



重庆银行

BANK OF CHONGQING

BANK OF CHONGQING CO., LTD.*

重慶銀行股份有限公司*

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

(Stock Code : 1963)



2023 INTERIM REPORT

* The Bank holds a financial licence number B0206H250000001 approved by the regulatory authority of the banking industry of the PRC and was authorised by the Administration for Market Regulation of Chongqing to obtain a corporate legal person business licence with a unified social credit code 91500000202869177Y. The Bank is not an authorized institution within the meaning of the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.

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Important Notice

1. The Board of Directors, the Board of Supervisors and each Director, Supervisor and member of senior management of the Bank warrant that the contents in this interim report are true, accurate and complete and contain no false representations, misleading statements or material omissions, and they will take legal responsibilities for such contents on a joint and several basis.
2. The 72nd meeting of the sixth session of the Board of the Bank was held on 30 August 2023 in the form of onsite (video) conference. Lin Jun, the Chairman, presided over the meeting. 13 Directors were eligible to attend the meeting, among which 13 Directors attended the meeting in person. Supervisors and members of senior management of the Bank also attended the meeting. The convening of the meeting complied with relevant provisions of the Company Law of the People's Republic of China and the Articles of Association of Bank of Chongqing Co., Ltd.
3. The Bank will not make any profit distribution or convert any capital reserve into share capital for the half year of 2023.
4. The Bank's 2023 interim financial report is unaudited.
5. Unless otherwise stated, all monetary sums stated in this report are expressed in RMB.
6. LIN Jun (Chairman of the Bank), Mr. GAO Song (President of the Bank (Performing duties of the President of the Bank), YANG Shiyin (Vice President in charge of Finance) and YANG Kun (Head of Finance Department) warrant that the financial report in the half-year report is true, accurate and complete.
7. No funds of the Bank were tied up by controlling shareholders and other related parties for non-operating purposes.
8. The Bank did not violate stipulated decisionmaking procedures in issuing guarantees.
9. This report may contain forward-looking statements about matters such as future plans of the Bank. These statements are made on the basis of current plans, estimates and forecasts. The Group believes that the expectations reflected in these forward-looking statements are reasonable, but the Group cannot guarantee that these expectations can be realized or will be proved to be correct, so they shall not constitute substantive commitments of the Group. Investors shall not overly rely on such statements and shall maintain sufficient risk awareness in this regard. Please be aware that these forward-looking statements are related to future events or the Group's future financial, business or other performance and are subject to numerous uncertainties that may lead to significant differences in the actual results.
10. Warning of material risks: For the material risks to which the Group are exposed and proposed measures, please see the section headed "Management Discussions and Analysis – Risk Management" in this report.

Definitions

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

| | |
|--|---|
| “A-Share Convertible Bonds” or “Convertible Bonds” | Convertible corporate bonds convertible into A shares of the Bank issued by the Bank in March 2022 and listed on the Shanghai Stock Exchange in April 2022 |
| “Articles of Association” | the articles of association of Bank of Chongqing Co., Ltd. |
| “Bank” or “Bank of Chongqing” | Bank of Chongqing Co., Ltd. |
| “Group” | Bank of Chongqing Co., Ltd. and its controlled subsidiary |
| “CBIRC” | former China Banking and Insurance Regulatory Commission (原中國銀行保險監督管理委員會) |
| “CSRC” | China Securities Regulatory Commission (中國證券監督管理委員會) |
| “Chongqing CBIRC” | former China Banking and Insurance Regulatory Commission Chongqing Bureau (原中國銀行保險監督管理委員會重慶監管局) |
| “Chongqing Yufu” | Chongqing Yufu Capital Operation Group Co., Ltd. (重慶渝富資本運營集團有限公司) |
| “Dah Sing Bank” | Dah Sing Bank, Limited (大新銀行有限公司) |
| “Xinyu Financial Leasing” | Chongqing Xinyu Financial Leasing Co., Ltd. (重慶鈞渝金融租賃股份有限公司) |
| “Xingyi Wanfeng” | Xingyi Wanfeng Village Bank Co., Ltd. (興義萬豐村鎮銀行有限責任公司) |
| “Mashang Consumer” | Mashang Consumer Finance Co., Ltd. (馬上消費金融股份有限公司) |
| “Three Gorges Bank” | Chongqing Three Gorges Bank Co., Ltd. (重慶三峽銀行股份有限公司) |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “IFRS(s)” | International Financial Reporting Standard(s) |
| “Hong Kong Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Listing Rules” | the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “PBOC” or “Central Bank” | People’s Bank of China (中國人民銀行) |
| “Reporting Period” | the half year ended 30 June 2023 |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) |
| “RMB” | Renminbi yuan |

Company Profile

3.1 Business Summary

As one of the earliest local joint stock commercial banks in Western China and the upper reaches of the Yangtze River, the Bank was formerly known as Chongqing Urban Cooperative Bank, which was established by consolidating 37 urban credit cooperatives and 1 urban credit union in 1996. The Bank was renamed as Commercial Bank of Chongqing Co., Ltd. in 1998 and as Bank of Chongqing Co., Ltd. in 2007. In 2013, the Bank was listed on the Hong Kong Stock Exchange, and became the first urban commercial bank in Mainland China to be listed on the Hong Kong. On 5 February 2021, the Bank was listed on the Shanghai Stock Exchange, thus becoming the third and first city commercial bank with listing of A Shares and H Shares, in China and the Yangtze River Economic Belt respectively.

With the strategic vision of building a national first-class listed commercial bank with “adherence to the origin, distinctive characteristics, robust operation, and superior value”, the Bank will implement three key tasks of “service improvement, digital transformation, and characteristic development”, establish three major systems of “technology empowerment, talent empowerment, and management empowerment”, form a new layout of “1-3-3” strategic development and thus promote the realization of high-quality development across the Bank. As of 30 June 2023, the Bank operated 173 business outlets, covering “one municipality and three provinces”, including all districts and counties in Chongqing as well as provinces such as Sichuan, Guizhou and Shaanxi, and controlled its subsidiaries Chongqing Xinyu Financial Leasing Co., Ltd. and Xingyi Wanfeng Village Bank Co., Ltd. The Group recorded total assets of RMB727,061 million, total deposits of RMB406,177 million, and total loans of RMB378,412 million, with the nonperforming loan ratio of 1.21% and the allowance coverage ratio of 251.88%. Major business indicators have met regulatory requirements.

In line with the market positioning of “local bank, bank for small and micro enterprises, and bank for citizens”, the Bank adhered to the original intention of serving local economy, serving small and micro enterprises and serving urban and rural residents, and continued to optimize and enhance its financial service capabilities by promoting reform, restructuring, transformation and quality development. During the Reporting Period, the Bank focused on major strategies and key industries, proactively served the real economy, and intensified credit support for such areas as the Chengdu-Chongqing Economic Circle, the new land-sea channel in western China, and the “33618” modern manufacturing industry cluster of Chongqing, with a total credit of over RMB70 billion for supporting the industrial development of the Chengdu-Chongqing Economic Circle, and a total credit of nearly RMB7 billion for implementing innovative businesses relating to the construction of the new land-sea channel in western China. The Bank focused on inclusive finance and rural revitalization, and continued to meet the financial service needs of small and micro enterprises, agricultural households, individual businesses and new citizens. The loans under the “Two Increases” policy increased by RMB4 billion as compared with the end of the previous year, and 3,360 new accounts were established. The Bank focused on consumption credit and service improvement, gave full play to its advantages in product systems, and took immediate action in developing self-operated online consumer products. The balance of “Jie E Dai” (捷 e 贷) increased by 55.72% as compared with the end of the previous year. The Bank focused on digital transformation and technology empowerment, and achieved the full coverage of Intelligent WAN as well as the first corporate bank in China whose innovative applications have been selected into the PBOC Pilot Program of Supervision over Financial Technology Innovation for four consecutive years. Moreover, the Bank focused on building brands and enhancing image. The Bank was rated by the Standard & Poor’s as international investment rating, with rating outlook as “stable” for seven consecutive years, and ranked among the top 300 in the “Top 1000 World Banks” in The Banker, a UK magazine, for eight consecutive years.

3.2 Corporate Information

3.2.1 Legal Name and Abbreviation in Chinese: 重慶銀行股份有限公司 (Abbreviation:重慶銀行)

Name in English: Bank of Chongqing Co., Ltd.

3.2.2 Legal Representative: LIN Jun
Authorized Representatives: LIN Jun
WONG Wah Sing
Secretary to the Board: PENG Yanxi
Company Secretary: HO Wing Tsz Wendy
Securities Affairs Representative: WANG Yu

3.2.3 Registered Address and Office Address: No. 6 Yongpingmen Street, Jiangbei District, Chongqing
Historical Change of Registered Address: Registered address was changed from “No. 153 Zourong Road, Yuzhong District, Chongqing” to “No. 6 Yongpingmen Street, Jiangbei District, Chongqing” in February 2020
Principal Place of Business in Hong Kong: 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong
Historical Change of Principal Place of Business in Hong Kong: Principal Place of Business in Hong Kong was changed from “Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong” to “5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong” in August 2022

3.2.4 Correspondence Address: No. 6 Yongpingmen Street, Jiangbei District, Chongqing
Postal Code: 400024
Tel: +86(23)63367688
Fax: +86(23)63799024
E-mail: ir@cqcbank.com
Website: <http://www.cqcbank.com>
Customer Service Hotline: 956023

3.2.5 General Information on the Listing of Shares:
A Shares:
Listing Exchange: Shanghai Stock Exchange
Stock Name: BCQ
Stock Code: 601963
H Shares:
Listing Exchange: The Stock Exchange of Hong Kong Limited
Stock Name: BCQ
Stock Code: 01963

Company Profile

- 3.2.6** Domestic Auditor: Ernst & Young Hua Ming LLP (Special General Partnership)
Office Address: Room 01-12, 17/F, EYHM Tower, Oriental Plaza, No. 1 East Chang'an Avenue, Dongcheng District, Beijing
International Auditor: Ernst & Young (Registered Public Interest Entity Auditor)
Office Address: 27th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
- 3.2.7** Legal Advisor as to PRC Laws: JunHe LLP
Legal Advisor as to Hong Kong Laws: DLA Piper Hong Kong
- 3.2.8** A Share Registrar: China Securities Depository and Clearing Corporation Limited Shanghai Branch
Address: No. 188 Yanggaonan Road, Pudong New District, Shanghai
H Share Registrar: Computershare Hong Kong Investor Services Limited
Address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
- 3.2.9** Newspapers and Websites Designated for Information Disclosure:
Mainland China: China Securities Journal (www.cs.com.cn)
Shanghai Securities News (www.cnstock.com)
Securities Times (www.stcn.com)
Securities Daily (www.zqrb.cn)
Website of the Shanghai Stock Exchange (www.sse.com.cn)
Website of the Bank (www.cqcbank.com)
Hong Kong: Website of the Hong Kong Stock Exchange (www.hkexnews.hk)
Website of the Bank (www.cqcbank.com)
Place for Preparation of the Interim Report: Office of the Board of the Bank
- 3.2.10** Domestic Sponsor Institution for Continuous Supervision and Guidance:
China Merchants Securities Co., Ltd.
Office Address: No. 111, 1st Fuhua Road, Futian Street, Futian District, Shenzhen
Sponsor Representative: Wang Xiao (王曉), Hu Yijia (扈益嘉)
Period of Continuous Supervision and Guidance: From 5 February 2021 to 31 December 2023 (If the Convertible Corporate Bonds have not been all converted into Shares upon the expiration of the Period of Continuous Supervision, it will be extended until all Convertible Corporate Bonds are converted into Shares)
- 3.2.11** Registration Information:
Date of Initial Incorporation: 2 September 1996
Registration Authority: Administration for Market Regulation of Chongqing (formerly known as Administration for Industry and Commerce of Chongqing)
Unified Social Credit Code: 91500000202869177Y
Financial License Registration Number: the Bank holds a financial licence number B0206H250000001 approved by the regulatory authority of the banking industry of the PRC

Financial Highlights

The financial information set out in this interim report has been prepared in accordance with the IASs on the basis of consolidation. Unless otherwise stated, such information is the data of the Group denominated in RMB.

4.1 Financial Data

| (All amounts expressed in thousands of RMB unless otherwise stated) | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 | Change | For the six months ended 30 June 2021 |
|--|--|--|-------------------------------------|--|
| OPERATING RESULTS | | | Change in percentage (%) | |
| Interest income | 14,085,252 | 13,656,304 | 3.14 | 13,310,644 |
| Interest expense | (8,698,825) | (8,301,765) | 4.78 | (7,715,029) |
| Net interest income | 5,386,427 | 5,354,539 | 0.60 | 5,595,615 |
| Net fee and commission income | 196,546 | 412,466 | (52.35) | 428,526 |
| Net trading gains, net gains on investment securities and other operating income | 1,148,478 | 878,551 | 30.72 | 1,145,669 |
| Operating income | 6,731,451 | 6,645,556 | 1.29 | 7,169,810 |
| Operating expenses | (1,789,148) | (1,650,058) | 8.43 | (1,531,821) |
| Credit impairment losses | (1,760,922) | (1,648,792) | 6.80 | (2,277,352) |
| Operating profit | 3,180,103 | 3,346,706 | (4.98) | 3,352,721 |
| Share of profit of associates | 246,464 | 125,361 | 96.60 | 108,589 |
| Profit before income tax | 3,426,567 | 3,472,067 | (1.31) | 3,461,310 |
| Income tax | (374,237) | (575,097) | (34.93) | (707,000) |
| Net profit | 3,052,330 | 2,896,970 | 5.36 | 2,754,310 |
| Net profit attributable to shareholders of the Bank | 2,906,469 | 2,784,631 | 4.38 | 2,659,397 |
| Net cash flows generated from operating activities | (6,797,202) | (4,240,012) | 60.31 | (21,039,632) |
| Calculated on a per share basis (RMB) | | | Change in percentage (%) | |
| Basic earnings per share | 0.84 | 0.80 | 5.00 | 0.79 |
| Diluted earnings per share | 0.66 | 0.71 | (7.04) | 0.79 |

Financial Highlights

| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 30 June 2023 | As at 31 December 2022 | Change | As at 31 December 2021 |
|---|-----------------------|---------------------------|-------------------------------------|---------------------------|
| | | | Change in percentage (%) | |
| Scale indicators | | | | |
| Total assets | 727,060,949 | 684,712,563 | 6.18 | 618,953,620 |
| Total loans and advances to customers | 378,412,014 | 352,573,462 | 7.33 | 318,061,937 |
| – Corporate loans | 235,352,659 | 208,737,958 | 12.75 | 185,958,346 |
| – Retail loans | 94,088,667 | 94,527,953 | (0.46) | 101,848,554 |
| – Discounted bills | 46,422,017 | 47,285,310 | (1.83) | 28,148,893 |
| – Interests due from loans and advances to customers | 2,548,671 | 2,022,241 | 26.03 | 2,106,144 |
| Impairment allowances for loans | 11,433,102 | 10,127,171 | 12.90 | 11,178,339 |
| Total liabilities | 673,094,013 | 633,217,086 | 6.30 | 569,706,925 |
| Customer deposits | 406,176,828 | 382,594,480 | 6.16 | 338,695,343 |
| – Corporate demand deposits | 66,076,564 | 60,481,461 | 9.25 | 71,149,941 |
| – Corporate time deposits | 128,245,371 | 132,906,633 | (3.51) | 108,914,851 |
| – Individual demand deposit | 19,281,589 | 19,752,513 | (2.38) | 17,235,404 |
| – Individual time deposits | 169,722,470 | 147,470,703 | 15.09 | 122,683,998 |
| – Other deposits | 16,174,496 | 16,491,983 | (1.93) | 15,202,061 |
| – Interest payable on customer deposits | 6,676,338 | 5,491,187 | 21.58 | 3,509,088 |
| Share capital | 3,474,555 | 3,474,540 | 0.00 | 3,474,505 |
| Equity attributable to shareholders of the Bank | 51,738,550 | 49,336,512 | 4.87 | 47,273,188 |
| Total equity | 53,966,936 | 51,495,477 | 4.80 | 49,246,695 |
| Core Tier I Capital, net | 48,430,577 | 45,694,215 | 5.99 | 43,214,481 |
| Tier I Capital, net | 53,137,805 | 50,375,870 | 5.48 | 48,277,879 |
| Net total capital | 64,572,930 | 61,032,503 | 5.80 | 59,974,137 |
| Risk-weighted assets | 516,456,079 | 479,755,986 | 7.65 | 461,807,558 |
| | | | Change in percentage (%) | |
| Calculated on a per share basis (RMB) | | | | |
| Net assets per share attributable to shareholders of the Bank | 13.60 | 12.90 | 5.43 | 12.19 |

4.2 Financial Indicators

| (All amounts expressed in percentage unless otherwise stated) | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 | Change | For the six months ended 30 June 2021 |
|--|---------------------------------------|---------------------------------------|--------|---------------------------------------|
| Profitability indicators (%) | | | | |
| Annualized return on average total assets ⁽¹⁾ | 0.87 | 0.91 | (0.04) | 0.95 |
| Annualized weighted average return on net asset ⁽²⁾ | 12.56 | 12.57 | (0.01) | 13.69 |
| Annualized weighted average return on net asset after deducting non-recurring gains and losses | 12.21 | 12.43 | (0.22) | 13.46 |
| Net interest spread ⁽³⁾ | 1.51 | 1.62 | (0.11) | 1.94 |
| Net interest margin ⁽³⁾ | 1.63 | 1.78 | (0.15) | 2.06 |
| Net fee and commission income to operating income | 2.92 | 6.21 | (3.29) | 5.98 |
| Cost-to-income ratio ⁽⁴⁾ | 25.34 | 23.61 | 1.73 | 20.17 |

| (All amounts expressed in percentage unless otherwise stated) | As at 30 June 2023 | As at 31 December 2022 | Change | As at 31 December 2021 |
|--|--------------------|------------------------|--------|------------------------|
| Asset quality indicators (%) | | | | |
| Non-performing loan ratio ⁽⁵⁾ | 1.21 | 1.38 | (0.17) | 1.30 |
| Allowance coverage ratio ⁽⁶⁾ | 251.88 | 211.19 | 40.69 | 274.01 |
| Loan allowance ratio ⁽⁷⁾ | 3.06 | 2.91 | 0.15 | 3.56 |
| Indicators of capital adequacy ratio (%) | | | | |
| Core tier I capital adequacy ratio ⁽⁸⁾ | 9.38 | 9.52 | (0.14) | 9.36 |
| Tier I capital adequacy ratio ⁽⁸⁾ | 10.29 | 10.50 | (0.21) | 10.45 |
| Capital adequacy ratio ⁽⁸⁾ | 12.50 | 12.72 | (0.22) | 12.99 |
| Total equity to total assets | 7.42 | 7.52 | (0.10) | 7.96 |
| Other indicators (%) | | | | |
| Liquidity ratio ⁽⁹⁾ | 150.54 | 128.95 | 21.59 | 86.36 |
| Percentage of loans to the single largest customer ⁽¹⁰⁾ | 3.22 | 3.85 | (0.63) | 3.30 |
| Percentage of loans to the top ten customers ⁽¹¹⁾ | 22.26 | 22.12 | 0.14 | 23.90 |
| Loan to deposit ratio | 93.16 | 92.15 | 1.01 | 93.91 |

Financial Highlights

Notes:

- (1) *Calculated by dividing net profit by the average of total assets at the beginning and at the end of the period.*
- (2) *It is calculated in accordance with the Rules for Preparation of Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Share (as amended in 2010).*
- (3) *Net interest spread refers to the difference between the average yield on interest-earning assets and the average cost ratio of interest-bearing liabilities; net interest margin represents the ratio of net interest income to the average balance of interest-earning assets.*
- (4) *Calculated by dividing operating expenses (less tax and surcharges) by operating income.*
- (5) *Calculated by dividing balance of non-performing loans by total loans and advances to customers.*
- (6) *Calculated by dividing the balance of impairment allowances on loans by the balance of non-performing loans. The balance of impairment allowances on loans is the sum of impairment allowances on loans and advances to customers measured at amortized cost and FVOCI. Pursuant to regulatory requirements, the regulatory standard of such indicator of the Bank is 140%.*
- (7) *Calculated by dividing balance of impairment allowances on loans by total principal of loans and advances to customers. Pursuant to regulatory requirements, the regulatory standard of such indicator of the Bank is 2.1%.*
- (8) *The Group's core tier I capital adequacy ratio, tier I capital adequacy ratio and capital adequacy ratio were calculated in accordance with the formula promulgated by the National Administration of Financial Regulation (NAFR).*
- (9) *Liquidity ratio is calculated in accordance with the formula promulgated by the NAFR.*
- (10) *Calculated by dividing total loans to the single largest customer by net capital.*
- (11) *Calculated by dividing total loans to the top ten customers by net capital.*

4.3 Differences between Domestic and Foreign Accounting Standards

With respect to the financial statements of the Group prepared under the PRC GAAP (China Accounting Standards) and those under the IFRSs, there is no difference for the net profit attributable to shareholders of the Bank for the Reporting Period ended 30 June 2023 and the equity attributable to shareholders of the Bank as at the end of the Reporting Period.

Management Discussions and Analysis

5.1 Overview

5.1.1 Industry Development

Despite difficulties and challenges stemming from insufficient domestic demand as well as a grim and complex external environment in the first half of 2023, China's economy showed great development resilience and potential and the long-term sound fundamentals remain unchanged. The Communist Party of China and the Chinese government made efforts to intensify macro regulation, expand domestic demand, boost confidence and prevent risks, so as to continuously promote the improvement of economic operation. According to the statistics of National Bureau of Statistics, in the first half of 2023, China's GDP amounted to RMB59.30 trillion, representing a period-on-period increase of 5.5%, and its overall national economy showed a good momentum of recovery. The added value of industrial enterprises above the designated size in China increased by 3.8% year on year, showcasing the gradual recovery of industrial production. The added value of the service industry grew by 6.4% year on year, of which the contact and cluster-based service industry picked up significantly, and the added value of the financial industry increased by 7.3% year on year.

Banking financial institutions adhered to the basic tone of seeking progress while maintaining stability, implement new development concepts in a complete, accurate and comprehensive manner, continuously intensified the support for key areas and weak links, and proactively supported technological innovation, green development and improvement of people's livelihoods. Banking financial institutions saw a steady increase in the scale of major businesses, with regulatory indicators on key risks within a reasonable range and generally sufficient risk resistance capability. According to the data of the NAFR, as of the end of June 2023, the total assets of China's banking financial institutions amounted to RMB398.64 trillion, representing an increase of 7.1% as compared with the end of the previous year; the total liabilities reached RMB366.27 trillion, representing an increase of 7.4% as compared with the end of the previous year. In terms of types of institutions, the proportion of total assets of large commercial banks in the industry increased, that of urban commercial banks and rural financial institutions remained unchanged, and that of joint stock commercial banks and other financial institutions¹ decreased.

5.1.2 Overall Development of the Bank

In the first half of 2023, the Group has coordinated all-out and concerted efforts to earnestly implement the decisions and arrangements of the CPC Central Committee and the work arrangements of the CPC Chongqing Municipal Committee and Chongqing municipal government, and has adopted a targeted approach to working relentlessly in line with the goals and tasks for 2023, thus maintaining a good momentum toward high-quality development.

Fully implementing major national and regional development strategies, proactively serving the real economy, and achieving breakthroughs in the scale of operation. As of 30 June 2023, the Group's total assets amounted to RMB727,061 million, representing an increase of 6.18% over the end of the previous year; total loans and advances to customers amounted to RMB378,412 million, representing an increase of 7.33% over the end of the previous year; total liabilities amounted to RMB673,094 million, representing an increase of 6.30% over the end of the previous year; total customer deposits amounted to RMB406,177 million, representing an increase of 6.16% over the end of the previous year.

Constantly enhancing financial service capabilities, focusing on shaping differentiated competitive advantages, and making sustained improvement in operating efficiency. For the six months ended 30 June 2023, the operating income of the Group amounted to RMB6,731 million, representing an increase of 1.29% as compared to the same period in the previous year; the net profit amounted to RMB3,052 million, representing an increase of 5.36% as compared to the same period in the previous year; the net profit attributable to shareholders of the Bank amounted to RMB2,906 million, representing an increase of 4.38% as compared to the same period in the previous year.

¹ According to the definition of the NAFR, other financial institutions comprise policy banks and China Development Bank, private banks, foreign banks, non-bank financial institutions and asset management companies.

Management Discussions and Analysis

Continuously optimizing investment strategies for key areas and industries, actively expanding sources of core liabilities, and realizing constant optimization of the operating structure. As of 30 June 2023, the Group's customer loans and advances to customers as a percentage of the total assets were 52.04%, representing an increase of 0.55 percentage point over the end of the previous year, and the customer deposits as a percentage of the total liabilities were 60.34%. In particular, the savings deposit as a percentage of the total deposits was 46.54%, representing an increase of 2.84 percentage points over the end of the previous year.

Formulating capital plan in a science-based and rolling manner, constantly enhancing the refined capital management, and maintaining a stable capital strength. As of 30 June 2023, the core tier I capital adequacy ratio, the tier I capital adequacy ratio and the capital adequacy ratio of the Group were 9.38%, 10.29% and 12.50% respectively.

Firmly forestalling risks, stepping up efforts in risk identification, early risk warning and management of non-performing loan, and maintaining stable and sound asset quality. As of 30 June 2023, the non-performing loan ratio of the Group was 1.21%, representing a decrease of 0.17 percentage points over the end of the previous year; the allowance coverage ratio was 251.88%, representing an increase of 40.69 percentage points over the end of the previous year.

5.2 Analysis of the Financial Statements

5.2.1 Analysis of the Income Statement

In the first half of 2023, the net interest income of the Group amounted to RMB5,386 million, representing an increase of RMB32 million or 0.60% as compared to the same period in the previous year; net fee and commission income amounted to RMB197 million, representing a decrease of RMB216 million or 52.35% as compared to the same period in the previous year; operating expenses amounted to RMB1,789 million, representing an increase of RMB139 million or 8.43% as compared to the same period in the previous year; and credit impairment losses amounted to RMB1,761 million, representing an increase of RMB112 million or 6.80% as compared to the same period in the previous year. As a result of the foregoing factors, in the first half of 2023, the Group achieved a net profit of RMB3,052 million, representing an increase of RMB155 million or 5.36% as compared to the same period in the previous year.

Management Discussions and Analysis

The following table sets forth the major items of the Group's Income Statement during the periods indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | For the six | For the six | Change in | Change in |
|---|------------------|------------------|----------------|----------------|
| | months ended | months ended | | |
| | 30 June 2023 | 30 June 2022 | amount | percentage (%) |
| Net interest income | 5,386,427 | 5,354,539 | 31,888 | 0.60 |
| Net non-interest income | 1,345,024 | 1,291,017 | 54,007 | 4.18 |
| Including: Net fee and commission income | 196,546 | 412,466 | (215,920) | (52.35) |
| Net trading gains | 160,965 | 188,814 | (27,849) | (14.75) |
| Net gains on investment securities | 838,034 | 616,093 | 221,941 | 36.02 |
| Other operating income | 149,479 | 73,644 | 75,835 | 102.98 |
| Operating income | 6,731,451 | 6,645,556 | 85,895 | 1.29 |
| Operating expenses | (1,789,148) | (1,650,058) | 139,090 | 8.43 |
| Credit impairment losses | (1,760,922) | (1,648,792) | 112,130 | 6.80 |
| Operating profit | 3,180,103 | 3,346,706 | (166,603) | (4.98) |
| Share of profit of associates | 246,464 | 125,361 | 121,103 | 96.60 |
| Profit before income tax | 3,426,567 | 3,472,067 | (45,500) | (1.31) |
| Less: Income tax | 374,237 | 575,097 | (200,860) | (34.93) |
| Net profit | 3,052,330 | 2,896,970 | 155,360 | 5.36 |
| Attributable to shareholders of the Bank | 2,906,469 | 2,784,631 | 121,838 | 4.38 |
| Attributable to non-controlling interests | 145,861 | 112,339 | 33,522 | 29.84 |

5.2.1.1 Operating income

In the first half of 2023, the Group achieved the operating income of RMB6,731 million, representing an increase of RMB86 million or 1.29% as compared to the same period in the previous year, with the net interest income accounting for 80.02% and the net non-interest income accounting for 19.98%.

The following table sets forth the composition and percentage of the Group's operating income during the periods indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | For the six months ended | | For the six months ended | | Change in | Change in |
|---|--------------------------|----------------|--------------------------|----------------|---------------|-------------|
| | 30 June 2023 | | 30 June 2022 | | | |
| | Amount | Percentage (%) | Amount | Percentage (%) | | |
| Net interest income | 5,386,427 | 80.02 | 5,354,539 | 80.57 | 31,888 | 0.60 |
| Net fee and commission income | 196,546 | 2.92 | 412,466 | 6.21 | (215,920) | (52.35) |
| Other net non-interest income | 1,148,478 | 17.06 | 878,551 | 13.22 | 269,927 | 30.72 |
| Operating income | 6,731,451 | 100.00 | 6,645,556 | 100.00 | 85,895 | 1.29 |

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5.2.1.2 Net interest income

In the first half of 2023, the net interest income of the Group amounted to RMB5,386 million, representing an increase of RMB32 million or 0.60% as compared to the same period in the previous year.

Interest income, interest expense and net interest income

In the first half of 2023, the interest income of the Group amounted to RMB14,085 million, representing an increase of RMB429 million or 3.14% as compared to the same period in the previous year; the interest expense amounted to RMB8,699 million, representing an increase of RMB397 million or 4.78% as compared to the same period in the previous year.

The following table sets forth the amount and changes of the interest income, interest expense and net interest income of the Group during the periods indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 | Change in amount | Change in percentage (%) |
|--|--|---------------------------------------|-------------------------|---------------------------------|
| Interest income | 14,085,252 | 13,656,304 | 428,948 | 3.14 |
| Interest expense | (8,698,825) | (8,301,765) | (397,060) | 4.78 |
| Net interest income | 5,386,427 | 5,354,539 | 31,888 | 0.60 |

Average yield of interest-earning assets and average interest rate of interest-bearing liabilities

In the first half of 2023, the average balance of interest-earning assets of the Group amounted to RMB666,543 million, representing an increase of RMB61,161 million or 10.10% as compared to the same period in the previous year. The average yield on interest-earning assets decreased by 29 basis points to 4.26% as compared to the same period in the previous year.

In the first half of 2023, the average balance of interest-bearing liabilities of the Group amounted to RMB637,162 million, representing an increase of RMB66,257 million or 11.61% as compared to the same period in the previous year. The average cost ratio of interest-bearing liabilities decreased by 18 basis points to 2.75% as compared to the same period in the previous year.

As a result of the combined impact of the above-mentioned factors, the net interest spread of the Group decreased by 11 basis points to 1.51% as compared to the same period in the previous year, while the net interest margin decreased by 15 basis points to 1.63% as compared to the same period in the previous year.

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The following table sets forth the composition and interest of interest-earning assets and interest-bearing liabilities of the Group.

| (All amounts expressed in thousands of RMB unless otherwise stated) | For the six months ended 30 June 2023 | | | For the six months ended 30 June 2022 | | |
|---|---------------------------------------|-----------------------------|--|---------------------------------------|-----------------------------|--|
| | Average balance | Interest income/ expense | Average annualized yield/cost ratio (%) | Average balance | Interest income/ expense | Average annualized yield/cost ratio (%) |
| ASSETS | | | | | | |
| Loans and advances to customers | 364,290,209 | 8,777,090 | 4.86 | 325,970,743 | 8,423,473 | 5.21 |
| Investment securities | 227,379,793 | 4,685,390 | 4.16 | 190,530,140 | 4,497,742 | 4.76 |
| Balances with central bank | 32,866,573 | 238,179 | 1.46 | 32,663,633 | 229,340 | 1.42 |
| Due from and placements with banks and other financial institutions | 42,005,991 | 384,593 | 1.85 | 56,216,982 | 505,749 | 1.81 |
| Total interest-earning assets | 666,542,566 | 14,085,252 | 4.26 | 605,381,498 | 13,656,304 | 4.55 |
| LIABILITIES | | | | | | |
| Customer deposits | 389,016,861 | 5,454,255 | 2.83 | 348,081,939 | 5,088,970 | 2.95 |
| Due to and placements from banks and other financial institutions and lease liabilities | 109,519,759 | 1,434,956 | 2.64 | 102,123,111 | 1,432,116 | 2.83 |
| Debt securities payable | 138,624,916 | 1,809,614 | 2.63 | 120,699,078 | 1,780,679 | 2.98 |
| Total interest-bearing liabilities | 637,161,536 | 8,698,825 | 2.75 | 570,904,128 | 8,301,765 | 2.93 |
| Net interest income | | 5,386,427 | | | 5,354,539 | |
| Net interest spread | | | 1.51 | | | 1.62 |
| Net interest margin | | | 1.63 | | | 1.78 |

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Analysis of Changes in Interest Income and Expense

The Group's changes in interest income and expense are jointly affected by volume factor and interest rate factor. The following table sets forth the analysis of changes in interest income and expense of the Bank for the six months ended 30 June 2023.

| (All amounts expressed in thousands of RMB unless otherwise stated) | Due to changes in volume | Due to changes in interest rate | Change in interest income and expense |
|---|--------------------------|---------------------------------|---------------------------------------|
| ASSETS | | | |
| Loans and advances to customers | 923,257 | (569,640) | 353,617 |
| Investment securities | 759,324 | (571,676) | 187,648 |
| Balances with central bank | 1,471 | 7,368 | 8,839 |
| Due from and placements with banks and other financial institutions | (130,111) | 8,955 | (121,156) |
| Change in interest income | 1,553,941 | (1,124,993) | 428,948 |
| LIABILITIES | | | |
| Customer deposits | 573,933 | (208,648) | 365,285 |
| Due to and placements from banks and other financial institutions and lease liabilities | 96,913 | (94,073) | 2,840 |
| Debt securities payable | 234,004 | (205,069) | 28,935 |
| Change in interest expense | 904,850 | (507,790) | 397,060 |
| Change in net interest income | 649,091 | (617,203) | 31,888 |

5.2.1.3 Interest income

In the first half of 2023, the Group realised interest income of RMB14,085 million, representing an increase of RMB429 million or 3.14% as compared to the same period in the previous year.

Interest income from loans and advances to customers

In the first half of 2023, the Group's interest income from loans and advances to customers amounted to RMB8,777 million, representing an increase of RMB354 million or 4.20% as compared to the same period in the previous year, primarily due to the increase in average balance on loans and advances to customers by 11.76% as compared to the same period in the previous year.

The following table sets forth the average income of loans and advances to customers of the Group by maturity structure during the periods indicated:

| (All amounts expressed in thousands of RMB unless otherwise stated) | For the six months ended 30 June 2023 | | | For the six months ended 30 June 2022 | | |
|---|---------------------------------------|------------------|------------------------------------|---------------------------------------|------------------|------------------------------------|
| | Average balance | Interest income | Average annualized yield ratio (%) | Average balance | Interest income | Average annualized yield ratio (%) |
| Short-term loans | 89,168,274 | 1,295,530 | 2.93 | 71,160,038 | 1,203,109 | 3.41 |
| Medium – and long – term loans | 275,121,935 | 7,481,560 | 5.48 | 254,810,705 | 7,220,364 | 5.71 |
| Total | 364,290,209 | 8,777,090 | 4.86 | 325,970,743 | 8,423,473 | 5.21 |

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The following table sets forth the average yield on the Group's loans and advances to customers by business type during the periods indicated:

| (All amounts expressed in thousands of RMB unless otherwise stated) | For the six months ended 30 June 2023 | | | For the six months ended 30 June 2022 | | |
|---|---------------------------------------|------------------|------------------------------------|---------------------------------------|------------------|------------------------------------|
| | Average balance | Interest income | Average annualized yield ratio (%) | Average balance | Interest income | Average annualized yield ratio (%) |
| Corporate loans | 223,506,511 | 5,937,605 | 5.36 | 192,780,391 | 5,238,287 | 5.48 |
| Retail loans | 93,340,885 | 2,477,130 | 5.35 | 98,747,014 | 2,855,796 | 5.83 |
| Discounted bills | 47,442,813 | 362,355 | 1.54 | 34,443,338 | 329,390 | 1.93 |
| Total | 364,290,209 | 8,777,090 | 4.86 | 325,970,743 | 8,423,473 | 5.21 |

Interest income from investment securities

In the first half of 2023, the Group's interest income from investment securities amounted to RMB4,685 million, representing an increase of RMB188 million or 4.17% as compared to the same period in the previous year, primarily due to the increase of 19.34% in average balance on investment securities as compared to the same period in the previous year.

Interest income from balances with central bank

In the first half of 2023, the Group's interest income from balances with central bank amounted to RMB238 million, representing an increase of RMB9 million or 3.85% as compared to the same period in the previous year, primarily due to the increase of 0.62% in average balance on balances with central bank as compared to the same period in the previous year and the increase of 4 basis points in average annualized yield ratio as compared to the same period in the previous year.

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

In the first half of 2023, the total interest income from the Group's amounts due from and placements with other banks and financial institutions amounted to RMB385 million, representing a decrease of RMB121 million or 23.96% as compared to the same period in the previous year, primarily due to the average balance of amounts due from and placements with other banks and financial institutions decreased by 25.28% as compared to the same period in the previous year.

Management Discussions and Analysis

5.2.1.4 Interest expense

Interest expense on customer deposits

In the first half of 2023, the Group's interest expense on customer deposits was RMB5,454 million, representing an increase of RMB365 million or 7.18% as compared to the same period in the previous year, primarily due to the increase in average balance of customer deposits by 11.76% as compared to the same period in the previous year and the decrease in average interest rate by 12 basis points as compared to the same period in the previous year.

The following table sets forth the average cost of the Group's deposits by product type during the periods indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | For the six months ended 30 June 2023 | | | For the six months ended 30 June 2022 | | |
|---|---------------------------------------|------------------|-----------------------------------|---------------------------------------|------------------|-----------------------------------|
| | Average balance | Interest expense | Average annualized cost ratio (%) | Average balance | Interest expense | Average annualized cost ratio (%) |
| Corporate deposits | | | | | | |
| Demand | 60,518,262 | 367,950 | 1.23 | 64,731,989 | 363,906 | 1.13 |
| Time | 129,542,288 | 1,990,059 | 3.10 | 117,004,329 | 2,022,678 | 3.49 |
| Subtotal | 190,060,550 | 2,358,009 | 2.50 | 181,736,318 | 2,386,584 | 2.65 |
| Individual deposits | | | | | | |
| Demand | 19,531,252 | 26,912 | 0.28 | 17,651,915 | 30,805 | 0.35 |
| Time | 162,343,936 | 2,884,230 | 3.58 | 133,193,086 | 2,545,397 | 3.85 |
| Subtotal | 181,875,188 | 2,911,142 | 3.23 | 150,845,001 | 2,576,202 | 3.44 |
| Other deposits | 17,081,123 | 185,104 | 2.19 | 15,500,620 | 126,184 | 1.64 |
| Total | 389,016,861 | 5,454,255 | 2.83 | 348,081,939 | 5,088,970 | 2.95 |

Interest expense on amounts due to and placements from banks and other financial institutions and lease liabilities

In the first half of 2023, the Group's total interest expense on amounts due to and placements from banks and other financial institutions and lease liabilities was RMB1,435 million, representing an increase of RMB3 million or 0.20% as compared to the same period in the previous year.

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The following table sets forth the interest expense on the Group's amounts due to and placements from banks and other financial institutions and lease liabilities by business type during the periods indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | For the six months ended 30 June 2023 | | | For the six months ended 30 June 2022 | | |
|---|---------------------------------------|------------------|-----------------------------------|---------------------------------------|------------------|-----------------------------------|
| | Average balance | Interest expense | Average annualized cost ratio (%) | Average balance | Interest expense | Average annualized cost ratio (%) |
| Due to and placements from other banks | 44,444,550 | 696,370 | 3.16 | 41,727,625 | 668,056 | 3.23 |
| Borrowings from central bank | 37,204,189 | 461,180 | 2.50 | 49,985,437 | 664,368 | 2.68 |
| Financial assets sold under repurchase agreements | 27,706,424 | 275,091 | 2.00 | 10,276,044 | 97,589 | 1.92 |
| Lease liabilities | 164,596 | 2,315 | 2.84 | 134,005 | 2,103 | 3.16 |
| Total | 109,519,759 | 1,434,956 | 2.64 | 102,123,111 | 1,432,116 | 2.83 |

Interest expense on issuance of debt securities

In the first half of 2023, the Group's interest expense on issuance of debts securities amounted to RMB1,810 million, representing an increase of RMB29 million or 1.62% as compared to the same period in the previous year, primarily due to the increase in average balance by 14.85% as compared to that of the previous year.

The following table sets forth the interest expense on the Group's issuance of debts securities by securities type during the periods indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | For the six months ended 30 June 2023 | | | For the six months ended 30 June 2022 | | |
|---|---------------------------------------|------------------|-----------------------------------|---------------------------------------|------------------|-----------------------------------|
| | Average balance | Interest expense | Average annualized cost ratio (%) | Average balance | Interest expense | Average annualized cost ratio (%) |
| Subordinated debts | 4,999,469 | 92,513 | 3.73 | 5,142,449 | 110,228 | 4.32 |
| Financial debts for small and micro enterprises | 3,999,890 | 71,772 | 3.62 | 3,999,756 | 71,772 | 3.62 |
| Inter-bank certificates of deposits | 113,747,921 | 1,336,536 | 2.37 | 101,998,036 | 1,405,363 | 2.78 |
| Financial debts | 3,499,541 | 64,994 | 3.75 | 3,404,147 | 63,136 | 3.74 |
| Convertible bonds | 12,378,095 | 243,799 | 3.97 | 6,154,690 | 130,180 | 4.27 |
| Total | 138,624,916 | 1,809,614 | 2.63 | 120,699,078 | 1,780,679 | 2.98 |

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5.2.1.5 Non-interest income

Net fee and commission income

In the first half of 2023, the Group's net fee and commission income amounted to RMB197 million, representing a decrease of RMB216 million or 52.35% as compared to the same period in the previous year.

The following table sets forth the composition of the Group's net fee and commission income during the periods indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 | Change in amount | Change in percentage (%) |
|---|--|--|------------------|--------------------------|
| Fee and commission income | 299,175 | 485,480 | (186,305) | (38.38) |
| Wealth management agency services | 115,199 | 333,117 | (217,918) | (65.42) |
| Custodian services | 17,918 | 23,053 | (5,135) | (22.27) |
| Bank card services | 49,829 | 41,878 | 7,951 | 18.99 |
| Guarantees and credit commitments | 22,206 | 38,336 | (16,130) | (42.08) |
| Settlement and agency services | 94,023 | 49,096 | 44,927 | 91.51 |
| Fee and commission expense | (102,629) | (73,014) | (29,615) | 40.56 |
| Net fee and commission income | 196,546 | 412,466 | (215,920) | (52.35) |

Other non-interest income

In the first half of 2023, the Group's other non-interest income amounted to RMB1,148 million, representing an increase of RMB270 million or 30.72% as compared with the same period in the previous year, among which the Group's net trading gains amounted to RMB161 million, representing a decrease of RMB28 million or 14.75% as compared with the same period in the previous year; the net gains on investment securities amounted to RMB838 million, representing an increase of RMB222 million or 36.02% as compared with the same period in the previous year; and other operating income amounted to RMB149 million, representing an increase of RMB76 million or 102.98% as compared with the same period in previous year.

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The following table sets forth the composition of the Group's other net non-interest income during the periods indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 | Change in amount | Change in percentage (%) |
|---|---------------------------------------|---------------------------------------|------------------|--------------------------|
| Net trading gains | 160,965 | 188,814 | (27,849) | (14.75) |
| Net gains on investment securities | 838,034 | 616,093 | 221,941 | 36.02 |
| Other operating income | 149,479 | 73,644 | 75,835 | 102.98 |
| Total | 1,148,478 | 878,551 | 269,927 | 30.72 |

5.2.1.6 Operating expenses

In the first half of 2023, the Group's operating expenses were RMB1,789 million, representing an increase of RMB139 million or 8.43% as compared to the same period in the previous year, mainly because staff costs increased by 6.46% on a period-on-period basis; general and administrative expenses increased by 15.26% on a period-on-period basis.

The following table sets forth the composition of the Group's business and management expenses during the periods indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 | Change in amount | Change in percentage (%) |
|---|---------------------------------------|---------------------------------------|------------------|--------------------------|
| Staff costs | 1,062,708 | 998,199 | 64,509 | 6.46 |
| General and administrative expense | 370,430 | 321,394 | 49,036 | 15.26 |
| Tax and surcharges | 83,412 | 81,124 | 2,288 | 2.82 |
| Depreciation of property, plant and equipment | 110,679 | 109,121 | 1,558 | 1.43 |
| Amortisation of intangible assets | 63,318 | 52,005 | 11,313 | 21.75 |
| Depreciation of right-of-use as sets | 31,804 | 26,677 | 5,127 | 19.22 |
| Depreciation of investment properties | 155 | 125 | 30 | 24.00 |
| Amortisation of long-term pre paid expenses | 11,963 | 9,620 | 2,343 | 24.36 |
| Rental expenses | 1,231 | 973 | 258 | 26.52 |
| Professional fees | 47,263 | 41,698 | 5,565 | 13.35 |
| Donations | 200 | 700 | (500) | (71.43) |
| Others | 5,985 | 8,422 | (2,437) | (28.92) |
| Operating expenses | 1,789,148 | 1,650,058 | 139,090 | 8.43 |

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5.2.1.7 Credit impairment losses

In the first half of 2023, the credit impairment losses of the Group were RMB1,761 million, representing a period-on-period increase of RMB112 million or 6.80%.

The following table sets forth the composition of the Group's credit impairment losses during the periods indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 | Change in amount | Change in percentage (%) |
|---|---------------------------------------|---------------------------------------|------------------|--------------------------|
| Loans and advances to customers | 1,450,984 | 1,635,894 | (184,910) | (11.30) |
| Investment securities | 326,277 | (46,685) | 372,962 | N/A |
| Due from and placements with banks and other financial institutions | 30,419 | 9,277 | 21,142 | 227.90 |
| Off-balance sheet losses on expected credit impairment | (19,776) | 51,999 | (71,775) | (138.03) |
| Other credit impairment losses | (26,982) | (1,693) | (25,289) | 1,493.74 |
| Credit impairment losses | 1,760,922 | 1,648,792 | 112,130 | 6.80 |

5.2.1.8 Income tax

In the first half of 2023, the Group's income tax expenses amounted to RMB374 million, representing a decrease of RMB201 million or 34.93% as compared with the previous year, with the effective tax rate of 10.92%.

The following table sets forth the reconciliation details of the Group's income tax expenses calculated according to the statutory tax rate and the actual income tax expenses during the periods indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 | Change in amount | Change in percentage (%) |
|---|---------------------------------------|---------------------------------------|------------------|--------------------------|
| Profit before income tax | 3,426,567 | 3,472,067 | (45,500) | (1.31) |
| Tax at the enacted tax rate of 25% | 856,642 | 868,017 | (11,375) | (1.31) |
| Effect of different tax rates of subsidiaries | (35,233) | (26,988) | (8,245) | 30.55 |
| Tax effect arising from non-taxable income | (483,280) | (318,300) | (164,980) | 51.83 |
| Tax effect of expenses that are not deductible for tax purposes | 34,897 | 48,775 | (13,878) | (28.45) |
| Income tax adjustment for prior years | 1,211 | 3,593 | (2,382) | (66.30) |
| Income tax | 374,237 | 575,097 | (200,860) | (34.93) |

5.2.2 Balance sheet analysis

5.2.2.1 Total assets

As of 30 June 2023, the Group's total assets amounted to RMB727,061 million, representing an increase of RMB42,348 million or 6.18% over the end of the previous year.

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

| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 30 June 2023 | | As at 31 December 2022 | |
|---|--------------------|-------------------------|------------------------|-------------------------|
| | Amount | Percentage of total (%) | Amount | Percentage of total (%) |
| Total loans and advances to customers | 378,412,014 | 52.04 | 352,573,462 | 51.49 |
| Of which: Total principal of loans and advances to customers | 375,863,343 | 51.69 | 350,551,221 | 51.19 |
| Interests due from loans and advances to customers | 2,548,671 | 0.35 | 2,022,241 | 0.30 |
| Total impairment allowances for the expected credit | (11,433,102) | (1.57) | (10,127,171) | (1.48) |
| Net loans and advances to customers | 366,978,912 | 50.47 | 342,446,291 | 50.01 |
| Investment securities | 238,531,289 | 32.81 | 217,089,746 | 31.71 |
| Investments in associates | 2,692,274 | 0.37 | 2,500,712 | 0.37 |
| Cash and balances with central bank | 35,174,013 | 4.84 | 41,025,999 | 5.99 |
| Due from and placements with banks and other financial institutions | 46,073,219 | 6.34 | 43,386,030 | 6.34 |
| Financial assets at fair value through profit or loss | 27,833,188 | 3.83 | 28,740,879 | 4.20 |
| Fixed assets | 3,003,899 | 0.41 | 3,059,481 | 0.44 |
| Deferred income tax assets | 4,758,620 | 0.65 | 4,734,162 | 0.69 |
| Other assets | 2,015,535 | 0.28 | 1,729,263 | 0.25 |
| Total assets | 727,060,949 | 100.00 | 684,712,563 | 100.00 |

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5.2.2.2 Loans and advances to customers

As of 30 June 2023, the Group's total loans and advances to customers amounted to RMB378,412 million, representing an increase of RMB25,839 million or 7.33% as compared with the end of the previous year. This was mainly because the Group actively implemented the decisions and arrangements of the CPC Chongqing Municipal Committee and Chongqing municipal government, proactively participated in the construction of the Chengdu-Chongqing Economic Circle and the new land-sea channel in western China, and continuously enhanced its ability to serve the real economy, which promoted the steady growth in its major businesses.

As at 30 June 2023, the Group's total principal of corporate loans was RMB235,353 million, representing an increase of RMB26,615 million or 12.75% as compared with the end of the previous year; the total principal of retail loans was RMB94,089 million, representing a decrease of RMB439 million or 0.46% as compared with the end of the previous year.

The following table sets forth the Group's loan structure by business type as at the dates indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 30 June 2023 | | As at 31 December 2022 | |
|---|--------------------|-------------------------|------------------------|-------------------------|
| | Amount | Percentage of total (%) | Amount | Percentage of total (%) |
| Corporate loans | 235,352,659 | 62.62 | 208,737,958 | 59.54 |
| Discounted bills | 46,422,017 | 12.35 | 47,285,310 | 13.49 |
| Retail loans | 94,088,667 | 25.03 | 94,527,953 | 26.97 |
| Total | 375,863,343 | 100.00 | 350,551,221 | 100.00 |

The following table sets forth the structure of the Group's corporate loans by term as at the dates indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 30 June 2023 | | As at 31 December 2022 | |
|---|--------------------|-------------------------|------------------------|-------------------------|
| | Amount | Percentage of total (%) | Amount | Percentage of total (%) |
| Short-term corporate loans | 24,820,699 | 10.55 | 22,095,466 | 10.59 |
| Medium and long-term corporate loans | 210,531,960 | 89.45 | 186,642,492 | 89.41 |
| Total | 235,352,659 | 100.00 | 208,737,958 | 100.00 |

The following table sets forth the structure of the Group's retail loans by product type as at the dates indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 30 June 2023 | | As at 31 December 2022 | |
|---|--------------------|-------------------------|------------------------|-------------------------|
| | Amount | Percentage of total (%) | Amount | Percentage of total (%) |
| Personal mortgage loans | 40,807,588 | 43.37 | 41,571,228 | 43.98 |
| Personal consumer loans | 9,277,710 | 9.86 | 10,490,127 | 11.09 |
| Personal business loans | 22,715,309 | 24.14 | 22,372,601 | 23.67 |
| Credit card advances | 21,288,060 | 22.63 | 20,093,997 | 21.26 |
| Total | 94,088,667 | 100.00 | 94,527,953 | 100.00 |

Management Discussions and Analysis

For further analysis of the Group's loans and loan quality, please refer to Section "5.3 Loan Quality Analysis".

5.2.2.3 Financial investments

As of 30 June 2023, the Group's financial investments amounted to RMB266,364 million, representing an increase of RMB20,534 million or 8.35% as compared with the end of the previous year. Among them, financial investments at amortized cost amounted to RMB150,678 million, representing an increase of RMB8,530 million or 6.00% as compared with the end of the previous year; financial investments at fair value through other comprehensive income amounted to RMB87,853 million, representing an increase of RMB12,911 million or 17.23% as compared with the end of the previous year; financial assets at fair value through profit or loss amounted to RMB27,833 million, representing a decrease of RMB908 million or 3.16% as compared with the end of the previous year.

The following table sets out the composition of the Group's financial investments by nature of assets as at the dates indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 30 June 2023 | | As at 31 December 2022 | |
|---|--------------------|-------------------------|------------------------|-------------------------|
| | Amount | Percentage of total (%) | Amount | Percentage of total (%) |
| Bond investments | 204,702,416 | 76.85 | 181,922,156 | 74.00 |
| Trust investments | 10,782,457 | 4.05 | 11,291,561 | 4.59 |
| Assets management plans | 33,943,923 | 12.74 | 34,860,994 | 14.18 |
| Debt financing plans | 6,974,000 | 2.62 | 8,664,000 | 3.52 |
| Fund investments | 5,329,087 | 2.00 | 5,053,831 | 2.06 |
| Equity investments | 1,188,987 | 0.45 | 599,721 | 0.24 |
| Derivative financial instruments | 55,348 | 0.02 | 4,831 | 0.00 |
| Others | 14 | 0.00 | 14 | 0.00 |
| Accrued interest | 4,449,877 | 1.67 | 4,219,965 | 1.72 |
| Provision for impairment | (1,061,632) | (0.40) | (786,448) | (0.32) |
| Total financial investments | 266,364,477 | 100.00 | 245,830,625 | 100.00 |

As of 30 June 2023, balance of the Group's financial investments with remaining term of less than a year was RMB47,358 million, representing a decrease of RMB12,917 million or 21.43% as compared with the end of the previous year; balance of the Group's financial investments with remaining term of more than a year was RMB217,046 million, representing an increase of RMB32,746 million or 17.77% as compared with the end of the previous year.

Management Discussions and Analysis

The following table sets forth the composition of the Group's financial investments by remaining term as at the dates indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 30 June 2023 | | As at 31 December 2022 | |
|---|--------------------|-------------------------|------------------------|-------------------------|
| | Amount | Percentage of total (%) | Amount | Percentage of total (%) |
| Up to 3 months | 16,414,177 | 6.16 | 19,515,607 | 7.94 |
| 3 to 12 months | 30,943,543 | 11.62 | 40,759,087 | 16.58 |
| 1 to 5 years | 189,532,937 | 71.16 | 160,046,033 | 65.10 |
| Over 5 years | 27,513,285 | 10.33 | 24,254,046 | 9.87 |
| In perpetuity | 1,244,335 | 0.47 | 604,552 | 0.25 |
| Overdue | 716,200 | 0.26 | 651,300 | 0.26 |
| Total financial investments | 266,364,477 | 100.00 | 245,830,625 | 100.00 |

As of 30 June 2023, the Group's balance of financial investments at fair value through profit or loss amounted to RMB27,833 million, representing a decrease of RMB908 million or 3.16% as compared with the end of the previous year; the balance of financial investments at fair value through other comprehensive income amounted to RMB87,853 million, representing an increase of RMB12,911 million or 17.23% as compared with the end of the previous year; the balance of financial investments measured at amortised cost amounted to RMB150,678 million, representing an increase of RMB8,530 million or 6.00% as compared with the end of the previous year.

The following table sets forth the composition of the Group's financial investments by measurement as at the dates indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 30 June 2023 | | As at 31 December 2022 | |
|--|--------------------|-------------------------|------------------------|-------------------------|
| | Amount | Percentage of total (%) | Amount | Percentage of total (%) |
| Financial investments at fair value through profit or loss | 27,833,188 | 10.45 | 28,740,879 | 11.69 |
| Financial investments at fair value through other comprehensive income | 87,853,483 | 32.98 | 74,942,136 | 30.49 |
| Financial investments measured at amortised cost | 150,677,806 | 56.57 | 142,147,610 | 57.82 |
| Total financial investments | 266,364,477 | 100.00 | 245,830,625 | 100.00 |

As of 30 June 2023, the Group's treasury bond investments amounted to RMB91,674 million, representing an increase of RMB14,000 million or 18.02% as compared with the end of the previous year, with its proportion in bond investments increasing by 2.08 percentage points to 44.78%.

Management Discussions and Analysis

The following table sets forth the composition of the Group's bond investments by issuers as at the dates indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 30 June 2023 | | As at 31 December 2022 | |
|---|--------------------|-------------------------|------------------------|-------------------------|
| | Amount | Percentage of total (%) | Amount | Percentage of total (%) |
| Treasury bonds | 91,673,759 | 44.78 | 77,673,497 | 42.70 |
| Local government bonds | 27,362,700 | 13.37 | 23,768,057 | 13.06 |
| Bonds of financial institutions | 10,806,353 | 5.28 | 11,943,578 | 6.57 |
| Corporate bonds | 74,859,604 | 36.57 | 68,537,024 | 37.67 |
| Total bond investments | 204,702,416 | 100.00 | 181,922,156 | 100.00 |

The following table sets forth the top ten financial bonds in terms of face value held by the Group as at the end of the Reporting Period.

| Name of bonds | Face value (thousands of RMB) | Annual interest rate (%) | Maturity date | Provision for Impairment (thousands of RMB) |
|--|----------------------------------|-----------------------------|---------------|---|
| 2023 Financial bonds of commercial banks | 500,000 | 2.77 | 2026/4/26 | 1,182 |
| 2013 Policy bank bonds | 460,000 | 5.04 | 2023/10/24 | 443 |
| 2022 Tier II capital bonds of commercial banks | 400,000 | 3.90 | 2032/12/12 | N/A |
| 2023 Tier II capital bonds of commercial banks | 400,000 | 4.70 | 2033/4/12 | N/A |
| 2022 Tier II capital bonds of commercial banks | 300,000 | 3.00 | 2032/11/10 | N/A |
| 2022 Financial bonds of commercial banks | 300,000 | 2.55 | 2025/8/24 | 711 |
| 2022 Tier II capital bonds of policy bank | 300,000 | 2.85 | 2032/11/4 | N/A |
| 2022 Tier II capital bonds of commercial banks | 300,000 | 3.00 | 2032/11/7 | N/A |
| 2022 Tier II capital bonds of commercial banks | 300,000 | 3.03 | 2032/11/15 | N/A |
| 2022 Financial bonds of commercial banks | 300,000 | 2.81 | 2025/6/13 | 707 |
| 2022 Financial bonds of commercial banks | 300,000 | 2.48 | 2025/11/7 | N/A |
| 2022 Financial bonds of commercial banks | 300,000 | 2.40 | 2025/10/24 | N/A |
| 2022 Financial bonds of commercial banks | 300,000 | 2.45 | 2025/11/11 | N/A |
| 2022 Financial bonds of commercial banks | 300,000 | 2.50 | 2025/11/1 | N/A |
| 2022 Financial bonds of commercial banks | 300,000 | 2.50 | 2025/8/5 | 710 |
| 2022 Tier II capital bonds of commercial banks | 300,000 | 3.02 | 2032/10/26 | N/A |
| 2023 Financial bonds of commercial banks | 300,000 | 2.73 | 2026/6/5 | 708 |

Note: The above provision for impairment is calculated on the basis of the expected loss model in accordance with IFRS 9 – Financial Instruments. To the knowledge of the Bank, there is no significant change in the financial position of the above financial bond issuers during the Reporting Period.

Management Discussions and Analysis

5.2.2.4 Investment in associates

As of 30 June 2023, the Group's long-term equity investment was RMB2,692 million, representing an increase of RMB192 million or 7.66% as compared with the end of the previous year, mainly due to the Bank's share of profit of associates.

The following table sets forth the changes in the Group's long-term equity investment for the periods indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | For the six months ended 30 June 2023 | 2022 |
|---|--|-----------|
| Balance at the beginning of the period | 2,500,712 | 2,228,158 |
| Net profit or loss adjusted by equity method | 246,464 | 330,227 |
| Cash dividends declared | (54,902) | (57,673) |
| Balance at the end of the period | 2,692,274 | 2,500,712 |

5.2.2.5 Total liabilities

As of 30 June 2023, the total liabilities of the Group amounted to RMB673,094 million, representing an increase of RMB39,877 million or 6.30% as compared to the end of the previous year.

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

| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 30 June 2023 | | As at 31 December 2022 | |
|---|--------------------|-------------------------|------------------------|-------------------------|
| | Amount | Percentage of total (%) | Amount | Percentage of total (%) |
| Customer deposits | 406,176,828 | 60.34 | 382,594,480 | 60.42 |
| Debt securities issued | 150,683,827 | 22.39 | 133,877,105 | 21.14 |
| Due to and placements from banks and other financial institutions | 108,458,090 | 16.11 | 112,003,399 | 17.69 |
| Financial liabilities at fair value through profit or loss | 54,422 | 0.01 | 11,626 | 0.00 |
| Tax payable | 410,591 | 0.06 | 104,964 | 0.02 |
| Other liabilities | 7,310,255 | 1.09 | 4,625,512 | 0.73 |
| Total liabilities | 673,094,013 | 100.00 | 633,217,086 | 100.00 |

5.2.2.6 Customer deposits

In the first half of 2023, the Group gave full play to its regional brand advantages, and accelerated innovation in its products and services, which contributed to the steady growth in customer deposits. As of 30 June 2023, the total customer deposits of the Bank amounted to RMB406,177 million, representing an increase of RMB23,582 million or 6.16% as compared to the end of the previous year.

In terms of customer structure, the Group's corporate deposits and individual deposits have grown steadily, with the proportion of individual deposits further increased. During the Reporting Period, the Group continuously improved the service level for retail customers through deeply exploring into the retail markets in the "one municipality and three provinces", leading to continual increase in the amount and proportion of individual deposits. As of 30 June 2023, balance of the Group's individual deposits was RMB189,004 million, representing an increase of RMB21,781 million or 13.03% as compared with the end of the previous year, accounting for 46.54% of the total customer deposits; balance of the Group's corporate deposits was RMB194,322 million, representing an increase of RMB934 million or 0.48% as compared with the end of the previous year, accounting for 47.84% of the total customer deposits.

In terms of term structure, the scale of the Group's demand deposits and time deposits has steadily expanded, among which the balance of demand deposits was RMB85,358 million, representing an increase of RMB5,124 million or 6.39% as compared with the end of the previous year; and balance of the Group's time deposits was RMB297,968 million, representing an increase of RMB17,591 million or 6.27% as compared with the end of the previous year.

The following table sets forth the composition of the Group's customer deposits as at the dates indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | 30 June 2023 | | 31 December 2022 | |
|---|--------------------|-------------------------|--------------------|-------------------------|
| | Amount | Percentage of total (%) | Amount | Percentage of total (%) |
| Corporate demand deposits | 66,076,564 | 16.27 | 60,481,461 | 15.81 |
| Corporate time deposits | 128,245,371 | 31.57 | 132,906,633 | 34.74 |
| Individual demand deposits | 19,281,589 | 4.75 | 19,752,513 | 5.16 |
| Individual time deposits | 169,722,470 | 41.79 | 147,470,703 | 38.54 |
| Other deposits | 16,174,496 | 3.98 | 16,491,983 | 4.31 |
| Interest payable on customer deposits | 6,676,338 | 1.64 | 5,491,187 | 1.44 |
| Total customer deposits | 406,176,828 | 100.00 | 382,594,480 | 100.00 |

Management Discussions and Analysis

5.2.2.7 Shareholders' equity

As of 30 June 2023, the total equity of the Group amounted to RMB53,967 million, representing an increase of RMB2,471 million or 4.80% as compared to the end of the previous year; the equity attributable to shareholders of the Bank amounted to RMB51,739 million, representing an increase of RMB2,402 million or 4.87% as compared to the end of the previous year.

The following table sets forth the composition of the Group's shareholders' equity as of the dates indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | 30 June 2023 | | 31 December 2022 | |
|---|-------------------|-------------------------|------------------|-------------------------|
| | Amount | Percentage of total (%) | Amount | Percentage of total (%) |
| Share capital | 3,474,555 | 6.44 | 3,474,540 | 6.75 |
| Other equity instruments | 5,571,077 | 10.32 | 5,571,090 | 10.82 |
| Capital surplus | 7,734,910 | 14.33 | 7,734,772 | 15.02 |
| Other reserves | 12,537,687 | 23.23 | 11,181,305 | 21.71 |
| Retained earnings | 22,420,321 | 41.55 | 21,374,805 | 41.51 |
| Total equity attributable to shareholders of the Bank | 51,738,550 | 95.87 | 49,336,512 | 95.81 |
| Non-controlling interests | 2,228,386 | 4.13 | 2,158,965 | 4.19 |
| Total equity | 53,966,936 | 100.00 | 51,495,477 | 100.00 |

5.2.2.8 The main assets subject to seizure, attachment, freezing, mortgage or pledge

As of the end of the Reporting Period, the main assets of the Bank were not subject to seizure, attachment, freezing, mortgage or pledge.

5.3 Loan quality analysis

5.3.1 Distribution of loans by the five-category classification

During the period, faced with the challenges posed by macro-economic dynamics, the Group accelerated the construction of a comprehensive risk management system, continued to strengthen the prevention and control of credit risk and strengthen the risk investigation, early risk warning, tracking and post-lending monitoring management and stepped up efforts in risk management, which consolidated the foundation of asset quality, and ensured that the quality of the Group's credit assets was relatively good compared to other banks. As of 30 June 2023, the balance of non-performing loans was RMB4,561 million, representing a decrease of RMB274 million as compared to the end of the previous year; non-performing loan ratio was 1.21%, representing a decrease of 0.17 percentage point as compared to the end of the previous year. The amount of loans under special mention category accounted for 3.45% of total loans, representing an increase of 0.25 percentage point as compared to that of the end of the previous year.

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

| (All amounts expressed in thousands of RMB unless otherwise stated) | 30 June 2023 | | 31 December 2022 | |
|---|--------------------|-------------------------|------------------|-------------------------|
| | Amount | Percentage of total (%) | Amount | Percentage of total (%) |
| Pass | 358,332,790 | 95.34 | 334,499,750 | 95.42 |
| Special mention | 12,969,993 | 3.45 | 11,216,422 | 3.20 |
| Substandard | 1,888,136 | 0.50 | 2,714,535 | 0.77 |
| Doubtful | 2,153,302 | 0.57 | 1,747,808 | 0.50 |
| Loss | 519,122 | 0.14 | 372,706 | 0.11 |
| Total principals of loans and advances to customers | 375,863,343 | 100.00 | 350,551,221 | 100.00 |
| Amount of non-performing loans | 4,560,560 | 1.21 | 4,835,049 | 1.38 |

Note: Under the five-category loan classification system, the Group's non-performing loans are classified into substandard, doubtful and loss categories.

Management Discussions and Analysis

5.3.2 Distribution of loans and non-performing loans by product type

As of 30 June 2023, the non-performing rate of the Group's retail loans was 1.65%, representing an increase of 0.35 percentage point over the end of the previous year; the non-performing ratio of the Group's corporate loans was 1.28%, representing a decrease of 0.45 percentage point over the end of the previous year.

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

| (All amounts expressed in thousands of RMB unless otherwise stated) | 30 June 2023 | | | | 31 December 2022 | | | |
|---|--------------------|-------------------------|-----------------------------|-------------------------------|--------------------|-------------------------|-----------------------------|-------------------------------|
| | Loan amount | Percentage of total (%) | Non-performing loans amount | Non-performing loan ratio (%) | Loan amount | Percentage of total (%) | Non-performing loans amount | Non-performing loan ratio (%) |
| Corporate loans | 235,352,659 | 62.62 | 3,011,060 | 1.28 | 208,737,958 | 59.55 | 3,607,577 | 1.73 |
| Short-term loans | 24,820,699 | 6.60 | 300,795 | 1.21 | 22,095,466 | 6.31 | 273,280 | 1.24 |
| Medium-and-long-term loans | 210,531,960 | 56.01 | 2,710,265 | 1.29 | 186,642,492 | 53.24 | 3,334,297 | 1.79 |
| Discounted bills | 46,422,017 | 12.35 | - | - | 47,285,310 | 13.49 | - | - |
| Retail loans | 94,088,667 | 25.03 | 1,549,500 | 1.65 | 94,527,953 | 26.96 | 1,227,472 | 1.30 |
| Personal mortgage loans | 40,807,588 | 10.86 | 287,738 | 0.71 | 41,571,228 | 11.86 | 216,453 | 0.52 |
| Personal consumer loans | 9,277,710 | 2.47 | 153,279 | 1.65 | 10,490,127 | 2.99 | 156,620 | 1.49 |
| Personal business loans | 22,715,309 | 6.04 | 727,749 | 3.20 | 22,372,601 | 6.38 | 550,521 | 2.46 |
| Credit card advances | 21,288,060 | 5.66 | 380,734 | 1.79 | 20,093,997 | 5.73 | 303,878 | 1.51 |
| Total | 375,863,343 | 100.00 | 4,560,560 | 1.21 | 350,551,221 | 100.00 | 4,835,049 | 1.38 |

5.3.3 Distribution of loans and non-performing loans by industry

During the Reporting Period, the Group closely responded to the national major strategic planning, actively participated in the construction of "Chengdu-Chongqing Economic Rim", continued to adjust the credit portfolio, and actively invested resources in the "new infrastructure" sector, strategic emerging industries, advanced manufacturing industry and other industries. The Group also dynamically adjusted the credit strategies for key industries such as real estate and constrained exit industries by combining national macro industrial policies. Moreover, the Group accelerated the screening of customers involved in high leverage, "zombie enterprises", overcapacity and other risks.

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The following table sets forth the Group's distribution of loans and non-performing loans by industry as of the dates indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | 30 June 2023 | | | | 31 December 2022 | | | |
|--|--------------------|-------------------------|-----------------------------|-------------------------------|--------------------|-------------------------|-----------------------------|-------------------------------|
| | Loan amount | Percentage of total (%) | Non-performing loans amount | Non-performing loan ratio (%) | Loan amount | Percentage of total (%) | Non-performing loans amount | Non-performing loan ratio (%) |
| Corporate loans – measured at a mortised cost | | | | | | | | |
| Manufacturing | 26,592,136 | 7.09 | 601,636 | 2.26 | 25,473,397 | 7.27 | 645,838 | 2.54 |
| Wholesale and retail | 19,964,200 | 5.31 | 689,403 | 3.45 | 17,233,465 | 4.92 | 738,404 | 4.28 |
| Construction | 26,207,857 | 6.97 | 299,924 | 1.14 | 21,365,844 | 6.08 | 281,224 | 1.32 |
| Real estate | 9,991,217 | 2.66 | 713,083 | 7.14 | 10,153,702 | 2.90 | 597,355 | 5.88 |
| Leasing and commercial services | 68,386,610 | 18.19 | 45,471 | 0.07 | 57,721,684 | 16.47 | 45,543 | 0.08 |
| Water conservation, environment and public facility administration | 59,360,515 | 15.79 | 8,966 | 0.02 | 53,146,884 | 15.16 | 5,920 | 0.01 |
| Transportation, warehousing and postal service | 3,970,952 | 1.06 | 13,124 | 0.33 | 3,706,916 | 1.06 | 10,296 | 0.28 |
| Mining | 1,543,315 | 0.41 | 185,613 | 12.03 | 1,403,559 | 0.40 | 199,692 | 14.23 |
| Electricity, heat, gas and water production and supply | 4,220,898 | 1.12 | 139,863 | 3.31 | 4,712,001 | 1.34 | 832,000 | 17.66 |
| Agriculture, forestry, animal husbandry and fishery | 3,869,998 | 1.03 | 58,983 | 1.52 | 3,546,438 | 1.01 | 34,404 | 0.97 |
| Household services, maintenance and other services | 569,115 | 0.15 | 2,000 | 0.35 | 478,806 | 0.14 | 6,871 | 1.44 |
| Education | 942,890 | 0.25 | 3,587 | 0.38 | 914,423 | 0.26 | 4,545 | 0.50 |
| Financing | 870,899 | 0.23 | 149,899 | 17.21 | 878,899 | 0.25 | 149,899 | 17.06 |
| Scientific research and technology services | 1,596,270 | 0.42 | 11,538 | 0.72 | 1,410,848 | 0.40 | 5,390 | 0.38 |
| Information transmission, software and information technology services | 1,868,783 | 0.50 | 47,038 | 2.52 | 1,347,528 | 0.38 | 14,038 | 1.04 |
| Accommodation and catering | 1,479,711 | 0.39 | 13,606 | 0.92 | 1,527,688 | 0.44 | 13,658 | 0.89 |
| Culture, sports and entertainment | 1,998,607 | 0.53 | 9,026 | 0.45 | 1,752,786 | 0.50 | - | - |
| Health and social welfare | 1,908,686 | 0.51 | 18,300 | 0.96 | 1,963,090 | 0.56 | 22,500 | 1.15 |
| Public administration, public security and social organisations | 10,000 | 0.01 | - | - | - | - | - | - |
| Loans to corporate entities – measured at fair value through other comprehensive income | | | | | | | | |
| Discounted bills | 46,422,017 | 12.35 | - | - | 47,285,310 | 13.49 | - | - |
| Retail loans – measured at amortised cost | | | | | | | | |
| Retail loans | 94,088,667 | 25.03 | 1,549,500 | 1.65 | 94,527,953 | 26.97 | 1,227,472 | 1.30 |
| Total | 375,863,343 | 100.00 | 4,560,560 | 1.21 | 350,551,221 | 100.00 | 4,835,049 | 1.38 |

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

Management Discussions and Analysis

5.3.4 Distribution of loans and non-performing loans by type of collateral

As at 30 June 2023, balance of the Group's collateralized and pledged loans increased by RMB1,580 million or 1.03%, balance of the guaranteed loans increased by RMB16,396 million or 11.97%, and balance of the unsecured loans increased by RMB7,337 million or 12.17% as compared with the end of the previous year. The non-performing ratios of collateralized loans, pledged loans and guaranteed loans decreased by 0.03, 0.23 and 0.37 percentage point respectively, and those of unsecured loans increased by 0.25 percentage point respectively as compared with the previous year.

The following table sets forth the Group's distribution of loans and non-performing loans by type of collateral as of the dates indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | 30 June 2023 | | | | 31 December 2022 | | | |
|---|--------------------|-------------------------|------------------|----------------|--------------------|-------------------------|------------------|----------------|
| | Loan amount | Percentage of total (%) | Non-performing | Non-performing | Loan amount | Percentage of total (%) | Non-performing | Non-performing |
| | | | loans amount | loan ratio (%) | | | loans amount | loan ratio (%) |
| Collateralised loans | 92,404,612 | 24.59 | 2,283,579 | 2.47 | 91,538,599 | 26.12 | 2,289,601 | 2.50 |
| Pledged loans | 62,460,715 | 16.62 | 233,755 | 0.37 | 61,747,111 | 17.61 | 371,410 | 0.60 |
| Guaranteed loans | 153,400,703 | 40.81 | 1,171,219 | 0.76 | 137,004,792 | 39.08 | 1,548,739 | 1.13 |
| Unsecured loans | 67,597,313 | 17.98 | 872,007 | 1.29 | 60,260,719 | 17.19 | 625,299 | 1.04 |
| Total | 375,863,343 | 100.00 | 4,560,560 | 1.21 | 350,551,221 | 100.00 | 4,835,049 | 1.38 |

5.3.5 Distribution of loans and non-performing loans by region

As at 30 June 2023, the Group's non-performance loan ratio in Chongqing area and other areas' branches are 1.32% and 0.86%, respectively.

The following table sets forth the Group's distribution of loans and non-performing loans by region as of the dates indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | 30 June 2023 | | | | 31 December 2022 | | | |
|---|--------------------|-------------------------|-----------------------------|-------------------------------|--------------------|-------------------------|-----------------------------|-------------------------------|
| | Loan amount | Percentage of total (%) | Non-performing loans amount | Non-performing loan ratio (%) | Loan amount | Percentage of total (%) | Non-performing loans amount | Non-performing loan ratio (%) |
| Chongqing | 290,756,208 | 77.36 | 3,824,656 | 1.32 | 273,455,364 | 78.01 | 4,134,342 | 1.51 |
| Other areas | 85,107,135 | 22.64 | 735,904 | 0.86 | 77,095,857 | 21.99 | 700,707 | 0.91 |
| Total | 375,863,343 | 100.00 | 4,560,560 | 1.21 | 350,551,221 | 100.00 | 4,835,049 | 1.38 |

5.3.6 Loans to top ten single borrowers

As of 30 June 2023, the Bank's total loans to its largest single borrower amounted to RMB2,080 million and accounted for 3.22% of its net capital, while total loans to its top ten customers amounted to RMB14,372 million and accounted for 22.26% of its net capital, which were in compliance with regulatory requirements. As of 30 June 2023, all of the Bank's loans to top ten single borrowers were loans in the pass category.

The following table sets forth the Group's loans to top ten single borrowers as of the date indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | Industry | 30 June 2023 | | |
|---|--|--------------|-------------------------------|-------------------------------|
| | | Loan amount | Percentage of net capital (%) | Percentage of total loans (%) |
| Customer A | Leasing and commercial services | 2,080,000 | 3.22 | 0.55 |
| Customer B | Leasing and commercial services | 1,719,000 | 2.66 | 0.46 |
| Customer C | Leasing and commercial services | 1,507,000 | 2.33 | 0.40 |
| Customer D | Leasing and commercial services | 1,414,803 | 2.19 | 0.38 |
| Customer E | Leasing and commercial services | 1,357,000 | 2.10 | 0.36 |
| Customer F | Leasing and commercial services | 1,295,000 | 2.01 | 0.34 |
| Customer G | Water conservation, environment and public facility administration | 1,276,660 | 1.98 | 0.34 |
| Customer H | Water conservation, environment and public facility administration | 1,260,000 | 1.95 | 0.34 |
| Customer I | Leasing and commercial services | 1,240,000 | 1.92 | 0.33 |
| Customer J | Leasing and commercial services | 1,222,500 | 1.89 | 0.33 |

Management Discussions and Analysis

5.3.7 Overdue loans

As of 30 June 2023, the total overdue loans of the Group amounted to RMB9,656 million, representing a decrease of RMB765 million as compared with the end of the previous year. Total overdue loans accounted for 2.57% of the total principal of loans and advances to customers, representing a decrease of 0.40 percentage point as compared with the end of the previous year. The Group adopts a prudent classification standard for overdue loans. The ratio of non-performing loans to loans overdue for more than 90 days is 1.13.

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

| (All amounts expressed in thousands of RMB unless otherwise stated) | 30 June 2023 | | 31 December 2022 | |
|---|--------------------|-------------------------------|------------------|-------------------------------|
| | Amount | Percentage of total loans (%) | Amount | Percentage of total loans (%) |
| Past due within 90 days | 5,614,007 | 1.49 | 7,045,182 | 2.01 |
| Past due 90 days to 1 year | 1,995,878 | 0.53 | 2,143,505 | 0.61 |
| Past due over 1 year and within 3 years | 1,836,039 | 0.49 | 1,120,101 | 0.32 |
| Past due over 3 years | 210,105 | 0.06 | 112,485 | 0.03 |
| Total principals of overdue loans and advances to customers | 9,656,029 | 2.57 | 10,421,273 | 2.97 |
| Total principals of loans and advances to customers | 375,863,343 | 100.00 | 350,551,221 | 100.00 |

Note: Overdue loans and advances to customers include credit card advances.

5.3.8 Restructured loans

As of 30 June 2023, the Group's restructured loans accounted for 0.12%, up by 0.01 percentage point as compared with the end of the previous year.

The following table sets forth the Group's restructured loans as of the date indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | 30 June 2023 | | 31 December 2022 | |
|---|--------------------|-------------------------------|------------------|-------------------------------|
| | Amount | Percentage of total loans (%) | Amount | Percentage of total loans (%) |
| Restructured loans | 447,834 | 0.12 | 383,132 | 0.11 |
| Including: Restructured loans overdue for more than 90 days | 434,014 | 0.12 | 222,456 | 0.06 |
| Total principals of loans and advances to customers | 375,863,343 | 100.00 | 350,551,221 | 100.00 |

5.3.9 Foreclosed assets and provision for impairment

As of 30 June 2023, the Group's foreclosed assets amounted to RMB115 million and the provision for impairment of debt assets was RMB15 million.

The following table sets forth the Group's foreclosed assets and provision for impairment as of the date indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | 30 June 2023 | | 31 December 2022 | |
|---|--------------|--------------------------|------------------|--------------------------|
| | Amount | Provision for impairment | Amount | Provision for impairment |
| Foreclosed assets | 115,307 | (14,916) | 83,799 | (13,638) |

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5.3.10 Changes in provision for loan impairment

The Group adheres to a sound and prudent provision policy, and realizes the scientific measurements of expected loss of assets by establishing the expected credit loss model. As of 30 June 2023, balance of the Group's loan impairment provision was RMB11,433 million, representing an increase of RMB1,306 million as compared with the end of the previous year. The provision coverage ratio of non-performing loans was 251.88%, up by 40.69 percentage points as compared with the end of the previous year. The loan provision ratio was 3.06%, up by 0.15 percentage point as compared with the end of the previous year.

The following table sets forth changes in the Group's provision for loan impairment as of the dates indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | For the six months ended 2023 | 2022 |
|--|----------------------------------|-------------|
| Balance at the beginning of the Period | 10,127,171 | 11,178,339 |
| New financial assets originated or purchased | 1,297,437 | 1,672,437 |
| Re-measurement | 1,613,573 | 3,854,209 |
| Repayment | (1,430,469) | (2,019,067) |
| Written-off and transferred of the year | (376,453) | (5,034,073) |
| Recoveries of loans written-off in previous years and advances transfer-in | 213,942 | 768,463 |
| Effect of discount factors | (12,099) | (293,137) |
| Balance at the end of the Period | 11,433,102 | 10,127,171 |

5.4 Operating Results by Segment

Major business segments of the Group include corporate banking business, retail banking business and treasury business.

The following table sets forth the overall operating results of each business segment of the Group during the periods indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | For the six months ended 2023 | | For the six months ended 2022 | |
|--|-------------------------------|-----------------------------|-------------------------------|-----------------------------|
| | Operating income | Profit before income tax | Operating income | Profit before income tax |
| Corporate banking business | 4,485,528 | 2,319,532 | 4,330,911 | 2,102,467 |
| Retail banking business | 1,223,525 | 414,100 | 1,258,187 | 366,104 |
| Treasury business | 1,136,023 | 619,667 | 1,004,770 | 970,512 |
| Unallocated | 113,457 | 73,268 | 51,688 | 32,984 |
| Total | 6,731,451 | 3,426,567 | 6,645,556 | 3,472,067 |

5.5 Other Information to be Disclosed according to Regulatory Requirements

5.5.1 Key regulatory indicators

| Items | | 30 June 2023 | 31 December 2022 | 31 December 2021 |
|--------------------------|------------------|-----------------|---------------------|---------------------|
| Liquidity ratio (%) | RMB | 145.37 | 121.23 | 78.51 |
| | Foreign currency | 500.64 | 3,426.17 | 622.10 |
| Loan migration ratio (%) | Pass | 2.32 | 2.72 | 3.28 |
| | Special mention | 17.78 | 25.56 | 31.80 |
| | Substandard | 65.28 | 48.65 | 66.71 |
| | Doubtful | 19.78 | 14.18 | 17.21 |

Note:

- (1) Liquidity ratio is an indicator of the Group, which is calculated in accordance with the regulatory requirements of the NAFR.
- (2) Loan migration ratio is an indicator of the Group, which is calculated in accordance with the regulatory requirements of the NAFR.
- (3) Migration ratio of pass loans = (amount migrated to the lower grades from the pass loans at the beginning of the year + amount which were pass loans at the beginning of the year, and were converted to non-performing loans and dealt with during the Reporting Period)/balance of pass loans at the beginning of the year × 100% × annualised coefficient; Migration ratio of special mention loans = (amount migrated to the lower grades from the special mention loans at the beginning of the year + amount which were special mention loans at the beginning of the year, and were converted to non-performing loans and dealt with during the Reporting Period)/balance of special mention loans at the beginning of the year × 100% × annualised coefficient; Migration ratio of substandard loans = (amount migrated to the lower grades from the substandard loans at the beginning of the year + amount which were substandard loans at the beginning of the year, and were converted to doubtful loans and loss loans and dealt with during the Reporting Period)/balance of substandard loans at the beginning of the year × 100% × annualised coefficient; Migration ratio of doubtful loans = (amount migrated to the lower grades from the doubtful loans at the beginning of the year + amount which were doubtful loans at the beginning of the year, and were converted to loss loans and dealt with during the Reporting Period)/balance of doubtful loans at the beginning of the year × 100% × annualised coefficient.

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5.5.2 Off-balance sheet items that have a significant impact on financial condition and operating results

| (All amounts expressed in thousands of RMB unless otherwise stated) | 30 June 2023 | 31 December 2022 |
|---|-------------------|---------------------|
| Credit related commitments | 69,791,083 | 80,785,626 |
| Of which: | | |
| Irrevocable loan commitments | 6,988 | 6,503 |
| Bank acceptance bill | 52,104,204 | 63,443,174 |
| Issuance of letters of guarantee | 1,958,843 | 1,941,292 |
| Issuance of letters of credit | 8,189,440 | 7,461,030 |
| Unused credit card limits | 6,831,451 | 7,582,137 |
| Trade finance confirmation | 700,157 | 351,490 |
| Capital expenditure commitments | 185,483 | 237,981 |
| Total | 69,976,566 | 81,023,607 |

5.5.3 Assets and liabilities measured at fair value

| (All amounts expressed in thousands of RMB unless otherwise stated) | Opening balance | Losses/(gains) on changes in fair value in the current period | Cumulative changes in fair value recognised in equity | Impairment provision for the period | Ending balance |
|---|--------------------|---|---|---|--------------------|
| Investment securities at FVOCI | 74,942,136 | – | 1,266,885 | (51,093) | 87,853,483 |
| Financial assets and financial liabilities at FVPL | 28,729,253 | 40,979 | – | – | 27,778,766 |
| Loans and advances to customers at FVOCI | 47,285,310 | – | (133,930) | 29,557 | 46,422,017 |
| Total | 150,956,699 | 40,979 | 1,132,955 | (21,536) | 162,054,266 |

Notes: For financial instruments traded in active markets, the Group determines its fair value with its active market quotation; for financial instruments that are not traded on active markets, the Group uses valuation techniques to determine its fair value. The valuation models used are mainly discounted cash flow models and market comparable company models. The input value of valuation technique mainly includes risk-free interest rate, benchmark interest rate, exchange rate, credit point difference, lack of liquidity discount and so on. The Bank had no private equity investments, and its derivatives investment business is not applicable to the relevant provisions set out in the IAS 39 – Financial Instruments: Recognition and Measurement.

5.6 Business Overview

5.6.1 Corporate Banking Business

During the Reporting Period, the Bank deepened its support for major national strategies in line with the concept of high-quality development, and fully participated in the construction of the Chengdu-Chongqing Economic Circle and the new land-sea channel in western China. In order to optimize its business structure and promote scale growth, the Bank focused on modern industrial system to improve its innovative service capabilities and the quality and efficiency of customer management.

Capturing major strategic opportunities and deepening the regional development of the Chengdu-Chongqing Economic Circle. In order to expand the customer base, the Bank developed open platforms and cooperation platforms and held financial service promotion events in Yibin of Sichuan, Liangjiang New District of Chongqing and other cities within the Chengdu-Chongqing Economic Circle. In an effort to support the industrial development of the Chengdu-Chongqing Economic Circle, the Bank provided the credit support to industrial development and other aspects, with a total credit of over RMB70 billion. In terms of the construction of major projects, the Bank focused on connectivity projects, industrial parks and water conservancy facilities, and provided its support for over 50 major projects including Chongqing-Guizhou High-speed Railway, Luzhou Port, Liangping Integrated Circuit Industrial Park and Baidaoahu Reservoir.

Focusing on modern industrial system and improving financial services for industries. The Bank conducted an in-depth research on macroeconomic policies and regional industrial plannings to identify target customers, provided comprehensive financial services for the construction of modern industrial system through its cooperation with industrial parks, and launched the “Zirong Investment Promotion Loan” (智融招商貸) to facilitate regional investment promotion. With focus on “33618” modern manufacturing industry clusters of Chongqing and key industrial clusters in Sichuan, Shaanxi and Guizhou, the Bank provided a total loan of over RMB50 billion to more than 2,500 enterprises during the Reporting Period.

Empowering innovative service capabilities with digital management. The Bank applied big data technology to promote the digital transformation of pre-loan investigation, so as to enhance the efficiency of due diligence and its risk prevention and control capability. Meantime, the Bank continued to optimize its customer relation management system and promote the automatic tiering of customers, visual management of customer information and intelligent marketing management, with a view to improving the quality and efficiency of financial services based on tiered marketing management.

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Following the settlement-based development concept and steadily expanding basic customer base. Capitalizing on the synergy effect of its business lines, the Bank offered targeted full-cycle financial services for market players and comprehensive financial services for its customers. In order to invigorate scenario-based finance with financial technologies, the Bank developed featured service solutions covering smart hospitals, property management and tourist attractions, and attracted more deposits from various customer groups. The number of key corporate customers increased by 17.2% as compared with the end of the previous year.

As of 30 June 2023, balance of the Group's loans and advances to corporate entities (including discount of bills) amounted to RMB281,775 million, representing an increase of RMB25,751 million or 10.06% as compared with the end of the previous year. The balance of corporate deposits amounted to RMB194,322 million, representing an increase of RMB934 million or 0.48% as compared with the end of the previous year, and accounting for 47.84% of the balance of all deposits.

5.6.2 Inclusive Finance Business

During the Reporting Period, the Bank continued to enhance our supply of financial services, strengthen the docking of financial services, improve financial service capabilities and further promoted the high-quality development of inclusive financial services. As of the end of June 2023, according to the national statistic standards, the balance of small and micro enterprise loans of the Bank amounted to RMB106,333 million, representing an increase of RMB9,515 million as compared with the end of the previous year. According to the statistic standards under "Two Increases" policy, our inclusive small and micro enterprise loans with an individual lending amount of below RMB10 million recorded a balance of RMB47.636 billion, representing an increase of RMB4.017 billion as compared with the end of the previous year, and the number of loan customers was 57,761, increasing by 3,360 as compared with the end of the previous year. During the Reporting Period, the Bank was awarded the "2022 Model Entity in Financial Services for Small and Micro Enterprises" (小微企業金融服務先進單位) and the "2022 Grade I Bank of Financial Services for Small and Micro Enterprises" (2022 年度小微企業金融服務一級行) by the Chongqing CBIRC, and the "2022 Excellent Grade in the Evaluation of Financial Institutions for Rural Revitalization" (2022 年度金融機構服務鄉村振興考評優秀) by the Chongqing business management department of the PBOC and the Chongqing CBIRC. The Bank's "Specialized, Refined, Special and Novel Credit Loan" and "Relief and Assistance Loan" were selected as "Chongqing Top 10 Financial Innovation Demonstration Products" organized by Chongqing Municipality Local Financial Supervision Department.

Strengthening service supply and improving the quality of financial services. The Bank expanded its scale of credit, focusing on the financing needs of “non-debtors” of small and micro enterprises, increasing first-time loan support and strengthening its efforts to tap into and utilize credit information of Small and Micro enterprises, and expanding its credit loan support. In order to diversify its service offerings, the Bank researched and developed innovative products such as “Running Loan”, “Chongqing Trade Loan” and “Communication Chain Quick Loan”, and leveraged the advantages of an agile team for scenario-based batch business of inclusive finance to develop batch business such as “Market Merchant Credit Loan” and “Agricultural Industry Development Loan”. The Bank optimized service pricing, improved the scientificity and accuracy of financial service pricing, and reasonably determined small and micro enterprise loan interest rates based on the loan market quotation rate and the characteristics of small and micro enterprise customer groups. In order to effectively control the quality of loans to small and micro enterprises, the Bank standardized service management, strengthened the “three inspections” management of small and micro enterprise loans including before, during and after the loan, improved risk identification, early warning and disposal capabilities and standardized the financing service behavior of small and micro enterprises.

Strengthening service docking and providing precise support to key areas. In order to promote the development of technologically innovative small and micro enterprises, the Bank supported scientific and technological innovation, focusing on areas such as Chongqing’s “Double Growth” action plan for high-tech enterprises and technology-based enterprises, and the “Man Tian Xing” action plan for software and information service industries. Focusing on areas such as Chongqing’s “33618” modern manufacturing cluster system, the Bank promoted the development of “Specialized, Refined, Special and Novel” manufacturing industries. In order to support rural revitalization, the Bank set up a special class for product innovation for rural revitalization and a special class for the establishment and rating of new agricultural business entities, innovatively carried out the evaluation of “creditworthy villages” and “creditworthy households”, and developed the “village-based credit granting” financial service model. In order to promote the development of the cultural tourism industry, the Bank supported the cultural tourism industry, formulate and implement financial support for the high-quality development of the cultural tourism industry. In order to support private enterprises, the Bank signed a strategic cooperation agreement with the Chongqing Federation of Industry and Commerce, jointly held the “Conference on Promoting the High-quality Development of the Private Economy”, and jointly proposed 21 work measures to support the high-quality development of the private economy to expand the effective financial supply to the private economy. In order to help individual industrial and commercial households to produce, operate, grow and develop, the Bank supported individual industrial and commercial households, and provided suitable products and services.

Improving service capabilities and enhancing business development momentum. Focusing on special topics such as the development of emerging industries and rural revitalization strategies, the Bank strengthened investigation and research, conducted investigations and research in scientific research institutes, chambers of commerce, associations and branches, and strive to promote development. The Bank implemented special activities, innovatively carried out a series of activities of “good start” and “double over half” to create a good atmosphere of “practical and pioneering spirits and horse racing competition”. The Bank innovated in brand promotion, launch a new brand of “Huiyu Financial Service” and “Hui Bao Bao” (鑲寶寶) IP image, carried out a series of activities such as “Help Catering, Culture and Tourism Enterprises” skill training, “Caring for the Boss Action” customer care, and innovatively held the first live broadcast event “When you meet in “Chongqing”, don’t miss it” (“渝”您相遇, 不“蓉”錯過) of the “Pu Xiao Wei • Hui Baiye” series (“普小微•鑲百業”系列). The Bank accelerated digital development, developed a “remote auxiliary adjustment” system, realized “one person on site, one person in the bank” remote joint operation in the form of video in the on-site links such as pre-loan investigations and post-loan inspections, and innovated “bank-in-charge direct connection” mode, creating a digital banking business interaction system with functions such as mobile customer acquisition, online recommendation, automatic matching, and smart delivery.

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5.6.3 Retail Banking Business

During the Reporting Period, the Bank firmly adhered to the “customer-focused” business philosophy and the development orientation of “citizen bank” through deeply exploring into the retail markets in the “one municipality and three provinces”, and followed the path of digital development, with a view to providing customers with high-quality products and services and promoting the high-quality transformation and development of our retail banking business.

In terms of personal deposits, the Bank continuously promoted and marketed special deposit products including Xing Fu Cun (幸福存) and Meng Xiang Cun (夢想存) to promote the steady growth of the Bank’s savings deposits. The Bank continuously optimized the “Jucaipay” (聚財付) QR code acquiring system, established a mechanism of “intelligent approval, digital risk control, and process-based operation”, vigorously expanded acquiring merchants, increased the accumulation of transaction settlement funds, and promoted the continuous decline of interest costs. Relying on the “Yu Le Hui” (渝樂惠) e-mall platform and acquiring merchant alliance, the Bank actively created a new ecology of digital card usage environment, promoted the deep integration of financial services and high-frequency life scenes such as “cultural tourism, catering, shopping, entertainment”, and effectively enhanced customer activity degree and customer stickiness.

In terms of individual loans, the Bank carried out housing loan business in an orderly manner, built an agile operation mechanism, continued to optimize housing loan products, and actively supported citizens’ first-time housing and improved housing financing needs. The Bank promoted the growth of the customer base and scale of the self-operated online consumption loan “Jie e Dai (捷 e 貸)”, and our offerings have been available to all social customer groups and differentiated credit extension has been carried out. The Bank continued to enrich the functions of the “Star Chain Smart Marketing Platform” (星鏈智慧營銷平台) to realize full-link marketing customization; with the operation of “Insight Smart Risk Control System” (火眼智慧風控體系) efficiently, the Bank continuously optimized iterative loan risk control strategies, successfully launched the artificial intelligence voice collection system, and further improved the level of digital risk control.

In terms of wealth management, the Bank continued to improve its marketing service system for wealth management based on diversified products. Through expanding the cooperation with third-party institutions, the Bank continued to diversify and improve the “shelf” of products to build a more diversified product system for wealth management and improve the availability of financial services. The Bank continued to deepen the “layered, group-based and tiered” marketing management system, and promoted refined process management, targeted marketing strategies and meticulous customer services. With focus on the brand building of wealth management products, the Bank diversified the value-added services for VIP customers featuring “sound health, exclusive travel, enjoyable education and entertaining life” (安享健康、尊享出行、樂享教育、悅享生活), and improve the construction of “finance + life” system for accompanying service.

In terms of bank cards, the Bank continued to diversify the consumption, settlement and other functions of bank cards, improve channels and enhance security performance. The Bank increased the types of bank cards and issued the third-generation social insurance card, Youth Volunteer Card and Chengdu-Chongqing Card, so as to expand its basic customer base and promote the healthy development of its bank card business. In terms of debit cards, the Bank's debit cards integrated the access to characteristic services of Mobile Quick Pass and Cloud Quick Pass APPs, collection and payment agency service, quick payment, account verification and other payment functions, thus effectively improving the customer's mobile payment experience and boosting the volume of mobile payment transactions. In terms of credit cards, the Bank established an agile innovation mechanism for credit cards, developed a risk control model, issued a new product "Xing Fu Credit IC Card" (幸福貸記 IC 卡), and continuously diversified the environment for use of cards and the marketing and publicity methods, thus promoting the stable increase in the number of cards issued and the transaction volume.

As at the end of the Reporting Period, the balance of personal deposits of the Group was RMB189.004 billion, representing an increase of RMB21.781 billion or 13.03% as compared with the end of last year, and the local market share continued to increase. After the introduction of the new regulations on Internet loans, the Group took the initiative to adjust the structure of personal consumer loans in line with its business development needs, the balance (including personal consumer loans, mortgage loans and credit card advances) was RMB71.373 billion, representing a decrease of RMB782 million as compared with the end of last year. As at the end of the Reporting Period, the total number of issued debit cards increased by 216,800 to 5,184,700 as compared with the end of the previous year, and the transaction volume during the Reporting Period amounted to RMB8.961 billion. The total number of credit cards issued increased by 14,500 to 447,200 as compared with the previous year, and the balance of credit card advances amounted to RMB21.288 billion.

5.6.4 Financial Market Business

During the Reporting Period, the Bank thoroughly implemented the strategic arrangement that finance serves the economic and social development and captured major strategic opportunities such as the construction of the Chengdu-Chongqing Economic Circle and the new land-sea channel in western China, closely tracked the developments of financial market, strengthened market research, adjusted investment transaction strategies and business structure in a timely manner, accurately set the pace of transactions and allocations, making the investment strategies more stable, and the asset structure more balanced; expanded the space, channels and counterparties for inter-bank cooperation and built an interbank financial ecosystem. As a result, the Bank maintained a steady growth in the business volume in the financial market, continuously enhanced its trading capacity, and steadfastly improved the efficiency of capital utilization under controllable risks.

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In terms of money market trading, the Bank further expanded the capital trading volume and counterparties, improved the trading capacity and enhanced the market image and influence. During the Reporting Period, the Bank optimized the structure of counterparties, expanded the scope of counterparties, and increased the influence of transactions; kept up with the pace of innovation in the inter-bank market, and explored new trading models; and strengthened the analysis and control of market trends, promoted the transaction of various bonds, thus continuously improve its trading capabilities.

In terms of securities investment products, firstly, the Bank maintained a prudent investment strategy, prioritized the allocation of high-quality assets with high liquidity including treasury bonds, local government bonds and high-rated credit bonds, and continued to optimize the investment structure of bonds, so as to enhance our capacity to withstand risks. Secondly, the Bank was deeply engaged in the markets where its operating branches are located, seize business opportunities in major national strategies such as the construction of the Chengdu-Chongqing Economic Circle and the new land-sea channel in China's western region, and promoted the development of major infrastructure projects, new urbanization projects and other projects along the route. Thirdly, the Bank implemented the new national development concept, and intensified the financial support for rural revitalization and green finance.

In terms of the management of inter-bank liabilities, firstly, the Bank strengthened the market analysis, adjusted the allocation of inter-bank liabilities in a flexible manner, and effectively controlled the cost of liabilities. Secondly, the Bank strengthened inter-bank exchanges and cooperation, expanded cooperation channels, diversified counterparties and ensured the stability of financing.

5.6.5 Asset Management Business

During the Reporting Period, the Bank focused on enhancing its active management capabilities, with its asset management business sustaining a compliant and steady development.

Making every effort to improve the levels of internal control. During the Reporting Period, in accordance with regulatory requirements, the Bank further strengthened the construction of institutional systems, standardized product investment operation processes, carried out internal and external compliance audits to continuously improve its business compliance and transform and optimize business systems, as well as strengthened financial technology support.

Making efforts to strengthen investment and research capacity building. During the Reporting Period, the Bank further strengthened its management on product net value by continuous product stress testing and liquidity risk monitoring, continuously improved investment research and transaction capabilities, optimized and improved asset structure, realized diversified allocation, and maintained stable income of wealth management products and further enhanced the competitiveness of its products.

Doing a good job in cultivating investors. During the Reporting Period, the Bank popularized and publicized the features of net worth products through various channels such as online and offline, strengthened the business skills training of front-line sales staff, improved the professionalism of the sales force, and actively carried out customer marketing and expansion, resulting in the increasingly consolidation of the customer base, further enhancement of market competitiveness, and a steady increase in the scale of wealth management products.

5.6.6 Investment Banking Business

During the Reporting Period, the Bank gave full play to the linkage advantage of “commercial bank + investment bank”, to accelerate the contracting, undertaking and underwriting of local government bonds, debt financing instruments of non-financial enterprises and financial bonds, so as to provide customers with comprehensive financial service solutions.

Actively developing bond underwriting business. During the Reporting Period, the Bank underwrote and issued 39 government bonds of Chongqing Municipality and Guizhou Province with a total underwriting amount of RMB6,533 million, and underwrote 20 debt financing instruments of non-financial companies with a total underwriting amount of RMB6,159 million. According to the statistics of the Wind, the Bank ranked first in Chongqing in terms of the number of debt financing instruments of non-financial companies issued as an underwriter, and ranked second in terms of the share of debt financing instruments of non-financial companies issued as an underwriter, rising by 10 places over the same period in 2022. According to the statistics of the Wind, the Bank ranked 37th among the bank underwriters in China, rising by 8 places over the same period in 2022.

Serving national strategies to support the stability in economic growth. During the Reporting Period, the Bank expanded the bond underwriting business to ensure the smooth and orderly investment and financing of local state-owned enterprises, which contributed to expanding the domestic demand and maintaining a stable infrastructure investment. In order to promote the high-quality development of the real economy through open and innovative means, the Bank explored a number of financing products, such as notes for technological innovation, notes for project income, and credit instruments for risk mitigation. In line with the strategic arrangement for the high-level construction of the new land-sea channel in western China, the Bank gave play to its role as a financial channel, and invited nearly a hundred investors nationwide to focus on Chongqing and its districts and counties, thus injecting new financial vitality for the implementation of such strategies. Moreover, based on the strategic arrangement for Sichuan and Chongqing to jointly build a financial center in western China, the Bank intensified its cooperation with financial institutions nationwide, and enhanced the synergy of financial services.

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5.6.7 Trade Finance Business

During the Reporting Period, the Bank adhered to the goal of high-quality development, implemented major strategies, innovated financial service products, served the development of the real economy, and continuously stepped up the the level of trade finance services to a new level.

Servicing strategy to promote the perfection of channel finance. Firstly, in order to deeply integrated into major strategic financial services, taking the major strategies of serving the Chengdu-Chongqing Economic Circle and the new land-sea channel in China's western region as the general traction, the Bank understood the spirit of Chongqing's Work Promotion Conference on the Construction of the new land-sea channel in China's western region, and formulated the work plan of serving the new land-sea channel in China's western region. The Bank hosted the Fifth China-Singapore Financial Summit Forum on Financial Services for Railway Bill and conducted a special survey on financial services for the new land-sea channel in China's western region. Secondly, in order to continue to improve the channel financial service network, the Bank added 9 agency banks along the new land-sea channel in China's western region to carried out derivatives transactions with Bank of Singapore, and the Bank added Thai Baht settlement currency, becoming the first local corporate bank in the city to provide Thai Baht settlement services on behalf of customers. Thirdly, in order to continuously promote the expansion of channel-specific businesses, the Bank launched exclusive products for the exchange rate hedging of the new land-sea channel in China's western region, covering currencies of RCEP countries such as Singapore dollar, Thai baht, and Japanese yen. The Bank successfully implemented the Singapore dollar forward business, becoming the first local corporate bank in Chongqing to implement the Singapore dollar-RMB derivatives business on behalf of customers. Relying on the cross-border financial service platform of the State Administration of Foreign Exchange, the logistics financing and settlement scenario of the new land-sea channel in China's western region, the Bank provided convenient freight settlement for many logistics enterprises.

Opening services to promote trade financing facilitation. Firstly, the pilot project of facilitation of foreign exchange receipts and payments for trade in services was successfully approved. After obtaining the record, the Bank successfully implemented the first pilot business, becoming the first local corporate bank in Chongqing to be approved for the pilot project of facilitation of foreign exchange receipts and payments for trade in services. Secondly, the Bank implemented the first cross-border e-commerce batch financing business. Using the risk compensation fund pool of the "Chongqing Trade Loan" of the Commerce Commission, the Bank selected high-quality cross-border e-commerce enterprises, and issued the first credit loan through the batch financing mode of cross-border e-commerce, marking the successful implementation of the first foreign trade "Chongqing Trade Loan" business in Chongqing. Thirdly, the Bank effectively improved the convenience of cross-border liquidation. By launching the SWIFT GO small-amount straight-through cross-border settlement service, the bank became the first financial institution in the central and western regions to provide small and micro enterprises with lower prices and faster cross-border settlement services. The Bank launched the 2.0 version of the domestic foreign currency payment system to further strengthen the guarantee of domestic and foreign currency clearing operations.

Deepening the integrated development of domestic and foreign currencies through service transformation. Firstly, the Bank promoted the stable development of supply chain finance. In order to improve the dimension of services, the Bank relied on the debt bills business to promote the transformation of supply chain finance business from offline channels to online channels, and enhance the feasible synergy among business lines. The financing balance of supply chain finance exceeded RMB700 million. In order to improve the service capabilities, the Bank gave full play to its advantages in financial technology, developed the “C-chain Cloud Platform 2.0”, and gradually enhanced the capabilities of the platform in data analysis, resource integration and risk management, with a view to making new breakthroughs in the refined, intelligent and digital development of supply chain finance business. Secondly, the Bank deepened the use of its foreign exchange license. Active efforts were made to expand the customer base of foreign exchange business, and the number of basic customers of foreign exchange business increased by 13%. A number of branches achieved a zero breakthrough in foreign exchange business, and the number of branches offering foreign exchange business increased by 9.1% as compared with the end of the previous year. The Bank continued to promote foreign exchange facilitation policies, and provided over 1,000 foreign exchange settlements through facilitation measures including easing restrictions on the purchase of foreign exchange for repaying domestic and foreign exchange loans and on review and registration procedures, and exempting the verification of instruments.

5.6.8 Financial Technology

The Bank attached great importance to the development strategy of financial technology, and continuously implemented the strategic tasks of “technological empowerment”. With focus on “enhancing scientific and technological innovation capabilities, and applying scientific and technological achievements”, the Bank deepened the implementation of the strategic plan for information technology during the 14th Five-Year Plan period, and constantly explored cutting-edge technologies and enhance independent innovation to promote the continuous development of its technological innovation.

Creating a culture of digital innovation and invigorating the application of financial technology. The Bank continued to recruit and train talents in the financial technology, focused on introducing professionals in introducing professionals in artificial intelligence, data analysis and information security, and continuously optimized the structure of professional capacities of its financial technology team. In line with corporate culture of “working together for shared growth” (心相伴、共成長), the Bank carried out a series of themed trainings, created an “engineer culture” for the science and technology team featuring innovation, dedication, responsibility and collaboration, and adopted multiple measures to invigorate the development of the science and technology team.

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Deepening the research on cutting-edge technologies and intensifying the innovation in financial technology. In response to the development strategy of scientific and technological innovation, the Bank promoted the application innovation of information technology in an orderly manner, and continuously enhanced independent innovation capabilities in key areas. The Bank actively carried out the research on new technologies, new concepts and new models, promoted the exploration of cloud computing and distributed database technologies, and expanded the reserve of new technologies such as privacy computing, quantum security and stream-batch integration.

Consolidating the foundation of financial technology and enhancing business assurance. The Bank steadily improved the intelligent network of branches in Chongqing and other places, and achieved the full coverage of Intelligent WAN. In order to enhance the business continuity, the Bank continued to upgrade the capability to ensure business continuity, completed the operation of two intra-city centers for the payment system of City Commercial Banks Clearing Co., Ltd. and the data integration platform, and promoted the application of remote disaster recovery for key information systems.

Empowering the expansion of front-line businesses and developing a financial technology ecosystem. The Bank actively promoted the in-depth integration between industry and technology, and leveraged five core capabilities of artificial intelligence to boost its business development and unleash human resources undertaking complex operations. The Bank promoted the construction of corporate-level data lake and data warehouse, introduced a variety of computing engines to consolidate the fundamentals of data, and enhanced the scientific and technological services with digital means, so as to effectively invigorate the development of front-line operations.

5.6.9 Digital Innovation

In the first half of 2023, the Bank promoted its digital innovation in line with the overall strategy of serving the real economy, and conducted digital innovation with focus on major national and regional strategies such as the Chengdu-Chongqing Economic Circle, the new land-sea channel in western China and the Digital Chongqing.

The digital credit business maintained a good momentum. As of the end of the Reporting Period, the total lending amount “Hao Qi Dai” (好企貸), a brand digital credit product, exceeded RMB40 billion and reached RMB40,862 million, with the balance of RMB13,673 million, representing an increase of RMB825 million or 6.42% over the beginning of the year. The Bank has completed the design of the loan foundation for digital credit scenarios, and promoted the orderly transfer of “Hao Qi Dai” (好企貸) related products to “Xinghan Intelligent Decision-making” (星瀚智策), a self-developed decision-making platform. Meantime, the Bank formulated and issued the “Three-Year Plan for Internet Loan Business (2023-2025)”, which guided the overall development of the digital credit business of the Bank.

Achieving outstanding results in customer acquisition and improvement of customer activity through online channels. The Bank upgraded and iterated to Mobile Banking 6.0, which integrates over 90 financial services, launched the service account on WeChat Work, and carried out the pilot of private domain management tool. “Yunfan” (雲帆), an online operation platform of the Bank, was optimized to assist in the initial marketing of retail business, covering over 600,000 customers. As of the end of the Reporting Period, the number of mobile banking users exceeded 2 million, representing an increase of 227,800 users during the Reporting Period and an increase of 12.83% over the beginning of the year. The total number of customers using the mobile phone number payment service of the PBOC was 301,600, and the number of new users using WeChat Banking was 160,000.

Accelerating the construction of “intelligent data governance” for data assets. The Bank established an operation platform for data assets, collected over 32,000 data assets of medium and high value from nine application systems, and formulated the catalog of internal and external data assets of the Bank. “Cube Smart Mapping” (魔方智繪), a label profiling platform, provides over 150 data service models for customer operation, marketing expansion and other scenarios. The Bank promoted the sharing of data on government and regulatory affairs as well as the application of “Jinyu Network”, and completed the rectification for cutting off the direct connection between third-party payment institutions and banks as required. Moreover, the Bank has established a cooperation with the public data application laboratory of Chongqing Big Data Application and Development Administration to participate in the pilot of data integration and application.

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Empowering the development of industrial finance relying on “Intelligent Camp for Industry and Research” (產研智營) Based on the goals of the “33618” modern manufacturing industry cluster of Chongqing, the Bank has developed industry-based models and optimized the accreditation model for green enterprises. Upon the completion of the rating model for new energy vehicle enterprises, the Bank applied rating results in large and medium business lines and implemented the pilot of layered marketing. Meanwhile, the Bank enhanced its targeted customer acquisition and marketing tracking based on “Smart Visitors” (慧訪客), an industrial chain-based tool, and recommended over 4,500 enterprises to its branches with total loan amount of RMB400 million.

Promoting digital innovation projects in an orderly manner. In line with the spirit of the Conference on Building Digital Chongqing, the Bank has formulated the “Work Plan for Implementing the Spirit of the Conference on Building Digital Chongqing”. The Bank selected 45 projects to include in the library of digital innovation projects for 2023, which will be implemented in a coordinated manner. The Bank has made new breakthroughs in the financial standardization, and four standards of the Bank were selected into the 2022 “Forerunner” list of corporate standards, ranking first among financial institutions in Chongqing in terms of the number of selected standards. The “SME Financing Services Based on Machine Learning Technology” project of the Bank was selected into the PBOC Pilot Program of Supervision over Financial Technology Innovation, and the Bank became the first local corporate bank in China whose project has been selected into the pilot program for four consecutive years.

5.6.10 Digital Service

The Bank has always adhered to the principle of “customer-orientation”, committed itself to providing convenient, inclusive and intelligent financial services for customers, and continuously deepened the online and offline digital integrated operations.

Physical Outlets

As of 30 June 2023, the Bank operated its business and marketed its banking products and services through 173 sub-units (including the business department of its Head Office, its small enterprise loan center, five primary branches), 204 self-service banking centers, 340 intelligent teller machines, and through its extensive distribution channels, such as telephone banking, mobile banking, online banking and WeChat banking, which cover all 38 districts and counties of Chongqing as well as three provinces in western China namely Sichuan Province, Shaanxi Province and Guizhou Province.

Mobile Banking

As of 30 June 2023, the Bank had 2,002.5 thousand mobile banking personal customers; the total number of transactions by mobile banking personal customers was 4,767.5 thousand and the total transaction amount was RMB136,327 million. During the Reporting Period, the replacement rate for online businesses mainly comprising transfer, payment, wealth management sales and other high-frequency transactions was more than 97%. The Bank released version 6.0 of its mobile banking service, with the theme of “Better Life in 6” (美好生活 6 起來), innovatively introduced new wealth management, life services, exclusive customer service and other services, and committing to providing customers with a new digital financial experience that is more convenient and smarter.

Online banking

As of 30 June 2023, the Bank had 38.8 thousand online banking corporate customers; the total number of transactions was 1,793.9 thousand and the total transaction amount was RMB339,780 million. The Bank had 1,980.1 thousand personal online banking customers; the total number of transactions was 177.0 thousand and the total transaction amount was RMB10,646 million. During the Reporting Period, the Bank vigorously expanded the service model of “one-stop online banking service platform” + “open API”, and were deeply engaged in scenario-based finance for corporate customers with focus on segmented areas such as education, health care, tendering and public transportation.

Mobile Business

As of 30 June 2023, the two major business platforms, namely “Bashi Digital & Smart Banking” (巴獅數智銀行) and “Yuying Link” (渝鷹 link), recorded a total of 493.8 thousand and 318.6 thousand transactions respectively, representing an increase of 130.10% and 117.03% respectively as compared with the same period of the previous year. The wide application of the mobile business platform promotes the effective extension of the coverage of services, further sinks the service customer base, helps the front-line employees to take the initiative to serve, and promotes the transformation of the operation from “shopkeepers” to “wholesalers”.

5.6.11 Service Improvement

In order to provide “warmer” banking services, the Bank continued to enhance the quality and efficiency of its operation services, and provided customers with digital and convenient services. In line with major national strategic arrangements and the requirements of the “Intelligent, Integrated, Inclusive and Smooth Services” project of Chongqing, the Bank has signed cooperation agreements in relation to the connection of OTC businesses with over city commercial banks in Yunnan, Guizhou, Sichuan, Shaanxi, Gansu, Guangxi and Xinjiang, which aim to promote the cross-regional sharing of outlet resources and the mutual exemption of fees, extend the coverage of financial services along the new land-sea channel in western China, and promote inclusive finance. Leveraging the comprehensive advantages of e-CNY in “indirect + direct connection”, the Bank provided all functional services of e-CNY via its own channels. The Bank established a long-term mechanism for account services, and set up green channels for small and micro enterprises, which provided simplified account services and prioritized account opening and approval, so as to solve the difficulties of small and micro enterprises in opening accounts and transferring funds. Meantime, the Bank implemented a series of measures to reduce and waive fees for small and micro enterprises, and carried out the pilot of simplified account opening for individuals to solve the difficulty of migrant workers.

Management Discussions and Analysis

5.6.12 Majority-owned Subsidiaries and Major Investee Companies

5.6.12.1 Majority-owned Subsidiaries

Chongqing Xinyu Financial Leasing Co., Ltd.

Xinyu Financial Leasing was established in March 2017, with the registered capital of RMB3 billion and the Bank as the main promoter holding 51.00% of its shares. Xinyu Financial Leasing is mainly engaged in finance lease, transfer and acceptance of finance lease assets, fixed-income securities investment, acceptance of the lessee's lease deposit, taking of fixed-term deposits of non-bank shareholders with a term of more than 3 months (inclusive), interbank borrowing, borrowing from financial institutions, overseas borrowing, sales and disposal of leased properties, economic consulting and other businesses.

Xinyu Financial Leasing has the corporate vision of "gaining a toehold in Chongqing, covering western China, serving the whole country, and achieving sustainable development through the balance of 'scale, benefit, quality and structure'", and the corporate mission of "focusing on financing and property lending, and serving the real economy."

As at the end of the Reporting Period, Xinyu Financial Leasing recorded the total assets of RMB40,880 million, the total liabilities of RMB36,374 million, and the total owner's equity of RMB4,506 million. Its net profit was RMB300 million for the Reporting Period.

Xingyi Wanfeng Village Bank Co., Ltd.

Xingyi Wanfeng was established in May 2011, with the registered capital of RMB324.5 million, and 66.72% of its shares held by the Bank. The scope of business of Xingyi Wanfeng includes taking public deposits; issuing short-term, medium-term and long-term loans; domestic settlement; acceptance and discounting of notes; interbank lending; bank card business; agency service for redeeming and underwriting government bonds; agency service for collection and payment, and for insurance businesses.

With the market positioning of "based on counties, serving the society and supporting agriculture and supporting small businesses", Xingyi Wanfeng continues to develop well in "serving real economies, serving villages, and serving agriculture, rural areas, and farmers".

As at the end of the Reporting Period, Xingyi Wanfeng recorded the total assets of RMB852 million, the total liabilities of RMB725 million, and the total owner's equity of RMB127 million. Its net profit was RMB3.9795 million for the Reporting Period.

5.6.12.2 Major Investee Companies

Mashang Consumer Finance Co., Ltd.

Mashang Consumer was established in June 2015, with the registered capital of RMB4 billion, and 15.53% of its shares held by the Bank. The main businesses of Mashang Consumer include issuing personal consumer loans; taking deposits from domestic subsidiaries of shareholders and domestic shareholders; borrowing from domestic financial institutions; issuing financial bonds upon approval; domestic interbank lending; consulting and agency business in relation to consumer finance; insurance products in relation to sales agency services and consumption loans; fixed income securities investment business.

Mashang Consumer adheres to its mission of “making life easier”, and focuses on inclusive finance, and carries out innovation by technology. It is committed to developing itself into a most trustworthy financial service provider.

Chongqing Three Gorges Bank Co., Ltd.

Three Gorges Bank was established in 1998, with the registered capital of RMB5.574 billion, and 4.97% of its shares held by the Bank. The main businesses of Three Gorges Bank include taking public deposits; issuing short-term, medium-term and long-term loans; domestic settlement; note discounting; issuing financial bonds; agency service for issuing, redeeming and underwriting government bonds; interbank lending; foreign exchange deposits, foreign exchange loans, international settlement, interbank foreign exchange lending, acceptance and discounting of foreign exchange instruments, foreign exchange borrowing, foreign exchange guarantee, proprietary foreign exchange trading (limited to spot foreign exchange trading) or agency services for foreign exchange trading, credit investigation, consultation and witness service; providing guarantees; agency service for collection and payment, and for insurance businesses; providing safe deposit box services.

Under the service philosophy of “all for you” and the four strategies of “reservoir bank, retail bank and digital bank, small and medium-sized enterprise bank”, Three Gorges Bank makes full efforts to serve the local economy, micro, small and medium-sized enterprises, urban and rural residents, and promote high-quality development, with continuous improvement in operating efficiency and comprehensive strength.

5.6.13 Structured Entity Controlled

5.6.13.1 Equity in the unconsolidated structure entities

The unconsolidated structure entities managed by the Group were mainly non-capital guaranteed wealth management products issued and managed by the Group acting as an agent. Based on the analysis and research on the potential target clients, the Group designed and sold capital investment and management plans to specific target clients, and the raised funds were then invested in relevant financial markets or financial products according to the product contracts. Gains from the investment would be allocated to investors. The Group received corresponding wealth management commission fee income as the asset manager.

5.6.13.2 Consolidated Structured Entities

As of 30 June 2023, the Group had no consolidated structured entities.

For more details, see the “Notes to Consolidated Financial Statements – Structured Entities”.

Management Discussions and Analysis

5.7 Risk Management

Based on the “coordinated, comprehensive, independent and effective” risk management principle, the Group is committed to establishing and improving a comprehensive risk management system covering all kinds of risks by adhering to the Group’s development strategy and risk appetite. The Group comprehensively and effectively implemented risk management to ensure the consistence of the income and the risks undertaken, and maximize the shareholder value. During the Reporting Period, the Group continued to improve the risk management system, so as to actively respond to and prevent all kinds of risks.

5.7.1 Credit risk management

Credit risk refers to the risk of losses resulting from the defaults, rating downgrade, or decline in repayment ability of a borrower or counterparty. By improving the organization and management system, determining the credit risk appetite, optimizing the risk management process and cultivating the risk management culture, the Bank has continuously improved its core competence of credit risk management. While optimizing the asset soundness and future profitability, the Bank has controlled credit risk within an acceptable range, maintained appropriate capital size and maximized its income after risk adjustment.

Adhering to the class-based credit policy. While continuously supporting the real economy, the Bank focused on modern manufacturing, green finance, the construction of the Chengdu-Chongqing Economic Circle and the new land-sea channel in western China, the integrated development of domestic and foreign trade, inclusive finance for rural revitalization, and financing needs of new citizens and new consumers, with a view to providing effective financing support for the real economy. The Bank provided targeted credit with appropriate intensity, and promoted the continuous optimization of credit structure.

Conducting forward-looking judgments on the change of risks. Based on its judgment on material risks, the Bank strengthened the prediction on the change of credit risks for different customers, industries and regions. Leveraging its internal rating on customers, the Bank has established a closed-loop management covering rating updates, rating warnings, post-loan monitoring and impairment provision, and incorporated the concept of forward-looking risk management into the whole process of granting credit.

Strengthening post-loan management. The Bank intensified the daily supervision of collaterals to give play to their role in risk mitigation; and deepened the multi-dimensional dynamic risk monitoring covering different points, lines and areas, and further tightened up the network of on-site inspections and off-site monitoring, so as to enhance its capability in risk prediction, identify potential risks in a timely manner and take early countermeasures to resolve risks.

Recovering non-performing assets as practical as possible. The Bank strengthened the planned management of non-performing assets, and formed a dynamic and orderly closed-loop management. The Bank continued to explore the new approach of “one policy for one category”, and efficiently applied the litigation strategy to guide practical actions; continuously expanded the disposal pathways to enhance the quality and efficiency of collection; and extended disposal channels relying on modern and digital means to identify the new growth space for asset value.

5.7.2 Management on operational risk

Operational risk refers to the risks of losses that may be incurred due to inadequate or problematic internal procedures, staffing and information technology systems, as well as external events. Based on the principles of effectiveness, comprehensiveness, prudence and cost-effectiveness, the Bank has continuously improved its operational risk management system.

During the Reporting Period, the Bank actively promoted the application of management tools for operational risk, continuously strengthened risk control in key areas, improved business continuity management, and promoted standardized and scientific management of operational risk. Firstly, the Bank deepened the application of management tools for operational risks, conducted the operational risk and control self-assessment (RCSA), optimized the key risk indicators of operational risks, dynamically carried out monitoring on key risk indicators, and continuously promoted the collection processes to collect operational risk incidents in a timely manner, which were regularly reported to the senior management and the Board. Secondly, the Bank continued to strengthen risk management and control in key areas. The head office continued to strengthen the supervision and inspection of branches with focus on key areas such as post-loan management and lending management, strengthened the remediation of weak links, and took multiple measures to enhance the quality and efficiency of management. Thirdly, the Bank continued to promote the construction of business continuity management structure, developed a business continuity management system, achieved the digital, platform-based, and standardized management of business continuity, and established a closed-loop management of business continuity.

Management Discussions and Analysis

5.7.3 Market risk management

5.7.3.1 Interest rate risk

Interest rate risk refers to the risk of loss suffered by commercial banks arising from the uncertain fluctuation of market interest rates, namely, the possibility of losses suffered by commercial banks resulting from the divergence between effective yield and the expected yield or the real cost and the expected cost of commercial banks due to the changes in interest rate, which results in the effective yield being lower than the expected yield or the real cost being higher than the expected cost. The main interest rate risk the Group faced was gap risk, which arose from the mismatch between interest rate sensitive assets or liabilities at the re-pricing date or that at the maturity date.

The Group regularly measures its interest rate sensitivity gap, evaluates interest rate risk suffered through gap analysis, and further assesses the impact of interest rate changes on net interest income and corporate net value in varied interest rate scenarios.

In the first half of 2023, the market liquidity remained reasonably sufficient, and the terminal interest rate showed a fluctuation trend. The Group paid close attention to changes in the interest rate environment in the external market, strengthened market research and judgment, and continuously improved the management of interest rate pricing and the interest rate risk in the banking book. It effectively guided the adjustment of repricing term structure through the reasonable use of tools such as interest rate pricing and internal fund transfer pricing (FTP), and improved its initiative and foresight in terms of bank account book interest rate risk management, to ensure the overall stability and acceptability of interest rate risk.

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

| (All amounts expressed in thousands of RMB unless otherwise stated) | Within 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Non-interest bearing | Total |
|---|----------------|---------------|----------------|---------------|--------------|----------------------|---------------|
| 30 June 2023 | | | | | | | |
| Total financial assets | 106,628,591 | 48,071,887 | 206,301,285 | 289,850,071 | 48,145,659 | 16,645,757 | 715,643,250 |
| Total financial liabilities | (149,177,254) | (69,623,039) | (255,171,576) | (178,644,655) | (5,029,717) | (13,362,846) | (671,009,087) |
| Total interest rate sensitivity gap | (42,548,663) | (21,551,152) | (48,870,291) | 111,205,416 | 43,115,942 | 3,282,911 | 44,634,163 |

| (All amounts expressed in thousands of RMB unless otherwise stated) | Within 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Non-interest bearing | Total |
|---|----------------|---------------|----------------|---------------|--------------|----------------------|---------------|
| 31 December 2022 | | | | | | | |
| Total financial assets | 152,739,958 | 44,792,808 | 143,597,870 | 271,156,491 | 45,856,114 | 15,332,626 | 673,475,867 |
| Total financial liabilities | (145,823,559) | (53,869,708) | (239,008,934) | (166,050,265) | (17,305,683) | (8,945,272) | (631,003,421) |
| Total interest rate sensitivity gap | 6,916,399 | (9,076,900) | (95,411,064) | 105,106,226 | 28,550,431 | 6,387,354 | 42,472,446 |

As at the end of June 2023, the Group's accumulated gap for all maturities amounted to RMB44,634 million, representing an increase of RMB2,162 million or 5.09% as compared to the end of the previous year.

5.7.3.2 Exchange rate risk

Exchange rate risk faced by the Bank mainly relates to the impact on the position level and cash flow of foreign exchange exposure held by the Bank due to changes in major foreign exchange rates. By setting limits on foreign exchange exposure and stop loss to reduce and control exchange rate risk, the Bank seeks to ensure that the adverse impact of exchange rate fluctuations falls within an acceptable range.

The exposure to foreign exchange risk of the Group's financial assets and liabilities at carrying amounts in RMB, categorised by the original currency, is as follows.

| (All amounts expressed in thousands of RMB unless otherwise stated) | RMB | US Dollar | HK Dollar | Others | Total |
|---|-------------------|------------------|--------------|------------------|-------------------|
| 30 June 2023 | | | | | |
| Net position | 41,935,259 | 1,302,090 | 6,672 | 1,390,142 | 44,634,163 |

| (All amounts expressed in thousands of RMB unless otherwise stated) | RMB | US Dollar | HK Dollar | Others | Total |
|---|------------|-----------|-----------|--------|------------|
| 31 December 2022 | | | | | |
| Net position | 41,623,074 | 782,669 | 5,726 | 60,977 | 42,472,446 |

5.7.4 Liquidity risk management

Liquidity risk refers to the risk of failure to obtain adequate funds in time at a reasonable cost to cope with asset growth, repay due debts or perform other payment obligations. The liquidity risk management of the Bank has well accommodated to the current development stage by adhering to the prudent, forward-looking and comprehensive principle.

Based on the principle of separation of policy-making, strategy implementation and supervision functions for liquidity risk management, the Bank established a liquidity risk management governance framework, which defined the duties and reporting routes of the Board of Directors, the Risk Management Committee, the Board of Supervisors, the senior management, special committees and relevant departments in liquidity risk management, thus forming into a liquidity risk management framework subject to division of labor, clear responsibilities, and efficient operation.

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During the Reporting Period, the Group continued to improve liquidity risk management framework by streamlining the policy system for liquidity risk management, and improved its capability in liquidity risk measurement and forecast and upgraded its liquidity risk management capability by continuously implementing the coordination meeting mechanism for assets and liabilities, position management, quota management for liquidity indexes, duration mismatch management, management of liquidity reserve assets, dynamic management of liquidity risk. Meanwhile, the Group also promoted the accuracy and automation in liquidity risk monitoring and measurement by continuously improving the ability to apply information system of liquidity management through system construction and active application of scientific and technological means. The Group had liquidity risk measurement and monitoring mechanisms in place to conduct periodic audits over the Group's overall money-market balance, liquidity reserves, liquidity exposure and related supervisory indicators. At the same time, the Group's assets and liabilities were managed in accordance with factors such as liquidity exposure, liquidity reserves, moneymarket balances, market conditions, and relevant monitoring targets. By means of quota management, internal funds transfer pricing and other management methods, proactive adjustments to the assets and liabilities maturity structure can be achieved, which provide security against liquidity risk. In addition, the Group continuously carried out liquidity risk stress tests (at least once a quarter) so that it can discover the weakness in liquidity risk management in advance through such stress tests and adopt relevant measures to constantly improve the liquidity risk management and control capability of the Bank. The results of the stress tests in the first two quarters of 2023 indicated that the liquidity risks remained within a controllable range even under stressful conditions. As at the end of the Reporting Period, all of the major regulatory indicators reflecting the Group's liquidity position met the regulatory requirements.

The Group uses liquidity gap analysis to assess liquidity risk. As at end of the Reporting Period, the liquidity gap of the Group calculated from its net assets and liabilities and classified according to relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date was as follows:

| (All amounts expressed in thousands of RMB unless otherwise stated) | On demand | Within 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | In perpetuity | Overdue | Total |
|---|--------------|----------------|---------------|----------------|--------------|--------------|---------------|------------|-------------|
| 30 June 2023 | (87,028,034) | 11,946,710 | (19,610,971) | (112,843,290) | 172,025,633 | 125,579,527 | 30,052,963 | 9,851,444 | 129,973,982 |
| 31 December 2022 | (81,485,362) | 10,199,594 | (14,296,636) | (89,168,777) | 148,378,351 | 109,938,012 | 28,944,254 | 11,094,796 | 123,604,232 |

As of 30 June 2023, the Group's cumulative gap for all maturities was RMB129,974 million, representing an increase of RMB6,370 million as compared to the end of the previous year. Although there was a shortfall in on demand repayment of RMB87,028 million, the Group had an extensive and solid deposit customer basis. Current deposit settlement rates were relatively high and funding sources were stable, thus the impact of the shortfall on the Group's real liquidity was not significant.

Liquidity coverage ratio

The Group measures its liquidity coverage ratio according to the latest Administrative Measures for Liquidity Risk Management of the National Financial Regulatory Administration (國家金融監督管理總局最新流動性風險管理辦法) which was issued on 23 May 2018. As of 30 June 2023, the Group's liquidity coverage ratio was 255.37%, which was in compliance with the regulatory requirements of the NAFR.

| (All amounts expressed in thousands of RMB unless otherwise stated) | 30 June 2023 | 31 December 2022 |
|---|-----------------|---------------------|
| Qualified high-quality liquid assets | 128,146,962 | 103,015,750 |
| Net cash outflow in the next 30 days | 50,180,952 | 42,534,513 |
| Liquidity coverage ratio (%) | 255.37 | 242.19 |

Net stable funding ratio

The net stable funding ratio is introduced to ensure that commercial banks have sufficient and stable funding to meet the requirements of various assets and off-balance sheet risk exposures for stable funding. According to the Measures for the Information Disclosure of Liquidity Coverage Ratio of Commercial Banks (商業銀行流動性風險管理辦法), which was implemented on 1 July 2018, the net stable funding ratio shall be no less than 100%.

As of 30 June 2023, available and stable funds and required stable funds of the Group amounted to RMB408,600 million and RMB349,212 million, respectively, which met the regulatory requirement with the net stable funding ratio standing at 117.01%.

5.7.5 Large-sum risk exposure management

In accordance with relevant requirements of the Administrative Measures for Large-Sum Risk Exposure of Commercial Banks, the Bank has established a large-sum risk exposure management system, carried out credit risk exposure measurement penetrating to the ultimate debtors, continuously monitored the large-sum risk exposures and changes, and effectively controlled the customer concentration risk. As at the end of the Reporting Period, all of the large-sum risk exposure indicators of the Bank have satisfied the regulatory requirements.

5.7.6 Reputational risk management

Reputational risk refers to the risk that the stakeholders may have a negative view of the Bank as a result of its operation, management and other activities or external events. As an important part of the corporate governance and comprehensive risk management system, reputational risk management covers all behaviors, business activities and business fields of the Bank and its branches and subsidiaries. Through establishing and formulating relevant systems and requirements for reputational risk management, the Bank has actively and effectively prevented reputational risks and coped with reputational event, so as to minimize loss and negative impact.

Management Discussions and Analysis

During the Reporting Period, the Bank incorporated reputational risk into the comprehensive risk management system, which cover all business lines as well as all branches and holding subsidiaries. The Bank upgraded the existing public opinion monitoring system iteratively, arranged special personnel to implement 24-hour public opinion monitoring during the important and sensitive periods, so as to strengthen investigation and analysis of reputational risks. The Bank also continued to carry out special trainings on reputational risk, thereby further enhancing its awareness and management level of reputational risk.

5.7.7 Compliance risk management

Compliance risk refers to the risk of legal sanctions, regulatory penalties, significant financial losses and reputational losses that may result from the failure to comply with laws, rules and standards. Focusing on the compliance management objectives, the Bank established a compliance management framework in line with the regulatory requirements and suitable for its business scope, corporate governance structure and business scale, which defines the compliance management duties of the Board of Directors, the Board of Supervisors, the senior management, the Internal Control and Compliance Department, all lines of management departments and the branches at all levels. The Bank established three defense lines and two reporting routes for compliance risk management, and achieved effective control over compliance risks by means of continuously strengthening system construction, improving the management technology, intensifying compliance propaganda and training, supervision and inspection, and other approaches.

During the Reporting Period, the Bank positively complied with the new regulatory requirements on “strong supervision and strict supervision”, correctly grasped the direction of compliance, ensured the proper transmission of regulatory requirements, and further improved the long-term compliance management mechanism. Firstly, the Bank strengthened the life-cycle management of rules and regulations, and promoted the continuous optimization and improvement of rules, regulations and systems of the Bank, which laid a solid foundation for the operation and management of the Bank. Secondly, the Bank implemented compliance risk monitoring, established a whole workflow covering the monitoring, identification, assessment, mitigation and reporting of compliance risks, and intensified the monitoring and improvement of vulnerabilities in business and management. Thirdly, the Bank carried out the special program of “the Year for Building and Consolidating Compliance System” with focus on six major tasks and 18 specific measures, with a view to further enhancing the compliant operation and management of the Bank. Fourthly, with an orientation towards “risk control and value creation by compliance”, the Bank strengthened compliance review to ensure the steady development of all of its businesses in compliance with laws and regulations. Fifthly, the Bank appointed compliance officers to incorporate compliance work in institutions at all levels of the Bank. Sixthly, the Bank continued to conduct the “Woodpecker” complaint mailbox program to ensure a smooth and effective channel for obtaining information on compliance issues. Seventhly, the Bank fully carried out the activity of “the Year for Consolidating Internal Control and Compliance Management”, consolidated the achievements of “the Year for Building Internal Control and Compliance Management” and “the Year for Improving Internal Control and Compliance Management”, and further strengthened the internal force of risk prevention and control, thus deepening the construction of the long-term internal control and compliance mechanism of the Bank.

5.7.8 Anti-money laundering management

The Bank has established a relatively perfect internal control system for anti-money laundering. In accordance with the anti-money laundering laws and regulations and according to its actual situation, the Bank formulated a set of anti-money laundering management system, developed and launched a relatively perfect anti-money laundering system, established an anti-money laundering organization system, and set up a professional anti-money laundering team, all of which have provided guarantee for the stable operation of the Bank's businesses.

During the Reporting Period, the Bank actively fulfilled anti-money laundering obligations and took a number of measures to enhance its anti-money laundering compliance and effectiveness. Firstly, the Bank resolutely performed its main responsibility in anti-money laundering, formulated and issued the "Work Plan for Anti-money Laundering in 2023", and organized the execution of the responsibility statement on anti-money laundering. Secondly, the Bank consolidated the prevention of anti-money laundering, conducted an overall verification on the rectification of issues identified in anti-money laundering supervision and inspection, inspected each of the 14 money laundering risks under four categories, and optimized the issues identified in the self-assessment of money laundering risks. Thirdly, the Bank enhanced its digital capability in anti-money laundering, developed the management tool to monitor the operation log of users in anti-money laundering system as well as the "group-based" intelligent monitoring model, upgraded the quality control mechanism for customer information, and further strengthen the intelligent management and control of money laundering risks. Fourthly, the Bank optimized the monitoring and assessment mechanism to include new rating indicators for potential risks, and continuously conducted rating assessment on existing customers of the Bank. The Bank developed a new fraud model, iterated the models of online gambling and illegal private banks, and reported a number of key suspicious transactions to the branch of the PBOC. Fifthly, the Bank strengthened the supervision and inspection of the internal control system for anti-money laundering, formulated 13 specific management measures under ten categories, and continuously monitored the anti-money laundering work of branches through the "inspection – feedback – rectification – verification" approach.

5.8 Capital Management

With an aim to satisfy the regulatory requirements on capital management and continuously enhance its capital risk resistance and capital return, the Group had reasonably set its capital adequacy objective and promoted business development with measures such as performance appraisal and capital configuration so as to realize synergic development among overall strategies, business development and capital management strategies.

In order to facilitate the Group's sustainable development, transformation of growth modes, coordination of its capital operations and capital preservation, and to further enhance capital preservation awareness among operating institutions, in recent years, the Group has paid attention to the capital consumption and earnings of various institutions in performance appraisal, and further improved its risk adjustment methods and performance appraisal plan, and provided guidance to branches and management to focus on capital preservation operations and high capital yield operations. At the same time, capital budget management has been implemented, through introducing capital distribution and establishing a balancing mechanism between sound capital occupancy and risk assets, to ensure continuous compliance with capital adequacy.

Management Discussions and Analysis

5.8.1 Capital adequacy ratio

The Group calculates its capital adequacy ratio in accordance with the Administrative Measures for the Capital of Commercial Banks (for Trial) 《商業銀行資本管理辦法(試行)》 and other relevant regulatory rules, pursuant to which, credit risk-weighted assets are measured with the method of weighting, the market risk weighted assets are measured with standard measuring, and the operational risk-weighted assets are measured with basic indication measuring. During the Reporting Period, the Group was in strict compliance with the NAFR's requirements for minimum capital, capital reserve and counter-cyclicality capital during the transition period.

The following table sets forth information about net capital and capital adequacy ratio of the Group and the Bank calculated according to the Administrative Measures for the Capital of Commercial Banks (for Trial) 《商業銀行資本管理辦法(試行)》 as of the dates indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | 30 June 2023 | | 31 December 2022 | |
|---|-------------------|-------------------|------------------|------------|
| | The Group | The Bank | The Group | The Bank |
| Net capital: | | | | |
| Core Tier I Capital, net | 48,430,577 | 44,418,252 | 45,694,215 | 41,868,553 |
| Tier I Capital, net | 53,137,805 | 48,917,652 | 50,375,870 | 46,367,953 |
| Net capital | 64,572,930 | 59,063,173 | 61,032,503 | 55,244,990 |
| Capital adequacy ratio (%): | | | | |
| Core Tier I Capital adequacy ratio | 9.38 | 9.38 | 9.52 | 9.50 |
| Tier I Capital adequacy ratio | 10.29 | 10.33 | 10.50 | 10.52 |
| Capital adequacy ratio | 12.50 | 12.47 | 12.72 | 12.53 |

Management Discussions and Analysis

The following table sets forth the relevant information of the Group's capital adequacy ratio as of the dates indicated.

| (All amounts expressed in thousands of RMB unless otherwise stated) | 30 June 2023 | 31 December 2022 |
|---|--------------------|---------------------|
| Core capital: | | |
| Share capital | 3,474,555 | 3,474,540 |
| Counted part of capital surplus | 8,014,516 | 7,146,506 |
| Eligible portion of other equity instruments | 1,071,677 | 1,071,690 |
| Surplus reserve and general risk reserves | 12,258,081 | 11,769,571 |
| Counted part of retained earnings | 22,420,321 | 21,374,805 |
| Eligible portion of minority interests | 1,558,708 | 1,366,915 |
| Core Tier I Capital deductibles items: | | |
| Full deductibles items | (367,281) | (360,048) |
| Threshold deduction items | – | (149,764) |
| Core Tier I Capital, net | 48,430,577 | 45,694,215 |
| Other Tier I Capital, net | 4,707,228 | 4,681,655 |
| Tier II Capital, net | 11,435,125 | 10,656,633 |
| Net capital | 64,572,930 | 61,032,503 |
| On-balance sheet risk-weighted assets | 482,036,699 | 445,969,518 |
| Off-balance sheet risk-weighted assets | 5,503,309 | 7,812,787 |
| Risk-weighted assets for exposure to counterparty credit risk | 37,027 | 18,801 |
| Total credit risk-weighted assets | 487,577,035 | 453,801,106 |
| Total market risk-weighted assets | 3,235,925 | 311,761 |
| Total operational risk-weighted assets | 25,643,119 | 25,643,119 |
| Total risk-weighted assets before applying capital base | 516,456,079 | 479,755,986 |
| Total risk-weighted assets after applying capital base | 516,456,079 | 479,755,986 |
| Core Tier I Capital adequacy ratio (%) | 9.38 | 9.52 |
| Tier I Capital adequacy ratio (%) | 10.29 | 10.50 |
| Capital adequacy ratio (%) | 12.50 | 12.72 |

Management Discussions and Analysis

As of 30 June 2023, the Core Tier I Capital adequacy ratio of the Group was 9.38%, representing a decrease of 0.14 percentage point as compared with the end of the previous year. The Tier I Capital adequacy ratio was 10.29%, representing a decrease of 0.21 percentage point as compared with the end of the previous year. The capital adequacy ratio was 12.50%, representing a decrease of 0.22 percentage point as compared with the end of the previous year. The change in capital adequacy ratio was mainly because all businesses developed normally and total risk-weighted assets increased, reducing the capital adequacy ratio to some extent.

In accordance with the Supervisory Requirements on Information Disclosure of Commercial Banks' Capital Composition 《關於商業銀行資本構成信息披露的監管要求》, the Bank has disclosed its capital composition, relevant items, and capital tools, details of which are available at "Investors Relation – Financial Information – Capital Regulation" (投資者關係 – 財務信息 – 監管資本) on the website of the Bank (www.cqcbank.com).

5.8.2 Leverage ratio

As of 30 June 2023, the Group's leverage ratio was 6.76%, falling within regulatory requirements of the NAFR.

| (All amounts expressed in thousands of RMB unless otherwise stated) | 30 June 2023 | 31 December 2022 |
|---|--------------|------------------|
| Leverage ratio (%) | 6.76 | 6.65 |
| Tier I Capital | 53,505,086 | 50,885,682 |
| Deductions from Tier I Capital | 367,281 | 509,813 |
| Tier I Capital, net | 53,137,805 | 50,375,869 |
| On-balance sheet assets after adjustment | 727,949,823 | 686,911,802 |
| Off-balance sheet assets after adjustment | 58,210,707 | 70,812,425 |
| On-and off-balance sheet assets after adjustment | 786,160,530 | 757,724,227 |

5.8.3 Capital financing management

On the basis of replenishing capital with retained profits, the Bank actively expanded the outsourced capital replenishment channels, continuously promoted the innovation of capital instruments, enhanced capital strength, optimized capital structure and reasonably controlled the cost of capital.

In March 2022, the Bank issued RMB5.0 billion Tier II capital bonds within the domestic inter-bank bond market of China. Such Tier II capital bonds have a maturity of 10 years, with a fixed coupon rate of 3.73% per annum before maturity. Subject to the applicable laws and the approvals by relevant the regulatory authorities, the proceeds from such issuance were all used to replenish the Bank's Tier II capital as planned. The bank has the right to redeem the bonds in March 2027.

The Bank publicly issued a total of RMB13 billion A Share Convertible Corporate Bonds at par with a par value of RMB100 each in March 2022. The total number of A Share Convertible Corporate Bonds issued was 130 million. The A Share Convertible Corporate Bonds have a maturity of 6 years, with a coupon rate of 0.20% for the first year, 0.40% for the second year, 1.00% for the third year, 1.70% for the fourth year, 2.50% for the fifth year, and 3.50% for the sixth year, respectively. The proceeds have been fully used to support business development as planned, and will be fully applied towards replenishing the core Tier-1 capital of the Bank after the conversion of A Share Convertible Corporate Bonds into Shares pursuant to the approval of applicable laws and regulators. For more details, please refer to “8.3 Convertible Corporate Bonds” in this interim report.

In December 2022, the Bank publicly issued RMB4.5 billion undated capital bonds in the national interbank bond market, with the coupon rate of 4.70% during the first five years. Subject to the applicable laws and the approvals by relevant regulatory authorities, the proceeds from the issuance will be used to replenish the Bank’s other tier 1 capital. The Bank is entitled to redeem the bonds in December 2027.

5.8.4 Economic capital allocation and management

The Bank’s economic capital management mainly consists of measurement, allocation and application. There are three kinds of economic capital indicators, namely Economic Capital (EC) occupancy, Risk-Adjusted Return on Capital (RAROC) and Economic Value added (EVA), whose application fields include credit resource allocation, quota management, performance assessment, cost allocation, product pricing, customer management, etc.

The Bank further improved the economic capital management system in terms of measurement, allocation and assessment, strengthened the economic capital constraint and incentive mechanism, and promoted capital-intensive development. Firstly, we further improved the economic capital measurement policy, optimized the economic capital measurement standard and system. Secondly, we strictly implemented the economic capital quota management measures, continuously improved the refined management level of economic capital, and comprehensively strengthened the capital constraints on branches and holding institutions. Thirdly, we continued to optimize the economic capital measurement and assessment policy in our credit business, and actively facilitated our credit structure adjustment. Fourthly, we strengthened the training of economic capital management for institutions at all levels, and vigorously promoted the application of economic capital in operation management and business frontier.

5.9 Environment and Outlook

In the first half of 2023, as China’s economy returns to normal and its policies to keep economic growth, employment and prices stable gradually exert effects, the overall economic operation of China rebounded and showed a sound movement, featuring the continuous increase in production and supply, the gradual recovery of market demand, general stable prices and employment, and the constant improvement in the quality of development. According to the statistics of National Bureau of Statistics, China’s gross domestic product (GDP) recorded a period-on-period increase of 5.50% in the first half of 2023, laying a foundation for achieving the annual growth rate goal of approximately 5%.

Management Discussions and Analysis

Looking forward to the second half of 2023, China will continue to intensify its macro regulation, boost effective demand, improve the real economy, and prevent and defuse risks in key areas. In terms of the production side, with the gradual recovery of contact-based services, more production and living services will gradually pick up. In terms of the demand side, the investment in the manufacturing and infrastructure sectors has shown resilience, and there is still great potential due to the increasing demand of residents for high-quality supply, the digital and green transformation of enterprises, and the transformation from low-end manufacturing to mid-to-high-end manufacturing.

In terms of macroeconomic policies, a meeting of the Political Bureau of the CPC Central Committee stressed that China should pursue a proactive fiscal policy with greater intensity and enhance its performance, and keep the prudent monetary policy targeted and effective, in a bid to create synergy for increasing demand. The meeting pointed out that China should accelerate the building of a modern industrial system underpinned by the real economy, make breakthroughs in areas of weakness and further expand and enhance its areas of strength. The CPC Central Committee and the State Council issued a guideline on boosting the growth of the private economy, stressing to support the listing, financing and refinancing of qualified private enterprises.

In terms of the regulatory environment, China continued to promote the reform of the financial regulatory system, and the PBOC, the NAFR, the CSRC, the SAFE and other authorities have jointly built a new regulatory framework. China will continue to improve the prevention and control of financial risks, strengthen the construction of the governance system for financial institutions, continuously enhance the effectiveness of supervision, and maintain preventing and defusing major financial risks as an important goal of supervision.

In terms of industry landscape, the banking industry will continue to prioritize the support for the high-quality development of the real economy, usher in strategic opportunities and new windows for development, deepen the transformation of financial technology, steadily promote the upgrading of inclusive finance, green finance, and wealth finance, and deepen the scenario-based and digital development.

In terms of regional development, as the largest municipality directly under the Central Government in China, an important strategic fulcrum for the development of Western China, and the intersection of the Belt and Road Initiative and the Yangtze River Economic Belt, Chongqing enjoys great location advantages, and is actively promoting the implementation of several major strategies, including the Chengdu-Chongqing Economic Circle, the new land-sea channel in western China, green finance and rural revitalization. In the first half of 2023, the gross domestic product (GDP) of Chongqing recorded a period-on-period increase of 4.60%. As Chongqing resumes the normal economic and social operation, constantly promotes major infrastructure projects and implements policies to boost consumption, financial institutions in Chongqing will usher in greater development opportunities and more space for business growth.

Significant Events

6.1 Performance of Undertakings

According to the Prospectus of Bank of Chongqing Co., Ltd. for Initial Public Offering of Shares (A Shares) disclosed by the Bank on 30 December 2020, the Bank, its shareholders, directors, supervisors and senior management have made and are performing the following undertakings:

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|--|-------------------------|--|--|-----------------------------------|---|---|
| Undertaking in relation to the initial public offering | Share lock up | Chongqing Yufu Capital Operation Group Co., Ltd. and Chongqing Road & Bridge Co., Ltd., both of which are domestic shareholders, holding more than 5% of the shares of the Bank before the offering of A Shares. | Chongqing Yufu Capital Operation Group Co., Ltd. and Chongqing Road & Bridge Co., Ltd. undertake as follows: "1. Within 36 months following the date of listing on the stock exchange of A Shares issued in the initial public offering of Bank of Chongqing, the company will not transfer or engage other persons to manage, or require Bank of Chongqing to repurchase, the shares issued prior to the initial public offering of A Shares of Bank of Chongqing which are held by the company. The company undertakes that it will comply with relevant laws, regulations and normative documents (including the relevant regulations of China Securities Regulatory Commission and the stock exchange) on share lock-up. 2. If the closing price of A Shares issued by Bank of Chongqing in the initial public offering is lower than the offering price for 20 consecutive trading days within 6 months following the listing on the stock exchange or at the end of 6 months after the listing (or the first trading date after the date if the date is not a trading day), the lock-up period for the shares of Bank of Chongqing held by the company will be automatically extended for 6 months from the expiry date of the lock-up period specified in Article 1 of the Letter of Undertaking. | 5 February 2021 | 36 months subject to extension as appropriate | Yes |

Significant Events

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|-------------------------------|-------------------------|------------------------------|--|-----------------------------------|-------------------------|---|
| | | | <p>3. If the company reduces its shareholding in Bank of Chongqing within 2 years following the expiry of the lock-up period, the price for the disposal of the shares shall not be lower than the price of the initial public offering of A Shares of Bank of Chongqing.</p> <p>4. The company undertakes that the proceeds from the disposal of the shares held by it in Bank of Chongqing in violation of the above undertakings or the mandatory provisions of laws shall remain with Bank of Chongqing. If the company fails to pay Bank of Chongqing, the proceeds from the non-compliant disposal, Bank of Chongqing has the right to withhold and dispose of the cash dividends payable to the company equal to such proceeds payable by the company to Bank of Chongqing, so as to offset such proceeds. In case of dividend distribution, bonus issue, conversion of capital reserve into share capital, placement of shares and other ex-right and ex-dividend matters of Bank of Chongqing during the above period of undertaking, the above offering price will be adjusted accordingly."</p> | | | |

Significant Events

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|--|-------------------------|---|---|-----------------------------------|-------------------------|---|
| Undertaking in relation to the initial public offering | Share lock up | Chongqing Water Conservancy Investment Group Co., Ltd., Chongqing Land Group, Lifan Technology (Group) Co., Ltd. ² , Peking University Founder Group Co., Ltd., Chongqing Development and Real Estate Management Co., Ltd. (重慶發展置業管理有限公司), Chongqing Expressway Co., Ltd. and Minsheng Industrial (Group) Co., Ltd., all of which are shareholders of the Bank | 7 shareholders, namely the Chongqing Water Conservancy Investment Group Co., Ltd., Chongqing Land Group, Lifan Technology (Group) Co., Ltd., Peking University Founder Group Co., Ltd., Chongqing Development and Real Estate Management Co., Ltd. (重慶發展置業管理有限公司), Chongqing Expressway Co., Ltd. and Minsheng Industrial (Group) Co., Ltd., undertake as follows: "Within 36 months following the date of listing on the stock exchange of A Shares issued in the initial public offering of Bank of Chongqing, the company will not transfer or engage other persons to manage, or require Bank of Chongqing to repurchase, the shares issued prior to the initial public offering of A Shares of Bank of Chongqing which are directly or indirectly held by the company. Upon expiry of the lock-up period, relevant regulations of relevant regulatory authorities shall apply." | 5 February 2021 | 36 months | Yes |

² Formerly known as Lifan Industrial (Group) Co., Ltd., which was renamed as Lifan Technology (Group) Co., Ltd. on 3 March 2021, and the legal representative, registered capital and business scope were changed

³ Formerly known as Chongqing Transport and Travel Investment Group Co., Ltd, which was renamed as Chongqing Development and Real Estate Management Co., Ltd. on 30 April 2020, and the investor, registered capital and business scope were changed.

Significant Events

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|--|-------------------------|---|---|-----------------------------------|---|---|
| Undertaking in relation to the initial public offering | Share lock up | Directors, supervisors and senior management holding shares of the Bank | <p>RAN Hailing, LIU Jianhua, YANG Yusong, YANG Shiyin, ZHOU Guohua and HUANG Ning, who serve as the directors and senior management members of the Bank and hold shares of the Bank, undertake as follows:</p> <ol style="list-style-type: none"> 1. I will comply with the Provisions on Reduction of Shareholding by Shareholders, Directors, Supervisors and Senior Management of Listed Companies published by China Securities Regulatory Commission. 2. Within 36 months following the date of listing on the stock exchange of A Shares issued in the initial public offering of Bank of Chongqing, I will not transfer or engage other persons to manage, or require Bank of Chongqing to repurchase, the shares issued prior to the initial public offering of A Shares of Bank of Chongqing which are held by me. 3. If the closing price of A Shares issued by Bank of Chongqing in the initial public offering is lower than the offering price for 20 consecutive trading days within 6 months following the listing on the stock exchange or at the end of 6 months after the listing (or the first trading date after the date if the date is not a trading day), the lock-up period for the shares of Bank of Chongqing held by me will be automatically extended for 6 months from the expiry date of the lock-up period specified in Article 2 of the Letter of Undertaking. During the extension period, I will not transfer or engage other persons to manage, or require Bank of Chongqing to repurchase, the shares issued prior to the initial public offering of A Shares of Bank of Chongqing which are held by me. | 5 February 2021 | 36 months subject to extension as appropriate | Yes |

Significant Events

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|-------------------------------|-------------------------|------------------------------|--|-----------------------------------|-------------------------|---|
| | | | <p>4. If I reduce my shareholding in Bank of Chongqing within 2 years following the expiry of the lock-up period, the price for the disposal of the shares shall not be lower than the price of the initial public offering of A Shares of Bank of Chongqing.</p> | | | |
| | | | <p>5. Upon expiry of the above lock-up period, I will also report to Bank of Chongqing on my shareholding in Bank of Chongqing and its changes in a timely manner in accordance with law: (1) The number of shares transferred each year during my term of office will not exceed 25% of the total number of shares held by me in Bank of Chongqing, and I will not transfer the shares held by me in Bank of Chongqing within six months following my separation; (2) The number of shares transferred by me each year shall not exceed 15% of the total number of shares held by me in Bank of Chongqing, and the total number of shares transferred within 5 years will not exceed 50% of the total number of shares held by me in Bank of Chongqing; (3) I will not purchase the shares of Bank of Chongqing within six months after they are disposed of, or dispose of the shares of Bank of Chongqing within six months after they are purchased.</p> | | | |

Significant Events

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|-------------------------------|-------------------------|------------------------------|--|-----------------------------------|-------------------------|---|
| | | | <p>6. I undertake that the proceeds from the disposal of the shares held by me in Bank of Chongqing in violation of the above undertakings or the mandatory provisions of laws shall remain with Bank of Chongqing. If I fail to pay Bank of Chongqing, the proceeds from the non-compliant disposal, Bank of Chongqing has the right to withhold and dispose of the cash dividends payable to me equal to such proceeds payable by me to Bank of Chongqing, so as to offset such proceeds. I will not cease the performance of the above undertakings as a result of change of duty, separation and otherwise. In case of dividend distribution, bonus issue, conversion of capital reserve into share capital, placement of shares and other ex-right and ex-dividend matters of Bank of Chongqing during the above period of undertaking, the above offering price will be adjusted accordingly."</p> <p>HUANG Changsheng and WU Ping, who serve as supervisors of the Bank and hold shares of the Bank, undertake as follows:</p> <p>"1. I will comply with the Provisions on Reduction of Shareholding by Shareholders, Directors, Supervisors and Senior Management of Listed Companies published by China Securities Regulatory Commission.</p> <p>2. Within 36 months following the date of listing on the stock exchange of A Shares issued in the initial public offering of Bank of Chongqing, I will not transfer or engage other persons to manage, or require Bank of Chongqing to repurchase, the shares issued prior to the initial public offering of A Shares of Bank of Chongqing which are held by me.</p> | | | |

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|-------------------------------|-------------------------|------------------------------|---|-----------------------------------|-------------------------|---|
| | | | <p>3. Upon expiry of the above lock-up period, I will also report to Bank of Chongqing on my shareholding in Bank of Chongqing and its changes in a timely manner in accordance with law: (1) The number of shares transferred each year during my term of office will not exceed 25% of the total number of shares held by me in Bank of Chongqing, and I will not transfer the shares held by me in Bank of Chongqing within six months following my separation; (2) The number of shares transferred by me each year shall not exceed 15% of the total number of shares held by me in Bank of Chongqing, and the total number of shares transferred within 5 years will not exceed 50% of the total number of shares held by me in Bank of Chongqing; (3) I will not purchase the shares of Bank of Chongqing within six months after they are disposed of, or dispose of the shares of Bank of Chongqing within six months after they are purchased.</p> <p>4. I undertake that the proceeds from the disposal of the shares held by me in Bank of Chongqing in violation of the above undertakings or the mandatory provisions of laws shall remain with Bank of Chongqing. If I fail to pay Bank of Chongqing, the proceeds from the non-compliant disposal, Bank of Chongqing has the right to withhold and dispose of the cash dividends payable to me equal to such proceeds payable by me to Bank of Chongqing, so as to offset such proceeds. I will not cease the performance of the above undertakings as a result of change of duty, separation and otherwise."</p> | | | |

Significant Events

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|--|-------------------------|-----------------------------------|---|-----------------------------------|-------------------------|---|
| Undertaking in relation to the initial public offering | Share lock up | Employee shareholders of the Bank | <p>220 natural persons who hold over 50 thousand employee shares of the Bank undertake as follows:</p> <p>“Within 36 months following the date of listing on the stock exchange of A Shares issued in the initial public offering of Bank of Chongqing, I will not transfer the shares issued prior to the initial public offering of A Shares of Bank of Chongqing which are held by me; upon expiry of the above lock-up period, the number of shares transferred by me each year shall not exceed 15% of the total number of shares held by me in Bank of Chongqing, and the number of shares transferred within 5 years will not exceed 50% of the total number of shares held by me in Bank of Chongqing.”</p> | 5 February 2021 | 36 months | Yes |

Significant Events

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|--|-------------------------|------------------------------|--|-----------------------------------|-------------------------|---|
| Undertaking in relation to the initial public offering | Others | The Bank | <p>With regard to the prospectus, the Bank undertakes as follows:</p> <p>"1. If there are false representations, misleading statements or material omissions in the prospectus of the Bank, which have a significant and substantial impact on the determination of whether the Bank meets the offering conditions specified by law, the Bank will, within 5 trading days after CSRC, the people's court and other competent authorities make a final determination or effective judgment on the existence of the violation of the issuer, commence the share repurchase – related procedures to repurchase all new A Shares issued by the Bank in the public offering, and the specific share repurchase plan will be subject to the internal approval procedures of the Bank and external approval procedures, in accordance with applicable laws, regulations, normative documents and the Articles of Association. The repurchase price shall not be lower than the offering price of the shares of the Bank plus the interest on bank demand deposits for the period from the share offering date to the repurchase date. In case of profit distribution, bonus issue, placement of shares, conversion of capital reserve into share capital and other ex-right and ex-dividend matters after the offering and listing of shares of the Bank, the shares repurchased include all new A Shares issued in the public offering and their derivative shares, and the offering price of the above shares will be subject to ex-right and ex-dividend adjustment accordingly.</p> | 5 February 2021 | Long term | Yes |

Significant Events

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|--|-------------------------|---|---|-----------------------------------|-------------------------|---|
| | | | <p>2. If there are false representations, misleading statements or material omissions in the prospectus of the Bank, which causes any losses to investors in securities transaction, the Bank will compensate the investors for the losses by law in full and in a timely manner, according to the final decision or effective judgment made by CSRC, the people's court and other competent authorities.</p> <p>3. The Bank will, in accordance with the provisions of relevant laws, regulations and normative documents and the requirements of regulatory authorities, be liable for its failure to perform the above undertakings."</p> | | | |
| Undertaking in relation to the initial public offering | Others | Chongqing Yufu Capital Operation Group Co., Ltd., the largest shareholder of the Bank | <p>With regard to the prospectus of the Bank, Chongqing Yufu Capital Operation Group Co., Ltd. undertakes as follows:</p> <p>"1. There are no false representations, misleading statements or material omissions in the prospectus for the offering of Bank of Chongqing, and it accepts responsibility for the authenticity, accuracy and completeness of the prospectus in accordance with law.</p> <p>2. If there are false representations, misleading statements or material omissions in the prospectus for the offering of Bank of Chongqing, which have a significant and substantial impact on the determination of whether Bank of Chongqing meets the offering conditions specified by law, the company will urge Bank of Chongqing to repurchase all the new shares issued in the offering and their derivative shares (in case of profit distribution, bonus issue, placement of shares, conversion of capital reserve into share capital and other ex-right and ex-dividend matters after the offering and listing of shares of Bank of Chongqing).</p> | 5 February 2021 | Long term | Yes |

Significant Events

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|-------------------------------|-------------------------|------------------------------|--------------------------------|-----------------------------------|-------------------------|---|
|-------------------------------|-------------------------|------------------------------|--------------------------------|-----------------------------------|-------------------------|---|

3. If there are false representations, misleading statements or material omissions in the prospectus for the offering of Bank of Chongqing, which causes any losses to investors in securities transaction, the company will compensate the investors for the losses by law.

The company provides as the security for the performance of the above undertakings, the dividend to which the company is entitled under the profit distribution plan for the year in which A Shares of Bank of Chongqing are listed and subsequent years, and the shares held by the company in Bank of Chongqing shall not be transferred after the incurrence of relevant obligations in the above undertakings of the company and prior to the performance of the obligations."

Significant Events

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|--|-------------------------|--|---|-----------------------------------|-------------------------|---|
| Undertaking in relation to the initial public offering | Others | All directors, supervisors and senior management of the Bank | <p>With regard to the prospectus of the Bank, all directors, supervisors and senior management of the Bank undertake as follows:</p> <p>All directors, supervisors and senior management of the Bank hereby undertake as follows:</p> <p>"1. There are no false representations, misleading statements or material omissions in the prospectus published by Bank of Chongqing for its initial public offering of A Shares and listing, and I jointly and severally accept legal responsibility for the authenticity, accuracy and completeness of the prospectus. If securities regulatory authorities or judiciary authorities hold that there are false representations, misleading statements or material omissions in the prospectus published by Bank of Chongqing, which causes any losses to investors in securities transaction, I will compensate the investors for the losses by law.</p> <p>2. I will, in accordance with the relevant laws and regulations and the requirements of regulatory authorities, be liable for my failure to perform the above undertakings."</p> | 5 February 2021 | Long term | Yes |

Significant Events

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|--|---------------------------------------|---|---|-----------------------------------|-------------------------|---|
| Undertaking in relation to the initial public offering | Elimination of horizontal competition | Chongqing Yufu Capital Operation Group Co., Ltd., the largest shareholder of the Bank | <p>Chongqing Yufu Capital Operation Group Co., Ltd. undertakes as follows:</p> <p>(I) The existing principal businesses of the company and its subsidiaries (including wholly-owned subsidiaries, majority-owned subsidiary and enterprises over which the company has actual control) do not involve commercial banking business, and are not in horizontal competition with the issuer.</p> <p>(II) During the period in which the company is the major shareholder of the issuer, the company and its subsidiaries (including wholly-owned subsidiaries, majority-owned subsidiary and enterprises over which the company has actual control) will not engage, directly or indirectly, in any business activities that compete or may compete with the principal business of the issuer in any form. The company will supervise its subsidiaries in accordance with the undertakings and exercise necessary rights to urge them to comply with the undertakings.</p> | 5 February 2021 | Long term | Yes |

Significant Events

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|-------------------------------|-------------------------|------------------------------|---|-----------------------------------|-------------------------|---|
| | | | (III) Notwithstanding Articles (I) and (II) above, considering that the company is a company whose establishment has been approved by Chongqing Municipal People's Government and engages in comprehensive investment and management of state-owned asset and carries out businesses including financial businesses such as investment in securities companies, banks and insurance companies, and manages relevant financial assets, the company and the enterprises controlled by the company may invest in enterprises engaged in commercial banking business, to the extent authorized by Chongqing Municipal People's Government, in any form permitted by regulations (including but not limited to sole proprietorship, joint venture, cooperative operation and direct or indirect ownership of shares or other interests in other companies or enterprises). As at the date of giving the undertakings, the company invested in Chongqing Rural Commercial Bank Co., Ltd. and held approximately 9.98% of shares of the bank, in addition to investment in the issuer. | | | |

Significant Events

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|-------------------------------|-------------------------|------------------------------|---|-----------------------------------|-------------------------|---|
| | | | <p>(IV) The company undertakes to fairly treat the commercial banks in which the company and the enterprises controlled by the company invest, and will not grant or provide to any commercial banks, government approval, authorization, license or business opportunities obtained or possibly obtained by the company and the enterprises controlled by the company for carrying out commercial banking business, or use the status as a major shareholder of the issuer or the information obtained with such status, to make any decision or judgment which is adverse to the issuer but beneficial to other commercial banks in which the company or the enterprises controlled by the company invest, and will make efforts to avoid the occurrence of such event. In exercising the rights of a shareholder of the issuer, the company will act in the best interests of the issuer as if the issuer is the sole commercial bank in which the company invests, and the business judgment of the company as a shareholder of the issuer to seek the best interests for the issuer will not be affected as a result of the investment of the company and the enterprises controlled by the company in other commercial banks.</p> | | | |
| | | | <p>(V) The company warrants that it will strictly comply with relevant rules and regulations of China Securities Regulatory Commission and the stock exchange where the issuer is listed, the articles of association of the issuer, measures for management of related party transactions and other corporate management policies, exercise the rights of a shareholder and perform obligations of a shareholder equally with other shareholders, and will not use the status as a major shareholder to seek improper advantage, or damage the legitimate rights and interests of the issuer and other shareholders.”</p> | | | |

Significant Events

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|--|-------------------------|------------------------------|--|-----------------------------------|-------------------------|---|
| Undertaking in relation to the initial public offering | Others | The Bank | <p>With regard to the share price stabilization within three years following the initial public offering and listing of A Shares, the Bank undertakes as follows:</p> <p>"1. Condition for taking the share price stabilization measures</p> <p>Subject to the provisions of laws, regulations and normative documents in relation to increase in shareholdings or repurchase, measures will be taken by the Bank and relevant entities to stabilize the share price of the Bank, according to the Plan for Stabilization of A Share Price, if the closing price of A Shares of the Bank is less than the latest audited net assets per share of the Bank (the net assets per share will be adjusted accordingly if there is any change in the net assets or the total number of shares of the Bank after the latest audit reference date due to profit distribution, conversion of capital reserve into share capital, follow-on offering, placement of shares and other matters, similarly hereinafter) for 20 consecutive trading days within three years following the offering of A Shares of the Bank other than due to force majeure factors.</p> | 5 February 2021 | 36 months | Yes |

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|-------------------------------|-------------------------|------------------------------|--|-----------------------------------|-------------------------|---|
| | | | II. Specific Measures for Stabilization of A Share Price | | | |
| | | | (I) Repurchase of shares by the Bank | | | |
| | | | 1. If the closing price of A Shares of the Bank is less than the latest audited net assets per share of the Bank for 20 consecutive trading days, the obligation of the Bank to take the share price stabilization measures is triggered. The Board of the Bank shall formulate and announce the share price stabilization plan of the Bank within 10 trading days from the date of triggering the above obligation. The share price stabilization plans of the Bank include but not limited to the plan to repurchase the shares of the Bank or other plans that comply with relevant laws, regulations and other normative documents (including the rules of the place where the shares of the Bank is listed). The specific plan will be subject to the internal approval procedures of the Bank and applicable external approval procedures, in accordance with applicable laws, regulations, normative documents, the Articles of Association of the Bank and other provisions. | | | |
| | | | 2. The Bank will, immediately after the Board resolution is made, convene a general meeting and a shareholders' class meeting to consider the proposal on share repurchase (hereinafter referred to as "Repurchase Proposal"), according to the Articles of Association of the Bank, and the Repurchase Proposal is subject to approval by shareholders present at the meeting and representing at least two thirds of the voting rights. | | | |

Significant Events

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|-------------------------------|-------------------------|------------------------------|--|-----------------------------------|-------------------------|---|
| | | | <p>3. If the Bank adopts the share repurchase plan of the Bank, the share repurchase proposal will include but not limited to the number of shares to be repurchased, the repurchase price range, the source of funds for the repurchase, the impact of repurchase on the share price and the operation of the Bank. The Bank shall implement the share repurchase plan after completing the internal approval procedures of the Bank and other relevant procedures in accordance with applicable laws, regulations, normative documents, the Articles of Association of the Bank and other provisions, and obtaining required approvals, for the share repurchase plan. The Bank shall repurchase its shares through call auction, offer and/or other legal means on a securities exchange. The total funds used by the Bank to repurchase shares shall not be less than 5% of the net profit attributable to shareholders of the Bank in the previous year but shall not exceed the net proceeds from the public offering of shares of the Bank.</p> | | | |

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|-------------------------------|-------------------------|------------------------------|---|-----------------------------------|-------------------------|---|
| | | | <p>4. If the Bank adopts other share price stabilization plans that comply with relevant laws, regulations and other normative documents (including the rules of the place where the shares of the Bank is listed), the plans shall be implemented after the Bank completes corresponding approval and/or filing procedures in accordance with applicable laws, regulations, normative documents (including the rules of the place where the shares of the Bank is listed) and the Articles of Association of the Bank.</p> <p>5. In implementing the share price stabilization plan, the Bank may suspend the plan if: (1) the closing price of A Shares of the Bank exceeds the latest audited net assets per share of the Bank for 10 consecutive trading days; (2) continued repurchase of shares causes the Bank to fail to satisfy the statutory listing conditions; or (3) the number of repurchased shares reaches 2% of the total number of A Shares of the Bank existing before the repurchase.</p> | | | |

Significant Events

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|-------------------------------|-------------------------|------------------------------|--|-----------------------------------|-------------------------|---|
| | | | <p>6. The Bank shall continue to implement the above share price stabilization plan if after the Bank suspends the share price stabilization plan, the closing price of A Shares of the Bank remains below the latest audited net assets per share of the Bank for 20 consecutive trading days within 12 months following the date of triggering the above obligation to stabilize the share price.</p> <p>7. The repurchase, information disclosure and disposal of shares after repurchase by the Bank shall comply with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, other relevant laws, administrative regulations and the Articles of Association of the Bank.</p> | | | |
| | | | <p>(II) Restraints against the failure to perform the obligation to increase shareholdings or repurchase shares</p> <p>1. If the Bank fails to formulate and announce its share price stabilization plan within 10 trading days following the date of triggering the obligation of the Bank to stabilize its share price as indicated in the share price stabilization plan, or fails to act according to the plan announced, the Bank will, within 5 trading days, automatically freeze funds equal to 10% of the net profit attributable to shareholders of the Bank in the previous year, so as to perform the above undertakings to stabilize the share price. The Bank will, in accordance with law, compensate investors for losses arising out of its failure to perform the obligation to stabilize the share price.</p> | | | |

Significant Events

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|-------------------------------|-------------------------|------------------------------|---|-----------------------------------|-------------------------|---|
| | | | <p>2. If the directors and senior management of the Bank fail to propose a specific plan of increasing the shareholdings or act according to the disclosed plan within 10 trading days following the date of triggering the obligation to increase the shareholding, the Bank shall deduct 15% of the monthly salary of the parties concerned, as well as cash dividends (if any), from the month in which the agreed obligation is not performed, until the total amount of deductions reaches 15% of the total salary (after tax) obtained from the Bank in the previous accounting year in which the obligation to stabilize the share price shall be performed, and the deductions shall remain with the Bank.</p> <p>III. In performing the above obligation, the Bank shall perform corresponding information disclosure obligations in accordance with the listing rules of the place where the shares of the Bank are listed and other applicable regulatory requirements, and shall comply with relevant regulations including those on the regulation of commercial banks."</p> | | | |

Significant Events

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|--|-------------------------|---|---|-----------------------------------|-------------------------|---|
| Undertaking in relation to the initial public offering | Others | Directors and senior management of the Bank | <p>With regard to the share price stabilization within three years following the initial public offering and listing of A Shares of the Bank, directors (excluding independent directors, and directors who do not receive remuneration from the Bank) and senior management of the Bank undertake as follows:</p> <p>"1. Condition for taking the share price stabilization measures</p> <p>I will actively take the following measure to stabilize the share price of Bank of Chongqing according to the specific share price stabilization plan in the Plan for Stabilization of A Share Price if the closing price of A Shares of Bank of Chongqing is less than the latest audited net assets per share of Bank of Chongqing (the net assets per share will be adjusted accordingly if there is any change in the net assets or the total number of shares of the Bank after the latest audit reference date due to profit distribution, conversion of capital reserve into share capital, follow-on offering, placement of shares and other matters, similarly hereinafter) for 20 consecutive trading days within three years following the initial public offering and listing of A Shares of Bank of Chongqing, other than due to force majeure factors.</p> | 5 February 2021 | 36 months | Yes |

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|-------------------------------|-------------------------|------------------------------|---|-----------------------------------|-------------------------|---|
| | | | <p>II. Specific Measures for Stabilization of A Share Price</p> <p>1. If the closing price of A Shares of Bank of Chongqing is less than the latest audited net assets per share of Bank of Chongqing for 20 consecutive trading days, and the share price stabilization plan of Bank of Chongqing is not approved at the general meeting and the shareholders' class meeting of Bank of Chongqing, or the shares cannot be repurchased for other legal reasons, I will increase my shareholding in Bank of Chongqing within 90 days from the date triggering the condition for taking the share price stabilization measures, or within 90 days from the date on which a resolution not to implement the share repurchase plan is made at the general meeting and the shareholders' class meeting of Bank of Chongqing (whichever is earlier).</p> <p>2. If Bank of Chongqing fails to satisfy the condition that "the closing price of A Shares of Bank of Chongqing exceeds the latest audited net assets per share of the Bank for 10 consecutive trading days" even after it implements its share repurchase plan, I will start to increase my shareholding in Bank of Chongqing within 90 days following the date of the completion of the implementation of the share repurchase plan of Bank of Chongqing, and will not dispose of the additional shares acquired, within 6 months following the completion of the implementation of the plan of increasing the shareholding. I undertake that the increase in my shareholding and information disclosure will comply with the Company Law, the Securities Law, other relevant laws and administrative regulations.</p> | | | |

Significant Events

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|-------------------------------|-------------------------|------------------------------|--|-----------------------------------|-------------------------|---|
| | | | <p>3. Subject to relevant laws, regulations and normative documents (including the listing rules of the place where the shares of Bank of Chongqing is listed), I will notify Bank of Chongqing in writing of the specific plan of increasing my shareholding in Bank of Chongqing within 10 trading days after triggering the obligation to increase my shareholding, including but not limited to the range of the number of additional shares to be acquired, price range, completion period and other information, which will be announced by Bank of Chongqing.</p> | | | |
| | | | <p>4. In implementing the above plan of increasing the shareholding, I may suspend the plan if: (1) the closing price of A Shares of Bank of Chongqing exceeds the latest audited net assets per share of Bank of Chongqing for 10 consecutive trading days, after increasing the shareholding in Bank of Chongqing; (2) continued increase in the shareholding causes Bank of Chongqing to fail to satisfy the statutory listing conditions; (3) continued increase in the shareholding will lead to the obligation to offer to acquire while it has no plan to offer to acquire; or (4) the funds used to increase the shareholding reach 15% of the total salary receiving from Bank of Chongqing in the previous year.</p> | | | |
| | | | <p>5. I will continue to implement the above plan of increasing my shareholding if after the plan is suspended, the closing price of shares of Bank of Chongqing remains below the latest audited net assets per share of Bank of Chongqing for 20 consecutive trading days within 12 months following the date of triggering the above obligation to increase the shareholding.</p> | | | |

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|-------------------------------|-------------------------|------------------------------|--|-----------------------------------|-------------------------|---|
| | | | <p>III. Restraints against the failure to perform the obligation to increase shareholdings or repurchase shares</p> <p>If I fail to propose a specific plan of increasing the shareholdings or act according to the disclosed plan within 10 trading days following the date of triggering the obligation to increase the shareholding, Bank of Chongqing shall deduct 15% of my monthly salary, as well as cash dividends (if any), from the month in which the agreed obligation is not performed, until the total amount of deductions reaches 15% of the total salary (after tax) obtained from Bank of Chongqing in the previous accounting year in which the obligation to stabilize the share price shall be performed, and the deductions shall remain with Bank of Chongqing; I will, in accordance with law, compensate Bank of Chongqing and investors for any losses arising out of my failure to perform such obligation.</p> | | | |
| | | | <p>IV. In performing the above obligation, I shall perform corresponding information disclosure obligations in accordance with the listing rules of the place where the shares of Bank of Chongqing are listed and other applicable regulatory requirements, and shall comply with relevant regulations including those on the regulation of commercial banks."</p> | | | |

Significant Events

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|--|-------------------------|---|--|-----------------------------------|-------------------------|---|
| Undertaking in relation to the initial public offering | Others | Chongqing Yufu Capital Operation Group Co., Ltd., the largest shareholder of the Bank | <p>With regard to the share price stabilization within three years following the initial public offering and listing of A Shares of the Bank, Chongqing Yufu Capital Operation Group Co., Ltd. undertakes as follows:</p> <p>"1. The company will actively take the following measures to stabilize the share price of Bank of Chongqing according to the specific share price stabilization plan in the Plan for Stabilization of A Share Price Within Three Years Following Initial Public Offering and Listing of Bank of Chongqing Co., Ltd. if the closing price of A Shares of Bank of Chongqing is less than the latest audited net assets per share of Bank of Chongqing (the net assets per share will be adjusted accordingly if there is any change in the net assets or the total number of shares of the Bank after the latest audit reference date due to profit distribution, conversion of capital reserve into share capital, follow-on offering, placement of shares and other matters, similarly hereinafter) for 20 consecutive trading days within three years following the initial public offering and listing of A Shares of Bank of Chongqing, other than due to force majeure factors.</p> | 5 February 2021 | 36 months | Yes |

Significant Events

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|-------------------------------|-------------------------|------------------------------|--|-----------------------------------|-------------------------|---|
| | | | <p>II. If the closing price of A Shares of Bank of Chongqing is less than the latest audited net assets per share of Bank of Chongqing for 20 consecutive trading days, and the share price stabilization plan is not announced by the Board of Bank of Chongqing as scheduled, or approved by competent authorities or departments, the obligation of the company to increase its shareholding in Bank of Chongqing is triggered, and the company will take the following measures:</p> <ol style="list-style-type: none"> 1. The company will, within 15 trading days following the date of triggering, submit to Bank of Chongqing, the plan of increasing its shareholding in Bank of Chongqing, which will be announced by Bank of Chongqing. The notice of acquisition of additional shares shall indicate the number of additional shares to be acquired, the price, period, target for and other information on the acquisition. 2. Within 6 months following the date of triggering the obligation to stabilize the share price, the company will increase its shareholding in the Bank of Chongqing, for a total consideration not less than 15% of the cash dividend of Bank of Chongqing in the latest year to which it is entitled upon the announcement of the plan of increasing its shareholding in Bank of Chongqing. | | | |

Significant Events

| Background of the Undertaking | Type of the Undertaking | Party Making the Undertaking | Description of the Undertaking | Effective Date of the Undertaking | Term of the Undertaking | Is It Performed Strictly in a Timely Manner |
|-------------------------------|-------------------------|------------------------------|--|-----------------------------------|-------------------------|---|
| | | | <p>3. The company may suspend the plan of increasing its shareholding if the closing price of A Shares of Bank of Chongqing exceeds the latest audited net assets per share of Bank of Chongqing for 10 consecutive trading days in implementing the above plan. The company will continue to implement the above plan of increasing its shareholding if after the plan is suspended, the closing price of shares of Bank of Chongqing remains below the latest audited net assets per share of Bank of Chongqing for 20 consecutive trading days within 12 months following the date of triggering the above obligation to increase the shareholding.</p> <p>4. Within six months following the completion of the plan of increasing its shareholding, the company will not dispose of the additional shares acquired by it; and after the company increases its shareholding, the distribution of equity interests in Bank of Chongqing shall comply with the listing conditions, and the increase in the shareholding shall comply with relevant laws, regulations and normative documents.</p> <p>III. If the company fails to propose a specific plan of increasing the shareholding, within 15 trading days from the date of triggering the obligation to increase the shareholding, or fails to act according to the disclosed plan of increasing the shareholding, Bank of Chongqing has the right to own the cash dividends payable to the company in the year and subsequent years which are equal to the amount paid by the company for the performance of such obligation, until the company performs such obligation; the company will, in accordance with law, compensate Bank of Chongqing and investors for any losses arising out of its failure to perform such obligation."</p> | | | |

6.2 Tie-up of Funds of Listed Company by Controlling Shareholders and Other Related Parties for Non-operating Purposes

During the Reporting Period, no funds of the Bank were tied up by controlling shareholders of the Bank and other related parties for non-operating purposes.

6.3 Material Related Party Transaction

6.3.1 Related Party Transaction in Relation to Daily Operation

During the Reporting Period, the Bank carried out related party transactions with fair prices and in the interests of the Bank and its shareholders as a whole, in strict accordance with domestic and overseas supervision systems including the Measures for the Administration of Related Party Transactions of Banking and Insurance Institutions, the Interim Measures for Management of Equity Interests of Commercial Banks, the Rules Governing Listing of Stocks on the Shanghai Stock Exchange, the Self-Regulatory Supervision Guidelines for Company Listed on the Shanghai Stock Exchange No. 5 – Transactions and Related Party Transactions, the Hong Kong Listing Rules, and the Management Measures for Related Party Transactions of Bank of Chongqing Co., Ltd.

At the 2022 Annual General Meeting held on 21 June 2023, the Bank considered and approved the Proposal on the Estimated Annual Cap for Daily Related Party Transactions for 2023. Information on the Bank's daily related party transactions during the Reporting Period is as follows:

Unit: RMB100 million

| Related Party | Type of Related Party Transaction | Proposed Annual Caps for Related Party Transactions in 2023 | As of 30 June 2023 |
|---|-----------------------------------|---|--------------------|
| Chongqing Foreign Trade and Economic Cooperation (Group) Co., Ltd. and its associates | Credit | 25.49 | 7.0700 |
| Among which, Chongqing Foreign Trade and Economic Cooperation (Group) Co., Ltd. | Credit | 11.43 | 4.8300 |
| Chongqing Yu Feng Imp. & Exp. Co., Ltd. | Credit | 4.56 | 0.0000 |
| Chongqing Yumaotong Supply Chain Management Co., Ltd. | Credit | 3.50 | 2.2400 |
| Chongqing Shangshe Company (Group) Co., Ltd. and its associates | Credit | 8.19 | 4.0000 |
| Among which, Chongqing Commercial Investment Group Co., Ltd. | Credit | 4.19 | 0.0000 |
| Chongqing Department Store Co., Ltd. | Credit | 4.00 | 4.0000 |
| Chongqing Real Estate Group Co., Ltd. and its associates | Credit | 35.00 | 1.0032 |
| Among which, Chongqing Real Estate Group Co., Ltd. | Credit | 26.80 | 1.0000 |
| Chongqing Dazhai Property Management Co., Ltd. | Credit | 3.20 | 0.0000 |
| Chongqing Green Energy Development Co., Ltd. | Credit | 4.00 | 0.0032 |

Significant Events

| Related Party | Type of Related Party Transaction | Proposed Annual Caps for Related Party Transactions in 2023 | As of 30 June 2023 |
|---|--|--|---------------------------|
| Chongqing Yufu Holding Group Co., Ltd. and its associates | Credit | 46.50 | 8.9400 |
| Among which, Chongqing Yufu Holding Group Co., Ltd. | Credit | 11.75 | 5.0000 |
| Chongqing Yufu Capital Operation Group Co., Ltd. | Credit | 8.00 | 0.0000 |
| Chongqing Yin Hai Financing Leasing Co., Ltd. | Credit | 2.90 | 0.0000 |
| Chongqing Travel Investment Group Company Limited | Credit | 5.00 | 0.0000 |
| China Silian Instrument Group Co., Ltd. | Credit | 2.27 | 0.7400 |
| Chongqing Silian Technical Import & Export Co., Ltd. | Credit | 2.20 | 0.0990 |
| Southwest Securities Company, Ltd. | Credit | 2.00 | 0.0000 |
| Chongqing Chuanyi Microcircuit Co., Ltd. | Non-credit | 2.00 | 0.0000 |
| Chongqing Yuzi Guangdian Industrial Investment Co., Ltd. | Credit | 0.10 | 0.1000 |
| Chongqing Yuzi Guangdian Industrial Investment Co., Ltd. | Credit | 4.50 | 3.0000 |
| Chongqing Water Conservancy Investment (Group) Co., Ltd. and its associates | Credit | 15.00 | 5.0000 |
| Among which, Chongqing Water Conservancy Investment (Group) Co., Ltd. | Credit | 13.95 | 5.0000 |
| Chongqing Jiaotong Financing Guarantee Co., Ltd. | Non-credit | 2.20 | 0.2300 |
| Chongqing Sanxia Financing Guarantee Group Corporation | Credit | 5.00 | 2.0000 |
| | Non-credit | 50.00 | 18.6900 |
| Chongqing Export-Import Financing Guarantee Co., Ltd. | Non-credit | 20.00 | 0.5000 |
| Chongqing Xingnong Financing Guarantee Group Co., Ltd. | Credit | 25.00 | 0.0000 |
| | Non-credit | 45.00 | 7.5000 |
| China Resources YuKang Asset Management Co., Ltd. | Credit | 15.00 | 0.0000 |
| | Non-credit | 6.00 | 0.0410 |
| Changan Auto Finance Co., Ltd. | Credit | 45.00 | 3.0000 |
| Chongqing Three Gorges Bank Co., Ltd. | Credit | 15.00 | 0.0000 |
| | Non-credit | 22.00 | 10.5000 |
| Chongqing Rural Commercial Bank Co., Ltd. | Credit | 80.00 | 0.0000 |
| | Non-credit | 15.00 | 8.5000 |

| Related Party | Type of Related Party Transaction | Proposed Annual Caps for Related Party Transactions in 2023 | As of 30 June 2023 |
|--------------------------------|--|--|---------------------------|
| China Merchants Bank Co., Ltd. | Credit | 110.00 | 11.5000 |
| | Non-credit | 10.00 | 3.0000 |
| Natural persons | Credit | 5.48 | 0.3040 |

Pursuant to the Measures for the Administration of Related Party Transactions of Banking and Insurance Institutions published by the NAFR, Chongqing Xinyu Financial Leasing Co., Ltd. is a related party of the Bank. As of the end of the Reporting Period, the credit balance of the related party was RMB1.399 billion.

The above related party transactions either do not constitute connected transactions or are fully exempted connected transactions under the Hong Kong Listing Rules.

6.3.2 Related Party Transactions Relating to Assets or Equity Interest Acquisition and Disposal

During the Reporting Period, there was no related party transactions relating to assets or equity interest acquisition and disposal by the Bank.

6.3.3 Related Party Transactions Relating to Joint External Investments

During the Reporting Period, there was no related party transactions relating to joint external investments by the Bank.

6.3.4 Claims and Liabilities among the Related Party Transactions

During the Reporting Period, there was no non-operating claims and liabilities among the related party transactions by the Bank.

6.3.5 Financial Businesses in Relation to Connected Financial Companies, Financial Companies Controlled by the Bank and Their Related Parties

During the Reporting Period, the Bank did not engage in any financial businesses with any connected financial companies, and the Bank did not have any holding financial companies.

Significant Events

6.4 Engagement of Intermediaries

6.4.1 Engagement of Accounting Firms

During the Reporting Period, the 63rd meeting of the sixth session of the Board of the Bank considered and approved the Proposal on the Appointment and Remuneration of External Auditor for 2023, intending to engage Ernst & Young Hua Ming LLP (Special General Partnership) and Ernst & Young as the domestic auditors and international auditors of the Bank for 2023 respectively. The proposal has been considered and approved by the 2022 Annual General Meeting of the Bank.

6.5 Material Contracts and Their Performance

6.5.1 Material Custody, Contracting and Lease

During the Reporting Period, no material contracts signed by the Bank involved custody, contracting and lease of assets between the Bank and other companies outside the ordinary course of business of the Bank.

6.5.2 Material Guarantee

Guarantee business is ordinary business of the Bank. During the Reporting Period, except the financial guarantee business within the scope of business which is approved by the NAFR, there are no other major guarantee matters that need to be disclosed by the Bank. During the Reporting Period, the Bank did not violate stipulated decision-making procedures in issuing outward guarantees.

6.6 Material Litigation and Arbitration

In the course of daily operation, the Bank involved several legal proceedings, most of which were initiated to recover non-performing loans. The disputes between the Bank and Chongqing Apu Properties (Group) Co., Ltd., Chongqing New City Construction Co., Ltd. in relation to bond transactions have been resolved and are in the process of compulsory execution.

The Bank has 28 outstanding legal claims (including the Bank as a third party) amounting to RMB592 million as of 30 June 2023. The Bank believes that the above litigations and arbitrations would not have a material and adverse impact on the financial position or operation results of the Bank.

6.7 Punishment and Rectification

During the Reporting Period, the Bank was not subject to any investigation by law for suspected crimes. The Bank and all Directors, Supervisors and senior management of the Bank were not subject to any criminal punishment, any investigation or administrative punishment by the CSRC, or any material administrative punishment by other competent authorities. All Directors, Supervisors and senior management of the Bank were not subject to any coercive measures by law for suspected crimes, any detention by discipline inspection and supervision authorities, or any coercive measures by other competent authorities, which may affect their performance of duties. The Directors, Supervisors and senior management of the Bank had not been subject to any punishment by securities regulatory authorities in recent three years. During the Reporting Period, the Chongqing CSRC took an administrative supervision measure of issuing a warning letter to the Bank for the violation of the relevant regulations by the fund sales business of the Bank on the management of investor suitability and the marketing and publicity of fund. As of the date of the warning letter, the Bank has rectified those issues stated in the decision letter. Save as the above circumstances, the Bank and all Directors, Supervisors and senior management of the Bank were not subject to any administrative supervision measures by the CSRC, or any disciplinary punishments by stock exchanges during the Reporting Period.

6.8 Integrity

During the Reporting Period, there were no effective court judgments on material litigations with which the Bank failed to comply, nor were there any large debt of the Bank due and outstanding.

6.9 Statement on Changes in Accounting Policies and Accounting Estimates or Corrections of Significant Accounting Errors

During the Reporting Period, the Bank had no changes in its accounting policies or accounting estimates, nor any corrections to significant accounting errors.

6.10 Major Asset Purchases, Sales and Mergers

During the Reporting Period, the Group did not conduct any major asset purchases, sales or mergers.

6.11 Review of the Interim Financial Statements

The Bank has engaged Ernst & Young Hua Ming LLP (Special General Partnership) and Ernst & Young respectively as external auditors to review the interim financial statements of the Bank prepared under the PRC GAAP (China Accounting Standards) and the IFRSs. The Board of Directors of the Bank and the Board Audit Committee have reviewed and agreed the 2023 interim Report of the Bank.

6.12 Publication of Interim Report

The 2023 Interim Report in Chinese prepared by the Bank in accordance with PRC GAAP and the Rules on Preparation of Interim Reports of CSRC is available at the websites of the Shanghai Stock Exchange and the Bank.

The 2023 Interim Report, in Chinese and English, prepared by the Bank in accordance with the IFRS and Hong Kong Listing Rules are available at the websites of the Hong Kong Stock Exchange and the Bank. In case of any discrepancy, the Chinese version shall prevail.

6.13 Others

Pursuant to paragraph 40 of Appendix 16 to the Hong Kong Listing Rules headed “Disclosure of Financial Information”, save as disclosed herein, the Bank confirms that there is no significant difference between its existing information in relation to the matters set out in paragraph 32 of Appendix 16 and those disclosed in the Bank’s 2022 Annual Report.

Change in Share Capital and Shareholders

7.1 Changes in the Ordinary Shares

7.1.1 General situation of the Ordinary Shares

As of the end of the Reporting Period, the Bank had a total of 3,474,554,727 Ordinary Shares, comprising 1,895,533,915 A Shares and 1,579,020,812 H Shares.

| | 31 December 2022 | | Increase or decrease during the Reporting Period (shares) | | | | | 30 June 2023 | |
|--|--------------------|-------------------|---|-----------------|--|--------|----------|--------------------|----------------|
| | Number (shares) | Percentage (%) | Issue of new shares | Bonus shares | Shares converted from capital reserve | Others | Subtotal | Number (shares) | Percentage (%) |
| 1. Shares subject to selling restrictions | 1,204,126,450 | 34.66 | - | - | - | - | - | 1,204,126,450 | 34.66 |
| 1. Shareholding of the State | - | - | - | - | - | - | - | - | - |
| 2. Shareholding of state-owned legal persons | 781,033,909 | 22.48 | - | - | - | - | - | 781,033,909 | 22.48 |
| 3. Other Domestic Shares | 423,092,541 | 12.18 | - | - | - | - | - | 423,092,541 | 12.18 |
| Of which: Shareholding of domestic non-state-owned legal persons | 397,316,745 | 11.44 | - | - | - | - | - | 397,316,745 | 11.44 |
| Shareholding of domestic natural persons | 25,775,796 | 0.74 | - | - | - | - | - | 25,775,796 | 0.74 |
| 4. Foreign shares | - | - | - | - | - | - | - | - | - |
| Of which: Shareholding of offshore legal persons | - | - | - | - | - | - | - | - | - |
| Shareholding of offshore natural persons | - | - | - | - | - | - | - | - | - |
| 2. Outstanding shares not subject to selling restrictions | 2,270,413,394 | 65.34 | - | - | - | 14,883 | 14,883 | 2,270,428,277 | 65.34 |
| 1. RMB ordinary shares | 691,392,582 | 19.90 | - | - | - | 14,883 | 14,883 | 691,407,465 | 19.90 |
| 2. Foreign shares listed domestically | - | - | - | - | - | - | - | - | - |
| 3. Foreign shares listed overseas | 1,579,020,812 | 45.44 | - | - | - | - | - | 1,579,020,812 | 45.44 |
| 4. Others | - | - | - | - | - | - | - | - | - |
| 3. Total number of ordinary shares | 3,474,539,844 | 100.00 | - | - | - | 14,883 | 14,883 | 3,474,554,727 | 100.00 |

Note: As of the end of the Report Period, pledged shares of the Bank amounted 133,334,720 shares, representing 3.84% of the Bank's total share capital; frozen shares amounted to 584,408 shares, representing 0.02% of the Bank's total share capital.

7.1.2 Statement on Changes in Ordinary Shares

Since 30 September 2022, the "BCQ Convertible Bonds" issued by the Bank have begun to be converted and may be converted into ordinary A shares of the Bank. During the Reporting Period, the cumulative number of shares converted of the "BCQ Convertible Bonds" was 14,883, and the Bank's total share capital increased from 3,474,539,844 to 3,474,554,727.

Change in Share Capital and Shareholders

7.1.3 Changes in Shares subject to Selling Restrictions

During the Reporting Period, the Bank's shares subject to selling restrictions remained unchanged.

7.2 Particulars of Shareholders and Actual Controllers

7.2.1 Total Number of Shareholders

As of the end of the Reporting Period, the Bank had a total of 55,767 ordinary shareholder accounts, of which, 54,678 are A Shareholder accounts and 1,089 are H Shareholder accounts.

7.2.2 Top ten shareholders and top ten shareholders holding outstanding shares (or shareholders not subject to selling restrictions) as of the end of the Reporting Period

Particulars of Shareholdings of the Top Ten Ordinary Shares Shareholders of the Bank

| S.N. | Name of shareholder | Nature of shareholder | Total number of shares held at the end of the Period (shares) | Shareholding percentage (%) | Type of share | Increase or decrease during the Reporting Period (shares) | Number of shares subject to selling restrictions (shares) | Pledged, tagged or frozen | |
|------|--|--------------------------|---|-----------------------------|---------------------|---|---|---------------------------|-----------------|
| | | | | | | | | Status | Number (shares) |
| 1 | HKSCC Nominees Limited | Offshore legal person | 1,172,527,432 | 33.75 | H Shares | -186,500 | - | Unknown | - |
| 2 | Chongqing Yufu Capital Operation Group Co., Ltd. | State-owned legal person | 492,319,817 | 14.17 | A Shares + H Shares | 3,768,814 | 407,929,748 | - | - |
| 3 | Dah Sing Bank, Limited | Offshore legal person | 458,574,853 | 13.20 | H Shares | - | - | - | - |
| 4 | Chongqing Water Conservancy Investment Group Co., Ltd. | State-owned legal person | 295,334,302 | 8.50 | A Shares | 121,966,536 | 139,838,675 | - | - |
| 5 | Lifan Technology (Group) Co., Ltd. | Private legal person | 294,818,932 | 8.49 | A Shares + H Shares | - | 129,564,932 | Pledged | 129,564,932 |
| 6 | SAIC Motor Corporation Limited | State-owned legal person | 240,463,650 | 6.92 | H Shares | - | - | - | - |
| 7 | Funde Sino Life Insurance Co., Ltd. | Private legal person | 217,570,150 | 6.26 | H Shares | - | - | - | - |
| 8 | Chongqing Real Estate Group Co., Ltd. | State-owned legal person | 174,850,488 | 5.03 | A Shares | 400 | 139,838,675 | - | - |
| 9 | Chongqing Road & Bridge Co., Ltd. | Private legal person | 171,339,698 | 4.93 | A Shares | - | 171,339,698 | - | - |
| 10 | New Founder Holdings Development Co., Ltd. | Private legal person | 94,506,878 | 2.72 | A Shares | - | 94,506,878 | - | - |

Change in Share Capital and Shareholders

Shareholdings of Top Ten Ordinary Shares Shareholders not subject to Selling Restrictions of the Bank

| S.N. | Name of shareholder | Number of Outstanding Shares Held not subject to Selling Restrictions (shares) | Class and Number of Shares | |
|------|--|--|----------------------------|-----------------|
| | | | Class | Number (shares) |
| 1 | HKSCC Nominees Limited | 1,172,527,432 | H Shares | 1,172,527,432 |
| 2 | Chongqing Water Conservancy Investment Group Co., Ltd. | 155,495,627 | A Shares | 155,495,627 |
| 3 | Special securities account for agreed repurchase securities transactions of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) | 68,600,000 | A Shares | 68,600,000 |
| 4 | Chongqing Real Estate Group Co., Ltd. | 35,011,813 | A Shares | 35,011,813 |
| 5 | Chongqing Chuanyi Automation Co., Ltd. | 16,129,476 | A Shares | 16,129,476 |
| 6 | CECEP Chongqing Industry Co., Ltd. | 15,086,243 | A Shares | 15,086,243 |
| 7 | Hong Kong Securities Clearing Company Limited | 13,649,266 | A Shares | 13,649,266 |
| 8 | Chongqing Jianfeng Industrial Group Co., Ltd. (重慶建峰工業集團有限公司) | 12,847,732 | A Shares | 12,847,732 |
| 9 | Chongqing Water & Environment Holdings Group Ltd. | 10,068,631 | A Shares | 10,068,631 |
| 10 | Chongqing Yufu Capital Operation Group Co., Ltd. | 9,824,069 | A Shares | 9,824,069 |

Information on special repurchase accounts of top ten shareholders: None

Information on voting rights delegated to and by, and abstinence from voting by the above shareholders: None

Information on the related-party relationship or concerted action of the above shareholders: HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited; Chongqing Yufu Capital Operation Group Co., Ltd. and Chongqing Chuanyi Automation Co., Ltd. are both controlled by Chongqing Yufu Holding Group Co., Ltd.. Apart from this, the Bank was not aware of any related-party relationship between the above shareholders or whether they are parties acting in concert.

Statement on shareholders of preference shares with restored voting rights and the number of shares held: N/A

Change in Share Capital and Shareholders

Notes:

- (1) *The number of shares held by HKSCC Nominees Limited refers to the total number of shares in the shareholders of H shares' account of the Bank in the trading system represented by HKSCC Nominees Limited, including H shares of the Bank held by HKSCC Nominees Limited as designated by other top 10 shareholders of the Bank.*
- (2) *Chongqing Yufu Capital Operation Group Co., Ltd. directly held 417,753,817 A Shares and held 74,566,000 H Shares of the Bank through its subsidiary Chongqing Yufu (Hong Kong) Limited and held 31,173,547 A Shares of the Bank through its associates, namely Chongqing Chuanyi Automation Co., Ltd. (重慶川儀自動化股份有限公司), Chongqing Chuanyi Microcircuit Co., Ltd. (重慶川儀微電路有限責任公司), Chongqing Silian Investment and Management Co., Ltd. (重慶四聯投資管理有限公司), Southwest Securities Company, Ltd., Chongqing Hotel Co., Ltd., Chongqing Rural Commercial Bank Co., Ltd., Chongqing Union Property Right Exchange Co., Ltd. (重慶聯合產權交易所集團股份有限公司) and Yang Yusong, together with its associates, held an aggregate of 523,493,364 shares of the Bank, representing 15.07% of the Bank's total shares.*
- (3) *Lifan Technology (Group) Co., Ltd. directly held 129,564,932 A Shares of the Bank and held 165,254,000 H Shares of the Bank through its subsidiary Lifan International (Holdings) Limited. Lifan Technology (Group) Co., Ltd., thus held an aggregate of 294,818,932 Shares of the Bank, representing 8.49% of the Bank's total share capital.*
- (4) *SAIC Motor Corporation Limited held 240,463,650 H Shares of the Bank through its subsidiary SAIC Motor HK Investment Limited, representing 6.92% of the Bank's total share capital.*
- (5) *Funde Sino Life Insurance Co., Ltd. directly held 150,000,000 H Shares of the Bank and held 67,570,150 H Shares of the Bank through its subsidiary Fund Resources Investment Holding Group Company Limited, thus held an aggregate of 217,570,150 H Shares of the Bank, representing 6.26% of the Bank's total share capital.*
- (6) *Chongqing Real Estate Group Co., Ltd. directly held 174,850,488 A Shares of the Bank, and its associates, namely Chongqing Kangju Property Development Co., Ltd. (重慶康居物業發展有限公司), Chongqing Institute of Urban Pest Control Co., Ltd. (重慶市城市害蟲防治研究所有限公司) and Chongqing Fangzong Real Estate Co., Ltd. (重慶房綜置業有限公司) held 2,259,601 A Shares of the Bank. Chongqing Real Estate Group Co., Ltd., together with its associates, held an aggregate of 177,110,089 A Shares of the Bank, representing 5.10% of the Bank's total shares.*
- (7) *Chongqing Road & Bridge Co., Ltd. directly held 171,339,698 A Shares of the Bank, and its related party Chongqing International Trust Co., Ltd., held 196,102 A Shares of the Bank. Chongqing Road & Bridge Co., Ltd., thus held an aggregate of 171,535,800 A Shares of the Bank, representing 4.94% of the Bank's total shares.*

Change in Share Capital and Shareholders

Number of Shares Held by and Selling Restriction of the Top Ten Shareholders subject to Selling Restrictions of the Bank

| S.N. | Name of shareholder subject to selling restrictions | Number of shares held subject to selling restrictions (shares) | Details of approved tradable shares subject to selling restrictions | | Selling restrictions |
|------|--|--|---|--|---|
| | | | Time available for trading | Additional number of approved tradable shares (shares) | |
| 1 | Chongqing Yufu Capital Operation Group Co., Ltd. | 407,929,748 | February 2024 | 0 | 36 months from the date of the Bank's listing |
| 2 | Chongqing Road & Bridge Co., Ltd. | 171,339,698 | February 2024 | 0 | 36 months from the date of the Bank's listing |
| 3 | Chongqing Water Conservancy Investment Group Co., Ltd. | 139,838,675 | February 2024 | 0 | 36 months from the date of the Bank's listing |
| 4 | Chongqing Real Estate Group Co., Ltd. | 139,838,675 | February 2024 | 0 | 36 months from the date of the Bank's listing |
| 5 | Lifan Technology (Group) Co., Ltd. | 129,564,932 | February 2024 | 0 | 36 months from the date of the Bank's listing |
| 6 | New Founder Holdings Development Co., Ltd. | 94,506,878 | February 2024 | 0 | 36 months from the date of the Bank's listing |
| 7 | Chongqing Development and Real Estate Management Co., Ltd. | 37,456,522 | February 2024 | 0 | 36 months from the date of the Bank's listing |
| 8 | Chongqing Expressway Investment Holding Co., Ltd. | 29,942,325 | February 2024 | 0 | 36 months from the date of the Bank's listing |
| 9 | Minsheng Industrial (Group) Co., Ltd. | 24,191,310 | February 2024 | 0 | 36 months from the date of the Bank's listing |
| 10 | Chongqing Kangju Property Development Co., Ltd. | 1,659,547 | February 2024 | 0 | 36 months from the date of the Bank's listing |

Statement on the connected relations or concerted actions between the above shareholders: Chongqing Kangju Property Development Co., Ltd. is an indirect subsidiary of Chongqing Real Estate Group Co., Ltd.. Apart from this, the Bank is not aware of connected relations or concerted actions exist between the above shareholders.

Whether there were strategic investors or ordinary legal persons who became top ten ordinary shareholders due to placing of new shares: No.

Change in Share Capital and Shareholders

7.2.3 Particulars of Controlling Shareholders and De facto Controllers

During the Reporting Period, there was no controlling shareholders of the Bank. The Bank has no shareholder who may exercise more than 30% of the shares with voting rights of the Bank when acting alone or in concert with others, while any shareholder of the Bank cannot control the resolutions of the general meeting or the resolutions of the Board meeting by shares with voting rights he/she holds, and there is no shareholder who controls the conduct of the Bank through the general meeting or de facto controls the conduct of the Bank through the Board of Directors and senior management. At the same time, there is no shareholder de facto controls the Bank in any other manner when acting alone or in concert with others. Therefore, the Bank has no controlling shareholders.

During the Reporting Period, there was no de facto controllers of the Bank. There was no situation in which the Bank was under de facto control of investors due to their direct or indirect equity investment relationship, scheme of arrangement or other arrangements with the Bank. Therefore, there was no de facto controllers of the Bank.

7.2.4 Particulars of Major Shareholders Holding More than 5% of the Shares *Chongqing Yufu Capital Operation Group Co., Ltd.*

Chongqing Yufu Capital Operation Group Co., Ltd. was the first solely state-owned local comprehensive assets operation and management company in China, which was organised under the approval of Chongqing Municipal Government. Chongqing Yufu Holding Group Co., Ltd. is the controlling shareholder of Chongqing Yufu. Chongqing Yufu was established on 27 February 2004 with a registered capital of RMB10 billion. Its legal representative is Ma Bao, and its registered address is located at No. 198, East Section of Huangshan Avenue, Liangjiang New District, Chongqing. Its business scope includes the acquisition and disposal of assets and relevant property investment, investment advisory, financial consultancy, consultancy and agency for corporate reorganizations and mergers, custody of enterprises and assets (businesses requiring pre-requisite approval under the laws and regulations of the country shall not be conducted before such approval is obtained) under the authority of the municipal government.

As of the end of the Reporting Period, Chongqing Yufu Capital Operation Group Co., Ltd. directly held 417,753,817 A Shares and held 74,566,000 H Shares of the Bank through its subsidiary Chongqing Yufu (Hong Kong) Limited and held 31,173,547 A Shares of the Bank through its associates, namely Chongqing Chuanyi Automation Co., Ltd. (重慶川儀自動化股份有限公司), Chongqing Chuanyi Microcircuit Co., Ltd. (重慶川儀微電路有限責任公司), Chongqing Silian Investment and Management Co., Ltd. (重慶四聯投資管理有限公司), Southwest Securities Company, Ltd., Chongqing Hotel Co., Ltd., Chongqing Rural Commercial Bank Co., Ltd., Chongqing Union Property Right Exchange Co., Ltd. (重慶聯合產權交易所集團股份有限公司) and Yang Yusong, thus held an aggregate of 523,493,364 shares of the Bank, representing 15.07% of the Bank's total shares.

Change in Share Capital and Shareholders

Dah Sing Bank, Limited

Dah Sing Banking Group Limited is the controlling shareholder of Dah Sing Bank, Limited. Dah Sing Bank, Limited was established on 1 May 1947 with a registered capital of HK\$6.2 billion. Its registered address is located at 26th Floor, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong. Dah Sing Bank, Limited provides retail banking, commercial banking and other related financial services in Hong Kong, Macau and Mainland China.

As of the end of the Reporting Period, Dah Sing Bank, Limited held 458,574,853 H Shares, representing 13.20% of the Bank's total share capital.

Chongqing Water Conservancy Investment Group Co., Ltd.

Chongqing SASAC is the controlling shareholder of Chongqing Water Conservancy Investment Group Co., Ltd.. Chongqing Water Conservancy Investment Group Co., Ltd was established on 18 November 2003 with a registered capital of RMB2.165 billion. Its legal representative is Zhu Lianghua, and its registered address is located at No. 2 Caifu Avenue, Yubei District, Chongqing. Its business scope includes general items: being responsible for the operation and management of state-owned water resources assets within the scope authorized by the municipal government, being responsible for project investment and operation of large and medium-sized water source projects, water supply and drainage projects, and pollution control projects at the municipal level, being responsible for the unified development and operation of water resources in the western water supply project planning zone, being responsible for the development, investment, and operation of river restoration and soil and water conservation projects, implementing the development and investment of small and medium-sized hydropower station projects and sales of water conservancy and hydropower equipment and materials (excluding those are subject to special management provisions of national laws and regulations). (Except for items that are subject to approval in accordance with the laws, the business activities should be conducted independently with the business licence(s) in accordance with the laws)

As of the end of the Reporting Period, Chongqing Water Conservancy Investment Group Co., Ltd. held 295,334,302 A Shares of the Bank, representing 8.50% of the Bank's total share capital.

Change in Share Capital and Shareholders

Lifan Technology (Group) Co., Ltd.

Chongqing Manjianghong Equity Investment Fund Partnership (Limited Partnership) (重慶滿江紅股權投資基金合夥企業(有限合夥)) is the controlling shareholder of Lifan Technology (Group) Co., Ltd.. Lifan Technology (Group) Co., Ltd. was established on 1 December 1997 and listed on the Shanghai Stock Exchange in November 2010 with a registered capital of RMB4.572 billion. Its legal representative is Zhou Zongcheng, and its registered address is located at No. 2, Huanghuan North Road, Jinshan Avenue, Liangjiang New District, Chongqing. Its business scope includes general items: the research, development, production and sales of automobiles, automobile engines, motorcycles, motorcycle engines, vehicle parts, motorcycle parts, small gasoline engines and parts, electric bicycles and parts, gasoline engine mopeds and parts; sales of non-ferrous metals (excluding precious metals), metal materials, metal products, silver jewelry, computers, sports (only car and motorcycle sports) and sports products (excluding development and production); provision of after-sales services for products developed, produced and sold by the company; the export business of technologies developed and produced by the company; the export business of technologies, raw and auxiliary materials, mechanical equipment, instrumentation, and spare parts required for its scientific research and production, and the processing imported goods and “Three-plus-one” business of the company; consulting services on economic information; wholesale and retail of lubricants and greases; and ordinary freight (except for items that are subject to approval in accordance with the laws, the business activities should be conducted independently with the business licence(s) in accordance with the laws).

As of the end of the Reporting Period, Lifan Technology (Group) Co., Ltd. held 129,564,932 A Shares and held 165,254,000 H Shares through its wholly-owned subsidiary Lifan International (Holdings) Limited, thus held an aggregate of 294,818,932 Shares, representing 8.49% of the Bank’s total share capital. 129,564,932 A Shares held by Lifan Technology (Group) Co., Ltd. were pledged.

SAIC Motor Corporation Limited

Shanghai Automotive Industry Corporation (Group) is the controlling shareholder of SAIC Motor Corporation Limited. SAIC Motor Corporation Limited was established on 16 April 1984 with registered capital of RMB11.683 billion. It was listed on the Shanghai Stock Exchange since November 1997. Its legal representative is Chen Hong, and its registered address is located at Room 509, No.1 Tower, No. 563 Songtao Road, Pilot Free Trade Zone, Shanghai, China. Its business scope includes manufacturing and sales of automobiles, motorcycles, tractors and other motor vehicles, and machinery equipment, assembly and automobile parts, domestic trading (except those under special provisions), advisory services, sale of vehicle, assembly and components and parts in an e-commerce manner, technical service in the field of science and technology, export of self-manufactured products and technology, import of machinery and equipment, spare parts, raw and supplementary materials, and technology needed in the business operating (except goods and technology forbidden to import and export by Chinese government), rental of cars and machinery and equipment, industrial investment, periodical publishing, advertisements in its own media, import and export business of goods and technology (any item that requires to be approved by law can only be carried out after approval by relevant authorities).

As of the end of the Reporting Period, SAIC Motor Corporation Limited held 240,463,650 H Shares through its wholly-owned subsidiary SAIC Motor HK Investment Limited, representing 6.92% of the Bank’s total share capital.

Change in Share Capital and Shareholders

Funde Sino Life Insurance Co., Ltd.

Funde Sino Life Insurance Co., Ltd. has no controlling shareholders. Funde Sino Life Insurance Co., Ltd. was established on 4 March 2002 with registered capital of RMB11.752 billion. Its legal representative is Fang Li, and its registered address is located at 27F, 28F, 29F & 30F, Life Insurance Building, 1001 Fuzhong No.1 Road, Futian District, Shenzhen City. Its business scope includes personal accident injury insurance, personal periodic death insurance, personal life insurance, personal annuity insurance, personal short-term health insurance, personal long-term health insurance, group accident injury insurance, group term life insurance, group annuity insurance, group short-term health insurance, group long-term health insurance, other life insurance activities approved by the NAFR; reinsurance of the above-mentioned insurance activities; concurrent insurance agency business (licensed operations); and use of funds approved by the NAFR.

As of the end of the Reporting Period, Funde Sino Life Insurance Co., Ltd. directly held 150,000,000 H Shares and held 67,570,150 H Shares through its wholly-owned subsidiary Fund Resources Investment Holding Group Company Limited, thus held an aggregate of 217,570,150 H Shares, representing 6.26% of the Bank's total share capital.

Chongqing Real Estate Group Co., Ltd.

The controlling shareholder of Chongqing Real Estate Group Co., Ltd. is the Chongqing State-owned Assets Supervision and Administration Commission. Chongqing Real Estate Group Co., Ltd. was established on 12 September 2006 with the registered capital of RMB5 billion. Its legal representative is Li Shichuan, and its registered address is located at No.2 Jiayuan Road, Yubei District, Chongqing. Its business scope includes general items: investment activities with free funds, land remediation services, and engineering management services (except for items that are subject to approval in accordance with the laws, the business activities should be conducted independently with the business licence(s) in accordance with the laws).

As of the end of the Reporting Period, Chongqing Real Estate Group Co., Ltd. held 174,850,488 A Shares of the Bank, and its associates, namely Chongqing Kangju Property Development Co., Ltd. (重慶康居物業發展有限公司), Chongqing Institute of Urban Pest Control Co., Ltd. (重慶市城市害蟲防治研究所有限公司) and Chongqing Fangzong Real Estate Co., Ltd. (重慶房綜置業有限公司) held 2,259,601 A Shares of the Bank. Chongqing Real Estate Group Co., Ltd., together with its associates, held an aggregate of 177,110,089 A Shares of the Bank, representing 5.10% of the Bank's total shares.

7.2.5 Other Major Shareholders under Regulations

Chongqing Beiheng Investment & Development Limited

Chongqing Liang Jiang New Area Industrial Development Group Co., Ltd. is the controlling shareholder of Chongqing Beiheng Investment & Development Limited. Chongqing Beiheng Investment & Development Limited was established on 19 November 2012 with the registered capital of RMB1.1 billion. Its legal representative is Chen Zhenming, and its registered address is located at B, C & D Towers, No. 1 Xingguang Avenue, Gaoxin Park, Beibu New District, Chongqing. Its business scope includes: engaging in investment business with its own funds; investment consultation; financial consultation; asset management (the above scope of business excludes banking, insurance, securities and other financial services that require permits or approvals); real estate development; real estate brokerage; landscape greening design and maintenance; landscaping design; property management (the business activities should be conducted with the business licence(s)); hotel management; and construction-related business (the business activities shall be operated after obtaining the relevant qualifications). Any item that requires to be approved by law can only be carried out after approval by relevant authorities

As of the end of the Reporting Period, Chongqing Beiheng Investment & Development Limited held 84,823,500 H Shares in the Bank, and its associates, namely Chongqing Jintai State-owned Assets Management Co., Ltd. (重慶金泰國有資產經營有限公司), Chongqing High Technology Group Co., Ltd. (重慶高科集團有限公司), and Chongqing Yu Gao – Tech Industry (Group) Co. Ltd., held 1,934,949 A Shares of the Bank. Chongqing Beiheng Investment & Development Limited, together with its associates, held an aggregate of 86,758,449 shares of the Bank, representing 2.50% of the Bank's total share capital. Chongqing Beiheng Investment & Development Limited has assigned Supervisor to the Bank. Pursuant to the requirements of the NAFR, it is a substantial shareholder of the Bank.

Change in Share Capital and Shareholders

7.2.6 Interests and Short Positions of Substantial Shareholders and Other Persons under Hong Kong Laws and Regulations

As of the end of the Reporting Period, the interests of substantial shareholders (as defined under the SFO), other than Directors, Supervisors or chief executives of the Bank, in Shares and the underlying Shares of the Bank as recorded in the register required to be kept under Section 336 of the SFO and to the best knowledge of the Bank were as follows:

| Name of shareholder | Class of shares | Long position/ short position | Capacity | Number of shares held (shares) | Percentage of relevant share class (%) | Percentage of the total share capital of the Bank (%) |
|---|-----------------|----------------------------------|---|--------------------------------|--|---|
| Dah Sing Financial Holdings Limited ⁽¹⁾ | H Share | Long position | Interest of a controlled corporation | 458,574,853 | 29.04 | 13.20 |
| Dah Sing Banking Group Limited ⁽¹⁾ | H Share | Long position | Interest of a controlled corporation | 458,574,853 | 29.04 | 13.20 |
| Dah Sing Bank, Limited ⁽¹⁾ | H Share | Long position | Beneficial owner | 458,574,853 | 29.04 | 13.20 |
| David Shou-Yeh WONG ⁽¹⁾ | H Share | Long position | Settlor of a discretionary trust/interest of the beneficiary of a trust | 458,574,853 | 29.04 | 13.20 |
| Christine Yen WONG ⁽¹⁾ | H Share | Long position | Interest of spouse | 458,574,853 | 29.04 | 13.20 |
| Harold Tsu-Hing WONG ⁽¹⁾ | H Share | Long position | Deemed interest | 458,574,853 | 29.04 | 13.20 |
| HSBC International Trustee Limited ⁽²⁾ | H Share | Long position | Interest of a trustee | 458,574,853 | 29.04 | 13.20 |
| Chongqing Yufu Holding Group Co., Ltd. ⁽³⁾ | A Share | Long position | Interest of a controlled corporation | 439,518,655 | 23.19 | 12.65 |
| | H Share | Long position | Interest of a controlled corporation | 74,566,000 | 4.72 | 2.15 |
| Chongqing Yufu Capital Operation Group Co., Ltd. ⁽³⁾ | A Share | Long position | Beneficial owner | 417,753,817 | 22.04 | 12.02 |
| | H Share | Long position | Interest of a controlled corporation | 74,566,000 | 4.72 | 2.15 |
| SAIC Motor Corporation Limited ⁽⁴⁾ | H Share | Long position | Interest of a controlled corporation | 240,463,650 | 15.23 | 6.92 |
| SAIC Motor HK Investment Limited ⁽⁴⁾ | H Share | Long position | Beneficial owner | 240,463,650 | 15.23 | 6.92 |
| Lifan Technology (Group) Co., Ltd. ⁽⁵⁾ | A Share | Long position | Beneficial owner | 129,564,932 | 6.84 | 3.73 |
| | H Share | Long position | Interest of a controlled corporation | 165,254,000 | 10.47 | 4.76 |
| Chongqing Lifan Industry (Group) Import and Export Co., Ltd. ⁽⁵⁾ | H Share | Long position | Interest of a controlled corporation | 165,254,000 | 10.47 | 4.76 |

Change in Share Capital and Shareholders

| Name of shareholder | Class of shares | Long position/ short position | Capacity | Number of shares held (shares) | Percentage of relevant share class (%) | Percentage of the total share capital of the Bank (%) |
|--|-----------------|----------------------------------|--------------------------------------|--------------------------------|--|---|
| Lifan International (Holdings) Limited ⁽⁵⁾ | H Share | Long position | Beneficial owner | 165,254,000 | 10.47 | 4.76 |
| Funde Sino Life Insurance Co., Ltd. ⁽⁶⁾ | H Share | Long position | Beneficial owner | 150,000,000 | 9.50 | 4.32 |
| | H Share | Long position | Interest of a controlled corporation | 67,570,150 | 4.28 | 1.94 |
| Chongqing Real Estate Group Co., Ltd. ⁽⁷⁾ | A Share | Long position | Beneficial owner | 174,850,488 | 9.22 | 5.03 |
| | A Share | Long position | Interest of a controlled corporation | 2,259,601 | 0.12 | 0.07 |
| Chongqing Water Conservancy Investment Group Co., Ltd. | A Share | Long position | Beneficial owner | 295,334,302 | 15.58 | 8.50 |
| Chongqing Beiheng Investment & Development Limited | H Share | Long position | Beneficial owner | 84,823,500 | 5.37 | 2.44 |

Notes:

- (1) Dah Sing Bank, Limited held 458,574,853 H Shares of the Bank. Dah Sing Bank, Limited is wholly owned by Dah Sing Banking Group Limited, which is in turn owned as to approximately 74.37% by Dah Sing Financial Holdings Limited. Mr. David Shou-Yeh WONG is the beneficial owner of approximately 43.01% of the issued share capital of Dah Sing Financial Holdings Limited. Ms. Christine Yen WONG is the spouse of Mr. David Shou-Yeh WONG. For the purpose of the SFO, Dah Sing Financial Holdings Limited, Dah Sing Banking Group Limited, Mr. David Shou-Yeh WONG, Ms. Christine Yen WONG and Mr. Harold Tsu-Hing WONG are deemed to be interested in the Shares of the Bank held by Dah Sing Bank, Limited.
- (2) HSBC International Trustee Limited, the trustee of a discretionary trust established for the benefit of the family members of Mr. David Shou-Yeh Wong (the grantor), held 39.49% interests in Dah Sing Financial Holdings Limited indirectly. For the purpose of the SFO, HSBC International Trustee Limited is deemed to be interested in the Shares of the Bank held by Dah Sing Bank, Limited (see note (1) above).

Change in Share Capital and Shareholders

- (3) *To the knowledge of the Bank, as of the end of the Reporting Period, Chongqing Yufu Capital Operation Group Co., Ltd. directly held 417,753,817 A Shares in the Bank, while Chongqing Yufu (Hong Kong) Limited directly held 74,566,000 H Shares in the Bank. Chongqing Yufu (Hong Kong) Limited is wholly owned by Chongqing Yufu Capital Operation Group Co., Ltd., which is wholly owned by Chongqing Yufu Holding Group Co., Ltd. In addition, Chongqing Chuanyi Automation Co., Ltd. (重慶川儀自動化股份有限公司), Chongqing Hotel Co., Ltd. (重慶賓館有限公司), Chongqing Chuanyi Microcircuit Co., Ltd. (重慶川儀微電路有限責任公司), Chongqing Silian Investment Management Co., Ltd. (重慶四聯投資管理有限公司) and Southwest Securities Co., Ltd. (西南證券股份有限公司) directly held 16,129,476 A Shares, 4,571,761 A Shares, 136,571 A Shares, 12,679 A Shares and 914,351 A Shares, respectively; Chongqing Yufu Holding Group Co., Ltd. directly or indirectly controls more than one-third of the voting rights of these companies. For the purpose of the SFO, Chongqing Yufu Capital Operation Group Co., Ltd. is deemed to be interested in the shares held by Chongqing Yufu (Hong Kong) Limited in the Bank, while Chongqing Yufu Holding Group Co., Ltd. is deemed to be interested in the shares held by Chongqing Yufu Capital Operation Group Co., Ltd., Chongqing Yufu (Hong Kong) Limited, Chongqing Chuanyi Automation Co., Ltd., Chongqing Hotel Co., Ltd., Chongqing Chuanyi Microcircuit Co., Ltd., Chongqing Silian Investment Management Co., Ltd. and Southwest Securities Co., Ltd. in the Bank.*
- (4) *SAIC Motor HK Investment Limited directly held 240,463,650 H Shares of the Bank. SAIC Motor HK Investment Limited is wholly owned by SAIC Motor Corporation Limited. For the purpose of the SFO, SAIC Motor Corporation Limited is deemed to be interested in the shares held by SAIC Motor HK Investment Limited in the Bank.*
- (5) *Lifan Technology (Group) Co, Ltd. directly held 129,564,932 A Shares of the Bank. Lifan International (Holdings) Limited directly held 165,254,000 H Shares. Lifan International (Holdings) Limited is wholly owned by Chongqing Lifan Industry (Group) Import and Export Co., Ltd., which is wholly owned by Lifan Technology (Group) Co., Ltd. For the purpose of the SFO, Lifan Technology (Group) Co., Ltd. and Chongqing Lifan Industry (Group) Import and Export Co., Ltd. are deemed to be interested in the Shares held by Lifan International (Holdings) Limited in the Bank.*
- (6) *Funde Sino Life Insurance Co., Ltd. directly held 150,000,000 H Shares in the Bank, while Fund Resources Investment Holding Group Company Limited directly held 67,570,150 H Shares in the Bank. Fund Resources Investment Holding Group Company Limited is wholly owned by Funde Sino Life Insurance Co., Ltd. For the purpose of the SFO, Funde Sino Life Insurance Co., Ltd. is deemed to be interested in the shares held by Fund Resources Investment Holding Group Company Limited in the Bank.*
- (7) *To the knowledge of the Bank, as of the end of the Reporting Period, Chongqing Real Estate Group Co., Ltd. (重慶市地產集團有限公司) directly held 174,850,488 A Shares in the Bank. In addition, Chongqing Kangju Property Development Co., Ltd. (重慶康居物業發展有限公司), Chongqing Fangzong Real Estate Co., Ltd. (重慶房綜置業有限公司) and Chongqing Institute of Urban Pest Control Co., Ltd. (重慶市城市害蟲防治研究所有限公司) held 1,659,547, 300,020 and 300,034 A Shares in the Bank, respectively. Chongqing Real Estate Group Co., Ltd. (重慶市地產集團有限公司) directly or indirectly controls more than one-third of the voting rights of these companies. For the purpose of the Securities and Futures Ordinance, Chongqing Real Estate Group Co., Ltd. is deemed to be interested in the shares held by Chongqing Kangju Property Development Co., Ltd., Chongqing Fangzong Real Estate Co., Ltd. and Chongqing Institute of Urban Pest Control Co., Ltd. in the Bank.*

7.3 Purchase, Sale and Redemption of Listed Securities of the Bank

During the Reporting Period, the Bank and its subsidiaries had not purchased, sold or redeemed any listed securities of the Bank.

Securities Issuance and Listing

8.1 Issuance and Listing of Ordinary Shares

During the Reporting Period, there was no ordinary shares issued by the Bank.

8.2 Debt Securities Issued

8.2.1 Debt Securities Issued During the Reporting Period

During the Reporting Period, there was no new debt securities issued by the Bank.

8.2.2 Bonds as of the End of Reporting Period

For details of bonds as of the end of Reporting Period, please see the section headed “Notes to the Financial Report – Debt securities payable”.

8.3 Convertible Corporate Bonds

8.3.1 Issuance of Convertible Corporate Bonds

The Bank started the issuance of A Share Convertible Corporate Bonds in March 2021. Upon the consideration and approval of the Board of Directors and the general meeting of the Bank and with the approval of the Chongqing CBIRC and the CSRC, the Bank has successfully issued the A Share Convertible Corporate Bonds in March 2022. The total proceeds from the issuance were RMB13 billion, and the net proceeds after deducting expenses relating to the issuance was approximately RMB12.984 billion. On 14 April 2022, the A share convertible corporate bonds of the Bank were listed on the Shanghai Stock Exchange (Stock abbreviation: BCQ Convertible Bonds (重銀轉債); Stock code: 113056). For details of the issuance of A share convertible corporate bonds of the Bank, please refer to the announcements published by the Bank on the website of the Shanghai Stock Exchange, the website of The Stock Exchange of Hong Kong Limited and the website of the Bank.

The following table sets out the relevant information of “BCQ Convertible Bonds”.

| Bond code | Name of the bond | Issue date | Maturity | Issue price | Coupon rate | Number of bonds to be issued | Listing date | Conversion period |
|-----------|-----------------------|---------------|---------------|-------------|--|------------------------------|---------------|---|
| 113056 | BCQ Convertible Bonds | 23 March 2022 | 22 March 2028 | RMB100 each | 0.20% for the first year; 0.40% for the second year; 1.00% for the third year; 1.70% for the fourth year; 2.50% for the fifth year; 3.50% for the sixth year. | 130 million | 14 April 2022 | From 30 September 2022 to 22 March 2028 |

Securities Issuance and Listing

8.3.2 Holders and Guarantors of Convertible Bonds

| | |
|--|-----------------------|
| Name of convertible bonds | BCQ Convertible Bonds |
| Number of holders of convertible bonds at the end of the Period | 105,931 |
| Guarantors of convertible bonds | None |

The top ten holders of convertible bonds are as follows:

| Name of holders of convertible bonds | Number of bonds held at the end of the Period (RMB) | Shareholding (%) |
|--|--|-------------------------|
| Specific accounts for bonds repurchase and pledge under the registration and settlement system (Industrial and Commercial Bank of China) | 1,784,555,000 | 13.73 |
| Specific accounts for bonds repurchase and pledge under the registration and settlement system (CITIC Securities Co., Ltd.) | 1,533,885,000 | 11.80 |
| Special accounts for bonds repurchase and pledge under the registration and settlement system (China Construction Bank) | 683,232,000 | 5.26 |
| Specific accounts for bonds repurchase and pledge under the registration and settlement system (Bank of China) | 581,425,000 | 4.47 |
| CITIC Securities Co., Ltd. | 483,954,000 | 3.72 |
| Specific accounts for bonds repurchase and pledge under the registration and settlement system (China Merchants Bank Co., Ltd.) | 383,660,000 | 2.95 |
| Specific accounts for bonds repurchase and pledge under the registration and settlement system (China Securities Co., Ltd.) | 367,636,000 | 2.83 |
| Specific accounts for bonds repurchase and pledge under the registration and settlement system (China Minsheng Banking Corp., Ltd.) | 276,464,000 | 2.13 |
| Specific accounts for bonds repurchase and pledge under the registration and settlement system (China CITIC Bank) | 236,013,000 | 1.82 |
| China Minsheng Banking Corporation Limited — Essence Steady Value-added Flexible Allocation Hybrid Securities Investment Fund | 224,775,000 | 1.73 |

8.3.3 Changes in Convertible Bonds

Unit: RMB

| Name of convertible bonds | Before the change | Increase/decrease | | | After the change |
|----------------------------------|--------------------------|--------------------------|-----------------|------------------|-------------------------|
| | | Converted | Redeemed | Sold back | |
| BCQ Convertible Bonds | 12,999,622,000 | 163,000 | – | – | 12,999,459,000 |

8.3.4 Cumulative Conversion of Convertible Bonds

The conversion period of the Convertible Bonds commences from 30 September 2022 to 22 March 2028 (which is subject to extension for public holidays). As of the end of the Reporting Period, BCQ Convertible Bonds worth RMB541,000 were converted into ordinary A shares accumulatively of the Bank.

| Name of convertible corporate bonds | BCQ Convertible Bonds |
|--|-----------------------|
| Amount of converted bonds during the Reporting Period (RMB) | 163,000 |
| Number of shares converted during the Reporting Period (shares) | 14,883 |
| Cumulative number of shares converted (shares) | 49,388 |
| Percentage of the cumulative number of shares converted to the total number of shares in issue prior to the conversion (%) | 0.0014 |
| Amount of unconverted bonds (RMB) | 12,999,459,000 |
| Percentage of the number of unconverted convertible bonds to the total amount of issued convertible bonds (%) | 99.9958 |

8.3.5 Previous Adjustment of Conversion Price

According to the Offering Document on the Public Issuance of the A Share Convertible Corporate Bonds by Bank of Chongqing Co., Ltd., if there is any change in the shares of the Bank due to the distribution of share dividends, conversion of capital reserve into share capital, follow-on the issuance of Convertible Bond, placement of shares and other matters (excluding the increase in share capital due to the issuance of Convertible Corporate Bonds), or any distribution of cash dividends after this issuance, the Bank will adjust the conversion price based on the principles of fairness, justice and equity as well as fully protecting the rights of holders of Convertible Corporate Bonds.

The following table sets out the previous adjustments of conversion price of BCQ Convertible Bonds.

| Date of the adjustment of conversion price | Adjusted conversion price (RMB/share) | Disclosure time | Disclosure media | Description of the adjustment of conversion price |
|---|---------------------------------------|-----------------|--|---|
| 28 July 2022 | 10.89 | 20 July 2022 | China Securities Journal Shanghai Securities News Securities Times Securities Daily | Adjustment due to profit distribution in 2021 |
| 20 July 2023 | 10.50 | 13 July 2023 | China Securities Journal Shanghai Securities News Securities Times Securities Daily | Adjustment due to profit distribution in 2022 |
| Latest conversion price as of the end of the Reporting Period (RMB/share) | | | | 10.89 |

Securities Issuance and Listing

8.3.6 Liabilities, Credit Changes and Cash Arrangements for Debt Repayment in Next Years

According to the Measures for the Administration for the Registration of the Issuance of Securities by Listed Companies, the Measures for the Administration of the Issuance and Trading of Corporate Bonds, the Rules of the Shanghai Stock Exchange Governing the Listing of Corporate Bonds and other relevant regulations, the Bank has engaged China Lianhe Credit Rating Co., Ltd. (“Lianhe Credit Rating”) to carry out a follow-up rating on the A Share Convertible Corporate Bonds issued by the Bank in March 2022. On 19 May 2023, Lianhe Credit Rating has issued the 2023 Follow-up Rating Report on the Public Issuance of the A Share Convertible Corporate Bonds by Bank of Chongqing Co., Ltd. The rating results are as follows: the Company’s overall credit rating is “AAA”, and the BCQ Convertible Bonds’ credit rating is “AAA” and its rating outlook is “stable”. The rating results remain unchanged as compared with the previous one.

The Bank has a reasonable asset structure with good credit standing, and there are no significant changes in liabilities. As such, the Bank has sufficient solvency.

Directors, Supervisors, Senior Management, Employees and Branch Outlets

9.1 Basic Information of Directors, Supervisors and Senior Management

9.1.1 Directors

| Name | Gender | Month and year of birth | Position in the Bank | Time in role | Number of shares held at the beginning of the period (shares) | Number of shares held at the end of the period (shares) | Increase/decrease (shares) | Reasons for the increase/decrease |
|--|--------|-------------------------|---|-------------------------------------|---|---|----------------------------|-----------------------------------|
| LIN Jun | Female | August 1963 | Secretary to the Party Committee | Since June 2017 | 20,200 | 20,200 | - | - |
| RAN Hailing | Male | May 1963 | Chairman | Since March 2018 | 66,074 | 66,074 | - | - |
| | | | Executive Director | Since March 2018 | | | | |
| GAO Song | Male | February 1979 | Deputy Secretary of the Party Committee | Since December 2013 to July 2023 | - | - | - | - |
| | | | Executive Director | Since February 2011 to August 2023 | | | | |
| LIU Jianhua | Male | December 1965 | President | Since April 2013 to August 2023 | 186,875 | 186,875 | - | - |
| | | | Deputy Secretary of the Party Committee | Since July 2023 | | | | |
| WONG Wah Sing | Male | July 1960 | Executive Director | Since February 2013 | 19,300 | 19,300 | - | - |
| | | | Chief Risk Officer | Since August 2016 | | | | |
| WONG Hon Hing | Male | August 1952 | Chief Anti-money Laundering Officer | Since October 2014 | 4,600 | 4,600 | - | - |
| | | | Vice Chairman | Since July 2007 | | | | |
| YANG Yusong | Male | June 1972 | Non-executive Director | Since December 2018 | 1,033 | 1,033 | - | - |
| WANG Fengyan | Female | August 1977 | Non-executive Director | Since April 2023 | - | - | - | - |
| WU Heng | Male | August 1976 | Non-executive Director | Since April 2019 | - | - | - | - |
| YOU Lili | Female | August 1975 | Non-executive Director | Since October 2022 | - | - | - | - |
| LIU Xing | Male | September 1956 | Independent Non-executive Director | Since March 2020 | - | - | - | - |
| WANG Rong | Male | March 1956 | Independent Non-executive Director | Since March 2020 | - | - | - | - |
| ZOU Hong | Male | October 1969 | Independent Non-executive Director | Since March 2020 | - | - | - | - |
| FUNG Don Hau | Male | December 1952 | Independent Non-executive Director | Since March 2020 | - | - | - | - |
| YUAN Xiaobin | Male | August 1969 | Independent Non-executive Director | Since May 2020 | - | - | - | - |
| Outgoing Directors During The Reporting Period: | | | | | | | | |
| ZHONG Xian | Female | June 1977 | Non-executive Director | Since October 2021 to February 2023 | 400 | 400 | - | - |

Notes: The appointment of Mr. GAO Song as an executive director is subject to the consideration and approval at the general meeting of the Bank. Upon the approval at the general meeting, his qualification is subject to the approval by the Chongqing NAFR. The qualification of Mr. GAO Song as the President of the Bank is subject to the approval by the Chongqing NAFR. Prior to the approval of his qualification, Mr. GAO Song shall perform the duties of the President of the Bank.

Directors, Supervisors, Senior Management, Employees and Branch Outlets

9.1.2 Supervisors

| Name | Gender | Month and year of birth | Position in the Bank | Time in role | Number of shares held at the beginning of the period (shares) | Number of shares held at the end of the period (shares) | Increase/decrease (shares) | Reasons for the increase/decrease |
|------------------|--------|-------------------------|---|---------------------|---|---|----------------------------|-----------------------------------|
| HUANG Changsheng | Male | February 1964 | Deputy Secretary of the Party Committee Employee Supervisor Chairman of the Labor Union | Since April 2013 | 123,451 | 123,451 | - | - |
| YIN Jun | Male | September 1979 | Employee Supervisor | Since May 2019 | - | - | - | - |
| WU Ping | Male | October 1967 | Employee Supervisor | Since December 2019 | 65,625 | 65,625 | - | - |
| QI Jun | Male | December 1978 | Shareholder Supervisor | Since December 2019 | - | - | - | - |
| CHEN Zhong | Male | April 1956 | External Supervisor | Since June 2016 | - | - | - | - |
| PENG Daihui | Male | October 1954 | External Supervisor | Since May 2018 | - | - | - | - |
| HOU Guoyue | Male | May 1974 | External Supervisor | Since December 2019 | - | - | - | - |

Directors, Supervisors, Senior Management, Employees and Branch Outlets

9.1.3 Senior Management

| Name | Gender | Month and year of birth | Position in the Bank | Time in role | Number of shares held at the beginning of the period (shares) | Number of shares held at the end of the period (shares) | Increase/decrease (shares) | Reasons for the increase/decrease |
|---|--------|-------------------------|---|------------------------------------|---|---|----------------------------|-----------------------------------|
| RAN Hailing | Male | May 1963 | Deputy Secretary of the Party Committee | Since December 2013 to July 2023 | 66,074 | 66,074 | - | - |
| | | | Executive Director | Since February 2011 to August 2023 | | | | |
| | | | President | Since April 2013 to August 2023 | | | | |
| GAO Song | Male | February 1979 | Deputy Secretary of the Party Committee | Since July 2023 | - | - | - | - |
| | | | Executive Director | - | | | | |
| | | | President | - | | | | |
| LIU Jianhua | Male | December 1965 | Member of the Party Committee | Since February 2013 | 186,875 | 186,875 | - | - |
| | | | Executive Director | Since August 2016 | | | | |
| | | | Vice President | Since October 2014 | | | | |
| YANG Shiyin | Female | September 1965 | Member of the Party Committee | Since February 2013 | 155,147 | 155,147 | - | - |
| | | | Vice President | Since October 2014 | | | | |
| ZHOU Guohua | Male | December 1965 | Member of the Party Committee | Since February 2013 | 87,723 | 87,723 | - | - |
| | | | Vice President | Since October 2014 | | | | |
| PENG Yanxi | Female | June 1976 | Member of the Party Committee | Since October 2015 | 18,700 | 18,700 | - | - |
| | | | Vice President | Since March 2016 | | | | |
| HUANG Ning | Male | June 1974 | Secretary to the Board | Since August 2018 | 81,462 | 81,462 | - | - |
| | | | Member of the Party Committee | Since October 2014 | | | | |
| WONG Wah Sing | Male | July 1960 | Vice President | Since March 2016 | 19,300 | 19,300 | - | - |
| | | | Executive Director | Since September 2016 | | | | |
| | | | Chief Risk Officer | Since September 2016 | | | | |
| | | | Chief Anti-money Laundering Officer | Since December 2019 | | | | |
| <i>Outgoing Senior Management During The Reporting Period</i> | | | | | | | | |
| SUI Jun | Male | January 1968 | Member of the Party Committee | Since April 2016 to March 2023 | 20,400 | 20,400 | - | - |
| | | | Vice President | Since June 2017 to April 2023 | | | | |

Directors, Supervisors, Senior Management, Employees and Branch Outlets

9.2 Positions of Directors, Supervisors and Senior Management

9.2.1 Position held in shareholder

| Name | Name of shareholder | Position held in shareholder | Date of appointment | Date of termination |
|---------------|--|--|---------------------|---------------------|
| WONG Hon Hing | Dah Sing Bank, Limited | Executive Director | August 1989 | To date |
| | | Vice chairman of the board of directors | April 2011 | To date |
| WANG Fengyan | Chongqing Water Conservancy Investment Group Co., Ltd. | Member of the Party Committee, Director, Vice general manager, General counsel | February 2021 | To date |
| WU Heng | SAIC Motor Corporation Limited | General manager of the financial affairs department | August 2019 | To date |
| YOU Lili | Chongqing Land Group | Deputy Secretary of the Party Committee, Director, General manager | April 2020 | To date |
| QI Jun | Chongqing Beiheng Investment & Development Limited | Supervisor | May 2015 | To date |

9.2.2 Position held in other companies

| Name | Name of other companies | Position held in other companies |
|-------------------|--|--|
| WONG Hon Hing | Dah Sing Banking Group Limited | Executive director, managing director and chief executive officer, and vice chairman of the board of directors |
| | Dah Sing Financial Holdings Limited | Executive director, managing director and chief executive officer |
| | Banco Commercial De Macau | Director |
| | Dah Sing Bank (China) Co., Ltd. | Chairman of the board of directors |
| | Dah Sing Insurance Company (1976) Ltd. | Executive Director |
| | Bank Consortium Holding Limited | Director |
| | Bank Consortium Trust Company Limited | Director |
| | BCT Financial Limited | Director |
| | Nengmin Holding Limited (能敏控股有限公司) | Director |
| | DSGI (1) Limited | Director |
| DSLII (2) Limited | Director | |

Directors, Supervisors, Senior Management, Employees and Branch Outlets

| Name | Name of other companies | Position held in other companies |
|--|--|---|
| YANG Yusong | DSLJ (BVI) (1) Limited | Director |
| | Macau Insurance Company Limited | Director |
| | MEVAS (1931) Limited | Director |
| | WOF Escrow Limited | Director |
| | The Chinese Banks' Association Limited | Director |
| | Chongqing Yufu Holding Group Co., Ltd. | Member of the Party Committee, and vice general manager |
| WU Heng | Ancheng Property & Casualty Co., Ltd. | Director |
| | Chongqing Shangshe Company (Group) Co., Ltd. | Director |
| | Chongqing Department Store Co., Ltd. | Director |
| | SAIC Motor Financial Holding Management Co., Ltd. | Director and general manager |
| | SAIC Venture Capital Corporation | Chairman of the board of directors, general manager, and legal representative |
| | SAIC Equity Investment Company Limited | Director |
| | China Merchants Bank Co., Ltd. | Supervisor |
| | Shanghai SAIC Hengxu Investment Management Co., Ltd. | Director |
| | Wuhan Heading Data Intelligence Technology Co., Ltd. | Director |
| | SAIC Anji Logistics Co., Ltd. | Director |
| | Anji Hoau Logistics Technology (Shanghai) Co., Ltd. (安吉華宇物流科技(上海)有限公司) | Director |
| | Shanghai Automotive Group Finance Company, Ltd. | Director |
| | Anji Car Rental and Leasing Co., Ltd. | Director |
| | SAIC HK International Finance Limited | Director |
| | RV2Go Technology Co., Ltd. (房車生活家科技有限公司) | Director |
| | SAIC Insurance Sales Company Limited | Director |
| | SAIC-GMF Leasing Co., Ltd. | Director |
| | Shanghai SAIC Mobility Technology and Service Co., Ltd. | Director |
| | Shanghai UTOPILOT Technology Co., Ltd. (上海友道智途科技有限公司) | Director |
| | Wuhan KOTEI Informatics Co., Ltd. | Director |
| Shanghai Jie-Hydrogen Technology Co., Ltd. (上海捷氫科技股份有限公司) | Director | |
| DIAS Automotive Electronic Systems Co., Ltd. (聯創汽車電子有限公司) | Director | |
| Shanghai Lianjing Automotive Technology Co., Ltd. (上海聯徑汽車科技有限公司) | Director | |
| Shanghai State-Owned Capital Investment FOF Co., Ltd. | Deputy chairman | |

Directors, Supervisors, Senior Management, Employees and Branch Outlets

| Name | Name of other companies | Position held in other companies |
|--|---|-------------------------------------|
| LIU Xing | School of Economics and Business Administration of Chongqing University | Professor and doctoral supervisor |
| | New Dazheng Property Group Co., Ltd. | Director |
| | CETC Chips Technology Inc. | Independent director |
| | Yinhua Fund Management Co., Ltd. | Independent director |
| | China Finance and Accounting Research Center of Chongqing University | Director |
| | Review panel of the National Social Science Fund Project | Expert |
| | Review panel of the National Natural Science Foundation Project | Expert |
| | Overseas Academic Exchange Committee of the Accounting Society of China | Deputy director |
| | | |
| ZOU Hong | Faculty of Business and Economics of the University of Hong Kong | Professor of finance (Tenure) |
| | Ping An OneConnect Credit Reference Services Agency (HK) Limited | Independent director |
| FUNG Don Hau | China Banking Association | Senior advisor (Part-time) |
| | The Hong Kong Institute of Bankers | Senior advisor (Part-time) |
| | “Asian Financial Think Tank” under Asian Financial Cooperation Association | Contact research fellow (Part-time) |
| | Chang’an Bank Limited | Independent director |
| YUAN Xiaobin | National Administration of Financial Regulation | Adjunct professor (Part-time) |
| | Zhonghao Law Firm | Chairman of the board of directors |
| | Revolutionary Committee of the Chinese Kuomintang | Member of the Standing Committee |
| | Revolutionary Committee of the Chinese Kuomintang Chongqing Municipal Committee | Deputy chairman |
| | Chongqing Lawyers Association | President |
| | Chongqing Municipal Committee of the Communist Party of China | Legal advisor |
| | Chongqing Law Society | Vice president |
| | Chongqing Municipal People’s Government | Decision-making consultant |
| | China International Economic and Trade Arbitration Commission | Arbitrator |
| | Shanghai International Arbitration Center | Arbitrator |
| Hanhua Financial Holding Co., Ltd. | Independent director | |
| Changan Auto Finance Co., Ltd. | Independent director | |
| Chongqing Pingwei Auto Science & Technology Co.,Ltd. | Independent director | |
| Chongqing International Trust Co., Ltd. | Independent director | |

Directors, Supervisors, Senior Management, Employees and Branch Outlets

| Name | Name of other companies | Position held in other companies |
|------------|---|--|
| CHEN Zhong | Brightstone Investment and Management Co., Ltd. | Deputy chairman |
| | Bright Stone Innovation Technology Group Co., Ltd. | Director |
| | Sichuan Development Lomon Co.,Ltd. | Director |
| | Doushen (Beijing) Education & Technology INC. | Independent director |
| | Chongqing International Trust Co., Ltd. | Independent director |
| | Sichuan Provincial Investment Group Company Limited | External director |
| HOU Guoyue | Southwest University of Political Science and Law | Professor |
| | K&H Law Firm in Chongqing | Chairman of the executive committee |
| | Chongqing Airport Group Co., Ltd. | Supervisor |
| | Chongqing United Wisdom Technology Co., Ltd. | Director |
| QI Jun | Chongqing Liang Jiang New Area Industrial Development Group Co., Ltd. | Deputy manager of the financial department |
| | Chongqing Jutai Minsheng Investment and Development Co., Ltd. | Supervisor |
| | Chongqing Shale Gas Industry Investment Fund Co., Ltd. | Supervisor |
| | Chongqing Liang Jiang New Area Ruizi Technology Service Co., Ltd. | Legal representative, executive director and manager |

9.3 Changes in Directors, Supervisors and Senior Management

9.3.1 Changes in Directors

On 13 February 2023, Ms. ZHONG Xian resigned her positions as a non-executive Director of the Bank, and a member of each of the audit committee and the connected transactions control committee under the Board, due to work adjustment.

On 27 February 2023, the 62nd meeting of the six session of the Board of the Bank considered and approved the Proposal on Election of Mr. ZHOU Qiang as a Non-executive Director of Bank of Chongqing, and proposed to appoint Mr. ZHOU Qiang as a non-executive Director of the Bank. The appointment has been considered and approved at the 2022 annual general meeting of the Bank, but his qualification is subject to the approval by Chongqing NAFR.

On 20 April 2023, as approved by the Approval of the Qualification of WANG Fengyan (Yu Yin Bao Jian Fu [2023] No. 56) from the Chongqing CBIRC, Ms. WANG Fengyan served as a non-executive Director of the Bank since the date of such approval. The term of office of Ms. WANG Fengyan as a non-executive Director of the Bank commenced from the date of such approval (being 20 April 2023), and will end upon the expiry of the six session of the Board.

Directors, Supervisors, Senior Management, Employees and Branch Outlets

On 2 August 2023, Mr. RAN Hailing resigned from his positions as an executive Director of the Bank, the chairman of the Information Technology Guidance Committee, and a member of each of the Strategy and Innovation Committee and the Risk Management Committee under the Board, due to reaching the age of retirement.

On 3 August 2023, the 71st meeting of the sixth session of the Board of the Bank considered and approved the Proposal on the Nomination of Mr. GAO Song as an Executive Director of Bank of Chongqing Co., Ltd., which proposed to appoint Mr. GAO Song as an executive Director of the Bank. Such appointment is subject to the consideration at the general meeting of the Bank. Upon the approval at the general meeting, his qualification is subject to the approval by the Chongqing NAFR.

9.3.2 Changes in Supervisors

On 28 February 2023, Mr. PENG Daihui resigned from the position of an external Supervisor of the Bank and the chairman of the Supervision and Nomination Committee of the Board of Supervisors due to the latest part-time management requisites for retirees by his former employer. Given that the resignation of Mr. PENG will result in the number of members of the Board of Supervisors of the Bank being lower than the minimum number required by the Bank's Articles of Association, Mr. PENG's resignation will take effect after the election of a new external Supervisor at the general meeting of the Bank, in accordance with laws and regulations, the Bank's Articles of Association and other relevant provisions. Prior to this, Mr. PENG will continue to perform the duties of an external Supervisor of the Bank and the chairman of the Supervision and Nomination Committee of the Board of Supervisors.

9.3.3 Changes in Senior Management

On 10 April 2023, Mr. SUI Jun resigned from his position as a Vice President of the Bank due to work adjustment.

On 2 August 2023, Mr. RAN Hailing resigned from his position as the President of the Bank due to reaching the age of retirement.

On 3 August 2023, the 71st meeting of the sixth session of the Board of the Bank considered and approved the Proposal on the Appointment of Mr. GAO Song as the President of Bank of Chongqing Co., Ltd. The Board has approved the appointment of Mr. GAO Song as the President of the Bank. The qualification of Mr. GAO Song as the President of the Bank is subject to the approval by the Chongqing NAFR. Prior to the approval of his qualification, Mr. GAO Song shall perform the duties of the President of the Bank.

Directors, Supervisors, Senior Management, Employees and Branch Outlets

9.4 Interests and Short Positions of the Directors, Supervisors and Chief Executive Under Hong Kong Laws and Regulations

As at 30 June 2023, the interests of the Directors, Supervisors and chief executive of the Bank and their respective associates in the shares of the Bank which were required, pursuant to Section 352 of the SFO to be entered into the register maintained or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules, to be notified to the Bank and the Hong Kong Stock Exchange are as follows:

| Name | Position | Class of Shares | Long/Short Position | Capacity | Number of Shares Held | Percentage of the total share capital of the Bank (%) |
|------------------|---|-----------------|---------------------|--------------------|-----------------------|---|
| LIN Jun | Secretary to the Party Committee Chairman Executive Director | A Share | Long position | Beneficial owner | 20,200 | 0.00058 |
| RAN Hailing | Deputy Secretary of the Party Executive Director President | A Share | Long position | Beneficial owner | 66,074 | 0.00190 |
| LIU Jianhua | Member of the Party Committee Executive Director Vice President | A Share | Long position | Beneficial owner | 186,875 | 0.00538 |
| WONG Wah Sing | Executive Director Chief Risk Officer Chief Anti-money Laundering Officer | A Share | Long position | Beneficial owner | 19,300 | 0.00056 |
| WONG Hon Hing | Vice Chairman Non-executive Director | A Share | Long position | Beneficial owner | 4,600 | 0.00013 |
| YANG Yusong | Non-executive Director | A Share | Long position | Beneficial owner | 1,033 | 0.00003 |
| HUANG Changsheng | Deputy Secretary of the Party Committee Employee Supervisor Chairman of the Labor Union | A Share | Long position | Beneficial owner | 123,451 | 0.00355 |
| | | A Share | Long position | Interest of spouse | 60,647 | 0.00175 |
| WU Ping | Employee Supervisor | A Share | Long position | Beneficial owner | 65,625 | 0.00189 |

Save as disclosed above, none of the Directors, the Supervisors, or the chief executives of the Bank or their associates held any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations as at 30 June 2023.

Directors, Supervisors, Senior Management, Employees and Branch Outlets

9.5 Securities Transactions by Directors, Supervisors and Relevant Employees

The Bank has adopted the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules as the code of conduct to govern the securities transactions by Directors and Supervisors of the Bank. Upon enquiry, to the best knowledge of the Bank, all Directors and Supervisors of the Bank have always complied with the Model Code above during the Reporting Period.

The Bank has also set up guidelines in respect of the dealings by its relevant employees in the Bank's securities, which are on no less exacting terms than the Model Code. During the Reporting Period, the Bank was not aware of any breach of the guidelines by its relevant employees.

9.6 Details of employees

As of 30 June 2023, the Bank had a total of 5,118 regular employees, 4,848 of whom held bachelor's degree or above, representing 94.72% of all the Bank's regular employees. In addition, the Bank had 139 dispatch workers, 53 internally retired employees and 292 retired employees. Furthermore, the controlled subsidiaries of the Bank had 169 employees, including 99 employees in Xinyu Financial Leasing and 70 employees in Xingyi Wanfeng.

The following table sets forth the composition of the Bank's regular employees.

| Item | Number of employees | Percentage (%) |
|--|---------------------|----------------|
| <i>Composition of professions</i> | | |
| Supporting | 763 | 14.91 |
| Risk control | 378 | 7.39 |
| Operation | 1,009 | 19.71 |
| Business development | 1,555 | 30.38 |
| Information technology | 160 | 3.13 |
| Management | 1,253 | 24.48 |
| <i>Educational background</i> | | |
| Master's degree or above | 799 | 15.61 |
| Bachelor's degree | 4,049 | 79.11 |
| College's degree or below | 270 | 5.28 |
| <i>Range of ages</i> | | |
| 30 and below | 1,108 | 21.65 |
| 31-40 | 2,753 | 53.79 |
| 41-50 | 885 | 17.29 |
| 51 and above | 372 | 7.27 |
| <i>Composition of genders</i> | | |
| Male | 2,179 | 42.58 |
| Female | 2,939 | 57.42 |
| Total | 5,118 | 100.00 |

Directors, Supervisors, Senior Management, Employees and Branch Outlets

9.7 Details of branch outlets

| Item | Business address | Number of branches | Number of employees | Asset scale (RMB100 million) |
|--|---|--------------------|---------------------|------------------------------|
| Head Office | No. 6 Yongpingmen Street, Jiangbei District, Chongqing | – | 1,105 | 3,648.12 |
| Liangjiang Branch | No. 52 Middle Section of Huangshan Avenue, Yubei District, Chongqing | 9 | 254 | 220.53 |
| Chongqing Pilot Free Trade Zone Branches | No. 153 Zourong Road, Yuzhong District, Chongqing | 8 | 255 | 166.17 |
| Other branches in Chongqing Region | Please refer to Chapter “List of Branch Outlets” for details | 126 | 2,409 | 2,346.46 |
| Chengdu Branch | North Building, New Tianfu International Centre, No. 99 Tianfu Second Street, Hi-Tech District, Chengdu, Sichuan | 13 | 434 | 335.72 |
| Xi’an Branch | 1/F to 3/F, Building 2, Yinhe Xinzubiao Building, No. 25 Tangyan Road, Xi’an, Shaanxi | 11 | 375 | 329.65 |
| Guiyang Branch | 3/F to 8/F, Building 4, North Commercial Zone of Financial City, Area B of Zhongtian Exhibition City, Changling North Road, Guanshanhu District, Guiyang, Guizhou | 7 | 286 | 223.96 |
| Total | – | 173 | 5,118 | 7,270.61 |

Environmental and Social Responsibility

10.1 Environmental Protection

10.1.1 Promotion of Green Finance

The Bank based itself on the “dual carbon” national strategy and proactively practiced the concept of green development. With focus on key areas such as green manufacturing, green energy and green transportation, the Bank further promoted the group-based development of green finance and was committed to meeting the comprehensive financial needs of customers under the “dual carbon” goals. As of the end of the Reporting Period, the scale of green finance of the Bank was RMB38.814 billion, of which the balance of green credit was RMB33.513 billion, representing a period-on-period increase of 49.12%. During the Reporting Period, the Bank was honored a number of external awards, including the “Model Entity of Chongqing in Green Finance”, the “Excellent Cases on Green Finance Innovation of Chongqing” and the “Model Individual of Chongqing in Green Finance”, and was among the first batch of banks to obtain a regulatory license for the green finance business department.

With focus on strategic guidance, product innovation, technology empowerment and promotion of concepts, the Bank continued to promote the high-quality development of green finance.

Strengthening strategic guidance to boost business development. The Bank strengthened the strategic guidance, integrated green finance into the Development Plan of the Bank during the 14th Five-Year Period, and formulated a three-year implementation plan and an annual development plan, which further defined the development direction, objectives and implementation paths of green finance. The Bank increased resources investment to further improve the system of green finance, and formulated supporting policies of green finance including credit policy and assessment policy, so as to gradually improve the refined management and guidance for the development of green finance.

Focusing on innovation-driven strategy to invigorate new driving forces. With focus on featured products under green finance, the Bank continued to promote the launch of mortgage and pledge financing business based on environmental rights and interests such as pollutant discharge rights and forest rights. Relying on monetary policy tools for green finance, the Bank rolled out the first batch of instruments to support the reduction of carbon emission. Through integrating the development of green finance and inclusive finance, the Bank expanded the coverage of “Haoqi Lvye Loan (好企綠業貸)”, an online green finance product.

Adopting financial technology to strengthen risk management. While exploring the digital ESG ratings for corporate customers, the Bank conducted an in-depth analysis of several indicators for environmental resources, social responsibility and corporate governance, and promoted the application of rating results in the credit process from specific points to a broad series, so as to ensure the sustainable development of investment and financing business. Through incorporating the concepts of environmental and social risk management under the Equator Principles into the credit process, the Bank has established an environmental and social risk prevention and control system based on the green finance management system, thus improving the environmental risk management in the operation of projects.

Leveraging the linkage effect to improve green performance. The Bank has coordinated a number of active measures to promote the carbon neutrality of the Bank and publicize green and low-carbon operations. Relying on the “Sichuan-Chongqing Joint Service Platform for Carbon Neutrality”, the headquarters building of the Bank has achieved the carbon neutrality, which was the first headquarters in Chongqing to achieve carbon neutrality and the first cross-regional project within the Chengdu-Chongqing Economic Circle to achieve carbon neutrality. The Bank has hosted the “National Low-Carbon Day” theme events with the Chongqing Municipal Ecology and Environment Bureau for three consecutive years, with a view to publicizing and promoting green and low-carbon concepts.

10.1.2 Green Operation

The Bank made efforts to promote the philosophy of low-carbon and green office, and thus the philosophy of energy saving and environmental protection took root in its employees. The Bank formulated the Management Measures for Bank of Chongqing Building to regulate the energy consumption and environmental management of office buildings. The Bank required all employees to develop the green and energy conservation concept, and encouraged low-carbon office and safety and conservation of electricity. In order to promote energy saving and consumption reduction during the summer peak, the Bank made early arrangements to help ensure the local electricity supply and assume its responsibility as a state-owned enterprise. All employees are also required to follow the good practices of turning off lights, water, computers and air conditioners while leaving. Detailed energy-saving measures were formulated for the use of lights, air conditioners, water, paper, disposables and cleaning supplies. The head office building was awarded the Golden Label for green building design by the Chongqing Urban and Rural Development Committee. The office building adopts the renewable energy from the river water source for centralized heating and cooling. The lighting and air-conditioning systems of the office building are equipped with an intelligent system, which can intelligently implement the energy-saving control of office areas and rationally use air conditioners according to the temperature changes. The office building is equipped with the energy-saving control system for the central air-conditioning and water systems. Through improving the cooling and heating system and the coordinated operation of electromechanical equipment, the office building realized modern equipment management, thereby reducing the energy consumption of equipment and promoting the application of renewable energy in buildings. In order to promote the development of new energy vehicles and reduce automobile exhaust pollution, the office building has successively built charging piles.

The Bank gave full play to the advantages of online office, further promoted paperless office, advocated the use of both sides of paper, and reduced the use of disposable articles including paper cups, so as to minimize paper consumption. The Bank use durable goods as much as possible, reuse items multiple times, and replace paper cups with porcelain and glass cups. Office supplies are controlled by appropriating budgets based on the number of people in order to reduce consumption. The Bank carried out the “clean plate” campaign, practiced austerity, cherished food and refused to waste food.

In terms of building energy conservation of outlets, energy-saving and thermal insulation materials are used for external walls, and building materials used are environmentally friendly. In addition, intelligent control of indoor lighting in outlets is gradually promoted to effectively save energy, and indoor natural ventilation and lighting are used as far as possible based on the actual conditions, so as to further achieve the goal of saving energy and reducing consumption.

In procurement management, the Bank publicized and practiced the green and environmental protection philosophy. The Bank had strict requirements on admission of suppliers in terms of environmental protection, energy conservation and emission reduction, and took environmental protection qualification and energy conservation performance of suppliers as important considerations for the procurement of engineering air conditioners, advertising equipment and other products. The requirements on environmental protection were implemented for the selection of construction suppliers. The Bank established a procurement management system and put it into operation to promote online remote biddings for suppliers, so as to reduce procurement costs.

Environmental and Social Responsibility

The Bank and its subsidiaries are not included in the list of main pollutants discharging entities announced by the environmental protection department. During the Reporting Period, the Bank and its subsidiaries were not subject to punishment as a result of violation of laws and regulations in relation to environmental protection. The Bank operates in the monetary and financial service industry, and its main business does not generate pollutants specified in the Regulations on the Administration of List of Main Pollutants Discharging Entities. In future production and operation activities, the Bank and its subsidiaries will strictly comply with the Environmental Protection Law of the People's Republic of China and other environmental protection laws and regulations, and perform the environmental protection responsibilities of financial enterprises.

10.2 Consolidation and Expansion of Poverty Alleviation Achievements and Rural Revitalization

During the Reporting Period, the Bank continued to strengthen agriculture-related financial services, and made every effort to consolidate and expand the achievements of poverty alleviation and fully promote the rural revitalization. As of the end of June 2023, the balance of agriculture-related loans of the Bank was RMB60,015 million, representing an increase of RMB4,573 million as compared with the end of the previous year, and the balance of inclusive agriculture-related loans was RMB14,224 million, representing an increase of RMB1,769 million as compared with the end of the previous year. During the Reporting Period, the Bank was awarded the “2022 Excellent Grade in the Evaluation of Financial Institutions for Rural Revitalization” (2022 年度金融機構服務鄉村振興考評優秀) by the Chongqing business management department of the PBOC and the Chongqing CBIRC.

Focusing on five aspects to provide more targeted financial services. In terms of food security and the stable supply of important agricultural products, the Bank relied on its special products such as the “Youth Rural Revitalization Loan” (鄉村振興青年貸), to respond to the national program of “improving the grain production by one hundred billion kilograms”, ensure the “rice bag” and “shopping basket” supply, and support the construction of a diversified food supply system. In terms of consolidating and expanding the achievements of poverty alleviation, the Bank adopted the consumption assistance through the canteen procurement and the sales assistance via self-operated online platform, so as to broaden sales channels of agricultural products from key areas for rural revitalization and paired assistance, and effectively consolidate the achievements of “two assurances and three guarantees”. In terms of the revitalization and development of rural industries, the Bank provided special products such as “Two Mountains, Informatization and Industrialization – Haoqi Agricultural Support Loan” (兩山兩化•好企助農貸), based on the advantageous and featured agricultural industry clusters in different regions, which aimed to prioritize the financing needs of new agricultural business entities and support the cultivation of advantageous and featured industries with production value of RMB100 billion. In terms of the construction of harmonious and beautiful villages, the Bank adopted the special models covering “Rural Revitalization Loan” (鄉村振興貸) and “Water and Electricity Loan” (小水電貸), so as to increase the credit support for agricultural and rural road transportation, healthcare and elderly care, education and training, logistics and communication, water and electricity supply, clean energy and living conditions, and support the construction of 1,000 demonstration projects for livable, business-friendly and beautiful village. In terms of financial services for new citizens, the Bank rolled out special products such as “Creation Loan” (創想貸), “Jie E Dai” (捷 e 貸) and “Xing Fu Dai” (幸福貸), with a view to meeting the financial service needs of migrant workers and other new citizens in employment and entrepreneurship, house purchasing, education and training, and healthcare and elderly care, and helping migrant workers from counties become urban citizens.

Strengthening five aspects to improve financial service capabilities. In terms of strengthening organization and leadership, the Bank regularly held working group meetings on rural revitalization covering different departments in the front, middle and back offices, strengthened the mechanism of designated person in charge, special assessment and special work, so as to promote the efficient operation and effective implementation of financial services for rural revitalization. In terms of strengthening policy empowerment, the Bank formulated and implemented the “Implementation Plan for Providing Financial Support to Comprehensively Promote Rural Revitalization and Key Works in 2023” (《2023 年金融支持全面推進鄉村振興重點工作實施方案》), covering 23 specific measures. In terms of strengthening research and supervision, the Bank carried out in-depth research on agriculture-related enterprises and agricultural projects, and strengthened the supervision of branches and regions, so as to fully understand and effectively meet the financing service needs of agricultural business entities. In terms of strengthening support and guarantees, the Bank gave a preferential support to financial services for rural revitalization covering credit approval, fund pricing, evaluation and incentives, human resources and liability exemption for due diligence, and enhanced the courage, willingness, capability, and capacity of release of loans. In terms of strengthening the reshape of procedures, the Bank improved the green channels for the credit business on rural revitalization, implemented prioritized acceptance, review and approval, and provided loans as practical as possible and as soon as possible.

Implementing innovations in five aspects to improve the quality and efficiency of financial services. In terms of special innovation teams, the Bank set up special teams for rural revitalization and innovative financial products and for the registration-based rating of new agricultural business entities, with refined tasks and enhanced evaluation, and established an operation mechanism for cross-department and interdisciplinary collaboration. In terms of innovative products and businesses, the Bank developed the “Youth Rural Revitalization Loan” (鄉村振興青年貸), which is the first special credit product in Chongqing under the “Youth Rural Revitalization Loan Program” (鄉村振興青年貸項目) focusing on supporting the entrepreneurship and development of rural youth, and launched the “Two Mountains, Informatization and Industrialization – Haoqi Agricultural Support Loan” (兩山兩化•好企助農貸) to mainly support the production and operation of new agricultural business entities. In terms of innovative service channels, the Bank provided smooth online service channels such as mobile banking and WeChat banking, and developed a customer service system with instant interaction integrating text, voice, remote video and other functions, so as to expand the coverage of financial services. In terms of the publicity and education of financial innovation, the Bank strengthened the education of rural financial consumers and the publicity of financial knowledge relying on its channels including official website, business outlets and mobile banking vehicles as well as its platforms including convenient service centers in rural areas and inclusive financial service bases. In terms of the construction of innovative credit, the Bank promoted the construction of rural credit system in key areas for paired assistance, conducted the innovative evaluation of “credit village” and “credit household” in Tongcheng Town of Wuxi County, and developed the customized financial service model of “credit for the whole village”.

10.3 Consumer Protection

10.3.1 Overview on Consumer Protection

The Bank attaches great importance to consumer protection, and earnestly assumes the main responsibility to protect the legitimate rights and interests of financial consumers in line with the principles of legality and compliance, equality and voluntariness, integrity and credibility. In order to fulfill its legal obligations in respect of protecting the rights and interests of financial consumers, the Bank has incorporated them into its corporate governance, corporate culture construction and business development strategies.

Environmental and Social Responsibility

At the Board of Directors level, the Board of the Bank assumes the ultimate responsibility for consumer protection. The Board has set up the Consumer Protection Committee to guide and supervise the implementation of consumer protection, and monitor and evaluate the comprehensiveness, promptness and effectiveness of the Bank's consumer protection as well as the performance of relevant senior management.

At the organizational and operation guarantee level, the Bank established a special department for consumer protection at the head office in 2016. This department is responsible for the planning, management, organization and coordination of consumer protection work, and sets up a leading work group for consumer protection at the operation and management level according to internal duty distribution. The leading work group consists members from 20 relevant departments and offices, and comprises five professional teams including information disclosure coordination, knowledge dissemination and education, consumer information protection, product design coordination and coordination of complaints of consumer protection, so as to protect the legitimate rights and interests of consumers through coordinating and mobilizing of the Bank's resources more effectively.

In terms of strategy formulation and implementation measures, the Bank adhered to the "people-centered" development philosophy, thoroughly practiced the core value of "providing practical services for the public", and prioritized the in-depth incorporation of consumer protection into its corporate governance. The Bank focused on constantly improving its systems and mechanisms, strengthening the traceability and rectification of complaints, promoting the publicity of and education on financial knowledge, strengthening the education and training of employees, and strictly implementing assessment and accountability mechanism. Through coordinating development and security, the Bank made relentless efforts to consolidate its foundation, uphold fairness and promote innovation, thus unswervingly promoting its high-quality development.

10.3.2 Strengthening the handling of complaints

The Bank earnestly fulfilled its main responsibility for handling complaints, adopted the "customer-focused" approach to handle customer complaints, strictly implemented the guiding requirements of regulatory authorities on consumer complaints, and endeavored to enhance the quality and efficiency of complaint handling and the capabilities to manage the sources of complaints. Leveraging big data analysis and other technologies, the Bank continued to improve the mobile and intelligent processes of complaint handling, further implemented the requirements on class and category-based handling of complaints, and made targeted efforts to handle customer complaints, thus enhancing the satisfaction of customers.

In the first half of 2023, the Bank received a total of 1,499 customer complaints. Among them, in terms of business lines, the complaints mainly consisted of credit cards (736 cases, accounting for 49.10%), and loans (359 cases, accounting for 23.95%) and other businesses. In terms of reasons for complaints, it was mainly due to customers' lack of knowledge of rules, pricing and charges, and failure to meet customer expectations in service attitude and quality. In terms of geographical location, there were 1,369 complaints in Chongqing, accounting for 91.33%; 47 complaints in Sichuan, accounting for 3.14%; 24 complaints in Guizhou, accounting for 1.60%; and 59 complaints in Shaanxi, accounting for 3.93%.

Corporate Governance Report

11.1 Corporate Governance Overview

The Bank is committed to building a high-level corporate governance system. In strict accordance with relevant laws and regulations, including the Company Law of the People's Republic of China, the Law of the People's Republic of China on Commercial Banks, and the Securities Law of the People's Republic of China, the listing rules of stock exchanges on which the Bank was listed as well as the corporate governance practices of the Bank, we continue to optimize our corporate governance structure, improve our corporate governance system and effectively regulate the operation of corporate governance. There were no significant differences between the actual conditions of the Bank's corporate governance with the laws, administrative regulations and regulatory documents issued by securities regulatory authorities in relation to the governance of listed companies.

During the Reporting Period, the Bank strove to improve the transparency and level of corporate governance to safeguard shareholders' interests and enhance its corporate value. The Bank strictly complied with the provisions of relevant laws and regulations and the Listing Rules governing corporate governance, and completed the 2023 self-assessment of corporate governance, revised the rules of procedure for meetings of the Board of Directors and plan for the Board's Authorization to the President, established the special meeting mechanism for Independent Directors, conducted the performance assessment of the Board, Board of Supervisors and the senior management and their members, organized research and trainings for Directors, so as to regulate and improve the stakeholders protection mechanism and further enhance its information disclosure and market value management.

During the Reporting Period, the Bank strictly complied with the code provisions in the corporate governance code (the "Corporate Governance Code") set out in Appendix 14 to the Hong Kong Listing Rules, and adopted the recommended best practices as specified therein where appropriate.

11.2 Convocation of Meeting

11.2.1 General Meeting

During the Reporting Period, in accordance with the Listing Rules of Shanghai and Hong Kong and the Articles of Association, the Bank held one general meeting: the 2022 annual general meeting held on 21 June 2023.

The 2022 annual general meeting considered and approved the the Proposal on Amending the Procedural Rules for Board of Directors of Bank of Chongqing Co., Ltd. as a special resolutions; and 10 ordinary resolutions, including the Proposal on the Work Report of the Board of Directors for 2022, the Proposal on the Work Report of the Board of Supervisors for 2022, the Proposal on the Final Financial Accounts for 2022, the Proposal on the Profit Distribution Plan for 2022, the Proposal on the Financial Budget Proposal of Bank of Chongqing for 2023, the Proposal on the 2022 Annual Report of Bank of Chongqing Co., Ltd. and Highlights thereof, the Proposal on the Appointment and Remuneration of External Auditors for 2023, the Proposal on Election of Mr. Zhou Qiang as a Non-executive Director of Bank of Chongqing, the Proposal on the Estimated Annual Caps for Daily Related Transactions for 2023, and the Proposal on the Investment Plan for 2023; and heard 7 reports, including the Report of the Board of Directors on Evaluation of Performance of Duties by Directors for 2022, the Report of the Board of Supervisors on Evaluation of Performance of Duties by Supervisors for 2022, the Duty Performance and Cross-Evaluation Reports of Independent Non-executive Directors for 2022, the Cross-Evaluation Reports of external Supervisors for 2022, the Report of the Implementation of Remuneration of Non-executive Directors for 2022, the Report of the Implementation of Remuneration of Non-employee Supervisors for 2022 and the Report of Related Party Transactions for 2022.

For details of the meetings, please refer to the announcements published by the Bank on the website of the Shanghai Stock Exchange, the website of the Hong Kong Stock Exchange and the website of the Bank.

Corporate Governance Report

11.2.2 The Board of Directors

During the Reporting Period, the Board of Directors of the Bank has convened a total of nine meetings in accordance with the listing rules of Shanghai and Hong Kong and the Articles of Association, and considered and approved 50 proposals, including the Proposal on the Financial Statements and Notes thereof for 2022; the Proposal on the Final Financial Accounts for 2022; the Proposal on the Appointment and Remuneration of External Auditors for 2023; the Proposal on the 2022 Annual Report of Bank of Chongqing Co., Ltd. and Highlights thereof; the Proposal on the 2022 Social Responsibility (Environmental, Social and Governance) Report of Bank of Chongqing Co., Ltd.; the Proposal on the Special Report on the Deposit and Utilization of Raised Funds in 2022; the Proposal on the Report on Assessment of Internal Control for 2022; the Proposal on the 2023 Asset and Liability Management Strategy; the Proposal on the Work Report of the Board of Directors for 2022; the Proposal on the Report of the Board of Directors on Evaluation of Performance of Duties by Directors for 2022; the Proposal on the Duty Performance and Cross-Evaluation Reports of Independent Non-executive Directors for 2022; the Proposal on the Report of the Implementation of Remuneration of Non-executive Directors for 2022; the Proposal on the Report of the Management of Related Party Transactions for 2022; the Proposal on the Estimated Annual Cap for Daily Related Party Transactions for 2023; the Proposal on Election of Mr. Zhou Qiang as a Non-executive Director of Bank of Chongqing; the Proposal on the Management Measures on Credit Assets Risk Classification of Bank of Chongqing Co., Ltd.; the Proposal on the Plan for the Board's Authorization to the President; the Proposal on the Profit Distribution Plan for 2022; and the Proposal on Convening 2022 Annual General Meeting of Bank of Chongqing Co., Ltd., all of which were submitted or reported to the general meeting of shareholders for consideration according to the provisions of the Articles of Association of the Bank.

During the Reporting Period, the Board of Directors heard 41 reports, including the Report on Performance of Duties of the Audit Committee under the Board of Directors for 2022; the Report on Information Technology Work for 2022; the Report on Green Finance Work for 2022; the Report on Business Performance and Work of the President for 2022; the Work Report on Consumer Protection for 2022; the Report on Profitability Analysis for 2022; the Report on the Analysis of Asset and Liability Management for 2022; the Report on the Management of Liquidity Risk for 2022; the Report on the Management of Liability Quality for 2022; the Report on the Management of Outward Investments for 2022; and the Report on the Consolidated Management of the Group for 2022, through which the Board of Directors had a full knowledge of the business management, risk management, compliance of internal control, consumer protection and other work of the Bank.

During the Reporting Period, the independent Directors of the Bank actively performed their duties, attended the general meeting, the meetings of the Board and its special committees, and expressed independent opinions on major issues including profit distribution, connected transactions, internal control, nomination and consideration of Directors and Deposit and Use of Raised Proceeds, to ensure the legality and compliance of items considered, the legality and validity of decision-making procedures, and actively safeguard the rights and interests of the Bank and minority shareholders.

11.2.3 Board of Supervisors

During the Reporting Period, in accordance with the Listing Rules of Shanghai and Hong Kong and the Articles of Association, the Board of Supervisors held a total of 4 meetings, which considered and approved 17 proposals including the Proposal on the 2022 Annual Report of Bank of Chongqing Co., Ltd. and Highlights thereof, the Proposal on the Profit Distribution Plan for 2022, the Proposal on the Special Report on the Deposit and Actual Utilization of Raised Funds in 2022, the Proposal on the Work Report of the Board of Supervisors for 2022, the Proposal on the Report of the Board of Supervisors on Evaluation of Performance of Duties by Supervisors for 2022, and the Proposal on the Report of the External Supervisors on Peer Evaluation of Performance of Duties for 2022, and actively performed its duties of supervision.

During the Reporting Period, the Board of Supervisors heard 7 reports, including the Report on the Update of Directory of Related Parties for the Year Ended 31 December 2022, the Report on the Operation, Development and Management of Branches of Bank of Chongqing Outside Chongqing for 2022, and the Work Report on Consumer Protection for 2022, and deeply understood the Bank's operation and management, and expressed opinions and suggestions on material matters.

During the Reporting Period, members of the Board of Supervisors of the Bank attended shareholders' meetings, were also in attendance at meetings of the Board and special committees under it to ensure adequate supervision of the decision-making process for significant matters of the Bank. All external Supervisors of the Bank were able to independently perform their supervision duties in accordance with regulatory requirements, proactively understood the operation and management of the Bank, carefully studied proposals and special reports, and put forward opinions and suggestions, and played an important role in the performance of the supervision duties of the Board of Supervisors.

11.3 Profits and Dividends

The Bank's revenue for the six months ended 30 June 2023 and the Bank's financial position as at the same date are set out in the section headed "Financial Report".

As considered and approved at the 2022 annual general meeting held on 21 June 2023, the Bank paid all shareholders a final dividend of RMB3.95 (inclusive of tax) per 10 shares for the year ended 31 December 2022 ("**2022 Final Dividend**"), amounting to RMB1,372,449,369.57 (inclusive of tax) in aggregate. The 2022 Final Dividend has been paid to A shareholders and H shareholders of the Bank on 20 July 2023.

The Group will not declare an interim dividend for 2023 or convert any capital reserve into share capital.

Financial Report

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Report on Review of Interim Financial Information

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

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

Introduction

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

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

Scope of Review

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

Conclusion

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

Ernst & Young

Certified Public Accountants

Hong Kong

30 August 2023

Interim Condensed Consolidated Statement of Comprehensive Income

| | Notes | For the six months ended 30 June | |
|--|-------|----------------------------------|--------------------------------|
| | | 2023 (Unaudited) RMB'000 | 2022 (Unaudited) RMB'000 |
| Interest income | | 14,085,252 | 13,656,304 |
| Interest expense | | (8,698,825) | (8,301,765) |
| Net interest income | 4 | 5,386,427 | 5,354,539 |
| Fee and commission income | | 299,175 | 485,480 |
| Fee and commission expense | | (102,629) | (73,014) |
| Net fee and commission income | 5 | 196,546 | 412,466 |
| Net trading gains | 6 | 160,965 | 188,814 |
| Net gains on investment securities | 7 | 838,034 | 616,093 |
| Other operating income | 8 | 149,479 | 73,644 |
| Operating income | | 6,731,451 | 6,645,556 |
| Operating expenses | 9 | (1,789,148) | (1,650,058) |
| Credit impairment losses | 11 | (1,760,922) | (1,648,792) |
| Other impairment losses | | (1,278) | – |
| Operating profit | | 3,180,103 | 3,346,706 |
| Share of profits of associates | 20 | 246,464 | 125,361 |
| Profit before income tax | | 3,426,567 | 3,472,067 |
| Income tax | 12 | (374,237) | (575,097) |
| Net profit for the period | | 3,052,330 | 2,896,970 |
| Net profit attributable to: | | | |
| Shareholders of the Bank | | 2,906,469 | 2,784,631 |
| Non-controlling interests | | 145,861 | 112,339 |
| | | 3,052,330 | 2,896,970 |
| Earnings per share attributable to the shareholders of the Bank (expressed in RMB per share) | 13 | | |
| Basic | | 0.84 | 0.80 |
| Diluted | | 0.66 | 0.71 |

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

Interim Condensed Consolidated Statement of Comprehensive Income

| | Notes | For the six months ended 30 June | |
|---|-------|----------------------------------|--------------------------------|
| | | 2023 (Unaudited) RMB'000 | 2022 (Unaudited) RMB'000 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Net gains/(losses) on debt investments at fair value through other comprehensive income | | 1,165,622 | (395,909) |
| Less: Relevant income tax effect | | (291,405) | 98,977 |
| Subtotal | | 874,217 | (296,932) |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | |
| Net losses on equity securities at fair value through other comprehensive income | | (9,760) | – |
| Less: Relevant income tax effect | | 2,440 | – |
| Remeasurement of retirement benefits | | 1,300 | (851) |
| Less: Relevant income tax effect | | (325) | 213 |
| Subtotal | | (6,345) | (638) |
| Total other comprehensive income, net of tax | 37 | 867,872 | (297,570) |
| Total comprehensive income for the period | | 3,920,202 | 2,599,400 |
| Net comprehensive income attributable to: | | | |
| Shareholders of the Bank | | 3,774,341 | 2,487,061 |
| Non-controlling interests | | 145,861 | 112,339 |
| | | 3,920,202 | 2,599,400 |

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

Interim Condensed Consolidated Statement of Financial Position

| | Notes | 30 June 2023 (Unaudited) RMB'000 | 31 December 2022 (Audited) RMB'000 |
|---|-------|---|---|
| ASSETS | | | |
| Cash and balances with the central bank | 14 | 35,174,013 | 41,025,999 |
| Due from and placements with banks and other financial institutions | 15 | 46,073,219 | 43,386,030 |
| Financial assets at fair value through profit or loss ("FVPL") | 16 | 27,833,188 | 28,740,879 |
| Loans and advances to customers | 18 | 366,978,912 | 342,446,291 |
| Investment securities | 19 | | |
| – Fair value through other comprehensive income ("FVOCI") | | 87,853,483 | 74,942,136 |
| – Amortised cost | | 150,677,806 | 142,147,610 |
| Investments in associates | 20 | 2,692,274 | 2,500,712 |
| Property, plant and equipment | 21 | 3,003,899 | 3,059,481 |
| Deferred tax assets | 27 | 4,758,620 | 4,734,162 |
| Other assets | 22 | 2,015,535 | 1,729,263 |
| Total assets | | 727,060,949 | 684,712,563 |

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

Interim Condensed Consolidated Statement of Financial Position

| | Notes | 30 June 2023 (Unaudited) RMB'000 | 31 December 2022 (Audited) RMB'000 |
|---|-------|---|---|
| LIABILITIES | | | |
| Due to and placements from banks and other financial institutions | 23 | 108,458,090 | 112,003,399 |
| Financial liabilities at fair value through profit or loss | 17 | 54,422 | 11,626 |
| Customer deposits | 24 | 406,176,828 | 382,594,480 |
| Current tax liabilities | | 410,591 | 104,964 |
| Debt securities issued | 25 | 150,683,827 | 133,877,105 |
| Other liabilities | 26 | 7,310,255 | 4,625,512 |
| Total liabilities | | 673,094,013 | 633,217,086 |
| EQUITY | | | |
| Share capital | 29 | 3,474,555 | 3,474,540 |
| Other equity instruments | 30 | 5,571,077 | 5,571,090 |
| of which: Perpetual bonds | | 4,499,400 | 4,499,400 |
| Capital surplus | 31 | 7,734,910 | 7,734,772 |
| Other reserves | 32 | 12,537,687 | 11,181,305 |
| Retained earnings | | 22,420,321 | 21,374,805 |
| Equity attributable to shareholders of the Bank | | 51,738,550 | 49,336,512 |
| Non-controlling interests | | 2,228,386 | 2,158,965 |
| Total equity | | 53,966,936 | 51,495,477 |
| Total liabilities and equity | | 727,060,949 | 684,712,563 |

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

LIN JUN
CHAIRMAN

GAO SONG
*PRESIDENT (PERFORM
DUTIES OF THE PRESIDENT)*

YANG SHIYIN
VICE PRESIDENT

YANG KUN
*HEAD OF FINANCE
DEPARTMENT*

Interim Condensed Consolidated Statement of Changes in Equity

| | Equity attributable to shareholders of the Bank | | | | | | | | | | | |
|--------------------------------------|---|--------------------------|-----------------|-----------|-----------------|-----------------|-----------------|---|---|-------------------|---------------------------|-------------|
| | Share capital | Other equity instruments | | | Capital surplus | Surplus reserve | General reserve | Revaluation reserve for financial assets at FVOCI | Remeasurement of retirement benefit plans | Retained earnings | Non-controlling interests | Total |
| | | Preference shares | Perpetual bonds | Others | | | | | | | | |
| | | Note 29 | Note 30 | Note 31 | | | | | | | | |
| | | | | | | | | | | | | |
| Balance at 31 December | | | | | | | | | | | | |
| 2022 | 3,474,540 | - | 4,499,400 | 1,071,690 | 7,734,772 | 4,378,812 | 7,390,759 | (583,119) | (5,147) | 21,374,805 | 2,158,965 | 51,495,477 |
| Net profit for the period | - | - | - | - | - | - | - | - | - | 2,906,469 | 145,861 | 3,052,330 |
| Other comprehensive income (Note 37) | - | - | - | - | - | - | - | 866,897 | 975 | - | - | 867,872 |
| Total comprehensive income | - | - | - | - | - | - | - | 866,897 | 975 | 2,906,469 | 145,861 | 3,920,202 |
| Conversion of convertible bonds | 15 | - | - | (13) | 138 | - | - | - | - | - | - | 140 |
| Dividends (Note 33) | - | - | - | - | - | - | - | - | - | (1,372,443) | (76,440) | (1,448,883) |
| Transfer to other reserves | - | - | - | - | - | - | 488,510 | - | - | (488,510) | - | - |
| Balance at 30 June 2023 | | | | | | | | | | | | |
| (Unaudited) | 3,474,555 | - | 4,499,400 | 1,071,677 | 7,734,910 | 4,378,812 | 7,879,269 | 283,778 | (4,172) | 22,420,321 | 2,228,386 | 53,966,936 |
| Balance at 31 December | | | | | | | | | | | | |
| 2021 | 3,474,505 | 4,909,307 | - | - | 8,044,708 | 3,910,149 | 6,880,205 | 915,286 | (4,004) | 19,143,032 | 1,973,507 | 49,246,695 |
| Net profit for the period | - | - | - | - | - | - | - | - | - | 2,784,631 | 112,339 | 2,896,970 |
| Other comprehensive income (Note 37) | - | - | - | - | - | - | - | (296,932) | (638) | - | - | (297,570) |
| Total comprehensive income | - | - | - | - | - | - | - | (296,932) | (638) | 2,784,631 | 112,339 | 2,599,400 |
| Issue of convertible bonds | - | - | - | 1,071,721 | - | - | - | - | - | - | - | 1,071,721 |
| Dividends (Note 33) | - | - | - | - | - | - | - | - | - | (1,355,057) | (63,210) | (1,418,267) |
| Transfer to other reserves | - | - | - | - | - | - | 510,554 | - | - | (510,554) | - | - |
| Balance at 30 June 2022 | | | | | | | | | | | | |
| (Unaudited) | 3,474,505 | 4,909,307 | - | 1,071,721 | 8,044,708 | 3,910,149 | 7,390,759 | 618,354 | (4,642) | 20,062,052 | 2,022,636 | 51,499,549 |

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

Interim Condensed Consolidated Statement of Cash Flows

| | For the six months ended 30 June | |
|---|----------------------------------|--------------------------------|
| | 2023 (Unaudited) RMB'000 | 2022 (Unaudited) RMB'000 |
| Cash flows from operating activities: | | |
| Profit before income tax | 3,426,567 | 3,472,067 |
| Adjustments for: | | |
| Depreciation and amortisation | 217,919 | 197,548 |
| Impairment losses on loans | 1,450,984 | 1,635,894 |
| Impairment losses on other assets | 311,216 | 12,898 |
| Net gains on disposal of property, plant and equipment and other long-term assets | (258) | (5,522) |
| (Gains)/Losses on changes in fair value | (40,979) | 260,037 |
| Net gains arising from financial investments | (950,387) | (774,857) |
| Share of profits of associates | (246,464) | (125,361) |
| Interest income arising from investment securities | (4,685,390) | (4,497,742) |
| Interest expense arising from financing activities | 1,811,929 | 1,782,782 |
| Changes in operating assets: | | |
| Net increase in restricted deposit balances with the central bank | (171,169) | (982,415) |
| Net increase in due from and placements with banks and other financial institutions | (4,598,892) | (2,048,480) |
| Net decrease/(increase) in financial assets held under resale agreements | 1,691,743 | (10,715,402) |
| Net increase in loans and advances to customers | (26,366,958) | (23,308,205) |
| Net decrease in other operating assets | 568,842 | 934,832 |
| Changes in operating liabilities: | | |
| Net (decrease)/increase in borrowings from the central bank | (3,105,731) | 201,019 |
| Net increase in due to and placements from banks and other financial institutions | 5,028,691 | 2,181,390 |
| Net decrease in financial assets sold under repurchase agreements | (5,702,984) | (10,779,700) |
| Net increase in customer deposits | 22,397,197 | 36,945,489 |
| Net increase in other operating liabilities | 2,549,280 | 2,023,668 |
| Income tax paid | (382,358) | (649,952) |
| Net cash from operating activities | (6,797,202) | (4,240,012) |

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

Interim Condensed Consolidated Statement of Cash Flows

| | For the six months ended 30 June | |
|--|----------------------------------|--------------------------------|
| | 2023 (Unaudited) RMB'000 | 2022 (Unaudited) RMB'000 |
| Cash flows from investing activities: | | |
| Proceeds from sale and redemption of investments | 39,830,390 | 34,497,560 |
| Return on investments | 5,105,647 | 5,161,462 |
| Proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets | 1,686 | 8,212 |
| Purchase of property, plant and equipment, intangible assets and other long-term assets | (143,106) | (160,510) |
| Purchase of investment securities | (59,136,119) | (51,088,408) |
| Net cash from investing activities | (14,341,502) | (11,581,684) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of debt securities | 74,180,422 | 82,273,692 |
| Cash paid to redeem debt securities issued | (58,770,000) | (72,510,000) |
| Cash paid for lease liabilities | (33,520) | (31,813) |
| Interest paid on debt securities | (413,174) | (479,916) |
| Dividends paid to shareholders | (73,164) | (29,670) |
| Net cash from financing activities | 14,890,564 | 9,222,293 |
| Impact from exchange rate changes on cash and cash equivalents | 28,445 | 51,484 |
| Net decrease in cash and cash equivalents | (6,219,695) | (6,547,919) |
| Cash and cash equivalents at the beginning of the period | 19,486,479 | 17,028,563 |
| Cash and cash equivalents at the end of the period (Note 38) | 13,266,784 | 10,480,644 |

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

1 GENERAL INFORMATION

Bank of Chongqing Co., Ltd. (the “Bank”) was formerly known as Chongqing Urban Cooperative Bank (重慶城市合作銀行), which was established by consolidating 37 urban credit cooperatives and 1 urban credit union in Chongqing with the approval of Yin Fu [1996] No. 140 by the People’s Bank of China (“PBOC”). On 30 March 1998, the Bank was renamed as “Commercial Bank of Chongqing Co., Ltd.” (重慶市商業銀行股份有限公司) with the approval of Yu Yin Fu [1998] No. 48 by the PBOC Chongqing Branch. On 1 August 2007, the Bank was further renamed as Bank of Chongqing Co., Ltd. (重慶銀行股份有限公司) with the approval of Yin Jian Fu [2007] No. 325 by the China Banking Regulatory Commission (“CBRC”). On 6 November 2013, the Bank was listed on the Stock Exchange of Hong Kong Limited. On 5 February 2021, the Bank was listed on Shanghai Stock Exchange.

Headquartered in Chongqing, the Bank operates in Chongqing, Sichuan Province, Guizhou Province and Shaanxi Province in the People’s Republic of China (“PRC”).

As at 30 June 2023, the Bank operated its business through 173 business outlets covering all the districts and counties of Chongqing as well as three provinces in western China, namely Sichuan province, Shaanxi province and Guizhou province.

The principal activities of the Bank and its subsidiaries (together, the “Group”) include deposit taking, loan lending, settlement services, financial leasing and other services approved by the respective regulators.

The interim condensed consolidated financial statements were authorised for issuance by the Bank’s Board of Directors on 30 August 2023.

2 BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The principal accounting policies adopted in the preparation of the interim condensed consolidated financial statements are set out below. These policies have been consistently applied to relevant periods presented unless otherwise stated.

(a) Basis of presentation

The interim condensed consolidated financial statements of the Group have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. The condensed consolidated interim financial information should be read in conjunction with the audited financial statements for the year ended 31 December 2022.

The Group adopted the going concern basis in preparing its interim condensed consolidated financial statements.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

2 BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(b) Significant accounting policies

Since 2023, the Group had adopted the following standards and amendments.

| | |
|---|--|
| IFRS 17 | Insurance Contracts |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to IAS 8 | Definition of Accounting Estimates |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to IAS 12 | International Tax Reform – Pillar Two Model Rules |

The adoption of the standards and amendments above did not have a material impact on the Group's operating results, financial position or other comprehensive income.

Except for described above, the Group's accounting policies applied in preparing the interim condensed consolidated financial statements are consistent with those policies applied in preparing the financial statements for the year ended 31 December 2022.

The Group had not adopted the amendments that are issued but not yet effective, as below.

| | | Effective for annual period beginning on or after |
|----------------------------------|---|---|
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current | 1 January 2024 |
| Amendments to IFRS 16 | Lease Liability in a Sale and Leaseback | 1 January 2024 |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Effective date has been deferred indefinitely |

The adoption of the above issued but not yet effective amendments is not expected to have a material effect on the Group's operating results, financial position or other comprehensive income.

(c) Major accounting estimates and judgements adopted in the implementation of accounting policies

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies.

In preparing the interim condensed consolidated financial statements, the significant judgments made by management in applying the Group'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 2022. Please refer to the financial statements for the year ended 31 December 2022 for details.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

3 SUBSIDIARIES

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

| Name of entity | Date of incorporation | Principle place of business and place of incorporation | Paid-in capital (RMB'000) | Proportion of equity interest | Proportion of voting rights | Principal activities |
|---|-----------------------|--|---------------------------|-------------------------------|-----------------------------|----------------------|
| Chongqing Xinyu Financial Leasing Co., Ltd. | 23 March 2017 | Chongqing, the PRC | 3,000,000 | 51.00% | 51.00% | Financial leasing |
| Xingyi Wanfeng Village Bank Co., Ltd. | 5 May 2011 | Guizhou, the PRC | 324,500 | 66.72% | 66.72% | Financial services |

| | Assets RMB'000 | Liabilities RMB'000 | Revenue RMB'000 | Net profit RMB'000 |
|---|-------------------|------------------------|--------------------|-----------------------|
| Chongqing Xinyu Financial Leasing Co., Ltd. | 40,880,056 | 36,374,272 | 695,221 | 300,309 |
| Xingyi Wanfeng Village Bank Co., Ltd. | 852,251 | 724,784 | 17,193 | 3,979 |
| | 41,732,307 | 37,099,056 | 712,414 | 304,288 |

The above subsidiaries are limited by share and limited by liability respectively.

4 NET INTEREST INCOME

| | For the six months ended 30 June | |
|---|----------------------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Interest income | | |
| Balances with the central bank | 238,179 | 229,340 |
| Due from and placements with banks and other financial institutions | 384,593 | 505,749 |
| Loans and advances to customers | 8,777,090 | 8,423,473 |
| Investment securities | 4,685,390 | 4,497,742 |
| | 14,085,252 | 13,656,304 |
| Interest expense | | |
| Due to and placements from banks and other financial institutions | (1,432,641) | (1,430,013) |
| Customer deposits | (5,454,255) | (5,088,970) |
| Debt securities issued | (1,809,614) | (1,780,679) |
| Other liabilities | (2,315) | (2,103) |
| | (8,698,825) | (8,301,765) |
| Net interest income | 5,386,427 | 5,354,539 |

Notes to the Unaudited Interim Condensed Consolidated Financial Information

5 NET FEE AND COMMISSION INCOME

| | For the six months ended 30 June | |
|--------------------------------------|----------------------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Fee and commission income | | |
| Wealth management agency services | 115,199 | 333,117 |
| Settlement and agency services | 94,023 | 49,096 |
| Bank card services | 49,829 | 41,878 |
| Custodian services | 17,918 | 23,053 |
| Guarantees and credit commitments | 22,206 | 38,336 |
| | 299,175 | 485,480 |
| Fee and commission expense | | |
| Bank card services | (47,726) | (25,961) |
| Settlement and agency services | (35,025) | (34,110) |
| Others | (19,878) | (12,943) |
| | (102,629) | (73,014) |
| Net fee and commission income | 196,546 | 412,466 |

6 NET TRADING GAINS

| | For the six months ended 30 June | |
|---------------------------|----------------------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Foreign exchange gains | 19,971 | 240,365 |
| Bond and fund investments | 239,722 | 62,171 |
| Equity investments | (95,294) | (109,075) |
| Derivatives | (3,434) | (4,647) |
| | 160,965 | 188,814 |

Net trading gains mainly include net gains on foreign exchange, and gains and losses arising from buying and selling of, interest income on and changes in the fair value of financial assets held for trading. Net gains on foreign exchange mainly include gains or losses from the trading of spot contracts, trading of swap contracts, as well as translation of foreign currency monetary assets and liabilities into RMB.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

7 NET GAINS ON INVESTMENT SECURITIES

| | For the six months ended 30 June | |
|---|----------------------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Net gains arising from financial assets at FVPL and net gains on disposal of investment securities at FVOCI | 468,181 | 490,647 |
| Net gains on derecognition of investment securities at amortised cost | 369,853 | 125,446 |
| | 838,034 | 616,093 |

8 OTHER OPERATING INCOME

| | For the six months ended 30 June | |
|---|----------------------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Government grants ^(a) | 110,290 | 42,362 |
| Rental income ^(b) | 20,655 | 21,736 |
| Dividend income | 15,413 | – |
| Gains on disposal of property, plant and equipment and other long-term assets | 290 | 5,772 |
| Compensation on breach of contract | 450 | 454 |
| Other miscellaneous income ^(c) | 2,381 | 3,320 |
| | 149,479 | 73,644 |

(a) The government grants mainly include bonus of small and micro business loans and other government grants.

(b) The rental income of the Group is generated from leasing its self-owned buildings, motor vehicles, electronic equipment and machinery equipment.

(c) Other miscellaneous income mainly comprised penalty and confiscatory income and income from dormant accounts.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

9 OPERATING EXPENSES

| | Notes | For the six months ended 30 June | |
|---|-------|----------------------------------|-----------------|
| | | 2023 RMB'000 | 2022 RMB'000 |
| Staff costs | 10 | 1,062,708 | 998,199 |
| General and administrative expenses | | 370,430 | 321,394 |
| Tax and surcharges | | 83,412 | 81,124 |
| Depreciation of property, plant and equipment | 21 | 110,679 | 109,121 |
| Amortisation of intangible assets | 22(b) | 63,318 | 52,005 |
| Depreciation of right-of-use assets | 22(c) | 31,804 | 26,677 |
| Depreciation of investment properties | 22(f) | 155 | 125 |
| Amortisation of long-term prepaid expenses | | 11,963 | 9,620 |
| Operating lease expenses | | 1,231 | 973 |
| Professional fees | | 47,263 | 41,698 |
| Donations | | 200 | 700 |
| Others | | 5,985 | 8,422 |
| | | 1,789,148 | 1,650,058 |

10 STAFF COSTS

| | Note | For the six months ended 30 June | |
|---|------|----------------------------------|-----------------|
| | | 2023 RMB'000 | 2022 RMB'000 |
| Salaries and bonuses | | 785,135 | 728,971 |
| Pension expenses | 28 | 111,830 | 103,416 |
| Housing benefits and subsidies | | 66,390 | 60,047 |
| Labour union and staff education funds | | 16,071 | 15,891 |
| Other social security and benefit costs | | 83,282 | 89,874 |
| | | 1,062,708 | 998,199 |

Notes to the Unaudited Interim Condensed Consolidated Financial Information

11 CREDIT IMPAIRMENT LOSSES

| | Note | For the six months ended 30 June | |
|---|-------|----------------------------------|------------------|
| | | 2023 RMB'000 | 2022 RMB'000 |
| Loans and advances to customers carried at amortised cost | 18(b) | 1,480,541 | 1,638,240 |
| Loans and advances to customers at FVOCI | 18(b) | (29,557) | (2,346) |
| Investment securities – amortised cost | 19 | 275,184 | (90,257) |
| Investment securities – FVOCI | 19 | 51,093 | 43,572 |
| Loan commitments and financial guarantee contracts | | (19,776) | 51,999 |
| Due from and placements with banks and other financial institutions | | 30,419 | 9,277 |
| Other credit impairment losses | | (26,982) | (1,693) |
| | | 1,760,922 | 1,648,792 |

12 INCOME TAX EXPENSE

| | Note | For the six months ended 30 June | |
|---------------------|------|----------------------------------|-----------------|
| | | 2023 RMB'000 | 2022 RMB'000 |
| Current income tax | | 687,660 | 895,318 |
| Deferred income tax | 27 | (313,423) | (320,221) |
| | | 374,237 | 575,097 |

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

12 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 to profit before income tax can be reconciled as follows:

| | For the six months ended 30 June | |
|--|----------------------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Profit before income tax | 3,426,567 | 3,472,067 |
| Tax at the enacted tax rate of 25% | 856,642 | 868,017 |
| Effect of different tax rates of subsidiaries ^(a) | (35,233) | (26,988) |
| Tax effect arising from non-taxable income ^(b) | (483,280) | (318,300) |
| Tax effect of expenses that are not deductible for tax purposes ^(c) | 34,897 | 48,775 |
| Income tax adjustment for prior years | 1,211 | 3,593 |
| Income tax expense | 374,237 | 575,097 |

(a) In accordance with related provisions of the Notice on the Continuation of the Corporate Income Tax Policy of the Western Development Strategy (Cai Shui Fa [2020] No.23) and the latest Encouraged Industries in the Western Region Catalog (2020 Edition) released in 2021, the income tax rate of Chongqing Xinyu Financial Leasing Co., Ltd., a subsidiary of the Bank, has been adjusted to 15%.

(b) The Group's non-taxable income mainly represents interest income arising from treasury bonds and local government bonds, which is non-taxable in accordance with PRC tax laws.

(c) The Group's expenses that are not tax deductible for tax purposes mainly represent asset impairment losses and interest expenses that do not meet the pre-tax deduction conditions, as well as part of certain expenditures, such as entertainment expenses, which exceed the tax deduction limits pursuant to PRC laws.

13 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit 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 | |
|--|----------------------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Net profit attributable to shareholders of the Bank | 2,906,469 | 2,784,631 |
| Net profit attributable to ordinary shareholders of the Bank | 2,906,469 | 2,784,631 |
| Weighted average number of ordinary shares issued (in thousands) | 3,474,546 | 3,474,505 |
| Basic earnings per share (in RMB) | 0.84 | 0.80 |

Diluted earnings per share was computed by dividing the net profit attributable to the ordinary shareholders of the Bank based on assuming conversion of all dilutive potential shares by the adjusted weighted average number of ordinary shares in issue. The Bank had convertible bonds as dilutive potential ordinary shares.

| | For the six months ended 30 June | |
|---|----------------------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Net profit attributable to shareholders of the Bank | 2,906,469 | 2,784,631 |
| Add: Interest expense on convertible bonds, net of tax | 221,697 | 107,813 |
| Net profit used to determine diluted earnings per share | 3,128,166 | 2,892,444 |
| Weighted average number of ordinary shares issued (in thousands) | 3,474,546 | 3,474,505 |
| Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares (in thousands) | 1,238,059 | 596,878 |
| Weighted average number of ordinary shares for diluted earnings per share (in thousands) | 4,712,605 | 4,071,383 |
| Diluted earnings per share (in RMB) | 0.66 | 0.71 |

Notes to the Unaudited Interim Condensed Consolidated Financial Information

14 CASH AND BALANCES WITH THE CENTRAL BANK

| | 30 June 2023 | 31 December 2022 |
|--|-------------------------|---------------------|
| | RMB'000 | RMB'000 |
| Cash | 741,088 | 575,910 |
| Mandatory reserve deposits with the central bank | 28,383,280 | 28,205,191 |
| Surplus reserve deposits with the central bank | 6,031,070 | 12,217,964 |
| Fiscal deposits | 5,439 | 12,359 |
| Total | 35,160,877 | 41,011,424 |
| Accrued interest | 13,136 | 14,575 |
| | 35,174,013 | 41,025,999 |

The Group is required to place mandatory reserve deposits with the central bank. The deposits are calculated based on the amount of customer deposits placed with the Group. As at 30 June 2023, the mandatory reserve rate of the Bank for deposits denominated in RMB was 7.25% (31 December 2022: 7.5%), and the mandatory reserve rate of the Bank for deposits denominated in foreign currencies was 6% (31 December 2022: 6%). The mandatory reserve deposit rate of the subsidiaries of the Bank was consistent with the requirements of the central bank.

Mandatory reserve deposits with the central bank are not available for use by the Group in its day-to-day operations. Deposits with the central bank other than the mandatory reserve maintained are mainly for liquidity purposes.

15 DUE FROM AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

| | 30 June 2023 | 31 December 2022 |
|--|-------------------------|---------------------|
| | RMB'000 | RMB'000 |
| Bills purchased under resale agreements | 7,076,707 | 9,141,935 |
| Securities purchased under resale agreements | 27,070,435 | 26,696,950 |
| Due from banks and other financial institutions | 4,365,625 | 4,092,102 |
| Placements with banks and other financial institutions | 7,696,539 | 3,569,149 |
| Total | 46,209,306 | 43,500,136 |
| Accrued interest | 49,343 | 40,905 |
| Less: ECL allowance | (185,430) | (155,011) |
| | 46,073,219 | 43,386,030 |

As at 30 June 2023 and 31 December 2022, the gross principal balance of the Group's due from and placements with banks and other financial institutions classified within Stage 3 was RMB199,000 thousand, of which the accrued ECL allowance amounted to RMB149,250 thousand. The rest were all in Stage 1.

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|-------------------------------------|--------------------------------|
| Financial assets at FVPL | | |
| – Listed outside Hong Kong | 631,078 | 433,092 |
| – Unlisted | 27,146,762 | 28,302,956 |
| | 27,777,840 | 28,736,048 |
| Derivative financial instruments (<i>Note 17</i>) | 55,348 | 4,831 |
| | 27,833,188 | 28,740,879 |

Unlisted financial assets measured at FVPL are set out below:

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|---------------------------------------|-------------------------------------|--------------------------------|
| Government bonds | 611,036 | 2,565,750 |
| Policy bank bonds | 454,796 | 292,751 |
| Commercial bank bonds | 5,651,775 | 4,783,525 |
| Corporate bonds | 348,166 | 518,700 |
| Trust investments ^(a) | 5,645,276 | 5,808,282 |
| Asset management plans ^(b) | 8,650,534 | 9,225,065 |
| Fund investments | 5,329,087 | 5,053,831 |
| Equity investments | 456,092 | 55,052 |
| Total | 27,146,762 | 28,302,956 |

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(a) Trust investments

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|--|-------------------------------------|--------------------------------|
| Trust investments purchased from trust companies | | |
| – Guaranteed by third-party companies | 4,951,830 | 5,100,915 |
| – Unsecured | 693,446 | 707,367 |
| Total | 5,645,276 | 5,808,282 |

(b) Asset management plans

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|--|-------------------------------------|--------------------------------|
| Asset management plans purchased from securities companies | | |
| – Guaranteed by third-party companies | 8,650,534 | 9,225,065 |

An analysis of non-derivative financial assets at fair value through profit or loss by issuer is set out below:

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|--------------------------|-------------------------------------|--------------------------------|
| Financial assets at FVPL | | |
| – Commercial banks | 5,651,775 | 4,783,525 |
| – Securities companies | 8,650,534 | 9,225,065 |
| – Fund companies | 5,329,087 | 5,053,831 |
| – Trust companies | 5,645,276 | 5,808,282 |
| – Corporations | 348,166 | 518,700 |
| – Governments | 611,036 | 2,565,750 |
| – Policy banks | 454,796 | 292,751 |
| – Equity investments | 1,087,170 | 488,144 |
| Total | 27,777,840 | 28,736,048 |

17 DERIVATIVE FINANCIAL INSTRUMENTS

| 30 June 2023 | Nominal amount RMB'000 | Fair value | |
|--------------------------|---------------------------|-------------------|------------------------|
| | | Assets RMB'000 | Liabilities RMB'000 |
| Interest rate swap | 47,933,712 | 4,543 | (5,566) |
| Foreign exchange swap | 2,075,118 | 39,597 | (27,436) |
| Foreign exchange forward | 1,280,111 | 11,208 | (21,420) |
| | 51,288,941 | 55,348 | (54,422) |

| 31 December 2022 | Nominal amount RMB'000 | Fair value | |
|--------------------------|---------------------------|-------------------|------------------------|
| | | Assets RMB'000 | Liabilities RMB'000 |
| Interest rate swap | 44,622,740 | 4,543 | (6,236) |
| Foreign exchange swap | 139,292 | – | (5,387) |
| Foreign exchange forward | 20,079 | 288 | (3) |
| Total | 44,782,111 | 4,831 | (11,626) |

18 LOANS AND ADVANCES TO CUSTOMERS

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|---------------------------------|-------------------------------------|--------------------------------|
| Loans and advances to customers | | |
| – Amortised cost | 329,441,326 | 303,265,911 |
| – FVOCI | 46,422,017 | 47,285,310 |
| Total | 375,863,343 | 350,551,221 |
| Accrued interest | 2,548,671 | 2,022,241 |
| Less: ECL allowance | (11,433,102) | (10,127,171) |
| | 366,978,912 | 342,446,291 |

Notes to the Unaudited Interim Condensed Consolidated Financial Information

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(a) Analysis of loans and advances to customers

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|-------------------------------------|--------------------------------|
| Loans and advances to corporate entities – amortised cost | | |
| – Corporate loans and advances | 235,352,659 | 208,737,958 |
| Loans and advances to corporate entities – FVOCI | | |
| – Discounted bills | 46,422,017 | 47,285,310 |
| Subtotal | 281,774,676 | 256,023,268 |
| Loans and advances to individuals – amortised cost | | |
| – Mortgage loans | 40,807,588 | 41,571,228 |
| – Individual business loans | 22,715,309 | 22,372,601 |
| – Credit card advances | 21,288,060 | 20,093,997 |
| – Individual consumption loans | 9,277,710 | 10,490,127 |
| Subtotal | 94,088,667 | 94,527,953 |
| Total | 375,863,343 | 350,551,221 |
| Accrued interest | 2,548,671 | 2,022,241 |
| Gross amount of loans and advances to customers | 378,412,014 | 352,573,462 |
| Less: ECL allowance | (11,433,102) | (10,127,171) |
| Carrying amount of loans and advances to customers | 366,978,912 | 342,446,291 |

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Movements of ECL allowance

 (1) *Movements of impairment allowance for loans and advances to customers at amortised cost*

| Loans and advances to corporate entities | Stage 1 | Stage 2 | Stage 3 | Total |
|--|--------------------|-------------------------|-------------------------|------------------|
| | 12M ECL RMB'000 | Lifetime ECL RMB'000 | Lifetime ECL RMB'000 | |
| As at 31 December 2022 | 2,601,246 | 1,428,382 | 3,554,327 | 7,583,955 |
| New financial assets originated or purchased | 990,261 | – | – | 990,261 |
| Remeasurement | (413,168) | 800,123 | 752,220 | 1,139,175 |
| Repayments | (288,316) | (189,389) | (352,010) | (829,715) |
| Write-off and disposal | – | – | (79,735) | (79,735) |
| Transfers: | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | (108,522) | 108,522 | – | – |
| <i>Transfer from Stage 1 to Stage 3</i> | (3,794) | – | 3,794 | – |
| <i>Transfer from Stage 2 to Stage 1</i> | 143,822 | (143,822) | – | – |
| <i>Transfer from Stage 2 to Stage 3</i> | – | (225,766) | 225,766 | – |
| <i>Transfer from Stage 3 to Stage 2</i> | – | 69,938 | (69,938) | – |
| Recoveries of loans and advances written off in previous years | – | – | 134,558 | 134,558 |
| Unwinding impact of discount | – | – | 1,543 | 1,543 |
| As at 30 June 2023 | 2,921,529 | 1,847,988 | 4,170,525 | 8,940,042 |
| As at 31 December 2021 | 2,388,233 | 2,461,375 | 4,263,034 | 9,112,642 |
| New financial assets originated or purchased | 1,182,958 | – | – | 1,182,958 |
| Remeasurement | (305,627) | 631,474 | 2,039,608 | 2,365,455 |
| Repayments | (630,078) | (194,985) | (360,975) | (1,186,038) |
| Write-off and disposal | – | – | (4,291,764) | (4,291,764) |
| Transfers: | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | (108,494) | 108,494 | – | – |
| <i>Transfer from Stage 1 to Stage 3</i> | (12,525) | – | 12,525 | – |
| <i>Transfer from Stage 2 to Stage 1</i> | 86,779 | (86,779) | – | – |
| <i>Transfer from Stage 2 to Stage 3</i> | – | (1,491,197) | 1,491,197 | – |
| Recoveries of loans and advances written off in previous years | – | – | 633,165 | 633,165 |
| Unwinding impact of discount | – | – | (232,463) | (232,463) |
| As at 31 December 2022 | 2,601,246 | 1,428,382 | 3,554,327 | 7,583,955 |

Notes to the Unaudited Interim Condensed Consolidated Financial Information

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Movements of ECL allowance (Continued)

(1) Movements of impairment allowance for loans and advances to customers at amortised cost (Continued)

| | Stage 1 | Stage 2 | Stage 3 | Total |
|--|--------------------|-------------------------|-------------------------|------------------|
| | 12M ECL RMB'000 | Lifetime ECL RMB'000 | Lifetime ECL RMB'000 | |
| Retail loans | | | | |
| As at 31 December 2022 | 1,152,135 | 640,348 | 750,733 | 2,543,216 |
| New financial assets originated or purchased | 307,176 | – | – | 307,176 |
| Remeasurement | (105,839) | 293,189 | 287,048 | 474,398 |
| Repayments | (318,775) | (196,529) | (85,450) | (600,754) |
| Write-off | – | – | (296,718) | (296,718) |
| Transfers: | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | (60,182) | 60,182 | – | – |
| <i>Transfer from Stage 1 to Stage 3</i> | (30,519) | – | 30,519 | – |
| <i>Transfer from Stage 2 to Stage 1</i> | 32,767 | (32,767) | – | – |
| <i>Transfer from Stage 2 to Stage 3</i> | – | (168,362) | 168,362 | – |
| <i>Transfer from Stage 3 to Stage 1</i> | 3,403 | – | (3,403) | – |
| <i>Transfer from Stage 3 to Stage 2</i> | – | 4,533 | (4,533) | – |
| Recoveries of loans and advances written off in previous years | – | – | 79,384 | 79,384 |
| Unwinding impact of discount | – | – | (13,642) | (13,642) |
| As at 30 June 2023 | 980,166 | 600,594 | 912,300 | 2,493,060 |
| As at 31 December 2021 | 1,071,811 | 422,842 | 571,044 | 2,065,697 |
| New financial assets originated or purchased | 489,479 | – | – | 489,479 |
| Remeasurement | 220,498 | 499,901 | 768,355 | 1,488,754 |
| Repayments | (561,005) | (209,819) | (62,205) | (833,029) |
| Write-off and disposal | – | – | (742,309) | (742,309) |
| Transfers: | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | (48,464) | 48,464 | – | – |
| <i>Transfer from Stage 1 to Stage 3</i> | (33,610) | – | 33,610 | – |
| <i>Transfer from Stage 2 to Stage 1</i> | 12,230 | (12,230) | – | – |
| <i>Transfer from Stage 2 to Stage 3</i> | – | (116,435) | 116,435 | – |
| <i>Transfer from Stage 3 to Stage 1</i> | 1,196 | – | (1,196) | – |
| <i>Transfer from Stage 3 to Stage 2</i> | – | 7,625 | (7,625) | – |
| Recoveries of loans and advances written off in previous years | – | – | 135,298 | 135,298 |
| Unwinding impact of discount | – | – | (60,674) | (60,674) |
| As at 31 December 2022 | 1,152,135 | 640,348 | 750,733 | 2,543,216 |

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Movements of ECL allowance (Continued)

(2) *Movements of impairment allowance for loans and advances to customers at FVOCI*

| | Stage 1 | Stage 2 | Stage 3 | Total |
|--|--------------------|-------------------------|-------------------------|---------------|
| | 12M ECL RMB'000 | Lifetime ECL RMB'000 | Lifetime ECL RMB'000 | |
| Discounted bills | | | | |
| As at 31 December 2022 | 83,777 | – | – | 83,777 |
| New financial assets originated or purchased | 32,028 | – | – | 32,028 |
| Remeasurement | (36,795) | – | – | (36,795) |
| Repayment | (24,790) | – | – | (24,790) |
| As at 30 June 2023 | 54,220 | – | – | 54,220 |
| As at 31 December 2021 | 71,914 | – | – | 71,914 |
| New financial assets originated or purchased | 83,777 | – | – | 83,777 |
| Repayments | (71,914) | – | – | (71,914) |
| As at 31 December 2022 | 83,777 | – | – | 83,777 |

Notes to the Unaudited Interim Condensed Consolidated Financial Information

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements of gross amount (excluding accrued interest) of loans and advances to customers

(1) *Movements of gross amount (excluding accrued interest) of loans and advances to customers at amortised cost*

| Loans and advances to corporate entities | Stage 1 | Stage 2 | Stage 3 | Total |
|---|--------------------|-------------------------|-------------------------|--------------------|
| | 12M ECL RMB'000 | Lifetime ECL RMB'000 | Lifetime ECL RMB'000 | |
| As at 31 December 2022 | 191,239,581 | 10,551,720 | 6,946,657 | 208,737,958 |
| New financial assets originated or purchased | 63,642,799 | – | – | 63,642,799 |
| Proceeds received | (34,463,851) | (1,241,099) | (416,705) | (36,121,655) |
| Financial assets derecognised other than write-offs | – | – | (826,708) | (826,708) |
| Write-off | – | – | (79,735) | (79,735) |
| Transfers: | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | (6,324,398) | 6,324,398 | – | – |
| <i>Transfer from Stage 1 to Stage 3</i> | (321,018) | – | 321,018 | – |
| <i>Transfer from Stage 2 to Stage 1</i> | 584,058 | (584,058) | – | – |
| <i>Transfer from Stage 2 to Stage 3</i> | – | (992,055) | 992,055 | – |
| <i>Transfer from Stage 3 to Stage 2</i> | – | 192,222 | (192,222) | – |
| As at 30 June 2023 | 214,357,171 | 14,251,128 | 6,744,360 | 235,352,659 |
| As at 31 December 2021 | 166,954,127 | 12,739,087 | 6,265,132 | 185,958,346 |
| New financial assets originated or purchased | 82,351,237 | – | – | 82,351,237 |
| Proceeds received | (52,132,709) | (2,020,087) | (647,529) | (54,800,325) |
| Financial assets derecognised other than write-offs | – | – | (1,330,045) | (1,330,045) |
| Write-off | – | – | (3,441,255) | (3,441,255) |
| Transfers: | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | (6,095,371) | 6,095,371 | – | – |
| <i>Transfer from Stage 1 to Stage 3</i> | (733,168) | – | 733,168 | – |
| <i>Transfer from Stage 2 to Stage 1</i> | 895,465 | (895,465) | – | – |
| <i>Transfer from Stage 2 to Stage 3</i> | – | (5,367,186) | 5,367,186 | – |
| As at 31 December 2022 | 191,239,581 | 10,551,720 | 6,946,657 | 208,737,958 |

Notes to the Unaudited Interim Condensed Consolidated Financial Information

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements of gross amount (excluding accrued interest) of loans and advances to customers (Continued)

(1) *Movements of gross amount (excluding accrued interest) of loans and advances to customers at amortised cost (Continued)*

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|--------------------|-------------------------|-------------------------|-------------------|
| | 12M ECL RMB'000 | Lifetime ECL RMB'000 | Lifetime ECL RMB'000 | |
| Retail loans | | | | |
| As at 31 December 2022 | 90,625,455 | 2,609,981 | 1,292,517 | 94,527,953 |
| New financial assets originated or purchased | 20,746,502 | – | – | 20,746,502 |
| Proceeds received | (20,051,607) | (666,789) | (170,674) | (20,889,070) |
| Write-off | – | – | (296,718) | (296,718) |
| Transfers: | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | <i>(1,475,332)</i> | <i>1,475,332</i> | <i>–</i> | <i>–</i> |
| <i>Transfer from Stage 1 to Stage 3</i> | <i>(340,335)</i> | <i>–</i> | <i>340,335</i> | <i>–</i> |
| <i>Transfer from Stage 2 to Stage 1</i> | <i>266,669</i> | <i>(266,669)</i> | <i>–</i> | <i>–</i> |
| <i>Transfer from Stage 2 to Stage 3</i> | <i>–</i> | <i>(479,052)</i> | <i>479,052</i> | <i>–</i> |
| <i>Transfer from Stage 3 to Stage 1</i> | <i>7,996</i> | <i>–</i> | <i>(7,996)</i> | <i>–</i> |
| <i>Transfer from Stage 3 to Stage 2</i> | <i>–</i> | <i>12,081</i> | <i>(12,081)</i> | <i>–</i> |
| As at 30 June 2023 | 89,779,348 | 2,684,884 | 1,624,435 | 94,088,667 |
| As at 31 December 2021 | 99,006,595 | 1,904,370 | 937,589 | 101,848,554 |
| New financial assets originated or purchased | 31,319,702 | – | – | 31,319,702 |
| Proceeds received | (36,894,344) | (865,342) | (133,788) | (37,893,474) |
| Financial assets derecognised other than write-offs | – | – | (4,920) | (4,920) |
| Write-off | – | – | (741,909) | (741,909) |
| Transfers: | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | <i>(2,130,089)</i> | <i>2,130,089</i> | <i>–</i> | <i>–</i> |
| <i>Transfer from Stage 1 to Stage 3</i> | <i>(875,041)</i> | <i>–</i> | <i>875,041</i> | <i>–</i> |
| <i>Transfer from Stage 2 to Stage 1</i> | <i>193,850</i> | <i>(193,850)</i> | <i>–</i> | <i>–</i> |
| <i>Transfer from Stage 2 to Stage 3</i> | <i>–</i> | <i>(386,701)</i> | <i>386,701</i> | <i>–</i> |
| <i>Transfer from Stage 3 to Stage 1</i> | <i>4,782</i> | <i>–</i> | <i>(4,782)</i> | <i>–</i> |
| <i>Transfer from Stage 3 to Stage 2</i> | <i>–</i> | <i>21,415</i> | <i>(21,415)</i> | <i>–</i> |
| As at 31 December 2022 | 90,625,455 | 2,609,981 | 1,292,517 | 94,527,953 |

Notes to the Unaudited Interim Condensed Consolidated Financial Information

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements of gross amount (excluding accrued interest) of loans and advances to customers (Continued)

(2) *Movements of gross amount (excluding accrued interest) of loans and advances to customers at FVOCI*

| | Stage 1 | Stage 2 | Stage 3 | Total |
|--|--------------------|-------------------------|-------------------------|-------------------|
| | 12M ECL RMB'000 | Lifetime ECL RMB'000 | Lifetime ECL RMB'000 | |
| Discounted bills | | | | |
| As at 31 December 2022 | 47,285,310 | – | – | 47,285,310 |
| New financial assets originated or purchased | 29,084,258 | – | – | 29,084,258 |
| Proceeds received | (29,813,621) | – | – | (29,813,621) |
| Changes in fair value | (133,930) | – | – | (133,930) |
| As at 30 June 2023 | 46,422,017 | – | – | 46,422,017 |
| As at 31 December 2021 | 28,148,893 | – | – | 28,148,893 |
| New financial assets originated or purchased | 47,061,343 | – | – | 47,061,343 |
| Proceeds received | (28,148,893) | – | – | (28,148,893) |
| Fair value measurement | 223,967 | – | – | 223,967 |
| As at 31 December 2022 | 47,285,310 | – | – | 47,285,310 |

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)**(d) Analysis of loans and advances to customers by industry or nature**

| | 30 June 2023 | | 31 December 2022 | |
|--|--------------------|---------------|--------------------|---------------|
| | Amount RMB'000 | % | Amount RMB'000 | % |
| Corporate loans – amortised cost | | | | |
| Leasing and commercial services | 68,386,610 | 24.26 | 57,721,684 | 22.52 |
| Water conservation, environment and public facility administration | 59,360,515 | 21.07 | 53,146,884 | 20.76 |
| Manufacturing | 26,592,136 | 9.44 | 25,473,397 | 9.95 |
| Construction | 26,207,857 | 9.30 | 21,365,844 | 8.35 |
| Wholesale and retail | 19,964,200 | 7.08 | 17,233,465 | 6.73 |
| Real estate | 9,991,217 | 3.55 | 10,153,702 | 3.97 |
| Electricity, heat, gas and water production and supply | 4,220,898 | 1.50 | 4,712,001 | 1.84 |
| Transportation, storage and postal service | 3,970,952 | 1.41 | 3,706,916 | 1.45 |
| Agriculture, forestry, animal husbandry and fishery | 3,869,998 | 1.37 | 3,546,438 | 1.39 |
| Culture, sports and entertainment | 1,998,607 | 0.71 | 1,752,786 | 0.68 |
| Health and social welfare | 1,908,686 | 0.68 | 1,963,090 | 0.77 |
| Information transmission, software and information technology services | 1,868,783 | 0.66 | 1,347,528 | 0.53 |
| Scientific research and technology services | 1,596,270 | 0.57 | 1,410,848 | 0.55 |
| Mining | 1,543,315 | 0.55 | 1,403,559 | 0.55 |
| Accommodation and catering | 1,479,711 | 0.53 | 1,527,688 | 0.60 |
| Education | 942,890 | 0.33 | 914,423 | 0.36 |
| Financing | 870,899 | 0.31 | 878,899 | 0.34 |
| Household services, repairing and other services | 569,115 | 0.20 | 478,806 | 0.19 |
| Public administration, social security and social organizations | 10,000 | 0.01 | – | – |
| Corporate loans – FVOCI | | | | |
| Discounted bills | 46,422,017 | 16.47 | 47,285,310 | 18.47 |
| Total corporate loans | 281,774,676 | 100.00 | 256,023,268 | 100.00 |
| Retail loans – amortised cost | | | | |
| Mortgage loans | 40,807,588 | 43.37 | 41,571,228 | 43.98 |
| Personal business loans | 22,715,309 | 24.14 | 22,372,601 | 23.67 |
| Credit card advances | 21,288,060 | 22.63 | 20,093,997 | 21.26 |
| Personal consumption loans | 9,277,710 | 9.86 | 10,490,127 | 11.09 |
| Total retail loans | 94,088,667 | 100.00 | 94,527,953 | 100.00 |
| Accrued interest | 2,548,671 | | 2,022,241 | |
| Gross amount of loans and advances to customers | 378,412,014 | | 352,573,462 | |

The economic sector risk concentration analysis for loans and advances to customers is based on the type of industry of the borrowers.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|----------------------|-------------------------------------|--------------------------------|
| Guaranteed loans | 153,400,703 | 137,004,792 |
| Collateralised loans | 92,404,612 | 91,538,599 |
| Unsecured loans | 67,597,313 | 60,260,719 |
| Pledged loans | 62,460,715 | 61,747,111 |
| Accrued interest | 2,548,671 | 2,022,241 |
| Total | 378,412,014 | 352,573,462 |

(f) Analysis of loans and advances to customers by overdue period

| | 30 June 2023 | | | | |
|----------------------|--|--|---|---|------------------|
| | Overdue within 90 days (inclusive) RMB'000 | Overdue for 90 days – 1 year (inclusive) RMB'000 | Overdue for 1-3 years (inclusive) RMB'000 | Overdue for more than 3 years RMB'000 | Total RMB'000 |
| Collateralised loans | 2,136,378 | 1,058,874 | 903,703 | 43,524 | 4,142,479 |
| Guaranteed loans | 2,342,681 | 285,955 | 655,098 | 148,572 | 3,432,306 |
| Unsecured loans | 895,403 | 488,704 | 205,828 | 18,009 | 1,607,944 |
| Pledged loans | 239,545 | 162,345 | 71,410 | – | 473,300 |
| Total | 5,614,007 | 1,995,878 | 1,836,039 | 210,105 | 9,656,029 |

| | 31 December 2022 | | | | |
|----------------------|--|--|---|---|-------------------|
| | Overdue within 90 days (inclusive) RMB'000 | Overdue for 90 days – 1 year (inclusive) RMB'000 | Overdue for 1-3 years (inclusive) RMB'000 | Overdue for more than 3 years RMB'000 | Total RMB'000 |
| Collateralised loans | 2,598,053 | 777,259 | 672,456 | 95,748 | 4,143,516 |
| Guaranteed loans | 2,853,732 | 859,929 | 315,386 | – | 4,029,047 |
| Unsecured loans | 894,535 | 434,907 | 132,259 | 16,737 | 1,478,438 |
| Pledged loans | 698,862 | 71,410 | – | – | 770,272 |
| Total | 7,045,182 | 2,143,505 | 1,120,101 | 112,485 | 10,421,273 |

19 INVESTMENT SECURITIES

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|--|-------------------------------------|--------------------------------|
| Investment securities – FVOCI | | |
| Debt securities – measured at fair value | | |
| – Listed outside Hong Kong | 32,692,877 | 30,219,042 |
| – Listed in Hong Kong | 6,864,787 | 7,352,802 |
| – Unlisted | 46,179,768 | 35,531,834 |
| Total | 85,737,432 | 73,103,678 |
| Accrued interest | 2,014,220 | 1,726,867 |
| | 87,751,652 | 74,830,545 |
| Equity securities – measured at fair value | | |
| – Unlisted | 101,817 | 111,577 |
| Others | 14 | 14 |
| | 87,853,483 | 74,942,136 |

Unlisted investment securities measured at FVOCI are set out below:

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|-------------------------------------|--------------------------------|
| Debt securities – measured at fair value (unlisted) | | |
| – Corporations | 35,281,997 | 30,858,395 |
| – Policy banks | 405,957 | 909,929 |
| – Commercial banks | 2,756,801 | 2,344,082 |
| – Governments | 7,735,013 | 1,419,428 |
| | 46,179,768 | 35,531,834 |
| Equity securities – measured at fair value (unlisted) | | |
| – Equity investments | 101,817 | 111,577 |
| Total | 46,281,585 | 35,643,411 |

Notes to the Unaudited Interim Condensed Consolidated Financial Information

19 INVESTMENT SECURITIES (Continued)

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|-------------------------------------|--------------------------------|
| Investment securities – amortised cost | | |
| Debt securities – measured at amortised cost | | |
| – Listed outside Hong Kong | 3,339,861 | 6,000,252 |
| – Unlisted | 145,963,920 | 134,440,708 |
| Total | 149,303,781 | 140,440,960 |
| Accrued interest | 2,435,657 | 2,493,098 |
| Less: ECL allowance | (1,061,632) | (786,448) |
| | 150,677,806 | 142,147,610 |

Unlisted financial assets measured at amortised cost are set out below:

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|-------------------------------------|--------------------------------|
| Debt securities – measured at amortised cost (unlisted) | | |
| – Trust investments(a) | 5,137,181 | 5,483,279 |
| – Asset management plans(b) | 25,293,389 | 25,635,929 |
| – Bonds | 108,559,350 | 94,657,500 |
| – Debt financing plans | 6,974,000 | 8,664,000 |
| Total | 145,963,920 | 134,440,708 |

(a) Trust investments

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|--|-------------------------------------|--------------------------------|
| Trust investments purchased from trust companies | | |
| – Collateralised by properties | 3,571,000 | 3,742,098 |
| – Guaranteed by the third-party companies | 1,380,800 | 1,555,800 |
| – Unsecured | 185,381 | 185,381 |
| Total | 5,137,181 | 5,483,279 |

Notes to the Unaudited Interim Condensed Consolidated Financial Information

19 INVESTMENT SECURITIES (Continued)

(b) Asset management plans

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|--|-------------------------------------|--------------------------------|
| Asset management plans purchased from securities companies | | |
| – Collateralised by properties | 463,939 | 463,999 |
| – Guaranteed by third-party companies | 487,800 | 487,900 |
| Subtotal | 951,739 | 951,899 |
| Asset management plans purchased from asset management companies | | |
| – Guaranteed by third-party companies | 3,571,850 | 3,718,850 |
| – Unsecured | 20,769,800 | 20,965,180 |
| Subtotal | 24,341,650 | 24,684,030 |
| Total | 25,293,389 | 25,635,929 |

Movements of impairment allowance for investment securities are summarised below:

| | Stage 1 | Stage 2 | Stage 3 | |
|--|----------------|---------------|----------------|----------------|
| | 12M ECL | Lifetime ECL | Lifetime ECL | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Investment securities – FVOCI | | | | |
| As at 31 December 2022 | 343,915 | 54,714 | 464,000 | 862,629 |
| New financial assets originated or purchased | 50,047 | – | – | 50,047 |
| Remeasurement | (34,751) | – | 55,407 | 20,656 |
| Repayments | (19,610) | – | – | (19,610) |
| Transfers: | | | | |
| <i>Transfer from Stage 2 to Stage 3</i> | – | (54,714) | 54,714 | – |
| As at 30 June 2023 | 339,601 | – | 574,121 | 913,722 |
| As at 31 December 2021 | 288,917 | – | 464,000 | 752,917 |
| New financial assets originated or purchased | 126,449 | – | – | 126,449 |
| Remeasurement | (17,013) | 54,451 | – | 37,438 |
| Repayments | (54,175) | – | – | (54,175) |
| Transfers: | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | (263) | 263 | – | – |
| As at 31 December 2022 | 343,915 | 54,714 | 464,000 | 862,629 |

Notes to the Unaudited Interim Condensed Consolidated Financial Information

19 INVESTMENT SECURITIES (Continued)

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|--------------------|-------------------------|-------------------------|------------------|
| | 12M ECL RMB'000 | Lifetime ECL RMB'000 | Lifetime ECL RMB'000 | |
| Investment securities – amortised cost | | | | |
| As at 31 December 2022 | 375,586 | 20,684 | 390,178 | 786,448 |
| New financial assets originated or purchased | 80,455 | – | – | 80,455 |
| Remeasurement | 361 | 101,856 | 141,956 | 244,173 |
| Repayments | (36,668) | (61) | (12,715) | (49,444) |
| Transfers: | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | (50,647) | 50,647 | – | – |
| <i>Transfer from Stage 2 to Stage 3</i> | – | (5,886) | 5,886 | – |
| As at 30 June 2023 | 369,087 | 167,240 | 525,305 | 1,061,632 |
| As at 31 December 2021 | 568,339 | 50,005 | 420,182 | 1,038,526 |
| New financial assets originated or purchased | 33,574 | – | – | 33,574 |
| Remeasurement | (123,312) | (469) | (141) | (123,922) |
| Repayments | (115,057) | (16,810) | (29,863) | (161,730) |
| Transfers: | | | | |
| <i>Transfer from Stage 2 to Stage 1</i> | 12,042 | (12,042) | – | – |
| As at 31 December 2022 | 375,586 | 20,684 | 390,178 | 786,448 |

19 INVESTMENT SECURITIES (Continued)

Movements of gross amount (excluding accrued interest) of investment securities are summarised below:

As at 30 June 2023, debt securities of RMB700,000 thousand at fair value through other comprehensive income of the Group were in stage 3, and the ECL allowance on the above-mentioned debt instruments amounted to RMB574,121 thousand. Other debt securities at fair value through other comprehensive income were in stage 1.

As at 31 December 2022, debt securities of RMB500,000 thousand at fair value through other comprehensive income of the Group were in stage 3, and the ECL allowance on the above-mentioned debt instruments amounted to RMB464,000 thousand. Debt securities of RMB200,000 thousand at fair value through other comprehensive income were in stage 2, and the ECL allowance on the above-mentioned debt instruments amounted to RMB54,714 thousand. Other debt securities at fair value through other comprehensive income were in stage 1.

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|--------------------|-------------------------|-------------------------|--------------------|
| | 12M ECL RMB'000 | Lifetime ECL RMB'000 | Lifetime ECL RMB'000 | |
| Investment securities – amortised cost | | | | |
| As at 31 December 2022 | 138,489,281 | 1,148,000 | 803,679 | 140,440,960 |
| New financial assets originated or purchased | 35,644,502 | – | – | 35,644,502 |
| Proceeds received | (26,750,483) | (2,300) | (28,898) | (26,781,681) |
| Transfers: | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | (2,997,700) | 2,997,700 | – | – |
| <i>Transfer from Stage 2 to Stage 3</i> | – | (254,000) | 254,000 | – |
| As at 30 June 2023 | 144,385,600 | 3,889,400 | 1,028,781 | 149,303,781 |
| As at 31 December 2021 | 126,254,758 | 1,952,000 | 871,398 | 129,078,156 |
| New financial assets originated or purchased | 43,580,577 | – | – | 43,580,577 |
| Proceeds received | (31,596,054) | (554,000) | (67,719) | (32,217,773) |
| Transfers: | | | | |
| <i>Transfer from Stage 2 to Stage 1</i> | 250,000 | (250,000) | – | – |
| As at 31 December 2022 | 138,489,281 | 1,148,000 | 803,679 | 140,440,960 |

Notes to the Unaudited Interim Condensed Consolidated Financial Information

19 INVESTMENT SECURITIES (Continued)

An analysis of investment securities by issuer is as follows:

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|-------------------------------------|--------------------------------|
| Investment securities – FVOCI | | |
| – Corporations | 74,511,438 | 68,018,324 |
| – Governments | 7,735,013 | 1,419,428 |
| – Commercial banks | 3,085,024 | 2,655,840 |
| – Policy banks | 405,957 | 909,929 |
| – Other financial institutions | – | 100,157 |
| – Equity investments at fair value | 101,817 | 111,577 |
| – Others | 14 | 14 |
| Total | 85,839,263 | 73,215,269 |
| Accrued interest | 2,014,220 | 1,726,867 |
| | 87,853,483 | 74,942,136 |
| Investment securities – amortised cost | | |
| – Governments | 110,690,410 | 97,456,376 |
| – Asset management companies | 24,341,650 | 24,684,030 |
| – Corporations | 6,974,000 | 8,664,000 |
| – Trust companies | 5,137,181 | 5,483,279 |
| – Securities companies | 951,739 | 951,899 |
| – Commercial banks | 720,000 | 720,000 |
| – Policy banks | 488,801 | 2,481,376 |
| Total | 149,303,781 | 140,440,960 |
| Accrued interest | 2,435,657 | 2,493,098 |
| Less: ECL allowance | (1,061,632) | (786,448) |
| | 150,677,806 | 142,147,610 |

20 INVESTMENTS IN ASSOCIATES

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|-------------------------------------|--------------------------------|
| Balance at the beginning of the period/year | 2,500,712 | 2,228,158 |
| Share of profits of associates | 246,464 | 330,227 |
| Declared cash dividends | (54,902) | (57,673) |
| Balance at the end of the period/year | 2,692,274 | 2,500,712 |

On 15 June 2015, the Group invested RMB54,000 thousand in Mashang Consumer Finance Co., Ltd. (“Mashang Finance”) on its incorporation, and appointed a director. As at 14 August 2016, Mashang Finance increased its registered capital to RMB1,300,000 thousand, and the Group increased the investment to RMB205,270 thousand which accounted for 15.79% of the equity interest. On 13 July 2017, Mashang Finance further increased its registered capital to RMB2,210,294 thousand, and the Group increased the investment to RMB338,346 thousand, which accounted for 15.31% of the total registered capital. On 9 August 2018, Mashang Finance further increased its registered capital to RMB4,000,000 thousand, and the Group increased the investment to RMB655,142 thousand, which accounted for 15.53% of the equity interest.

Pursuant to the resolution of the board meeting of Chongqing Three Gorges Bank Co., Ltd. (“Three Gorges Bank”) on 21 April 2017, the Group appointed a director to the board of Three Gorges Bank, and therefore, the Group had significant influence on Three Gorges Bank. Three Gorges Bank became an associate of the Group. The investment of the Group amounted to RMB379,024 thousand, accounting for 4.97% of the equity interest of RMB5,573,975 thousand registered capital.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

21 PROPERTY, PLANT AND EQUIPMENT

| | Assets under | | | | | | Total RMB'000 |
|--|----------------------|------------------------------|------------------------------------|--------------------------------|--------------------------------|--|------------------|
| | Buildings RMB'000 | Motor vehicles RMB'000 | Electronic equipment RMB'000 | Office equipment RMB'000 | operating leases RMB'000 | Construction in progress RMB'000 | |
| Cost | | | | | | | |
| As at 31 December 2022 | 3,357,145 | 12,210 | 636,462 | 167,183 | 178,901 | 268,380 | 4,620,281 |
| Additions | 2,201 | - | 47,582 | 5,212 | - | 406 | 55,401 |
| Transfer from construction in progress | 5,828 | - | - | - | - | (5,828) | - |
| Disposals | - | (684) | (5,690) | (3,684) | - | - | (10,058) |
| As at 30 June 2023 | 3,365,174 | 11,526 | 678,354 | 168,711 | 178,901 | 262,958 | 4,665,624 |
| Accumulated depreciation | | | | | | | |
| As at 31 December 2022 | (926,555) | (9,863) | (437,638) | (115,293) | (69,951) | - | (1,559,300) |
| Depreciation (<i>Note 9</i>) | (55,077) | (276) | (33,445) | (7,752) | (14,129) | - | (110,679) |
| Disposals | - | 663 | 5,517 | 3,574 | - | - | 9,754 |
| As at 30 June 2023 | (981,632) | (9,476) | (465,566) | (119,471) | (84,080) | - | (1,660,225) |
| Impairment allowance | (1,500) | - | - | - | - | - | (1,500) |
| Net book value | | | | | | | |
| As at 30 June 2023 | 2,382,042 | 2,050 | 212,788 | 49,240 | 94,821 | 262,958 | 3,003,899 |

Notes to the Unaudited Interim Condensed Consolidated Financial Information

21 PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Buildings RMB'000 | Motor vehicles RMB'000 | Electronic equipment RMB'000 | Office equipment RMB'000 | Assets under | | Total RMB'000 |
|--|----------------------|------------------------------|------------------------------------|--------------------------------|--------------------------------|--|------------------|
| | | | | | operating leases RMB'000 | Construction in progress RMB'000 | |
| Cost | | | | | | | |
| As at 31 December 2021 | 3,143,267 | 10,375 | 610,689 | 153,075 | 178,975 | 459,100 | 4,555,481 |
| Additions | 5,743 | 1,843 | 77,287 | 24,142 | – | 26,593 | 135,608 |
| Transfer from construction in progress | 217,250 | – | 63 | – | – | (217,313) | – |
| Disposals | (6,789) | (8) | (51,577) | (10,034) | (74) | – | (68,482) |
| Transfer to investment properties | (2,326) | – | – | – | – | – | (2,326) |
| As at 31 December 2022 | 3,357,145 | 12,210 | 636,462 | 167,183 | 178,901 | 268,380 | 4,620,281 |
| Accumulated depreciation | | | | | | | |
| As at 31 December 2021 | (822,790) | (9,359) | (419,010) | (108,693) | (41,708) | – | (1,401,560) |
| Depreciation (<i>Note 9</i>) | (109,560) | (511) | (67,756) | (15,940) | (28,259) | – | (222,026) |
| Disposals | 4,461 | 7 | 49,128 | 9,340 | 16 | – | 62,952 |
| Transfer to investment properties | 1,334 | – | – | – | – | – | 1,334 |
| As at 31 December 2022 | (926,555) | (9,863) | (437,638) | (115,293) | (69,951) | – | (1,559,300) |
| Impairment allowance | | | | | | | |
| As at 31 December 2022 | (1,500) | – | – | – | – | – | (1,500) |
| Net book value | | | | | | | |
| As at 31 December 2022 | 2,429,090 | 2,347 | 198,824 | 51,890 | 108,950 | 268,380 | 3,059,481 |

As at 30 June 2023, the cost of motor vehicles and machinery equipment leased out by the Group under operating lease arrangements was RMB178,901 thousand (31 December 2022: RMB178,901 thousand). The depreciation charged for the reporting period amounted to RMB14,129 thousand (for the six months ended 30 June 2022: RMB14,129 thousand). There were no clauses regarding the residual value guarantee under the lease contracts signed by the Group as a lessor.

As at 30 June 2023, the net value of the buildings whose registration procedures have not been completed was RMB62,872 thousand (31 December 2022: RMB66,228 thousand). The registration process has little impact on the Group's right to own the property, plant and equipment.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

22 OTHER ASSETS

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|--|-------------------------------------|--------------------------------|
| Other receivables ^(a) | 581,183 | 344,848 |
| Less: Impairment allowance ^(a) | (21,232) | (58,923) |
| Intangible assets ^(b) | 367,281 | 360,048 |
| Right-of-use assets ^(c) | 283,759 | 278,831 |
| Interest receivable | 250,514 | 303,844 |
| Continuing involvement in transferred assets | 229,540 | 229,528 |
| Foreclosed assets ^(d) | 100,391 | 70,161 |
| Fee and commission receivable | 85,719 | 114,299 |
| Leasehold improvements | 77,609 | 72,418 |
| Dividends receivable | 51,230 | – |
| Prepaid rental expenses ^(e) | 3,014 | 5,059 |
| Investment properties ^(f) | 3,007 | 4,286 |
| Others | 3,520 | 4,864 |
| | 2,015,535 | 1,729,263 |

Notes to the Unaudited Interim Condensed Consolidated Financial Information

22 OTHER ASSETS (Continued)

(a) Other receivables

Movements of impairment allowance for other receivables:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|--|--------------------|-------------------------|-------------------------|---------------|
| | 12M ECL RMB'000 | Lifetime ECL RMB'000 | Lifetime ECL RMB'000 | |
| Other receivables | | | | |
| As at 31 December 2022 | 4,877 | 146 | 53,900 | 58,923 |
| New financial assets originated or purchased | 3,160 | – | – | 3,160 |
| Remeasurement | (680) | 234 | 26,750 | 26,304 |
| Write-off and disposal | – | – | (65,919) | (65,919) |
| Repayments | (780) | (29) | (427) | (1,236) |
| Transfers: | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | (15) | 15 | – | – |
| <i>Transfer from Stage 1 to Stage 3</i> | (31) | – | 31 | – |
| <i>Transfer from Stage 2 to Stage 3</i> | – | (108) | 108 | – |
| As at 30 June 2023 | 6,531 | 258 | 14,443 | 21,232 |
| As at 31 December 2021 | 5,348 | 17,163 | 15,314 | 37,825 |
| New financial assets originated or purchased | 945 | – | – | 945 |
| Remeasurement | (392) | (4,685) | 44,015 | 38,938 |
| Write-off | – | – | (16,354) | (16,354) |
| Repayments | (815) | (852) | (764) | (2,431) |
| Transfers: | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | (12) | 12 | – | – |
| <i>Transfer from Stage 1 to Stage 3</i> | (198) | – | 198 | – |
| <i>Transfer from Stage 2 to Stage 1</i> | 1 | (1) | – | – |
| <i>Transfer from Stage 2 to Stage 3</i> | – | (11,491) | 11,491 | – |
| As at 31 December 2022 | 4,877 | 146 | 53,900 | 58,923 |

Notes to the Unaudited Interim Condensed Consolidated Financial Information

22 OTHER ASSETS (Continued)

(a) Other receivables (Continued)

Movements of gross amount of other receivables:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|--------------------|-------------------------|-------------------------|----------------|
| | 12M ECL RMB'000 | Lifetime ECL RMB'000 | Lifetime ECL RMB'000 | |
| Other receivables | | | | |
| As at 31 December 2022 | 232,369 | 1,096 | 111,383 | 344,848 |
| New financial assets originated or purchased | 449,925 | – | – | 449,925 |
| Proceeds received | (121,677) | (236) | (740) | (122,653) |
| Write-off | – | – | (2,000) | (2,000) |
| Financial assets derecognised other than write-offs | – | – | (88,937) | (88,937) |
| Transfers: | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | (2,158) | 2,158 | – | – |
| <i>Transfer from Stage 1 to Stage 3</i> | (4,480) | – | 4,480 | – |
| <i>Transfer from Stage 2 to Stage 1</i> | 2 | (2) | – | – |
| <i>Transfer from Stage 2 to Stage 3</i> | – | (896) | 896 | – |
| As at 30 June 2023 | 553,981 | 2,120 | 25,082 | 581,183 |
| As at 31 December 2021 | 255,013 | 93,220 | 23,901 | 372,134 |
| New financial assets originated or purchased | 100,449 | – | – | 100,449 |
| Proceeds received | (103,365) | (6,438) | (1,578) | (111,381) |
| Write-off | – | – | (16,354) | (16,354) |
| Transfers: | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | (1,162) | 1,162 | – | – |
| <i>Transfer from Stage 1 to Stage 3</i> | (18,572) | – | 18,572 | – |
| <i>Transfer from Stage 2 to Stage 1</i> | 6 | (6) | – | – |
| <i>Transfer from Stage 2 to Stage 3</i> | – | (86,842) | 86,842 | – |
| As at 31 December 2022 | 232,369 | 1,096 | 111,383 | 344,848 |

22 OTHER ASSETS (Continued)**(b) Intangible assets**

| | For the six months ended 30 June 2023 RMB'000 | For the year ended 31 December 2022 RMB'000 |
|---|--|---|
| Cost | | |
| Balance at the beginning of the period/year | 849,262 | 685,536 |
| Additions | 70,551 | 164,059 |
| Disposals | – | (333) |
| Balance at the end of the period/year | 919,813 | 849,262 |
| Accumulated amortisation | | |
| Balance at the beginning of the period/year | (489,214) | (380,457) |
| Amortisation (<i>Note 9</i>) | (63,318) | (109,090) |
| Disposals | – | 333 |
| Balance at the end of the period/year | (552,532) | (489,214) |
| Net book value | | |
| Balance at the end of the period/year | 367,281 | 360,048 |

(c) Right-of-use assets

| | Buildings RMB'000 | Electronic equipment RMB'000 | Land use rights RMB'000 | Total RMB'000 |
|-------------------------------------|------------------------------|---|--|--------------------------|
| Cost | | | | |
| As at 31 December 2022 | 251,038 | – | 186,905 | 437,943 |
| Add: Additions | 36,732 | – | – | 36,732 |
| Less: Deductions | (21,082) | – | – | (21,082) |
| As at 30 June 2023 | 266,688 | – | 186,905 | 453,593 |
| Accumulated depreciation | | | | |
| As at 31 December 2022 | (96,599) | – | (62,513) | (159,112) |
| Add: Depreciation (<i>Note 9</i>) | (29,467) | – | (2,337) | (31,804) |
| Less: Deductions | 21,082 | – | – | 21,082 |
| As at 30 June 2023 | (104,984) | – | (64,850) | (169,834) |
| Net book value | | | | |
| As at 30 June 2023 | 161,704 | – | 122,055 | 283,759 |

Notes to the Unaudited Interim Condensed Consolidated Financial Information

22 OTHER ASSETS (Continued)

(c) Right-of-use assets (Continued)

| | Buildings RMB'000 | Electronic equipment RMB'000 | Land use rights RMB'000 | Total RMB'000 |
|---------------------------------|----------------------|------------------------------------|-------------------------------|------------------|
| Cost | | | | |
| As at 31 December 2021 | 167,995 | 4,120 | 186,905 | 359,020 |
| Add: Additions | 99,416 | 383 | – | 99,799 |
| Less: Deductions | (16,373) | (4,503) | – | (20,876) |
| As at 31 December 2022 | 251,038 | – | 186,905 | 437,943 |
| Accumulated depreciation | | | | |
| As at 31 December 2021 | (55,335) | (3,677) | (57,840) | (116,852) |
| Add: Depreciation (Note 9) | (52,633) | (826) | (4,673) | (58,132) |
| Less: Deductions | 11,369 | 4,503 | – | 15,872 |
| As at 31 December 2022 | (96,599) | – | (62,513) | (159,112) |
| Net book value | | | | |
| As at 31 December 2022 | 154,439 | – | 124,392 | 278,831 |

(d) Foreclosed assets

The categories and carrying amounts of the Group's foreclosed assets are set out below:

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|------------------------|----------------------------|--------------------------------|
| Business properties | 92,223 | 66,793 |
| Residential properties | 8,168 | 3,368 |
| | 100,391 | 70,161 |

The Group intends to dispose of foreclosed assets through various methods including auction, competitive bidding and transfer. For the six months ended 30 June 2023, the Group did not dispose of any foreclosed assets (for the year ended 31 December 2022: nil).

(e) Prepaid rental expenses

Prepaid rental expenses are generated from the rental expenses prepaid for lease exempted from recognition of right-of-use assets and lease liabilities, which resulted from a lease term of 12 months or less or an underlying asset of low value based on the value of the asset when it is new.

22 OTHER ASSETS (Continued)

(f) Investment properties

| | For the six months ended 30 June 2023 RMB'000 | For the year ended 31 December 2022 RMB'000 |
|---|---|---|
| Cost | | |
| Balance at the beginning of the period/year | 9,800 | 7,474 |
| Transfer from property, plant and equipment | – | 2,326 |
| Disposals | (1,525) | – |
| Balance at the end of the period/year | 8,275 | 9,800 |
| Accumulated depreciation | | |
| Balance at the beginning of the period/year | (5,514) | (3,905) |
| Transfer from property, plant and equipment | – | (1,334) |
| Depreciation (Note 9) | (155) | (275) |
| Disposals | 401 | – |
| Balance at the end of the period/year | (5,268) | (5,514) |
| Net book value | | |
| Balance at the end of the period/year | 3,007 | 4,286 |

23 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|--|----------------------------|--------------------------------|
| Loans from the central bank | 36,125,951 | 39,231,682 |
| Placements from banks and other financial institutions | 40,390,352 | 34,127,796 |
| Deposits from banks | 4,471,278 | 8,284,348 |
| Deposits from other financial institutions | 2,656,799 | 77,594 |
| Bills sold under repurchase agreements | 15,126,570 | 10,678,554 |
| Securities sold under repurchase agreements | 8,854,000 | 19,005,000 |
| Total | 107,624,950 | 111,404,974 |
| Accrued interest | 833,140 | 598,425 |
| | 108,458,090 | 112,003,399 |

Notes to the Unaudited Interim Condensed Consolidated Financial Information

24 CUSTOMER DEPOSITS

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|----------------------------|----------------------------|--------------------------------|
| Corporate demand deposits | 66,076,564 | 60,481,461 |
| Corporate time deposits | 128,245,371 | 132,906,633 |
| Individual demand deposits | 19,281,589 | 19,752,513 |
| Individual time deposits | 169,722,470 | 147,470,703 |
| Other deposits | 16,174,496 | 16,491,983 |
| Total | 399,500,490 | 377,103,293 |
| Accrued interest | 6,676,338 | 5,491,187 |
| | 406,176,828 | 382,594,480 |

25 DEBT SECURITIES ISSUED

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|--|----------------------------|--------------------------------|
| Subordinated bonds | | |
| Fixed rate tier II capital bond – 2032 ^(a) | 4,999,483 | 4,999,454 |
| Financial bonds | | |
| Fixed rate small and micro business debt – 2023 ^(b) | 2,000,000 | 2,000,000 |
| Fixed rate small and micro business debt – 2024 ^(c) | 1,999,923 | 1,999,857 |
| Fixed rate green financial bond -2024 ^(d) | 1,999,950 | 1,999,916 |
| Fixed rate financial bond – 2024 ^(e) | 1,499,693 | 1,499,544 |
| Convertible Bonds ^(f) | 12,488,428 | 12,264,745 |
| Inter-bank certificates of deposit ^(g) | 125,533,324 | 108,786,366 |
| Total | 150,520,801 | 133,549,882 |
| Accrued interest | 163,026 | 327,223 |
| | 150,683,827 | 133,877,105 |

25 DEBT SECURITIES ISSUED (Continued)

For the six months ended 30 June 2023, there were no defaults of principal and interest or other breaches with respect to these bonds since their issuance (for the year ended 31 December 2022: nil).

- (a) Pursuant to a resolution at the general meeting passed on 20 November 2020 and the Approval for Bank of Chongqing Co., Ltd. to Issue Tier II Capital Bonds (Yu Yin Bao Jian Fu [2022] No. 17) by the China Banking and Insurance Regulatory Commission ("CBIRC") Chongqing Bureau on 20 January 2022, the Bank issued RMB5 billion tier II capital bonds in the domestic inter-bank bond market of China on 24 March 2022. Such tier II bonds have a maturity of 10 years, with a fixed coupon rate of 3.73% per annum before maturity, payable annually. The Bank has the option to exercise the redemption right to redeem all of the bonds at the par value on 28 March 2027.

The bonds have the write-down characteristics of the tier II capital instrument. When the regulatory trigger events stipulated in the issuance document occur, the Bank has the right to write down the principal of the bonds and any accumulated interest payables will not be paid as well. According to the related regulations issued by the CBIRC, the tier II capital bonds meet the standards of the qualified tier II capital instrument.

- (b) Pursuant to a resolution at the general meeting passed on 30 April 2019 and the Approval for Bank of Chongqing Co., Ltd. to Issue Special Financial Bonds for small and micro business loans (Yu Yin Bao Jian Fu [2020] No. 205) by the CBIRC Chongqing Bureau on 17 September 2020, the Bank issued RMB2 billion special financial bonds for small and micro business loans in the domestic inter-bank bond market of China on 2 November 2020. Such bonds have a maturity of 3 years, with a fixed coupon rate of 3.73% per annum before maturity, payable annually. The proceeds from this issue were used for loans to small and micro enterprises.
- (c) Pursuant to a resolution at the general meeting passed on 30 April 2019 and the Approval for Bank of Chongqing Co., Ltd. to Issue Special Financial Bonds for small and micro business loans (Yu Yin Bao Jian Fu [2020] No. 205) by the CBIRC Chongqing Bureau on 17 September 2020, the Bank issued RMB2 billion special financial bonds for small and micro business loans in the domestic inter-bank bond market of China on 22 January 2021. Such bonds have a maturity of 3 years, with a fixed coupon rate of 3.50% per annum before maturity, payable annually. The proceeds from this issue were used for loans to small and micro enterprises.
- (d) Pursuant to a resolution at the general meeting passed on 30 April 2019 and the Approval for Bank of Chongqing Co., Ltd. to Issue Green Financial Bonds (Yu Yin Bao Jian Fu [2020] No. 202) by the CBIRC Chongqing Bureau on 15 September 2020, the Bank issued first phase of green financial bonds of RMB2 billion in the domestic inter-bank bond market of China on 16 March 2021. Such bonds have a maturity of 3 years, with a fixed coupon rate of 3.57% per annum before maturity, payable annually. The proceeds from this issue were used to support the green industry project specified in the Green Bond Support Project Catalogue compiled by the Green Finance Specialised Committee of the China Financial Association.
- (e) Pursuant to a resolution at the extraordinary general meeting passed on 27 December 2019 and the Approval for Chongqing Xinyu Financial Leasing Co., Ltd. to Issue Financial Bonds (Yu Yin Bao Jian Fu [2020] No. 175) by the CBIRC Chongqing Bureau on 27 August 2020, Chongqing Xinyu Financial Leasing Co., Ltd. issued RMB1.5 billion financial bonds in the domestic inter-bank bond market of China on 23 June 2021. Such bonds have a maturity of 3 years, with a fixed coupon rate of 3.95% per annum before maturity, payable annually. All proceeds raised were used for the launch of financial leasing projects.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

25 DEBT SECURITIES ISSUED (Continued)

- (f) Pursuant to a resolution at the general meeting passed on 20 May 2021, and the Approval for Bank of Chongqing Co., Ltd. to Publicly Issue A-share Convertible Bonds (Yu Yin Bao Jian Fu [2021] No. 227) by the CBIRC Chongqing Bureau on 26 September 2021, and the Approval for Bank of Chongqing Co., Ltd. to Publicly Issue Convertible Bonds (Zheng Jian Xu Ke [2022] No. 505) by China Securities Regulatory Commission on 23 March 2022, the Bank publicly issued A-share convertible bonds with a total nominal amount of RMB13 billion. The convertible bonds have a maturity term of six years from 23 March 2022 to 22 March 2028, and bear a fixed interest rate of 0.20% for the first year, 0.40% for the second year, 1.00% for the third year, 1.70% for the fourth year, 2.50% for the fifth year and 3.50% for the sixth year. The convertible bond holders may exercise their rights to convert the convertible bonds into the Bank's A shares at the stipulated conversion price during the year ("conversion period") beginning six months after the date of issuance until the maturity date. Within 5 trading days after maturity, the Bank shall redeem the outstanding convertible bonds at 110% of the par value, including interest for the sixth year.

| | Liability component RMB'000 | Equity component RMB'000 | Total RMB'000 |
|--|-----------------------------------|--------------------------------|------------------|
| Nominal value of convertible bonds | 11,926,926 | 1,073,074 | 13,000,000 |
| Direct transaction costs | (15,033) | (1,353) | (16,386) |
| Balance as at the issuance date | 11,911,893 | 1,071,721 | 12,983,614 |
| Accumulated amortization at the beginning of the period | 353,209 | – | 353,209 |
| Accumulated conversion amount at the beginning of the period | (357) | (31) | (388) |
| Balance at the beginning of the period | 12,264,745 | 1,071,690 | 13,336,435 |
| Amortisation | 223,846 | – | 223,846 |
| Conversion | (163) | (13) | (176) |
| Balance at the end of the period | 12,488,428 | 1,071,677 | 13,560,105 |

During the conversion period, if the closing price of the Bank's A Shares is not lower than or equal to 130% of the prevailing conversion price in at least 15 trading days out of any 30 consecutive trading days, subject to the approval by relevant PRC authorities (if needed), the Bank has the right to redeem all or part of the outstanding convertible bonds at par value plus accrued interest on the first day on which the redemption criteria are met. In case that the Bank's conversion price is adjusted due to the ex-right or ex-dividend at these trading days, the pre-adjustment price is calculated at the conversion price and the closing price at the trading day before the adjustment, and the post-adjustment price is calculated at the conversion price and the closing price at the trading day after the adjustment. The Bank also has the right to redeem all the convertible bonds at par value plus accrued interest should the total outstanding amount be less than RMB30 million.

Based on the calculation method in the prospectus of the convertible bonds, the initial conversion price is RMB11.28 per share, no less than the average trading price of the Bank's A shares within 20 trading days before the announcement date of the prospectus (if the stock price is adjusted due to the ex-right or ex-dividend within these 20 trading days, the pre-adjustment price is calculated at the related adjusted price), the average trading price of the Bank's A shares at the previous trading day, as well as the latest audited net asset value per share and the face value.

As at 30 June 2023, convertible bonds of RMB541 thousand had been converted into 49,388 ordinary shares (31 December 2022: convertible bonds of RMB378 thousand had been converted into 34,505 ordinary shares).

For the six months ended 30 June 2023, the Bank paid interest of RMB25,999 thousand on the convertible bonds (for the year ended 31 December 2022: did not pay any interest).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

25 DEBT SECURITIES ISSUED (Continued)

(g) For the six months ended 30 June 2023, the Bank issued 74 inter-bank certificates of deposit at discounts with maturities from one month to one year and annual interest rates between 2.18% and 2.84% (for the year ended 31 December 2022: 156 inter-bank certificates of deposit with maturities from one month to one year and annual interest rates between 1.39% and 2.85%). As at 30 June 2023, 126 inter-bank certificates of deposit were not yet due with a total par value of RMB126.88 billion (31 December 2022: 119 were not due with a total par value of RMB109.98 billion).

26 OTHER LIABILITIES

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|----------------------------|--------------------------------|
| Lease deposit | 2,351,784 | 1,991,820 |
| Dividends payable | 1,440,497 | 68,753 |
| Other payables | 1,062,675 | 202,728 |
| Employee benefits payable | 665,463 | 817,656 |
| Deferred income | 323,113 | 458,622 |
| Value-added tax and other taxes payable | 278,070 | 281,081 |
| Provisions | 267,283 | 287,059 |
| Continuing involvement in transferred liabilities | 229,540 | 229,528 |
| Lease liabilities | 140,406 | 135,077 |
| Clearing funds for wealth management products | 103,504 | 125,773 |
| Others | 447,920 | 27,415 |
| | 7,310,255 | 4,625,512 |

27 DEFERRED INCOME TAXES

The movements in the deferred income tax account are set out below:

| | For the six months ended 30 June 2023 RMB'000 | For the year ended 31 December 2022 RMB'000 |
|---|---|---|
| Balance at beginning of the period/year | 4,734,162 | 3,846,343 |
| Charge to profit or loss (Note 12) | 313,423 | 388,349 |
| Changes in fair value of financial assets at FVOCI | (283,581) | 529,862 |
| Changes in ECL allowance of financial assets at FVOCI | (5,384) | (30,392) |
| Balance at end of the period/year | 4,758,620 | 4,734,162 |

Notes to the Unaudited Interim Condensed Consolidated Financial Information

27 DEFERRED INCOME TAXES (Continued)

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

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|--|-------------------------------------|--------------------------------|
| Asset impairment allowances | 4,399,226 | 4,103,405 |
| Changes in fair value of financial assets at FVPL | 61,663 | 55,184 |
| Changes in fair value of financial assets at FVOCI | 147,452 | 431,033 |
| Others | 345,756 | 341,834 |
| Deferred tax assets | 4,954,097 | 4,931,456 |
| Share of profits from associates under the equity method | (144,067) | (144,067) |
| Others | (51,410) | (53,227) |
| Deferred tax liabilities | (195,477) | (197,294) |
| Net deferred tax assets | 4,758,620 | 4,734,162 |

Deferred income tax charged to profit or loss comprises the following temporary differences:

| | For the six months ended 30 June | |
|---|---|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Asset impairment allowances | 301,205 | 278,303 |
| Changes in fair value of financial assets at FVPL | 6,479 | 50,424 |
| Others | 5,739 | (8,506) |
| | 313,423 | 320,221 |

Other deferred tax assets of the Group are mainly generated by accelerated depreciation of property, plant and equipment, unpaid salaries and bonuses, advances from customers and government grants.

28 RETIREMENT BENEFIT OBLIGATIONS

The Group provides supplementary retirement benefits to employees in Mainland China who retired before 30 June 2011. The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future benefits that the Group is committed to paying to the employees after their retirement using actuarial techniques. Such benefits are discounted to determine their present values. The discount rate is the yield on government bonds at the reporting date, the maturity dates of which approximate to the terms of the Group's obligations. Actuarial gains and losses, changes in actuarial assumptions and amendments to the pension plan are charged or credited to the consolidated statement of comprehensive income as they occur. The amounts recognised in the consolidated statement of financial position represent the present value of unfunded obligations plus any unrecognised actuarial gains and losses net of any unrecognised past service cost.

Since 1 January 2010, employees of the Group voluntarily participate in an annuity plan set up by the Group in accordance with the state's corporate annuity regulations. The Group contributes to the annuity plan based on a certain percentage of the employees' gross salary in previous years, which is recognised in the consolidated statement of comprehensive income.

The Group has not forfeited any retirement benefit scheme contributions (i.e., contributions which are processed by the employer on behalf of the employee after the employee has withdrawn from the scheme before the relevant contributions become his/her own). At 30 June 2023, there are no forfeited contributions under the Group's retirement benefit plans which can be used to deduct contributions payable for future years.

| | For the six months ended 30 June | |
|--|----------------------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Expenses incurred on retirement benefit plan | 78,789 | 70,959 |
| Expenses incurred on supplementary retirement benefits | 328 | 134 |
| Expenses incurred on corporate annuity plan | 32,713 | 32,323 |
| Total | 111,830 | 103,416 |

Supplementary retirement benefits

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|----------------------------|--------------------------------|
| Liabilities listed in consolidated statement of financial position: | | |
| – Retirement benefits | 16,106 | 17,832 |

| | For the six months ended 30 June | |
|---|----------------------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Expenses charged in consolidated statement of profit or loss: | | |
| – Retirement benefits | 328 | 134 |

Notes to the Unaudited Interim Condensed Consolidated Financial Information

28 RETIREMENT BENEFIT OBLIGATIONS (Continued)

Supplementary retirement benefits (Continued)

The amounts recognised in the consolidated statement of financial position are determined as below:

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|-------------------------------------|--------------------------------|
| Present value of unfunded obligations | 16,106 | 17,832 |
| Unrecognised past service cost | – | – |
| Net amount of liabilities in the consolidated statement of financial position | 16,106 | 17,832 |

29 SHARE CAPITAL

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

| | 31 December 2022 | Additions | Deductions | 30 June 2023 |
|------------------------------------|---------------------|-----------|------------|-------------------------|
| Quantity in shares (in thousands) | 3,474,540 | 15 | – | 3,474,555 |
| Carrying amount (in RMB thousands) | 3,474,540 | 15 | – | 3,474,555 |

| | 31 December 2021 | Additions | Deductions | 31 December 2022 |
|------------------------------------|---------------------|-----------|------------|---------------------|
| Quantity in shares (in thousands) | 3,474,505 | 35 | – | 3,474,540 |
| Carrying amount (in RMB thousands) | 3,474,505 | 35 | – | 3,474,540 |

30 OTHER EQUITY INSTRUMENTS

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|-------------------------------------|--------------------------------|
| Perpetual bonds (<i>note 30 (a)</i>) | 4,499,400 | 4,499,400 |
| Equity of convertible bonds (<i>note 25(f)</i>) | 1,071,677 | 1,071,690 |
| Total | 5,571,077 | 5,571,090 |

30 OTHER EQUITY INSTRUMENTS (Continued)

Movements of perpetual bonds and preference shares are as follows:

| | 31 December 2022 RMB'000 | Additions RMB'000 | Deductions RMB'000 | 30 June 2023 RMB'000 |
|-----------------------------------|--------------------------------|----------------------|-----------------------|-------------------------------------|
| Perpetual bonds | | | | |
| Par value | 4,500,000 | – | – | 4,500,000 |
| Carrying amount | 4,499,400 | – | – | 4,499,400 |
| | | | | |
| | 31 December 2021 RMB'000 | Additions RMB'000 | Deductions RMB'000 | 31 December 2022 RMB'000 |
| Perpetual bonds | | | | |
| Par value | – | 4,500,000 | – | 4,500,000 |
| Carrying amount | – | 4,499,400 | – | 4,499,400 |
| Preference shares | | | | |
| Quantity in shares (in thousands) | 37,500 | – | (37,500) | – |
| Carrying amount | 4,909,307 | – | (4,909,307) | – |

(a) Main clauses of perpetual bonds

Pursuant to a resolution at the general meeting passed on 23 June 2022, and the Approval for Bank of Chongqing Co., Ltd. to Issue Perpetual Bonds (Yu Yin Bao Jian Fu [2022] No. 191) by the CBIRC Chongqing Bureau on 30 September 2022, and the approval of PBOC (Yin Xu Zhun Yu Jue Zi [2022] No. 182) on 22 November 2022, the Bank issued RMB4.5 billion perpetual bonds in the domestic inter-bank bond market of China on 16 December 2022. The annual coupon rate of the Bonds is 4.70% for the first five years, and is reset every 5 years.

The duration of the above bonds is the same as the period of continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may redeem the above bonds in whole or in part on each distribution payment date 5 years after the issuance date of the above bonds. Upon the occurrence of a trigger event for the write-downs, with the consent of the CBIRC, the Bank has the right to write down all or part of the above bonds issued and existing at that time in accordance with the total par value, where no consent of bondholders is required. The claims of the holders of the above bonds will be subordinated to the claims of depositors, general creditors and subordinated creditors with higher ranks; and shall rank in priority to the claims of shareholders and will rank pari passu with the claims under any other additional tier I capital instruments of the Bank that rank pari passu with the above bonds.

30 OTHER EQUITY INSTRUMENTS (Continued)

(a) Main clauses of perpetual bonds (Continued)

The above bonds are paid with non-cumulative interest. The Bank shall have the right to cancel distributions on the above bonds in whole or in part and such cancellation shall not constitute a default. The Bank may at its discretion utilise the proceeds from the cancelled distributions to meet other obligations of maturing debts. However, the Bank shall not distribute profits to ordinary shareholders until the resumption of full interest payment.

Capital raised from the issuance of the above bonds, after deduction of transaction costs, was wholly used to replenish the Bank's additional tier I capital and to increase its capital adequacy ratio.

31 CAPITAL SURPLUS

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.

Capital surplus can be utilised for the issuance of bonus shares or for increasing paid-in capital as approved by the shareholders at the annual general shareholders' meeting.

Share premium was recorded in the capital surplus after deducting direct issue costs which mainly included underwriting fees and professional fees.

The Group's capital surplus was set out below:

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|---------------|-------------------------------------|--------------------------------|
| Share premium | 7,727,878 | 7,727,740 |
| Others | 7,032 | 7,032 |
| | 7,734,910 | 7,734,772 |

32 OTHER RESERVES

| | Surplus reserve ^(a) RMB'000 | General reserve ^(b) RMB'000 | Revaluation reserve of equity instruments at FVOCI RMB'000 | Revaluation reserve of debt instruments at FVOCI RMB'000 | Impairment allowance for financial assets at FVOCI RMB'000 | Remeasurement of retirement benefit plan RMB'000 | Total RMB'000 |
|------------------------------------|--|--|---|--|--|---|-------------------|
| Balance at 31 December 2022 | 4,378,812 | 7,390,759 | 77,233 | (1,370,157) | 709,805 | (5,147) | 11,181,305 |
| Other comprehensive income | - | - | (7,320) | 858,065 | 16,152 | 975 | 867,872 |
| Appropriation reserve | - | 488,510 | - | - | - | - | 488,510 |
| Balance at 30 June 2023 | 4,378,812 | 7,879,269 | 69,913 | (512,092) | 725,957 | (4,172) | 12,537,687 |
| Balance at 31 December 2021 | 3,910,149 | 6,880,205 | 80,543 | 216,121 | 618,622 | (4,004) | 11,701,636 |
| Other comprehensive income | - | - | (3,310) | (1,586,278) | 91,183 | (1,143) | (1,499,548) |
| Appropriation reserve | 468,663 | 510,554 | - | - | - | - | 979,217 |
| Balance at 31 December 2022 | 4,378,812 | 7,390,759 | 77,233 | (1,370,157) | 709,805 | (5,147) | 11,181,305 |

(a) Surplus reserve

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

The Group's statutory surplus reserve as at 30 June 2023 amounted to RMB4,378,812 thousand (31 December 2022: RMB4,378,812 thousand).

(b) General reserve

The Bank and its subsidiaries appropriated general reserves according to Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued by the Ministry of Finance on 30 March 2012. In principle, the balance of general reserve shall not be less than 1.5% of the ending balance of risk assets.

A general reserve of RMB444,899 thousand was appropriated based on 1.5% of the ending balance of risk assets for the year ended 31 December 2022, which has been approved at the Annual General Meeting of Shareholders on 21 June 2023. For the six months ended 30 June 2023, the Bank appropriated a general reserve of RMB444,899 thousand from retained earnings (for the six months ended 30 June 2022: RMB423,265 thousand).

33 DIVIDENDS

| | For the six months ended 30 June | |
|--------------------------------------|----------------------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Dividends declared during the period | 1,372,443 | 1,355,057 |
| Dividend per share (in RMB) | 0.395 | 0.390 |

Under the *Company Law of the People's Republic of China* 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 surplus reserve of 10% of the net profit of the Bank.

In accordance with the 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 distributable profits determined in accordance with the PRC Generally Accepted Accounting Principles and (ii) the distributable profits determined in accordance with IFRS.

A dividend of RMB0.395 per share in respect of profit for the year ended 31 December 2022 (2021: RMB0.390 per share), amounting to a total dividend of RMB1,372,443 thousand based on the number of shares issued as at 31 December 2022, was approved at the Annual General Meeting on 21 June 2023.

34 STRUCTURED ENTITIES

(a) Consolidated structured entities

As at 30 June 2023, there were no structured entities consolidated by the Group (31 December 2022: nil).

(b) Unconsolidated structured entities

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

The unconsolidated structured entities managed by the Group were mainly unsecured wealth management products issued and managed by the Group acting as an agent. Based on the analysis and research on the potential targeted clients, the Group designed and sold capital investments and management plans to specific targeted clients, and the raised funds were then put into related financial markets or invested in related financial products according to the product contracts. Gains would be allocated to investors after the Group obtained the gains from investments. The Group received the corresponding wealth management commission fee income as the asset manager. The Group has recognised net commission income from unsecured wealth management products with the amount of RMB115,199 thousand for the six months ended 30 June 2023 (for the six months ended 30 June 2022: RMB333,117 thousand). The Group expects that the variable return it enjoys is insignificant as to the structured entities.

As at 30 June 2023, asset investments from the unsecured wealth management products issued and managed by the Group which were unconsolidated structured entities amounted to RMB54,443,816 thousand (31 December 2022: RMB53,686,705 thousand). The balance of unconsolidated wealth management products issued and managed by the Group amounted to RMB53,951,180 thousand (31 December 2022: RMB53,549,232 thousand).

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

The unconsolidated structured entities invested by the Group for the six months ended 30 June 2023 mainly included trust investments, asset management plans and fund investments. The Group made such investments in order to make a better use of the capital for profit-making.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

34 STRUCTURED ENTITIES (Continued)

(b) Unconsolidated structured entities (Continued)

(ii) Unconsolidated structured entities invested by the Group (Continued)

The table below lists the carrying amounts and maximum risk exposure to loss of the assets due to the holding of interests from unconsolidated structured entities.

| | 30 June 2023 | | 31 December 2022 | |
|---|----------------------------|--|----------------------------|--|
| | Carrying amount RMB'000 | Maximum risk exposure to loss RMB'000 | Carrying amount RMB'000 | Maximum risk exposure to loss RMB'000 |
| Financial assets at FVPL | 19,624,897 | 19,624,897 | 20,087,178 | 20,087,178 |
| Investment securities – amortised cost | 29,486,639 | 29,486,639 | 30,467,728 | 30,467,728 |
| | 49,111,536 | 49,111,536 | 50,554,906 | 50,554,906 |

The market information of total size of the unconsolidated structured entities listed above is not readily available to the public.

The interest income and fee and commission income from the above unconsolidated structured entities managed or invested by the Group were:

| | For the six months ended 30 June | |
|------------------------------------|----------------------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Interest income | 1,219,876 | 1,724,753 |
| Net gains on investment securities | 458,958 | 565,950 |
| Fee and commission income | 133,117 | 333,117 |
| | 1,811,951 | 2,623,820 |

For the six months ended 30 June 2023, the Group had no plan to provide liquidity support to unconsolidated structured entities (for the six months ended 30 June 2022: nil).

35 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

Financial guarantees and other credit related commitments

The following tables indicate the contractual amounts of the Group's financial guarantees and credit related commitments which the Group has committed to customers:

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|-------------------|-------------------------------------|--------------------------------|
| Acceptances | 52,104,204 | 63,443,174 |
| Letters of credit | 8,189,440 | 7,461,030 |
| Guarantees | 1,958,843 | 1,941,292 |
| Confirmations | 700,157 | 351,490 |
| Other commitments | 6,838,439 | 7,588,640 |
| Total | 69,791,083 | 80,785,626 |

Capital expenditure commitments

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|-------------------------------------|--------------------------------|
| Contracted but not provided for: | | |
| – Capital expenditure commitments for buildings | 18,893 | 32,321 |
| – Acquisition of IT system | 166,590 | 205,660 |
| Total | 185,483 | 237,981 |

External investment commitments

As at 30 June 2023, the Group had no external investment commitments (31 December 2022: nil).

Legal proceedings

Legal proceedings are initiated by third parties against the Group as defendant. As at 30 June 2023, the Group had 28 outstanding legal claims amounting to RMB592,465 thousand (31 December 2022: 22 outstanding legal claims amounting to RMB592,638 thousand). After consulting legal professionals, management of the Group believes that, at the current stage, these legal proceedings and arbitrations will not have a material impact on the financial position or operation results of the Group.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

36 COLLATERAL

(a) Assets pledged

The carrying amounts of assets pledged as collateral under repurchase agreements are set out below:

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|------------------|-------------------------------------|--------------------------------|
| Discounted bills | 15,139,672 | 10,707,237 |
| Bonds | 9,903,075 | 21,480,491 |
| Total | 25,042,747 | 32,187,728 |

The carrying amounts of assets pledged as collateral under borrowings from the PBOC are set out below:

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|-------|-------------------------------------|--------------------------------|
| Loans | – | 574,274 |
| Bonds | 37,623,441 | 41,387,744 |
| Total | 37,623,441 | 41,962,018 |

As at 30 June 2023, the Group's repurchase agreements and borrowings from the PBOC were due within 12 months from the effective dates of these agreements (31 December 2022: same).

(b) Collateral accepted

The bonds and bills the Group received as collateral in connection with the purchase of assets under resale agreements cannot be resold or repledged.

As at 30 June 2023, the Group has accepted collateral that can be resold or re-pledged with a fair value of RMB36,545,980 thousand (31 December 2022: RMB36,848,055 thousand). The Group has no re-pledged collateral which has to be returned upon maturity as at 30 June 2023 (31 December 2022: nil).

37 OTHER COMPREHENSIVE INCOME

| | Before tax amount RMB'000 | Income tax RMB'000 | Net of tax amount RMB'000 |
|--|---------------------------------|-----------------------|---------------------------------|
| For the six months ended 30 June 2023 | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Net gains on valuation of debt investments measured at FVOCI | 1,144,086 | (286,021) | 858,065 |
| Credit loss provision for financial assets measured at FVOCI | 21,536 | (5,384) | 16,152 |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Net losses on equity investments designated at fair value through other comprehensive income | (9,760) | 2,440 | (7,320) |
| Remeasurement of retirement benefit plans | 1,300 | (325) | 975 |
| Other comprehensive income for the period | 1,157,162 | (289,290) | 867,872 |
| <hr/> | | | |
| | Before tax amount RMB'000 | Income tax RMB'000 | Net of tax amount RMB'000 |
| For the six months ended 30 June 2022 | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Net losses on valuation of debt investments measured at FVOCI | (437,135) | 109,284 | (327,851) |
| Credit loss provision for financial assets measured at FVOCI | 41,226 | (10,307) | 30,919 |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Remeasurement of retirement benefit plans | (851) | 213 | (638) |
| Other comprehensive income for the period | (396,760) | 99,190 | (297,570) |

38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, 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 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|-------------------------------------|--------------------------------|
| Cash and balances with the central bank | 6,772,158 | 12,793,874 |
| Due from banks and other financial institutions | 4,349,625 | 4,092,102 |
| Placements with banks | 2,145,001 | 2,600,503 |
| Cash and cash equivalents | 13,266,784 | 19,486,479 |

(b) Cash outflows relating to leases

For the six months ended 30 June 2023, total cash outflows paid by the Group as a lessee amounted to RMB34,751 thousand (for the six months ended 30 June 2022: RMB32,786 thousand), of which cash payments for the principal portion and interest portion of the lease liabilities as cash flows from financing activities amounted to RMB33,520 thousand (for the six months ended 30 June 2022: RMB31,813 thousand), and the rest, generated from the rental expenses prepaid for lease exempted from recognition of right-of-use assets and lease liabilities, which resulted from a lease term of 12 months or less or an underlying asset of low value based on the value of the asset when it is new, were included in operating activities.

39 FINANCIAL ASSETS TRANSFER

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

(a) Disposal of loans and advances

For the six months ended 30 June 2023, the Group disposed of loans with a gross amount of RMB225,059 thousand to third parties for RMB54,315 thousand. The Group derecognised the loans accordingly. As at 30 June 2023, all receivables had been collected.

For the year ended 31 December 2022, the Group disposed of loans to the third parties with a gross amount of RMB1,829,166 thousand for RMB644,856 thousand. The Group derecognised the loans accordingly. As at 31 December 2022, the receivables were collected.

39 FINANCIAL ASSETS TRANSFER (Continued)

(b) Asset securitisation

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to trust companies or special purpose trusts which issue asset-backed securities to investors.

The Group may retain interests in the form of subordinated tranches which may give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised to the extent of the Group's continuing involvement, while the rest are derecognised. The extent of the Group's continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred assets.

As at 30 June 2023, assets continuously recognised by the Group amounting to RMB229,540 thousand have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets in the form of holding subordinated tranches (31 December 2022: RMB229,528 thousand).

(c) Disposal of other receivables

For the six months ended 30 June 2023, the Group disposed of other receivables with a gross amount of RMB88,937 thousand to third parties for RMB25,018 thousand. The Group derecognised the asset accordingly. As at 30 June 2023, all receivables had been collected.

40 RELATED PARTY TRANSACTIONS

(a) Related parties of the Group

The related parties of the Group mainly include: the major shareholders (those who have 5% or more shares of the Bank, or who hold less than 5% of the total shares or capital but have significant influence on the Bank's operation and management); as well as the related parties of them; the Group's associates; the key management personnel (including the Group's directors, supervisors and senior management) and their family members who have close relationships with them; as well as the entities which are controlled, jointly controlled or can be significantly influenced by the Group's key management personnel or their close family members; staff with credit approval authority and their close family members; the enterprises controlled, jointly controlled and can be significantly influenced by staff with credit approval authority and their close family members; and the natural persons or juridical persons who have been under one of the above circumstances in the past 12 months or will be in the next 12 months according to relevant agreements and arrangements.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

40 RELATED PARTY TRANSACTIONS (Continued)

(b) Related party transactions and balances

| | For the six months ended 30 June | |
|--|----------------------------------|--------------------------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Interest income from loans and advances to customers | 99,363 | 126,583 |
| Interest income from investment securities | 52,623 | 30,240 |
| Income from investment securities | 817 | – |
| Interest expense for customer deposits | 112,256 | 95,747 |
| Fee and commission income | 4,006 | 2,665 |
| Interest income from due from and placements with banks and other financial institutions | 4,303 | – |
| Interest expense for due to and placements from banks and other financial institutions | 3,247 | 157 |
| Consideration of credit asset transfers | 29,163 | 214,452 |
| | | |
| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
| Loans and advances to customers | 5,503,431 | 6,077,567 |
| Customer deposits | 8,687,674 | 10,543,786 |
| Due to and placements from banks and other financial institutions | 1,268,013 | 119 |
| Due from banks and other financial institutions | 280,964 | 196 |
| Other receivables | – | 44,106 |
| Investment securities at amortised cost | – | 500,000 |
| Investment securities at FVOCI | 1,602,441 | 1,466,610 |
| Financial assets at fair value through profit or loss | 46,980 | 117,740 |
| Financial guarantees and credit related commitments | 196,372 | 1,050,460 |
| | | |
| | 30 June 2023 | 31 December 2022 |
| Loans and advances to customers | 2.80%-6.86% | 1.10%-8.33% |
| Customer deposits | 0.00%-5.40% | 0.00%-5.40% |
| Due to and placements from banks and other financial institutions | 0.25%-3.50% | 0.30%-2.40% |
| Due from banks and other financial institutions | 0.01%-2.63% | 0.05%-2.25% |
| Investment securities at amortised cost | 6.52% | 6.52% |
| Investment securities at FVOCI | 2.40%-6.50% | 2.40%-6.50% |
| Financial assets at fair value through profit or loss | 2.00% | 2.00% |

40 RELATED PARTY TRANSACTIONS (Continued)**(c) Balances of loans and advances to customers guaranteed by the related parties**

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|--|-------------------------------------|--------------------------------|
| Chongqing Sanxia Financing Guarantee Group Corporation | 2,037,380 | 1,535,408 |
| Chongqing Xingnong Financing Guarantee Co., Ltd. | 963,439 | 867,446 |
| Chongqing Jiaotong Financing Guarantee Co., Ltd. | 111,183 | 128,688 |
| Chongqing Financing Re-guarantee Co., Ltd. | 64,700 | 118,850 |
| Chongqing Education Guarantee Co., Ltd. | 37,570 | 37,890 |
| Chongqing Yutai Guarantee Co., Ltd. | 24,684 | 24,686 |
| | 3,238,956 | 2,712,968 |

(d) Transactions between the Bank and its subsidiaries

Related party transactions between the Bank and its subsidiaries are conducted on the basis of normal business procedure or contractual terms. They are examined and approved in accordance with the transaction type and content by the corresponding decision-making authority.

Transactions and balances are as follows:

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|---|--------------------------------|
| Due to and placements from banks and other financial institutions | 1,093,794 | 920,263 |
| Due from and placements with banks and other financial institutions | 700,316 | 150,168 |
| | For the six months ended 30 June | |
| | 2023 RMB'000 | 2022 RMB'000 |
| Interest income | 4,475 | 22,516 |
| Interest expense | 5,148 | 1,872 |
| Other operating income | – | 1 |

40 RELATED PARTY TRANSACTIONS (Continued)

(e) Key management personnel remuneration

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

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

| | For the six months ended 30 June | |
|---------------------------------|----------------------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Paid remuneration | 1,825 | 1,929 |
| Contribution to pension schemes | 599 | 672 |
| Other monetary income | 144 | 162 |
| Part-time fee | 873 | 842 |
| Total | 3,441 | 3,605 |

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

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

(f) Loans and advances to directors, supervisors and senior management

The Group had no material balances of loans, quasi-loans and other credit transactions to directors, supervisors and senior management as at the end of the reporting period. Those loans and advances to directors, supervisors and senior management were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees.

41 SEGMENT ANALYSIS

The Group's operating segments are business units that provide different financial products and services and are engaged in different types of financial transactions. As different operating segments deal with different clients and counterparties and are supported by specific techniques and market strategies, they operate independently.

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.

Treasury mainly performs inter-bank lending and borrowing, bond investments, re-purchasing and foreign currency transactions.

Unallocated classes of businesses refer to the businesses that are not included in the above three segments or cannot be allocated appropriately.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

41 SEGMENT ANALYSIS (Continued)

| | For the six months ended 30 June 2023 | | | | |
|---|---------------------------------------|------------------------------|----------------------|------------------------|----------------------|
| | Corporate banking RMB'000 | Retail banking RMB'000 | Treasury RMB'000 | Unallocated RMB'000 | Total RMB'000 |
| Net interest income from external customers/(expense) | 3,920,032 | (943,826) | 2,410,221 | - | 5,386,427 |
| Inter-segment net interest income/(expense) | 468,382 | 2,167,351 | (2,635,733) | - | - |
| Net interest income/(expense) | 4,388,414 | 1,223,525 | (225,512) | - | 5,386,427 |
| Net fee and commission income/(expense) | 64,999 | (1,570) | 133,117 | - | 196,546 |
| Net trading gains | 11,506 | - | 149,459 | - | 160,965 |
| Net gains on investment securities | - | - | 838,034 | - | 838,034 |
| Share of profits of associates | - | - | 246,464 | - | 246,464 |
| Other operating income | 20,609 | - | 15,413 | 113,457 | 149,479 |
| Credit impairment losses | (1,211,906) | (198,218) | (323,097) | (27,701) | (1,760,922) |
| Other impairment losses | - | - | - | (1,278) | (1,278) |
| Operating expenses | (954,090) | (609,637) | (214,211) | (11,210) | (1,789,148) |
| - Depreciation and amortisation | (146,366) | (44,534) | (27,019) | - | (217,919) |
| - Others | (807,724) | (565,103) | (187,192) | (11,210) | (1,571,229) |
| Profit before income tax | 2,319,532 | 414,100 | 619,667 | 73,268 | 3,426,567 |
| Capital expenditure | 50,123 | 14,085 | 77,952 | 946 | 143,106 |
| | 30 June 2023 | | | | |
| Segment assets | 254,650,684 | 71,560,662 | 396,041,181 | 4,808,422 | 727,060,949 |
| Segment liabilities | (217,959,719) | (193,915,850) | (261,196,068) | (22,376) | (673,094,013) |

Notes to the Unaudited Interim Condensed Consolidated Financial Information

41 SEGMENT ANALYSIS (Continued)

| | For the six months ended 30 June 2022 | | | | |
|---|---------------------------------------|------------------|------------------|---------------|------------------|
| | Corporate | Retail | Treasury | Unallocated | Total |
| | banking | banking | | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Net Interest income from external customers/(expense) | 3,322,471 | (306,539) | 2,338,607 | – | 5,354,539 |
| Inter-segment net interest income/(expense) | 926,517 | 1,551,928 | (2,478,445) | – | – |
| Net interest income/(expense) | 4,248,988 | 1,245,389 | (139,838) | – | 5,354,539 |
| Net fee and commission income | 43,952 | 12,344 | 356,170 | – | 412,466 |
| Net trading gains | 16,469 | – | 172,345 | – | 188,814 |
| Net gains on investment securities | – | – | 616,093 | – | 616,093 |
| Share of profits of associates | – | – | 125,361 | – | 125,361 |
| Other operating income | 21,502 | 454 | – | 51,688 | 73,644 |
| Credit impairment losses | (1,361,629) | (328,534) | 42,248 | (877) | (1,648,792) |
| Operating expenses | (866,815) | (563,549) | (201,867) | (17,827) | (1,650,058) |
| – Depreciation and amortisation | (131,705) | (44,817) | (21,026) | – | (197,548) |
| – Others | (735,110) | (518,732) | (180,841) | (17,827) | (1,452,510) |
| Profit before income tax | 2,102,467 | 366,104 | 970,512 | 32,984 | 3,472,067 |
| Capital expenditure | 53,623 | 18,290 | 87,556 | 1,041 | 160,510 |

| | 31 December 2022 | | | | |
|----------------------------|----------------------|----------------------|----------------------|------------------|----------------------|
| Segment assets | 229,485,131 | 71,845,251 | 378,622,820 | 4,759,361 | 684,712,563 |
| Segment liabilities | (216,465,579) | (170,193,499) | (246,557,367) | (641) | (633,217,086) |

42 FIDUCIARY ACTIVITIES

The Group acts in fiduciary activities as a manager, a custodian or an agent for customers. As the Group does not assume the risk and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are not recorded on the statement of financial position.

As at 30 June 2023, the Group's entrusted loans amounted to RMB5,470,369 thousand (31 December 2022: RMB5,418,026 thousand).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

(a) Financial instruments not measured at fair value

Financial assets and liabilities that are not measured at fair value in the consolidated statement of financial position mainly include: balances with the central bank, due from and placements with banks and other financial institutions, loans and advances to customers, investment securities at amortised cost, due to and placements from banks and other financial institutions, customer deposits, and 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 are reasonable approximations of their fair values.

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair value.

| | 30 June 2023 | | | | |
|------------------------------|-------------------------------|--------------------|--------------------|--------------------|------------------|
| | Carrying Amount RMB'000 | Fair Value | | | Total RMB'000 |
| | | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | |
| Financial assets | | | | | |
| Investment securities | | | | | |
| – Amortised cost | 150,677,806 | – | 113,997,974 | 38,535,896 | 152,533,870 |
| Financial liabilities | | | | | |
| Debt securities issued | 150,683,827 | 13,137,695 | 138,342,829 | – | 151,480,524 |

| | 31 December 2022 | | | | |
|------------------------------|-------------------------------|--------------------|--------------------|--------------------|------------------|
| | Carrying Amount RMB'000 | Fair Value | | | Total RMB'000 |
| | | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | |
| Financial assets | | | | | |
| Investment securities | | | | | |
| – Amortised cost | 142,147,610 | – | 102,493,430 | 40,969,982 | 143,463,412 |
| Financial liabilities | | | | | |
| Debt securities issued | 133,877,105 | 12,627,703 | 121,274,369 | – | 133,902,072 |

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Continued)

(a) Financial instruments not measured at fair value (Continued)

Investment securities

The fair value of investment securities at amortised cost is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, 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 appropriate for the remaining term to maturity.

Other than the above, the carrying amounts of those financial assets and liabilities not presented at their fair value on the consolidated statement of financial position are reasonable approximations of their fair values. Those financial assets and liabilities include balances with the central bank, due from and placements with banks and other financial institutions, loans and advances to customers, due to and placements from banks and other financial institutions, and customer deposits. Fair value is measured using a discounted future cash flow model.

(b) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by level of inputs to valuation techniques. The different levels have been defined as follow:

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

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Continued)

(b) Fair value hierarchy (Continued)

The Group's assets and liabilities measured at fair value are set out below:

| 30 June 2023 | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|------------------------------------|----------------------------|----------------------------|----------------------------|--------------------------|
| Loans and advances to customers | | | | |
| – Discounted bills | – | 46,422,017 | – | 46,422,017 |
| Financial assets at FVPL | | | | |
| – Debt securities | – | 7,065,773 | – | 7,065,773 |
| – Fund investments | 5,329,087 | – | – | 5,329,087 |
| – Trust investments | – | – | 5,645,276 | 5,645,276 |
| – Asset management plans | – | – | 8,650,534 | 8,650,534 |
| – Equity investments at fair value | 631,078 | – | 456,092 | 1,087,170 |
| – Derivative financial assets | – | 55,348 | – | 55,348 |
| | 5,960,165 | 53,543,138 | 14,751,902 | 74,255,205 |
| Investment securities at FVOCI | | | | |
| – Debt securities | – | 87,751,666 | – | 87,751,666 |
| – Equity investments | – | – | 101,817 | 101,817 |
| | – | 87,751,666 | 101,817 | 87,853,483 |
| Total | 5,960,165 | 141,294,804 | 14,853,719 | 162,108,688 |

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Continued)**(b) Fair value hierarchy (Continued)**

| 31 December 2022 | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|------------------------------------|--------------------|--------------------|--------------------|------------------|
| Loans and advances to customers | | | | |
| – Discounted bills | – | 47,285,310 | – | 47,285,310 |
| Financial assets at FVPL | | | | |
| – Debt securities | – | 8,160,726 | – | 8,160,726 |
| – Fund investments | 5,053,831 | – | – | 5,053,831 |
| – Trust investments | – | – | 5,808,282 | 5,808,282 |
| – Asset management plans | – | – | 9,225,065 | 9,225,065 |
| – Equity investments at fair value | 433,092 | – | 55,052 | 488,144 |
| – Derivative financial assets | – | 4,831 | – | 4,831 |
| | 5,486,923 | 8,165,557 | 15,088,399 | 28,740,879 |
| Financial investments at FVOCI | | | | |
| – Debt securities | – | 74,830,559 | – | 74,830,559 |
| – Equity investments | – | – | 111,577 | 111,577 |
| | – | 74,830,559 | 111,577 | 74,942,136 |
| Total | 5,486,923 | 130,281,426 | 15,199,976 | 150,968,325 |

The Group takes the date of the event that causes the transfers between hierarchies as the timing of recognising the transfers between hierarchies. There were no significant transfers within the fair value hierarchy of the Group for the six months ended 30 June 2023 and the year ended 31 December 2022.

For financial instruments traded in active markets, the Group determines its fair value with its active market quotation; for financial instruments that are not traded in active markets, the Group uses valuation techniques to determine their fair values. The valuation models used are mainly cash flow discount models and market comparable company models. The inputs of valuation techniques mainly include risk-free interest rate, benchmark interest rate, exchange rate, credit point difference, and lack of liquidity discount.

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 the fair values for the remaining financial instruments.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Continued)

(b) Fair value hierarchy (Continued)

Valuation of financial instruments with significant unobservable inputs

Financial instruments valued with significant unobservable inputs are primarily unlisted equity and derivative contracts. These financial instruments are valued using cash flow discount models and market methods. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

As at 30 June 2023, the carrying amounts of financial instruments valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

Changes in level 3 financial assets are analysed below:

| | Financial assets at FVPL RMB'000 | Financial assets at FVOCI RMB'000 |
|---|--|---|
| Balance at 31 December 2022 | 15,088,399 | 111,577 |
| Total gains or losses | | |
| – Current profits or losses | (26,280) | – |
| – Other comprehensive income | – | (9,760) |
| Purchase | 401,783 | – |
| Sale and settlement | (712,000) | – |
| Balance at 30 June 2023 | 14,751,902 | 101,817 |
| Total unrealised losses for the period included in profit or loss for financial assets held as at 30 June 2023 | (9,621) | – |
| Balance at 31 December 2021 | 17,782,960 | 115,991 |
| Total gains or losses | | |
| – Current profits and losses | (198,629) | – |
| – Other comprehensive income | – | (4,414) |
| Purchase | 311,363 | – |
| Sale and settlement | (2,807,295) | – |
| Balance at 31 December 2022 | 15,088,399 | 111,577 |
| Total unrealised losses for the year included in profit or loss for financial assets held as at 31 December 2022 | (40,378) | – |

44 FINANCIAL RISK MANAGEMENT

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

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets and products and emerged best practices.

The Board is the highest authority for the Group's overall risk management. It examines and approves strategies and measures of risk management, and monitors risk management and internal control system. It accesses the overall risk based on monitoring information and risk reports prepared by senior management. Under the authorisation of the Board, the risk management committee is in charge of the Group's overall risk management policies and process, including the written policies covering specific areas, such as credit risk, market risk, liquidity risk and operational risk. Senior management of the Group is in charge of the overall risk management and internal control, risk management policy making and procedure implementation. In addition, the internal audit department is in charge of conducting an independent review of the risk management and control environment.

The Group is subject to a number of financial risks, primarily including credit risk, market risk (including foreign exchange risk and interest risk), liquidity risk, and operational risk.

44.1 Credit risk

The Group 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 credit quality of a particular industry segment or concentration in the Group's portfolio could result in losses that are different from those provided for at the reporting date. Credit exposures arise principally from loans and advances, bond securities, amounts due from banks, and debt instruments investment and derivative financial assets at FVPL that are not included in the impairment assessment. There are also credit risk exposures in off-balance sheet financial arrangements such as loan commitments, guarantees, acceptances and letters of credit.

The 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. The exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

(1) Credit risk management

(a) Credit business

The Group measures and manages the quality of its credit assets in accordance with the CBRC's *Guidelines of Risk Classification of Loans* and *Guidelines of Risk Classification of Micro Enterprises loans (Trial Implementation)*. The classification of loans is based on the borrowers' repayment ability, repayment history, willingness of repayment, guarantee of loans, legal responsibility and loan administration. The *Guidelines of Risk Classification of Loans* 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. The Group monitors the overdue status of its loans to retail customers in managing credit risk.

The core definitions of credit asset classifications in the *Guidelines of Risk Classification of Loans* are as follows:

- | | |
|------------------|--|
| Pass: | The borrower can fulfil the contracts, and there is no sufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time. |
| Special mention: | The borrower has the ability to make current payments, but there may be some potential issues that could have adverse impact on the future payments. |
| Substandard: | The borrower's repayment ability has been impaired and their normal income cannot repay the loan principal and interest in full. Even with the execution of guarantee, there may be certain level of loss. |
| Doubtful: | The borrower cannot repay the principal plus the interest in full. Even with the execution of guarantee, there will be a significant loss. |
| Loss: | After taking into consideration all possible recovery actions and all necessary legal proceedings, the loan principal and interest still cannot be recovered, or only a very small part can be recovered. |

Risk management department coordinates the classification of loans. The classification of loans is performed monthly and adjusted in time. Risk management department summarises the reclassification information monthly and reports to risk management and internal control committee for approval. The classification of loans is monitored through credit risk management system.

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

(1) *Credit risk management (Continued)*

(b) *Treasury business*

The Group manages the credit quality of amounts due from and placements with banks and other financial institutions by considering the size, financial position and the external credit rating of banks and financial institutions. The head office monitors and reviews the credit risk of loans to banks and other financial institutions by counterparties periodically. Limits are placed on different counterparties. For debt securities, the Group manages the credit risk exposures by setting limits to the external credit ratings of its investments.

(2) *Risk limit control and mitigation policies*

(a) *Credit business*

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

The Group has established a mechanism of risk warning for credit business, mainly including single customer credit authorisation risk and systematic risk. Unified credit authorisation management is implemented for key customers. Once the maximum exposure of a single customer is determined, the customer's exposure should not exceed its credit limit in the Group at any time before it achieved a new credit limit.

The Group takes actions to strengthen controls over credit risk in relation to group customers and related party customers. The Group places limits to the concentration of group customers to control credit risk. The committee of related party transactions is set up under the Board to manage controls over related party transactions.

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

Most of the borrowers are required to provide collateral for loans. The type of collateral mainly includes mortgages, pledges and guarantees. The Group employs property appraisal companies with certificates to evaluate the collateral. The detailed collateral type and amount are determined by the credit risk of counterparties or customers. Please refer to Note 44.1(5)(c) for specific guidelines on collateral and guarantees.

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

(2) Risk limit control and mitigation policies (Continued)

(b) Treasury business

Financial inter-bank division centralises control over the treasury business with hierarchical authorisation from department heads to the President for different business types such as subscription, distribution, buying, selling and repurchase of bonds.

The Group invests in bonds with hierarchical authorisation under the guidelines of asset and liability management committee. The Group sets stop-loss point accordingly for different maturity periods and evaluates the risk and loss of trading bonds. The Group places limits for interbank borrowing and lending. The Group manages the credit risk exposures of interbank borrowing and lending strictly within the limit of regulation and credit authorisation.

For bonds, the Group manages the credit risk exposures by setting limits to the external credit ratings of its investments, par value of single bond purchase, and selling price. RMB bond investments require a rating of AA- or above. Among foreign currency bond investments, financial institution bonds refer to those issued by a financial institution with an external credit rating of BBB or above (by Standard & Poor's, Moody's or equivalent agencies).

The bond traders regularly review and monitor the changes of market interest and report the market value of bonds to the financial market department and the asset and liability management department, and conduct risk prevention measures based on the guidance. If there is any significant fluctuation of interest rate in the market or any significant credit risk of debtors, the business department responsible for bond investments will ask for holding extraordinary asset and liability management meetings to research an emergency plan. The bond traders will react according to the plan.

The Group invests in trust plans and asset management plans which are mainly guaranteed by third party banks or guarantee companies, or secured by collateral. The Group sets credit risk limit to the counterparty banks and third party companies to mitigate the risk associated therewith.

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

(3) *Credit risk assessment*

The estimation of credit exposures for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (“PD”), Exposure at Default (“EAD”) and Loss Given Default (“LGD”).

In order to assess the exposure of corporate client risk, the Group uses internal credit risk gradings to reflect its assessment of the PD of individual counterparties, while using various internal rating models to various categories of counterparty. The specific information of the borrower and the loan collected at the time of application (such as key financial ratios, turnover and industry type of corporate borrowers) is fed into this rating model. In addition, the models enable expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model. The rating is determined at the borrower level. A relationship manager will incorporate any updated or new information/credit assessments into the credit system on an ongoing basis. In addition, the relationship manager will also update the information about the creditworthiness of the borrower every year from sources such as public financial statements. This will determine the updated internal credit rating and PD.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between A and A – rating grade is lower than the difference in the PD between BB and B rating grade.

For bond investments and interbank businesses, the Group uses external credit risk gradings to reflect its PD of individual counterparties, which is the prediction base of future PD. External rating agency credit grades are used. These published grades are continuously monitored and updated. The PD associated with each grade is determined based on realised default rates over the prior 12 months, as published by the rating agency.

In order to assess the exposure of individual client risk, the Group uses historical data to estimate the historical default data, which is the prediction base of the future PD, under various overdue periods and aging. After the date of initial recognition, the payment behaviour of the borrower, such as previous delinquency history, is monitored on a periodic basis. This score is mapped to a PD.

The internal rating system of the Group includes 15 non-default grades (AAA+ to C) and 1 default grade (D). The main scale table matches the PD of a specific range for each rating category and stays stable for a certain period of time. The Group conducts regular verification and recalibration of the rating method to enable it to reflect all actual observable default situations.

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

(4) *Expected credit loss measurement*

IFRS 9 outlines a “three-stage” model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in “Stage 1” and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk (“SICR”) since initial recognition is identified, the financial instrument is moved to “Stage 2” but is not yet deemed to be credit-impaired. Please refer to note 44.1(4)(a) for a description of how the Group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to “Stage 3”. Please refer to Note 44.1(4)(b) for a description of how the Group determines when a significant increase in credit risk has occurred.
- The method of provision for impairment allowance at different stages is as follows: Financial instruments in Stage 1 have their ECL allowance measured at an amount equal to the portion of lifetime expected credit losses that result from possible default events within the next 12 months. Instruments in Stage 2 or 3 have their ECL allowance measured based on expected credit losses on a lifetime basis. Please refer to Note 44.1(4)(c) for a decryption of inputs, assumptions and estimation techniques used in measuring the ECL allowance.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that forward-looking information should be considered. Note 44.1(4)(d) includes an explanation of how the Group has incorporated this in its ECL models.
- POCI financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

(4) *Expected credit loss measurement (Continued)*

(a) *Significant increase in credit risk (SICR)*

The group considers a financial instrument to have experienced a SICR when it meets one or more of the following criteria.

Quantitative criteria:

The borrower is more than 30 days past due on its contractual payments.

Qualitative criteria:

- i) Borrower of loan-related financial instrument is on the Watchlist, which is used to monitor credit risks and assessment at the counterparty level is conducted regularly;
- ii) The risk classification of the instrument is between Special-mention I and Special-mention III; or
- iii) The change of internal rating triggers stage 2 condition; or
- iv) The status of credit card is classified as “concerned” under internal management.

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

(4) *Expected credit loss measurement (Continued)*

(b) *Definition of default and credit-impaired assets*

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The loan is more than 90 days past due on its contractual payments.

Qualitative criteria:

- i) The borrower of a loan-related financial instrument is on the Monitoring List, which is used to monitor credit risk and an assessment on the counterparty level is conducted regularly; or
- ii) The instrument is classified between Substandard I and Loss; or
- iii) The status of credit card is classified as “outsourced collection” or “sued and interest accrual stopped” under the internal management.

When the following circumstances occur, the borrower meets the criteria of “unlikeliness to pay” and the debt is classified as non-performing debt, indicating that the borrower is in significant financial difficulty.

- The borrower is in long-term forbearance;
- The borrower is deceased;
- The borrower is insolvent;
- The borrower is in breach of financial covenant(s);
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the lender relating to the borrower’s financial difficulty;
- It is becoming probable that the borrower will enter bankruptcy;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to models of the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group’s expected loss calculation.

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

(4) Expected credit loss measurement (Continued)

(c) Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Group classifies credit risk exposures according to credit risk characteristics including product type, customer type, customer industry and market distribution. Non-retail business risks are grouped into “industry, commerce and trade, construction, real estate, government-affiliated institutions, small and micro enterprises, general companies”. Retail business risks are grouped into “mortgage loans, consumption loans, revolving loans and credit card advances”.

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

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. For the definition of default, refer to Note 44.1(4)(b).
- EAD is based on the amounts which the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by the availability of collateral and other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival. This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

(4) Expected credit loss measurement (Continued)

(c) Measuring ECL – Explanation of inputs, assumptions and estimation techniques (Continued)

The 12M and Lifetime EADs are determined based on the expected payment profile, which varies by product type:

- For instalment repayment and bullet payment loans, the EADs are based on the contractual repayments owed by the borrower over a 12M or lifetime basis.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a “credit conversion factor” which allows for the expected drawdown of the remaining limit by the time of default.

The 12M and Lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product types. For secured products, the LGDs are primarily based on collateral types.

Forward-looking economic information is also included in determining the 12M and Lifetime PDs, EADs, and LGDs. These assumptions vary by product type. Refer to Note 44.1(4)(d) for an explanation of forward-looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation, such as how the maturity profile of the PDs and how collateral value change, are monitored and reviewed regularly.

Except for forward-looking information, there have been no significant changes in estimation techniques or significant assumptions made for the six months ended 30 June 2023 (for the year ended 31 December 2022: nil).

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

(4) *Expected credit loss measurement (Continued)*

(d) *Forward-looking information incorporated in the ECL models*

The assessment of a significant increase in credit risk and the calculation of expected credit losses both involve forward-looking information. Through historical data analysis, the Group identifies key economic indicators that affect the credit risk and expected credit loss of various assets, such as the accumulated year-on-year growth rate of consumer price index (“CPI”), the accumulated year-on-year growth rate of industrial value added, and purchasing managers’ index (“PMI”). The Group evaluates and forecasts these economic indicators at least annually, and regularly checks the evaluation results. When considering forward-looking information, the Group comprehensively considers internal and external data, expert forecasting, and statistical analysis to determine the relationship between these economic indicators and PD, LGD, and EAD. The input value of the model has been smoothly adjusted.

These economic variables and their associated impacts on the PD, EAD and LGD vary by financial instruments. The Group uses expert judgment and external data to forecast these economic variables (the “central economic scenario”), and provides the best estimates of future economic conditions and forecasts under various scenarios. To project the economic variables for the full remaining lifetime of each instrument following the forecast period, a mean reversion approach has been used, which means that economic variables tend to be either a long run average rate or a long run average growth rate over a period of years. The impact of these economic variables on the PD has been determined by performing Merton-type model and statistical regression analysis to understand the impact of historical changes in these variables on default rates and on the PD.

The Group conducts sensitivity analysis on the key economic indicators used in forward-looking measurement. As at 30 June 2023, when the predicted value of the core economic indicators in the main scenarios increase or decrease by 10%, the Group expected the respective decrease or increase in ECL will not exceed 10%.

The Group also provides other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure that non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes that each chosen scenario is representative of. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12M or Lifetime ECLs should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12M ECL (Stage 1), or a probability weighted Lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs). As at 30 June 2023, the weights assigned to various economic scenarios were: “central” 70%, “upside” 10%, and “downside” 20% (31 December 2022: same).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

(4) Expected credit loss measurement (Continued)

(d) Forward-looking information incorporated in the ECL models (Continued)

The multi-scenario weight is based on the principle of the benchmark scenario and supplemented by other scenarios. According to the sensitivity analysis, when the weight of the “upside” scenario increases by 10% and the weight of the “central” scenario decreases by 10%, or the weight of the “downside” scenario increases by 10% and the weight of the “central” scenario decreases by 10%, the Group expected the respective decrease or increase in ECLs will not exceed 5%.

The ECLs calculated for the above three scenarios and the weighted average ECL of the Group are as follows:

| | 30 June 2023 | | |
|------------------|---|--------------|--------------------------|
| | Loans and advances to corporate entities | Retail loans | Investment securities |
| | RMB'000 | RMB'000 | RMB'000 |
| Weighted average | 8,940,042 | 2,493,060 | 1,975,354 |
| Central | 8,684,204 | 2,455,585 | 1,901,644 |
| Upside | 7,602,149 | 2,164,495 | 1,699,297 |
| Downside | 10,504,422 | 2,788,506 | 2,371,369 |

| | 31 December 2022 | | |
|------------------|---|--------------|--------------------------|
| | Loans and advances to corporate entities | Retail loans | Investment securities |
| | RMB'000 | RMB'000 | RMB'000 |
| Weighted average | 7,583,955 | 2,543,216 | 1,649,077 |
| Central | 7,463,878 | 2,335,866 | 1,632,788 |
| Upside | 7,164,679 | 1,943,197 | 1,526,517 |
| Downside | 8,213,862 | 3,568,951 | 1,767,370 |

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

As with any economic forecasts, the projections and likelihood of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts representing its best estimate of the possible outcomes and the chosen scenarios are appropriately representative of the range of possible scenarios.

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

*(4) Expected credit loss measurement (Continued)**(d) Forward-looking information incorporated in the ECL models (Continued)*

The following table illustrates the change of ECL and provisions in the consolidated statement of financial position, in the case that all the financial assets and credit related commitments and financial guarantee in Stage 2 are transferred to Stage 1:

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|-------------------------------------|--------------------------------|
| Gross amount of ECL and provisions assuming all the financial assets and credit related commitments and financial guarantee in Stage 2 are transferred to Stage 1 | 2,271,005 | 1,924,173 |
| Gross amount of ECL and provisions in the consolidated statement of financial position | 2,616,323 | 2,144,575 |
| Difference – amount | (345,318) | (220,402) |
| Difference – percentage | (13%) | (10%) |

Notes to the Unaudited Interim Condensed Consolidated Financial Information

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

(5) Credit risk exposure

(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 Group's maximum exposure to credit risk on these assets.

| | 30 June 2023 Carrying amount RMB'000 | 31 December 2022 Carrying amount RMB'000 |
|--|---|---|
| On-balance-sheet items | | |
| Balances with the central bank (Stage 1) | 34,432,925 | 40,450,089 |
| Due from and placements with banks and other financial institutions | 46,073,219 | 43,386,030 |
| Stage 1 | 45,974,126 | 43,295,375 |
| Stage 3 | 49,750 | 49,750 |
| Accrued interest | 49,343 | 40,905 |
| Loans and advances to customers | | |
| – Amortised cost | 320,556,895 | 295,160,981 |
| Stage 1 | 300,234,824 | 278,111,655 |
| Stage 2 | 14,487,430 | 11,092,971 |
| Stage 3 | 3,285,970 | 3,934,114 |
| Accrued interest | 2,548,671 | 2,022,241 |
| – FVOCI (Stage 1) | 46,422,017 | 47,285,310 |
| Investment securities – amortised cost | 150,677,806 | 142,147,610 |
| Stage 1 | 144,016,513 | 138,113,695 |
| Stage 2 | 3,722,160 | 1,127,316 |
| Stage 3 | 503,476 | 413,501 |
| Accrued interest | 2,435,657 | 2,493,098 |
| Investment securities – FVOCI | 87,751,666 | 74,830,559 |
| Stage 1 | 85,440,086 | 72,803,139 |
| Stage 2 | – | 63,055 |
| Stage 3 | 297,360 | 237,498 |
| Accrued interest | 2,014,220 | 1,726,867 |
| Other receivables | 559,951 | 285,925 |
| Stage 1 | 547,450 | 227,492 |
| Stage 2 | 1,862 | 950 |
| Stage 3 | 10,639 | 57,483 |
| On-balance-sheet total | 686,474,479 | 643,546,504 |
| Off-balance-sheet total | 69,568,500 | 80,543,267 |
| Total | 756,042,979 | 724,089,771 |

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

(5) Credit risk exposure (Continued)

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

The Group internally ranks the asset risk characteristics based on the quality of the assets. The credit grade of the financial assets used in the expected credit loss is classified as “low risk”, “medium risk” and “high risk” according to the internal rating. It is used by the Group for internal credit risk management purposes. “Low risk” means that the assets are of good quality, of which the possibility of future default is low, and it is less affected by external unfavourable factors; “medium risk” refers to the assets with certain solvency, but persistent major instability and poor commercial, financial or economic conditions may reduce its solvency; “high risk” refers to the assets with high risk of default or those meet the definition of default by the Group, and existing unfavourable factors have a greater impact on solvency.

The following tables illustrates the maximum credit risk exposure of loans and advances to customers at amortised cost classified by credit grade:

| | ECL Stage | | | Total RMB'000 |
|-------------------------|-------------------------------|------------------------------------|------------------------------------|--------------------|
| | Stage 1 12M ECL RMB'000 | Stage 2 Lifetime ECL RMB'000 | Stage 3 Lifetime ECL RMB'000 | |
| 30 June 2023 | | | | |
| Credit rating | | | | |
| Low risk | 213,143,600 | 898,935 | – | 214,042,535 |
| Medium risk | 90,992,919 | 12,075,342 | – | 103,068,261 |
| High risk | – | 3,961,735 | 8,368,795 | 12,330,530 |
| Gross principal balance | 304,136,519 | 16,936,012 | 8,368,795 | 329,441,326 |
| Impairment allowance | (3,901,695) | (2,448,582) | (5,082,825) | (11,433,102) |
| Total | 300,234,824 | 14,487,430 | 3,285,970 | 318,008,224 |
| 31 December 2022 | | | | |
| Credit rating | | | | |
| Low risk | 209,439,248 | 260,473 | – | 209,699,721 |
| Medium risk | 72,425,788 | 10,196,136 | – | 82,621,924 |
| High risk | – | 2,705,092 | 8,239,174 | 10,944,266 |
| Gross principal balance | 281,865,036 | 13,161,701 | 8,239,174 | 303,265,911 |
| Impairment allowance | (3,753,381) | (2,068,730) | (4,305,060) | (10,127,171) |
| Total | 278,111,655 | 11,092,971 | 3,934,114 | 293,138,740 |

Notes to the Unaudited Interim Condensed Consolidated Financial Information

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

(5) Credit risk exposure (Continued)

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

The following tables illustrate the maximum credit risk exposure of financial investments – amortised cost classified by credit grade:

| | ECL Stage | | | Total RMB'000 |
|-------------------------|-------------------------------|------------------------------------|------------------------------------|--------------------|
| | Stage 1 12M ECL RMB'000 | Stage 2 Lifetime ECL RMB'000 | Stage 3 Lifetime ECL RMB'000 | |
| 30 June 2023 | | | | |
| Credit rating | | | | |
| Low risk | 136,522,536 | – | – | 136,522,536 |
| Medium risk | 7,863,064 | 3,889,400 | 254,000 | 12,006,464 |
| High risk | – | – | 774,781 | 774,781 |
| Gross principal balance | 144,385,600 | 3,889,400 | 1,028,781 | 149,303,781 |
| Impairment allowance | (369,087) | (167,240) | (525,305) | (1,061,632) |
| Total | 144,016,513 | 3,722,160 | 503,476 | 148,242,149 |
| 31 December 2022 | | | | |
| Credit rating | | | | |
| Low risk | 128,137,517 | – | – | 128,137,517 |
| Medium risk | 10,351,764 | 1,148,000 | 220,178 | 11,719,942 |
| High risk | – | – | 583,501 | 583,501 |
| Gross principal balance | 138,489,281 | 1,148,000 | 803,679 | 140,440,960 |
| Impairment allowance | (375,586) | (20,684) | (390,178) | (786,448) |
| Total | 138,113,695 | 1,127,316 | 413,501 | 139,654,512 |

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

*(5) Credit risk exposure (Continued)**(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):

| | Maximum exposure to credit risk | |
|--------------------------|---------------------------------|--------------------------------|
| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
| Financial assets at FVPL | | |
| Bond investments | 7,065,773 | 8,160,726 |
| Trust investments | 5,645,276 | 5,808,282 |
| Asset management plans | 8,650,534 | 9,225,065 |
| Fund investments | 5,329,087 | 5,053,831 |
| Total | 26,690,670 | 28,247,904 |

(c) Collateral and other credit enhancements

The Group has a range of policies and practices intended to mitigate credit risk. The most useful practice is to accept collateral. The Group implements guidelines on the acceptability of specific classes of collateral. The principal types of collateral for loans are residential properties, business assets such as premises, inventories and accounts receivable, and financial instruments such as stocks.

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

(5) Credit risk exposure (Continued)

(c) Collateral and other credit enhancements (Continued)

The value of collateral at the time of loan origination is determined by risk assessment department and the amount of the loans granted is subject to loan-to-value ratio limits based on collateral types. The principal types of collateral for corporate loans and individual loans are as follows:

| Type of collateral | Maximum loan-to-value ratio |
|---|-----------------------------|
| Bank note and bank acceptance bill | 90% |
| Warehouse receipt and accounts receivable | 70% |
| Construction in progress | 50% |
| Publicly traded stocks | 60% |
| Property | 70% |
| Land use rights | 70% |
| Motor vehicles | 40% |

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

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

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Bonds, 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 Group is obligated to return are disclosed in Note 36.

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

(5) Credit risk exposure (Continued)

(c) Collateral and other credit enhancements (Continued)

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

| | Gross exposure RMB'000 | Impairment allowance RMB'000 | Carrying amount RMB'000 | Fair value of collateral held RMB'000 |
|--|---------------------------|---------------------------------|----------------------------|--|
| 30 June 2023 | | | | |
| Credit-impaired assets (Stage 3) | | | | |
| Loans and advances to customers | | | | |
| – Corporate loans | 6,744,360 | (4,170,525) | 2,573,835 | 5,347,159 |
| – Retail loans | 1,624,435 | (912,300) | 712,135 | 1,252,993 |
| Investment securities measured at amortised cost | 1,028,781 | (525,305) | 503,476 | 503,476 |
| Gross amount of credit-impaired assets | 9,397,576 | (5,608,130) | 3,789,446 | 7,103,628 |
| | | | | |
| | Gross exposure RMB'000 | Impairment allowance RMB'000 | Carrying amount RMB'000 | Fair value of collateral held RMB'000 |
| 31 December 2022 | | | | |
| Credit-impaired assets (Stage 3) | | | | |
| Loans and advances to customers | | | | |
| – Corporate loans | 6,946,657 | (3,554,327) | 3,392,330 | 4,655,251 |
| – Retail loans | 1,292,517 | (750,733) | 541,784 | 684,654 |
| Investment securities measured at amortised cost | 803,679 | (390,178) | 413,501 | 413,501 |
| Gross amount of credit-impaired assets | 9,042,853 | (4,695,238) | 4,347,615 | 5,753,406 |

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

(6) Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12M and Lifetime ECL;
- Additional allowances for new financial instruments recognised for the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs for the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Unwinding of discount within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Loans and advances to customers derecognised for the period and write-offs of allowances related to loans and advances to customers that were written off during the period.

The impact of the above factors on the loss allowance for loans and advances to customers made from the beginning to the end of this period is set out in Note 18(b). The impact of the above factors on the investment securities measured at FVOCI made from the beginning to the end of this period is set out in Note 19. The impact of the above factors on the investment securities measured at amortised cost made from the beginning to the end of this period is set out in Note 19.

(7) Write-off policy

In the case of meeting the provisions of the relevant documents issued by the Ministry of Finance for the write-off of bad debts, the Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that show no reasonable expectation of recovery include (i) collection or enforcement activity has been in place for a necessary period and (ii) the Group’s recovery method is foreclosing on collateral and the value of the collateral is not expected to recover the principal and interest in full.

The Group may write off financial assets that are still subject to enforcement activity. The outstanding contractual amount of such assets written off for the six months ended 30 June 2023 was RMB362,745 thousand (for the year ended 31 December 2022: RMB3,980,255 thousand).

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

(8) Investment securities

Bonds invested by the Group are rated by Zhongchengxin International Credit Rating Co. Ltd., China Lianhe Credit Rating Co., Ltd., Shanghai Far East Credit Rating Co., Ltd., Shanghai Brilliance Credit Rating & Investors Service Co., Ltd., Pengyuan Credit Rating Co., Ltd., Golden Credit Rating International Co., Ltd., Dagong Global Credit Rating Co., Ltd., and China Bond Rating Co., Ltd.

| | Financial assets at FVPL RMB'000 | Investment securities at FVOCI RMB'000 | Investment securities at amortised cost RMB'000 | Total RMB'000 |
|-----------------------------|---|---|--|--------------------|
| 30 June 2023 | | | | |
| Medium and long-term bonds: | | | | |
| AAA | 5,147,274 | 15,418,049 | 20,105,918 | 40,671,241 |
| AA – to AA+ | 1,262,565 | 29,514,006 | – | 30,776,571 |
| Unrated ⁽ⁱ⁾ : | 20,280,831 | 40,805,391 | 128,136,231 | 189,222,453 |
| Accrued interest | – | 2,014,220 | 2,435,657 | 4,449,877 |
| | 26,690,670 | 87,751,666 | 150,677,806 | 265,120,142 |
| 31 December 2022 | | | | |
| Medium and long-term bonds: | | | | |
| AAA | 4,540,285 | 10,797,808 | 19,991,717 | 35,329,810 |
| AA – to AA+ | 1,190,558 | 20,918,669 | – | 22,109,227 |
| A+ and below | – | 164,297 | – | 164,297 |
| Unrated ⁽ⁱ⁾ : | 22,517,061 | 41,222,918 | 119,662,795 | 183,402,774 |
| Accrued interest | – | 1,726,867 | 2,493,098 | 4,219,965 |
| | 28,247,904 | 74,830,559 | 142,147,610 | 245,226,073 |

- (i) These mainly represent debt securities at FVPL, debt securities at FVOCI and debt securities at amortised cost issued by the Ministry of Finance, the central bank, policy banks and other overseas financial institutions that are creditworthy issuers in the market, but are not rated by independent rating agencies. In addition, debt securities at FVPL and debt securities at amortised cost also include the beneficiary rights of trust investments and asset management plans, whose principal and income are guaranteed or collateralised.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

(8) Investment securities (Continued)

As at 30 June 2023, the accrued ECL allowances of debt securities at FVOCI and at amortised cost of the Group amounted to RMB913,722 thousand and RMB1,061,632 thousand respectively (31 December 2022: RMB862,629 thousand and RMB786,448 thousand).

Trust investments/asset management plans classified by underlying assets are summarised as follows:

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|-------------------------------------|--------------------------------|
| Financial assets at FVPL | | |
| – Credit assets | 14,295,810 | 15,033,347 |
| Financial investments at amortised cost | | |
| – Credit assets | 6,188,920 | 6,585,178 |
| – Bond assets | 24,241,650 | 24,534,030 |
| | 30,430,570 | 31,119,208 |

As at 30 June 2023, the gross principal balance of the Group's Stage 3 investments in trust investments and asset management plans at amortised cost was RMB1,028,781 thousand, whose underlying assets were all credit assets, of which the accrued ECL allowance amounted to RMB525,305 thousand (31 December 2022: RMB803,679 thousand and RMB390,178 thousand).

45 OPERATING LEASE PAYMENTS TO BE RECEIVED SUBSEQUENT TO THE BALANCE SHEET DATE

As a lessor, the undiscounted cash flow of lease payments to be received subsequent to the reporting date is summarised as below:

| | 30 June 2023 RMB'000 | 31 December 2022 RMB'000 |
|--------------------|-------------------------------------|--------------------------------|
| Within 1 year | 29,450 | 38,028 |
| 1 year to 2 years | 19,863 | 26,403 |
| 2 years to 3 years | 12,720 | 16,370 |
| 3 years to 4 years | 4,535 | 9,070 |
| | 66,568 | 89,871 |

46 SUBSEQUENT EVENTS

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

Unaudited Supplementary Financial Information

Cross-border Claims

The Bank is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as cross-border claims.

Cross-border claims include amounts due from banks and other financial institutions.

Cross-border claims have been disclosed by different countries or geographical areas. A country or geographical area is reported separately where it constitutes 10% of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in another country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

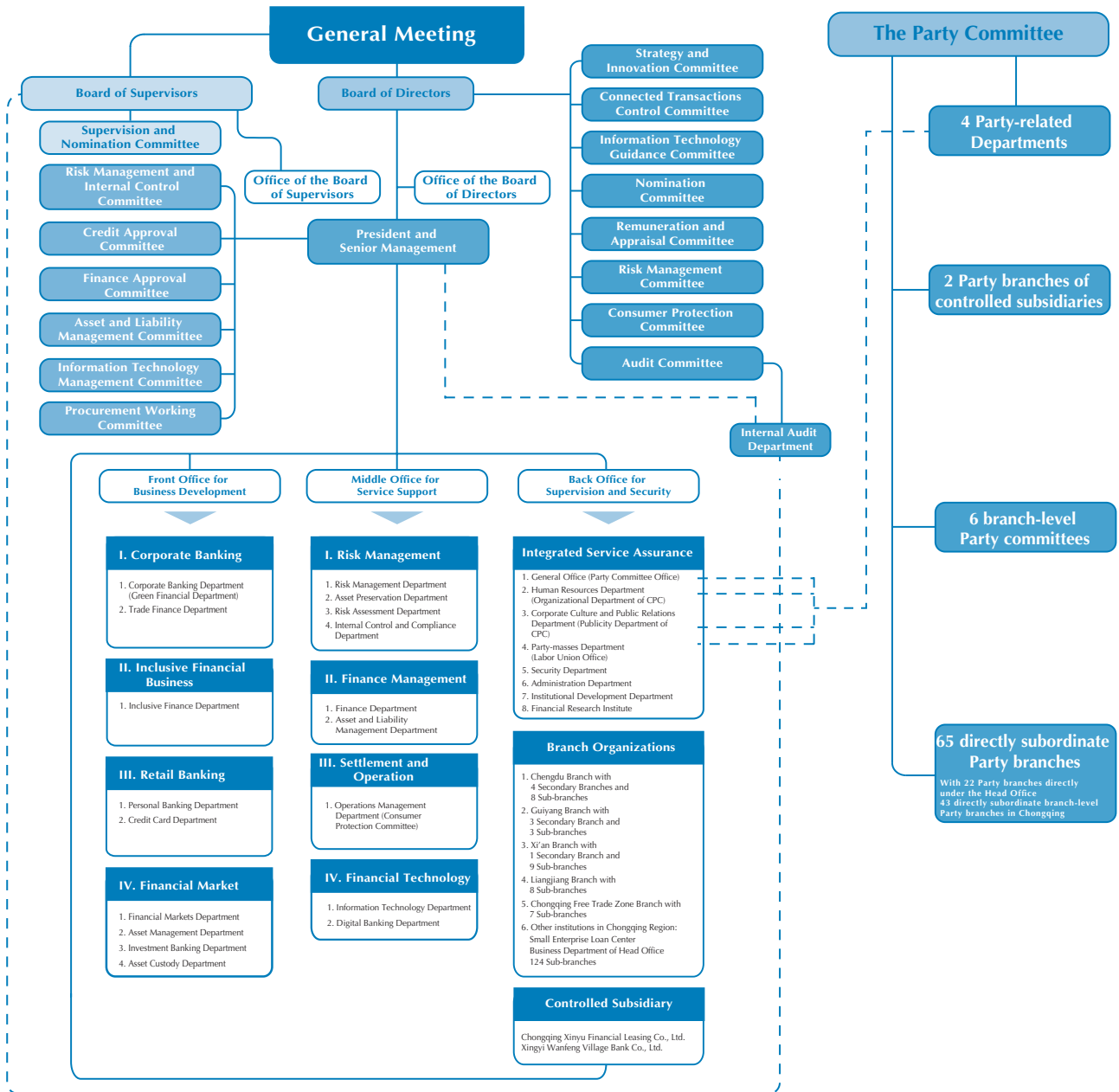
| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 30 June 2023 | As at 31 December 2022 |
|---|-----------------------|---------------------------|
| Asia Pacific excluding Mainland China | 40,929 | 41,249 |
| – of which attributed to Hong Kong | 15,857 | 13,475 |
| North America | 338,226 | 344,411 |
| Total | 379,155 | 385,660 |

Currency Concentrations

| (All amounts expressed in thousands of RMB unless otherwise stated) | Equivalent in RMB | | | |
|---|-------------------|-----------|-----------|------------|
| | US Dollar | HK Dollar | Others | Total |
| As at 30 June 2023 | | | | |
| Spot assets | 9,982,602 | 6,759 | 1,417,163 | 11,406,524 |
| Spot liabilities | 9,767,410 | 6,778 | 1,416,677 | 11,190,865 |
| Net long/(short) position | 215,192 | (19) | 486 | 215,659 |

| (All amounts expressed in thousands of RMB unless otherwise stated) | Equivalent in RMB | | | |
|---|-------------------|-----------|--------|------------|
| | US Dollar | HK Dollar | Others | Total |
| As at 31 December 2022 | | | | |
| Spot assets | 10,921,849 | 5,806 | 79,028 | 11,006,683 |
| Spot liabilities | 10,824,720 | 5,838 | 79,318 | 10,909,876 |
| Net long/(short) position | 97,129 | (32) | (290) | 96,807 |

Organizational Chart



List of Branch Outlets

| No. | Name of Banking Institution | Address | Number of Institutions | Postal Code |
|-----|---|---|------------------------|-------------|
| 1. | Business Department of Bank of Chongqing Co., Ltd. | No. 6 Yongpingmen Street, Jiangbei District, Chongqing | 1 | 400020 |
| 2. | Small Enterprise Loan Centre of Bank of Chongqing Co., Ltd. | No. 331 Donghu South Road, Yubei District, Chongqing | 1 | 401147 |
| 3. | Liangjiang Branch of Bank of Chongqing Co., Ltd. | No. 52 Middle Section of Huangshan Avenue, Yubei District, Chongqing | 9 | 401121 |
| 4. | Free Trade Zone Branch of Bank of Chongqing Co., Ltd. | No. 153 Zourong Road, Yuzhong District, Chongqing | 8 | 400015 |
| 5. | Chengdu Branch of Bank of Chongqing Co., Ltd. | North Building, New Tianfu International Centre, No. 99 Tianfu Second Street, HiTech District, Chengdu, Sichuan | 13 | 610059 |
| 6. | Guiyang Branch of Bank of Chongqing Co., Ltd. | 3/F to 8/F, Building 4, North Commercial Zone of Financial City, Area B of Zhongtian Exhibition City, Changling North Road, Guanshanhu District, Guiyang, Guizhou | 7 | 550081 |
| 7. | Xi'an Branch of Bank of Chongqing Co., Ltd. | 1/F to 3/F, Building 2, Yinhe Xinzhuobiao Building, No. 25 Tangyan Road, Xi'an, Shaanxi | 11 | 710075 |
| 8. | Yuzhong Sub-branch of Bank of Chongqing Co., Ltd. | No. 129 Renmin Road, Yuzhong District, Chongqing | 8 | 400015 |
| 9. | Shapingba Sub-branch of Bank of Chongqing Co., Ltd. | No. 339-3, Xiaolongkan Zheng Street, Shapingba District, Chongqing | 5 | 400030 |
| 10. | Chongda Sub-branch of Bank of Chongqing Co., Ltd. | No. 83 Shabei Street, Shapingba District, Chongqing | 3 | 400044 |
| 11. | Dadukou Sub-branch of Bank of Chongqing Co., Ltd. | No. 37-18 Cuibai Road, Chunhui Road Sub-district, Dadukou District, Chongqing | 3 | 400084 |
| 12. | Gaoxin Sub-branch of Bank of Chongqing Co., Ltd. | No. 1-3, 4, 5, and 6, Unit 1, Building 1, No 23 Bai Xin Road, Baishiyi Town, Jiulongpo District, Chongqing | 3 | 401329 |
| 13. | Jiulongpo Sub-branch of Bank of Chongqing Co., Ltd. | No. 1409 Jingwei Avenue, Jiulongpo District, Chongqing | 7 | 400039 |
| 14. | Nan'an Sub-branch of Bank of Chongqing Co., Ltd. | 2-2, 1/F, No. 199 Nancheng Avenue, Nanping Sub-district, Nan'an District, Chongqing | 5 | 400060 |
| 15. | Banan Sub-branch of Bank of Chongqing Co., Ltd. | Shop-1 13-20, Shop-2 9-14, Shop-3 6-12, No. 40, Longzhou Avenue, Banan District, Chongqing | 4 | 401320 |

List of Branch Outlets

| No. | Name of Banking Institution | Address | Number of Institutions | Postal Code |
|-----|---|--|------------------------|-------------|
| 16. | Beibei Sub-branch of Bank of Chongqing Co., Ltd. | No. 453, 455, 457, 459, 461 and 463 Yunqing Road, Beibei District, Chongqing | 5 | 400700 |
| 17. | Jiangbei Sub-branch of Bank of Chongqing Co., Ltd. | No. 23-4 Jianxin North Road, Jiangbei District, Chongqing | 5 | 400020 |
| 18. | Longtousi Sub-branch of Bank of Chongqing Co., Ltd. | No. 331 Donghu South Road, Yubei District, Chongqing | 4 | 401147 |
| 19. | Yubei Sub-branch of Bank of Chongqing Co., Ltd. | Shops 1-1 and 2-1 of Integrated Commercial Complex of Shengjing Tianxia, No. 9 Baiguo Road, Shuanglonghu Sub-district, Yubei District, Chongqing | 2 | 401120 |
| 20. | Fuling Sub-branch of Bank of Chongqing Co., Ltd. | No. 1-2, 2-2, 3-1, 3-4, Basement, Block 2, Xiangjiang Garden, No. 8-1 Zhongshan Road, Fuling District, Chongqing | 3 | 408000 |
| 21. | Changshou Sub-branch of Bank of Chongqing Co., Ltd. | No. 10 Taoyuan West Road, Changshou District, Chongqing | 4 | 401220 |
| 22. | Hechuan Sub-branch of Bank of Chongqing Co., Ltd. | 1-2, 2-1, No. 402, 400 Jiangcheng Avenue, South Office, Hechuan District, Chongqing | 3 | 401520 |
| 23. | Wanzhou Sub-branch of Bank of Chongqing Co., Ltd. | No. 193 Baiyan Road, Wanzhou District, Chongqing | 3 | 404000 |
| 24. | Qianjiang Sub-branch of Bank of Chongqing Co., Ltd. | No. 555 Xinhua Avenue (West Section), Chengxi Sub-district, Qianjiang District, Chongqing | 2 | 409000 |
| 25. | Jiangjin Sub-branch of Bank of Chongqing Co., Ltd. | 2-1, No. 503, 505 & 505 Dingshan Avenue, Jijiang Sub-district, Jiangjin District, Chongqing | 4 | 402260 |
| 26. | Tongliang Sub-branch of Bank of Chongqing Co., Ltd. | 1Shop-1 1, Shop-2 1, Shop-3 1, Building 1, No. 505 Jinlong Avenue (Financial Building), Dongcheng Sub-district, Tongliang District, Chongqing | 3 | 402560 |
| 27. | Yongchuan Sub-branch of Bank of Chongqing Co., Ltd. | No. 78 Renmin South Road, Yongchuan District, Chongqing | 2 | 402160 |
| 28. | Liangping Sub-branch of Bank of Chongqing Co., Ltd. | No. 1-21 to 1-25, 1-96 to 1-101, 2-19 to 2-25, Building 2, No. 5, Jingui Road, Shuanggui Street, Liangping District, Chongqing | 2 | 405200 |

List of Branch Outlets

| No. | Name of Banking Institution | Address | Number of Institutions | Postal Code |
|-----|--|---|------------------------|-------------|
| 29. | Nanchuan Sub-branch of Bank of Chongqing Co., Ltd. | No. 1-12 and No. 2-14, Block 1, No. 12 Longhua Avenue (Chamber of Commerce Building), Xi Cheng Sub-district, Nanchuan District, Chongqing | 3 | 408400 |
| 30. | Rongchang Sub-branch of Bank of Chongqing Co., Ltd. | 1-3 and 2-3, No. 43-2 Changlong Avenue, Changzhou Sub-district, Rongchang District, Chongqing | 2 | 402460 |
| 31. | Zhong County Sub-branch of Bank of Chongqing Co., Ltd. | No. 3-1 Zhongbo Avenue, Zhongzhou Town, Zhong County, Chongqing | 2 | 404300 |
| 32. | Bishan Sub-branch of Bank of Chongqing Co., Ltd. | No. 78, No. 80, No. 82, No. 84, No. 86, Shuangxing Avenue, Biqian Street, Bishan District, Chongqing | 3 | 402760 |
| 33. | Qijiang Sub-branch of Bank of Chongqing Co., Ltd. | Sub No. 1-40 and Sub No. 2-225 to 229, Podium Building, Rongrun Kaixuan Mingcheng, No. 47 Jiulong Avenue, Wenlong Sub-district, Qijiang District, Chongqing | 2 | 401420 |
| 34. | Wansheng Sub-branch of Bank of Chongqing Co., Ltd. | No. 23-1 Wansheng Avenue, Wansheng District, Chongqing | 1 | 400800 |
| 35. | Xiushan Sub-branch of Bank of Chongqing Co., Ltd. | 1-4, 1-5, 2-4 and 2-5, No. 70-1, Fengxiang Road, Zhonghe Street, Xiushan County, Chongqing | 2 | 409900 |
| 36. | Kaizhou Sub-branch of Bank of Chongqing Co., Ltd. | Market Square, Kaizhou Avenue (Middle Section), Kaizhou District, Chongqing | 3 | 405400 |
| 37. | Dazu Sub-branch of Bank of Chongqing Co., Ltd. | No. 335 Shengji West Road, Tangxiang Avenue, Dazu District, Chongqing | 3 | 402360 |
| 38. | Tongnan Sub-branch of Bank of Chongqing Co., Ltd. | No. 173, 175, 177, 179 and 181 Xiangyang Road and 1-4, No. 219, 221, 223, 225, 227, 229 and 229 Ganquan West Road, Guilin Sub-district, Tongnan District, Chongqing | 3 | 402660 |
| 39. | Fengdu Sub-branch of Bank of Chongqing Co., Ltd. | No. 181, 183, 185, 187, 189, 191, 179 (2-10, 2-11, 2-12, 2-13, 2-14, 2-15) and 179 (310, 3-11, 3-12, 3-13, 3-14, 3-15) Longcheng Avenue, Sanhe Sub-district, Fengdu County, Chongqing | 2 | 408200 |

List of Branch Outlets

| No. | Name of Banking Institution | Address | Number of Institutions | Postal Code |
|-----|---|--|------------------------|-------------|
| 40. | Shizhu Sub-branch of Bank of Chongqing Co., Ltd. | 26-30, No. 35, Dudu Avenue, Wan'an Street, Shizhu County, Chongqing | 2 | 409100 |
| 41. | Dianjiang Sub-branch of Bank of Chongqing Co., Ltd. | No. 9-32 Nanyang West Road, Guiyang Sub-district, Dianjiang County, Chongqing | 2 | 408300 |
| 42. | Yunyang Sub-branch of Bank of Chongqing Co., Ltd. | No. 1299 Yunjiang Avenue, Qinglong Street, Yunyang County, Chongqing | 2 | 404500 |
| 43. | Wuxi Sub-branch of Bank of Chongqing Co., Ltd. | Entertainment and Sports Building, Chunshen Avenue, Chengxiang Town, Wuxi County, Chongqing | 1 | 405800 |
| 44. | Wulong Sub-branch of Bank of Chongqing Co., Ltd. | No. 117 Furong West Road, Xiangkou Town, Wulong County, Chongqing | 3 | 408500 |
| 45. | Youyang Sub-branch of Bank of Chongqing Co., Ltd. | No. 1-14, 1-15, 2-1, Building 9, Huisheng Square, No. 10 Middle Road, Taohuayuan Avenue, Youyang County, Chongqing | 2 | 409800 |
| 46. | Pengshui Sub-branch of Bank of Chongqing Co., Ltd. | 2-1, No. 35 and No. 38, Building 1, No. 1 Liangjiang New Street, Shaoqing Sub-district, Pengshui Miao and Tujia Autonomous County, Chongqing | 2 | 409699 |
| 47. | Wushan Sub-branch of Bank of Chongqing Co., Ltd. | Complex Building 1-1, No. 329 Guangdong East Road, Gaotang Sub-district, Wushan County, Chongqing | 1 | 404700 |
| 48. | Chengkou Sub-branch of Bank of Chongqing Co., Ltd. | Commercial Building One, Block 1, Chongyang • Yicheng International Commercial Podium, No.18 Dongda Street, Gecheng Sub-district, Chengkou County, Chongqing | 1 | 405900 |
| 49. | Fengjie Sub-branch of Bank of Chongqing Co., Ltd. | No. 4 Qiaomu Street, Yong'an Town, Fengjie County, Chongqing | 1 | 404600 |