by our senior management to fully understand our overall operational risk management and the effectiveness of major operational risk events handled by our senior management. Our Board of Supervisors is responsible for supervising the performance of duties by our Board and senior management on operational risk management and providing relevant supervision opinions. Our senior management is responsible for implementing the operational risk management strategies, overall policy and system approved by our Board, formulating, reviewing periodically and supervising the implementation of policies, procedures and operating regulations of the operational risk management, and adopting corresponding risk control measures to comprehensively prevent and control operational risks. The Bank has set up Operational Risk Management Committee which is responsible for operational risk prevention and control across the Bank. During the Reporting Period, the Bank constantly improved the prevention and control system of operational risk, gradually accomplished the operational risk prevention and control work structure of the case prevention prospect, the stage-gate ante-displacement and methods of case prevention, and improved the long-term mechanism of prevention and control of case and operational risk. We intensified operational risk management mainly in the following aspects.

1. Reinforce internal control level. We optimized the system, process and standards, strengthened special inspections and risk assessment of key businesses, established inspection and rectification implementation mechanism, and guarded against the potential dangers of operational risk based on the analysis of key indicators of risk control and early warnings.
2. Promote the publicity of compliance culture. We carried out publicity, training and competitions, adhered to the guidance of culture, strengthened business training, rooted in the concept of “internal control first, compliance-oriented”, and built a strong line of defense against business development risks.
3. Strengthen the management and control of case risks. We implemented inspections, work shift and compulsory vacation, observed the abnormal behavior of employees on a regular basis, and carried out special inspections and rectifications for license management practices and agency sales operations to prevent and resolve case risks.
4. Raise the level of risk control in science and technology. We paid close attention to development, operation and maintenance, and outsourcing business, improved the quality and efficiency of project construction, and carried out inspections of application system and basic software and hardware, checking information security and security assessment to ensure the safe operation of the system; and conducted inspections on information technology outsourcing to ensure the completeness, compliance and effectiveness of information technology outsourcing management.

Management Discussion and Analysis

Market Risk

Market risk refers to the risk of any loss in our on-balance-sheet and off-balance-sheet activities caused by any adverse change in market prices (interest rates, exchange rates, stock prices and commodity prices). The market risks we face mainly include interest rate risk and exchange rate risk. Our market risk management aims at controlling market risks at an acceptable and reasonable range and achieving continuous and healthy development of various businesses.

Our organizational system for market risk management is jointly constituted by the Board and its committees, the Board of Supervisors, senior management and its Centralized Risk Management Committee and Market Risk Management Committee, Risk Management Department, Internal Audit Department, Assets and Liabilities Management Department, International Business Department, Financial Markets Department, each business department and branches of head office. The Board assumes ultimate responsibility for market risk management. The senior management assumes implementation responsibility of market risk management and is responsible for organizing bank-wide market risk management. The Market Risk Management Committee under the senior management is the Bank's deliberation and decision-making body for market risk management and is responsible for deliberating on major market risk management issues. Each department carries out its work in accordance with the division of responsibilities.

In accordance with the requirements of the Guidelines on Market Risk Management of Commercial Banks 《商業銀行市場風險管理指引》, Guidelines for the Internal Control of Commercial Banks 《商業銀行內部控制指引》 and Guidelines of Bank Book Interest Rate Risk Management of Commercial Banks 《商業銀行銀行賬簿利率風險管理指引》, we formulated the operation-suited basic system of market risk and bank book interest rate risk appetite and the basic system for market risk and bank book interest rate risk management, set up market risk and bank book interest rate risk limit indicators, and conducted classification management on trading books and banking books. We optimized market risk management system and continued to improve risk management efficiency through such measures as authorization, credit extension, limit, inspection and report.

1. Interest rate risk analysis

Our interest rate risks arise primarily from the mismatch in the repricing periods of interest rates on assets and liabilities and the impact of changes in market interest rates on asset trading positions. We adopted corresponding measures such as identification, measure, inspection and control according to different nature and feature of banking books and trading books.

With respect to the repricing risk in assets and liabilities businesses, we mainly measured the interest rate sensitivity gap periodically, analyzed the interest rate risk we could bear through the gap and further evaluated the impacts of changes in interest rates on net profit and net values. We took measures in a timely manner to adjust the asset-liability product portfolio and ceiling and the pricing method of deposit and loan interest rate to ensure the risk level control is within the acceptable range, in line with internal and external management needs.

With respect to the interest rate risk of asset trading positions, we paid close attention to the domestic and overseas macro economy conditions and market liquidity changes and conducted market risk control through such measures as position setting and limit control. We used system to conduct measurement, inspection and daily management on market risk, implemented valuation to positions of trading books every day, continuously inspected transaction limits, stop-loss limits and other indicators, and regularly and effectively monitored, managed and reported the implementation of risk limits.

Management Discussion and Analysis

2. Exchange rate risk analysis

Exchange rate risk is the risk of adverse movements of exchange rate resulting in losses on the foreign currency exposure, which is due to the currency structure's imbalance between foreign currency assets and liabilities. Currently, our exchange rate risk arises primarily from the temporary risk of conversion of proceeds of the Bank from intermarket and foreign exchange settlement and sale business on behalf of customers due to exchange rate fluctuations, and the percentage of such capital is low. Therefore, the adverse effect of exchange rate risk has been kept under our control.

Liquidity Risk

Liquidity risk refers to the risk that the commercial banks cannot timely obtain sufficient funds at reasonable costs for repaying mature debts, performing other payment obligations and satisfying other capital needs for normal business operation.

Our liquidity risk management aims at fully identifying, measuring and monitoring the liquidity risk in our business lines and links by establishing and continuously improving the strategies, policies, procedures and management systems; ensuring sufficient funds to meet the needs for paying debts due and funding business operation in normal operation and stressful situations; and achieving the coordination and unity between safety, liquidity and profitability in business development to promote our sustainable and healthy operation.

To improve the effectiveness of liquidity risk management, we have established a governance structure for liquidity risk management according to the principle of separating the functions of formulating, implementing and supervising liquidity risk management policies, which provides the duties and reporting lines of the Board and its committees, the Board of Supervisors, senior management and its Centralized Risk Management Committee, Liquidity Risk Management Committee and our related departments, branches and sub-branches in respect of liquidity risk management. We have implemented a stable liquidity risk appetite better suiting our current development. Currently, our liquidity risk management policies and systems are in line with regulatory requirements and our management needs.

We carry out centralized management of liquidity risk. Through the perfect system for liquidity risk management, we fully identify, accurately measure, continuously monitor, effectively control and timely report liquidity risk from two aspects: short-term provision and mid-and-long term structure with the information system for liquidity risk management, continuously monitor and analyze the future cash flow and various limits and indicators, and periodically conduct stress testing to judge whether we have the ability to meet the liquidity needs in extreme cases. In addition, we have formulated a liquidity risk contingency plan which we regularly test and evaluate.

We hold sufficient high-quality liquid assets to ensure our liquidity needs, and have adequate intraday liquidity positions and relevant financing arrangements to meet intraday payment needs under both normal and stress scenarios. Most of our funds are from customer deposits. Customer deposits constituted a stable fund resource due to their stable growth, wide varieties and diversified terms during the Reporting Period.

With a sound and compliant internal control system for liquidity risk management, we carry out special internal audit on liquidity risk in due course and form an audit report which will be submitted to the Board.

Management Discussion and Analysis

While paying close attention to changes in macro finance and economy, we continuously enhanced fine management of liquidity risk. During the Reporting Period, we intensified liquidity risk management mainly in the following aspects:

1. We continuously optimized liquidity risk management and improved the system for liquidity risk management.
2. We intensified our efforts in marketing of deposits, particularly the marketing of personal savings and stable deposits from quality small and medium-sized customers, to promote the growth of various deposits and continuously improve the overall stability of our liabilities.
3. We paid close attention to financial and economic situations at home and abroad and changes in market liquidity, and made a prudent and reasonable judgement to timely adjust our assets and liabilities management strategies; continuously and dynamically monitored various indicators and limits management of liquidity risk through the information system for liquidity risk management and made fund arrangements in advance to ensure sufficient provisions and safe and controllable liquidity risks.
4. We continuously optimized asset-liability structure by constantly intensifying the bidirectional management of assets and liabilities, improving the stability of liabilities through multiple channels, rationally arranging for asset issuance and avoiding centralized maturity of liabilities.
5. We designed several stress scenarios and conducted periodic liquidity risk-related stress testing in strict accordance with relevant provisions under the Administrative Measures on Liquidity Risk of Commercial Banks 《商業銀行流動性風險管理辦法》 and based on various macro and micro factors which could affect our liquidity as well as the features, scale, nature, complexity and risk profile of our business.

As of June 30, 2024, the liquidity ratio of the Bank was 82.26%, which was 57.26 percentage points higher than relevant regulatory requirements; the high-quality liquidity asset adequacy ratio was 171.25%, which was 71.25 percentage points higher than relevant regulatory requirements; and the liquidity matching ratio was 148.81%, which was 48.81 percentage points higher than relevant regulatory requirements, reflecting that our major liquidity indexes met and were much higher than regulatory requirements.

Management Discussion and Analysis

Information Technology Risk Management

Information technology risks represent operational risk, legal risk, reputational risk and other types of risks caused by natural factors, human factors, technical loopholes and management failure arising from the process of using information technology in commercial banks.

The Bank has established a comprehensive information technology risk management system in accordance with Guidelines on the Information Technology Risk Management of Commercial Banks (《商業銀行信息科技風險管理指引》), Regulatory Guidelines on the Business Continuity of Commercial Banks (《商業銀行業務連續性監管指引》), Measures for the Regulation of Risks in the Information Technology Outsourcing by Banking and Insurance Institutions (《銀行保險機構信息科技外包風險監管辦法》) and the Measures for the Commissioning and Change of Important Information Systems of Banking Institutions (《銀行業金融機構重要信息系統投產及變更管理辦法》) and prevented major information technology risk events through technical and management measures, so as to ensure the smooth operation of the information system, and support rapid development of business. As of the end of the Reporting Period, there were no major information technology risk events.

The information technology risk management organization system of the Bank consists of the Board of Directors, senior management, the Information Technology Management Committee, the Information Technology Risk Management Committee, the System Development Department, the IT Department, the IT Innovation Center, the Operation Management Department, the Statistics Department, the Risk Management Department, the Internal Audit Department and the information technology personnel at the level of branch and sub-branch. The Board of Directors assumes the ultimate responsibility for information technology risk management and reviews information technology risk management preferences, limits, overall risk profile, etc. The senior management is responsible for organizing the Bank's information technology risk management, and the Risk Management Department is responsible for taking the lead in conducting specific work. The Information Technology Management Committee is responsible for reviewing major issues, such as the construction of information technology projects and the annual information technology work plan. The Information Technology Risk Management Committee is responsible for reviewing major issues concerning information technology risks, such as risk assessment reports and risk profile reports.

Management Discussion and Analysis

The information technology risks of the Bank mainly include network security risk, business continuity risk and outsourcing risk. The network security risk is mainly reflected in the threat of hackers and viruses on the security of the internet information system and client applications. The business continuity risk is mainly reflected in the high reliance of business on information systems, and the information system becomes increasingly complex while customers' requirements for service levels are constantly rising. The outsourcing risk is mainly reflected in the high reliance on the construction and continuous upgrading of information systems by outsourcing companies, and, therefore, there may be sensitive information leakage, unstable quality of development and testing, and abnormal service termination of outsourcers. The Bank mainly adopted the following measures to cope with the aforementioned risks.

1. We strictly divided the network area with logical separation between the internet information system and the internal system, and established the information security in-depth defense system through various technical measures; we regularly carried out system penetration testing and vulnerability scanning to guard against potential threats in time; we organized attack and defense drills to improve the practical security protection experience and skills of staff, and introduced third-party security services to assist to improve safety protection capability.
2. We established the business continuity management system to identify important business and important information system, and clarify business and system operation interruption recovery targets, and made business continuity plan and contingency plans; we continuously promoted the construction of business continuity resources, and were equipped with capabilities for dealing with site-level and city-level disasters through high availability technology and the construction of disaster preparedness center.
3. We strengthened the outsourcing management, ensured data security through desensitization and other technical measures, formulated outsourcing contingency plans, and carried out outsourcing invalid drills and risk assessment of important outsourcers to improve outsourcing emergency response capabilities; we improved the percentage of labor outsourcing mode to reduce direct reliance on outsourcers; we signed outsourcing service level agreement, introduced third-party testing institutions to help to conduct project testing, and specified requirements for project deliverables to control project quality.

Management Discussion and Analysis

9. SEGMENT REPORTING

The following segment operating results are presented by business segment. The Bank's main businesses include corporate banking business, retail banking business, financial market business, unallocated items and others. The following table sets forth a summary of the operating results of each business segment of the Bank for the periods indicated.

Unit: RMB'000

Item	For the six months ended June 30, 2024		For the six months ended June 30, 2023	
	Segment profit before income tax	Ratio %	Segment profit before income tax	Ratio %
Corporate banking business	601,212	58.08	444,493	51.67
Retail banking business	117,248	11.33	241,936	28.12
Financial market business	307,217	29.68	151,246	17.58
Others	9,456	0.91	22,622	2.63
Total	1,035,133	100	860,297	100

Unit: RMB'000

Item	For the six months ended June 30, 2024		For the six months ended June 30, 2023	
	Segment operating income	Ratio %	Segment operating income	Ratio %
Corporate banking business	1,732,096	61.07	1,414,007	57.79
Retail banking business	323,213	11.40	391,065	15.98
Financial market business	769,010	27.12	607,150	24.82
Others	11,589	0.41	34,434	1.41
Total	2,835,908	100	2,446,656	100

Management Discussion and Analysis

10. BUSINESS REVIEW

Corporate Banking Business

Adhering to the management tenet of “basing on local conditions, serving small and medium-sized enterprises, paying attention to the people’s livelihood and caring for the citizens”, we actively participate in economic construction and social development, and provide our corporate customers with diversified financial products and services to support their business needs.

Corporate loans

As of the end of the Reporting Period, the balance of our corporate loans amounted to RMB86,156 million, representing an increase of 10.02% as compared to the beginning of the year. In particular, our loans to medium to large enterprises amounted to RMB35,334 million, accounting for 41.01% of our total corporate loans as of the same date; our loans to micro and small enterprises amounted to RMB50,791 million, accounting for 58.95% of our total corporate loans as of the same date. Our other corporate loans amounted to RMB31 million, accounting for 0.04% of our total corporate loans as of the same date. The majority of our corporate loan customers are enterprises incorporated or otherwise having their primary operations in Sichuan Province, in particular Chengdu and Luzhou. Corporate loans have been the largest component of our loan portfolio.

Bill discounting

Bill discounting refers to the bank acceptance bills and commercial acceptance bills purchased by the Bank from our corporate customers at prices lower than the par value. We only buy bank acceptance bills and commercial acceptance bills from corporate customers which meet our credit requirements, which is a form of providing short-term financing for such customers.

We also operate interbank bill discounting and rediscounting businesses in our financial markets business segment. Based on the said businesses, we can resell discounted bills to the PBOC or other commercial banks at a lower price, which will bring us extra current assets and additional revenue in interest spread.

As of June 30, 2024, our discounted bills amounted to RMB60 million, accounting for 0.06% of our total customer loans as of the same date.

Corporate deposits

As of the end of the Reporting Period, the balance of our corporate customer deposits amounted to RMB53,417 million, accounting for 41.01% of the total deposit balance. Our corporate deposit customers primarily include government agencies such as financial, transportation and social security institutions, public institutions, state-owned enterprises and large private corporations.

Management Discussion and Analysis

Corporate products

For financing needs of corporate customers, we innovated many customized products to meet customers' different financing needs.

We have rolled out "Tian Tian Loan C" featuring one-time credit extension, recycling and a favorable treatment of interest-free repayment in the first seven days during each extension; "Shui Jin Loan" and "Shui e Loan", which are credit products that take tax payment as the main basis of credit extension; "Piao e Loan", with the value-added tax invoicing amount as the main basis of credit extension; "Le Ye Dai", "Piao Bao Tong" and "E Lu Dai", which provide supply chain financial services around the upstream and downstream enterprises of core enterprises; we provide micro and small enterprises with "CBD Loan" without collateral and that can be borrowed and repaid at any time; "Fang Hao Loan", which is housing secured loan product providing the one-stop online mortgage registration rolled out based on the mode of "Internet + Real Estate Registration"; "Zheng Cai Loan", with the government purchase orders as the basis of credit extension; "Ying Shang Loan", which is a credit product that takes the transaction breakdown of acquiring business as the main basis of credit extension; "Ke Rong Loan", pledged and guaranteed by the future receivables of integration project of information technology application innovation and other products, to offer customers efficient and convenient financing services by giving full play to the agile decision-making advantage of the local legal-person institution.

Corporate banking customer base

As of the end of the Reporting Period, we had a total of 51,057 corporate banking customers, representing an increase of 1,854 or 3.77% as compared to the beginning of the year. By studying the specific financial needs of corporate banking customers, we have launched a broad range of products and services with specific features targeting selected groups of customers. At the same time, we have also established a special customer relationship management system, which allows us to closely track our customers' and their partners' business transactions with our Bank, enabling us to offer customized financial services to them.

Financial services for micro and small enterprises

We have earnestly implemented the requirements of the Central Committee of the Communist Party of China and the State Council on providing financial support for micro and small enterprises, and take serving micro and small enterprises as the major starting point for fulfilling inclusive finance and social responsibility. By innovating products, streamlining procedures, reducing fees and profits, and deepening the assessment, we effectively improve the quality and efficiency of financial services for micro and small enterprises. As of the end of the Reporting Period, our loan balance to micro and small enterprises amounted to RMB58,030 million. The number of micro and small customers was 9,357. The balance of our inclusive finance loans to micro and small enterprises amounted to RMB12,091 million. The number of micro and small customers was 9,086, with a weighted average loan interest rate of 6.04%.

In order to better meet the financing requirements of micro and small enterprises, we accelerate the construction of Huirongtong Small Micro Loan Center, an institution specialized in serving micro and small enterprises, and enhance the application of internet fintech. Meanwhile, we fully leverage the PBOC's policies and instruments such as relending to support the development of micro and small enterprises and rediscounting to intensify the financing supports for micro and small enterprises.

Management Discussion and Analysis

Retail Banking Business

We provide our retail customers with a wide range of financial products and services, including deposits, loans, card services as well as wealth management and other intermediary businesses. We have a broad retail customer base.

As of June 30, 2024, we had 1.4634 million retail banking customers with total deposits of RMB74,240 million and total loans of RMB13,599 million.

We classify our retail customers into basic customers (with financial assets of less than RMB500,000), value customers (with financial assets of RMB500,000 (inclusive) to RMB1,000,000), high-end customers (with financial assets of RMB1,000,000 (inclusive) to RMB3,000,000), and high-net-worth customers (with financial assets exceeding RMB3,000,000). As of June 30, 2024, we had 9,691 high-end customers and 1,728 high-net-worth customers.

Retail deposits

The balance of retail deposits was RMB74,240 million, representing an increase of RMB6,489 million or 9.57% as compared to the end of the previous year. In particular, the balance of demand deposits amounted to RMB16,628 million, representing an increase of RMB783 million or 4.94% as compared to the end of the previous year and accounting for 22.40% of the retail deposits.

Retail loans

We provide our retail customers with personal business loans, personal consumption loans as well as personal residential and commercial mortgage loans. As of June 30, 2024, the total retail loans were RMB13,599 million.

Bank cards

As of June 30, 2024, the number of historical accumulated cards issued to retail banking customers by the Bank was 1.6215 million and the stock of cards was 1.348 million, representing an increase of 44.5 thousand or 3.41% as compared to the end of the previous year.

Management Discussion and Analysis

Wealth management

We provide our customers with Jin Gui Hua series wealth management products based on their risk and return appetites. Our wealth management funds are mainly invested in assets such as debt securities and money market instruments.

In the first half of 2024, the total amount of the wealth management products sold by us was RMB6,051 million. As of June 30, 2024, we had 47,853 customers for our wealth management products, of which 47,823 were retail customers and 30 were institution customers, with a balance on current products of RMB16,183 million and the performance comparison benchmark of existing wealth management products ranging from 3.20% to 5.10%.

Precious metal services

We provide our retail customers with precious metal products and services. We commenced sales agency service for precious metal from 2018. As of June 30, 2024, our agency sales of precious metal amounted to RMB2.4729 million.

Financial Market Business

In 2024, in the face of complex changes in the macro environment, market environment and regulatory environment, our financial market business thoroughly assessed the macroeconomic and financial regulatory landscape. We implemented a series of regulatory requirements, managed financial risks, and ensured the steady development of various financial market activities.

Our financial market business mainly consists of money market transactions business and investment business.

Money market transactions business

Our money market transactions include: interbank deposits, interbank lending, bond repurchase, bill rediscount, and issuance of interbank certificates of deposit. During the Reporting Period, we actively engaged in money market transactions, increasing the overall volume of money market transactions and enhancing the activity level in the interbank market. We focused on the management and maintenance of interbank clients, maintained credit sustainability with them, and strived to increase loyalty of interbank clients while maintaining the diversification and dispersion of our counterparties.

Management Discussion and Analysis

1. *Interbank deposits*

As at the end of the Reporting Period, the balance of deposits from banks and other financial institutions was RMB369 million, representing an increase of RMB8 million or 2.22% as compared to the beginning of the year. The balance of deposits with other banks was RMB530 million, representing an increase of RMB257 million or 94.14% as compared to the beginning of the year. The large change in interbank deposits was mainly because the year-on-year base of interbank deposit of the Bank is small, while the scope of change is larger in respect of adjustment according to the business needs.

2. *Interbank lending*

As at the end of the Reporting Period, the balance of our interbank placement was RMB3,682 million, representing an increase of RMB287 million or 8.45% as compared to the beginning of the year; the balance of interbank lending was RMB312 million, representing an increase of RMB300 million or 2,500.00% as compared to the beginning of the year. The substantial increase in interbank lending was primarily attributed to: first, we adjusted the business structure, increasing the interbank lending; second, the interbank lending base was small at the Reporting Period, resulting in a significant scope of change.

3. *Bond repurchase*

As at the end of the Reporting Period, the Bank had no balance of positive repurchase, representing a decrease of RMB3,392 million or 100% as compared to the beginning of the year, mainly because of the better growth in the Bank's basic deposits, thus reducing the inflow from the positive repurchase at the end of the period. The balance of counter repurchase was nil, representing a decrease of RMB4,777 million or 100% as compared to the beginning of the year, mainly based on the needs of business structure adjustment, which led to a corresponding decrease in outflow from the counter repurchase business.

4. *Bill rediscount*

As at the end of the Reporting Period, we held rediscounted bills amounting to RMB60 million, representing a decrease of RMB150 million or 71.43% as compared to the beginning of the year, mainly due to the general small size of rediscounted bills, while we decreased certain rediscounted bills according to the business needs this year.

5. *Issuance of interbank certificates of deposit*

As at the end of the Reporting Period, the balance of our interbank certificates of deposit was RMB9,587 million, representing a decrease of RMB225 million or 2.29% as compared to the beginning of the year.

Management Discussion and Analysis

Investment business

1. *Bond investment*

In the first half of 2024, under the requirements of high-quality development and debt constraints, the intensity of fiscal policy fell short of expectations, the effect of real estate policy was still to be demonstrated, and inflation remained at a low level. Under the dominance of structural “asset shortage”, the bond market entered a bull market, with terminal interest rate, various maturity period spreads, and credit spreads all hitting historic lows.

At the beginning of the year, the domestic economic recovery momentum was relatively weak, and expectations of loose monetary policy were strengthened due to gradual lowering of deposit interest rates by multiple banks. The central bank lowered the reserve requirement ratio by 0.5 percentage point in February and significantly lowered the 5-year LPR quote by 25BPs, exceeding expectations. Moreover, due to the strong allocation power at the beginning of the year, the bond market interest rates have rapidly declined, especially in the long end. In March, the “Report on the Work of the Government” of the NPC and CPPCC sessions made it clear that “the deficit rate is 3% and it is planned to issue ultra-long special treasury bonds for several consecutive years, with RMB1,000 billion to be issued first in 2024”. The fiscal policy did not exceed expectations, while the positive factors pushed the bond yield further downward. The yield of 10-year treasury bond declined by more than 30bps to below 2.4%, and the yield of 30-year treasury bond dropped to less than 2.5%. Subsequently, due to factors such as increased expectation of the tightened real estate stabilization policy, the market’s concern about prevention of fund idling caused by the launch of the central bank’s reverse repo volume, and the central bank’s warning of long-term interest rate risk several times since April, the market’s sentiment of profit stopping has warmed up. During this period, given the worry about the pace of the issuance of ultra-long special treasury bonds, the bond market experienced a correction, and the yield fluctuated upward. In May, the issuance plan of ultra-long special treasury bonds was implemented at a slower pace, and the supply concerns weakened. However, the domestic economic data continued to show a weak pattern. Besides, due to the ban on “manual interest payments”, bank deposits were shifted towards non-bank wealth management and insurance, leading to an increasingly severe asset shortage. Although the central bank repeatedly reminded the risk of long-term interest rates, the market gradually become sluggish to this aspect. The yield of long-term bonds continued to record a low level, with the yield of the 10-year treasury bonds returning to 2.2%, and the yield of the 30-year treasury bonds approaching 2.4%.

As at the end of the Reporting Period, we adjusted the total amount and structure of bond investment according to the bond market conditions and our needs of asset allocation. As at the end of the Reporting Period, our bond investment amounted to RMB34,235 million, representing an increase of RMB28 million or 0.08% as compared to the beginning of the year, among which, the balance of treasury bonds was RMB2,790 million, representing a decrease of RMB290 million or 9.42% as compared to the beginning of the year; the balance of policy financial bonds was RMB11,590 million, representing an increase of RMB1,670 million or 16.83% as compared to the beginning of the year; and the balance of debt securities issued by local governments was RMB884 million, representing a decrease of RMB833 million or 45.51% as compared to the beginning of the year; the balance of credit bonds was RMB12,551 million, representing an increase of RMB271 million or 2.21% as compared to the beginning of the year; the balance of debt securities issued by commercial banks was RMB6,420 million, representing a decrease of RMB790 million or 10.96% as compared to the beginning of the year.

Management Discussion and Analysis

2. *SPV investment*

As at the end of the Reporting Period, SPV investment was RMB17,357 million, including RMB10,578 million for public offering funds, RMB4,385 million for trust plans, and RMB2,394 million for asset management plans. SPV investment increased by RMB2,161 million or 14.22% as compared to the beginning of the year, mainly due to the increase in investments in public offering funds.

Financial Consumer Rights Protection

During the Reporting Period, we closely followed the new developments in regulation in our work on consumer rights protection. Starting with the basic work, we optimized organizational structure, reinforced our awareness of responsibility, gave full play to the legal entity's institutional advantages, improved the financial service capability by focusing on product and service design, supplemented by educational campaigns for the public and internal inspection, and comprehensively improved the overall level of our work on consumer rights protection.

1. **Strengthening strategic planning and enhancing organizational leadership**

The Bank's 14th Five-Year Plan sets out the general planning for consumer rights protection, incorporating consumer rights protection into our corporate governance, the construction of our corporate culture and business development strategies. Our Board of Directors bears the ultimate responsibility for consumer protection, provides general planning and guidance for consumer protection, and supervises the strategic goals, policies and measures related to consumer protection, effectively promoting the advancement of financial consumer rights protection.

2. **Improving institutional system and consolidating management foundation**

We rationalized the consumer rights protection system, established and improved a consumer rights protection system matching our organizational structure and business development, in order to provide a system guarantee for the effective development of our work on consumer rights protection.

3. **Highlighting brand reputation and popularizing public education**

Adhering to the concept of "customer-orientated" and "service-creating value", we provide "standardized, rigorous, honest and reliable" financial services to consumers to protect their legitimate rights. During the Reporting Period, we organized and carried out various centralized financial education activities, such as "3.15 Financial Consumer Rights Day", "Long Journey to Popularize Financial Knowledge", "Publicity on Telecom Fraud Prevention", and "Specialized Publicity on Prevention of Illegal Fund Raising", to enhance consumers' risk awareness.

4. **Enhancing the sense of responsibility and improving the level of consumer protection**

We strictly abide by national laws and regulations, actively adapt to adjustments in regulatory policies, and implement relevant industry standards and operating guidelines. During the Reporting Period, we deeply rooted the concept of consumer protection in product design, services, pricing management, agreement formulation, examination and approval, marketing and publicity, etc., to achieve whole-process, full-coverage and all-round management of consumer rights protection.

Changes in Share Capital and Information on Shareholders

I. CHANGES IN SHARE CAPITAL

During the Reporting Period, the Bank's share capital remained unchanged.

II. STATEMENT OF SHAREHOLDING STRUCTURE

Unit: Share, %

	January 1, 2024		Increase (decrease) during the Reporting Period	June 30, 2024	
	Quantity	Percentage		Quantity	Percentage
Total share capital	2,717,752,062	100.00	0	2,717,752,062	100.00
Domestic Shares held by legal person	1,914,405,243	70.44	290,726	1,914,695,969	70.45
Domestic Shares held by natural person	50,226,819	1.85	(290,726)	49,936,093	1.84
H Shares	753,120,000	27.71	0	753,120,000	27.71

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

The Bank did not purchase, sell or redeem any listed securities of the Bank (including sales of treasury shares) during the Reporting Period. As of the end of the Reporting Period, no treasury shares were held by the Bank.

IV. DETAILS OF SHAREHOLDERS

As of the end of the Reporting Period, the total number of shares of the Bank was 2,717,752,062 Shares, consisting of 1,964,632,062 Domestic Shares and 753,120,000 H Shares.

(I) Shareholding of Top 10 Holders of Domestic Shares of the Bank

Shareholding of top ten holders of Domestic Shares of the Bank is as follows:

Unit: Share

No.	Name of Shareholder	Number of Shares held	Shareholding percentage
1	Luzhou Laojiao Group Co., Ltd.	390,528,000	14.37%
2	Sichuan Jiale Enterprise Group Co., Ltd.	325,440,000	11.97%
3	Luzhou Xinfu Mining Industry Group Co., Ltd.	325,440,000	11.97%
4	Luzhou Municipal Finance Bureau	193,853,760	7.13%
5	Luzhou State-owned Assets Operation Co., Ltd.	173,568,000	6.39%
6	Luzhou Xinglu Jutai Construction Engineering Group Co., Ltd.	110,059,035	4.05%
7	Chengdu Modern Agricultural Development Investment Co., Ltd.	97,252,320	3.58%
8	Luzhou Industrial Development Investment Group Co., Ltd.	88,154,722	3.24%
9	Luzhou Xinglu Asset Management Co., Ltd.	62,154,702	2.29%
10	Luzhou Laojiao Co., Ltd.	43,392,000	1.60%

Changes in Share Capital and Information on Shareholders

(II) Interests and Short Positions of Substantial Shareholders and Other Persons in Shares and Underlying Shares under the Regulations of Hong Kong

To the knowledge of the Directors or chief executives of the Bank, as of June 30, 2024, interests and short positions of the following persons (other than the Directors, Supervisors and chief executives of the Bank) had or were deemed to have in the Shares and underlying Shares of the Bank which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept pursuant to Section 336 of the SFO, were as follows:

Name of Shareholder	Nature of interest	Class of Shares	Long position/short position	Number of Shares directly or indirectly held (share)	Number of Shares owned with derivative interest (share)	Approximate % of issued Shares in the Bank	Approximate % of the relevant class of Shares in the Bank
Luzhou Laojiao Group Co., Ltd. (瀘州老窖集團有限責任公司) ⁽¹⁾	Beneficial owner	Domestic Shares	Long Position	390,528,000	-		
	Interest in controlled corporation	Domestic Shares	Long Position	43,392,000	-		
				433,920,000		15.97%	22.09%
Sichuan Jiale Enterprise Group Co., Ltd. (四川省佳樂企業集團有限公司) ⁽²⁾	Beneficial owner	Domestic Shares	Long Position	325,440,000	-	11.97%	16.56%
JIANG Xiaoying (姜曉英) ⁽²⁾	Interest in spouse	Domestic Shares	Long Position	334,118,400	-	12.29%	17.01%
Luzhou Xinfu Mining Industry Group Co., Ltd. (瀘州鑫福礦業集團有限公司)	Beneficial owner	Domestic Shares	Long Position	325,440,000	-	11.97%	16.56%
Sichuan Xinfu Industrial Group Co., Ltd. (四川鑫福產業集團有限公司) ⁽³⁾	Interest in controlled corporation	Domestic Shares	Long Position	325,440,000	-	11.97%	16.56%
LAI Dafu (賴大福) ⁽³⁾	Interest in controlled corporation	Domestic Shares	Long Position	325,440,000	-	11.97%	16.56%
GE Xiuqiong (葛修瓊) ⁽³⁾	Interest in controlled corporation	Domestic Shares	Long Position	325,440,000	-	11.97%	16.56%
Luzhou Industrial Development Investment Group Co., Ltd. (瀘州產業發展投資集團有限公司) ⁽⁴⁾	Beneficial owner	Domestic Shares	Long Position	88,154,722	-		
	Interest in controlled corporation	Domestic Shares	Long Position	173,809,911	-		
				261,964,633		9.64%	13.33%

Changes in Share Capital and Information on Shareholders

Name of Shareholder	Nature of interest	Class of Shares	Long position/short position	Number of Shares directly or indirectly held (share)	Number of Shares owned with derivative interest (share)	Approximate % of issued Shares in the Bank	Approximate % of the relevant class of Shares in the Bank
Luzhou Xinglu Investment Group Co., Ltd. (瀘州市興瀘投資集團有限公司) ⁽⁶⁾	Interest in controlled corporation	Domestic Shares	Long Position	233,613,417	-	8.60%	11.89%
Luzhou Municipal Finance Bureau (瀘州市財政局)	Beneficial owner	Domestic Shares	Long Position	193,853,760	-	7.13%	9.87%
Luzhou State-owned Assets Operation Co., Ltd. (瀘州國有資產經營有限公司)	Beneficial owner	Domestic Shares	Long Position	173,568,000	-	6.39%	8.83%
OTX ADVISORY HOLDINGS, INC. ⁽⁶⁾	Beneficial owner	H Shares	Long Position	135,672,000	-	4.99%	18.01%
CHEN Xia (陳霞) ⁽⁶⁾	Interest in controlled corporation	H Shares	Long Position	135,672,000	-	4.99%	18.01%
JNR Asia Corporation Limited ⁽⁷⁾	Beneficial owner	H Shares	Long Position	130,920,000	-	4.82%	17.38%
HUANG Chengping (黃成萍) ⁽⁷⁾	Interest in controlled corporation	H Shares	Long Position	130,920,000	-	4.82%	17.38%
Luzhou Fundamental Infrastructure Construction Investment Co., Ltd. (瀘州市基礎建設投資有限公司) ⁽⁶⁾	Beneficial owner Interest in controlled corporation	Domestic Shares Domestic Shares	Long Position Long Position	18,007,680 110,059,035	- -		
				128,066,715		4.71%	6.52%

Changes in Share Capital and Information on Shareholders

Name of Shareholder	Nature of interest	Class of Shares	Long position/short position	Number of Shares directly or indirectly held (share)	Number of Shares owned with derivative interest (share)	Approximate % of issued Shares in the Bank	Approximate % of the relevant class of Shares in the Bank
Luzhou Xinglu Jutai Construction Engineering Group Co., Ltd. (瀘州興瀘居泰建設工程集團有限公司) ⁽⁸⁾	Beneficial owner	Domestic Shares	Long Position	110,059,035	-	4.05%	5.60%
Luzhou Chengnan Construction Investment Co., Ltd. (瀘州市城南建設投資有限公司) ⁽⁸⁾	Interest in controlled corporation	Domestic Shares	Long Position	110,059,035	-	4.05%	5.60%
China Development Fund Co., Ltd. (國開發基金有限公司) ⁽⁸⁾	Interest in controlled corporation	Domestic Shares	Long Position	110,059,035	-	4.05%	5.60%
Guotai Junan Securities Co., Ltd. ⁽⁹⁾	Interest in controlled corporation	H Shares	Long Position	120,000,000	-	4.42%	15.93%
	Interest in controlled corporation	H Shares	Short Position	120,000,000	-	4.42%	15.93%
Guotai Junan International Holdings Limited ⁽⁹⁾	Interest in controlled corporation	H Shares	Long Position	120,000,000	-	4.42%	15.93%
	Interest in controlled corporation	H Shares	Short Position	120,000,000	-	4.42%	15.93%
Luzhou High-tech Investment Group Co., Ltd. (瀘州市高新投資集團有限公司)	Beneficial owner	H Shares	Long Position	120,000,000	-	4.42%	15.93%
Luzhou Liquor Investment Co., Ltd. (瀘州酒業投資有限公司)	Beneficial owner	H Shares	Long Position	72,000,000	-	2.65%	9.56%
LEI Zunyong (雷尊勇) ⁽¹⁰⁾	Interest in controlled corporation	H Shares	Long Position	134,384,800	-	4.94%	17.84%
Mill Creek Asia Limited ⁽¹⁰⁾	Beneficial owner	H Shares	Long Position	134,384,800	-	4.94%	17.84%
FAN YUE ⁽¹¹⁾	Interest in controlled corporation	H Shares	Long Position	112,560,800	-	4.14%	14.95%
MX Corporation Limited ⁽¹¹⁾	Beneficial owner	H Shares	Long Position	37,656,400	-	1.39%	5.00%

Notes:

- (1) Luzhou State-owned Assets Supervision and Administration Commission (瀘州市國有資產監督管理委員會) had 90% equity interest in Luzhou Laojiao Group Co., Ltd. Luzhou Laojiao Group Co., Ltd. directly held 390,528,000 Domestic Shares and indirectly held 43,392,000 Domestic Shares through its controlled company Luzhou Laojiao Co., Ltd. (瀘州老窖股份有限公司). By virtue of the SFO, Luzhou Laojiao Group Co., Ltd. is deemed to be interested in the Domestic Shares held by Luzhou Laojiao Co., Ltd.
- (2) Mr. XIONG Guoming (熊國銘) (i) indirectly held 8,678,400 Domestic Shares through Sichuan Luzhou Jiale Real Estate Co., Ltd. (四川省瀘州市佳樂房地產有限責任公司). Luzhou Yijia Real Estate Development Co., Ltd. (瀘州益佳房地產開發有限公司) had approximately 92.68% equity interest in Sichuan Luzhou Jiale Real Estate Co., Ltd., Sichuan Jiale Yijia Industrial Co., Ltd. (四川佳樂益佳實業有限公司) had approximately 70.44% equity interest in Luzhou Yijia Real Estate Development Co., Ltd., and Mr. XIONG Guoming had 80% equity interest in Sichuan Jiale Yijia Industrial Co., Ltd.; and (ii) held 325,440,000 Domestic Shares through Sichuan Jiale Enterprise Group Co., Ltd. (四川省佳樂企業集團有限公司) and Mr. XIONG Guoming had 80% equity interest in Sichuan Jiale Enterprise Group Co., Ltd. By virtue of the SFO, Mr. XIONG Guoming is deemed to be interested in the Domestic Shares held by Sichuan Luzhou Jiale Real Estate Co., Ltd. and Sichuan Jiale Yijia Industrial Co., Ltd. Ms. JIANG Xiaoying (姜曉英) is the spouse of Mr. XIONG Guoming and is deemed to be interested in the Domestic Shares held by Mr. XIONG Guoming under the SFO.

Changes in Share Capital and Information on Shareholders

- (3) Mr. LAI Dafu and Ms. GE Xiuqiong held 60% and 40% equity interest in Sichuan Xinfu Industrial Group Co., Ltd., respectively. Sichuan Xinfu Industrial Group Co., Ltd. held 92% equity interest in Luzhou Xinfu Mining Industry Group Co., Ltd. By virtue of the SFO, each of Mr. LAI Dafu, Ms. GE Xiuqiong and Sichuan Xinfu Industrial Group Co., Ltd. is deemed to be interested in the Domestic Shares held by Luzhou Xinfu Mining Industry Group Co., Ltd.
- (4) Luzhou Industrial Development Investment Group Co., Ltd. directly held 88,154,722 Domestic Shares and indirectly held 173,568,000 Domestic Shares through its wholly-owned subsidiary, Luzhou State-owned Assets Operation Co., Ltd. and indirectly held 241,911 Domestic Shares through its wholly-owned subsidiary, Lutianhua (Group) Co., Ltd. (瀘天化(集團)有限責任公司). By virtue of the SFO, Luzhou Industrial Development Investment Group Co., Ltd. is deemed to be interested in the Domestic Shares held by Luzhou State-owned Assets Operation Co., Ltd. and Lutianhua (Group) Co., Ltd.
- (5) Luzhou Xinglu Investment Group Co., Ltd. (i) indirectly held 110,059,035 Domestic Shares, through its controlled corporation Luzhou Xinglu Jutai Construction Engineering Group Co., Ltd. (瀘州興瀘居泰建設工程集團有限公司), in which Luzhou Chengnan Construction Investment Co., Ltd. and Luzhou Xinglu Investment Group Co., Ltd. had 45.99% and 51.86% equity interest, respectively. Luzhou Fundamental Infrastructure Construction Investment Co., Ltd. had approximately 50.82% equity interest in Luzhou Chengnan Construction Investment Co., Ltd., and Luzhou Xinglu Investment Group Co., Ltd. had approximately 55.11% equity interest in Luzhou Fundamental Infrastructure Construction Investment Co., Ltd.; (ii) indirectly held 43,392,000 Domestic Shares through its controlled corporation Luzhou Laojiao Co., Ltd., in which Luzhou Xinglu Investment Group Co., Ltd. had approximately 24.86% equity interest. Luzhou Laojiao Group Co., Ltd. and Luzhou Xinglu Investment Group Co., Ltd. entered into an agreement on action in concert valid from June 1, 2024 to May 31, 2027 in respect of their respective equity in Luzhou Laojiao Co., Ltd.; (iii) indirectly held 62,154,702 Domestic Shares through its controlled corporation Luzhou Xinglu Asset Management Co., Ltd., in which Luzhou Xinglu Asset Management Co., Ltd. is wholly owned by Luzhou Xinglu Investment Group Co., Ltd.; and (iv) indirectly held 18,007,680 Domestic Shares through its controlled corporation Luzhou Fundamental Infrastructure Construction Investment Co., Ltd. By virtue of the SFO, Luzhou Xinglu Investment Group Co., Ltd. is deemed to be interested in the Domestic Shares held by Luzhou Xinglu Jutai Construction Engineering Group Co., Ltd., Luzhou Laojiao Co., Ltd., Luzhou Xinglu Asset Management Co., Ltd. and Luzhou Fundamental Infrastructure Construction Investment Co., Ltd.

Changes in Share Capital and Information on Shareholders

- (6) OTX ADVISORY HOLDINGS, INC. is wholly owned by CHEN Xia. By virtue of the SFO, CHEN Xia is deemed to be interested in the H Shares held by OTX ADVISORY HOLDINGS, INC.
- (7) JNR Asia Corporation Limited is wholly owned by HUANG Chengping. By virtue of the SFO, HUANG Chengping is deemed to be interested in the H Shares held by JNR Asia Corporation Limited.
- (8) Luzhou Xinglu Jutai Construction Engineering Group Co., Ltd. is held as to 51.86% equity interest by Luzhou Xinglu Investment Group Co., Ltd. and as to 45.99% equity interest by Luzhou Chengnan Construction Investment Co., Ltd., in which Luzhou Fundamental Infrastructure Construction Investment Co., Ltd. and China Development Fund Co., Ltd. held approximately 50.82% and 41.18% equity interest, respectively. By virtue of the SFO, each of Luzhou Xinglu Investment Group Co., Ltd., Luzhou Fundamental Infrastructure Construction Investment Co., Ltd., China Development Fund Co., Ltd. and Luzhou Chengnan Construction Investment Co., Ltd. is deemed to be interested in the Domestic Shares held by Luzhou Xinglu Jutai Construction Engineering Group Co., Ltd.
- (9) Guotai Junan Financial Products Limited is wholly owned by Guotai Junan International Holdings Limited. Guotai Junan Financial Holdings Limited had 73.74% equity interest in Guotai Junan International Holdings Limited. Guotai Junan Financial Holdings Limited is wholly owned by Guotai Junan Securities Co., Ltd. By virtue of the SFO, each of Guotai Junan International Holdings Limited, Guotai Junan Financial Holdings Limited and Guotai Junan Securities Co., Ltd. is deemed to be interested in the interests in H Shares of Guotai Junan Financial Products Limited.
- (10) Mill Creek Asia Limited is wholly owned by LEI Zunyong. By virtue of the SFO, LEI Zunyong is deemed to be interested in the H Shares held by Mill Creek Asia Limited.
- (11) FAN YUE directly held (i) 37,410,200 H Shares through the wholly owned GSX Corporation; (ii) 37,656,400 H Shares through the wholly owned MX Corporation Limited; and (iii) 37,494,200 H Shares through the wholly owned YO HO CO., LTD. By virtue of the SFO, FAN YUE is deemed to be interested in the H Shares held by GSX Corporation, MX Corporation Limited and YO HO CO., LTD.

Save as disclosed above, to the knowledge of the Directors, the Bank is not aware of any other person (other than a Director, Supervisor and chief executive of the Bank) having any interests or short positions in the Shares or underlying Shares of the Bank as of June 30, 2024 which are required to be recorded in the register pursuant to section 336 of the SFO.

(III) Substantial Shareholders of the Bank

For information about the substantial Shareholders⁽¹⁾ of the Bank, please refer to the related party relationships and related party transactions under Note 39 to the Financial Statements of this interim report.

Note:

- (1) According to the Interim Measures for the Equity Management of Commercial Banks of Former CBIRC (CBRC Order 2018 No. 1), substantial shareholders of a commercial bank refer to shareholders who hold or control 5% or above shares or voting rights of the commercial bank, or who hold less than 5% of total capital or total shares of the commercial bank but have significant impacts on the operation and management of the commercial bank. The significant impacts mentioned above include but are not limited to dispatching directors, supervisors or senior executives to a commercial bank.

Changes in Share Capital and Information on Shareholders

V. DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE BANK

As of June 30, 2024, based on the information available to the Bank and as far as our Directors are aware, the interests and short positions of our Directors, Supervisors and chief executives in the Shares, underlying Shares and debentures of our Bank or any associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register of interests kept pursuant to section 352 of the SFO, or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules were set out as follows:

Interests in the Bank held by our Directors, Supervisors and chief executives							Approximate
Name	Position	Nature of interest	Class of Shares	Long position/ short position	Number	Approximate	Approximate
					of Shares		
					directly	in our Bank	relevant
					or indirectly		class of
					held (share)		Shares in
							the Bank
XIONG Guoming (熊國銘)	Non-executive Director	Interest in controlled corporation	Domestic Shares	Long position	334,118,400	12.29%	17.01%
LIU Shirong (劉仕榮)	Executive Director	Beneficial owner	Domestic Shares	Long position	13,018	0.0005%	0.0007%
CHEN Yong (陳勇) ⁽¹⁾	Supervisor	Interest of spouse	Domestic Shares	Long position	19,527	0.0007%	0.001%

Note:

- (1) The Domestic Shares were held by Ms. LAN Ying (蘭英), the spouse of Mr. CHEN Yong. Mr. CHEN Yong is deemed to be interested in the Domestic Shares held by Ms. LAN Ying under the SFO.

Save as disclosed above, as of June 30, 2024, none of our Directors, Supervisors and chief executives had any interests or short positions in the Shares, underlying Shares or debentures of our Bank or any associated corporations (as defined in Part XV of the SFO) which were required to be recorded in the register kept pursuant to section 352 of the SFO or which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code.

Directors, Supervisors, Senior Management and Employees

I. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(I) Directors

As of the Latest Practicable Date, the Board of the Bank consisted of ten Directors, including two executive Directors, namely, Mr. YOU Jiang and Mr. LIU Shirong; four non-executive Directors, namely, Ms. PAN Lina, Mr. XIONG Guoming, Mr. LUO Huoming and Ms. CHEN Ping; and four independent non-executive Directors, namely, Mr. TANG Baoqi, Mr. ZHONG Jin, Mr. GAO Jinkang and Mr. CHING Yu Lung, respectively.

The specific names and members of the six special committees under the Board are as follows:

Development and strategy committee: Ms. PAN Lina (chairperson), Mr. YOU Jiang, Mr. XIONG Guoming, Mr. LUO Huoming and Ms. CHEN Ping

Risk management committee: Mr. XIONG Guoming (chairperson), Mr. YOU Jiang, Mr. LIU Shirong, Mr. ZHONG Jin and Mr. CHING Yu Lung

Audit committee: Mr. CHING Yu Lung (chairperson), Ms. PAN Lina and Mr. GAO Jinkang

Nomination and remuneration committee: Mr. TANG Baoqi (chairperson), Mr. YOU Jiang, Mr. XIONG Guoming, Mr. ZHONG Jin and Mr. GAO Jinkang

Related party (connected) transactions control committee: Mr. GAO Jinkang (chairperson), Mr. LIU Shirong, Mr. ZHONG Jin and Mr. CHING Yu Lung

Consumer rights protection committee: Mr. LUO Huoming and Mr. TANG Baoqi

(II) Supervisors

As of the Latest Practicable Date, the Board of Supervisors of the Bank consisted of five Supervisors, including a Shareholder representative Supervisor, namely Mr. WU Wei, two employee representative Supervisors, namely Ms. LIU Yongli and Mr. CHEN Yong; and two external Supervisors, namely Mr. LYU Hong and Mr. GUO Bing.

(III) Senior Management

There are 11 senior management members in the Bank, namely president Mr. LIU Shirong, vice president Ms. YUAN Shihong, vice president Ms. XUE Xiaoqin, vice president Mr. WU Ji, vice president and chief information officer Mr. HAN Gang, vice president and secretary to the Board, joint company secretary Mr. MING Yang, vice president Mr. HU Jia, vice president Mr. YANG Bing, assistant to president Mr. AI Yong, general manager of the internal audit department Ms. LI Yan, and general manager of accounting and finance department Ms. WANG Lan.

Directors, Supervisors, Senior Management and Employees

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Changes in Directors

Mr. HAN Zirong was elected as the independent non-executive Director of the Bank at the 2023 annual general meeting held by the Bank on May 22, 2024, and his appointment will formally come into force upon approval by the Sichuan Bureau of the National Financial Regulatory Administration.

For details of the above change, please refer to the relevant announcement published by the Bank.

(II) Changes in Supervisors

During the Reporting Period and up to the Latest Practicable Date, there were no changes in members of Supervisors.

(III) Changes in Senior Management

During the Reporting Period and up to the Latest Practicable Date, there were no changes in members of senior management.

(IV) Changes in Information of Directors, Supervisors and President

Mr. GAO Jinkang, an independent non-executive Director of the Bank, began to serve as an external supervisor of Chengdu Rural Commercial Bank Co., Ltd. in April 2024. He no longer served as the independent director of Suzhou Fresh Drinks Co., Ltd. (蘇州鮮活飲品股份有限公司) since January 2024 and ceased to be an independent director of Sichuan Jule Food Co., Ltd. (四川菊樂食品有限公司) since June 2024.

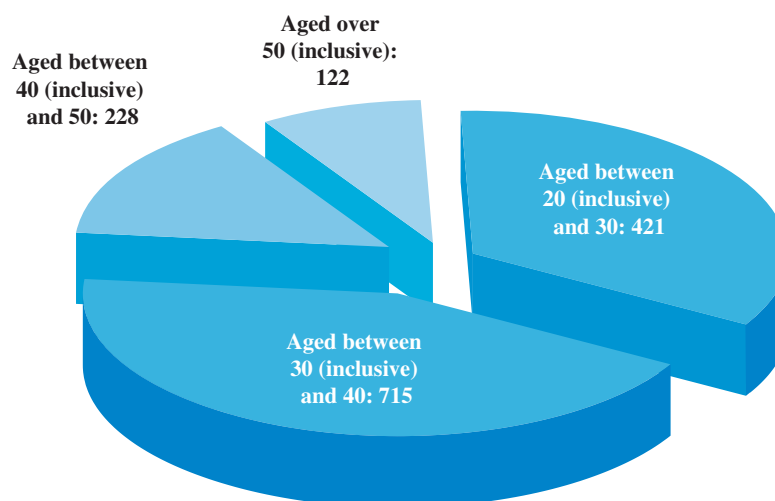
III. SECURITIES TRANSACTION BY DIRECTORS AND SUPERVISORS

Our Bank has adopted the Model Code as its code for regulating securities transactions by Directors and Supervisors of the Bank. Having made specific enquiry with all Directors and Supervisors by the Bank, our Directors and Supervisors confirmed that they had been in compliance with the Model Code throughout the Reporting Period.

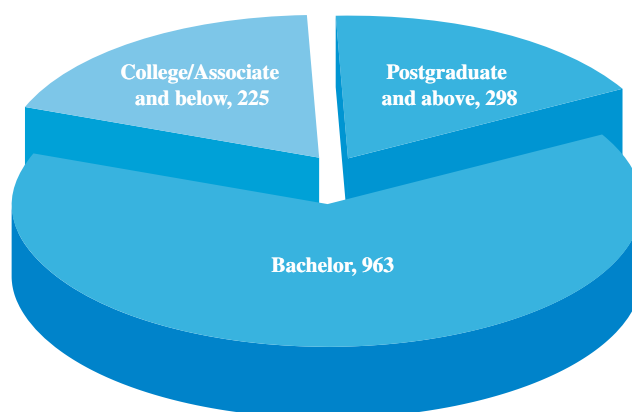
Directors, Supervisors, Senior Management and Employees

IV. DETAILS OF EMPLOYEES

As of June 30, 2024, the Bank had 1,486 employees (including dispatched workers) in total, with an average age of 35.23. Of them, 421 employees aged between 20 (inclusive) and 30, accounting for 28.33%; 715 employees aged between 30 (inclusive) and 40, accounting for 48.12%; 228 employees aged between 40 (inclusive) and 50, accounting for 15.34%; and 122 employees aged over 50 (inclusive), accounting for 8.21%.



By education background, the Bank had 298 employees with postgraduate degrees and above (including 3 doctoral candidates), accounting for 20.05%; 963 employees with bachelor degrees, accounting for 64.81%; 225 employees with college/associate degrees and below, accounting for 15.14%.



The Bank had a total of 143 technology talents, accounting for 9.62% of the employees of the Bank.

Directors, Supervisors, Senior Management and Employees

V. TRAINING FOR EMPLOYEES

The training for our employees is carried out in accordance with the actual situations of our development strategic objectives and employees' ability and quality. The Bank continuously expands the training platforms, enriches training resources, optimizes training programs, and improves the talent development mechanism. We adopt the organization form of "online and offline, internal and external training, business and management, daily and special, the complementarity between the head office and branches", and continue to promote training programs such as induction training for new employees, leadership development for mid-level managers, international and domestic high-end financial qualified certification training, degree enhancement, and cultivation of young reserve cadres, laying a solid foundation for the continuous development of high-quality financial talents in our Bank. During the Reporting Period, the total number of various internal and external training activities of the Bank reached approximately 170 and the number of participants reached over 4,600.

VI. REMUNERATION POLICIES FOR EMPLOYEES

In 2024, the Bank constantly aimed to refine and improve the incentive and restraint mechanism, help employees grow and make progress, increase corporate efficiency and promote its high-quality development, and implemented the market-oriented performance appraisal mechanism based on post salaries and performance-based remuneration. Based on the dual-channel career development system for its employees, the Bank had established dual channels for remuneration promotion of employees, expanded the space for remuneration promotion of professional sequence employees, and built a remuneration exchange link between management sequence and professional sequence. Following the principle of "paying for post, ability and performance", the Bank's post salary was tightly coupled with post value and personal ability, and performance-related pay was closely linked to value creation, contribution and performance, which not only inspired employees to take initiatives to grow and actively improved their ability, but also mobilized employees' working enthusiasm and creativity and enhanced the overall efficiency of the enterprise. The Bank paid "Five Social Insurances and One Housing Fund (五險一金)" for employees in accordance with the relevant laws. In addition, the Bank purchased supplementary medical insurance for its employees, and established an enterprise annuity plan to provide employees with a relatively complete security system which had effectively improved employees' sense of belonging and strengthened corporate cohesion. At the same time, the Bank had established a mechanism for deferral payment and clawback of performance-related remuneration in accordance with regulatory requirements and business and management needs to promote sound operation and sustainable development of the Bank.

Important Events

CORPORATE GOVERNANCE

During the Reporting Period, the Bank continued to refine its corporate governance structure and improved its corporate governance in strict compliance with laws and regulations such as the Company Law of the PRC, the Commercial Banking Law of the PRC as well as the Listing Rules and in line with the actual conditions of the Bank. We had also adopted Part 2 of the Corporate Governance Code (the “Code”) set out in Appendix C1 to the Listing Rules, reached the requirements of the administrative measures and corporate governance for domestic commercial banks, and established a good corporate governance system.

The Bank has strictly complied with the principles and Code provisions as well as some of the recommended best practices set out in the Code during the Reporting Period. The Bank is committed to maintaining a high standard of corporate governance.

We will continue to enhance our corporate governance to ensure compliance with the Code and meet the expectations of the Shareholders and potential investors.

DIVIDENDS DISTRIBUTION

Upon consideration and approval of 2023 Profit Distribution Plan by the 2023 annual general meeting of the Bank held on May 22, 2024, the Bank distributed final dividends in cash for 2023 of RMB0.9 (tax inclusive) for every 10 shares on June 21, 2024 and RMB244.60 million (tax inclusive) in aggregate to the Shareholders whose names appeared on the register of members of the Bank as of May 31, 2024.

The Bank did not distribute and did not propose to distribute any interim dividend for the six months ended June 30, 2024.

MATERIAL LITIGATIONS AND ARBITRATIONS

During the Reporting Period, there were no litigations or arbitrations which had a material impact on the operation activities of the Bank.

PENALTIES IMPOSED ON THE BANK AND DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

During the Reporting Period, the Bank and all the Directors, Supervisors and senior management had no record of being subject to inspections, administrative penalties and circulating criticisms by the CSRC or public censures by the Hong Kong Stock Exchange, or penalties by other regulatory bodies that posed significant impact on the Bank’s operation.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

During the Reporting Period, the Bank had no material contracts or their performance.

REVIEW OF INTERIM RESULTS

The Bank's interim financial information for 2024 (unaudited) prepared in accordance with IFRS has been reviewed by PricewaterhouseCoopers, who has been providing audit service for the Bank since 2017, and an unqualified review report is issued thereon.

The Bank's 2024 interim report and 2024 interim financial information (unaudited) have been reviewed by the Audit Committee of the Board and the Board of Directors of the Bank.

MATERIAL ACQUISITION AND DISPOSAL OF ASSETS AND MERGER OF ENTERPRISES

References are made to the circular dated August 28, 2023 and the announcement of the poll results of the 2023 first extraordinary general meeting dated October 12, 2023 of the Bank, in relation to (among others) our Shareholders' consideration and approval of the Bank's disposal of material foreclosed assets, and the Bank, through Chongqing United Assets and Equity Exchange, disposed of 38 foreclosed assets such as building and underground garage of lower ground commerce of the phase II of Zesheng Commercial Pedestrian Street, located at No. 25 Xinghua Middle Road, Fuling District, Chongqing by public sale. Determined by public listing bidding process, the bid winner was Chongqing Fuling Industrial Development Group Co., Ltd., and the final transaction price was RMB581.50 million. Accordingly, on December 27, 2023, the Bank signed the relevant asset transfer agreement with Chongqing Fuling Industrial Development Group Co., Ltd., and completed the formality of registration of real estate title transfer on January 16, 2024. The aforementioned foreclosed assets are commercial properties in nature and have a gross floor area of 83,862.55 sq.m.

Save as disclosed above, the Bank had no other material acquisition and disposal of assets and merger of enterprises during the Reporting Period.

SUBSEQUENT MATERIAL EVENTS

The Bank has no subsequent material events from the end of the Reporting Period to the Latest Practicable Date.

Independent Auditor's Report

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF LUZHOU BANK CO., LTD., (incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 61 to 146, which comprises the interim condensed statement of financial position of Luzhou Bank Co., Ltd. (the "Bank") as at 30 June 2024 and the interim condensed statement of profit or loss and comprehensive income, the interim condensed statement of changes in equity and the interim condensed statement of cash flows for the six-month period then ended, and notes, comprising material accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 August 2024

Interim Condensed Statement of Profit or Loss and Comprehensive Income

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

	Note	For the six months ended 30 June	
		2024 (Unaudited)	2023 (Unaudited)
Interest income		3,745,016	3,605,841
Interest expenses		(1,987,336)	(2,051,308)
Net interest income	4	1,757,680	1,554,533
Fee and commission income		104,615	84,602
Fee and commission expenses		(22,023)	(14,982)
Net fee and commission income	5	82,592	69,620
Net gains on trading activities	6	492,091	618,879
Net gains on financial investments	7	197,435	169,418
Other operating income	8	306,110	34,206
Operating income		2,835,908	2,446,656
Operating expenses	9	(898,069)	(716,788)
Expected credit losses	10	(903,775)	(863,660)
Other assets impairment losses	10	(34)	(8,682)
Operating profit		1,034,030	857,526
Share of profit of an associate	20	1,103	2,771
Profit before income tax		1,035,133	860,297
Income tax expense	11	(226,797)	(185,025)
Net profit attributable to shareholders of the Bank		808,336	675,272
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value change of financial assets at fair value through other comprehensive income		22,249	85,830
Expected credit losses of financial assets at fair value through other comprehensive income		(78,232)	15,981
Less: Related income tax impact		13,996	(25,453)
Subtotal	37	(41,987)	76,358
Total comprehensive income attributable to the shareholders of the Bank		766,349	751,630
Earnings per share for profit attributable to the shareholders of the Bank (expressed in RMB per share)			
– basic and diluted	12	0.26	0.21

The accompanying notes form a part of this interim condensed financial information.

Interim Condensed Statement of Financial Position

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

	Note	30 June 2024 (Unaudited)	31 December 2023 (Audited)
ASSETS			
Cash and balances with central bank	13	11,973,853	9,078,649
Due from and placements with banks and other financial institutions	14	830,237	5,050,528
Customer loans	15	95,295,780	88,465,685
Financial investments – credit related financial assets	16	2,437,520	1,738,496
Financial investments – fair value through profit or loss	17	28,770,256	28,448,399
Financial investments – fair value through other comprehensive income	18	5,036,055	6,568,084
Financial investments – amortised cost	19	17,134,744	14,793,402
Investment in an associate	20	56,046	54,943
Property, plant and equipment	21	1,014,781	997,030
Deferred income tax assets	22	1,613,566	1,451,661
Other assets	23	999,641	989,506
Total assets		165,162,479	157,636,383
LIABILITIES			
Borrowings from central bank		6,045,464	6,050,233
Due to and placements from banks and other financial institutions	24	4,060,031	7,153,622
Financial liabilities at fair value through profit or loss	25	64,358	–
Customer deposits	26	130,257,010	117,624,516
Debt securities issued	27	11,963,080	14,179,588
Current tax liabilities		271,917	527,878
Other liabilities	28	1,146,970	1,173,547
Total liabilities		153,808,830	146,709,384
EQUITY			
Equity attributable to shareholders of the Bank			
Share capital	29	2,717,752	2,717,752
Other equity instruments	30	1,696,824	1,696,824
Capital surplus	29	1,786,355	1,786,355
Other reserves	31	2,881,167	2,727,309
Retained earnings		2,271,551	1,998,759
Total equity		11,353,649	10,926,999
Total liabilities and equity		165,162,479	157,636,383

The accompanying notes form a part of this interim condensed financial information.

Chairman and Executive Director:
You Jiang

Executive Director and President:
Liu Shirong

Interim Condensed Statement of Changes in Equity

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

	Equity attributable to shareholders of the Bank								
	Share capital Note 29	Other equity instruments Note 30	Capital surplus Note 29	Other reserves			Subtotal	Retained earnings	Total
				Surplus reserve Note 31	General reserve Note 31	Revaluation reserve Note 31			
Balance at 1 January 2024	2,717,752	1,696,824	1,786,355	710,941	1,926,188	90,180	2,727,309	1,998,759	10,926,999
Net profit for the period	-	-	-	-	-	-	-	808,336	808,336
Changes recognised in other comprehensive income	-	-	-	-	-	(41,987)	(41,987)	-	(41,987)
Total comprehensive income	-	-	-	-	-	(41,987)	(41,987)	808,336	766,349
Transfer to general reserve	-	-	-	-	195,845	-	195,845	(195,845)	-
Cash dividends (Note 32)	-	-	-	-	-	-	-	(244,599)	(244,599)
Interest paid to perpetual bond holders (Note 12)	-	-	-	-	-	-	-	(95,100)	(95,100)
Balance at 30 June 2024	2,717,752	1,696,824	1,786,355	710,941	2,122,033	48,193	2,881,167	2,271,551	11,353,649
Balance at 1 January 2023	2,717,752	1,696,824	1,786,355	611,517	1,737,305	40,514	2,389,336	1,605,349	10,195,616
Net profit for the period	-	-	-	-	-	-	-	675,272	675,272
Changes recognised in other comprehensive income	-	-	-	-	-	76,358	76,358	-	76,358
Total comprehensive income	-	-	-	-	-	76,358	76,358	675,272	751,630
Transfer to general reserve	-	-	-	-	188,883	-	188,883	(188,883)	-
Interest paid to perpetual bond holders (Note 12)	-	-	-	-	-	-	-	(95,100)	(95,100)
Balance at 30 June 2023	2,717,752	1,696,824	1,786,355	611,517	1,926,188	116,872	2,654,577	1,996,638	10,852,146

The accompanying notes form a part of this interim condensed financial information.

Interim Condensed Statement of Cash Flows

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

	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Cash flows from operating activities:		
Profit before income tax	1,035,133	860,297
Adjustments:		
Depreciation and amortisation	84,888	74,043
Expected credit losses on customer loans	630,126	623,593
Expected credit losses on other financial assets	273,649	248,749
Impairment losses on other assets	34	–
Net gains on disposal of long-term assets	(294,603)	(84)
Net gains arising from trading activities	(405,997)	(442,565)
Net gains arising from financial investments	(137,490)	(106,477)
Changes in fair value of financial assets at fair value through profit or loss	(146,039)	(239,255)
Interest income from financial investments	(522,984)	(681,023)
Interest expenses on debt securities	188,596	170,879
Subtotal	705,313	508,157
Net changes in operating assets:		
Net increase in balances with central bank	(196,126)	(52,853)
Net decrease in due from and placements with banks and other financial institutions	4,763,883	5,008,327
Net increase in customer loans	(7,788,372)	(5,523,771)
Net increase in other operating assets	(866,553)	(7,996,324)
Net changes in operating liabilities:		
Net decrease in balances due to central bank	(4,769)	(577,593)
Net (decrease)/increase in due to and placements from banks and other financial institutions	(3,298,531)	2,929,812
Net increase in customer deposits	12,632,494	5,742,129
Net (decrease)/increase in other operating liabilities	(77,355)	418,040
Income tax paid	(374,706)	(332,437)
Net cash flows generated from operating activities	5,495,278	123,487

Interim Condensed Statement of Cash Flows

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

	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment, and other long-term assets	549,416	97,862
Purchase of property, plant and equipment, and other long-term assets	(99,672)	(58,064)
Interest income arising from financial investment securities	579,808	708,235
Purchase of investment securities	(5,238,720)	(5,713,891)
Proceeds from sale and redemption of financial investments	4,665,046	7,567,115
Net cash flows generated from investing activities	455,878	2,601,257
Cash flows from financing activities:		
Proceeds from issuance of debt securities	5,440,000	2,830,000
Repayment of debt securities upon maturity	(7,651,403)	(6,701,621)
Interest paid on debt securities	(188,596)	(154,950)
Dividends paid to shareholders	(310,243)	(95,173)
Net cash flow used in financing activities	(2,710,242)	(4,121,744)
Impact of exchange rate fluctuation on cash and cash equivalents	20	2,247
Net increase/(decrease) in cash and cash equivalents	3,240,934	(1,394,753)
Cash and cash equivalents at the beginning of the period	3,080,738	5,820,815
Cash and cash equivalents at the end of the period (Note 38)	6,321,672	4,426,062

The accompanying notes form a part of this interim condensed financial information.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

1 GENERAL INFORMATION

Luzhou Bank Co., Ltd. (the “Bank”), with the approval of the People’s Bank of China, was established on 15 September 1997 as a joint-stock commercial bank under the name of “Luzhou City United Bank” in accordance with the Company Law of China. The Bank was jointly sponsored by Luzhou Finance Bureau, the shareholders of eight urban credit cooperatives, two rural credit cooperatives and other new corporate shareholders.

On 8 May 1998, the Sichuan Branch of the People’s Bank of China approved the renaming of the Bank from “Luzhou City United Bank” to “Luzhou City Commercial Bank Co., Ltd.”. On 4 June 2019, in accordance with the approval of the former Sichuan Supervisory Bureau of China Banking and Insurance Regulatory Commission (“former CBIRC”, later formed National Financial Regulatory Administration) and the approval of Luzhou City Market Supervision and Administration Bureau, the Bank was formally renamed to “Luzhou Bank Co., Ltd.”. The Bank was listed on the main board of Stock Exchange of Hong Kong on 17 December 2018. As at 30 June 2024, the total issued share capital of the Bank is RMB2,717,752,062 with a par value of RMB1 per share.

The main lines of business of the Bank include corporate banking, retail banking and financial markets operations.

This interim condensed financial information was authorised for issue by the Board of Directors of the Bank on 20 August 2024.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed financial information of the Bank has been prepared in accordance with the International Accounting Standard 34 ‘Interim Financial Reporting’.

The Bank adopted the going concern basis in preparing this interim condensed financial information.

The interim condensed financial information should be read in conjunction with the audited financial statements for the year ended 31 December 2023.

Income tax expense for interim period is accrued using the expected tax rate that would be applicable to total annual earnings.

Except as described below, the Bank’s accounting policies applied in preparing this unaudited interim condensed financial information are consistent with those policies applied in preparing the 2023 annual financial statements.

The Bank’s structured entities (Note 33) are the Bank’s only consolidated subsidiaries and are already measured according to accounting policies applicable to financial instruments. There is no difference between the Bank’s consolidated financial information and its standalone financial information.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 The adoption of new and revised standards

On 1 January 2024, the Bank has adopted the following International Financial Reporting Standards issued by the International Accounting Standards Board (“IFRS Accounting Standards”):

Amendments to IAS 1	Classification of Liabilities as current or non-current liabilities with covenants
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements
Amendments to IAS 16	Lease liability in sale and leaseback

Amendments to IAS 1

Amendments made to IAS 1 clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period.

Classification is unaffected by the entity’s expectations or events after the reporting date. Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

Amendments to IAS 7 and IFRS 7

The amendments to IAS 7 and IFRS 7 to require specific disclosures about supplier finance arrangements (SFAs). Entities will be required to aggregate the information that they provide about SFAs. However, entities should disaggregate information about terms and conditions that are dissimilar, disclose explanatory information where the range of payment due dates is wide, and disclose the type and effect of non-cash changes that are needed for comparability between periods.

Amendments to IAS 16

The amendments to IAS 16 explain how an entity accounts for a sale and leaseback after the date of the transaction.

The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines ‘lease payments’ and ‘revised lease payments’ in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

The adoption of these standards and amendments does not have material effect on the Bank’s financial statements.

2.1.2 New and revised standards issued but not yet effective

Amendments to IAS 21	Lack of Exchangeability	Effective after 1 January 2025
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The adoption of the above new standards and amendments issued but not yet effective is not expected to have a material effect on the Bank in the current or future reporting periods and on foreseeable future transactions.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.2 Critical accounting estimates and judgments in applying accounting policies

The preparation of interim condensed financial information requires management to make judgements, estimates and assumptions.

In preparing this interim condensed financial information, the significant judgements and estimates made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2023.

3 FINANCIAL RISK MANAGEMENT

Overview

The Bank's activities are exposed to a variety of financial risks, primarily including credit risk, market risk (including foreign exchange risk, interest risk and other price risk), and liquidity risk. The financial risk management involves analysis, evaluation, acceptance and management of different degrees of risks or combination of them. Taking risks is the core characteristic of the financial business, and facing risks will be inevitable when doing such business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, to monitor the risks and to control the limits with reliable and constantly updated systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is the ultimate authority for the Bank's overall risk management, responsible for final risk management, reviewing and approving risk management strategies and measures, supervising risk management and internal control systems, and evaluating overall risks based on monitoring information and risk reports from senior management. Senior management is responsible for overseeing the Bank's overall risk management, including the formulation and implementation of risk management policies and procedures, covering credit risk, interest rate risk, liquidity risk and foreign exchange risk. The risk management committee is in charge of the Bank's overall risk management structure, policies and tools, and monitors the risk management.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk

The Bank is exposed to credit risk, which is the risk that a customer or counterparty will be unable to or unwilling to meet its obligations under a contract. Changes in the economy or those in credit quality of a particular industry segment or concentration in the Bank's portfolio, could result in losses that are different from those provided for at the balance sheet date. Credit risk increases when the counterparties are in the similar geographical or industry segments. Credit exposures arise principally from customer loans, debt securities and due from banks and other financial institutions. There are also credit risk exposures in off-balance sheet financial arrangements such as loan commitments, guarantees, acceptances and letters of credit.

Exposure to credit risk is managed through regular analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

3.1.1 Credit risk measurement

(a) Credit business

The Bank measures and manages the quality of its credit assets in accordance with the former CBIRC's "Measures for the Risk Classification of Financial Assets of Commercial Bank" and "Guidelines of Risk Classification of Micro Enterprises loans (Trial Implementation)". The classification of loans is based on the borrowers' repayment ability, payment history, willingness of repayment, guarantee of loans, legal responsibility, and loan administration. "Measures for the Risk Classification of Financial Assets of Commercial Bank" require financial institutions to classify their credit assets into five categories, namely pass, special mention, substandard, doubtful and loss, of which the last three categories are non-performing loans. For personal loans and small and micro enterprise with remaining balance of 10 million or less, the number of overdue days is also an important indicator for classification.

The core definitions of credit asset classifications in "Measures for the Risk Classification of Financial Assets of Commercial Bank" are as follows:

Pass: The debtor can fulfil the contract, and there is no objective evidence that the principal, interests or earnings cannot be paid in full on time.

Special mention: Although there exists some factors that could have adverse impacts on the performance of the contract, but the debtor by far has the ability to repay the principal, interests or earnings.

Substandard: The borrower cannot repay the principal, interests or earnings in full, or the financial asset has been credit-impaired.

Doubtful: The borrower cannot repay the principal, interests or earnings in full, or the financial asset has been significantly credit-impaired.

Loss: After taking consideration of all possible recovery actions, only very little or none of the financial asset could be recovered.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.1 Credit risk measurement (continued)

(a) Credit business (continued)

Risk Management Department coordinates the classification of loans. The classification of loans is performed by the principle of regular comprehensive classification and timely adjustment. The responsible departments perform initial classification, after which Credit Management Department, Key Customers Business Department, Chengdu Branch, Huirongtong Small Micro Loan Center and Technology Innovation Center perform initial review on the classifications proposed by respective departments. Risk Management Department summarises the classification information reviewed by the related departments, conducts secondary review and reports the classification results and all relevant information to risk management committee for final approval. The classification of loans is monitored and adjusted through related credit management system.

(b) Financial market business

For treasury business (including debt investments), the Bank chooses banks and other financial institutions prudently, balances the credit risk and return rate of investments, makes reference to internal and external credit rating information, and adheres to the principles of “implementing unified credit extension, providing an appropriate amount and conducting real-time monitoring”, aiming to manage the credit risk exposed to the treasury business.

For debt securities investments, unified credit authorisation management is responsible for managing the credit risk exposed to debt securities investments. The investment in those debts and bills is to own exposures with better credit quality while maintaining readily available liquidity resource. The Bank performs unified credit review and approval and exposure management to the bond issuers invested. The Bank regards the external credit ratings of the bonds invested as a main content of bond credit risk management to enhance the credit risk control.

Debt investments other than debt securities include investments in fund trust schemes, asset management plans and securities investment funds. The Bank implements a rating system for accepting trust companies, securities companies and fund companies, sets credit limits for ultimate borrowers of trust plans and ultimate borrowers of targeted asset management plans, and carries out follow-up risk management on a regular basis.

The Bank manages the credit quality of due from, placements with and loans to banks and other financial institutions considering the size, financial position and the external credit rating of the banks and financial institutions. The head office monitors and reviews the credit risk of loans to banks and other financial institutions by counterparties periodically and manages them with limit exposures.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2 Risk limit control and mitigation policies

(a) *Credit business*

The Bank takes the same credit risk management control procedure for on and off-balance sheet risk exposures. The risk control procedure of the Bank's credit risk includes the following: credit policy stipulating, pre-credit investigation, risk assessment, collateral assessment, examination and approval of credit loans, draw-down, post-loan management, management on non-performing loans, due-diligence on non-performing loans.

The Bank has established a unified credit authorisation management for key customers. Once the maximum exposure of a single customer is determined, the customer's exposure limit should not exceed its credit limit in the Bank at any time before it obtains new credit limit.

The Bank takes action to strengthen controls over credit risk in relation to group customer and related party customer. The Bank places limits in relation to key group customers to control credit risk. The committee of related party transactions is set up under the Board to manage controls on related party transaction.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is taking collateral, which is common practice.

Except for few customers with excellent quality, the Bank requires the borrowers to provide credit enhancements for loans. The types of credit enhancements mainly include collateral, pledge and guarantee. The detailed collateral type and amount is determined by credit risk of counterparty or customers.

The Bank employs a range of asset valuation companies to value the collaterals. The Bank generally accepts assets whose value are clear as collaterals, such as deposit receipt and real estate.

(b) *Financial market business*

The Bank manages financial market business with hierarchical authorisation for different business types such as purchase, distribution, trade and repurchase of debt securities.

The Bank conducts necessary assessments on the risk status and loss of trading investment bonds. The Bank sets stop-loss point based on analysis of trend of macroeconomic situation and monetary policy. The Bank manages the credit risk exposures of inter-bank borrowing and lending strictly within the limit of regulation and credit authorisation. The Bank conducts approvals strictly on a case-by-case basis within the authorized limit.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2 Risk limit control and mitigation policies (continued)

(b) Financial market business (continued)

The debt securities traders, as timely monitors of changes in market interest rates, regularly review and monitor the changes of market interest and report the situation of debt securities to Risk Management Department. If there is any volatility of interest rate in the market or any significant credit risk encountered to debtors, the business department responsible for security investment will arrange Risk Management Department of head office to conclude an emergency plan. The debt trader will react according to the plan.

3.1.3 Collateral and guarantee

The Bank has a range of policies and practices intended to mitigate credit risk. The most useful practice is to accept collaterals. The Bank implements guidelines on the acceptability of specific classes of collateral. The maximum loan-to-value ratio is determined by the credit approval department. The follow-up management of the collateral is carried out by the related business management department. The principal types of collateral for corporate loans and personal loans are as follows:

Type of Collateral	Maximum loan-to-value ratio
Collaterals	
Residential and commercial properties	60%
Land use rights for commercial, residential and comprehensive use	50%
Land use rights for industrial use	40%
Warehouses, plants, educational and medical facilities and office in non-urban area	40%
Forestry, trees and woodland usage rights	40%
Construction in progress	50%
Pledges	
Security deposits	100%
Certificates of deposit issued by the bank or other banks (including electronic certificates of deposits)	90%
Treasury bonds, bank cheques and bank acceptance bills	90%
Commercial acceptance bills	80%
Debt securities issued by corporations with rating of AA or above	50%
Shares and equities	50%
Warehouse receipts and bills of lading	50%
Receivables	50%

(1) Maximum loan-to-value ratio of acceptance bill is calculated based on face value deducting discounted interest.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Collateral and guarantee (continued)

Mortgage loans to retail customers are generally collateralised by residential properties. Other loans are collateralised according to the nature of the loan.

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

Collateral held as security for financial assets other than customer loans is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of certain asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Collateral is also held as part of reverse repurchase agreements. Details of collateral accepted and which the Bank is obligated to return are disclosed in Note 36.

3.1.4 Measurement of expected credit losses

Expected credit losses is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all cash flows expected to be received by the Bank discounted at the original effective interest rate, i.e. the present value of all cash shortfalls. In accordance with IFRS 9, the Bank classified the financial instruments into three stages. Stage 1 includes performing financial instruments that are “not credit-impaired on initial recognition”. The Bank needs to measure ECLs over the next 12 months. If the remaining maturity is less than 12 months, the Bank only needs to measure ECLs for the remaining maturity. Stage 2 includes financial instruments that have had significant increase in credit risk since initial recognition. Stage 3 includes credit-impaired financial assets. Lifetime ECLs are recognised for those financial instruments in stage 2 and stage 3.

The Bank accounts for and recognises ECL allowance on financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, loan commitments made by the Bank other than financial liabilities measured at fair value through profit or loss, and financial guarantee contracts not measured at fair value through profit or loss.

Risk grouping

The Bank classifies risk groupings by considering different business natures and customer types, industry distributions of the Bank’s assets, changes in the industry non-performing ratios and types of retail business products through available historical, current and forward-looking information.

3-stage classification

According to IFRS 9, 3-stage classification criteria need to be clearly specified. Financial instruments that are “not credit-impaired on initial recognition” are classified in stage 1 and the 12-month ECL is calculated. If “a significant increase in credit risk” is identified, the financial instrument will be moved to stage 2 and the lifetime ECL is calculated. If the financial instrument is credit-impaired, the financial instrument will be moved to stage 3. The detailed classification criteria have been set up, taking into consideration the overdue days, etc.

The stages are transferable. For example, when the credit risk of financial instruments classified in stage 1 significantly increases, they will be transferred to stage 2.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Measurement of expected credit losses (continued)

3-stage classification (continued)

(1) Financial assets with significant increase in credit risk

When triggering one or more of the following quantitative or qualitative criteria, the Bank determines that the credit risk of financial instruments has increased significantly.

Quantitative criteria

- The principal or interest of the contract is overdue for more than 30 days, but less than 90 days.
- The five-category classification is “special mention”.
- The debtor’s external credit rating (facility rating or obligor rating) has been downgraded to BBB or below.
- The debtor’s debt has been extended, exclude credit risk exposure that credit risk has not significantly increased with the Bank approval.

Qualitative criteria

- Changes in the economic, technological or legal environment in which the debtor is operating at the present time or in the near future, thereby having negative impacts on the debtor’s repayment ability.
- Other circumstances of significant increase in credit risk. For example, appearance of other risk alarm indicators which reflect growing potential risk and financial assets which could cause losses to the Bank.

(2) Definition of default and loss incurred

When a financial instrument meets one or more of the following conditions, the Bank considers the financial asset as being defaulted. The same set of criteria is also applicable to the definition of loss incurred.

Quantitative criteria

- The principal or interest of the contract is overdue for more than 90 days.
- The five-category classifications are “substandard”, “doubtful” or “loss”.
- The debtor’s external credit rating (facility rating or obligor rating) has been downgraded to C or below.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Measurement of expected credit losses (continued)

3-stage classification (continued)

(2) Definition of default and loss incurred (continued)

Qualitative criteria

- The debtor is likely to go bankrupt or carry out other financial restructuring.
- The Bank has made concessions to the debtor in financial difficulty for economic or legal reasons.
- The issuer of financial instruments held by the Bank has serious financial difficulties.
- The market of related financial instruments is deserted due to the debtor's financial difficulty.
- It is becoming probable that the debtor will go bankrupt.

The above criteria apply to all financial instruments of the Bank. The definition of default is consistently applied to the calculation of the Bank's ECL, including the probability of default (PD), exposure at default (EAD), and loss given default (LGD).

Financial assets can be migrated between stages. However, restrictions are set for up-stage migration of corporate banking business. Credit exposures in stage 3 should only be migrated to stage 2 if the debtor has met the repayment schedule for at least six months and is expected to demonstrate such payment behaviour in the future. Stage 3 credit exposures should not be migrated directly to stage 1.

(3) Measurement of expected credit loss: explanation of parameters, assumptions and estimation techniques

Depending on whether there is a significant increase in credit risk and whether the assets have been impaired, the Bank will measure the ECL for different assets for 12 months or the entire life of the asset. ECL is the product of PD, EAD and LGD after term adjustment and discount. Related definitions are as follows.

Probability of default (PD) refers to the probability that the debtor will not be able to fulfil his obligations in the next 12 months or throughout the remaining maturity. The Bank builds the migration matrix based on historical data to calculate the 12-month probability of default and derives the lifetime default probability from the 12-month probability of default through the Markov chain model.

Loss given default (LGD) is the percentage of risk exposure loss at the time of default. The LGD varies depending on the type of counterparty and the availability of collateral or other credit support.

Exposure at default (EAD) refers to the amount that the Bank should pay when the default occurs in the next 12 months or throughout the remaining maturity. The Bank's EAD is determined by the expected repayment arrangements, and varies for different types of products. For repayments by instalments and one-time repayments, the Bank determines the EAD according to the repayment plan stipulated in the contract.

The Bank determines the ECL by forecasting the PD, LGD and EAD of every single debt. The Bank multiplies the three items. This approach can effectively calculate the ECLs for future periods, then discount the results of each period to the report date and add up. The discount rate used in the ECL calculation is the effective interest rate or its approximate value.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Measurement of expected credit losses (continued)

3-stage classification (continued)

(4) Establishment of impairment model

The Bank has established macro-economic forecast model, with reference to external economic forecasts. The Bank conducts forecasts regularly and establishes three possible economic scenarios: optimistic, basic and pessimistic. Basic scenario is defined as the most probable situation, which sets the benchmark for other scenarios. Optimistic and pessimistic scenarios are possible scenarios which are better and worse than basic scenario respectively.

The impairment model is established using a top-down approach. The Bank has developed several corporate, retail, and inter-bank impairment models, including regression models for different macro-economic indicators such as gross domestic product (GDP), consumer price index (CPI), Investment in fixed assets, and uses MERTON formula and historical default information to make “forward-looking” adjustments to PD which ensures the provision calculation is “forward-looking”.

For asset portfolios that impairment model cannot be established, for example, when customers’ default rate is extremely low or assets without an appropriate internal rating method, the Bank mainly uses estimates derived from external rating or expected loss rate of similar portfolios.

ECL calculation involves forward-looking information. The Bank identifies the key economic indicators affecting the credit risk and ECL of each asset portfolio, through historical data analysis.

These economic indicators and their impact on PD differ for different financial instruments, which involve expert judgments. The Bank annually makes forecasts on these economic indicators (“basic economic scenarios”) and provides the best economic forecasts for the next two years. The Bank believes that the economic indicators from two years later to the end of the maturity of financial instruments tend to maintain average or average growth, and thus uses the mean regression method. The impact of these economic variables on the PD has been determined by performing MERTON model analysis to understand the impact of historical changes on PD, EAD and LGD.

The Bank reviews the key parameters and assumptions used in the ECL calculation annually, taking into account external economic developments, industry changes and regional risks, and makes necessary updates and adjustments.

The Bank sets other possible scenarios and scenario weightings according to external data. Based on the analysis for each major portfolio and the number of scenarios, the Bank keeps their non-linear characteristics. The Bank reassesses the number and characteristics of scenarios annually. On 30 June 2024, the Bank’s three scenarios (basic, optimistic and pessimistic) can properly reflect the non-linear characteristics of each portfolio. The Bank determines scenario weightings through statistical analysis and expert credit judgment, and also considers the possible range of outcomes represented by scenarios. The Bank recognises the 12-month or lifetime ECL for financial instruments in stage 1, 2, and 3. The Bank measures the weighted-average ECL allowance for 12-month (stage 1) and weighted-average ECL for lifetime (stage 2 and stage 3), which is calculated by multiplying the ECL under each scenario by their weightings respectively, rather than by weighting the parameters. On 30 June 2024, the weightings allocated to each economic scenario were 60% basic, 10% optimism and 30% pessimism (31 December 2023: the weightings allocated to each economic scenario were 60% basic, 10% optimism and 30% pessimism).

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
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3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.5 Maximum exposure to credit risk

(a) *Maximum exposure to credit risk – Financial instruments subject to impairment*

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

	As at 30 June 2024			Total
	Stage 1	Stage 2	Stage 3	
Assets				
Balances with central bank	11,859,205	–	–	11,859,205
Due from and placements with banks and other financial institutions	830,237	–	–	830,237
Customer loans	91,725,568	3,018,464	551,748	95,295,780
Financial investments – credit related financial assets	2,245,848	–	191,672	2,437,520
Financial investments – fair value through other comprehensive income	4,996,028	–	40,027	5,036,055
Financial investments – amortised cost	16,344,957	649,243	140,544	17,134,744
Other financial assets	68,793	5,602	16,508	90,903
Total	128,070,636	3,673,309	940,499	132,684,444
Off balance sheet guarantees and commitments	2,832,892	–	–	2,832,892

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For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.5 Maximum exposure to credit risk (continued)

(a) Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

	As at 31 December 2023			Total
	Stage 1	Stage 2	Stage 3	
Assets				
Balances with central bank	8,971,387	–	–	8,971,387
Due from and placements with banks and other financial institutions	5,050,528	–	–	5,050,528
Customer loans	84,577,125	3,424,010	464,550	88,465,685
Financial investments – credit related financial assets	1,546,824	–	191,672	1,738,496
Financial investments – fair value through other comprehensive income	6,530,835	–	37,249	6,568,084
Financial investments – amortised cost	13,733,492	679,411	380,499	14,793,402
Other financial assets	52,242	12,006	–	64,248
Total	120,462,433	4,115,427	1,073,970	125,651,830
Off balance sheet guarantees and commitments				
	1,122,402	–	–	1,122,402

(b) Maximum exposure to credit risk – Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVPL):

	30 June 2024	31 December 2023
Asset		
Financial investments – fair value through profit or loss		
– Bond investments	16,778,540	17,882,702
– Trust plans	684,358	1,494,995
– Mutual fund investments	11,263,375	9,024,653
Total	28,726,273	28,402,350

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For the six months ended 30 June 2024
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3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.6 Customer loans

	As at 30 June 2024			
	Corporate loans	Personal loans	Discounted bills	Total
Stage 1	81,034,770	13,026,810	59,788	94,121,368
Stage 2	4,187,557	122,103	–	4,309,660
Stage 3	933,451	450,282	–	1,383,733
Total	86,155,778	13,599,195	59,788	99,814,761
Accrued interest	513,504	114,840	–	628,344
Less: ECL allowance ⁽ⁱ⁾	(4,476,216)	(671,109)	–	(5,147,325)
Net amount	82,193,066	13,042,926	59,788	95,295,780

	As at 31 December 2023			
	Corporate loans	Personal loans	Discounted bills	Total
Stage 1	72,718,853	13,443,143	214,186	86,376,182
Stage 2	4,762,907	72,964	–	4,835,871
Stage 3	827,210	353,830	63,500	1,244,540
Total	78,308,970	13,869,937	277,686	92,456,593
Accrued Interest	497,105	84,903	–	582,008
Less: ECL allowance ⁽ⁱ⁾	(3,995,901)	(577,015)	–	(4,572,916)
Net amount	74,810,174	13,377,825	277,686	88,465,685

(i) As at 30 June 2024, ECL allowance recognised by the Bank for Discounted bills – FVOCI was RMB1,194 thousand (as at 31 December 2023: RMB61,981 thousand).

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
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3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.6 Customer loans (continued)

(a) Stage-3 loans

As at 30 June 2024	Collateralised or pledged loans					Non-collateralised or pledged loans				
	Credit-impaired assets (Stage 3)	Gross exposure	Accrued interest	ECL allowance	Net amount	Fair value of collateral held	Gross exposure	Accrued interest	ECL allowance	Net amount
Customer loans										
– Corporate loans		610,091	93,502	(421,521)	282,072	459,176	323,360	93,637	(361,598)	55,399
– Personal loans		195,263	24,741	(127,106)	92,898	121,322	255,019	33,112	(166,751)	121,380
Total		805,354	118,243	(548,627)	374,970	580,498	578,379	126,749	(528,349)	176,779

As at 31 December 2023	Collateralised loans					Non-collateralised loans				
	Credit-impaired assets (Stage 3)	Gross exposure	Accrued Interest	Impairment allowance	Carrying amount	Fair value of collateral held	Gross exposure	Accrued Interest	Impairment allowance	Carrying amount
Customer loans										
– Corporate loans		456,908	69,564	(311,144)	215,328	263,115	370,302	74,511	(400,320)	44,493
– Personal loans		176,416	16,854	(111,119)	82,151	102,468	177,414	20,547	(138,883)	59,078
– Discounted bills		63,500	–	–	63,500	5,677	–	–	–	–
Total		696,824	86,418	(422,263)	360,979	371,260	547,716	95,058	(539,203)	103,571

The fair value of collaterals is estimated based on the latest available external valuations, the realisation experience of the current collaterals and the market conditions.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
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3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.6 Customer loans (continued)

(b) Restructured customer loans

Restructuring activities include rescheduled restructuring plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue to be made. These policies are under regular review. Restructuring is most commonly applied to term loans, in particular mid-term and long-term loans.

	30 June 2024	31 December 2023
Restructured customer loans	469,837	107,476

(c) Overdue customer loans by security and overdue date

As at 30 June 2024	Overdue for 1 to 90 days	Overdue for 90 days to 1 year	Overdue for 1 to 3 years	Overdue for over 3 years	Total
Collateralised loans	370,668	82,407	272,216	53,714	779,005
Guaranteed loans	154,249	28,593	262,046	1,117	446,005
Unsecured loans	131,665	107,349	60,275	3,777	303,066
Pledged loans	3,738	200	-	8	3,946
Total	660,320	218,549	594,537	58,616	1,532,022

As at 31 December 2023	Overdue for 1 to 90 days	Overdue for 90 days to 1 year	Overdue for 1 to 3 years	Overdue for over 3 years	Total
Collateralised loans	196,215	252,909	111,714	35,257	596,095
Guaranteed loans	115,431	74,384	282,069	25,669	497,553
Unsecured loans	52,688	69,279	59,012	835	181,814
Pledged loans	477	-	63,550	8	64,035
Total	364,811	396,572	516,345	61,769	1,339,497

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
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3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.6 Customer loans (continued)

(d) Concentration risks analysis for customer loans (gross) by industry sectors:

	30 June 2024		31 December 2023	
	Amount	%	Amount	%
Corporate loans				
Leasing and commercial services	31,417,556	31.28	28,855,608	31.01
Construction	26,710,063	26.59	25,076,793	26.95
Real estate	8,485,506	8.45	8,453,640	9.09
Wholesale and retail trade	8,334,212	8.30	6,050,689	6.50
Manufacturing	2,672,076	2.66	2,270,505	2.44
Water, environment and public utility management	1,620,092	1.61	2,129,322	2.29
Financial services	1,973,028	1.96	2,066,167	2.22
Education	226,300	0.23	328,600	0.35
Agriculture, forestry, animal husbandry and fishery	439,894	0.44	617,686	0.66
Production and supply of electricity, heat, gas and water	297,316	0.30	602,214	0.65
Accommodation and catering	562,606	0.56	447,779	0.48
Transportation, warehousing and postage service	1,236,738	1.23	963,653	1.04
Household, maintenance and other services	47,420	0.05	71,745	0.08
Information transmission, software and IT services	616,594	0.61	224,581	0.24
Mining	44,659	0.04	45,770	0.05
Scientific research and technology services	1,344,989	1.34	75,985	0.08
Sanitation and social work	35,079	0.03	17,233	0.02
Culture, sports and entertainment	91,650	0.09	11,000	0.01
Discounted bills	59,788	0.06	277,686	0.30
Total corporate loans	86,215,566	85.83	78,586,656	84.46
Personal business loans	9,038,026	9.00	8,975,875	9.65
Residential mortgage loans	2,468,987	2.46	2,633,552	2.83
Personal consumption loans	2,092,182	2.08	2,260,510	2.43
Total personal loans	13,599,195	13.54	13,869,937	14.91
Accrued interest	628,344	0.63	582,008	0.63
Total customer loans excluding ECL allowance	100,443,105	100.00	93,038,601	100.00

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
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3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.6 Customer loans (continued)

(e) Types of collateral analysis

Analysis for customer loans (gross) by types of collateral:

	30 June 2024	31 December 2023
Guaranteed loans	49,956,091	47,053,796
Unsecured loans	31,779,589	26,643,591
Collateralised loans	14,823,968	15,526,477
Pledged loans	3,255,113	3,232,729
Accrued interest	628,344	582,008
Total	100,443,105	93,038,601

3.1.7 Investment securities

As at 30 June 2024 and 31 December 2023, RMB securities are rated by domestic rating agencies.

The rating results of investment securities as following:

	As at 30 June 2024			Total
	Financial investments – fair value through profit or loss	Financial investments – FVOCI	Financial investments – amortised cost	
RMB securities				
AAA	1,146,014	205,450	1,843,506	3,194,970
AA – to AA+	3,434,168	589,946	363,000	4,387,114
A	–	21,297	–	21,297
Unrated ^(a)	23,717,350	4,058,821	15,473,717	43,249,888
Accrued interest	–	124,611	445,941	570,552
Less: ECL allowance	–	NA	(1,026,157)	(1,026,157)
Subtotal	28,297,532	5,000,125	17,100,007	50,397,664
Foreign currency				
Unrated	428,741	35,771	35,544	500,056
Accrued interest	–	159	268	427
Less: ECL allowance	–	NA	(1,075)	(1,075)
Subtotal	428,741	35,930	34,737	499,408
Total	28,726,273	5,036,055	17,134,744	50,897,072

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
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3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.7 Investment securities (continued)

	As at 31 December 2023			
	Financial investments – fair value through profit or loss	Financial investments – FVOCI	Financial investments – amortised cost	Total
RMB				
AAA	2,352,243	354,802	1,825,110	4,532,155
AA – to AA+	3,728,162	593,527	372,994	4,694,683
A	–	21,600	–	21,600
Unrated ^(a)	22,321,945	5,425,337	12,946,661	40,693,943
Accrued Interest	–	137,207	391,795	529,002
Less: ECL allowance	–	NA	(777,756)	(777,756)
Subtotal	28,402,350	6,532,473	14,758,804	49,693,627
Foreign currency				
Unrated	–	35,453	35,414	70,867
Accrued Interest	–	158	267	425
Less: ECL allowance	–	NA	(1,083)	(1,083)
Subtotal	–	35,611	34,598	70,209
Total	28,402,350	6,568,084	14,793,402	49,763,836

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.7 Investment securities (continued)

(a) Unrated securities

As at 30 June 2024	Financial investments – fair value through profit or loss	Financial investments – FVOCI	Financial investments – amortised cost	Total
Policy bank bonds	887,997	1,593,350	9,372,162	11,853,509
Mutual funds	11,263,375	–	–	11,263,375
Certificates of deposit	5,560,243	–	–	5,560,243
Privately raised corporate bond	3,213,006	519,688	3,105,390	6,838,084
Trust and asset management plans	684,358	–	1,381,200	2,065,558
Treasury bonds	258,356	1,237,305	1,320,589	2,816,250
Private placement notes	1,373,868	302,937	–	1,676,805
Local government bonds	–	100,898	294,376	395,274
Medium-term Notes	286,143	304,643	–	590,786
Short-term commercial paper	190,004	–	–	190,004
Total	23,717,350	4,058,821	15,473,717	43,249,888

As at 31 December 2023	Financial investments – fair value through profit or loss	Financial investments – FVOCI	Financial investments – amortised cost	Total
Policy bank bonds	1,101,632	2,026,120	6,949,304	10,077,056
Mutual funds	9,024,653	–	–	9,024,653
Certificates of deposit	6,244,734	99,832	–	6,344,566
Privately raised corporate bond	2,385,398	643,023	3,119,863	6,148,284
Trust and asset management plans	1,494,995	–	1,331,200	2,826,195
Treasury bonds	242,562	1,624,606	1,216,294	3,083,462
Private placement notes	1,234,630	574,624	–	1,809,254
Local government bonds	302,634	150,531	330,000	783,165
Medium-term Notes	280,672	306,601	–	587,273
Corporate bond	10,035	–	–	10,035
Total	22,321,945	5,425,337	12,946,661	40,693,943

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.7 Investment securities (continued)

(a) Unrated securities (continued)

Financial investments – amortised cost are summarised as follows:

	30 June 2024	31 December 2023
Stage 1	16,245,530	13,651,593
Stage 2	870,237	928,586
Stage 3	600,000	600,000
Add: Accrued interest	446,209	392,062
Gross amount	18,161,976	15,572,241
Less: ECL allowance	(1,027,232)	(778,839)
Net amount	17,134,744	14,793,402

Financial investments – credit related financial assets are summarised as follows:

	30 June 2024	31 December 2023
Stage 1	2,292,667	1,579,650
Stage 2	–	–
Stage 3	638,350	638,350
Add: Accrued interest	187,728	179,649
Gross amount	3,118,745	2,397,649
Less: ECL allowance	(681,225)	(659,153)
Net amount	2,437,520	1,738,496

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.7 Investment securities (continued)

(a) Unrated securities (continued)

Concentration risks analysis for financial investments – credit related financial assets by industry sectors:

	30 June 2024		31 December 2023	
	Amount	%	Amount	%
Leasing and commercial services	2,151,417	68.99	1,919,650	80.07
Construction	704,600	22.59	204,600	8.53
Water, environment and public utility management	75,000	2.40	93,750	3.91
Add: Accrued interest	187,728	6.02	179,649	7.49
Total	3,118,745	100.00	2,397,649	100.00

3.1.8 Foreclosed assets

	30 June 2024	31 December 2023
Business properties	97,802	323,978
Properties and plants	1,264	899
Less: Provision for foreclosed assets	(13,021)	(22,369)
Net amount	86,045	302,508

The Bank does not generally occupy foreclosed properties for its business use. Foreclosed assets are classified in the interim condensed statement of financial position as other assets.

3.1.9 Concentration risk analysis for financial assets with credit risk exposure

The Bank's geographical risk is primarily concentrated in Mainland China.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

4 NET INTEREST INCOME

	For the six months ended 30 June	
	2024	2023
Interest income		
Balances with central bank	55,853	52,929
Due from and placements with banks and other financial institutions	35,904	35,664
Customer loans	3,130,275	2,836,225
Financial investments – credit related financial assets	74,313	82,626
Financial investments	448,671	598,397
Subtotal	3,745,016	3,605,841
Including: Interest income from impaired financial assets	14,551	25,669
Interest expenses		
Due to central bank	(58,260)	(47,385)
Due to and placements from banks and other financial institutions	(71,050)	(78,307)
Customer deposits	(1,666,666)	(1,751,717)
Debt securities issued	(188,596)	(170,879)
Others	(2,764)	(3,020)
Subtotal	(1,987,336)	(2,051,308)
Net interest income	1,757,680	1,554,533

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

5 NET FEE AND COMMISSION INCOME

	For the six months ended 30 June	
	2024	2023
Fee and commission income		
Commission income from wealth management agency services	94,274	80,513
Commission income from agency services	1,254	1,076
Commission income from settlement services	1,916	1,066
Commission income from guarantees and credit commitments	3,991	1,023
Commission income from bank card services	676	676
Other commission income	102	248
Commission income from investment banking services	2,402	–
Total	104,615	84,602
Fee and commission expenses	(22,023)	(14,982)
Net fee and commission income	82,592	69,620

6 NET GAINS ON TRADING ACTIVITIES

	For the six months ended 30 June	
	2024	2023
Debt securities-realised gains	403,354	438,303
Debt securities-unrealised fair value change	86,094	176,314
Foreign exchange gains	2,643	4,262
Total	492,091	618,879

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024

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

7 NET GAINS ON FINANCIAL INVESTMENTS

	For the six months ended 30 June	
	2024	2023
Financial investments at FVPL-realised gains	137,272	104,341
Financial investments at FVPL-unrealised fair value change	59,945	62,941
Net gains arising from de-recognition of FVOCI	218	2,136
Total	197,435	169,418

8 OTHER OPERATING INCOME

	For the six months ended 30 June	
	2024	2023
Incentives and government subsidies	6,248	20,141
Rental income from investment properties	4,582	9,141
Penalty on early termination of contracts	181	390
Net gains on disposal of non-current assets ⁽¹⁾	294,603	84
Other miscellaneous income	496	4,450
Total	306,110	34,206

(1) The net gains on disposal of non-current assets mainly comprises of net gains on disposal of foreclosed assets.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

9 OPERATING EXPENSES

	For the six months ended 30 June	
	2024	2023
Staff costs (including directors and supervisors' emoluments (allowance inclusive)) ⁽¹⁾	444,107	434,451
Business and administrative expenses	296,844	158,801
Depreciation and amortisation	84,888	74,043
Taxes and surcharges	48,277	31,284
Professional service fee	12,668	9,937
Expenditures on public welfare donations	5,140	4,230
Others	6,145	4,042
Total	898,069	716,788

(1) Staff costs

	For the six months ended 30 June	
	2024	2023
Salaries and bonuses	327,282	329,070
Defined contribution plans ^(a)	45,676	45,699
Staff benefits	35,126	20,788
Housing benefits and subsidies	16,803	18,051
Other social security and benefit costs	10,322	11,665
Staff education and labour union expenses	8,898	9,178
Total	444,107	434,451

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

9 OPERATING EXPENSES (continued)

(1) Staff costs (continued)

(a) Defined contribution plans

The Bank's defined contribution plans are mainly basic pension insurance, enterprise annuity and unemployment insurance paid for employees.

Employees who retire after 8 November 2016 can voluntarily participate in an annuity plan set up by the Bank pursuant to related state corporate annuity regulations. The Bank contributes to the annuity plan based on certain percentage of the employees' gross salary of previous year and the contribution is recognised in profit or loss as incurred.

The amount recognised in profit or loss is as follows:

	For the six months ended 30 June	
	2024	2023
Expenses incurred for retirement benefit plans and unemployment insurance	21,012	23,151
Expenses incurred for corporate annuity plan	24,664	22,548
Total	45,676	45,699

The amount payable at the end of the period/year is as follows:

	30 June	31 December
Statement of financial position obligations for:	2024	2023
Expenses incurred for retirement benefit plans and unemployment insurance	1,083	2,311
Expenses incurred for corporate annuity plan	28	29
Total	1,111	2,340

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

10 EXPECTED CREDIT LOSSES/OTHER ASSETS IMPAIRMENT LOSSES

	For the six months ended 30 June	
	2024	2023
ECL for customer loans at amortised cost (Note 15(b))	630,126	623,593
ECL for customer loans – FVOCI (Note 15(b))	2,713	16,028
ECL for financial investments – credit related financial assets (Note 16)	22,072	33,089
ECL for financial investments – amortised cost (Note 19)	248,389	187,721
ECL for financial investments – FVOCI (Note 18)	(17,445)	(47)
ECL for reverse repurchase agreements, due from other banks and financial institutions (Note 14)	(4,473)	(4,455)
ECL for credit commitments	22,156	7,731
ECL for other receivables	237	–
Total	903,775	863,660

	For the six months ended 30 June	
	2024	2023
Other assets impairment losses ⁽¹⁾	34	8,682

(1) Other assets impairment losses are the impairment losses for foreclosed assets.

11 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2024	2023
Current income tax	374,706	353,895
Deferred income tax (Note 22)	(147,909)	(168,870)
Total	226,797	185,025

Current income tax is calculated at the statutory tax rate of 25% based on the taxable income of estimated assessable profit of the Bank for the respective period as stipulated in PRC tax laws.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

11 INCOME TAX EXPENSE (Continued)

The difference between the actual income tax charge in the profit or loss and the amounts which would result from applying the enacted tax rate 25% (for the six months ended 30 June 2023: 25%) to profit before income tax can be reconciled as follows:

	For the six months ended 30 June	
	2024	2023
Profit before income tax	1,035,133	860,297
Tax calculated at a tax rate of 25%	258,783	215,074
Tax effect arising from non-taxable income ^(a)	(36,924)	(30,931)
Tax effect of expenses that are not deductible for tax purposes ^(b)	4,938	4,998
Income tax adjustment for prior years	–	(4,116)
Income tax expense	226,797	185,025

(a) The Bank's non-taxable income mainly represents interest income arising from treasury bonds, local government bonds and investment return on monetary funds, which are non-taxable in accordance with the PRC tax laws.

(b) The Bank's expenses that are not tax deductible for tax purposes mainly represent certain expenditures, such as entertainment expenses etc., which exceed the tax deduction limits pursuant to the PRC tax laws.

12 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30 June	
	2024	2023
Net profit attributable to shareholders of the Bank	808,336	675,272
Less: Net profit attributable to other equity holders of the Bank	(95,100)	(95,100)
Net profit attributable to ordinary shareholders of the Bank	713,236	580,172
Weighted average number of ordinary shares issued ('000) ⁽ⁱ⁾	2,717,752	2,717,752
Basic earnings per share (RMB) ⁽ⁱ⁾	0.26	0.21

(i) The Bank issued non-cumulative perpetual bonds on 18 March 2020 and 11 June 2020 under the terms and conditions as detailed in Note 30.1 Perpetual Bonds. For the purpose of calculating basic earnings per share, distributions on non-cumulative perpetual bonds declared in respect of the period should be deducted from the amounts attributable to shareholders of the Bank. The Bank has declared distributions on perpetual bonds of RMB95,100 thousand for the six months ended 30 June 2024 (for the six months ended 30 June 2023: RMB95,100 thousand).

Please refer to Note 29 about the changes in share capital.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

13 CASH AND BALANCES WITH CENTRAL BANK

	30 June 2024	31 December 2023
Cash	114,648	107,262
Mandatory reserve deposits with central bank ^(a)	6,413,048	6,213,265
Surplus reserve deposits with central bank	5,392,333	2,700,206
Fiscal deposits with central bank	50,693	54,350
Accrued interest	3,131	3,566
Total	11,973,853	9,078,649

(a) The Bank is required to place mandatory reserve deposits and mandatory reserve for foreign exchange with the People's Bank of China ("the central bank"). These mandatory reserves are not available for use in the daily business of the Bank.

As at 30 June 2024 and 31 December 2023, the mandatory reserve deposits rates of the Bank are as follows:

	30 June 2024	31 December 2023
Mandatory reserve rate for deposits denominated in RMB	5.00%	5.00%

Surplus reserve deposits are maintained with the central bank mainly for liquidity purpose.

14 DUE FROM AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2024	31 December 2023
Reverse repurchase agreements – debt securities	–	4,777,100
Due from banks and other financial institutions	529,675	273,270
Placements with banks and other financial institutions	312,131	12,131
Accrued interest	1,212	5,281
Less: ECL allowance	(12,781)	(17,254)
Total	830,237	5,050,528

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024

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

15 CUSTOMER LOANS

(a) Customer loans

	30 June 2024	31 December 2023
Customer loans at amortised cost		
Corporate loans	86,155,778	78,308,970
Personal loans	13,599,195	13,869,937
Accrued interest	628,344	582,008
Gross amount of loans at amortised cost	100,383,317	92,760,915
Less: ECL allowance	(5,147,325)	(4,572,916)
Net customer loans at amortised cost	95,235,992	88,187,999
Customer loans – FVOCI		
Discounted bills – FVOCI	59,788	277,686
Net customer loans	95,295,780	88,465,685

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

15 CUSTOMER LOANS (continued)

(b) Movements on ECL allowance

Corporate loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2024	1,667,225	1,617,212	711,464	3,995,901
New financial assets originated	760,462	-	-	760,462
Remeasurement	186,933	74,847	78,262	340,042
Repayment	(458,051)	(87,567)	(44,096)	(589,714)
Write-off	-	-	(63,778)	(63,778)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(1,254)	1,254	-	-
<i>Transfer from Stage 1 to Stage 3</i>	(419)	-	419	-
<i>Transfer from Stage 2 to Stage 3</i>	-	(67,546)	67,546	-
<i>Transfer from Stage 2 to Stage 1</i>	71,436	(71,436)	-	-
Recovery of loans written-off in previous years	-	-	275	275
Unwinding of discount	-	-	33,028	33,028
As at 30 June 2024	2,226,332	1,466,764	783,120	4,476,216

Personal loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2024	296,950	30,063	250,002	577,015
New financial assets originated	150,792	-	-	150,792
Remeasurement	13,581	40,959	71,394	125,934
Repayment	(134,378)	(7,268)	(15,744)	(157,390)
Write-off	-	-	(44,805)	(44,805)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(2,463)	2,463	-	-
<i>Transfer from Stage 1 to Stage 3</i>	(3,734)	-	3,734	-
<i>Transfer from Stage 2 to Stage 3</i>	-	(13,674)	13,674	-
<i>Transfer from Stage 3 to Stage 2</i>	-	1,373	(1,373)	-
<i>Transfer from Stage 2 to Stage 1</i>	3,320	(3,320)	-	-
<i>Transfer from Stage 3 to Stage 1</i>	2,588	-	(2,588)	-
Recovery of loans written-off in previous years	-	-	8,847	8,847
Unwinding of discount	-	-	10,716	10,716
As at 30 June 2024	326,656	50,596	293,857	671,109

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

15 CUSTOMER LOANS (continued)

(b) Movements on ECL allowance (Continued)

Discounted bills	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2024	4,158	-	57,823	61,981
New financial assets originated	1,194	-	-	1,194
Remeasurement	-	-	5,677	5,677
Write-off	-	-	(63,500)	(63,500)
Repayment	(4,158)	-	-	(4,158)
As at 30 June 2024	1,194	-	-	1,194

Corporate loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2023	1,156,321	911,552	647,807	2,715,680
New financial assets originated	699,827	-	-	699,827
Remeasurement	230,006	895,958	237,060	1,363,024
Repayment	(406,052)	(108,805)	(102,000)	(616,857)
Write-off	-	-	(187,892)	(187,892)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(45,520)	45,520	-	-
<i>Transfer from Stage 1 to Stage 3</i>	(511)	-	511	-
<i>Transfer from Stage 2 to Stage 3</i>	-	(93,831)	93,831	-
<i>Transfer from Stage 2 to Stage 1</i>	33,182	(33,182)	-	-
Recovery of loans written-off	-	-	5,481	5,481
Unwinding of discount	-	-	16,666	16,666
Exchange differences	(28)	-	-	(28)
Loss allowance as at 31 December 2023	1,667,225	1,617,212	711,464	3,995,901

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For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

15 CUSTOMER LOANS (continued)

(b) Movements on ECL allowance (Continued)

Personal loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2023	240,051	45,760	180,283	466,094
New financial assets originated	227,507	–	–	227,507
Remeasurement	6,447	24,931	108,350	139,728
Repayment	(186,937)	(25,759)	(41,553)	(254,249)
Write-off	–	–	(50,496)	(50,496)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(1,250)	1,250	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(4,091)	–	4,091	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(15,827)	15,827	–
<i>Transfer from Stage 3 to Stage 2</i>	–	2,592	(2,592)	–
<i>Transfer from Stage 2 to Stage 1</i>	2,884	(2,884)	–	–
<i>Transfer from Stage 3 to Stage 1</i>	12,339	–	(12,339)	–
Recovery of loans written-off	–	–	31,943	31,943
Unwinding of discount	–	–	16,488	16,488
Loss allowance as at 31 December 2023	296,950	30,063	250,002	577,015
Discounted bills	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023	11,018	–	63,753	74,771
New financial assets originated	4,158	–	–	4,158
Remeasurement	–	–	12,671	12,671
Repayment	(11,018)	–	(18,601)	(29,619)
As at 31 December 2023	4,158	–	57,823	61,981

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For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

15 CUSTOMER LOANS (continued)

(c) Movements on gross amount (excluding accrued interest) of customer loans

The following table further illustrates the changes in the gross amounts of the corporate and personal loans portfolios (excluding interest receivable) to explain the impact of these changes on the portfolio's ECL.

Corporate loans gross amount	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2024	72,718,853	4,762,907	827,210	78,308,970
New financial assets originated	28,548,074	-	-	28,548,074
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(94,217)	94,217	-	-
<i>Transfer from Stage 1 to Stage 3</i>	(19,871)	-	19,871	-
<i>Transfer from Stage 2 to Stage 3</i>	-	(208,447)	208,447	-
<i>Transfer from Stage 2 to Stage 1</i>	194,650	(194,650)	-	-
Derecognition of financial assets of current period	(20,312,719)	(266,470)	(58,299)	(20,637,488)
Write-off	-	-	(63,778)	(63,778)
As at 30 June 2024	81,034,770	4,187,557	933,451	86,155,778
Personal loans gross amount	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2024	13,443,143	72,964	353,830	13,869,937
New financial assets originated	4,991,550	-	-	4,991,550
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(105,299)	105,299	-	-
<i>Transfer from Stage 1 to Stage 3</i>	(144,685)	-	144,685	-
<i>Transfer from Stage 2 to Stage 3</i>	-	(32,326)	32,326	-
<i>Transfer from Stage 3 to Stage 2</i>	-	2,568	(2,568)	-
<i>Transfer from Stage 2 to Stage 1</i>	9,835	(9,835)	-	-
<i>Transfer from Stage 3 to Stage 1</i>	4,841	-	(4,841)	-
Derecognition of financial assets of current period	(5,172,575)	(16,567)	(28,345)	(5,217,487)
Write-off	-	-	(44,805)	(44,805)
As at 30 June 2024	13,026,810	122,103	450,282	13,599,195
Discounted bills gross amount	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2024	214,186	-	63,500	277,686
New financial assets originated or purchased	59,788	-	-	59,788
Repayment	(214,186)	-	-	(214,186)
Write-off	-	-	(63,500)	(63,500)
As at 30 June 2024	59,788	-	-	59,788

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

15 CUSTOMER LOANS (continued)

(c) Movements on gross amount (excluding accrued interest) of customer loans (continued)

Corporate loans gross amount	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	65,165,015	3,463,205	917,351	69,545,571
Addition	32,355,072	-	-	32,355,072
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(2,102,317)	2,102,317	-	-
<i>Transfer from Stage 1 to Stage 3</i>	(26,176)	-	26,176	-
<i>Transfer from Stage 2 to Stage 3</i>	-	(236,791)	236,791	-
<i>Transfer from Stage 2 to Stage 1</i>	103,020	(103,020)	-	-
Derecognition	(22,775,761)	(462,804)	(165,216)	(23,403,781)
Write-off	-	-	(187,892)	(187,892)
As at 31 December 2023	72,718,853	4,762,907	827,210	78,308,970
Personal loans gross amount	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	12,072,427	124,809	260,315	12,457,551
Addition	9,180,180	-	-	9,180,180
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(63,948)	63,948	-	-
<i>Transfer from Stage 1 to Stage 3</i>	(181,100)	-	181,100	-
<i>Transfer from Stage 2 to Stage 3</i>	-	(47,455)	47,455	-
<i>Transfer from Stage 3 to Stage 2</i>	-	4,200	(4,200)	-
<i>Transfer from Stage 2 to Stage 1</i>	11,434	(11,434)	-	-
<i>Transfer from Stage 3 to Stage 1</i>	20,204	-	(20,204)	-
Derecognition	(7,596,054)	(61,104)	(60,140)	(7,717,298)
Write-off	-	-	(50,496)	(50,496)
As at 31 December 2023	13,443,143	72,964	353,830	13,869,937
Discounted bills gross amount	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	732,960	-	89,830	822,790
Addition	214,186	-	-	214,186
Repayment	(732,960)	-	(26,330)	(759,290)
As at 1 January 2023	214,186	-	63,500	277,686

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15 CUSTOMER LOANS (continued)

(d) Customer loans listed by stages

As at 30 June 2024	Stage 1	Stage 2	Stage 3	Total
Total customer loans	94,121,368	4,309,660	1,383,733	99,814,761
– Corporate loans	81,034,770	4,187,557	933,451	86,155,778
– Personal loans	13,026,810	122,103	450,282	13,599,195
– Discounted bills	59,788	–	–	59,788
Accrued interest	157,188	226,164	244,992	628,344
Less: ECL allowance	(2,552,988)	(1,517,360)	(1,076,977)	(5,147,325)
Net customer loans	91,725,568	3,018,464	551,748	95,295,780
As at 31 December 2023	Stage 1	Stage 2	Stage 3	Total
Total customer loans	86,376,182	4,835,871	1,244,540	92,456,593
– Corporate loans	72,718,853	4,762,907	827,210	78,308,970
– Personal loans	13,443,143	72,964	353,830	13,869,937
– Discounted bills	214,186	–	63,500	277,686
Accrued interest	165,118	235,414	181,476	582,008
Less: ECL allowance	(1,964,175)	(1,647,275)	(961,466)	(4,572,916)
Net customer loans	84,577,125	3,424,010	464,550	88,465,685

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16 FINANCIAL INVESTMENTS – CREDIT RELATED FINANCIAL ASSETS

The Bank's financial investments – credit related financial assets are corporate loans issued through consolidated structured entities (trust plans).

	30 June 2024	31 December 2023
Financial investments – credit related financial assets – Trust and asset management plans ⁽¹⁾	2,931,017	2,218,000
Accrued interest	187,728	179,649
Gross amount	3,118,745	2,397,649
Less: ECL allowance	(681,225)	(659,153)
Total	2,437,520	1,738,496

(1) Analysis by type of collaterals:

	30 June 2024	31 December 2023
Guaranteed	2,562,017	1,783,250
Pledged	265,000	308,750
Unsecured	104,000	126,000
Total	2,931,017	2,218,000

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16 FINANCIAL INVESTMENTS – CREDIT RELATED FINANCIAL ASSETS (continued)

(1) Analysis by type of collaterals: (continued)

The movement of ECL of financial investments – credit related financial assets is as follows:

	Financial investments – credit related financial assets			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2024	36,180	–	622,973	659,153
New financial assets originated or purchased	19,266	–	–	19,266
Remeasurement	4,787	–	–	4,787
Repayment	(1,981)	–	–	(1,981)
As at 30 June 2024	58,252	–	622,973	681,225

	Financial investments – credit related financial assets			
	12-month ECL for Stage 1	Lifetime ECL for Stage 2	Lifetime ECL for Stage 3	Total
As at 1 January 2023	36,641	–	399,187	435,828
New financial assets originated or purchased	15,477	–	–	15,477
Remeasurement	6,731	–	200,896	207,627
Repayment	(22,669)	–	–	(22,669)
Unwinding of discount	–	–	22,890	22,890
As at 31 December 2023	36,180	–	622,973	659,153

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16 FINANCIAL INVESTMENTS – CREDIT RELATED FINANCIAL ASSETS (continued)

(1) Analysis by type of collaterals: (continued)

The movement on gross amount (excluding accrued interest) of financial investments – credit related financial assets is as follows:

Gross amount	Financial investments – credit related financial assets			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2024	1,579,650	–	638,350	2,218,000
New financial assets originated or purchased	798,767	–	–	798,767
Repayment	(85,750)	–	–	(85,750)
As at 30 June 2024	2,292,667	–	638,350	2,931,017

Gross amount	Financial investments – credit related financial assets			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	2,283,250	–	638,350	2,921,600
New financial assets originated or purchased	704,900	–	–	704,900
Repayment	(1,408,500)	–	–	(1,408,500)
As at 31 December 2023	1,579,650	–	638,350	2,218,000

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17 FINANCIAL INVESTMENTS – FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2024	31 December 2023
Financial investments – fair value through profit or loss		
– Listed outside Hong Kong	6,065,751	5,909,543
– Unlisted ⁽¹⁾	22,704,505	22,538,856
Total	28,770,256	28,448,399

(1) Unlisted financial investments measured at fair value through profit or loss are set out below:

	30 June 2024	31 December 2023
Financial assets measured at fair value through profit or loss (unlisted)		
– Mutual funds	11,263,375	9,024,653
– Commercial bank bonds	6,415,450	7,071,486
– Corporate bonds	3,150,986	2,634,627
– Policy bank bonds	887,997	1,101,632
– Trust plans	684,358	1,494,995
– Treasury bonds	258,356	242,562
– Equity investments at fair value	43,983	46,049
– Local government bonds	–	922,852
Total	22,704,505	22,538,856

The Bank's unlisted bonds are traded in the inter-bank bond market in Mainland China.

As at 30 June 2024, no financial investments measured at fair value through profit or loss of the Bank was pledged to third parties under repurchase agreements (as at 31 December 2023: Nil).

Financial investments measured at fair value through profit or loss by the issuer are set out below:

	30 June 2024	31 December 2023
Financial investments – fair value through profit or loss		
– Other financial institutions	11,872,807	10,444,624
– Corporates	9,335,646	8,665,243
– Commercial banks	6,415,450	7,071,486
– Policy banks	887,997	1,101,632
– Governments	258,356	1,165,414
Total	28,770,256	28,448,399

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18 FINANCIAL INVESTMENTS – FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2024	31 December 2023
Financial investments – FVOCI		
– Listed outside Hong Kong	1,145,021	1,553,584
– Listed in Hong Kong	35,771	35,453
– Unlisted ⁽¹⁾	3,730,493	4,841,682
Subtotal	4,911,285	6,430,719
Accrued interest	124,770	137,365
Total	5,036,055	6,568,084

(1) Unlisted financial investments measured at fair value through other comprehensive income are set out below:

	30 June 2024	31 December 2023
Financial investments – FVOCI (unlisted)		
– Policy bank bonds	1,593,351	2,026,120
– Treasury bonds	1,237,305	1,624,606
– Corporate bonds	637,217	910,487
– Local government bonds	262,620	180,637
– Commercial bank bonds	–	99,832
Total	3,730,493	4,841,682

The Bank's unlisted bonds are traded in the inter-bank bond market in Mainland China.

Financial investments measured at fair value through other comprehensive income by the issuer are set out below:

	30 June 2024	31 December 2023
Financial investments – FVOCI		
– Corporate	1,818,009	2,499,524
– Policy bank	1,593,351	2,026,120
– Government	1,499,925	1,805,243
– Commercial bank	–	99,832
Total	4,911,285	6,430,719

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18 FINANCIAL INVESTMENTS – FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

(1) Unlisted financial investments measured at fair value through other comprehensive income are set out below: (continued)

The movement of ECL allowance of financial investments – FVOCI is as follows:

	Financial investments – FVOCI			Total
	12-month ECL for Stage 1	Lifetime ECL for Stage 2	Lifetime ECL for Stage 3	
As at 1 January 2024	62,763	–	10,704	73,467
New financial assets originated or purchased	204	–	–	204
Remeasurement	4,335	–	(132)	4,203
Repayment	(21,852)	–	–	(21,852)
As at 30 June 2024	45,450	–	10,572	56,022

	Financial investments – FVOCI			Total
	12-month ECL for Stage 1	Lifetime ECL for Stage 2	Lifetime ECL for Stage 3	
As at 1 January 2023	80,471	–	16,587	97,058
New financial assets originated or purchased	3,777	–	–	3,777
Remeasurement	3,780	–	(5,883)	(2,103)
Repayment	(25,273)	–	–	(25,273)
Exchange differences	8	–	–	8
As at 31 December 2023	62,763	–	10,704	73,467

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19 FINANCIAL INVESTMENTS – AMORTISED COST

	30 June 2024	31 December 2023
Financial investments – amortised cost		
– Listed in Hong Kong	35,544	35,414
– Listed outside Hong Kong	3,338,430	3,342,833
– Unlisted ⁽¹⁾	14,341,793	11,801,932
Subtotal	17,715,767	15,180,179
Accrued interest	446,209	392,062
Subtotal	18,161,976	15,572,241
Less: ECL allowance	(1,027,232)	(778,839)
Net	17,134,744	14,793,402

(1) Unlisted financial investments measured at amortised cost are set out below:

	30 June 2024	31 December 2023
Financial investments – amortised cost (unlisted)		
– Policy bank bonds	9,372,162	6,949,304
– Corporate bonds	1,643,465	1,667,966
– Collective trust plans	1,381,200	1,331,200
– Treasury bonds	1,320,589	1,216,294
– Local government bonds	624,377	637,168
Total	14,341,793	11,801,932

The Bank's unlisted bonds are traded in the inter-bank bond market in Mainland China.

Financial investments – amortised cost are analysed by issuer as follows:

	30 June 2024	31 December 2023
Financial investments – amortised cost		
– Policy bank	9,372,162	6,949,304
– Corporate	5,017,439	5,046,213
– Government	1,944,966	1,853,462
– Trust	1,381,200	1,331,200
Total	17,715,767	15,180,179

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19 FINANCIAL INVESTMENTS – AMORTISED COST (continued)

(1) Unlisted financial investments measured at amortised cost are set out below:
(continued)

The movement of ECL allowance of financial investments – amortised cost is as follows:

	Financial investments measured at amortised cost			
	12-month ECL for Stage 1	Lifetime ECL for Stage 2	Lifetime ECL for Stage 3	Total
As at 1 January 2024	134,694	345,132	299,013	778,839
New financial assets originated or purchased	3,928	–	–	3,928
Remeasurement	(54,353)	60,069	239,955	245,671
Repayment	(1,210)	–	–	(1,210)
Transfer:				
<i>Transfer from Stage 1 to Stage 2</i>	(4,599)	4,599	–	–
<i>Transfer from Stage 2 to Stage 1</i>	73,005	(73,005)	–	–
Exchange differences	4	–	–	4
As at 30 June 2024	151,469	336,795	538,968	1,027,232

	Financial investments measured at amortised cost			
	12-month ECL for Stage 1	Lifetime ECL for Stage 2	Lifetime ECL for Stage 3	Total
As at 1 January 2023	101,459	681,700	212,728	995,887
New financial assets originated or purchased	62,637	–	–	62,637
Remeasurement	(11,601)	68,590	181,288	238,277
Repayment	(72,833)	(162,310)	–	(235,143)
Transfer:				
<i>Transfer from Stage 2 to Stage 1</i>	55,031	(55,031)	–	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(187,817)	187,817	–
Write-off	–	–	(282,820)	(282,820)
Exchange differences	1	–	–	1
As at 31 December 2023	134,694	345,132	299,013	778,839

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19 FINANCIAL INVESTMENTS – AMORTISED COST (continued)

(1) Unlisted financial investments measured at amortised cost are set out below:
(continued)

The movement on gross amount (excluding accrued interest) of financial investments – amortised cost is as follows:

Gross amount	Financial investments measured at amortised cost			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2024	13,651,593	928,586	600,000	15,180,179
New financial assets originated or purchased	3,642,465	–	–	3,642,465
Repayment	(1,107,007)	–	–	(1,107,007)
Transfer:				
<i>Transfer from Stage 1 to Stage 2</i>	<i>(150,237)</i>	<i>150,237</i>	–	–
<i>Transfer from Stage 2 to Stage 1</i>	<i>208,586</i>	<i>(208,586)</i>	–	–
Exchange differences	130	–	–	130
As at 30 June 2024	16,245,530	870,237	600,000	17,715,767

Gross amount	Financial investments measured at amortised cost			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	13,319,663	2,304,436	250,000	15,874,099
New financial assets originated or purchased	3,659,204	–	–	3,659,204
Repayment	(3,459,114)	(644,600)	–	(4,103,714)
Transfers:				
<i>Transfer from Stage 2 to Stage 1</i>	<i>131,250</i>	<i>(131,250)</i>	–	–
<i>Transfer from Stage 2 to Stage 3</i>	–	<i>(600,000)</i>	600,000	–
Write-off	–	–	(250,000)	(250,000)
Exchange differences	590	–	–	590
As at 31 December 2023	13,651,593	928,586	600,000	15,180,179

20 INVESTMENT IN AN ASSOCIATE

	For the six months ended 30 June	
	2024	2023
Balance at the beginning of the period/year	54,943	52,474
Share of profit after tax	1,103	2,469
Balance at the end of the period/year	56,046	54,943

The Bank invested in Luxian Yuantong Rural Bank Co., Ltd. on 8 April 2009. The registered capital of the invested enterprise was RMB30 million, and the Bank invested RMB9 million, accounting for 30%.

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20 INVESTMENT IN AN ASSOCIATE (continued)

Investment in the associate of the Bank is in unlisted company equity interest. Assets, liabilities, revenue and profit of the associate are as follows:

	Place of incorporation	Assets	Liabilities	Revenue	Net profit	Interest held (%)
30 June 2024						
Luxian Yuantong Rural Bank Co., Ltd. (瀘縣元通村鎮銀行)	PRC	1,283,706	1,097,309	15,325	3,675	30%
31 December 2023						
Luxian Yuantong Rural Bank Co., Ltd. (瀘縣元通村鎮銀行)	PRC	1,163,767	981,018	32,798	8,231	30%

21 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress ^(a)	Total
Cost						
As at 1 January 2024	908,355	11,253	238,980	71,106	216,926	1,446,620
Additions	3,541	-	14,477	2,351	76,510	96,879
Transfer from/(to) Construction in progress	5,112	-	-	-	(5,112)	-
Disposals	-	-	(2,623)	(556)	-	(3,179)
Transfer to long-term deferred expenses	-	-	-	-	(30,547)	(30,547)
Transfer to intangible assets (Note 23)	-	-	-	-	(5,520)	(5,520)
As at 30 June 2024	917,008	11,253	250,834	72,901	252,257	1,504,253
Accumulated depreciation						
As at 1 January 2024	(222,254)	(7,650)	(175,938)	(43,748)	-	(449,590)
Depreciation charge	(20,482)	(643)	(17,230)	(4,302)	-	(42,657)
Disposals	-	-	2,267	508	-	2,775
As at 30 June 2024	(242,736)	(8,293)	(190,901)	(47,542)	-	(489,472)
Net book value						
As at 30 June 2024	674,272	2,960	59,933	25,359	252,257	1,014,781

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21 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress ^(a)	Total
Cost						
As at 1 January 2023	821,355	10,438	198,296	64,220	164,866	1,259,175
Additions	44,911	1,495	42,652	8,916	124,805	222,779
Transfer from/(to) Construction in progress	42,089	-	44	-	(42,133)	-
Disposals	-	(680)	(2,012)	(2,030)	-	(4,722)
Transfer to long-term deferred expenses	-	-	-	-	(20,181)	(20,181)
Transfer to intangible assets (Note 23)	-	-	-	-	(10,431)	(10,431)
As at 31 December 2023	908,355	11,253	238,980	71,106	216,926	1,446,620
Accumulated depreciation						
As at 1 January 2023	(175,582)	(7,100)	(145,696)	(34,274)	-	(362,652)
Depreciation charge	(46,672)	(1,196)	(31,095)	(10,331)	-	(89,294)
Disposals	-	646	853	857	-	2,356
As at 31 December 2023	(222,254)	(7,650)	(175,938)	(43,748)	-	(449,590)
Net book value						
As at 31 December 2023	686,101	3,603	63,042	27,358	216,926	997,030

As at 30 June 2024, the balance of buildings, for which registrations for the property ownership certificates had not been completed, was RMB1,311 thousand (31 December 2023: RMB66,436 thousand). However, the directors are of the view that this does not have significant impact on the rights of the Bank to use these assets.

None of the land or property the Bank owned is located in Hong Kong.

(a) Construction in progress

	30 June 2024	31 December 2023
Software engineering	177,029	149,356
Business building and renovation projects	28,915	51,247
Others	46,313	16,323
Total	252,257	216,926

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22 DEFERRED INCOME TAX

Deferred income taxes were calculated on all temporary differences under the liability method using an effective tax rate of 25% as at 30 June 2024 and 31 December 2023 for transactions in the People's Republic of China (the "PRC").

Movements in the deferred income tax account are as follows:

	For the six months ended 30 June 2024	For the year ended 31 December 2023
Balance at the beginning of the period/year	1,451,661	1,092,564
Income tax expense (Note 11)	147,909	375,653
Changes in fair value of financial investments at FVOCI	(5,562)	(25,651)
Changes in ECL allowance of financial investments at FVOCI	19,558	9,095
Balance at the end of the period/year	1,613,566	1,451,661

Deferred income tax assets and liabilities are attributable to the following items:

	30 June 2024		31 December 2023	
	Deductible/ (taxable) Temporary differences	Deferred income tax assets/ (liabilities)	Deductible Temporary differences	Deferred income tax assets
Deferred income tax assets				
Asset impairment allowances	6,339,595	1,584,899	5,535,997	1,383,999
Unrealised losses on fair value measurement of financial investments at FVOCI	-	-	15,206	3,802
Payroll payable	518,671	129,668	510,897	127,724
Others	120,445	30,111	129,223	32,306
Subtotal	6,978,711	1,744,678	6,191,323	1,547,831
Deferred tax liabilities				
Unrealised gains on fair value measurement of financial investments at FVPL	(401,922)	(100,481)	(255,454)	(63,864)
Unrealised gains on fair value measurement of financial investments at FVOCI	(7,043)	(1,760)	-	-
Others	(115,483)	(28,871)	(129,223)	(32,306)
Subtotal	(524,448)	(131,112)	(384,677)	(96,170)
Net deferred income tax assets	6,454,263	1,613,566	5,806,646	1,451,661

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23 OTHER ASSETS

	30 June 2024	31 December 2023
Office building prepayment	414,435	414,435
Foreclosed assets ⁽²⁾	99,066	324,877
Less: Impairment allowance ⁽³⁾	(13,021)	(22,369)
Clearing and settlement ⁽⁶⁾	118,147	–
Right-of-use assets ⁽¹⁾	120,445	129,223
Other receivables	63,596	52,242
Long-term prepaid expenses	62,805	49,210
Prepaid expenses	86,425	10,182
Intangible assets ⁽⁴⁾	19,850	19,045
Interest receivable from customer loans	27,307	12,006
Investment properties ⁽⁵⁾	586	655
Total	999,641	989,506

(1) Right-of-use assets

	Properties	Office equipment	Total
Cost			
As at 1 January 2024	200,865	110	200,975
Additions	8,923	–	8,923
Decreases	(6,501)	(110)	(6,611)
As at 30 June 2024	203,287	–	203,287
Accumulated depreciation			
As at 1 January 2024	(71,653)	(99)	(71,752)
Depreciation charge	(17,690)	(11)	(17,701)
Decreases	6,501	110	6,611
As at 30 June 2024	(82,842)	–	(82,842)
Net book value			
As at 30 June 2024	120,445	–	120,445

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23 OTHER ASSETS (continued)

(1) Right-of-use assets (continued)

	Properties	Office equipments	Total
Cost			
As at 1 January 2023	173,917	110	174,027
Additions	46,995	–	46,995
Decreases	(20,047)	–	(20,047)
As at 31 December 2023	200,865	110	200,975
Accumulated depreciation			
As at 1 January 2023	(56,757)	(77)	(56,834)
Depreciation charge	(34,943)	(22)	(34,965)
Decreases	20,047	–	20,047
As at 31 December 2023	(71,653)	(99)	(71,752)
Net book value			
As at 31 December 2023	129,212	11	129,223

(2) Foreclosed assets

	Buildings
As at 1 January 2024	324,877
Additions	32,661
Disposals	(258,472)
As at 30 June 2024	99,066
As at 1 January 2023	290,842
Additions	50,581
Disposals	(16,546)
As at 31 December 2023	324,877

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

23 OTHER ASSETS (continued)

(3) Impairment for foreclosed assets

	Buildings
As at 1 January 2024	22,369
Additions	34
Disposals	(9,382)
As at 30 June 2024	13,021
As at 1 January 2023	18,941
Additions	6,398
Disposals	(2,970)
As at 31 December 2023	22,369

(4) Intangible assets

	Software
Cost	
As at 1 January 2024	70,941
Additions	836
Transfers from Construction in progress	5,520
Disposals	-
As at 30 June 2024	77,297
Accumulated amortisation	
As at 1 January 2024	(51,896)
Amortisation charge	(5,551)
Disposals	-
As at 30 June 2024	(57,447)
Net book value	19,850

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

23 OTHER ASSETS (continued)

(4) Intangible assets (continued)

	Software
Cost	
As at 1 January 2023	59,769
Additions	741
Transfers from Construction in progress	10,431
As at 31 December 2023	70,941
Accumulated amortisation	
As at 1 January 2023	(42,911)
Amortisation charge	(8,985)
As at 31 December 2023	(51,896)
Net book value	19,045

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For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

23 OTHER ASSETS (continued)

(5) Investment properties

	For the period ended 30 June 2024	For the year ended 31 December 2023
Cost		
Balance at the beginning of the period/year	11,453	11,453
Addition	-	-
Disposal	-	-
Balance at the end of the period/year	11,453	11,453
Accumulated depreciation		
Balance at the beginning of the period/year	(10,798)	(10,652)
Depreciation charge	(69)	(146)
Disposal	-	-
Balance at the end of the period/year	(10,867)	(10,798)
Net book value		
Balance at the end of the period/year	586	655

The analysis of the value of investment properties by remaining leasehold period are as follows:

	30 June 2024	31 December 2023
Located in PRC		
Leased out (within 10 years)	353	366
Held for lease	233	289
Total	586	655

(6) The clearing and settlement are balances in the large payment system and UnionPay settlement funds.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

24 DUE TO AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2024	31 December 2023
Due to banks and other financial institutions	369,367	360,511
Repurchase agreements – securities	–	3,392,300
Placements from banks and other financial institutions	3,682,071	3,395,000
Accrued interest	8,593	5,811
Total	4,060,031	7,153,622

25 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2024	31 December 2023
Short position of bonds	64,358	–

26 CUSTOMER DEPOSITS

	30 June 2024	31 December 2023
Corporate demand deposits	43,674,485	39,339,964
<i>Including:</i>		
<i>Guarantee deposits</i>	2,374,666	2,228,934
Corporate time deposits	9,742,725	7,978,613
Personal demand deposits	16,628,343	15,845,346
Personal time deposits	57,611,246	51,905,556
Accrued interest	2,600,211	2,555,037
Total	130,257,010	117,624,516

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For the six months ended 30 June 2024
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27 DEBT SECURITIES ISSUED

	30 June 2024	31 December 2023
Inter-bank certificates of deposit	9,587,338	9,812,442
Fixed rate tier-2 capital debt – 2030 ^(a)	1,500,000	1,500,000
Fixed rate tier-2 capital debt – 2032 ^(b)	800,000	800,000
Fixed rate SME debt – 2024 ^(c)	–	2,000,000
Accrued interest	75,742	67,146
Total	11,963,080	14,179,588

(a) The Bank issued RMB0.8 billion tier-2 capital debt in September 2020. The tenor of this capital debt lasts for 10 years, and the fixed interest rate is 5.00%. The Bank, as an issuer, can choose to redeem the debt in part or for all at the face value on 29 September 2025, the last day of the interest rate year that is set to redeem in advance in this year, if the capital level of the Bank still meets the requirement of former CBIRC requirement after exercising the right of redemption and subject to pre-approval from the National Financial Regulatory Administration Sichuan division (the “NFRA”).

The Bank issued RMB0.7 billion tier-2 capital debt in November 2020. The tenor of this capital debt lasts for 10 years, and the fixed interest rate is 4.80%. The Bank, as an issuer, can choose to redeem the debt in part or for all on at the face value 13 November 2025, the last day of the interest rate year that is set to redeem in advance in this year, if the capital level of the Bank still meets the requirement of former CBIRC requirements after exercising the right of redemption and subject to pre-approval from the NFRA.

(b) The Bank issued RMB0.8 billion tier-2 capital debt in November 2022. The tenor of this capital debt lasts for 10 years, and the fixed interest rate is 4.60%. The Bank has an option to redeem the debt at the par value partially or as a whole on 1 November 2027, the last day of the interest-bearing year with early redemption option embedded, pre-approval from the NFRA is acquired and the Bank’s capital structure fulfils the former CBIRC requirements on capital if the redemption is exercised.

(c) The Bank issued RMB2 billion special financial debt for loans to small and micro enterprises (the “SME debt”) in May 2021. The term of this SME debt lasts for 3 years, and the fixed interest rate is 3.85%. The Bank has repaid the debt principal and interests at its maturity date of 27 May 2024.

The tier-2 capital debts the Bank issued have the write-down feature, which allows the Bank to write down the entire principals of the debts when regulatory triggering events as stipulated in the offering documents occur and any accumulated unpaid interests would become not payable. According to the relevant former CBIRC regulations, the tier-2 capital debt issued meets the standards of qualified tier-2 capital instruments.

As at 30 June 2024, the Bank did not have overdue principal or interests on debt issued or certificates of deposit, or any other default (as at 31 December 2023: Nil).

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

28 OTHER LIABILITIES

	30 June 2024	31 December 2023
Payroll payable	518,671	507,449
Lease liabilities	115,483	129,206
Dividends payable	175,895	146,440
Other payables	233,315	254,185
Clearing and settlement	–	75,956
Deferred income	26,142	21,261
Provisions	29,529	7,375
Security deposits	8,897	7,513
Others	39,038	24,162
Total	1,146,970	1,173,547

29 SHARE CAPITAL AND CAPITAL SURPLUS

All shares of the Bank issued are fully paid ordinary shares. The par value per share is RMB1.00. The Bank's number of shares is as follows:

	30 June 2024	31 December 2023
Number of shares ('000)	2,717,752	2,717,752

Generally, transactions of the following nature are recorded in the capital surplus:

- (a) Share premium arising from the issue of shares at prices in excess of their par value;
- (b) Donations received from shareholders; and
- (c) Any other items required by the PRC regulations to be so treated.

Capital surplus can be utilised for increasing capital as approved by the shareholders.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

29 SHARE CAPITAL AND CAPITAL SURPLUS (continued)

As at 31 December 2023 and 30 June 2024, the Bank's capital surplus was shown as follow:

	31 December 2023	Addition/ Deduction	30 June 2024
Share premium	1,786,355	–	1,786,355

	31 December 2022	Addition/ Deduction	31 December 2023
Share premium	1,786,355	–	1,786,355

30 OTHER EQUITY INSTRUMENTS

30.1 Perpetual bonds

30.1.1 Perpetual bonds outstanding as at 30 June 2024 and 31 December 2023

	Issue date	Accounting classification	Original interest rate	Issue price	Amount in shares	In RMB (in thousands)	Maturity
Perpetual bonds in RMB	18 March 2020	Equity	5.80%	RMB100/bond	10,000,000	1,000,000	No fixed maturity date
Perpetual bonds in RMB	11 June 2020	Equity	5.30%	RMB100/bond	7,000,000	700,000	No fixed maturity date
					Total	1,700,000	
					Less: Offering related expenses	(3,176)	
					Carrying amount	1,696,824	

With the approval of relevant Chinese regulatory authorities, the Bank issued perpetual bonds in the inter-bank bond market on 18 March 2020 and 11 June 2020, with a total face value of RMB1.7 billion and each face value of RMB100. The interest rate of the perpetual bonds does not contain any interest rate step-up mechanism or any other redemption incentives. The coupon rate is determined by a benchmark rate plus a fixed spread, and it will be adjusted every 5 years, the coupon rate for the first 5 years is respectively 5.80% and 5.30%.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024

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

30 OTHER EQUITY INSTRUMENTS (continued)

30.1 Perpetual bonds (continued)

30.1.2 Main clauses

The perpetual bonds will continue to be outstanding so long as the Bank's business continues to operate. After five years from the issuance of the perpetual bonds, the Bank may redeem the perpetual bonds in whole or in part on each distribution payment date. Upon the occurrence of Write-down Event, the Bank has the right, subject to the approval of the National Financial Regulatory Administration Sichuan Bureau but without the need for the consent of the bondholders, to write down whole or part of the aggregate amount 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 1 Capital instruments of the Bank that rank pari passu with the perpetual bonds.

The distributions on the perpetual bonds are non-cumulative. 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. However, the Bank will not distribute income to ordinary shareholders until it decides to start paying full distributions to the bondholders.

The net proceeds from the Bank's issuance of the above bonds, after deducting offering related expenses, will be used to replenish the Additional Tier 1 Capital of the Bank.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
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31 OTHER RESERVES

	Surplus reserve ^(a)	General reserve ^(b)	Revaluation reserve of financial assets at FVOCI	Impairment allowances for financial assets at FVOCI	Total
As at 1 January 2024	710,941	1,926,188	(11,407)	101,587	2,727,309
Other comprehensive income	-	-	16,687	(58,674)	(41,987)
Addition	-	195,845	-	-	195,845
As at 30 June 2024	710,941	2,122,033	5,280	42,913	2,881,167
As at 1 January 2023	611,517	1,737,305	(88,359)	128,873	2,389,336
Other comprehensive income	-	-	76,952	(27,286)	49,666
Addition	99,424	188,883	-	-	288,307
As at 31 December 2023	710,941	1,926,188	(11,407)	101,587	2,727,309

(a) Surplus reserve

In accordance with “the Company Law of the People’s Republic of China” and the Bank’s Articles of Association, 10% of the net distributable profit of the Bank, is required to be transferred to a non-distributable statutory reserve until such time when this reserve represents 50% of the share capital of the Bank. With approval, statutory surplus reserve can be used for making up losses or increasing the share capital.

(b) General reserve

The Bank follows “The Administrative Measures for the Provision of Reserves of Financial” (CAIJIN [2012] No. 20) issued by the Ministry of Finance. According to these requirements, the general reserve should not be lower than the 1.5% of the year end risk weighted assets.

On 22 March 2024, the Board of Directors of the Bank proposed that 1.5% of the risk-weighted assets at the end of 2023 should be appropriated to general risk reserve amounting to RMB195.85 million. The proposed resolution has been approved by the Annual General Meeting held on 22 May 2024. As at 30 June 2024, the ending balance of general reserve was RMB2,122.03 million (as at 31 December 2023: RMB1,926.19 million).

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
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32 DIVIDENDS

On 22 March 2024, the Board of Directors of the Bank has proposed a resolution to distribute cash dividend for the year ended 31 December 2023 to shareholders on the basis of RMB0.9 (tax inclusive) for every 10 shares held, totalling RMB244.60 million (tax inclusive). The proposed resolution has been approved by the Annual General Meeting held on 22 May 2024 and such distribution was completed during the period ended 30 June 2024.

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

- (i) Making up prior year's cumulative losses, if any;
- (ii) Allocations to the non-distributable statutory accumulation reserve of 10% of the net profit of the Bank.

In accordance with relevant regulations, after the Bank's initial public offering, the net profit after tax of the Bank for the purpose of profit distribution is deemed to be the lower of (i) the retained profit determined in accordance with the China Accounting Standards and (ii) the retained profit determined in accordance with IFRS.

33 STRUCTURED ENTITIES

(a) Consolidated structured entities

As at 30 June 2024	Book value	Maximum exposure to loss
Financial investments – credit related financial assets	2,437,520	2,437,520
Financial investments – amortised cost	975,730	975,730
Total	3,413,250	3,413,250

As at 31 December 2023	Book value	Maximum loss exposure
Financial investments – credit related financial assets	1,738,496	1,738,496
Financial investments – amortised cost	967,739	967,739
Total	2,706,235	2,706,235

The Bank's interest income obtained from the above-mentioned structured entities are as follows:

	For the six months ended 30 June	
	2024	2023
Interest income	108,809	167,504

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
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33 STRUCTURED ENTITIES (continued)

(b) Unconsolidated structured entities

(i) **Unconsolidated structured entities managed by the Bank**

The unconsolidated structure entities managed by the Bank are mainly wealth management products issued and managed by the Bank acting as asset manager. Based on the analysis and research on the potential targeted clients, the Bank designs and sells wealth management products to targeted clients, and the raised funds are then put into related financial market or invested in related financial products according to the product contracts. Investment returns would be allocated to investors according to the contract. The Bank receives corresponding wealth management commission fee income as the asset manager. The Bank had recognised net commission income from asset management service of non-principal-guaranteed wealth management products with the amount of RMB94,274 thousand for the six months ended 30 June 2024 (for the six months ended 30 June 2023: RMB80,513 thousand). The Bank did not provide any liquidity support to the wealth management products for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

The Bank issues and manages non-principal-guaranteed wealth management products to individual and institutional investors. The funds raised from the individual investors are mainly invested in the open market bonds and money market instruments.

The Bank assesses its control on the non-principal-guaranteed wealth management products. The Bank takes a fiduciary role on these wealth management products and has no contractual obligation to repay the principal or interests. The risk exposure of the products is mainly from the fluctuation of the expected return of the bonds market, the performance of public funds. The risk of loss is borne by the investors. The Bank earns the net fee and commission income from the products.

As at 30 June 2024, the balance of unconsolidated wealth management products issued and managed by the Bank was RMB16,182,860 thousand (as at 31 December 2023: RMB16,275,137 thousand).

(ii) **Unconsolidated structured entities invested by the Bank**

In order to increase the return of extra funds, the Bank invests in the unconsolidated structured entities which mainly included the funds and trust plans issued and managed by third parties. The Bank classified the investments in the unconsolidated structured entities as financial assets at FVPL or amortised cost (for the six months ended 30 June 2023: the unconsolidated structured entities which mainly included the funds and trust plans issued and managed by third parties).

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
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33 STRUCTURED ENTITIES (continued)

(b) Unconsolidated structured entities (continued)

(ii) Unconsolidated structured entities invested by the Bank (continued)

The table below lists the book value (including accrued interest) and maximum credit risk exposure of the assets as a result of the holdings of benefits from unconsolidated structured entities.

As at 30 June 2024	Book value	Maximum exposure to loss
Financial investments – fair value through profit or loss	11,947,733	11,947,733
Financial investments – amortised cost	905,316	905,316
Total	12,853,049	12,853,049

As at 31 December 2023	Book value	Maximum risk exposure
Financial investments – fair value through profit or loss	10,519,648	10,519,648
Financial investments – amortised cost	1,095,782	1,095,782
Total	11,615,430	11,615,430

For the six months ended 30 June 2024 and 2023, the interest income, net gains on financial investments and fee and commission income from the above unconsolidated structured entities were:

	For the six months ended 30 June	
	2024	2023
Interest income	25,837	54,435
Net gains on financial investments	83,138	79,891
Fee and commission income	94,274	80,513
Total	203,249	214,839

For the six months ended 30 June 2024, the Bank has not provided any financial or other support to unconsolidated structured entities (For the six months ended 30 June 2023: Nil).

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
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34 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

Financial guarantees and credit related commitments

The following tables indicate the contractual amounts of the Bank's financial guarantees and credit related commitments which the Bank commits to extend to customers:

	30 June 2024	31 December 2023
Bank acceptance notes	2,195,424	886,773
Letter of credits	421,000	152,740
Guarantees	200,100	73,938
Fiscal business card commitments	16,368	8,951
Total	2,832,892	1,122,402

Capital expenditure commitments

	30 June 2024	31 December 2023
Contracted but not provided for		
– Acquisition of IT system	148,920	140,096
– Capital expenditure commitments for buildings	32,274	66,086
	181,194	206,182
Authorised but not contracted for		
– Capital expenditure commitments for buildings	17,197	–
– Acquisition of IT system	9,990	40,580
– Acquisition of official motor vehicles	1,840	–
	29,027	40,580
Total	210,221	246,762

Legal proceedings

The Bank has involved as defendants in certain lawsuits arising from its normal business operations. The Bank had no outstanding legal claims as at 30 June 2024 (as at 31 December 2023: Nil).

Notes to the Unaudited Interim Condensed Financial Information

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35 FIDUCIARY ACTIVITIES

The Bank provides custody and trustee services to third parties. Those assets that are held in a fiduciary capacity are not included in the interim condensed statement of financial position.

	30 June 2024	31 December 2023
Entrusted loans	1,887,215	1,980,809

36 COLLATERALS

(a) Assets pledged:

Assets pledged by the Bank as collateral are mainly for repurchase agreements and PBOC re-lending. All of these arrangements will be mature within 12 months from the date they take effect (as at 31 December 2023: Same). The carrying amount of these collaterals are listed below:

	30 June 2024	31 December 2023
Debt securities	5,229,000	7,901,200
Loans	2,132,020	4,272,133
Total	7,361,020	12,173,333

(b) Collateral accepted:

The Bank received debt securities and inter-bank certificates of deposits as collateral in connection with the reverse repurchase agreements, the Bank has not accepted collateral that can be resold or repledged. The Bank did not hold any collateral as at 30 June 2024 (as at 31 December 2023: RMB5,316,000 thousand). The Bank did not resell or repledge such collateral.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
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37 OTHER COMPREHENSIVE INCOME

	Before tax amount	Tax benefit	Net of tax amount
For the six months ended 30 June 2024			
Items that may be reclassified subsequently to profit or loss:			
<i>Changes in fair value of financial investments measured at FVOCI</i>	22,249	(5,562)	16,687
<i>Expected credit losses of financial investments measured at FVOCI</i>	(78,232)	19,558	(58,674)
Other comprehensive income for the period	(55,983)	13,996	(41,987)

	Before tax amount	Tax benefit	Net of tax amount
For the six months ended 30 June 2023			
Items that may be reclassified subsequently to profit or loss:			
<i>Changes in fair value of financial investments measured at FVOCI</i>	85,830	(21,458)	64,372
<i>Expected credit losses of financial investments measured at FVOCI</i>	15,981	(3,995)	11,986
Other comprehensive income for the period	101,811	(25,453)	76,358

38 NOTES TO STATEMENTS OF CASH FLOWS

For the purposes of the statements of cash flow, cash and cash equivalents comprise the following balances with original maturities of less than three months used for the purpose of meeting short-term cash commitments:

	30 June 2024	30 June 2023
Cash and balances with central bank	5,506,981	4,064,371
Financial assets due from other banks and financial institutions	814,691	361,691
Total	6,321,672	4,426,062

Notes to the Unaudited Interim Condensed Financial Information

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39 RELATED PARTY TRANSACTIONS

39.1 Related party relationships

The related parties of the Bank mainly include: the major shareholders as well as the entities controlled by them, the key management personnel (including the Bank's directors and senior management) and their family members who have close relationships with them as well as the entities which are controlled, joint controlled or can be significantly influenced by the Bank's key management personnel or their family members.

As at 30 June 2024 and 31 December 2023, the major shareholders of the Bank, holding 5% or more of the equity interest in the Bank, or holding less than 5% of the equity interest of the Bank but able to exercise significant influence over the operation and management of the Bank, were as follows:

Name of shareholders	30 June 2024		31 December 2023	
	Number of shares held (share '000)	Percentage (%)	Number of shares held (share '000)	Percentage (%)
Luzhou Laojiao Group Co., Ltd.	390,528	14.37	390,528	14.37
Sichuan Jiale Enterprise Group Co., Ltd.	325,440	11.97	325,440	11.97
Luzhou Xinfu Mining Group Co., Ltd.	325,440	11.97	325,440	11.97
Luzhou Finance Bureau	193,854	7.13	193,854	7.13
Luzhou State Owned Assets Management Co., Ltd.	173,568	6.39	173,568	6.39
Luzhou Xinglu Jutai Construction Engineering Group Co., Ltd.	110,059	4.05	110,059	4.05
Luzhou Industrial Development Investment Group Co., Ltd.	88,155	3.24	88,155	3.24
Luzhou Xinglu Asset Management Co., Ltd.	62,154	2.29	-	-
Luzhou Laojiao Co., Ltd.	43,392	1.60	43,392	1.60
Luzhou Fundamental Infrastructure Construction Investment Co., Ltd.	18,007	0.66	18,007	0.66
Sichuan Lutianhua Co., Ltd.	13,017	0.48	13,017	0.48
Sichuan Luzhou Jiale Real Estate Co., Ltd.	8,678	0.32	8,678	0.32
Lutianhua Group Co., Ltd.	241	0.01	241	0.01
Luzhou Xinglu Investment Group Co., Ltd.	-	-	48,659	1.79
Luzhou Xinglu Financing Guarantee Group Co., Ltd.	-	-	13,495	0.50
Total	1,752,533	64.48	1,752,533	64.48

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
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39.1 RELATED PARTY RELATIONSHIPS (continued)

39.2 Related party transactions

Transactions between the Bank and related parties are conducted in accordance with general commercial terms and normal business procedures. The pricing principle is consistent with that of an independent third-party transaction. The related party transactions of the Bank are as follows:

(1) Customer loans to related party (including discounted bills)

	30 June 2024	31 December 2023
Major shareholders	399,000	400,000
Other related companies	2,942,857	3,664,434
Related person	19,541	21,097
Total	3,361,398	4,085,531

(2) Related party loan interest income (including discounted bills)

	For the six months ended 30 June	
	2024	2023
Major shareholders	11,884	11,115
Other related companies	97,156	137,233
Related person	429	630
Total	109,469	148,978

(3) Deposits from related party

	30 June 2024	31 December 2023
Major shareholders	7,127,458	7,850,011
Other related companies	2,074,923	1,627,590
Related person	247,433	306,283
Total	9,449,814	9,783,884

(4) Related party deposit interest expense

	For the six months ended 30 June	
	2024	2023
Major shareholders	92,150	124,999
Other related companies	14,961	16,858
Related person	4,087	5,490
Total	111,198	147,347

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
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39.1 RELATED PARTY RELATIONSHIPS (continued)

39.2 Related party transactions (continued)

(5) Other receivables and pre-payments from related party

	30 June 2024	31 December 2023
Major shareholders	70	70
Other related companies	36	36
Total	106	106

(6) Related party financial investments – fair value through profit or loss

	30 June 2024	31 December 2023
Major shareholders	9,221	9,345
Other related companies	64,339	76,444
Total	73,560	85,789

(7) Related party net gains on financial investments – fair value through profit or loss

	For the six months ended 30 June	
	2024	2023
Major shareholders	482	873
Other related companies	4,064	1,727
Total	4,546	2,600

(8) Related party financial investments – fair value through other comprehensive income

	30 June 2024	31 December 2023
Major shareholders	10,435	10,104
Other related companies	–	–
Total	10,435	10,104

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
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39.1 RELATED PARTY RELATIONSHIPS (continued)

39.2 Related party transactions (continued)

(9) Related party interest income from financial investments – fair value through other comprehensive income

	For the six months ended 30 June	
	2024	2023
Major shareholders	274	273
Other related companies	–	–
Total	274	273

(10) Related party fees commission and income

	For the six months ended 30 June	
	2024	2023
Major shareholders	–	–
Other related companies	1,697	–
Related person	1	1
Total	1,698	1

(11) Key management compensation

Key management personnel refer to those who have authority and responsibility for planning, directing and controlling the activities of the Bank. The Bank conducts normal banking transactions with key management personnel in its daily operations.

The remuneration of key management personnel during the reporting periods are as follows:

	For the six months ended 30 June	
	2024	2023
Remuneration, salary, allowances and benefits	4,145	4,420
Discretionary bonuses	539	1,713
Contribution to pension schemes	153	147
Total	4,837	6,280

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

39.1 RELATED PARTY RELATIONSHIPS (continued)

39.2 Related party transactions (continued)

(12) Balance of loan guarantee provided by related parties to the Bank

	As at 30 June 2024		
	Corporate loans	Personal loans	Total
Luzhou Xinglu Financing Guarantee Group Co., Ltd.	1,687,720	2,600	1,690,320
Luzhou Development Financing Guarantee Co., Ltd.	461,730	–	461,730
Luzhou Jintong Financing Guarantee Co., Ltd.	114,050	9,640	123,690
Luxian Agriculture and SMEs Financing Guarantee Co., Ltd.	88,358	–	88,358
Sichuan Hongxin Financing Guarantee Co., Ltd.	56,200	9,900	66,100
Luzhou Xinglu Agricultural Financing Guarantee Co., Ltd.	8,380	–	8,380
Total	2,416,438	22,140	2,438,578

	As at 31 December 2023		
	Corporate loans	Personal loans	Total
Luzhou Xinglu Financing Guarantee Group Co., Ltd.	1,857,830	2,600	1,860,430
Luzhou Development Financing Guarantee Co., Ltd.	842,120	6,800	848,920
Luzhou Jintong Financing Guarantee Co., Ltd.	128,719	9,640	138,359
Luxian Agriculture and SMEs Financing Guarantee Co., Ltd.	105,415	–	105,415
Sichuan Hongxin Financing Guarantee Co., Ltd.	59,200	38,900	98,100
Luzhou Xinglu Agricultural Financing Guarantee Co., Ltd.	29,328	–	29,328
Total	3,022,612	57,940	3,080,552

For the six months ended 30 June 2024, the fees for the guarantee services provided by the related parties to the borrowers of the Bank shall be paid by the borrowers, and the Bank does not pay any fees to the related parties (for the six months ended 30 June 2023: same).

(13) Commitments provided by the Bank to related parties

	30 June 2024	31 December 2023
Other related companies	154,877	23,494
Total	154,877	23,494

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

39.1 RELATED PARTY RELATIONSHIPS (continued)

39.2 Related party transactions (continued)

(14) Property leasing

Yijia Real Estate Co., Ltd., a related party of the Bank, leases a property located in Luzhou City, Sichuan Province to the Bank for a period of ten years from 1 August 2016 to 31 July 2026. The rent of the first half of 2024 is RMB46,888.

Luzhou Xinglu Asset Management Co., Ltd., a related party of the Bank, leases a property located in Luzhou City, Sichuan Province to the Bank for a period of five years from 2 May 2021 to 1 May 2026. The rent of the first half of 2024 is RMB112,984.

Luzhou Xinglu Jutai Construction Engineering Group Co., Ltd., a related party of the Bank, leases a property located in Luzhou City, Sichuan Province to the Bank for a period of three years from 1 September 2022 to 31 August 2025. The rent of the first half of 2024 is RMB190,386.

Luzhou Development Asset Management Co., Ltd., a related party of the Bank, leases a property located in Luzhou City, Sichuan Province to the Bank for a period of three years from 1 May 2023 to 30 April 2026. The rent of the first half of 2024 is RMB408,000.

Luzhou Laojiao Real Estate Co., Ltd., a related party of the Bank, leases a property located in Chengdu City, Sichuan Province to the Bank for a period of four months from 1 November 2023 to 29 February 2024. The rent of the first half of 2024 is RMB345,158.

(15) Government related entities

The transactions between the Bank and government related entities proceed under normal commercial terms and conditions. These transactions mainly include provision of deposits and agency service. The Bank considers that transactions with these entities are activities conducted in the ordinary course of business. The Bank has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government related entities.

(16) Others

The above range of transaction interest rates with related parties is listed as follows:

	For the six months ended 30 June	
	2024	2023
Customer loans	2.83%-7.50%	3.70%-8.00%
Customer deposits	0.35%-5.23%	0.35%-5.23%
Financial investments – fair value through other comprehensive income	5.50%	5.50%
Financial investments – fair value through profit or loss	5.85%-6.68%	5.85%-6.68%

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024

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

40 SEGMENT ANALYSIS

The Bank's operating segments are business units which provide different financial products and service and are engaged in different types of financial transactions. As different operating segments face different clients and counterparties supported by specific techniques and market strategies, they operate independently.

The Bank has 4 operating segments: corporate banking, retail banking, financial markets, and other categories.

Corporate banking mainly provides corporate customers with financial products and services including deposits and loans.

Retail banking mainly provides individual customers with financial products and services including deposits and loans.

Financial markets mainly perform inter-bank lending and borrowing, bonds investment and re-purchasing activities, etc.

Others are those businesses not included in the above three segments or cannot be allocated with appropriate basis.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

40 SEGMENT ANALYSIS (continued)

	For the six months ended 30 June 2024				
	Corporate banking	Retail banking	Financial market	Others	Total
Net interest income/(expenses) from external customers	2,296,322	(761,164)	222,522	-	1,757,680
Inter-segment net interest income/(expenses)	(868,148)	1,015,592	(147,444)	-	-
Net interest income	1,428,174	254,428	75,078	-	1,757,680
Net fee and commission income	9,319	68,785	4,406	82	82,592
Net gains on trading activities	-	-	492,091	-	492,091
Net gains arising from financial investments	-	-	197,435	-	197,435
Other operating income	294,603	-	-	11,507	306,110
Operating income	1,732,096	323,213	769,010	11,589	2,835,908
Operating expenses	(573,153)	(86,629)	(235,322)	(2,965)	(898,069)
– Depreciation and amortisation	(45,483)	(10,418)	(28,155)	(832)	(84,888)
– Others	(527,670)	(76,211)	(207,167)	(2,133)	(813,181)
Expected credit losses	(557,731)	(119,336)	(226,471)	(237)	(903,775)
Other assets impairment losses	-	-	-	(34)	(34)
Share of profit of an associate	-	-	-	1,103	1,103
Profit before income tax	601,212	117,248	307,217	9,456	1,035,133
Capital expenditure	112,638	25,801	69,722	2,060	210,221
	As at 30 June 2024				
Segment assets	88,494,980	20,270,594	54,778,055	1,618,850	165,162,479
Segment liabilities	(54,587,106)	(76,710,393)	(22,505,839)	(5,492)	(153,808,830)

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

40 SEGMENT ANALYSIS (continued)

	For the six months ended 30 June 2023				
	Corporate banking	Retail banking	Financial market	Others	Total
Net interest income/(expenses) from external customers	1,927,070	(759,078)	386,541	-	1,554,533
Inter-segment net interest income/(expenses)	(515,426)	1,105,090	(589,664)	-	-
Net interest income	1,411,644	346,012	(203,123)	-	1,554,533
Net fee and commission income	2,363	45,053	21,976	228	69,620
Net gains on trading activities	-	-	618,879	-	618,879
Net gains arising from financial investments	-	-	169,418	-	169,418
Other operating income	-	-	-	34,206	34,206
Operating income	1,414,007	391,065	607,150	34,434	2,446,656
Operating expenses	(402,165)	(69,126)	(239,596)	(5,901)	(716,788)
– Depreciation and amortisation	(37,347)	(9,139)	(26,954)	(603)	(74,043)
– Others	(364,818)	(59,987)	(212,642)	(5,298)	(642,745)
Expected credit losses	(567,349)	(80,003)	(216,308)	-	(863,660)
Other assets impairment losses	-	-	-	(8,682)	(8,682)
Share of profit of an associate	-	-	-	2,771	2,771
Profit before income tax	444,493	241,936	151,246	22,622	860,297
Capital expenditure	221,783	54,271	160,067	3,580	439,701
	As at 31 December 2023				
Segment assets	79,922,524	18,976,276	57,273,264	1,464,319	157,636,383
Segment liabilities	(48,350,675)	(70,197,197)	(28,135,129)	(26,383)	(146,709,384)

There is no high reliance of the Bank to any of the major external customers.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

41 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(a) Fair value hierarchy

IFRS 7 specifies the levels of valuation techniques that based on the inputs of valuation techniques that are observable or not. The observable inputs reflect the market data obtained from independent sources. These two inputs lead to the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities, debt instruments in house (e.g. Hong Kong Stock Exchange).
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly. This level includes the debt instruments dealing in the inter-bank market. For example, the input parameters of bond yield curves and counterparty credit risk stem from China bond information website and Bloomberg.
- Level 3 – Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs). This level includes equity instruments and structural financial instruments.

The Bank determines the fair value of the financial instrument by valuation techniques when it is difficult to obtain quotations from the open market.

The main parameters of valuation techniques used in financial instruments include the price of the bond, interest rate, exchange rate, stock and equity price, volatility level, correlation, prepayment rates, and the credits spreads of counterparty. All of these parameters can be observed and obtained from the open market.

The measurement of the fair value of those asset-backed securities and unlisted equity (private equity) held by the Bank adopts unobservable parameters that may have significant impact on the valuations. Thus, the Bank would better classify these financial instruments to the third level. Management has assessed the influence of macroeconomic factors, the valuation by external appraiser, loss coverage, and many other parameters, so as to examine the correlation between the fair value of third level financial instruments and the above parameters. The Bank has established an internal control system to supervise the exposure of the financial instrument above.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

41 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

(b) Financial instruments not measured at fair value

Financial assets and liabilities that are not measured at fair value in the interim condensed statement of financial position mainly include: balances with central bank, due from other banks and financial institutions, financial assets held under reverse repurchase agreements, customer loans, credit related financial assets, financial investments – amortised cost, due to other banks and financial institutions, financial assets sold under repurchase agreements, customer deposits, debt securities issued. Except for the following financial assets and financial liabilities, the carrying amounts of financial assets and liabilities that are not measured at fair value approximate to the fair value.

The table below summarises the financial assets and liabilities that have difference between book value (including accrued interest) and fair value as at 30 June 2024 and 31 December 2023.

	Book value	As at 30 June 2024			Total
		Level 1	Level 2	Level 3	
Financial assets					
Financial investments – amortised cost	17,134,744	–	15,469,762	2,395,690	17,865,452
Financial investments – credit related financial assets	2,437,520	–	–	2,531,183	2,531,183
Financial liabilities					
Debt securities issued	11,963,080	–	12,059,269	–	12,059,269

	Book value	As at 31 December 2023			Total
		Level 1	Level 2	Level 3	
Financial assets					
Financial investments – amortised cost	14,793,402	–	12,713,660	2,502,903	15,216,563
Financial investments – credit related financial assets	1,738,496	–	–	1,797,206	1,797,206
Financial liabilities					
Debt securities issued	14,179,588	–	14,182,603	–	14,182,603

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

41 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

(b) Financial instruments not measured at fair value (continued)

Financial investments – credit related financial assets

The fair value for financial investments – credit related financial assets is determined based on discounted cash flow model using unobservable discount rates that reflect credit risk and liquidity.

Financial investments – amortised cost

The fair value for trust and asset management plans measured at amortised cost is determined based on discounted cash flow model using unobservable discount rates that reflect credit risk and liquidity.

The fair value for bonds measured at amortised cost is based on market prices or broker/dealer price quotations. Where the information is not available, fair value is estimated using quoted market prices for securities with similar credit risk, maturity and yield characteristics.

Debt securities issued

The fair value of fixed interest-bearing debt securities issued is calculated using a discounted cash flow model which is based on a current yield curve for the bonds with similar remaining term to maturity.

Other than above, the carrying values of those financial assets and liabilities not presented at their fair value in the interim condensed statement of financial position are a reasonable approximation of their fair values. Those financial assets and liabilities include balances with central bank, due from other banks and financial institutions, customer loans, due to other banks and financial institutions, customer deposits, etc. and their fair value is measured using a discounted future cash flow model.

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

41 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

(c) Financial assets and financial liabilities measured at fair value

The financial assets and liabilities measured at fair value on a recurring basis by the three levels are analysed below:

As at 30 June 2024	Level 1	Level 2	Level 3	Total
Financial assets				
Customer loans – discounted bills	–	59,788	–	59,788
Financial investments – FVPL	10,577,381	17,991,191	201,684	28,770,256
Financial investments – FVOCI	–	5,036,055	–	5,036,055
Total	10,577,381	23,087,034	201,684	33,866,099
Financial liabilities				
Financial liabilities at fair value through profit or loss	64,358	–	–	64,358
As at 31 December 2023				
	Level 1	Level 2	Level 3	Total
Financial assets				
Customer loans – discounted bills	–	277,686	–	277,686
Financial investments – FVPL	8,319,859	19,884,924	243,616	28,448,399
Financial investments – FVOCI	–	6,568,084	–	6,568,084
Total	8,319,859	26,730,694	243,616	35,294,169

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

41 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

(c) Financial assets and financial liabilities measured at fair value (continued)

Specific valuation techniques used to value financial instruments include:

Quoted market prices or dealer quotes for similar instruments;

Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Movement of Level – 3 valuation methodology

	Financial investments – fair value through profit or loss
As at 1 January 2024	243,616
Total gains or losses	
– Current profit and loss	(41,932)
As at 30 June 2024	201,684
Total gains for the period included in profit and loss for financial assets held at the period end	(41,932)
	Financial investments – fair value through profit or loss
As at 1 January 2023	55,634
Total gains or losses	
– Current profit and loss	187,982
As at 31 December 2023	243,616
Total gains for the year included in profit and loss for financial assets held at the year end	187,982

Notes to the Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2024
(All amounts expressed in thousands of RMB unless otherwise stated)

41 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

(c) Financial assets and financial liabilities measured at fair value (continued)

Quantitative information about the significant unobservable inputs used in the fair value measurement of Level 3 for the period ended 30 June 2024 and the year ended 31 December 2023 presented as follows:

As at 30 June 2024	Fair Value	Valuation Technique	Unobservable Inputs	Range of Expected cash inflows/ Net assets value
Financial investments – fair value through profit or loss				
– ABS	157,700	Discounted cash flows	Expected cash inflows	165,070 – 185,219
– Equity investment	996	Net assets analysis	Net assets	0.9910
– Equity investment	42,988	Net assets analysis	Net assets	1.0488

As at 31 December 2023	Fair Value	Valuation Technique	Unobservable Inputs	Range of Expected cash inflows/ Net assets value
Financial investments – fair value through profit or loss				
– ABS	197,567	Discounted cash flows	Expected cash inflows	218,283 – 245,963
– Equity investment	990	Net assets analysis	Net assets	0.9940
– Equity investment	45,059	Net assets analysis	Net assets	1.1008

42 SUBSEQUENT EVENTS

Up to the date of this report, the Bank has no material event for disclosure after the reporting date.

Definitions

“Bank”, “our Bank”, “we” or “us”	Luzhou Bank Co., Ltd. (泸州银行股份有限公司)
“Board of Supervisors”	the board of Supervisors of the Bank
“Board” or “Board of Directors”	the board of Directors of the Bank
“China” or “PRC”	the People’s Republic of China, but for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Bank
“Domestic Shares”	ordinary shares in the share capital of the Bank with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Former CBIRC”	Former China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“Hong Kong Dollars”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Shares”	the overseas listed foreign shares in the ordinary share capital of the Bank with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong Dollars and listed and traded on the Hong Kong Stock Exchange
“IAS”	International Accounting Standards and its interpretations
“IFRS”	International Financial Reporting Standards issued by the IAS Board
“Latest Practicable Date”	August 20, 2024, being the latest practicable date for the purpose of containing certain information in this report before this report is printed
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange

Definitions

“Reporting Period”	six months ended June 30, 2024
“RMB” or “Renminbi”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	the holder(s) of the Shares
“Shares”	the Domestic Shares and H Shares of the Bank
“Supervisor(s)”	the supervisor(s) of the Bank



泸州银行股份有限公司
LUZHOU BANK CO., LTD.