



宜宾市商业银行
Yibin City Commercial Bank

宜宾市商业银行股份有限公司
YIBIN CITY COMMERCIAL BANK CO., LTD

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

Stock Code: 2596

INTERIM REPORT 2025

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Definition

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

“H Share(s)”	overseas listed foreign Shares with a nominal value of RMB1.00 each in the share capital of the Bank, which are listed on the Main Board of the Hong Kong Stock Exchange on January 13, 2025 and subscribed for and traded in Hong Kong Dollars
“HK\$” or “Hong Kong Dollars”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards and International Accounting Standards, which include the related standards, amendments and interpretations issued by the International Accounting Standards Board
“Latest Practicable Date”	August 28, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this interim report
“Listing”	the listing of the H Shares on the Hong Kong Stock Exchange
“Listing Date”	January 13, 2025, being the date of listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Rules” or “Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“NFRA”	National Financial Regulatory Administration (國家金融監督管理總局), which was officially established on the basis of the CBIRC with incorporation of certain functions of PBOC and the CSRC according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知) (Guo Fa [2023] No. 5) issued by the State Council on March 16, 2023, and, if the context requires, includes its predecessor, namely the CBIRC

Definition

“Neijiang Xinglong Rural Bank”	Neijiang Xinglong Rural Bank Co., Ltd. (內江興隆村鎮銀行股份有限公司), a company established on December 24, 2010 in the PRC with limited liability and a non-wholly owned subsidiary of the Bank
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Prospectus”	the Prospectus of the Bank dated December 30, 2024
“Reporting Period”	for the six months ended June 30, 2025
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Bank with a nominal value of RMB1.00 each
“Shareholder(s)”	the holder(s) of the Shares
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	the Supervisor(s) of the Bank
“systematically important bank(s)”	pursuant to the Guiding Opinions on Improving Regulation of Systematically Important Financial Institutions issued by the PBOC, CBIRC and CSRC (《中國人民銀行、中國銀行保險監督管理委員會、中國證券監督管理委員會關於完善系統重要性金融機構監管的指導意見》), this refers to bank(s) that will cause significant adverse impact on the financial system and real economy and may even cause systemic risks if a major risk event occurs to them. These banks usually provide key services in the financial system and are difficult to replace and at the same time their business scale, structure and business operation are highly complex and have strong relevance to other financial institutions
“treasury share(s)”	has the meaning ascribed to it under the Listing Rules
“Yibin Xingyi Rural Bank”	Yibin Xingyi Rural Bank Co., Ltd. (宜賓興宜村鎮銀行有限責任公司), a company established on December 24, 2010 in the PRC with limited liability and a non-wholly owned subsidiary of the Bank
“%”	percentage

Certain amounts and percentage figures included in this interim report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an aggregation of the figures preceding them.

Company Profile

I. BASIC INFORMATION OF THE COMPANY

Registered Name in Chinese:	宜賓市商業銀行股份有限公司(abbreviated as “宜賓銀行”)
Registered Name in English:	YIBIN CITY COMMERCIAL BANK CO., LTD* (abbreviated as “ Yibin City Commercial Bank ”)
Legal Representative:	XUE Feng
Authorized Representatives:	XUE Feng, NGAI Wai Fung
Secretary to the Board of Directors:	TANG Lin
Joint Company Secretaries:	TANG Lin, NGAI Wai Fung
Registered Address of the Bank:	No. 1 Nuxue Street, Cuiping District, Yibin, Sichuan Province, the PRC
Principal Office Address of the Bank:	No. 9 Jinshajiang Avenue, Xuzhou District, Yibin, Sichuan Province, the PRC
Customer Service Hotline:	+86 (0831) 96578
Telephone:	+86 (0831) 5103546
Website of the Bank:	www.ybccb.com
Principal Place of Business in Hong Kong:	40/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong
Websites for H Share Disclosure:	HKEXnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) Website of the Bank (www.ybccb.com)
Listing Place:	The Stock Exchange of Hong Kong Limited
Stock Abbreviation:	Yibin Bank
Stock Code:	2596

Company Profile

H Share Registrar:	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Hong Kong Legal Advisor:	Clifford Chance 27th Floor, Jardine House, One Connaught Place, Central, Hong Kong
Auditor:	Domestically: Pan-China Certified Public Accountants LLP No.1366, Qianjiang Road, Hangzhou, Zhejiang Province Overseas: Confucius International CPA Limited Rooms 1501-08, Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong
Compliance Advisor:	Maxa Capital Limited Unit 2602, 26/F, Golden Centre, 188 Des Voeux Road Central, Sheung Wan, Hong Kong

II. BASIC INFORMATION OF THE COMPANY

Established on December 27, 2006 and headquartered in Yibin City, Sichuan Province, PRC, Yibin City Commercial Bank is a local corporate financial institution restructured from the former Yibin City Credit Cooperatives under the approval of the former CBRC Sichuan Office.

With registered address in No. 1 Nuxue Street, Cuiping District, Yibin, Sichuan, PRC and principal office address in No. 9, Jinshajiang Avenue, Xuzhou District, Yibin, Sichuan, PRC. The Group has a total of 66 outlets, of which 42 are located in the districts and counties in Yibin City and 24 in Neijiang City. As at the end of the Reporting Period, the Bank had registered capital of RMB3.9 billion and total assets of RMB113.230 billion (calculated at the Group calibre), making it the largest Bank in Yibin in terms of total assets. The net loans and advances to customers amounted to RMB63.091 billion and total deposits were RMB92.226 billion.

Financial Highlights

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30,	
	2025	2024
Interest income	1,987.2	1,858.7
Interest expense	(1,052.3)	(1,030.9)
Net interest income	934.9	827.8
Fee and commission income	28.6	53.7
Fee and commission expense	(19.0)	(16.8)
Net fee and commission income	9.6	36.9
Net gains/(losses) on trading activities	66.6	130.0
Net gains on financial investments	129.7	69.8
Other operating income	27.2	13.4
Operating income	1,168.0	1,078.0
Operating expenses	(351.7)	(349.7)
Expected credit losses	(461.2)	(381.3)
Profit before tax	355.1	347.0
Income tax expense	(64.3)	(85.2)
Net profit	290.8	261.8
Net profit attribute to:		
Equity attributable to Shareholders of the Bank	284.5	284.2
Non-controlling interests	6.3	(22.4)
Basic earnings per Share (expressed in RMB per Share)	0.07	0.07
Diluted earnings per Share (expressed in RMB per Share)	0.06	0.07

Financial Highlights

(Expressed in RMB million, unless otherwise stated)		June 30, 2025	December 31, 2024
Major indicators of assets/liabilities			
Total assets		113,230.1	109,205.4
Of which: loans and advances to customers, net		63,091.1	58,443.8
Total liabilities		103,302.4	99,233.1
Of which: customer deposits		92,226.3	84,517.9
Total equity		9,927.7	9,972.3
Of which: total equity attributable to Shareholders of the Bank		9,646.8	9,697.6
		Six months ended June 30,	2025
			2024
Profitability indicators (%)			
Asset profit ratio ⁽¹⁾		0.52	0.54
Capital profit ratio ⁽²⁾		5.84	5.54
Net interest spread ⁽³⁾		1.65	1.76
Net interest margin ⁽⁴⁾		1.80	1.86
Cost-to-income ratio ⁽⁵⁾		28.92	31.25
		June 30,	December 31,
		2025	2024
Capital adequacy indicators (%)			
Core tier-one capital adequacy ratio ⁽⁶⁾		12.34	12.61
Tier-one capital adequacy ratio ⁽⁷⁾		12.37	12.64
Capital adequacy ratio ⁽⁸⁾		13.57	13.86
Assets quality indicators (%)			
Non-performing loan ratio ⁽⁹⁾		1.68	1.68
Provision coverage ratio ⁽¹⁰⁾		267.00	256.64
Provision to total loan ratio ⁽¹¹⁾		4.49	4.32
Other indicators (%)			
Loan to deposit ratio ⁽¹²⁾		73.27	73.93

Financial Highlights

Notes:

- (1) Calculated by dividing the net profit for a period by the average balance of total assets at the beginning and the end of that period (annualized).
- (2) Calculated by dividing the net profit for a period by the average balance of total equity at the beginning and the end of that period (annualized).
- (3) Represents the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities (annualized).
- (4) Calculated by dividing net interest income by the average balance of interest-earning assets (based on the daily average of the interest-earning assets) (annualized).
- (5) Calculated by dividing total operating expenses (net of tax and surcharges) by operating income.
- (6) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets*100%.
- (7) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets*100%.
- (8) Capital adequacy ratio = (total capital – corresponding capital deductions)/risk-weighted assets*100%.
- (9) Non-performing loan ratio = total non-performing loans/total loans and advances to customers*100%.
- (10) Provision coverage ratio = total provision for impairment losses on loans and advances to customers/total non-performing loans*100%.
- (11) Provision to total loan ratio = total provision for impairment losses on loans and advances to customers/total loans and advances to customers*100%.
- (12) Loan to deposit ratio = total loans and advances to customers/total deposits*100%.

Management Discussion and Analysis

ENVIRONMENT AND PROSPECT

In the first half of 2025, global economic growth pressures remained unabated, trade tensions intensified, and the pace of inflation decline slowed down, resulting in continued weak demand. The uncertainty surrounding economic policies in economies around the world has fueled risk aversion, while negative factors such as global geopolitical conflicts, sovereign debt crises, and trade protectionism have hampered global economic recovery. In the face of complex situations, the Chinese economy has withstood pressure and risen to the challenge. Our economy is running smoothly with steady progress, key economic indicators are performing well, new quality productive forces are developing actively, and reform and opening-up are deepening continuously. Risks in key areas have been effectively prevented and resolved, and basic livelihood guarantees have been further strengthened. While making new progress in high-quality development, China has injected more momentum and certainty into the global economy. However, the domestic demand potential has not been fully unleashed and there are outstanding problems such as disorderly competition among some enterprises.

Looking ahead to the second half of the year, the risk of a global economic downturn is increasing, and policy adjustments and game related to tariffs will pose further challenges to the global economy. The uncertainty and instability of the external environment will pose significant risks and challenges to China's economic development. However, strategic opportunities and risks coexist. China's stable economic foundation, numerous advantages, strong resilience, and vast potential will provide strong support for stable economic growth. The fundamental conditions and overall trend that have underpinned the long-term positive development of our economy remain unchanged. Through high-quality development, China will respond to the rapid changes in the external environment with greater certainty, and the momentum of economic recovery and improvement will be further consolidated and expanded. This year marks the transition from the "14th Five-Year Plan" to the "15th Five-Year Plan". A series of major strategic tasks, major reform measures, and major engineering projects are being fully implemented and taking effect. Market demand will be further boosted, the transition from old to new growth drivers will accelerate, and the vitality of market operators will be further stimulated. After more than five years of construction, the Chengdu-Chongqing Dual-city Economic Circle has seen stronger innovation momentum, more coordinated regional development, a more solid green foundation, more effective opening up and development, and more accessible shared benefits for the people. Its development capacity and comprehensive strength have continued to improve, which will provide strong support for enhancing the economic volume, development quality, and overall significance of the Chengdu-Chongqing region. Yibin City, committed to overarching goal of high-quality development, is actively integrating into national strategies such as the Chengdu-Chongqing Dual City Economic Circle, the Western Development Initiative in the New Era, and the Yangtze River Economic Belt Development Initiative, and accelerating the construction of a modern regional central city and an international tourist city. As an important part of China's banking system, urban commercial banks, focusing on the "five priorities" of finance, are accelerating their business transformation, strengthening technological empowerment, and seeking distinctive and differentiated development, in order to achieve integrated and coordinated development with the local economy and society, and provide strong support for the construction of a powerful country and the great cause of national rejuvenation through high-quality financial development.

Management Discussion and Analysis

The Group will continue to implement the spirit of the 20th National Congress of the Communist Party of China, as well as the second and third plenary sessions of the 20th Central Committee of the Communist Party of China. Leveraging Yibin's strategic position within Sichuan Province and the Chengdu-Chongqing Dual City Economic Circle, we will firmly seize the opportunities for high-quality development and drive innovation to effectively promote digital transformation and enhance the level of technological financial services, centering on the development strategy of "digitalization, specialization, and modernization". We will make full use of regional resource advantages to deeply integrate into the local economy, continuously meet the diverse and differentiated financial needs of customers, improve corporate governance efficiency, improve market-oriented operating mechanisms, enhance brand value, and accelerate development in line with the strategic goal of becoming a benchmark bank in western China.

OVERALL BUSINESS REVIEW

In the first half of 2025, the Group recorded a total operating income of RMB1,168.0 million, representing an increase of 8.3% compared to RMB1,078.0 million in the first half of 2024. The Group's net profit increased by 11.1% from RMB261.8 million in the first half of 2024 to RMB290.8 million in the first half of 2025. As of June 30, 2025, the Group's total assets amounted to RMB113,230.1 million, representing an increase of 3.7% from the beginning of the year; the net loans and advances to customers amounted to RMB63,091.1 million, representing an increase of 8.0% from the beginning of the year; the non-performing loan (NPL) ratio was 1.68%, flat with the beginning of the year; the total amount of customer deposits was RMB92,226.3 million, representing an increase of 9.1% from the beginning of the year.

Management Discussion and Analysis

(a) Analysis of the consolidated statements of profit or loss

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2025	2024	Increase or decrease	
Interest income	1,987.2	1,858.7	128.5	6.9
Interest expense	(1,052.3)	(1,030.9)	(21.4)	2.1
Net interest income	934.9	827.8	107.1	12.9
Fee and commission income	28.6	53.7	(25.1)	(46.7)
Fee and commission expenses	(19.0)	(16.8)	(2.2)	13.1
Net fee and commission income	9.6	36.9	(27.3)	(74.0)
Net gains arising from trading activities	66.6	130.0	(63.4)	(48.8)
Net gains arising from financial investment	129.7	69.8	59.9	85.8
Other operating income	27.2	13.4	13.8	103.0
Operating income	1,168.0	1,078.0	90.0	8.3
Operating expenses	(351.7)	(349.7)	(2.0)	0.6
Expected credit loss	(461.2)	(381.3)	(79.9)	21.0
Profit before tax	355.1	347.0	8.1	2.3
Income tax expense	(64.3)	(85.2)	20.9	(24.5)
Net profit	290.8	261.8	29.0	11.1
Net profit attribute to:				
Equity attributable to Shareholders of the Bank	284.5	284.2	0.3	0.1
Non-controlling interests	6.3	(22.4)	28.7	128.1
Basic earnings per Share (expressed in RMB per Share)	0.07	0.07	—	—
Diluted earnings per Share (expressed in RMB per Share)	0.06	0.07	(0.01)	(14.3)

Management Discussion and Analysis

In the first half of 2025, the Group's profit before income tax amounted to RMB355.1 million, representing a year-on-year increase of 2.3%; net profit amounted to RMB290.8 million, representing a year-on-year increase of 11.1%, mainly due to the year-on-year decline in the loan prime rate (LPR) and the Group's increased credit lending and intensified efforts to market and attract high-quality customers, resulting in a year-on-year increase in the average daily balance of deposits and loans. Following the interest rate cut, the cost of interest payments on deposits decreased year-on-year, leading to a year-on-year increase in net interest income. At the same time, as the interest rates in bond market declined, the Group seized the opportunity to gain bond yields, leading to a year-on-year increase in net financial investment income; and the income tax expenses decreased.

(i) **Net interest income**

Net interest income was the largest component of the Group's operating income, representing 80.0% and 76.8% of operating income in the first half of 2025 and 2024, respectively. The following table sets forth the interest income, interest expense and net interest income for the periods indicated.

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2025	2024	Increase or decrease	
Interest income	1,987.2	1,858.7	128.5	6.9
Interest expense	(1,052.3)	(1,030.9)	(21.4)	2.1
Net interest income	934.9	827.8	107.1	12.9

The following table sets forth the average balances of the Group's interest-earning assets and interest-bearing liabilities, the related interest income or expense, and the average yield or average cost for the periods indicated. The average balance of interest-earning assets and interest-bearing liabilities is the average of the daily balances.

Management Discussion and Analysis

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30, 2025			Six months ended June 30, 2024		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Interest-earning asset						
Deposits with central bank ⁽¹⁾	5,811.0	37.9	1.30	5,185.1	32.8	1.27
Financial assets held under resale agreements, due from other banks and other financial institutions	4,729.8	38.0	1.61	5,533.3	45.8	1.65
Loans and advances to customers	62,583.2	1,538.3	4.92	52,075.1	1,410.8	5.42
Financial investments ⁽²⁾	30,724.7	373.0	2.43	26,230.8	369.3	2.82
Total interest-earning assets	103,848.7	1,987.2	3.83	89,024.3	1,858.7	4.18

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30, 2025			Six months ended June 30, 2024		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Interest-bearing liabilities						
Borrowings from central bank	2,150.7	(18.7)	1.74	2,021.3	(19.8)	1.96
Financial assets sold under repurchase agreement, due to other banks and other financial institutions	5,790.8	(56.5)	1.95	7,084.2	(72.5)	2.05
Customer deposits	87,058.0	(960.3)	2.21	74,157.8	(909.8)	2.45
Bonds issued ⁽³⁾	1,643.0	(16.8)	2.05	1,966.7	(28.5)	2.90
Lease liabilities	-	-	-	25.3	(0.3)	2.37
Total interest – bearing liabilities	96,642.5	(1,052.3)	2.18	85,255.4	(1,030.9)	2.42
Net interest income		934.9			827.8	
Net interest spread			1.65			1.76
Net interest margin			1.80			1.86

Notes:

- (1) Deposits with central bank primarily include statutory deposit reserves, surplus deposit reserves and fiscal deposit reserves.
- (2) Financial investments include financial assets at fair value through other comprehensive income and financial assets measured at amortized cost.
- (3) Bonds issued are interbank certificates of deposit.

Management Discussion and Analysis

The table below sets forth the changes in the Group's interest income and interest expense attributable to changes in volume and interest rate for the periods indicated. Changes in volume are measured by changes in the average balance, and changes in interest rate are measured by changes in the average interest rates.

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30, 2025 VS Six months ended June 30, 2024		
	Volume	Interest rate	Net increase/ (decrease)
Interest-earning assets			
Deposits with central bank	4.3	0.8	5.1
Financial assets held under resale agreements, due from other banks and other financial institutions	(6.7)	(1.1)	(7.8)
Loans and advances to customers	257.7	(130.2)	127.5
Financial investments	54.9	(51.2)	3.7
Changes in interest income	310.2	(181.7)	128.5
Interest-bearing liabilities			
Borrowings from central bank	1.1	(2.2)	(1.1)
Financial assets sold under repurchase agreement, due to other banks and other financial institutions	(12.5)	(3.5)	(16.0)
Customer deposits	139.5	(89.0)	50.5
Bonds issued	(3.3)	(8.4)	(11.7)
Lease liabilities	—	(0.3)	(0.3)
Changes in interest expense	124.8	(103.4)	21.4
Changes in net interest income	185.4	(78.3)	107.1

Management Discussion and Analysis

(ii) Interest income

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

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30, 2025		2024	
	Amount	% of total (%)	Amount	% of total (%)
Loans and advances to customers	1,538.3	77.4	1,410.8	75.9
Financial investments	373.0	18.8	369.3	19.9
Financial assets held under resale agreements, due from other banks and other financial institutions	38.0	1.9	45.8	2.5
Deposits with central bank	37.9	1.9	32.8	1.8
Total	1,987.2	100.0	1,858.7	100.0

The Group's interest income increased by 6.9% from RMB1,858.7 million in the first half of 2024 to RMB1,987.2 million in the first half of 2025, primarily due to an increase in the average balance of interest-earning assets from RMB89,024.3 million in the first half of 2024 to RMB103,848.7 million in the first half of 2025, which was partially offset by a decrease in the average yield on interest-earning assets from 4.18% in the first half of 2024 to 3.83% in the first half of 2025. The increase in the average balance of interest-earning assets was mainly due to an increase in the average balance of loans and advances and financial investments, which was partially offset by a decrease in the average balance of financial assets held under resale agreements, due from other banks and other financial institutions. The decrease in the average yield on interest-earning assets was primarily attributed to the Group's greater effort of marketing to high-quality customer groups, leading to a decrease in the average yield on loans and advances, as well as financial investments.

Management Discussion and Analysis

(A) Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 77.4% and 75.9% of total interest income in the first half of 2025 and 2024, respectively.

The following table sets forth the average balance, interest income and average yield of loans and advances to customers by product for the periods indicated.

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30,					
	2025			2024		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	53,267.4	1,417.5	5.32	40,133.4	1,252.8	6.24
Retail loans	4,737.5	97.4	4.11	4,789.9	112.5	4.70
Discounted and rediscounted bills	4,578.3	23.4	1.02	7,151.8	45.5	1.27
Total	62,583.2	1,538.3	4.92	52,075.1	1,410.8	5.42

The interest income from loans and advances to customers is the largest component of the Group's interest income, increasing by 9.0% from RMB1,410.8 million in the first half of 2024 to RMB1,538.3 million in the first half of 2025. The increase was primarily due to an increase of 20.2% in the average balance of loans and advances to customers from RMB52,075.1 million in the first half of 2024 to RMB62,583.2 million in the first half of 2025, which was partially offset by a decrease in the average yield on these assets from 5.42% in the first half of 2024 to 4.92% in the first half of 2025. The increase in the average balance of such assets was mainly attributable to the Group's firm adherence to its primary responsibility and core business and the orderly increase in financial supply through measures such as deepening cultivation of the regional market, supporting industrial cluster development, promoting retail transformation, serving urban construction and rural revitalization. The decrease in the average yield on these assets was mainly due to the year-on-year decline in the Loan Prime Rate (LPR), as well as the Group's greater effort of marketing to high-quality customers, leading to the decrease in the average yield on loans and advances to customers.

Management Discussion and Analysis

(B) Interest income from financial investments

The interest income from financial investments increased by 1.0% from RMB369.3 million in the first half of 2024 to RMB373.0 million in the first half of 2025, primarily due to the increase of 17.1% in the average balance of financial investments from RMB26,230.8 million in the first half of 2024 to RMB30,724.7 million in the first half of 2025, while partially offset by a decrease in the average yield on these assets from 2.82% in the first half of 2024 to 2.43% in the first half of 2025. The increase in the average balance of these assets was mainly due to the Group's reasonable increase in financial institution bond investment based on business operation needs. The decrease in the average yield on these assets was primarily attributed to changes in market interest rates.

(C) Interest income from financial assets held under resale agreements, due from other banks and other financial institutions

The interest income from financial assets held under resale agreements, and due from other banks and other financial institutions decreased by 17.0% from RMB45.8 million in the first half of 2024 to RMB38.0 million in the first half of 2025, primarily due to the decrease of 14.5% in the average balance of financial assets held under resale agreements, and due from other banks and other financial institutions from RMB5,533.3 million in the first half of 2024 to RMB4,729.8 million in the first half of 2025. The decrease in the average balance of these assets was mainly due to the Group's reduction in the scale of relevant asset allocation based on business operation needs.

(D) Interest income from deposits with central bank

The interest income from deposits with central bank increased by 15.5% from RMB32.8 million in the first half of 2024 to RMB37.9 million in the first half of 2025, primarily due to an increase in deposit volume. The amount of deposits with central bank increased year-on-year, resulting in a year-on-year increase in interest income.

Management Discussion and Analysis

(iii) Interest expense

The following table sets forth the principal components of interest expense of the Group for the periods indicated.

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30,			
	2025		2024	
	Amount	% of total (%)	Amount	% of total (%)
Customer deposits	960.3	91.3	909.8	88.3
Bonds issued	16.8	1.6	28.5	2.8
Financial assets sold under repurchase agreement, due to other banks and other financial institutions	56.5	5.4	72.5	7.0
Borrowings from central bank	18.7	1.7	19.8	1.9
Lease liabilities	—	—	0.3	0.1
Total	1,052.3	100.0	1,030.9	100.0

(A) Interest expenses on customer deposits

The following table sets forth the average balance, interest expense and average cost for the components of customer deposits for the periods indicated.

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30,					
	2025			2024		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits	42,633.6	378.1	1.77	37,893.6	374.2	1.97
Personal deposits	44,424.4	582.2	2.62	36,264.4	535.7	2.95
Total	87,058.0	960.3	2.21	74,157.8	909.8	2.45

Management Discussion and Analysis

The interest expenses on customer deposits increased by 5.6% from RMB909.8 million in the first half of 2024 to RMB960.3 million in the first half of 2025, primarily due to the increase of 17.4% in the average balance of customer deposits from RMB74,157.8 million in the first half of 2024 to RMB87,058.0 million in the first half of 2025, as well as a decrease in the average cost on these liabilities from 2.45% in the first half of 2024 to 2.21% in the first half of 2025. The increase in the average balance of these liabilities was mainly due to the stable increase in the total deposits resulting from the Group's focus on serving key customer segments and industries, precise marketing strategies, efforts to leverage its resource integration and product portfolio advantages and accelerate the transformation and upgrading of business outlets and digital construction to enhance customer acquisition capabilities and realize a steady growth in total deposits. The decrease in the average cost on these liabilities was primarily due to the Group's lowering of its deposit rates quoted.

(B) Interest expense on financial assets sold under repurchase agreements, due to other banks and other financial institutions

The interest expense on financial assets sold under repurchase agreements, due to other banks and other financial institutions decreased by 22.1% from RMB72.5 million in the first half of 2024 to RMB56.5 million in the first half of 2025, mainly due to the decrease of 18.3% in the average balance of financial assets sold under repurchase agreements from RMB7,084.2 million in the first half of 2024 to RMB5,790.8 million in the first half of 2025, and a decrease in the average cost on these liabilities from 2.05% in the first half of 2024 to 1.95% in the first half of 2025. The decrease in the average balance of these liabilities was primarily due to the Group's timely adjustment of the liability structure and proactive efforts to reduce the scale of these liabilities based on changes in market interest rates. The decrease in the average cost on these liabilities was primarily attributable to the decline in market interest rates.

(C) Interest expense on bonds issued

The interest expense on bonds issued decreased by 41.1% from RMB28.5 million in the first half of 2024 to RMB16.8 million in the first half of 2025, mainly due to the decrease of 16.5% in the average balance of bonds issued from RMB1,966.7 million in the first half of 2024 to RMB1,643.0 million in the first half of 2025, as well as a decrease in the average cost on these liabilities from 2.90% in the first half of 2024 to 2.05% in the first half of 2025. The decrease in the average balance of these liabilities was primarily due to a decrease in the scale of interbank certificates of deposit issued. The decrease in the average cost on these liabilities was mainly as a result of a decrease in market interest rates.

(iv) Net interest spread and net interest margin

The net interest spread decreased from 1.76% in the first half of 2024 to 1.65% in the first half of 2025, and the net interest margin decreased from 1.86% in the first half of 2024 to 1.80% in the first half of 2025, primarily due to a decrease of 0.24 percentage point in the average cost on interest-bearing liabilities compared to the same period last year, as well as a decrease of 0.35 percentage point in the average yield on interest-earning assets compared to the same period last year. The decrease in the average yield on interest-bearing assets was primarily due to the year-on-year decline in the Loan Prime Rate (LPR) and the Group's increased efforts in marketing to high-quality clients, which led to a reduction in the average yield on loans and advances. The decrease in the average cost on interest-bearing liabilities was mainly attributable to the Group's lowering of the average deposit interest rate.

Management Discussion and Analysis

(v) **Non-interest income**

(A) *Net fee and commission income*

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2025	2024	Increase or decrease	
Fee and commission income				
Commission income from settlement and agency services	7.3	7.7	(0.4)	(5.2)
Commission income from bank card services	0.7	0.7	0.0	0.0
Commission income from wealth management agency service	4.7	28.4	(23.7)	(83.5)
Other commission income ⁽¹⁾	15.9	16.9	(1.0)	(5.9)
Subtotal	28.6	53.7	(25.1)	(46.7)
Fee and commission expenses				
Commission expense from settlement and agency services	(17.5)	(15.4)	(2.1)	13.6
Other commission expense	(1.5)	(1.4)	(0.1)	7.1
Subtotal	(19.0)	(16.8)	(2.2)	13.1
Net fee and commission income	9.6	36.9	(27.3)	(74.0)

Notes:

- (1) Other commission income primarily consists of commission income from entrusted loans, guarantees, commitments and syndicated business.

The net fee and commission income decreased by 74.0% from RMB36.9 million in the first half of 2024 to RMB9.6 million in the first half of 2025, mainly due to the decrease in commission income from wealth management agency services.

The commission income from settlement and agency services decreased by 5.2% from RMB7.7 million in the first half of 2024 to RMB7.3 million in the first half of 2025, primarily due to a decrease in the Group's issuance of Bank acceptance bills, resulting in the decrease in income from handling fees for issuance of Bank acceptance bills.

Management Discussion and Analysis

The commission income from wealth management agency service decreased by 83.5% from RMB28.4 million in the first half of 2024 to RMB4.7 million in the first half of 2025, mainly due to a decline in the scale of wealth management products.

The other commission income decreased by 5.9% from RMB16.9 million in the first half of 2024 to RMB15.9 million in the first half of 2025, mainly due to a decrease in income from syndicated loans.

The fee and commission expense increased by 13.1% from RMB16.8 million in the first half of 2024 to RMB19.0 million in the first half of 2025, mainly attributable to the Group's ongoing optimization of mobile payment platform Qianhuahua and the expansion of associated mobile payment scenarios.

(B) Net gains from financial investment

Net gains on financial investments include the net gains from the sale of financial assets, as well as gains from reclassification of other comprehensive income to profit or loss due to asset sales. Net gains on financial investments increased from RMB69.8 million in the first half of 2024 to RMB129.7 million in the first half of 2025, primarily due to the Group's strategic sale of bonds based on its portfolio investment strategy to generate income.

(C) Net gains on trading activities

Net gains on trading activities decreased by 48.8% from RMB130.0 million in the first half of 2024 to RMB66.6 million in the first half of 2025, primarily due to a decrease in gains from financial assets held for trading caused by changes in average scale and interest rates of debt securities.

(D) Other operating income

Other operating income mainly includes incidental income such as government subsidies and exchange gains, and deducts incidental expenses such as charitable donations. Other operating income increased by 103.0% from RMB13.4 million in the first half of 2024 to RMB27.2 million in the first half of 2025, primarily due to an increase in the exchange gains of the Group.

Management Discussion and Analysis

(vi) Operating expenses

The operating expenses increased by 0.6% from RMB349.7 million in the first half of 2024 to RMB351.7 million in the first half of 2025, primarily due to an increase in staff costs.

The following table sets forth the principal components of operating expenses for the periods indicated.

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2025	2024	Increase or decrease	
Staff costs	195.8	190.7	5.1	2.7
General and administrative expenses	100.8	101.0	(0.2)	(0.2)
Depreciation and expenses	26.9	31.8	(4.9)	(15.4)
Professional fees	2.4	2.6	(0.2)	(7.7)
Listing expenses	–	0.5	(0.5)	(100.0)
Tax and surcharges	13.9	12.9	1.0	7.8
Auditors' remuneration				
– Audit service	1.3	0.2	1.1	550.0
– Non-audit service	0.2	0.1	0.1	100.0
Technical service fees	10.4	9.9	0.5	5.1
Total	351.7	349.7	2.0	0.6

Management Discussion and Analysis

(A) Staff costs

The following table sets forth the components of staff costs for the periods indicated.

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2025	2024	Increase or decrease	
Wages and salaries, bonus, allowance and subsidies	137.5	131.1	6.4	4.9
Social security contributions	26.6	25.1	1.5	6.0
Defined contribution benefits	23.1	22.7	0.4	1.8
Staff welfare	5.8	7.0	(1.2)	(17.1)
Labour union funds and employee education funds	3.1	3.2	(0.1)	(3.1)
Supplementary retirement benefits	(0.3)	1.6	(1.9)	(118.8)
Total staff costs	195.8	190.7	5.1	2.7

The staff costs increased by 2.7% from RMB190.7 million in the first half of 2024 to RMB195.8 million in the first half of 2025. The main reasons for the increase are the increase in social security contributions, defined contribution benefits, and other adjustments in accordance with relevant policy provisions.

(B) Depreciation and expenses

The depreciation and expenses decreased by 15.4% from RMB31.8 million in the first half of 2024 to RMB26.9 million in the first half of 2025, mainly due to the fact that some of the Group's fixed assets and intangible assets have fully realized their depreciation, resulting in reduced depreciation and amortization costs.

Management Discussion and Analysis

(vii) Expected credit impairment losses

The following table sets forth the major components of our expected credit impairment losses for the periods indicated.

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2025	2024	Increase or decrease	
Loans and advances to customers at amortized cost	476.0	285.1	190.9	67.0
Loans and advances to customers – fair value through other comprehensive income	(0.5)	2.8	(3.3)	(117.9)
Off-balance-sheet items	(83.5)	9.4	(92.9)	988.3
Financial assets held under resale agreements, due from other banks and other financial institutions	64.1	22.9	41.2	179.9
Financial investments – amortized cost	21.8	–	21.8	–
Financial investments – FVOCI	(1.5)	33.0	(34.5)	(104.5)
Other financial assets	(15.2)	28.1	(43.3)	(154.1)
Total	461.2	381.3	79.9	21.0

The expected credit impairment losses increased by 21.0% from RMB381.3 million in the first half of 2024 to RMB461.2 million in the first half of 2025. The increase in expected credit impairment losses was mainly due to the Group's efforts to enhance the refinement of risk management assessment according to the increase in business scale and changes in the external market environment, resulting in an increase in the expected credit impairment losses on loans and advances, financial assets held under resale agreements, due from other banks and other financial institutions.

Management Discussion and Analysis

(b) Analysis of consolidated statements of financial position

(i) Assets

As of June 30, 2025 and December 31, 2024, the Group's total assets amounted to RMB113,230.1 million and RMB109,205.4 million, respectively. The main components of total assets are (i) net loans and advances to customers; and (ii) net financial investments.

The following table sets forth the components of total assets as of the dates indicated.

(Expressed in RMB million, unless otherwise stated)	As of June 30, 2025		As of December 31, 2024	
	Amount	% of total (%)	Amount	% of total (%)
Assets				
Gross loans and advances to customers	65,652.9	58.0	60,766.4	55.6
Accrued interest	388.7	0.3	303.6	0.3
Expected credit losses allowance	(2,950.5)	(2.6)	(2,626.2)	(2.4)
Net loans and advances to customers	63,091.1	55.7	58,443.8	53.5
Financial investments ⁽¹⁾	36,692.0	32.4	36,480.4	33.4
– Fair value through other comprehensive income	21,355.5	18.9	22,482.5	20.6
– Fair value through profit or loss	7,293.7	6.4	6,239.8	5.7
– Amortized cost	8,042.8	7.1	7,758.1	7.1
Financial assets held under resale agreements, due from other banks and other financial institutions	4,808.6	4.2	4,988.5	4.6
Cash and balances with central bank	6,547.8	5.8	7,318.5	6.7
Deferred tax assets	1,356.1	1.2	1,237.4	1.1
Property, plant and equipment	283.7	0.3	284.9	0.3
Right-of-use assets	27.8	0.0	31.4	0.0
Other assets ⁽²⁾	423.0	0.4	420.5	0.4
Total assets	113,230.1	100.0	109,205.4	100.0

Notes:

- (1) Financial investments consist of financial assets measured at amortized cost, financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income.
- (2) Other assets primarily consist of other receivables and prepayments, interest receivable, and foreclosed assets.

Management Discussion and Analysis

(A) Loans and advances to customers

As of June 30, 2025, the gross loans and advances to customers issued by the Group amounted to RMB65,652.9 million, representing an increase of 8.0% compared to December 31, 2024. The net loans and advances to customers accounted for 55.7% of the Group's total assets, representing an increase of 2.2 percentage point from December 31, 2024.

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

(Expressed in RMB million, unless otherwise stated)	As of June 30, 2025		As of December 31, 2024	
	Amount	% of total (%)	Amount	% of total (%)
Corporate loans	55,321.3	84.3	48,558.4	79.9
Retail loans	4,743.4	7.2	4,882.0	8.0
Discounted bills	1,251.5	1.9	948.8	1.6
Rediscounted bills	4,336.7	6.6	6,377.2	10.5
Gross loans and advances to customers	65,652.9	100.0	60,766.4	100.0

The loans and advances to customers constitute the largest component of the Group's total assets. The Group offers a variety of loan products, all of which are denominated in RMB.

The Group's corporate loans increased by 13.9% from RMB48,558.4 million as of December 31, 2024 to RMB55,321.3 million as of June 30, 2025. This growth was primarily driven by the Group's alignment with national policy directives, its focus on regional development, and its ongoing efforts to expand service areas while effectively managing risks. These initiatives strengthened support for the real economy, met the effective credit demands of corporate loan customers, and resulted in an increase in credit disbursement.

The Group's retail loans primarily include personal business loans, personal consumption loans, and residential mortgage loans. Retail loans of the Group decreased by 2.8% from RMB4,882.0 million as of December 31, 2024 to RMB4,743.4 million as of June 30, 2025. This decline was mainly due to reduced effective credit demand from residential and commercial mortgage customers and the early repayment of some customers, leading to a contraction in the scale of residential and commercial mortgage loans.

Management Discussion and Analysis

Loans and advances by collateral

The table below presents the breakdown of loans and advances to customers by collateral type as of the dates indicated.

(Expressed in RMB million, unless otherwise stated)	As of June 30, 2025		As of December 31, 2024	
	Amount	% of total (%)	Amount	% of total (%)
Collateralized loans	20,220.9	33.7	19,989.5	37.4
Pledged loans	14,536.2	24.2	10,723.6	20.1
Guaranteed loans	23,682.9	39.4	21,166.2	39.6
Unsecured loans	1,624.7	2.7	1,561.1	2.9
Gross corporate and retail loans	60,064.7	100.0	53,440.4	100.0

Guaranteed loans constitute the largest component of the Group's loans and advances to customers, accounting for 39.4% and 39.6% of the gross corporate and retail loans as of June 30, 2025 and December 31, 2024, respectively. The Group applies strict credit assessment standards when issuing guaranteed loans. The Bank accept guarantees from guarantors based on comprehensive considerations such as scale, creditworthiness, and risk resilience.

The Group provides unsecured loans to customers with relatively higher credit ratings. As of June 30, 2025 and December 31, 2024, unsecured loans accounted for 2.7% and 2.9%, respectively, of the gross corporate and retail loans.

Movements of expected credit losses allowance on loans and advances to customers

(Expressed in RMB million, unless otherwise stated)	June 30, 2025	December 31, 2024
Balance at the beginning of the period	2,626.2	2,368.3
Charge for the year	476.0	770.8
Amounts written off and transferred	(179.2)	(688.1)
Recovery of loans and advances written-off	27.5	175.2
Movements due to other reasons	—	—
Balance at the end of the period	2,950.5	2,626.2

The expected credit losses allowance on loans and advances increased by 12.3% from RMB2,626.2 million as of December 31, 2024 to RMB2,950.5 million as of June 30, 2025, primarily due to the Group's increase of the provision for loan impairment according to the changes in the scale of loans and advances to customers.

Management Discussion and Analysis

(B) Financial investments

Our financial investments consist primarily of bonds investment and SPV investment. Our SPV investment mainly comprises our investment through asset management plans, funds and trust plans. The following table sets forth the components of the Group's financial investments as of the dates indicated.

(Expressed in RMB million, unless otherwise stated)	As of June 30, 2025		As of December 31, 2024	
	Amount	% of total (%)	Amount	% of total (%)
Bonds investment	35,106.5	95.6	34,707.3	95.1
SPV investment				
– Asset management plans	132.9	0.4	133.1	0.4
– Funds	1,376.6	3.8	1,541.3	4.2
– Trust plans	41.3	0.1	63.3	0.2
Other financial investments	34.7	0.1	35.4	0.1
Net financial investments	36,692.0	100.0	36,480.4	100.0

The net amount of financial investments increased by 0.6% from RMB36,480.4 million as of December 31, 2024 to RMB36,692.0 million as of June 30, 2025, primarily due to the Group's timely adjustment of its investment strategies and increase in investment in bonds according to liquidity adequacy and market changes as well as actual operational conditions. However, the increase was partially offset by a decrease in fund investments and trust investments.

Management Discussion and Analysis

(ii) Liabilities

As of June 30, 2025 and December 31, 2024, the total liabilities amounted to RMB103,302.4 million and RMB99,233.1 million, respectively.

The following table sets forth the components of our total liabilities as of the dates indicated.

(Expressed in RMB million, unless otherwise stated)	As of June 30, 2025		As of December 31, 2024	
	Amount	% of total (%)	Amount	% of total (%)
Liabilities				
Customer deposits	92,226.3	89.3	84,517.9	85.2
Financial assets sold under repurchase agreement, due to other banks and other financial institutions	4,748.0	4.6	9,340.7	9.4
Borrowings from central bank	2,122.0	2.1	2,266.2	2.3
Bonds issued	1,344.9	1.3	2,028.1	2.0
Taxes payable	153.4	0.1	257.1	0.3
Lease liabilities	25.6	0.0	28.8	0.0
Other liabilities ⁽¹⁾	2,682.2	2.6	794.3	0.8
Total liabilities	103,302.4	100.0	99,233.1	100.0

Note:

(1) Other liabilities consist primarily of accrued staff costs, tax payable, accrued liabilities.

Management Discussion and Analysis

(A) Customer deposits

The Group provides demand and time deposit products to corporate and retail customers. The table below sets forth the total customer deposits (excluding accrued interest) by product and customer type as of the dates indicated.

(Expressed in RMB million, unless otherwise stated)	As of June 30, 2025		As of December 31, 2024	
	Amount	% of total (%)	Amount	% of total (%)
Corporate deposits				
– Demand	19,126.3	21.3	17,777.4	21.6
– Time	24,498.4	27.4	22,811.4	27.8
Subtotal	43,624.7	48.7	40,588.8	49.4
Personal deposits				
– Demand	5,278.1	5.9	5,430.3	6.6
– Time	40,705.8	45.4	36,171.8	44.0
Subtotal	45,983.9	51.3	41,602.1	50.6
Total customer deposits (excluding accrued interest)	89,608.6	100.0	82,190.9	100.0

Total customer deposits (excluding accrued interest) increased by 9.0% from RMB82,190.9 million as of December 31, 2024, to RMB89,608.6 million as of June 30, 2025. This growth was primarily driven by the Group's focus on serving key customer segments and industries, precise marketing strategies, leveraging the advantages of resource integration and product portfolio, accelerating the transformation and upgrading of branch networks, and advancing digital infrastructure, all of which enhanced customer acquisition capabilities and realized a steady growth in total deposits.

Management Discussion and Analysis

(B) Bonds issued

From January 1, 2025 to June 30, 2025, the Bank has not issued any new interbank certificates of deposit.

(iii) Shareholders' equity

The table below sets forth the changes in Shareholders' equity as of the dates indicated.

(Expressed in RMB million, unless otherwise stated)	As of June 30, 2025		As of December 31, 2024	
	Amount	% of total (%)	Amount	% of total (%)
Share capital	3,900.0	39.3	3,900.0	39.1
Capital reserve	3,512.8	35.4	3,512.8	35.2
Other comprehensive income	291.5	2.9	397.4	4.0
Surplus reserve	180.1	1.8	180.1	1.8
General reserve	1,239.4	12.5	1,239.4	12.4
Retained earnings	523.0	5.3	467.9	4.7
Non-controlling interests	280.9	2.8	274.7	2.8
Total equity	9,927.7	100.0	9,972.3	100.0

Management Discussion and Analysis

(c) Asset quality analysis

(i) Breakdown of loans under five-level classification system

The Group's NPLs are classified as substandard, doubtful and loss. As of June 30, 2025, the Group's NPLs amounted to RMB1,105.9 million. The following table sets forth the issued loans and advances under the loan classification system as of the dates indicated.

(Expressed in RMB million, unless otherwise stated)	As of June 30, 2025		As of December 31, 2024	
	Amount	% of total (%)	Amount	% of total (%)
Normal	64,103.4	97.64	59,240.4	97.49
Special mention	443.6	0.68	502.7	0.83
Substandard	276.1	0.42	587.4	0.97
Doubtful	58.7	0.09	371.1	0.60
Loss	771.1	1.17	64.8	0.11
Gross loans and advances to customers	65,652.9	100.0	60,766.4	100.0
NPL ratio		1.68		1.68

The Group's NPL ratio was 1.68% as of June 30, 2025, flat with non-performing loan ratio as of December 31, 2024.

Management Discussion and Analysis

(ii) Concentration of loans

(A) Concentration by Industry and Distribution of non-performing loans

(Expressed in RMB million, unless otherwise stated)	As of June 30, 2025				As of December 31, 2024			
	Loan amount	% of total (%)	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	% of total (%)	Non- performing loan amount	Non- performing loan ratio (%)
Corporate loans								
Wholesale and retail trade	17,921.2	29.8	230.4	1.29	12,881.5	24.1	256.3	1.99
Renting and business activities	6,515.8	10.8	25.8	0.40	5,951.1	11.1	21.4	0.36
Construction	9,067.8	15.1	11.0	0.12	8,435.7	15.8	12.9	0.15
Manufacturing	4,708.2	7.8	285.5	6.06	5,050.0	9.5	191.4	3.79
Agriculture, forestry, animal husbandry and fishery	3,152.6	5.2	6.1	0.19	3,086.1	5.8	1.7	0.06
Real estate	2,826.3	4.7	0.7	0.02	2,375.4	4.4	1.0	0.04
Scientific research, technology services, and geological prospecting	244.2	0.4	0.6	0.25	223.3	0.4	-	-
Transportation, warehousing and express service	1,236.2	2.1	5.0	0.40	947.3	1.8	15.2	1.60
Information transmission, computer service and software	439.5	0.7	30.5	6.94	423.3	0.8	10.5	2.48
Water, environment and public facilities management	2,545.6	4.2	-	-	2,630.4	4.9	-	-
Accommodation and catering	617.1	1.0	16.1	2.61	450.2	0.8	17.6	3.91
Education	2,525.1	4.2	116.0	4.59	2,894.9	5.4	117.0	4.04
Electricity, gas and water production and supply	2,273.1	3.8	-	-	1,982.1	3.7	-	-
Health, social security and social welfare	267.4	0.4	8.7	3.25	285.8	0.5	-	-
Residential services, repairs and other services	91.1	0.2	-	-	90.7	0.2	7.4	8.16
Culture, sport and entertainment	347.0	0.6	-	-	349.2	0.7	-	-
Mining	331.5	0.6	1.0	0.30	279.8	0.5	1.0	0.36
Financing	211.6	0.4	182.6	86.29	221.6	0.4	182.6	82.40
Retail loans	4,743.4	8.0	185.9	3.92	4,882.0	9.2	187.3	3.84
Total	60,064.7	100.0	1,105.9	1.84	53,440.4	100.0	1,023.3	1.91

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

Management Discussion and Analysis

Loans to borrowers in the wholesale and retail trade, renting and business activities, construction, and manufacturing industries constitute the largest component of the Group's corporate loan portfolio. As of June 30, 2025 and December 31, 2024, loans to these industries accounted for 69.1% and 66.6% of the total corporate loans, respectively.

As of June 30, 2025, the Group's NPLs of corporate loans were primarily concentrated in the wholesale and retail trade and manufacturing industries.

(B) Borrower concentration

Loans to the top ten individual borrowers

The following table sets forth the balances of loans to the top ten individual borrowers (excluding group borrowers) as of June 30, 2025, prepared on a consolidated or combined basis, all of which are normal loans.

(Expressed in RMB million, unless otherwise stated)		As of June 30, 2025	
		Percentage of total loans	
Customers	Industries involved	Amount	(%)
Borrower A	Wholesale and retail trade	980.1	1.5
Borrower B	Wholesale and retail trade	980.1	1.5
Borrower C	Wholesale and retail trade	949.8	1.4
Borrower D	Renting and business activities	758.9	1.2
Borrower E	Manufacturing	755.0	1.1
Borrower F	Renting and business activities	751.7	1.1
Borrower G	Renting and business activities	695.0	1.2
Borrower H	Renting and business activities	683.7	1.0
Borrower I	Construction	664.1	1.0
Borrower J	Construction	652.8	1.0
Total		7,871.2	12.0

Management Discussion and Analysis

(C) Non-performing loans by product type

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

(Expressed in RMB million, unless otherwise stated)	As of June 30, 2025			As of December 31, 2024		
	Loan amount	Non-performing loan amount	Non- performing loan ratio (%)	Loan amount	Non-performing loan amount	Non- performing loan ratio (%)
Corporate loans						
Working capital loans	32,252.8	769.5	2.39	27,878.2	674.1	2.42
Fixed asset loans	20,493.9	120.6	0.59	18,131.1	157.0	0.87
Others	2,574.6	30.0	1.17	2,549.1	4.9	0.19
Subtotal	55,321.3	920.1	1.66	48,558.4	836.0	1.72
Retail loans						
Personal business loans	1,845.1	96.0	5.20	1,966.6	109.9	5.59
Residential mortgage loans	1,699.6	76.0	4.47	1,763.9	68.1	3.86
Personal consumption loans	1,198.7	13.8	1.15	1,151.5	9.3	0.81
Subtotal	4,743.4	185.8	3.92	4,882.0	187.3	3.84
Total	60,064.7	1,105.9	1.84	53,440.4	1,023.3	1.91

The NPL ratio of the corporate loans decreased from 1.72% as of December 31, 2024 to 1.66% as of June 30, 2025, mainly due to Group's strengthened efforts for credit risk management, which improved the Group's asset quality.

The NPL ratio of retail loans increased from 3.84% as of December 31, 2024 to 3.92% as of June 30, 2025, primarily due to the decline in the overall scale of the Group's retail loans.

Management Discussion and Analysis

(D) *Loan aging schedule*

The following table sets forth our loan aging schedule for loans and advances to customers as of the dates indicated.

(Expressed in RMB million, unless otherwise stated)	As of June 30, 2025		As of December 31, 2024	
	Amount	% of total (%)	Amount	% of total (%)
Current loans	64,385.2	98.1	59,351.0	97.7
Loans past due for				
– Up to 90 days	169.7	0.3	416.1	0.7
– Over 90 days up to 1 year	255.3	0.4	629.7	1.0
– Over 1 year up to 3 years	814.6	1.2	314.8	0.5
– Over 3 years	28.1	0.0	54.8	0.1
Gross loans and advances to customers	65,652.9	100.0	60,766.4	100.0

Management Discussion and Analysis

(d) Segment information

(i) *Summary of geographical segment information*

When presenting data by geographical segments, operating income is allocated based on the place of registration of the institutions generating the income.

The operating income of the Group is in Sichuan Province, China.

(ii) *Summary of business segments*

The Group's principal operations: corporate banking business, retail banking and financial market business. The table below presents the operating income of each major business segment of the Group for the periods presented.

(Expressed in RMB million, unless otherwise stated)	For six months ended June 30, 2025		For six months ended June 30, 2024	
	% of total		% of total	
	Amount	(%)	Amount	(%)
Corporate banking	840.0	71.9	759.4	70.4
Retail banking	175.4	15.0	234.5	21.8
Financial market business	134.6	11.5	83.9	7.8
Others	18.0	1.6	0.2	0.0
Total	1,168.0	100.0	1,078.0	100.00

Management Discussion and Analysis

(e) Off-balance sheet commitments

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

(Expressed in RMB million, unless otherwise stated)		As of June 30, 2025	As of December 31, 2024
Financial guarantees and credit related commitments			
Bank acceptances ⁽¹⁾		4,504.6	9,315.9
Letters of guarantees ⁽²⁾		39.4	67.8
Subtotal		4,544.0	9,383.7
Capital expenditure commitments			
		403.7	403.4
Total		4,947.7	9,787.1

Notes:

- (1) Bank acceptances refer to the Group's undertakings to pay bank bills drawn on our customers.
- (2) The Group guarantees to third parties to guarantee the performance of its customers' contractual obligations.

Off-balance sheet commitments decreased by 49.4% from RMB9,787.1 million as of December 31, 2024 to RMB4,947.7 million as of June 30, 2025. The decrease in off-balance sheet commitments was mainly due to the decrease in the Group's bank acceptance bill customer demand for the issuance of bank acceptance bills.

Management Discussion and Analysis

BUSINESS REVIEW

(a) Corporate banking

The Group offers corporate customers a broad range of financial products and services, including loans, discounted bills, deposits and fee and commission-based products and services. As of June 30, 2025, the Group had issued corporate loans of RMB55,321.3 million to 2,313 corporate customers. For the first half of 2025 and the first half of 2024, the operating income from the Group's corporate banking business amounted to RMB840.0 million and RMB759.4 million, respectively, accounting for 71.9% and 70.4% of total operating income, respectively.

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30,		
	2025	2024	Change in percentage (%)
Net interest income/(expenses) from external customers	1,047.0	921.4	13.6
Inter-segment net interest (expenses)/income	(223.9)	(189.7)	18.0
Net interest income	823.1	731.7	12.5
Net fee and commission income	11.1	19.4	(42.8)
Net gains arising from trading activities	–	–	–
Net gains arising from financial investments	–	–	–
Other operating income	5.8	8.3	(30.1)
Operating income	840.0	759.4	10.6
Operating expense	(215.0)	(216.1)	0.5
Expected credit losses	(356.7)	(300.6)	18.7
Profit before tax	268.3	242.7	10.5

Management Discussion and Analysis

(i) Corporate loans

The Group provides loans to corporate customers to meet the capital needs of borrowers for the business cycle and the construction, purchase, and renovation of fixed assets. As of June 30, 2025, the Group's total corporate loans amounted to RMB55,321.3 million, accounting for 84.3% of the Group's gross loans and advances to customers.

(ii) Discounted and rediscounted bills

The Group purchases bank and commercial acceptance bills at the agreed prices from corporate customers to fund their working capital needs. These discounted bills generally have a remaining maturity of less than six months. The Group may rediscount these bills to PBOC or other financial institutions. As of June 30, 2025, the Group had a balance of RMB5,588.2 million of discounted and rediscounted bills.

(iii) Corporate deposits

The Group accepts time and current deposits from corporate customers in Renminbi. The terms of corporate time deposits generally range from three months to five years. As of June 30, 2025, the Group's total corporate deposits amounted to RMB43,624.7 million, accounting for 48.7% of total customer deposits (excluding accrued interest).

(iv) Inclusive finance business

During the Reporting Period, the Bank thoroughly implemented the spirit of the Central Financial Work Conference and the Central Economic Work Conference, fully complied with the regulatory requirements, established a dedicated working mechanism, strengthened resource protection, innovated financial products and optimized service processes to effectively improve the quality and efficiency of financial services for small and micro enterprises, and made solid progress in promoting inclusive finance. Meanwhile, to better meet the financing needs of micro and small enterprises, a total of 18 branches of the Bank have set up micro and small financial service teams, all of which are capable of handling micro and small loan business. As of June 30, 2025, the balance of the Bank's loans to small and micro enterprises amounted to RMB41,512.46 million, the number of micro and small enterprises customers was 4,638, and the balance of inclusive loans to small and micro enterprises amounted to RMB9,899.83 million with 4,391 accounts, representing an increase of 8.91% as compared to the end of the previous year, and the weighted average interest rate of the accumulated inclusive loans disbursed to small and micro enterprises in the year was 4.61%.

(v) Fee and commission-based products and services

The Group offers corporate customers a wide range of fee and commission-based products and services, primarily including bank acceptance, entrusted loans, letters of guarantee, settlement and clearing services, mobile payment services, agency services and wealth management services.

(A) Bank acceptance

The Group provides bank acceptance services to corporate clients. The bank acceptance service refers to the issuance of a bill by a drawer with the approval of a bank, according to which, the bank guarantees to pay a pre-determined amount to the payee or the holder of the bill unconditionally on a specified date.

Management Discussion and Analysis

(B) *Entrusted loans*

The Group, on behalf of corporate clients, issues entrusted loans to designated borrowers in accordance with the loan purpose, principal amount and interest rate determined by the clients. It also monitors the use of the loans and assists in loan recovery. The default risk of the loans is borne by the Group's corporate clients.

(C) *Letters of guarantee*

The Group provides letters of guarantee to corporate clients for non-financing purposes, including bidding and performance.

(D) *Settlement and clearing services*

The Group provides settlement services to corporate clients, including fund remittance and transfer, drafts, cheques and other negotiable instruments.

(E) *Mobile payment services*

Utilizing the mobile payment platform, "Qianhuahua", the Group provides convenient payment collection services to corporate clients, including universities and enterprises, under campus payment and smart parking scenarios.

(F) *Agency services*

The Group provides agency fee-collection services to corporate clients (including enterprises and public institutions), including collection agency business and sales agency business. The Group agency services are conducive to maintaining close relationships with clients and enhancing brand awareness.

Collection agency business: The Group assists in the collection of gas bills, water bills, social insurance premiums and bus IC card recharge fees on behalf of gas companies, water supply companies and local government institutions, respectively. The Group's collection agency services secure stable corporate deposit intake and strengthen linkage with the retail business.

Sales agency business: The Group sells insurance products to its customers as an agent through its collaboration with leading insurance companies to provide customers with diversified financial product needs.

(G) *Wealth management services*

In accordance with relevant PRC laws and regulations, the Group offers wealth management products with flexible terms according to client's needs and risk tolerance. As of June 30, 2025, we have served a cumulative total of 114 corporate wealth management clients.

Management Discussion and Analysis

(b) Retail banking business

The Group provides a variety of products and services to retail customers, including loans, deposits, bank cards, and fee and commission-based products and services. As of June 30, 2025, the Group extended retail loans totaling RMB4,743.4 million to 24,256 retail loan customers. The following table sets forth the financial performance of the Group's retail banking business for the periods indicated.

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30,		
	2025	2024	Change in percentage (%)
Net interest income/(expenses) from external customers	(484.8)	(405.8)	19.5
Inter-segment net interest (expenses)/income	653.1	635.6	2.8
Net interest income	168.4	229.8	(26.7)
Net fee and commission income	4.0	0.4	900.0
Net gains arising on trading activities	—	—	—
Net gains arising on financial investments	—	—	—
Other operating income	3.0	4.3	(30.2)
Operating income	175.4	234.5	(25.2)
Operating expense	(109.2)	(106.5)	2.5
Expected credit losses	(20.1)	(24.9)	(19.3)
Profit before income tax	46.1	103.1	(55.3)

(i) Retail loans

Retail loans consist primarily of personal business loans, personal consumption loans and residential mortgage loans. As of June 30, 2025 and December 31, 2024, the Group's total retail loans amounted to RMB4,743.4 million and RMB4,882.0 million, respectively, accounting for 7.2% and 8.0% of total loans and advances to customers, respectively.

Management Discussion and Analysis

(ii) Personal deposits

The Group offers a variety of time deposits and current deposits denominated in RMB to retail banking customers. The term of the Group's time deposits does not exceed six years. As of June 30, 2025 and December 31, 2024, the total amount of the Group's personal deposits was RMB45,983.9 million and RMB41,602.1 million, respectively, accounting for 51.3% and 50.6% of the total customer deposits (excluding accrued interest), respectively. To better attract and retain the Group's high-end non-institutional customers and capitalize on the market demand brought about by the liberalization of interest rates in China, the Group offers large-denomination certificates of deposit to, among others, individual customers with savings deposits exceeding RMB200,000.

(iii) Bank card services

The Group issues RMB debit cards to retail banking customers who have opened deposit accounts with the Bank. The services provided include deposit and withdrawal, consumption, transfer and remittance, and wealth management. As a member of China UnionPay, the Group's debit cards are accepted via the China UnionPay network both in China and around the world. To expand the service scope and enhance brand awareness, the Group issued debit cards with the function of a bus IC card, providing a convenient travel solution for residents in Yibin City. At the same time, in cooperation with local government agencies, the Group launched the "Ruyi Social Security IC Card", a two-in-one card, in Yibin City. In addition to the general functions of a debit card, it also provides cardholders with social security services such as social security information inquiry, medical insurance settlement, and social security contribution. As of June 30, 2025, the Group had issued 1,110,420 debit cards in total.

(iv) Fee and commission-based products and services

The Group offers a variety of fee and commission-based products and services to retail customers, mainly including wealth management services, agency services, transfer and remittance services, etc. Regarding fee and commission-based products and services, the Group generally determines the prices of such products and services according to the government-guided prices. The Group also adjusts the Group's prices by referring to the current market conditions and service costs.

(A) Wealth management services

The Group has launched non-principal-guaranteed wealth management products, mainly providing wealth management products and services to retail banking customers. As of June 30, 2025, the Group had served a cumulative total of 33,785 individual wealth management customers.

(B) Other fee and commission-based products and services

The Group also provides other fee and commission-based products and services to retail customers, such as transfer and remittance, collection services, and bank drafts.

Management Discussion and Analysis

(c) Financial market business

The Group's financial market business mainly includes monetary market transactions, investments in securities and other financial assets. The Group actively adapted to the complex and ever-changing economic and financial landscape, aiming to optimize the asset-liability structure and boost returns. It seized investment opportunities, timely adjusted investment strategies, and conducted various financial market businesses in a compliant and prudent way. In the first half of 2025 and the first half of 2024, the operating income from the Group's financial market business was RMB134.6 million and RMB83.9 million, respectively, accounting for 11.5% and 7.8% of the total operating income respectively. The following table shows the financial performance of the Group's financial market business during the periods presented.

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30,		
	2025	2024	Change in percentage (%)
Net interest income/(expenses) from external customers	372.7	312.3	19.3
Inter-segment net interest (expenses)/income	(429.3)	(446.0)	(3.7)
Net interest income	(56.6)	(133.7)	(57.7)
Net fee and commission income	(5.5)	17.1	(132.2)
Net gains arising on trading activities	66.6	130.0	(48.8)
Net gains arising on financial investments	129.7	69.8	85.8
Other operating income	0.4	0.7	(42.9)
Operating income	134.6	83.9	60.4
Operating expense	(20.9)	(20.2)	3.5
Expected credit losses	(84.3)	(55.9)	50.8
Profit before income tax	29.4	7.8	276.9

Management Discussion and Analysis

(i) Monetary market transactions

Monetary market transactions are important means of managing liquidity. The Group also earns interest income through monetary market transactions. Monetary market transactions mainly include (i) interbank deposits with other domestic banks and non-bank financial institutions; (ii) interbank lending; and (iii) interbank repo and reverse repo transactions.

(A) Interbank deposits

The Group accepts deposits from banks and other financial institutions and deposits funds in other financial institutions to adjust its asset and liability structure. As of June 30, 2025 and December 31, 2024, the Group's deposits from banks and other financial institutions totalled RMB995.2 million and RMB1,016.0 million, respectively, and the Group's deposits with banks and other financial institutions totalled RMB2,576.4 million and RMB1,853.7 million, respectively.

(B) Interbank placements

As of June 30, 2025 and December 31, 2024, the Group's placements with banks and other financial institutions totalled RMB1,976.7 million and RMB2,276.7 million, respectively, and the Group's placements from banks and other financial institutions totalled RMB1,310.0 million and RMB2,594.0 million, respectively.

(C) Interbank repo and reverse repo transactions

The securities involved in the Group's repo and reverse repo transactions are mainly RMB-denominated bonds. As of June 30, 2025 and December 31, 2024, the total amount of the Group's financial assets held under resale agreements was RMB569.2 million and RMB1,112.9 million, respectively, and the total amount of the Group's financial assets sold under repurchase agreements was RMB2,424.9 million and RMB5,719.0 million, respectively.

Management Discussion and Analysis

(ii) Investments in securities and other financial assets

(A) Securities investment by business model and characteristics of cash flow of assets of the Group

(Expressed in RMB million, unless otherwise stated)	As of June 30, 2025		As of December 31, 2024	
	Amount	% of total (%)	Amount	% of total (%)
Financial assets at fair value through profit or loss	7,293.7	19.9	6,239.8	17.1
Financial assets at fair value through other comprehensive income	21,355.5	58.2	22,482.5	61.6
Financial assets at amortised cost	8,042.8	21.9	7,758.1	21.3
Total	36,692.0	100.0	36,480.4	100.0

(B) Holding of government bonds

As of June 30, 2025, the balance of face value of government bonds held by the Group amounted to RMB12,658.8 million. The table below sets forth the top 10 government bonds with the highest face value held by the Group as of June 30, 2025.

Name of the bond	Carrying amount (RMB in millions)	Annual interest rate	
		(%)	Maturity date
25 Jiangxi bond 05	620.0	2.12	February 24, 2045
24 Xinjiang bond 29	620.0	2.35	July 26, 2034
24 Fujian bond 46	500.0	2.20	December 06, 2039
22 Interest-bearing treasury bond 06	400.0	2.80	March 24, 2029
22 Henan bond 26	340.0	3.29	April 28, 2037
25 Interest-bearing treasury bond 03	300.0	1.43	January 25, 2030
24 Yunnan bond 40	300.0	2.22	December 10, 2039
21 Hebei bond 01	300.0	3.34	March 19, 2026
24 Tianjin bond 83	280.0	2.32	October 10, 2034
24 Xinjiang bond 64	240.0	2.07	December 05, 2034
Total	3,900.0		

Management Discussion and Analysis

(C) Holding of financial bonds

As of June 30, 2025, the balance of face value of the financial bonds (mainly the financial bonds issued by policy-oriented banks, banks and other financial institutions in China) held by the Group amounted to RMB13,390.0 million. The table below sets out the 10 financial bonds with the highest face value held by the Group as of June 30, 2025.

Name of the bond	Carrying amount (RMB in millions)	Annual interest rate (%)	Maturity date
24 ADBC bond 20	1,080.0	2.30	July 04, 2034
22 EIBC bond 11	930.0	2.90	August 19, 2032
22 ADBC bond 05	880.0	3.06	June 06, 2032
24 CDB 15	500.0	2.26	July 19, 2034
25 CDB 05	500.0	1.57	January 03, 2035
25 ADBC bond 05	400.0	1.40	January 07, 2030
24 Huijin MTN 004	360.0	2.08	June 25, 2027
24 ADBC bond 05	300.0	2.22	April 09, 2029
25 CDB 10	300.0	1.80	April 02, 2035
21 CDB 10	280.0	3.41	June 07, 2031
Total	5,530.00		

(d) Distribution network

(i) Physical outlets

As of June 30, 2025, the Group had a total of 66 business outlets. Among them, 39 business outlets were operated by the Bank itself, and the remaining outlets were operated by the Group's subsidiaries in their own names.

The Group has steadily advanced the optimization of business outlets and the upgrading of channels, continuously enhancing the competitiveness of its outlets. On the one hand, focusing on cost reduction and efficiency improvement, the Group has continuously optimized the layout of its outlets to cut operating costs. Meanwhile, it has quickened the pace of transformation and upgrading, actively explored a characteristic development path for the outlets, and promoted differentiated operation. On the other hand, seizing opportunities for technological empowerment, the Group has widely equipped its outlets with intelligent counters. It has continuously enhanced the functionality of mobile banking, online banking, and WeChat banking, strengthened online service support, developed digital application scenarios, and promoted the in-depth integration of consumption and finance.

Management Discussion and Analysis

(ii) E-banking services

(A) Self-service banking

The Group offers customers convenient self-service banking services via self-service equipment at relatively low operating costs. The self-service equipment is placed in business outlets, self-service areas, and public places like hospitals and schools. The Group's self-service equipment includes ATMs (Automated Teller Machines) and CRSs (Cash Recycling Systems). They offer customers 7*24 self-service financial services, such as account inquiries, cash deposit and withdrawal, transfer and remittance, and utility bill payments, effectively reducing the Group's operating costs. As of June 30, 2025, the Group had 14 ATMs and 133 CRSs. In addition, the Group has installed intelligent devices in its business outlets. These intelligent devices have greatly improved the efficiency of business processing at the outlets and provided customers with convenient and efficient financial services. As of June 30, 2025, the Group had 133 non-cash intelligent devices and 47 cash intelligent devices.

(B) Online banking

The Group provides customers with 24-hour online banking services through its official website. The Group's corporate online banking products and services mainly include transfer and remittance, account inquiry, electronic remittance, order payment, tax withholding and payment, wealth management services, bank reconciliation, and current deposits. The Group's retail online banking services mainly include account management, transfer and remittance, time and current account deposits, wealth management services, loan services, and convenience services. As of June 30, 2025, the Group has nearly 100,000 online banking customers.

(C) Mobile banking

The Group provides mobile banking services to customers, mainly including account inquiry and management, transfer and remittance, conversion between time and current deposits, wealth management services, water bills and gas bills payment services, loan services, and other professional services. As of June 30, 2025, the Group had 227,422 mobile banking customers.

(D) WeChat banking

The Group's customers can obtain information about the Group's products, services, and promotions through the WeChat official account. They can also manage their accounts, inquire about the locations of the Group's business outlets, and make appointments for counter services through the WeChat official account. As of June 30, 2025, the Group had 475,147 subscribers to the WeChat official account.

Management Discussion and Analysis

(e) Information about subsidiaries

(i) *Rural banks*

As of June 30, 2025, the Group had established two rural banks, namely Yibin Xingyi Rural Bank and Neijiang Xinglong Rural Bank.

As of June 30, 2025, these rural banks had total assets of RMB8,678.0 million, total deposits of RMB7,794.3 million and total loans of RMB5,053.3 million. In six months ended June 30, 2025 and 2024, the operating income of these rural banks was RMB98.6 million and RMB100.0 million, accounting for 8.4% and 9.3% of the Group's operating income, respectively.

The Group's rural banks provide a variety of financial products and services to local corporate and retail customers. These include commercial and consumer loans, bill discounting, customer deposits, as well as fee-based and commission-based products and services such as settlement services, remittance services, and bank card services.

Management Discussion and Analysis

RISK MANAGEMENT

(a) Risk management of the Bank

The Bank is committed to building a comprehensive risk management system to eliminate the impacts of various uncertainties on the Bank's achievement of strategic and operational goals. The Bank's comprehensive risk management work is implemented through a hierarchical management approach. The Board of Directors, as the highest decision-making body for risk management, is responsible for establishing and maintaining a fully effective comprehensive risk management system. By establishing a sound risk management system, implementing the risk management process in each management link, and cultivating a good risk management culture, the Bank aims to achieve the overall goal of risk management. The main components of the Bank's comprehensive risk management include credit risk, market risk, operational risk, liquidity risk, reputational risk, legal and compliance risk, information technology risk, anti-money laundering and counter-terrorist financing management.

(i) Credit risk management

The Bank has established and continuously improved a comprehensive credit risk management system to identify, measure, monitor, mitigate, and control risks arising in the credit business process. The Bank improves its overall credit risk management capabilities via multiple measures, such as optimizing the credit investment structure, upgrading the credit management system, improving the credit system framework, strengthening the credit review and supervision, training credit staff, and recovering and resolving non-performing loans. During the Reporting Period, the Bank focused on strengthening credit risk management in the following aspects:

1. Adhering to policy guidance and optimizing the credit investment structure. Based on local, domestic and international economic conditions as well as government policies and regulatory requirements, the Bank formulated annual loan orientation and lending plans, credit policies, and guidelines for key industries.
2. Strictly implementing the pre-loan review and credit approval work system. In line with the business development needs, the Bank implemented a hierarchical authorization review and approval system for credit business. In accordance with the requirement of separating loan approval from loan granting, a risk review center was independently established to carry out and guide the credit business risk review work of the Bank. The credit business risk review focuses on credit risk. Based on relevant information such as customer basic information, project details, collateral information submitted by operating institutions, the Bank strengthens credit risk review in terms of the completeness and effectiveness of credit documentation, the customer's qualification as a subject, creditworthiness, financing purpose, repayment ability, etc.
3. Establishing a risk early-warning mechanism. Using the data and information gathered from daily monitoring and post-loan inspections, the Bank performed quantitative and qualitative analysis to spot early warning signals endangering the safety of credit assets. It identifies the category, degree, cause, and development trend of loan risks and takes targeted actions following the specified procedures and requirements to promptly prevent, control, and resolve loan risks.

Management Discussion and Analysis

4. Strengthening risk investigations and improving risk classification management. The Bank earnestly promoted the implementation of the Measures for the Risk Classification of Financial Assets of Commercial Banks during the transition period, managed asset quality risk classification and, carried out monitoring and early-warning work effectively, and actively identified and promptly resolved credit risks.
5. Actively promoting the disposal of non-performing loans. Based on the actual circumstances of various non-performing loans, the Bank adopted effective measures such as negotiation for recovery, judicial disposal, and loan for collateral to step up the disposal of non-performing loans and set up a liability determination mechanism for non-performing asset disposal.
6. Strengthening the development of the credit team and enhancing employees' compliance awareness and professional capabilities. The Bank annually formulates training plans for various business lines, with a strong focus on providing training and guidance to credit line personnel. This enhances the professional competence and risk compliance awareness of all credit line employees, fostering a robust corporate risk control culture.

(ii) Market risk management

Market risk refers to the risk of losses to the Bank's on-balance-sheet or off-balance-sheet business due to adverse changes in market prices, namely interest rates, exchange rates, stock prices, and commodity prices. The primary market risk faced by the Bank is interest rate risk. Among these, the trading book interest rate risk refers to the risk of losses due to adverse changes in the interest rates of financial instruments in the trading book. The interest rate risk in the banking book refers to the risk of economic value and overall income losses in the banking book due to adverse changes in interest rate levels, term structure, etc., mainly including gap risk and basis risk. The Bank's market risk management system covers the Board of Directors, Board of Supervisors, senior management, the comprehensive risk management committee under the senior management, and various business departments, including the risk management department, planning and finance department, internal audit department, and other departments responsible for related business risk management.

The Bank has established fundamental systems for market risk and banking book interest rate risk management that align with its operations in accordance with the Market Risk Management Guidelines for Commercial Banks 《商業銀行市場風險管理指引》, the Guidelines for Internal Control of Commercial Banks 《商業銀行內部控制指引》, and the Guidelines for the Management of Interest Rate Risk in the Banking Book of Commercial Banks 《商業銀行銀行賬簿利率風險管理指引》. In the first half of 2025, the Bank remained highly attentive to market developments, further enhanced its market risk management framework, implemented stringent market risk limit management, and continuously monitored trading limits, stop-loss limits, and risk limits. The Bank took proactive measures to ensure early warning and effective risk mitigation while categorizing and managing trading and banking book accounts to continuously enhance market risk management efficiency.

Management Discussion and Analysis

(iii) Operational risk management

Operational risk refers to the risk of loss resulting from deficiencies in internal procedures, employees, information technology systems, or external events. Operational risk events are incidents arising from operational risks that lead to actual or expected losses, including risks related to internal and external fraud, employment practices, workplace safety, damage to physical assets, customers, products and operations, as well as errors or failures in information technology systems.

The Bank integrates operational risk into its comprehensive risk management framework. The Board of Directors assumes ultimate responsibility for operational risk management, is responsible for the approval of the Bank's operational risk management strategy and overall policies. The Board of Supervisors is responsible for supervising operational risk management, supervising and inspecting the fulfillment of duties and responsibilities of the Board of Directors and senior management. Senior management is responsible for implementing operational risk management, ensuring the effective functioning of the operational risk management framework. In the first half of 2025, the Bank adopted a multifaceted approach to continuously strengthen operational risk management and enhance risk control capabilities:

1. Adhering to the principle of "internal control first, system-driven approach", the Bank, focusing on important businesses and management areas, deeply analyzed weak links of risk controlling, conducted continuous post-evaluation and refinement on a series of standardized policies and operational procedures in areas such as credit, operations, and internal control, constantly reviewed and improved its regulation systems to ensure timely and comprehensive updates. The current effective policies cover all key areas and critical processes.
2. Deepening the compliance culture, the Bank continuously established a comprehensive compliance education and training system, including the head office's compliance lecture hall for line-specific training and internal compliance education for branches. A compliance column was launched, focusing on enhancing compliance awareness among all employees, and strengthening the compliance culture construction.
3. Continuously enhancing supervision, inspections, and accountability mechanisms, etc., to ensure effective policy implementation, the Bank conducted quarterly inspections covering key areas and important management aspects such as credit extension, wealth management business, counter operations and accounting settlements, interbank business and self-service equipment management, personnel management, as well as office and business premises management. Simultaneously, routine risk prevention inspections were carried out at branches, with an immediate rectification approach to promptly address identified vulnerabilities.
4. Strengthening personnel management through root-cause governance, the Bank conducted comprehensive screening of employees for abnormal behaviors, utilizing multiple channels and perspectives to assess employees' daily performance during the work period. Additionally, rigid job constraints were enforced, including the separation of incompatible roles and control of critical positions, alongside strict adherence to job rotation policies.

Management Discussion and Analysis

(iv) Liquidity risk management

Liquidity risk refers to the risk of being unable to obtain sufficient funds at a reasonable cost in a timely manner to meet debt obligations. It is primarily influenced by external factors such as macroeconomic policies, changes in financial markets, and the competitive landscape of the banking industry, as well as internal factors such as the maturity structure of assets and liabilities, the stability of deposits, and financing capabilities. In extreme cases, insufficient liquidity may lead to solvency risks for commercial banks. The Bank's liquidity risk management objective is to establish and continuously improve liquidity risk management strategies, policies, and procedures, clarify the organizational structure and departmental responsibilities, fully identify, effectively measure, and continuously monitor the Bank's liquidity risk, effectively prevent and control liquidity risk, and achieve a coordinated balance among operational safety, liquidity, and profitability.

The Bank has established an effective liquidity management framework, decision-making processes, and systems. The Board of the Bank is ultimately responsible for liquidity risk management, reviewing and approving policies, strategies, procedures, and liquidity risk limits related to the Bank's liquidity management based on risk appetite, and regularly receiving liquidity risk reports on significant changes and potential shifts in the Bank's liquidity risk. The Asset and Liability Management Committee under senior management is responsible for implementing liquidity risk management strategies, policies, and procedures. The Planning and Finance Department is responsible for the daily management of liquidity risk, with relevant business departments collaborating to form a well-coordinated and efficiently operating organizational structure for liquidity risk management.

In the first half of 2025, the Bank adhered to the liquidity risk management principles of "unified management, safety and stability, forward-looking management, and comprehensive coverage", strengthening proactive and forward-looking liquidity management. By effectively integrating the Bank's various business activities with liquidity management, the Bank maintained liquidity stability through the following measures:

1. Strictly implementing the liquidity risk management policies and preferences set by the Board of Directors, the Bank balanced the relationship among safety, liquidity, and profitability.
2. Strengthening the foundations of daily position management, the Bank implemented high-frequency monitoring of reserve funds and large capital flows. For critical periods such as holidays, the Bank made accurate position forecasts and arrangements, strictly adhering to the bottom line of avoiding payment risks.
3. Conducting quarterly liquidity risk stress tests, the Bank promptly assessed its ability to withstand liquidity risk pressures and its risk mitigation capabilities.
4. Enhancing liquidity risk monitoring, management, and early warning analysis. While rigorously implementing regulatory requirements, the Bank closely monitored various indicators and limits based on its actual conditions. It conducted identification, assessment, and measurement tasks to promptly identify risks and proactively deploy prevention, control, and risk mitigation measures.

Management Discussion and Analysis

(v) Reputational risk management

Reputational risk refers to the risk of negative evaluations by stakeholders due to the Bank's operations, management, other actions, or external events. The primary objective of the Bank's reputational risk management is to establish a proactive, reasonable, and effective reputational risk management mechanism to identify, monitor, control, and resolve reputational risks, thereby building and maintaining a positive image of the Bank and promoting its sustained, stable, and healthy development.

The Board of the Bank bears ultimate responsibility for reputational risk management. It is responsible for formulating reputational risk management strategies and overall objectives aligned with the Bank's strategic goals, overseeing senior management's fulfillment of reputational risk management responsibilities, regularly listening to reports on reputational risk management. Senior management, in accordance with the reputational risk management strategies set by the Board, establishes and improves reputational risk management systems tailored to the Bank, improving the reputational risk management mechanisms with clear responsibilities, collaborative division of labor, and participation from all relevant parties. In the first half of 2025, the Bank continued to refine its reputational risk management systems and mechanisms, consistently enhancing its reputational risk management capabilities.

1. Strengthening group's reputational risk management and mechanism development, the Bank guided its subsidiaries in formulating reputational risk management systems, thereby expanding the coverage of reputational risk management.
2. Implementing measures such as "24/7 monitoring, prevention before issues arise, strengthened guidance and control", the Bank comprehensively strengthened the proactive nature of its reputational risk management.
3. Enhancing public sentiment monitoring, the Bank conducted real-time, comprehensive monitoring of public sentiment across all platforms regarding issues of concerns to customers and the media, such as business performance, product reputation, customer complaints, and key events. It ensured compliant information disclosure, continuously improving the comprehensiveness and transparency of such disclosures.
4. Diligently advancing various consumer rights protection initiatives, the Bank continuously improved its consumer protection systems and strengthened complaint management to promptly address reasonable consumer demands.
5. Strengthening employee training on reputational risk awareness, the Bank reinforced compliance as a bottom line and enhanced service quality.

Management Discussion and Analysis

(vi) Legal and compliance risk management

Legal and compliance risk refers to the risk of facing legal sanctions, regulatory penalties, significant financial losses, or reputational damage due to non-compliance with laws, regulations, regulatory requirements, rules, standards, as well as the Bank's internal policies and normative documents. The objective of the Bank's legal and compliance risk management is to establish and improve a compliance risk management system, enabling effective identification, prevention, and management of compliance risks, promoting the development of a comprehensive risk management framework, and ensuring lawful and compliant operations. The Bank has integrated legal and compliance risk management into its corporate culture development and comprehensive risk management framework, establishing a well-structured compliance risk management system that operates from the top to down. In the first half of 2025, the Bank adopted a management philosophy of "strengthening internal controls, managing risks, and promoting development" to drive continuous enhancement of compliance management:

1. Issuing the Opinions on Case Prevention and Compliance Work in 2025 (《2025 年案防合规工作的意见》), the Bank aligned with both internal and external challenges and prioritized annual tasks, deepening the implementation of legal affairs and compliance management measures throughout the year.
2. Launching compliance management special initiative, the Bank focused on key tasks such as improving the organizational, institutional, operational, and support systems for compliance management, and the implementation of modular and checklist-based approach to drive comprehensive compliance enhancement across the Bank.
3. Organizing activities such as "Management Leading Compliance Talks" and "All Employees Signing Compliance Commitments", the Bank continued to advance legal education and assessment initiatives, host compliance lectures, and conduct in-depth case presentations at the grassroots level, and fostered a culture of learning and adhering to compliance rules.
4. Conducting post-evaluation of key business systems on a special basis, the Bank promptly identified gaps and vulnerabilities in key businesses, important processes and internal management systems, enhancing their standardization, practicality, and guidance.
5. Conducting ongoing legal reviews of key businesses and important systems, the Bank made best efforts to ensure that legal compliance requirements are embedded in system development and business development. In addition, we revised and improved relevant management measures for legal affairs, further consolidated responsibilities, refined approval processes, and strengthened legal support and guarantees for daily operations and management activities. We actively carried out legal education and publicity activities, with an aim to enhance our ability to govern the enterprise in accordance with the law.

Management Discussion and Analysis

(vii) Information technology risk management

Information technology (IT) risk refers to potential threats arising from the application of information technology, such as business interruptions, data breaches, or system failures caused by natural factors, system defects, management loopholes, or human errors. These risks may lead to financial losses, reputational damage, or compliance issues. The Bank's objective in IT risk management is to establish an effective management mechanism to identify, assess, measure, monitor, and control IT risks, thereby ensuring the Bank's safe, continuous, and stable operations. By enhancing the level of information technology utilization, the Bank aims to strengthen its core competitiveness and support sustainable development.

IT risk is integrated into the Bank's comprehensive risk management framework. An information technology risk management organizational structure has been established, consisting of the Board of Directors, the Board of Supervisors and senior management, and the information technology management committee and executive team under them. In the first half of 2025, the Bank's IT risk management system continues to improve as our digital transformation advances:

1. Continuously improving the development of IT risk management systems. We have consistently developed and refined management systems, processes and implementation rules across key risk areas, including IT governance, IT risk management, information security, information system development and operation maintenance, business continuity management and IT audits, thereby continuously strengthening our IT risk management system.
2. Strengthening fundamental capabilities in information security management. We have consistently reinforced IT risk source management, enhanced system construction and network and data security prevention and control, and improved software and hardware security protection capabilities.
3. Continuously conducting technology risk assessment and monitoring. We have regularly conducted specialized IT risk assessments and comprehensive risk evaluations, effectively identified IT risk points, and consistently strengthened problem analysis and corrective actions.
4. Continually improving business continuity management across the Bank. We have established and continuously optimized our business continuity management system, continuously expanded business continuity drill coverage and enhanced drill capabilities, strengthened end-to-end management of drill planning, execution and review, and established a long-term business continuity management mechanism across the Bank.

Management Discussion and Analysis

(viii) Anti-money laundering and counter-terrorist financing management

The Bank strictly complies with the PRC Anti-money Laundering Law 《中華人民共和國反洗錢法》, the Notice of the People's Bank of China on Strengthening Identification of Anti-Money Laundering Customers 《中國人民銀行關於加強反洗錢客戶身份識別有關工作的通知》, the Administrative Measures for the Financial Institutions' Report of Large-Sum and Doubtful Transactions 《金融機構大額和可疑交易報告管理辦法》, and other relevant laws and regulations. Based on these regulatory requirements, the Bank has formulated and revised various policies, including the Internal Control Regulations on Anti-Money Laundering of Yibin City Commercial Bank 《宜賓市商業銀行反洗錢內部控制管理規定》, the Measures for the Management of Money Laundering, Terrorist Financing, and Proliferation Financing Risks of Yibin City Commercial Bank 《宜賓市商業銀行洗錢和恐怖融資及擴散融資風險管理辦法》, the Operational Procedures for Customer Identification, Customer Information, and Transaction Record Retention of Yibin City Commercial Bank 《宜賓市商業銀行客戶身份識別和客戶身份資料及交易記錄保存操作規程》, the Measures for the Risk Classification Management of Customer Money Laundering and Terrorist Financing Risks of Yibin City Commercial Bank 《宜賓市商業銀行客戶洗錢和恐怖融資風險等級分類管理辦法》, and the Measures for the Self-Assessment Management of Money Laundering and Terrorist Financing Risks of Yibin City Commercial Bank 《宜賓市商業銀行洗錢和恐怖融資風險自評估管理辦法》, thereby strengthening the Bank's anti-money laundering management framework.

The Board of Directors, the Board of Supervisors, senior management, departments of the head office, and branches of the Bank strictly adhere to the responsibilities defined in the Measures for the Management of Money Laundering, Terrorist Financing, and Proliferation Financing Risks of Yibin City Commercial Bank, ensuring that anti-money laundering duties are implemented at every level with rigorous accountability. Within their scope of authority, the Board of the Bank assumes ultimate responsibility for money laundering risk management, the Board of Supervisors is responsible for overseeing money laundering risk management, and senior management is accountable for the implementation of money laundering risk management measures. The head office has established a Leading Group for Anti-Money Laundering, which serves as the leading and coordinating body for the Bank's anti-money laundering efforts. The Leading Group's office is located within the accounting management department, which handles its daily operations and takes the lead in managing the Bank's anti-money laundering activities. Under the accounting management department, an Anti-money Laundering Monitoring Center has been established, staffed with dedicated personnel responsible for specific anti-money laundering tasks. Branches and first-tier sub-branches have also set up their own leading groups for anti-money laundering, and designated anti-money laundering officers to handle specific anti-money laundering work within their respective institutions.

In the first half of 2025, the Bank diligently fulfilled its responsibilities in anti-money laundering and counter-terrorist financing, continually enhancing its risk management practices in anti-money laundering.

1. The Bank focused on improving its systems to enhance monitoring capabilities. In light of the evolving regulatory landscape for anti-money laundering and the changing characteristics of money laundering crimes, and through concentrating on key work modules such as data governance, suspicious transaction analysis, customer due diligence, and institutional money laundering risk assessment, it continued to optimize its money laundering risk self-assessment system and the suspicious transaction analysis system, and established a new dynamic management system for grading customer money laundering risks, providing robust support for its anti-money laundering initiatives.

Management Discussion and Analysis

2. The Bank actively organized and implemented anti-money laundering training programs. Utilizing a blend of online and offline learning methods, it regularly conducted targeted training sessions on anti-money laundering aimed at enhancing employees' awareness of anti-money laundering compliance, improving their professional skills, and strengthening their ability to perform effectively in their roles.
3. The Bank enhanced policy enforcement through a combination of on-site and off-site inspections. Utilizing its anti-money laundering monitoring system, it conducted unscheduled checks on customer identity verification, risk grading, and re-due diligence, continually improving its internal control measures and its capacity to mitigate money laundering risks. This helped maintain stability in the economic and financial order. Moreover, it conducted thorough anti-money laundering investigations and data monitoring analysis to ensure effective governance of customer identity information and to effectively prevent and combat money laundering activities.
4. The Bank carried out anti-money laundering awareness campaigns through various channels. It expanded the reach of these campaigns to further boost public awareness and engagement in anti-money laundering efforts, thereby creating a positive social environment that supports anti-money laundering efforts.

(ix) Internal audit

The Bank's internal audit is risk-oriented and includes independent and objective supervision, assessment and consultancy. It reviews, assesses and supervises the improvement of business operations, risk management, internal control and compliance and effectiveness of corporate governance of the Bank through systemized and standardized methods in order to promote the sound development of the Bank and the realization of the strategic targets of the Board.

The objective of the Bank's internal audit is to promote the implementation of government's economic and financial laws and regulations, guidelines and policies, rules of regulatory authorities and various rules and regulations of the Bank, and to raise opinions and make suggestions on risk management, internal control and compliance and effectiveness of corporate governance of the Bank within the Bank's risk management framework so that risks can be controlled at an acceptable level. The internal audit is also aimed at the continuous improvement of the Bank's business operation and management, and the enhancement of values.

The Group's internal audit mainly consists of an internal audit organizational system and an internal audit policy system at both the Group and subsidiary levels. A relatively independent and vertically managed internal audit organization has been established under the organizational system, with audit supervision covering all businesses and organizations of the Group. The independent and vertical internal audit management system at the group level consists of the Board of Directors of the Bank, the Audit Committee under the Board of Directors, the Internal Audit Department and the audit staff, which are responsible for the corresponding responsibilities at the group level. The Internal Audit Department centrally manages the Group's audit work. The independent and vertical internal audit management system of subsidiary rural banks consists of the board of directors of the rural banks, the committees under the board of directors, the Internal Audit Department and the audit staff. The Internal Audit Department of rural banks is subject to the dual management of the Internal Audit Department of the group companies and the board of directors of the rural banks.

Management Discussion and Analysis

The Bank's internal audit is independent from its business operation, risk management and internal control and compliance, and does not bear the responsibility of designing and operating the business system, fulfilling operational functions, preparing financial statements, or initiating or approving business affairs. It focuses on evaluating the effectiveness of functions such as business operation, risk management, internal control and compliance and overseeing the rectification process in order to ensure the independence and effectiveness of audit.

The Bank's internal audit functions through a variety of methods, including on-site audits, off-site audits, scheduled audits, unscheduled audits, pre-notice audits, ad-hoc audits, comprehensive audits, special audits, and audit investigations, and focuses on audit supervision inspection, risk management review, case risk investigation, audit supervision evaluation, and audit supervision rectification, and other audit tasks. As a result, it achieved its annual work targets of promoting the standardization of operation and management activities, effectively preventing operational risks, facilitating the effective implementation of case prevention and control measures, ensuring the authenticity and effectiveness of internal control evaluation, and correcting violations in a timely manner.

Through auditing projects including the implementation of major national policies and measures audit, internal control and risk management audit, financial revenue and expenditure audit, and economic responsibility audit, the Bank's internal audit conducts audit and evaluation of the Bank's operation management, operation practices and performances, as well as the performance of key positions; the Bank strengthened the audits and supervision of the business practices and daily operations of its employees through various audit practices to prevent operational risks and ethical risks. The Bank also enhanced the implementation of rules and regulations and the audits fulfilled the functions to identify, remedy and prevent errors, deviations, faults and omissions.

Management Discussion and Analysis

(b) Risk management of the subsidiaries

As an independent legal entity, each subsidiary has established risk management and internal control systems in accordance with the applicable regulatory requirements. The Bank participates in formulating the risk management policies and strategies of each subsidiary through the board of directors and the management team of the subsidiaries. The management personnel shall be recommended by the Bank.

(i) Credit risk management

The subsidiaries of the Bank follow a prudent operation approach and continuously optimize asset quality through a variety of measures. These include enhancing whole-process credit management, standardizing operational procedures, conducting early identification and warning of potential risks, and improving mechanisms for the disposal of non-performing assets.

(ii) Market risk management

The subsidiaries of the Bank effectively manage account interest rate risks by dynamically adjusting interest rates for various products and developing innovative products. At the same time, they continuously monitor and evaluate market risks to ensure that risks are controlled within acceptable limits, guaranteeing stable business operations.

(iii) Operational risk management

The subsidiaries of the Bank have established an operational risk management system, implemented the requirements of regulatory authorities and the Bank, and conducted corresponding operational risk prevention and control measures.

(iv) Liquidity risk management

The subsidiaries of the Bank managed the liquidity risk by (i) establishing a reporting system for large fund movement and ensuring a reasonable allocation of funds to increase returns on assets; (ii) closely monitoring movements in key liquidity indicators; (iii) adjusting the maturity profile of assets and liabilities; and (iv) conducting periodic liquidity stress tests.

Management Discussion and Analysis

(v) Reputational risk management

Each subsidiary establishes a clear framework with defined responsibilities in accordance with its own policies to ensure that accountability for reputational risk management is assigned to specific individuals. They implement a public opinion reporting mechanism to classify and manage reputation incidents, and apply graded controls based on the extent of public impact. Furthermore, they develop clear and well-defined emergency response plans concerning reputational risk incidents to ensure timely and effective handling of unforeseen events.

(vi) Legal and compliance risk management

Each subsidiary has established a relatively sound whole-process management system for legal and compliance matters, enabling them to effectively identify various legal and compliance risks in the operation management. They also ensure the stable operation through strengthening risk controls such as systematical development, policy control, compliance training and resource support.

(vii) Information technology risk management

Each subsidiary has established relatively thorough procedures and policies for managing information technology risks and developed business continuity management and emergency response plans to address operational disruptions.

(viii) Anti-money laundering and counter-terrorist financing management

Each subsidiary has created a robust management system and procedures for anti-money laundering and counter-terrorist financing in compliance with the Anti-Money Laundering Law of the People's Republic of China and regulations issued by the PBOC, encompassing customer identification, the retention of identity information and transaction records, anti-money laundering training and awareness initiatives, as well as the management of block trading and suspicious transaction reports. Each subsidiary reports suspicious transactions to the China Anti-Money Laundering Monitoring and Analysis Center as an independent legal entity according to relevant regulatory requirements.

(ix) Internal audit

The internal audit department of each subsidiary is staffed with dedicated auditors who exercise audit supervision independently. By employing systematic and standardized methods, they review and evaluate and supervise the improvement of the Bank's business operations, risk management, internal control and compliance, and effectiveness of corporate governance, promoting its stable operations and value enhancement.

CAPITAL ADEQUACY RATIO ANALYSIS

The Group calculated the capital adequacy ratio as at June 30, 2025 in accordance with the Measures for the Administration of Capital of Commercial Banks issued by the NFRA, which has been effected from January 1, 2024. Commercial banks in China (excluding systematically important banks) are required to maintain: (i) capital adequacy ratios equal to or above 10.5% and 10.5% as at June 30, 2025 and December 31, 2024, respectively; (ii) tier-one capital adequacy ratios equal to or above 8.5% and 8.5% as at June 30, 2025 and December 31, 2024, respectively; and (iii) core tier-one capital adequacy ratios equal to or above 7.5% and 7.5% as at June 30, 2025 and December 31, 2024, respectively.

Management Discussion and Analysis

The table below presents the relevant information about the Group's capital adequacy ratio as of the dates indicated.

(Expressed in RMB million, unless otherwise stated)	June 30, 2025	December 31, 2024
Core Tier-one Capital	9,836.4	9,878.7
Core Tier-one Capital deductions	(407.3)	(286.1)
Net Core Tier-one Capital	9,429.1	9,592.6
Other Tier-one Capital	25.2	24.1
Net Tier-one Capital	9,454.3	9,616.7
Tier-two Capital	911.6	927.3
Net Capital	10,365.9	10,544.0
Total risk-weighted assets	76,403.1	76,058.5
Core Tier-one Capital adequacy ratio	12.34%	12.61%
Tier-one Capital adequacy ratio	12.37%	12.64%
Capital adequacy ratio	13.57%	13.86%

PLEDGE OF ASSETS

Please refer to "Note 35 to the Consolidated Financial Statements" in this interim report for details of the pledge of assets of the Group as at June 30, 2025.

CONTINGENT LIABILITIES

Please refer to "Note 34 to the Consolidated Financial Statements" in this interim report for details of the contingent liabilities of the Group as at June 30, 2025.

Changes in Share Capital and Particulars of Shareholders

SHARE CAPITAL AND ITS CHANGES OF THE BANK DURING THE REPORTING PERIOD

(I) Share Capital Structure Situation

As of June 30, 2025, the total number of Domestic Shareholders of the Bank was 430, among which there were 5 state-owned Shareholders, 33 legal person Shareholders and 392 individual Shareholders. The share capital of the Bank is as follows:

Type of Share Capital	Opening Balance (Shares)	Percentage of Total Share Capital (%)	Changes	Closing Balance (Shares)	Percentage of Total Share Capital (%)
State-owned Shares	2,239,030,856	57.41	0	2,239,030,856	57.41
Legal Person Shares	1,648,406,947	42.27	0	1,648,406,947	42.27
Including: State-owned Legal					
Person Shares	1,110,387,322	28.47	0	1,110,387,322	28.47
Individual Shares	12,562,197	0.32	0	12,562,197	0.32
Total Share Capital	3,900,000,000	100.00	0	3,900,000,000	100.00

(II) Changes in Share Capital

The Bank's H Shares were listed on the Main Board of the Hong Kong Stock Exchange on January 13, 2025. The Bank issued a total of 688,400,000 H Shares in the Global Offering, and the Bank's total share capital will increase to 4,588,400,000 Shares after completing the change processes of registered capital.

Changes in Share Capital and Particulars of Shareholders

PARTICULARS OF SHAREHOLDERS

(I) Shareholding details of the top ten Domestic Shareholders of the Bank

No.	Shareholder's Name	Number of Shares Held as of June 30, 2025 (Shares)	Percentage of Total Share Capital of the Bank as at June 30, 2025 (%)	Number of Pledged Shares (Shares)
1	Sichuan Yibin Wuliangye Group Co., Ltd. (四川省宜賓五糧液集團有限公司)	779,610,000	19.99	—
2	Yibin Municipal Finance Bureau (宜賓市財政局)	779,481,723	19.987	—
3	Yibin Cuiping District Finance Bureau (宜賓市翠屏區財政局)	779,220,000	19.98	—
4	Yibin Nanxi District Finance Bureau (宜賓市南溪區財政局)	660,699,908	16.94	—
5	Tianfeng Securities Co., Ltd. (天風證券股份有限公司)	194,580,442	4.99	—
6	Jiaying Jiayuan Information Technology Co., Ltd. (嘉興嘉源信息科技有限公司)	137,969,543	3.54	—
7	Chengdu Xinan Stone Co., Ltd. (成都西南石材城有限公司)	137,214,000	3.52	—
8	Sichuan Hydropower Investment Operation Group Co., Ltd. (四川省水電投資經營集團有限公司)	128,759,400	3.30	—
9	Wuhan Tianying Investment Group Co., Ltd. (武漢天盈投資集團有限公司)	107,142,857	2.75	—
10	Chaoyu Group Co., Ltd. (超宇集團有限公司)	103,494,294	2.65	98,565,995
Total		3,808,172,167	97.645	

Note: As of the end of the Reporting Period, the only substantial Shareholder of the Bank that has pledged its Shares in the Bank is Chaoyu Group Co., Ltd.

Changes in Share Capital and Particulars of Shareholders

(II) Interests and Short Positions of Substantial Shareholders and Other Persons Under Hong Kong Regulations

To the Bank's knowledge, as at June 30, 2025, the following persons (excluding the Bank's Directors, Supervisors and chief executive) had or be deemed or taken to have interests and/or short positions in the Shares or underlying Shares as recorded in the register of interests required to be kept by the Bank pursuant to Section 336 of Part XV of the SFO and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO; or, directly or indirectly, were interested in 5% or more of the nominal value of any class of the Bank's share capital carrying rights to vote in all circumstances at the Shareholders' general meetings of any other member of the Bank:

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares Directly or Indirectly Held (Shares) ⁽¹⁾	Approximate Percentage of the Bank's Issued Shares (%) ⁽²⁾	Approximate
					Percentage of the Relevant Class of the Bank's Shares (%) ⁽²⁾
Sichuan Yibin Wuliangye Group Co., Ltd.	Beneficial owner	Domestic Shares	779,610,000	16.99	19.99
Yibin Development Holding Group Co., Ltd.	Interest in controlled corporation ⁽³⁾	Domestic Shares	779,610,000	16.99	19.99
State-owned Assets Supervision and Administration Commission of Yibin	Interest in controlled corporation ⁽³⁾	Domestic Shares	779,610,000	16.99	19.99
Yibin Municipal Finance Bureau	Beneficial owner	Domestic Shares	779,481,723	16.988	19.987
Yibin Cuiqing District Finance Bureau	Beneficial owner	Domestic Shares	779,220,000	16.98	19.98
Yibin Nanxi District Finance Bureau	Beneficial owner	Domestic Shares	660,699,908	14.40	16.94
VISION BEST HOLDINGS LIMITED	Beneficial owner ⁽⁴⁾	H Shares	50,064,000	1.09	7.27
Shenzhen Tinno Mobile Technology Corp.	Interest in controlled corporation ⁽⁴⁾	H Shares	50,064,000	1.09	7.27
Tinno Technology Group Co., Ltd.	Interest in controlled corporation ⁽⁴⁾	H Shares	50,064,000	1.09	7.27
Winsang Technologies Limited	Interest in controlled corporation ⁽⁴⁾	H Shares	50,064,000	1.09	7.27
Mr. Lin Man Hung	Interest in controlled corporation ⁽⁴⁾	H Shares	50,064,000	1.09	7.27
HONGKONG AO SHENG INTERNATIONAL TRADE LIMITED	Beneficial owner ⁽⁵⁾	H Shares	81,583,000	1.78	11.85
Hainan Kanglicheng Trading Co., Ltd.	Interest in controlled corporation ⁽⁵⁾	H Shares	81,583,000	1.78	11.85
Chengdu Chengguangyu Trading Co., Ltd.	Interest in controlled corporation ⁽⁵⁾	H Shares	81,583,000	1.78	11.85

Changes in Share Capital and Particulars of Shareholders

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares Directly or Indirectly Held (Shares) ⁽¹⁾	Approximate Percentage of the Bank's Issued Shares (%) ⁽²⁾	Approximate
					Percentage of the Relevant Class of the Bank's Shares (%) ⁽²⁾
Mr. Wang Jie	Interest in controlled corporation ⁽⁶⁾	H Shares	81,583,000	1.78	11.85
Zhonghai Trust Co., Ltd.	Trustee ⁽⁶⁾	H Shares	61,585,000	1.34	8.95
Bank of China Investment Management Co., Ltd.	Asset manager ⁽⁷⁾	H Shares	56,266,000	1.23	8.17
Hangzhou Industrial & Commercial Trust Co., Ltd.	Trustee ⁽⁶⁾	H Shares	108,547,000	2.37	15.77
Tibet Trust	Trustee ⁽⁶⁾	H Shares	151,837,000	3.31	22.06
Hongkong Phoemay Investment Co., Limited	Beneficial owner	H Shares	81,627,000	1.78	11.86

- (1) All the Shares held are long positions.
- (2) As of the June 30, 2025, the number of Domestic Shares of the Bank was 3,900,000,000, the number of H Shares was 688,400,000, and the total number of issued Shares was 4,588,400,000.
- (3) Sichuan Yibin Wuliangye Group Co., Ltd. is wholly-owned by Yibin Development Holding Group Co., Ltd., and Yibin Development Holding Group Co., Ltd. is held by the State-owned Assets Supervision Administration Commission of Yibin as to 90% interest. Therefore, the State-owned Assets Supervision and Administration Commission of Yibin and Yibin Development Holding Group Co., Ltd. are deemed to be interested in all the Shares held by Sichuan Yibin Wuliangye Group Co., Ltd. for the purpose of the SFO.
- (4) VISION BEST HOLDINGS LIMITED is wholly owned by Shenzhen Tinno Mobile Technology Corp., which is in turn wholly owned by Tinno Technology Group Co., Ltd. Tinno Technology Group Co., Ltd. is 45.13% owned by Winsang Technologies Limited, which in turn is 44.51% owned by Mr. Lin Man Hung. Pursuant to the SFO, each of Shenzhen Tinno Mobile Technology Corp., Tinno Technology Group Co., Ltd., Winsang Technologies Limited and Mr. Lin Man Hung is deemed to be interested in all the Shares held by VISION BEST HOLDINGS LIMITED.
- (5) HONGKONG AO SHENG INTERNATIONAL TRADE LIMITED is wholly owned by Hainan Kanglicheng Trading Co., Ltd. (海南康利誠貿易有限公司), which is wholly owned by Chengdu Chengguangyu Trading Co., Ltd. (成都成廣宇商貿有限公司), which in turn is wholly owned by Mr. Wang Jie. Pursuant to the SFO, each of Hainan Kanglicheng Trading Co., Ltd., Chengdu Chengguangyu Trading Co., Ltd. and Mr. Wang Jie is deemed to have an interest in all the Shares held by HONGKONG AO SHENG INTERNATIONAL TRADE LIMITED.
- (6) As the trustee of Zhonghai Trust Co., Ltd. - Overseas Investment Series No. 31 QDII Single Trust Scheme, Zhonghai Trust Co., Ltd. (as a Qualified Domestic Institutional Investor) subscribes for and holds the relevant offered Shares on behalf of the trust investor.

Changes in Share Capital and Particulars of Shareholders

- (7) As the asset manager of Bank of China Investment Management – Zhonggang Investment No. 1 QDII Single Asset Management Plan, Bank of China Investment Management Co., Ltd. holds Shares of the listed corporation through the QDII asset management plan to achieve the investment plans of the fund investors.
- (8) Hangzhou Industrial & Commercial Trust Co., Ltd. is the trustee of Hangzhou Xinqi Hang No. 1 Collective Fund Trust Project.
- (9) Tibet Trust is the trustee of Zhuoao No. 8 Collective Fund Trust Plan.

Save as disclosed above, as of June 30, 2025, the Bank is not aware of any other person, other than the Directors, Supervisors and chief executive of the Bank, who had interests or short positions in the Shares and underlying Shares of the Bank, which were required to be kept in the register of interests recorded by the Bank pursuant to Section 336 of Part XV of the SFO, and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the Divisions 2 and 3 of Part XV of the SFO.

(III) Substantial Shareholders

According to the PRC regulatory requirements, the Bank has 9 substantial Shareholders:

- 1. Shareholders holding more than 5% of Shares: Sichuan Yibin Wuliangye Group Co., Ltd., Yibin Municipal Finance Bureau, Yibin Cuiping District Finance Bureau, and Yibin Nanxi District Finance Bureau.

During the Reporting Period, there was no change in the shareholding of more than 5% of Shares by Shareholders.

- 2. Shareholders holding less than 5% of Shares but having significant influence on the Bank (appointing Directors, Supervisors or senior management to the Bank): Jiaxing Jiayuan Information Technology Co., Ltd. (嘉興嘉源信息科技有限公司), Chaoyu Group Co., Ltd. (超宇集團有限公司), Junlian County Finance Bureau of Yibin City (宜賓市筠連縣財政局) and Nie Lei.
- 3. Shareholders holding less than 5% of Shares but having significant influence on the Bank (influencing the finance and business management decisions of the Bank through agreements or other means): LIANG Youtao. See section “Directors, Supervisors, Senior Management, Employees and Organizations” for details.

(IV) Particulars of Controlling Shareholder and De Facto Controller

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

Directors, Supervisors, Senior Management Members and Employees

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

(I) Directors

As of the Latest Practicable Date, the Board of Directors comprises 9 Directors including 2 executive Directors namely XUE Feng and XU Yong, 3 non-executive Directors namely XIAO Yufeng¹, TIAN Tian and ZHAO Gen, 4 independent non-executive Directors namely YAO Liming, YU Xiaoran, XING Huayu and ZHAO Jingmei.

(II) Supervisors

As of the Latest Practicable Date, the Board of Supervisors comprises 11 Supervisors, including 4 employee representative Supervisors namely KANG Yong, LIU Wanli, JIA Yan and MAO Fangqiong, 3 Shareholder Supervisors namely JIA Heng, HE Ling and WANG Shuai, 4 external Supervisors namely ZHANG Jufang, CHEN Qian, XU Jiagen and SHAN Chengge.

(III) Senior Management Members

As of the Latest Practicable Date, the Bank comprises 8 Senior Management Members namely JIANG Lin (acts as the president of the Bank), GONG Yuchi, LIANG Youtao, YUAN Kui, TANG Xudong, TANG Lin, YU Kui and PU Bin.

Note: 1. Ms. XIAO Yufeng has submitted her resignation to the Board on August 15, 2025 due to work arrangement, resigning from her position as non-executive Director. In accordance with relevant laws and regulations, and the Articles of Association of the Bank, Ms. XIAO will continue to perform her duties until the new non-executive Director's qualification is approved by the national financial regulatory institution.

Directors, Supervisors, Senior Management Members and Employees

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

(I) Changes in Directors

YANG Xingwang, the executive Director, submitted his resignation to the Board of Directors on April 8, 2025, and his resignation took effect from that day. Please refer to the Bank's announcement dated April 8, 2025 for details.

JIANG Lin, the non-executive Director, submitted her resignation to the Board of Directors on June 4, 2025, and her resignation took effect from that day. Please refer to the Bank's announcement dated June 4, 2025 for details.

The Board of Directors has considered and approved the resolution on the proposed appointment of JIANG Lin as an executive Director, at the Board of Directors' Meeting held on June 4, 2025. The resolution is required to be submitted to the general meeting of the Bank for consideration after the approval of her qualification as the president of the Bank. After the resolution is considered and approved at the general meeting, her qualification as a Director is still subject to the approval of the national financial regulatory institution. Please refer to the Bank's announcement dated June 4, 2025 for details.

The Board of Directors has considered and approved the resolution on the proposed appointment of ZHANG Xin as a non-executive Director, at the Board of Directors' Meeting held on June 27, 2025. After the resolution is considered and approved at the general meeting, his qualification as a Director is subject to the approval of the national financial regulatory institution. Please refer to the Bank's announcement dated June 27, 2025 for details.

The Board of Directors has considered and approved the resolution on the proposed appointment of HUANG Chongying as a non-executive Director, at the Board of Directors' Meeting held on June 27, 2025. After the resolution is considered and approved at the general meeting, her qualification as a Director is subject to the approval of the national financial regulatory institution. Please refer to the Bank's announcement dated June 27, 2025 for details.

XIAO Yufeng, the non-executive Director, submitted her resignation to the Board of Directors on August 15, 2025. In accordance with relevant laws and regulations, and the Articles of Association of the Bank, she will continue to perform her duties until the new non-executive Director's qualification is approved by the national financial regulatory institution. Please refer to the Bank's announcement dated August 15, 2025 for details.

(II) Changes in Supervisors

During the Reporting Period and up to the Latest Practicable Date, there is no change in the Supervisor members.

(III) Changes in Senior Management Members

YANG Xingwang, the president of the Bank, submitted his resignation to the Board of Directors on April 8, 2025, and his resignation took effect from that day. Please refer to the Bank's announcement dated April 8, 2025 for details.

The Board of Directors has considered and approved the resolution on the appointment of JIANG Lin as the president of the Bank, at the Board of Directors' Meeting held on June 4, 2025. Her qualification as the president of the Bank is still subject to the approval of the national financial regulatory institution. The Board agreed that Ms. Jiang would perform the duties of the president for a period of not more than six months from the date of consideration and approval by the Board before the qualification of Ms. Jiang as the president is approved by the national financial regulatory institution.

Directors, Supervisors, Senior Management Members and Employees

The Board of Directors has considered and approved the resolution on the appointment of YUAN Kui as the vice president of the Board, at the Board of Directors' Meeting held on March 28, 2025. His qualification as the vice president of the Bank has been approved by the national financial regulatory institution on July 4, 2025. The Bank has appointed YUAN Kui as the vice president on July 7, 2025.

ZHU Bo, the vice president of the Bank, submitted his resignation to the Board of Directors on July 10, 2025, and his resignation took effect from that day.

III. CHANGES IN THE INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Save as disclosed in this Interim Report, there is no change in the information of Directors, Supervisors and Chief Executives that shall be disclosed according to Rule 13.51B(1) of the Listing Rules from the Reporting Period to the Latest Practicable Date.

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

As of June 30, 2025, none of the Directors, Supervisors and chief executive of the Bank had any interests and/or short positions in the Shares, underlying Shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or interests and/or short positions which were required, pursuant to Section 352 of the SFO, to be registered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Bank and the Hong Kong Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors).

V. EMPLOYEE, EMPLOYEE REMUNERATION POLICY AND EMPLOYEE TRAINING PROGRAM

(I) Employee Composition

As of June 30, 2025, the Group had 1,114 employees. The following table sets forth the number of full-time employees by function as of the same date:

Function	Number of employees	% of total
Retail banking	358	32.14
Corporate banking	677	60.77
Treasury operations	57	5.12
Others	22	1.97

Directors, Supervisors, Senior Management Members and Employees

The following table sets forth the number of full-time employees by age as of June 30, 2025:

Age	Number of employees	% of total
Aged 30 or below	227	20.38
Aged 31-40	554	49.73
Aged 41-50	222	19.93
Aged over 50	111	9.96

The following table sets forth the number of full-time employees by education level as of June 30, 2025:

Education level	Number of employees	% of total
Master's degree and above	138	12.39
Bachelor's degree	784	70.38
Associate degree and below	192	17.23

The following table sets forth the number of full-time employees by gender as of June 30, 2025:

Gender	Number of employees	% of total
Male	483	43.36
Female	631	56.64

The Group respects each person's gender, religion, ethnicity and others. The Group gives each job applicant an equal opportunity, treats people with disabilities equally, and treats employees with different backgrounds equally. The Group considers that the gender ratio of its employees (including senior management) is relatively balanced at present, and expects to continue to maintain a reasonable level of gender diversity at the employees (including senior management) level. The Group provides employees with diversified training in marketing and risk control, counter services, compliance education and policies and regulations to enhance employees' professional ethics and skills, and continually reinforce the awareness of risks, rules and bottom lines among senior management and employees. The Group prioritizes employees' growth and development and provides job rotation programs to cultivate the comprehensive qualities of employees.

In accordance with regulatory requirements and the Articles of Association, the salaries of the employees of the Group are composed of basic salary, performance-based compensation, welfare income and others. The Group has established a performance-based and value contribution-oriented differentiated performance pay assessment management system covering the whole Bank. The Group contributes to social insurance and other employee benefits for the employees in accordance with applicable PRC laws, regulations and regulatory rules.

Directors, Supervisors, Senior Management Members and Employees

(II) Employee Remuneration

The Group conducts performance evaluations of employees annually to provide feedback on performance. Remuneration for the Group's full-time employees typically consists of a base salary and a discretionary bonus. The Group determines employee discretionary bonuses at the end of each year based on employee performance and its results of operations.

The Group's full-time employees participate in various employee benefit plans, such as pension insurance, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance, housing provident funds and corporate annuity funds. In addition, the Group also provides supplementary medical insurance to its employees.

According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated regularly on a certain percentage of the remuneration cost and paid to the relevant labor and social welfare authorities. The Group cannot withdraw or utilize its fund contribution made to the defined contribution schemes under any circumstance.

(III) Employee Training Program

The Bank adheres to the strategic concept of "talent-driven development" and focuses on the future demand for human resources in reform and development, as well as the new requirements for the quality of employees in current business operation. With the goal of enhancing the overall quality of employees, the Bank carries out comprehensive training through both online and offline training, focusing on building a training system that covers employees from all business lines. Firstly, the Bank continuously improves the employee training management mechanism and builds a comprehensive training and development system that covers all employees with different levels and categories, promoting talent development in line with strategic goals. Secondly, by coordinating online training resources, the Bank strengthens basic, routine, and regular training across various business lines such as new employee training, counter business, credit business, retail business, risk management, compliance management, information technology, and comprehensive management. It also enhances the application of training results and post-training evaluation to effectively improve the effectiveness of training. Thirdly, through "inviting experts in" and "sending employees out" and other methods, the Bank implements diversified training programs such as new employee induction training, professional skills training, management cadre training, and outbound study and exchange, and focuses on improving business capabilities and management qualities, strengthens practical guidance and effectiveness evaluation, and strives to enhance employees' performance ability and comprehensive literacy, contributing to the cultivation of high-quality and professional financial talents.

CORPORATE GOVERNANCE

The Bank is committed to high-level corporate governance and continuously enhances the transparency of corporate governance to safeguard Shareholders' interests and increase corporate value. During the Reporting Period, the Bank maintained a sound overall corporate governance.

The Bank has established a relatively comprehensive corporate governance structure in accordance with the PRC laws and regulations, the Listing Rules, and the Articles of Association. The Shareholders' general meeting is the highest organ of authority of the Bank. The Board of Directors is accountable to the Shareholders' general meeting, and bears ultimate responsibility for the operation and management of the Bank. It is responsible for formulating business development strategies and overseeing their implementation, deciding on business plans and investment proposals, formulating profit distribution plans, and deciding matters such as the establishment of internal management bodies. The Board of Directors has established committees to perform specific functions, including the Strategy and Asset and Liability Management Committee, Related Party Transactions Control Committee, Nomination and Remuneration Committee, Risk Management Committee, Internal Control and Compliance Committee, Audit Committee, and Consumer Rights and Interests Protection Committee. The Board of Supervisors is accountable to the Shareholders' general meeting and reports its work to the Shareholders' general meeting. It has the responsibility and authority to supervise the performance of duties by the Board of Directors and senior management and their members, and the establishment and improvement of the internal control governance and comprehensive risk management governance structure, and to inspect the Bank's financial affairs, among other matters. The senior management conducts business management activities in accordance with the Articles of Association and the authorization of the Board of Directors. It is accountable to the Board of Directors, is subject to the supervision of the Board of Supervisors, actively implements the resolutions of the Shareholders' general meeting and the Board of Directors, and reports information on the Bank's business management in a timely, accurate, and complete manner.

The Bank applies Part 2 of the Corporate Governance Code and the Corporate Governance Guidelines for Banking and Insurance Institutions (the “**Guidelines**”) issued by the former CBIRC to its governance structure and policies. The Articles of Association, the Rules of Procedure for the Shareholders' General Meeting, the Board of Directors, and its committees, as well as the Board of Supervisors and its committees all fully reflect the Corporate Governance Code and the Guidelines. The Bank's Shareholders' general meeting, Board of Directors, Board of Supervisors, and senior management perform their respective duties, forming a sound corporate governance structure. The Bank closely monitors business operations to ensure compliance with the relevant provisions of applicable laws, regulations, codes, guidelines, and the Bank's internal policies.

From the Listing Date to the end of the Reporting Period, the Bank has fully complied with all applicable code provisions set out in the Corporate Governance Code. The Directors are not aware of any information indicating that the Bank has not complied with the code provisions set out in the Corporate Governance Code. The Bank has also strictly complied with applicable laws and regulations and the provisions of the Listing Rules regarding the management of inside information.

The Bank will continue to strengthen corporate governance to ensure compliance with the requirements of the Corporate Governance Code and the Guidelines, and to meet the higher expectations of Shareholders and potential investors.

Important Events

SECURITIES TRANSACTIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

The Bank has adopted the Model Code as the code for regulating securities transactions by its Directors, Supervisors and senior management members.

The Bank has conducted specific inquiries of all Directors, Supervisors and senior management members and confirmed that they have complied with the Model Code from the Listing Date to the end of the Reporting Period.

DIVIDEND DISTRIBUTION

According to the resolution on the 2024 Profit Distribution Plan which has been considered and approved at the 2024 annual general meeting held on June 26, 2025, the Bank distributed a cash Final Dividend (“**Final Dividend**”) for the year ended December 31, 2024 to Shareholders whose names appear on the Bank’s register of members on July 8, 2025. The Final Dividend of RMB0.05 per share (tax inclusive) has been distributed on August 26, 2025 with the total amount of RMB229.42 million (tax inclusive).

The Board of Directors proposed not to distribute the interim dividend for the six months ended June 30, 2025.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

From the Listing Date to the end of the Reporting Period, the Bank and any of its subsidiaries have not purchased, sold, or redeemed any listed securities of the Bank (including sale of treasury shares).

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

ISSUANCE OF H SHARES AND LISTING ON THE HONG KONG STOCK EXCHANGE

The Bank’s H Shares were listed on the main board of the Hong Kong Stock Exchange on January 13, 2025. The Global Offering of the Bank comprised 688,400,000 H Shares, with offer price of HK\$2.59 per H Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%). The net proceeds from the Global Offering received by the Bank, after deduction of the underwriting commissions and estimated expenses in connection with the Global Offering, are approximately HK\$1,709.3 million.

As of the end of the Reporting Period, the Bank is conducting the registered capital alteration procedures to use the net proceeds from the Global Offering to enhance the Bank’s capital base in accordance with the uses as set out in the Prospectus, thereby supporting the ongoing growth of our business.

LEGAL PROCEEDINGS

From time to time, in the ordinary course of business, the Bank may be involved in various claims and litigations, mainly relating to contractual disputes on financial loans, other contractual disputes or disputes on bond transactions initiated by the Bank against borrowers, guarantors and bond issuers. From the Reporting Period up to the Latest Practicable Date, the Bank was not a defendant or co-defendant in any material pending litigation.

PENALTIES IMPOSED ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

During the Reporting Period, none of the Bank or any of its Directors, Supervisors or senior management members was subject to any inspection, administrative penalty or notices of criticism by CSRC, public censures by the Hong Kong Stock Exchange, or any penalty with a material impact on the operation of the Bank imposed by other regulatory authorities.

MATERIAL CONTRACTS AND THE FULFILLMENT

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

MATERIAL ACQUISITIONS AND DISPOSALS

During the Reporting Period, the Bank had no material acquisitions and disposals of subsidiaries.

REVIEW OF THE INTERIM RESULTS

The Bank's 2025 interim financial information (unaudited) prepared in conformity with IFRS has been reviewed by Confucius International CPA Limited with unqualified review report being issued.

The Bank's 2025 Interim Report and the 2025 interim financial information (unaudited) have been reviewed by the audit committee of the Board of Directors and the Board of Directors of the Bank.

SUBSEQUENT EVENTS

Save as disclosed in this Interim Report, as of the Latest Practicable Date, the Group did not have any material event.

Interim Report on review of Independent Auditor



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TO THE MEMBERS OF YIBIN CITY COMMERCIAL BANK CO., LTD

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

INTRODUCTION

We have reviewed the interim financial information of Yibin City Commercial Bank Co., Ltd (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 77 to 150, which comprise the condensed consolidated interim statement of financial position as at June 30, 2025, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six-month period then ended, and selected 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") as issued by the International Accounting Standards Board. The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). A review of this 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 Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

OTHER MATTER

The consolidated interim financial statements of the Group for the six-month ended June 30, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on December 30, 2024.

Confucius International CPA Limited

Certified Public Accountants

Chan Lap Chi

Practising Certificate Number: P04084

Hong Kong,

August 28, 2025

Interim Financial Information

Condensed Consolidated Interim Statement of Comprehensive Income

For the Six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

	Note	Six months ended June 30,	
		2025 (Unaudited)	2024 (Audited)
Interest income		1,987,215	1,858,712
Interest expense		(1,052,304)	(1,030,874)
Net interest income	5	934,911	827,838
Fee and commission income		28,553	53,735
Fee and commission expense		(18,975)	(16,800)
Net fee and commission income	6	9,578	36,935
Net gains/(losses) on trading activities	7	66,550	129,953
Net gains on financial investments	8	129,716	69,804
Other operating income	9	27,190	13,423
Operating income		1,167,945	1,077,953
Operating expenses	10	(351,704)	(349,675)
Expected credit losses	11	(461,205)	(381,296)
Profit before income tax		355,036	346,982
Income tax expense	12	(64,256)	(85,150)
Net profit		290,780	261,832
Net profit attribute to:			
Equity attributable to shareholders of the Bank		284,500	284,249
Non-controlling interests		6,280	(22,417)
Earnings per Share (expressed in RMB per Share)	13		
Basic earnings per Share		0.07	0.07
Diluted earnings per Share		0.06	0.07

Interim Financial Information

Condensed Consolidated Interim Statement of Comprehensive Income

For the Six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

Note	Six months ended June 30,	
	2025 (Unaudited)	2024 (Audited)
Other comprehensive income		
Items that will be reclassified to profit or loss:		
Changes in fair value of financial assets at fair value through other comprehensive income	(138,899)	157,538
Credit impairment losses for financial assets at fair value through other comprehensive income	(2,051)	35,791
Impact on income tax on changes in fair value and credit impairment provision of financial assets at fair value through other comprehensive income	35,235	(48,332)
Items that will not be reclassified to profit or loss:		
Changes in remeasurement of defined benefit plans	(294)	(1,510)
Impact on income tax on changes in remeasurement of defined benefit plans	74	378
Other comprehensive income for the period, net of tax	(105,935)	143,865
Total comprehensive income	184,845	405,697
Total comprehensive income attributable to:		
Equity attributable to shareholders of the Bank	178,615	428,114
Non-controlling interests	6,230	(22,417)

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

Interim Financial Information

Condensed Consolidated Interim Statement of Financial Position

June 30, 2025 (In RMB thousands, unless otherwise stated)

	Note	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Assets			
Cash and balances with central Bank	14	6,547,754	7,318,521
Financial assets held under resale agreements, due from other banks and other financial institutions	15	4,808,613	4,988,492
Loans and advances to customers	16	63,091,115	58,443,810
Financial investments			
– Fair value through profit or loss	17	7,293,672	6,239,805
– Fair value through other comprehensive income	18	21,355,481	22,482,542
– Amortised cost	19	8,042,842	7,758,074
Property, plant and equipment	20	283,677	284,911
Right-of-use assets	21	27,784	31,397
Deferred tax assets	22	1,356,075	1,237,353
Other assets	23	423,085	420,488
Total assets		113,230,098	109,205,393
LIABILITIES			
Borrowings from central Bank	24	2,122,025	2,266,246
Financial assets sold under repurchase agreements, due to other banks and financial institutions	25	4,748,028	9,340,672
Customer deposits	26	92,226,334	84,517,911
Bonds issued	27	1,344,866	2,028,101
Taxes payable	28	153,378	257,144
Lease liabilities	21	25,583	28,766
Other liabilities	29	2,682,170	794,264
Total liabilities		103,302,384	99,233,104

Interim Financial Information

Condensed Consolidated Interim Statement of Financial Position

June 30, 2025 (In RMB thousands, unless otherwise stated)

	Note	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
EQUITY			
Share capital	30	3,900,000	3,900,000
Capital reserve	30	3,512,784	3,512,784
Other comprehensive income	31	291,530	397,415
Surplus reserve	31	180,105	180,105
General reserve	31	1,239,400	1,239,400
Retained earnings		522,973	467,893
Equity attributable to shareholders of the Bank		9,646,792	9,697,597
Non-controlling interests		280,922	274,692
Total equity		9,927,714	9,972,289
Total liabilities and equity		113,230,098	109,205,393

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

The condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on August 28, 2025 and are signed on its behalf by:

EXECUTIVE DIRECTOR

EXECUTIVE DIRECTOR

Interim Financial Information

Condensed Consolidated Interim Statement of Changes in Equity

For the Six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

	Equity attributable to shareholders of the Bank							
			Other reserves					
	Share capital (Note 30)	Capital reserve (Note 30)	Surplus reserve (Note 31)	General reserve (Note 31)	Other comprehensive income (Note 31)	Retained earnings	Non-controlling interests	Total
Balance at January 1, 2025 (Audited)	3,900,000	3,512,784	180,105	1,239,400	397,415	467,893	274,692	9,972,289
Profit for the period	-	-	-	-	-	284,500	6,280	290,780
Other comprehensive income	-	-	-	-	(105,885)	-	(50)	(105,935)
Total comprehensive income for the period	-	-	-	-	(105,885)	284,500	6,230	184,845
Shareholders' deemed contribution (Note 30)	-	-	-	-	-	-	-	-
Transfer to surplus reserve (Note 31)	-	-	-	-	-	-	-	-
Transfer to general reserve (Note 31)	-	-	-	-	-	-	-	-
Cash dividends (Note 32)	-	-	-	-	-	(229,420)	-	(229,420)
Balance at June 30, 2025 (Unaudited)	3,900,000	3,512,784	180,105	1,239,400	291,530	522,973	280,922	9,927,714

	Equity attributable to shareholders of the Bank							
			Other reserves					
	Share capital (Note 30)	Capital reserve (Note 30)	Surplus reserve (Note 31)	General reserve (Note 31)	Other comprehensive income (Note 31)	Retained earnings	Non- controlling interests	Total
Balance at January 1, 2024 (Audited)	3,900,000	3,462,784	125,912	1,010,653	161,477	315,403	310,271	9,286,500
Profit for the period	–	–	–	–	–	284,249	(22,417)	261,832
Other comprehensive income	–	–	–	–	143,865	–	–	143,865
Total comprehensive income for the period	–	–	–	–	143,865	284,249	(22,417)	405,697
Shareholders' deemed contribution (Note 30)	–	–	–	–	–	–	–	–
Transfer to surplus reserve (Note 31)	–	–	–	–	–	–	–	–
Transfer to general reserve (Note 31)	–	–	–	–	–	–	–	–
Cash dividends (Note 32)	–	–	–	–	–	(78,000)	–	(78,000)
Balance at June 30, 2024 (Audited)	3,900,000	3,462,784	125,912	1,010,653	305,342	521,652	287,854	9,614,197

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

Interim Financial Information

Condensed Consolidated Interim Statement of Cash Flows

For the Six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

	Six months ended June 30,	
	2025	2024
	(Unaudited)	(Audited)
Cash flows from operating activities:		
Profit before income tax	355,036	346,982
Profit before income tax adjustments for:		
Depreciation and amortisation	28,728	31,832
Expected credit losses	461,205	381,296
Net gains on disposal of property, plant and equipment and foreclosed assets	–	(917)
Net gains arising from financial investments	(129,716)	(69,804)
Changes in fair value of financial assets at fair value through profit or loss	26,122	(52,242)
Interest income from financial investments	(372,955)	(369,269)
Interest expenses on debt securities	16,764	28,485
Other profits or losses	(17,676)	–
Subtotal	367,508	296,363
Net change in operating assets:		
Net increase in balances with central Bank	(236,137)	(410,899)
Net increase in loans and advances to customers	(5,049,396)	(3,635,806)
Net increase in other operating assets	(1,567,636)	(352,869)
Subtotal	(6,853,169)	(4,399,574)
Net change in operating liabilities:		
Net decrease in borrowings from central Bank	(143,997)	(233,912)
Net increase/(decrease) in due to banks and other financial institutions	(4,598,788)	424,416
Net increase in customer deposits	7,417,664	9,024,118
Net increase in other liabilities	465,455	85,111
Subtotal	3,140,334	9,299,733
Income tax paid	(240,923)	(232,286)
Net cash generated from/(used in) operating activities	(3,586,250)	4,964,236

Interim Financial Information

Condensed Consolidated Interim Statement of Cash Flows

For the Six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

	Six months ended June 30,	
	2025	2024
	(Unaudited)	(Audited)
Cash flows from investing activities:		
Proceeds from disposal of property, equipment and other long-term assets	–	932
Purchase of property, equipment and other long-term assets	(18,965)	(14,542)
Interest income from financial investments	405,261	369,269
Purchase of investment securities	(10,455,101)	(17,524,837)
Proceeds from sale and redemption of investments	11,236,088	14,378,937
Net cash generated from/(used in) investing activities	1,167,283	(2,790,241)
Cash flows from financing activities:		
Proceeds from issuance of Shares	1,663,487	–
Proceeds from issuance of debt securities	–	–
Repayment for debt securities issued	(700,000)	(2,840,000)
Decrease in other cash flow related to financing activities	(10,950)	(3,998)
Dividends paid to Shareholders	–	(1,552)
Net cash generated form/(used in) financing activities	952,537	(2,845,550)
Net decrease in cash and cash equivalents	(1,466,430)	(671,555)
Cash and cash equivalents at the beginning of the period	6,925,632	7,849,200
Cash and cash equivalents at the end of the period (Note 36)	5,459,202	7,177,645

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

Interim Financial Information

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

1 GENERAL INFORMATION

Yibin City Commercial Bank Co., Ltd (宜賓市商業銀行股份有限公司) is a joint-stock city commercial Bank headquartered in Yibin City, Sichuan Province, the PRC, and was incorporated on December 27, 2006. The Bank's predecessor was Yibin City Credit Cooperatives, which was established in 2000. As approved by the former China Banking and Insurance Regulatory Commission ("CBIRC") Sichuan Office, the Bank was jointly initiated and established by the Shareholders of Yibin City Credit Cooperatives (including 44 non-individual Shareholders and 386 individual Shareholders). At the time of establishment, the registered capital of the Bank was RMB106,879,775, divided into 106,879,775 Domestic Unlisted Shares with a nominal value of RMB1.00 each. Our bank globally issued 688,400,000 H shares on January 13, 2025, each with a par value of RMB1.00. The total number of shares after this issuance will be changed to 4,588,400,000. As our bank's registered capital is in the process of being changed, as of June 30, 2025, the registered capital of our bank was RMB3,900,000,000.

The approved business scope of the Bank and its subsidiaries, Yibin Xingyi Rural Bank Co., Ltd. (宜賓興宜村鎮銀行有限責任公司, "Xingyi Bank") and Neijiang Xinglong Rural Bank Co., Ltd. (內江興隆村鎮銀行股份有限公司, "Xinglong Bank") (collectively referred to as the "Group") consists of deposit taking; granting of short-term, medium-term and long-term loans; handling domestic and overseas settlement; handling bill acceptance and discounting; issuing financial bonds; acting as agent to issue, settle and underwrite government bonds; trading of government bonds; engaging in inter-bank placement; Bank cards business; providing letter of credit services and guarantee; acting as agent on inward and outward payments, acting as insurance agent; providing safe-box service, and other businesses as approved by the banking regulatory authorities and other regulatory authorities (certain projects are subject to additional approval of authorities).

2 SUMMARY OF ACCOUNTING POLICIES

2.1 Basis of preparation

The condensed consolidated interim financial statements are prepared in accordance with the International Accounting Standard 34 ("IAS 34") Interim Financial Reporting issued by the International Accounting Standards Board ("IASB") as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2024.

2.2 Significant accounting policies

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

Other than changes in accounting policies resulting from application of new and amendments to IFRSs, the accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated interim financial statements for the year ended December 31, 2024.

Interim Financial Information

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.2 Significant accounting policies *(Continued)*

(a) Standards, amendments and interpretations effective on 1 January 2025

The Group has adopted the following newly effective standards and amendments as of January 1, 2025. The Group has not early – adopted any standards and amendments that have been issued but are not yet effective.

		Valid date
IAS 21 Amendments	Lack of Exchangeability	January 1, 2025

For the six months ended June 30, 2025, the adoption of the above amendments does not have a significant impact on the operation results, financial position and comprehensive income of the Group.

(b) Standards, amendments that are not yet effective and have not been early adopted by the Group:

		Valid date
IFRS 9 and IFRS 7 Amendments	Classification and Measurement of Financial Instruments	January 1, 2026
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027
IFRS 19	Disclosure of Subsidiaries without Public Accountability	January 1, 2027
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date has been deferred indefinitely

International Financial Reporting Standard 18 will replace the current International Accounting Standard 1, Presentation of Financial Statements, by introducing new requirements to enhance the comparability of financial performance among similar entities and provide more relevant and transparent information for statement users. Although the standard does not address the principles of recognition and measurement of financial statement items, it will have a comprehensive impact on presentation and disclosure, particularly in disclosures related to operating performance and the provision of management-defined performance indicators in financial statements.

The Group is currently assessing the impact of the adoption of the above-mentioned new standards and amendments on its financial reporting. Apart from such impacts, the Group currently expects that the adoption of the above-mentioned new standards and amendments is unlikely to have a significant impact on the Group's financial statements in terms of operating results, financial position and comprehensive income.

Interim Financial Information

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT

Overview

The Group's business activities are exposed to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Managing risks are core to the financial business, and operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize 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, products and best practice.

The Board of Directors of the Group is the highest authority for the Bank's risk management. It examines and approves strategy and measures of risk management and monitors risk management and internal control system. It assesses overall risk based on monitoring information and the risk report of senior management. The senior management of the Group is responsible for overall risk management and internal control, formulating and implementing risk management procedures. The Risk Management Department leads the formulation of the Group's transaction books interest rate risk management policies, while the Planning & Finance Department is responsible for the implementation of banking book interest rate risk management. In addition, the Internal Audit Department is responsible for independent review of risk management and control environment.

The Group is subject to a number of financial risks, primarily including credit risk, market risk and liquidity risk.

This section describes the Group's position with respect to the above risk exposures, and the Group's objectives, policies and procedures in managing those risk exposures, as well as the Group's capital management.

3.1 Credit risk

The Group is exposed to credit risk, which is the risk of losses resulting from a customer or counterparty's failure or unwillingness to meet its debt obligations. Changes in the economy or those in 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 balance sheet date. Credit risk increases when the counterparties are in the similar geographical or industry segments. Credit exposures arise principally from loans and advances to customers, debt securities and due from banks and other financial institutions. There are also credit risk exposures in off-balance sheet financial arrangements such as Bank acceptances and letters of guarantee.

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

Interim Financial Information

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

The Group implements the Measures for Management of Bad Debt Verification of Financial Enterprises issued by Ministry of Finance. When the Group determines that a loan has no reasonable prospect of recovery after the Group has taken all necessary actions and necessary proceedings, the loan is written off. If in a subsequent period the loan written off is recovered, the amount recovered will be recognised in expected credit losses.

3.1.1 Credit risk measurement

(a) Credit business

In accordance with the Rules on Risk Classification of Financial Assets of Commercial Banks issued by the former CBIRC and PBC, the Group establishes a management system regarding to the classification of loan risks, and implements five-level classification management. Loans are classified into five categories based on their risk levels, namely pass, special-mention, sub-standard, doubtful and loss, the latter three of which are regarded as impaired loans and advances. The primary factors considered in impairment assessment for loans include probability of loan repayment and recoverability of principal and interest, which reflect borrowers' repayment ability, repayment record and intention, profitability, guarantees or collateral and legal responsibility of repayment.

The five categories into which the Group classifies its loans and advances to customers are set out below:

Pass: The borrower is able to perform the contract, and there is no objective evidence indicating that the principal, interest, or returns cannot be repaid in full and on time.

Special mention: Although there are some factors that may adversely affect the performance of the contract, the borrower currently has the ability to repay the principal, interest, or returns.

Sub-standard: The borrower is unable to repay the principal, interest, or returns in full, or the financial asset has already incurred a credit impairment.

Doubtful: The borrower is already unable to repay the principal, interest, or returns in full, and the financial asset has incurred significant credit impairment.

Loss: After exhausting all possible means of recovery, only a very small portion of financial assets can be recovered, or all financial assets will be lost.

Risk Management Department coordinates the classification of loans. The classification of loans is performed monthly and adjusted timely. The classification of loans is monitored through credit management system.

Interim Financial Information

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.1 Credit risk measurement *(Continued)*

(b) Financial market business

The Group manages the asset quality of financial assets held under resale agreements, due from banks and other financial institutions 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 financial assets held under resale agreements, due from banks and other financial institutions by reviewing counterparties periodically. Limits are placed on different counterparties. For debt securities and other financial market business, the Group manages the credit risk exposures by setting limits to the external ratings of its investments.

3.1.2 Risk limit control and mitigation policies

(a) Credit business

The Group takes 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, lending investigation, risk assessment, collateral assessment, examination and approval of credit loans, draw-down, post-loan management, management on non-performing loans, due diligence on non-performing loans.

The 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 customers. Once the maximum exposure of a single customer is determined, the customer's exposure limit should not exceed its credit limit in the Group at any time before it achieved new credit limit.

The Group takes action to strengthen controls over credit risk in relation to related party customer. The committee of related party transactions is set up under the Board of Directors to manage controls on related party transaction.

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

Except for few customers with excellent credit quality, the Group requires the borrowers to provide collateral for loans. The type of collateral mainly includes collateral, pledge and guarantee. The Group sets up internal valuation team or employs qualified property appraisal companies to evaluate the collateral. The required collateral type and amount is determined by credit risk of counterparty or customers.

Interim Financial Information

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.2 Risk limit control and mitigation policies *(Continued)*

(b) Financial market business

The Financial Markets Department implements a centralized management and hierarchical authorization system for financial markets business.

The Group invests financial products with hierarchical authorisation under the guidelines of Board of Directors. The Group sets stop-loss point based on analysis of trend of macroeconomic situation and monetary policy.

The traders regularly review and monitor the changes of market interest and submit the report of the market value situation of financial products to Risk Management Department and Risk Management Committee. If there is any violation of interest rate in the market or any significant credit risk encountered to debtors, the relevant business department responsible for security investment will report to Risk Management Committee. Risk Management Committee convenes a meeting to propose a written processing decision. The debt trader will react according to the decision.

3.1.3 Collateral and guarantee

The Group has a range of policies and practices intended to mitigate credit risk. The most common practice is to accept collaterals and pledges. The Group formulates Management Measures for Collateral and Pledges on the specific classes of collaterals and pledges, which specified the maximum loan-to-value ratio. The collateralized and pledged loan shall be handled by business department in accordance with the rules, and the follow-up management of the collaterals and pledges is carried out by the relevant business department. The principal types of collateral for corporate loans and personal loans are as follows:

Type of Collateral	Maximum loan-to-value ratio
Collaterals	
Real estate – residential	70.00%
Real estate – commercial	50.00%
Machineries	50.00%
Mining rights	50.00%
Means of transportation	30.00%-50.00%
Type of Pledge	Maximum loan-to-value ratio
Pledges	
Bank acceptance bills	100.00%
Certificates of deposit	90.00%-100.00%
Treasury bonds	90.00%
Inventories	50.00%-90.00%

Interim Financial Information

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.3 Collateral and guarantee *(Continued)*

Mortgage loans to retail customers are generally collateralised by residential properties. Other loans are collateralised according to the nature of the loans. For loans guaranteed by a third party guarantor, the Group will assess the guarantor's credit rating, financial condition, credit history and ability to meet obligations.

3.1.4 Policies for ECL allowance

The Group divides financial instruments into three stages according to IFRS 9. The key definitions of the three stages are summarised below:

Stage 1: If the credit risk on a financial instrument has not increased significantly since initial recognition, the loss stage is classified as Stage 1.

Stage 2: If the credit risk has increased significantly since initial recognition but it is not considered that the credit has been impaired on the financial instrument, the loss stage is classified as Stage 2.

Stage 3: If the credit has been impaired on the financial instrument, the loss stage is classified as Stage 3.

The loss allowance for the financial instruments at Stage 1 is determined at the amount of the ECL on the financial instrument within the next 12 months. The loss allowance for the financial instruments at Stage 2 and Stage 3 is determined at the amount of the ECL on the financial instrument within the entire remaining lifetime period.

Various factors, such as five-category classification, number of overdue days, will be taken into account when the credit risk increases significantly during assessment. These three stages are transferable, except those stage 3 loans are not allowed to be transferred back to Stage 1 directly and need a six-month observation period to be allowed to back to Stage 2 for corporate portfolios. Financial instruments in Stage 1 should be downgraded into Stage 2 in case of significant increases in credit risk.

Interim Financial Information

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.4 Policies for ECL allowance *(Continued)*

(a) Financial assets with significant increase in credit risk

When triggering one or more of the following quantitative, qualitative, or upper bound indicators, the Group considers that the credit risk of financial instruments has increased significantly:

- The principal or interest of corporate loan business, letter of credit business, bank acceptance bill business, and guarantee business is overdue for a maximum of 11 days (inclusive) to 90 days (inclusive).
- The principal or interest of retail loan business is overdue for a maximum of 16 days (inclusive) to 90 days (inclusive).
- Any financial asset is classified as “Special Mention”.
- Previously in Stage 3 and meeting the criteria for reclassification, having made timely principal and interest payments for at least 6 months and demonstrating the ability to repay normally in the future.
- The principal or interest of funds business, debt investment, bill discounting, and forfaiting business is overdue for a maximum of 1 day (inclusive) to 30 days (inclusive).
- The domestic entity rating of the counterparty, issuer, acceptor, and issuing bank of funds business, debt investment, bill discounting, or forfaiting business is below than AA- (inclusive) and above than CCC.
- The current rating of the counterparty by domestic and foreign external institutions has been downgraded by more than 1 level (inclusive) compared to the initial date rating.
- Based on the risk early warning system information, it is determined that reclassification to Stage 2 is required.

Interim Financial Information

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.4 Policies for ECL allowance *(Continued)*

(b) Definition of default and loss incurred

When a financial instrument meets one or more of the following conditions, the Group considers the financial asset as having defaulted, and the criteria are consistent with the definition of the loss incurred:

- The principal or interest of loan business, letter of credit business, bank acceptance bill business, and guarantee business has been overdue for more than 90 days.
- Any financial asset is classified as “substandard”, “doubtful”, or “loss”.
- Previously in Stage 3 but failing to meet the criteria for reclassification, having not made timely principal and interest payments for at least 6 months or lacking the ability to demonstrate normal repayment capacity in the future.
- The principal or interest of funds business, debt investment, bill discounting, and forfaiting business has been overdue for more than 30 days.
- The domestic entity rating of the counterparty, issuer, acceptor, or issuing bank of funds business, debt investment, bill discounting, or forfeiting business is “CCC” grade (based on the most recent ratings from rating agencies) or below.
- Based on the risk early warning system information, it is determined that reclassification to Stage 3 is required.

The above standards apply to all financial instruments of the Group; the definition of default is consistently applied to the calculation of expected credit losses of the Group, including default probability (PD), exposure at default (EAD) and loss given default (LGD) modeling.

When a financial instrument does not meet any definition of default for six months or two consecutive repayment periods (whichever is longer), the Group no longer regards it as an asset in default (i.e., it has been upgraded). According to the relevant analysis, the Group has considered the possibility that the financial instruments will be in default again from an upgraded position under various circumstances and decided to adopt the longer period of two consecutive repayment periods or six months as the observation period.

Interim Financial Information

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.4 Policies for ECL allowance *(Continued)*

(c) *Expected credit loss: explanation of parameters, assumptions and estimation techniques*

Depending on whether there is a significant increase in credit risk and whether the assets have been impaired, the Group will measure the loss provision for different assets by expected credit losses for 12 months or entire life of the asset. Expected credit loss is the product of probability of default (PD), exposure at default (EAD) and loss given default (LGD) after term adjustment and discount. Related definitions are as follows:

Probability of default (PD) refers to the possibility that the borrower will not be able to fulfil his obligations in the next 12 months or throughout the remaining period of existence. The Group builds the migration matrix based on historical data to calculate the 12-month probability of default, and derives the default probability of the entire duration from the 12-month probability of default through the Markov chain model.

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

Exposure at default (EAD) refers to the amount that the Group should pay when the default occurs in the next 12 months or throughout the remaining life.

The Group determines the expected credit losses by forecasting the probability of default, loss given default and exposure at default of single debt. The Group multiplies the three items and adjusts their terms and discounts (by assuming there is no early repayment or breach of contract). This approach can effectively calculate the expected credit losses for future periods, and then discount the results of each period to the reporting date and add up. The discount rate used in the calculation of expected credit loss is the real interest rate or its approximate value.

(d) *Establishment of impairment model*

The Group conducts forecasts regularly to establish three economic scenarios, optimistic, basic, and pessimistic. Basic scenario is defined as the most expected situation, which will become benchmark for other scenarios. Optimistic and pessimistic scenarios are possible scenarios which are better and worse than basic scenario respectively.

The impairment model is established through a top-down approach. The Group has developed several corporate entity and retail impairment models, including regression models for different macro-economic indicators and uses the outcome of Wilson model and historical default information to make 'forward-looking' adjustments to probability of default to achieve "forward-looking" calculation of provision.

Interim Financial Information

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.4 Policies for ECL allowance *(Continued)*

(d) Establishment of impairment model *(Continued)*

(i) Forward-looking information included in ECL model

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

These economic indicators and their impact on PD differ for different financial instruments, which involve expert judgments. The Group annually makes forecasts on these economic indicators (“basic economic scenarios”) and provides the best economic forecasts for the next year. The Group believes that the economic indicators from one year later to the end of the maturity of financial instruments tend to remain consistent and stable, and thus keep using the one year forecast till the end of the maturity. The impact of these economic variables on the PD has been determined by performing Wilson model analysis to understand the impact of historical changes on PD, EAD and LGD.

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

The Group sets other possible scenarios and scenario weightings according to external data. Based on the analysis for each major portfolio and the number of scenarios, ensuring their coverage of non-linear characteristics. The Group reassesses the number and characteristics of scenarios semi-annually. On June 30, 2025 and December 31, 2024, the Group’s three scenarios (basic, optimistic and pessimistic) can properly reflect the non-linear characteristics of each portfolio. The Group determines scenario weightings through statistical analysis and expert judgment, and also considers the possible range of outcomes represented by scenarios. The Group recognises the 12-month or lifetime ECL for financial instruments in stage 1, 2, and 3. The Group measures the weighted-average ECL allowance for 12-month (stage 1) and weighted-average ECL for life time (stage 2 and stage 3), which is calculated by multiplying the ECL under each scenario by their weightings respectively, rather than by weighting the parameters. On June 30, 2025 and December 31, 2024, the weightings allocated to each economic scenario were 50% basic, 30% optimism and 20% pessimism.

Interim Financial Information

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

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

	June 30, 2025	December 31, 2024
Assets		
Balances with central Bank	6,430,296	7,200,771
Financial assets held under resale agreements, due from other banks and other financial institutions	4,808,613	4,988,492
Loans and advances to customers	63,091,115	58,443,810
– Stage 1	61,331,523	56,876,284
– Stage 2	1,368,508	1,198,872
– Stage 3	391,084	368,654
Financial assets at fair value through profit or loss	5,882,490	4,663,178
Financial investments at fair value through other comprehensive income	21,355,481	22,482,542
Financial investments at amortised cost	8,042,842	7,758,074
Other financial assets	60,831	61,380
Subtotal	109,671,668	105,598,247
Credit risk exposures relating to off-balance sheet items are as follows:		
Bank acceptance	4,504,563	9,315,841
Letters of guarantee	39,399	67,827
Subtotal	4,543,962	9,383,668
Total	114,215,630	114,981,915

The above table represents a base case scenario of the maximum credit risk exposure to the Group as at June 30, 2025 and December 31, 2024, without considering any related collateral or other credit enhancements. For on-balance sheet assets, the exposures above are based on net carrying amounts as reported in the statement of financial position. As shown above, as at June 30, 2025 and December 31, 2024, the total on-balance sheet exposure derived from loans and advances to customers were 57.53% and 55.35%, respectively.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.6 Loans and advances to customers

Loans and advances to customers are summarised as follows:

	As at June 30, 2025			Total
	Corporate loans	Personal loans	Discounted and rediscounted bills	
Stage 1	52,983,983	4,447,350	5,588,207	63,019,540
Stage 2	1,748,128	106,132	–	1,854,260
Stage 3	970,928	196,906	–	1,167,834
Total	55,703,039	4,750,388	5,588,207	66,041,634
Less: ECL allowance	(2,799,580)	(150,939)	–	(2,950,519)
Net amount	52,903,459	4,599,449	5,588,207	63,091,115
	As at December 31, 2024			Total
	Corporate loans	Personal loans	Discounted and rediscounted bills	
Stage 1	46,402,319	4,602,206	7,321,024	58,325,549
Stage 2	1,467,764	98,942	4,996	1,571,702
Stage 3	983,775	188,966	–	1,172,741
Total	48,853,858	4,890,114	7,326,020	61,069,992
Less: ECL allowance	(2,494,439)	(131,743)	–	(2,626,182)
Net amount	46,359,419	4,758,371	7,326,020	58,443,810

As of June 30, 2025 and December 31, 2024, the expected credit loss amounts recognized by the Group for discounted and re-discounted bills measured at fair value with changes recorded in other comprehensive income were RMB2,709 thousand and RMB3,223 thousand, respectively.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.6 Loans and advances to customers *(Continued)*

(a) Restructured loans and advances to customers

Restructuring activities include approving debtor repayment plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue to be made. These policies are under regular review.

	As at June 30, 2025	As at December 31, 2024
Restructured loans and advances to customers	63,715	75,970

(b) Overdue loans and advances to customers by security and overdue date

	As at June 30, 2025				
	Overdue up to 90 days	Overdue 90 days- 1 year	Overdue 1-3 years	Overdue over 3 years	Total
Collateralised loans	100,674	127,904	413,826	19,532	661,936
Pledged loans	20,890	12,893	390	–	34,173
Guaranteed loans	41,231	107,376	389,734	7,410	545,751
Unsecured loans	6,916	7,129	10,664	1,205	25,914
Total	169,711	255,302	814,614	28,147	1,267,774

	As at December 31, 2024				
	Overdue up to 90 days	Overdue 90 days- 1 year	Overdue 1-3 years	Overdue over 3 years	Total
Collateralised loans	195,824	233,472	248,638	51,236	729,170
Pledged loans	37,148	210	2,700	–	40,058
Guaranteed loans	173,438	391,564	53,905	2,998	621,905
Unsecured loans	9,697	4,440	9,563	572	24,272
Total	416,107	629,686	314,806	54,806	1,415,405

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.6 Loans and advances to customers *(Continued)*

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

Concentration risks analysis for loans and advances to customers (gross) by economic sectors:

	As at June 30, 2025		As at December 31, 2024	
	Amount	%	Amount	%
Corporate loans				
Wholesale and retail trade	17,921,207	32.40	12,881,491	26.53
Construction	9,067,773	16.40	8,435,743	17.37
Manufacturing	4,708,248	8.51	5,049,989	10.40
Renting and business activities	6,515,756	11.78	5,951,220	12.26
Agriculture, forestry, animal husbandry and fishery	3,152,633	5.70	3,086,084	6.36
Water, environment and public facilities management	2,545,554	4.60	2,630,390	5.42
Education	2,525,072	4.56	2,894,896	5.96
Real estate	2,826,270	5.11	2,375,420	4.89
Electricity, heat, gas and water production and supply	2,273,075	4.11	1,982,130	4.08
Culture, sport and entertainment	347,007	0.63	349,157	0.72
Accommodation and catering	617,109	1.12	450,206	0.93
Transportation, warehousing and express service	1,236,169	2.23	947,267	1.95
Information transmission, software and information technology services	439,540	0.79	423,288	0.87
Scientific research and technology services	244,190	0.44	223,262	0.46
Health, social security and social welfare	267,408	0.48	285,789	0.59
Mining	331,544	0.60	279,776	0.58
Financing	211,600	0.38	221,600	0.46
Residential services, repairs and other services	91,130	0.16	90,665	0.17
Total corporate loans	55,321,285	100.00	48,558,373	100.00

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.6 Loans and advances to customers *(Continued)*

(c) *Analysis of loans and advances to customers by industry (Continued)*

Concentration risks analysis for loans and advances to customers (gross) by economic sectors *(Continued)*:

	As at June 30, 2025		As at December 31, 2024	
	Amount	%	Amount	%
Personal loans				
Personal business loans	1,845,139	38.90	1,966,659	40.28
Residential mortgage loans	1,699,575	35.83	1,763,865	36.13
Personal consumption loans	1,198,691	25.27	1,151,500	23.59
Total personal loans	4,743,405	100.00	4,882,024	100.00
Discounted bills	1,251,501	22.40	948,831	12.95
Rediscounted bills	4,336,706	77.60	6,377,189	87.05
Total amount of bill discounting and rediscounting	5,588,207	100.00	7,326,020	100.00
Total loans and advances to customers	65,652,897		60,766,417	

The concentration risks analysis of loans and advances to customers is analysed based on industry classification of the borrowers.

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.6 Loans and advances to customers *(Continued)*

(d) *Analysis of loans and advances to customers by geographical areas (excluding discounted and rediscounted)*

	As at June 30, 2025		As at December 31, 2024	
	Amount	%	Amount	%
Loans and advances to customers at amortized cost				
Sichuan	58,092,766	96.72	50,977,956	95.39
Others	1,971,924	3.28	2,462,441	4.61
Total loans and advances to customers	60,064,690	100	53,440,397	100.00

(e) *Type of collateral analysis*

Analysis for loans and advances to customers (excluding discounted and rediscounted) by type of collateral:

	As at June 30, 2025	As at December 31, 2024
Collateralised loans	20,220,860	19,989,511
Pledged loans	14,536,217	10,723,640
Guaranteed loans	23,682,884	21,166,240
Unsecured loans	1,624,729	1,561,006
Total	60,064,690	53,440,397

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.7 Investment securities

The following table shows the rating analysis of RMB securities investment by Dagong International Credit Evaluation Co., Ltd. on June 30, 2025 and December 31, 2024.

The rating results of investment securities as following:

As at June 30, 2025

	Financial investments at amortised cost	Financial investments at fair value through other comprehensive income	Financial investments at fair value through profit or loss	Total
RMB securities (a)				
AA to AAA	250,400	2,200,927	1,174,228	3,625,555
A to AA-	52,748	–	–	52,748
A – and below	–	22,786	–	22,786
Unrated	7,698,366	19,131,768	4,575,326	31,405,460
Total	8,001,514	21,355,481	5,749,554	35,106,549

As at December 31, 2024

	Financial investments at amortised cost	Financial investments at fair value through other comprehensive income	Financial investments at fair value through profit or loss	Total
RMB securities (a)				
AA to AAA	–	453,281	43,726	497,007
A to AA-	–	–	–	–
A – and below	–	56,342	–	56,342
Unrated	7,694,693	21,972,919	4,486,316	34,153,928
Total	7,694,693	22,482,542	4,530,042	34,707,277

(a) The Group's unrated debt instrument investments comprise mainly of national debts and local government debts, financial debts issued by China Development Bank and policy banks, commercial Bank debts, interbank certificates of deposit, non-bank financial institutions bonds and corporate bonds.

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.7 Investment securities *(Continued)*

Financial investments at amortised cost are summarised as follows:

	As at June 30, 2025	As at December 31, 2024
Stage 1	7,700,255	7,697,300
Issued by:		
Government – National	774,845	542,479
Government – Provincial	4,261,210	4,280,745
Financial institutions – China Development Bank and policy banks	2,064,954	2,063,187
Financial institutions – Others	142,921	–
Corporates	456,325	810,889
Less: ECL allowance	(1,889)	(2,607)
Total	7,698,366	7,694,693

Financial investments at fair value through other comprehensive income are summarised as follows:

	As at June 30, 2025	As at December 31, 2024
Stage 1	19,055,026	21,930,228
Issued by:		
Government – National	1,074,276	764,743
Government – Provincial	6,006,987	6,865,656
Financial institutions – China Development Bank and Policy banks	6,336,505	4,177,647
Financial institutions – Others	5,524,082	9,700,312
Corporates	113,176	421,870
Stage 2	43,186	42,691
Issued by:		
Corporates	43,186	42,691
Stage 3	33,556	–
Issued by:		
Corporates	33,556	–
Net amount	19,131,768	21,972,919

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.8 Foreclosed assets

Details of the Group's foreclosed assets acquired as a result of the debtor's default are set out in note 23(b).

3.1.9 Concentration risk analysis for financial assets with credit risk exposure

The Group's geographical risk is primarily concentrated in Sichuan Province, Mainland China.

3.2 Market risk

3.2.1 Overview

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates and prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and equity prices. Market risk exists in both the trading and non-trading operations of the Group.

The market risks arising from trading and non-trading activities are monitored by Risk Management Department and Financial Planning and Finance Department. Regular reports are submitted to the Board of Directors and senior management.

In accordance with the requirements of the National Financial Regulatory Administration (the former CBIRC), the Group categorises its business into either the trading book or the banking book. The trading book consists of positions in financial instruments held either with trading intent or in order to economically hedge other elements of the trading book or the banking book. All tools other than trading book tools should be classified into the banking book.

3.2.2 Interest rate risk

The Group's interest rate risk mainly includes cash flow interest rate risk and fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the market value of a financial instrument will fluctuate due to changes in market interest rates.

The interest rate risk of the Group mainly comes from impact of interest rate changes on net interest income, which was caused by the mismatch of the interest-rate-sensitive assets and liabilities' maturity date or the re-pricing date. From July 20, 2013, commercial banks can independently determine the interest rate of RMB loans (except individual mortgage loans). From October 24, 2015, commercial banks can independently determine the interest rate of deposits. From August 17, 2019, the LPR system was officially announced. With the liberalization of interest rates, the interest rate volatility has gradually shifted from policy oriented to market oriented, and therefore faces more uncertainties.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Market risk *(Continued)*

3.2.2 Interest rate risk *(Continued)*

The Group has implemented a unified interest rate management policy to manage interest rate risk. The Group complies with relevant laws and regulations to determine price for deposits and loan products. The Group uses the PBOC's benchmark interest rate, capital cost, asset risk status and other indicators as the pricing benchmark, and takes into account customer needs and business operations, the prices of similar products in the industry and competitors, and the business relationship with the customers to determine the product price.

The Group regularly conducts sensitivity analysis on interest rates. The Group regularly analyses the interest rate gap between interest bearing assets and interest bearing liabilities in Bank accounts and transaction accounts, thereby guiding the development of business.

The Group pays close attention to the latest development of the government's economic policies, especially those that have a significant impact on market interest rates. The Group continuously monitors and conducts research on financial market conditions and macroeconomic conditions, thereby improving the ability to predict interest rate fluctuations. Based on the ever-changing trend of market interest rates, the Group dynamically adjusts the size and structure of assets to cope with changes in the market environment so as to match the maturity of assets and liabilities. For example, when predicting a downward trend in the bond market, the Group will keep bond assets at a low level to minimize the associated risks. The Group has formulated risk management policies for financial market operations.

The Group uses internal management system to monitor and manage the overall interest rate risk of the assets and liabilities under bank account book. At the current stage, the Group manages the interest rate risk mainly through raising suggestion about the re-pricing date of assets and liabilities, setting market risk limit and other methods. The Group analyses the interest rate gap and assesses the difference between the interest-bearing assets and liabilities which would mature or re-price within certain time period, to provide instruction for the adjustment of interest-bearing assets and liabilities' re-pricing date. Meanwhile, the Group controls and manages interest risk by establishing the instruction and authorisation limit of investment portfolio. The Group's financial market management conducts real-time market value assessment to monitor the investment risk more accurately. In addition, the Group embranchments' interest rate risk for managing using the internal funding transfer-pricing system.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Foreign exchange risk

The Group issued Hong Kong stocks on January 13, 2025, which involved Hong Kong dollar exchange. Apart from this, there were no other foreign currency transactions or balances, and the Group was not exposed to the risk of exchange rate fluctuations.

3.4 Liquidity Risk

3.4.1 Overview

Liquidity risk is the risk that the Group will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend. The Group's objective in liquidity management is to ensure the availability of adequate funding to meet its needs to fund deposit withdrawals and other liabilities as they fall due and to ensure that it is able to meet its obligations to fund loan originations and commitments and to take advantage of new investment opportunities.

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, matured deposits, loan draw downs, guarantees and cash deposit held as collateral. The Board of Directors sets the minimum proportion of funds to be made available to meet such calls and the minimum level of interbank and other borrowing facilities that should be in place to cover different levels of unexpected withdrawals. As at June 30, 2025 and December 31, 2024, 5% and 5% of the Bank's total RMB-denominated deposits must be deposited with the PBOC (Note 14), respectively. As at June 30, 2025 and December 31, 2024, 5%, 5%, 5% and 5% of Xinglong Bank and Xingyi Bank's total RMB-denominated deposits must be deposited with the PBOC, respectively.

3.4.2 Liquidity risk management process

The Board of Directors formulates the risk preference and the planning and finance department formulates the policies, strategies, procedures, limits and contingency plans related to the overall management of liquidity risk according to risk preference.

The Group applies information technology to enhance the capacity of liquidity risk management. The application of information technology monitors the liquidity index and exposure, which completes automatically liquidity risk assessment in a timely manner, and forms the follow-up fund utilization plan according to liquidity exposure. The Group modifies the assets and liabilities maturity structure by applying internal fund transfer pricing, while taking control of the limit of the liquidity risk by carrying out performance assessment. The Group pays constant attention to its liquidity risk management process, enhances and improves liquidity risk related policy timely, to achieve its goal in liquidity risk management.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair values of financial assets and liabilities

(a) Financial instruments not measured at fair value

The Group's financial assets and liabilities not measured at fair value mainly include cash and balances with central Bank, financial assets held under resale agreements, due from other banks and other financial institutions, loans and advances to customers, financial investments – amortised cost, other financial assets, borrowings from central Bank, financial assets sold under repurchase agreements, due to other banks and other financial institutions, customer deposits, lease liabilities, bonds issued and other financial liabilities. Except for the following financial assets and financial liabilities, other financial assets and financial liabilities not measured at fair value primarily bear interest based on market rates and have short durations. As a result, their carrying values approximate their fair values.

Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate the fair values.

The table below summarises the financial assets and liabilities that have difference between carrying amounts (include accrued interest) and fair value as at June 30, 2025 and December 31 2024.

	As at June 30, 2025				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Financial investments – amortised cost	<u>8,042,842</u>	<u>–</u>	<u>9,046,757</u>	<u>41,329</u>	<u>9,088,086</u>
Financial liabilities					
Bonds issued	<u>1,344,866</u>	<u>–</u>	<u>1,345,682</u>	<u>–</u>	<u>1,345,682</u>
As at December 31, 2024					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Financial investments – amortised cost	<u>7,758,074</u>	<u>–</u>	<u>7,789,571</u>	<u>63,381</u>	<u>7,852,952</u>
Financial liabilities					
Bonds issued	<u>2,028,101</u>	<u>–</u>	<u>2,029,257</u>	<u>–</u>	<u>2,029,257</u>

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair values of financial assets and liabilities *(Continued)*

(b) Financial instruments not measured at fair value

Financial assets – amortised cost

If traded in active markets, investment securities with standard terms and conditions are measured with reference to quoted bid prices in the market.

If not traded in active markets, investment securities are determined by using valuation techniques. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models.

Bonds 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 observable yield curve appropriate for the remaining term to maturity.

Other than the above, the carrying values of those financial assets and liabilities not presented at their fair value on the statement of financial position are a reasonable approximation of their fair values. Fair value is measured using a discounted future cash flow model.

(c) Fair value hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- 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). The Group determines the fair value of the financial instrument by valuation techniques when it is difficult to obtain quotations from the open market.

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair values of financial assets and liabilities *(Continued)*

(c) Fair value hierarchy (Continued)

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

The measurement of the fair value of those equity investments held by the Group adopts unobservable parameters that may have significant impact on the valuations. Thus, the Group would better classify these financial instruments to the third level. Management has assessed the influence of macroeconomic factors, the valuation by external appraiser, and many other parameters, so as to examine the rationalisation the fair value of third level financial instruments. The Group has established an internal control system to supervise the exposure of the Group to such financial instruments.

For certain unlisted equity (private equity), asset management plans and defaulted bonds held by the Group, the management obtains valuation quotation from counterparties or uses valuation techniques to determine the fair value, including discounted cash flow analysis, and market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have a significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as Level 3. As at June 30, 2025 and December 31, 2024, the Group's significant unobservable inputs include liquidity discounts, comparable company price-to-book ratio, recovery rate and book value per Share. Management determines whether to make necessary adjustments to the fair value for the Group's Level 3 financial instruments by assessing the impact of changes in macro-economic factors, and valuations by external valuation agencies. The Group has established internal control system to control the Group's exposure to such financial instruments.

As at June 30, 2025 and December 31, 2024, a 5% increase or decrease in the liquidity discounts, comparable company price-to-book ratio and book value per Share applied in the valuation technique would not have a material impact on the results of fair value measurement.

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair values of financial assets and liabilities *(Continued)*

(c) Fair value hierarchy (Continued)

Fair values of assets and liabilities are as below:

As at June 30, 2025	Level 1	Level 2	Level 3	Total
Loans and advances to customers – fair value through other comprehensive income	–	5,588,207	–	5,588,207
Financial investments – fair value through profit or loss				
– Asset management plans	–	–	132,936	132,936
– Debt securities	–	5,749,554	–	5,749,554
– Wealth management products	–	–	–	–
– Unlisted stocks	–	–	34,589	34,589
– Funds	–	1,376,593	–	1,376,593
Financial investments – fair value through other comprehensive income				
– Debt securities	–	15,893,101	56,342	15,949,443
– Interbank certificates of deposit	–	5,406,038	–	5,406,038
Total	–	34,013,493	223,867	34,237,360
As at December 31, 2024	Level 1	Level 2	Level 3	Total
Loans and advances to customers – fair value through other comprehensive income	–	7,326,020	–	7,326,020
Financial investments – fair value through profit or loss				
– Asset management plans	–	–	133,136	133,136
– Debt securities	–	4,530,042	–	4,530,042
– Wealth management products	–	–	–	–
– Unlisted stocks	–	–	35,375	35,375
– Funds	–	1,541,252	–	1,541,252
Financial investments – fair value through other comprehensive income				
– Debt securities	–	14,642,218	56,342	14,698,560
– Interbank certificates of deposit	–	7,783,982	–	7,783,982
Total	–	35,823,514	224,853	36,048,367

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair values of financial assets and liabilities *(Continued)*

(c) Fair value hierarchy (Continued)

Specific valuation techniques used to value financial instruments include: Quoted market prices or dealer quotes for similar instruments. Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Movement of Level-3 valuation

	Financial investments
Balance at January 1, 2025	224,853
Total gains or losses	
– Gains or losses	(986)
– Other comprehensive income	–
Increase of level 3	–
Decrease of level 3	–
Balance at June 30, 2025	223,867
	Financial investments
Balance at January 1, 2024	328,984
Total gains or losses	
– Gains or losses	(80,228)
– Other comprehensive income	(10,794)
Increase of level 3	19,081
Decrease of level 3	(32,190)
Balance at December 31, 2024	224,853

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.6 Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are to comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operate; to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for Shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the development of its business.

Capital adequacy ratio and the use of regulatory capital are monitored by the Group's management based on the guidelines implemented by the former CBIRC, for supervisory purposes. The required information is filed with the National Financial Regulatory Administration on a quarterly basis.

The Group calculated the capital adequacy ratio as at June 30, 2025 and December 31, 2024 in accordance with the Measures for the Administration of Capital of Commercial Banks issued by the NFRA, which has been applied from January 1, 2024. According to the rules mentioned above, the Group calculated the credit risk-weighted assets measurement by the weighted method, market risk-weighted assets measurement by the simplified standard method, and operation risk-weighted assets measurement by the basic indicator method. As a second-tier commercial Bank, the Group's capital adequacy ratios are required to meet the lowest requirement of the National Financial Regulatory Administration, that is, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should be no less than 7.50%, 8.50% and 10.50%, respectively.

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.6 Capital management *(Continued)*

The capital adequacy ratio as at June 30, 2025 and December 31, 2024 is as follows:

	As at June 30, 2025	As at December 31, 2024
Core tier 1 capital	9,836,339	9,878,698
Core tier 1 capital deductions	(407,275)	(286,138)
Net core tier 1 capital	<u>9,429,064</u>	<u>9,592,561</u>
Other tier 1 capital	25,272	24,147
Net tier 1 capital	<u>9,454,336</u>	<u>9,616,708</u>
Tier 2 capital	911,516	927,273
Net capital	<u>10,365,852</u>	<u>10,543,981</u>
Total risk-weighted assets	<u>76,403,057</u>	<u>76,058,456</u>
Core tier 1 capital adequacy ratio	<u>12.34%</u>	12.61%
Tier 1 capital adequacy ratio	<u>12.37%</u>	12.64%
Capital adequacy ratio	<u>13.57%</u>	13.86%

3.7 Fiduciary activities

The capitals are provided by the principal, and the Bank issues loans on behalf of the principal, assists in supervising the use and assists in recovering the loans according to the borrower, purpose and amount determined by the principal.

	As at June 30, 2025	As at December 31, 2024
Entrusted loans	<u>22,370,739</u>	<u>21,048,321</u>

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of the condensed interim financial information involves the use of significant accounting estimates, as well as judgments made by management in applying the Group's accounting policies.

The key sources of uncertainty relating to the significant judgments and estimates made by management when applying the Group's accounting policies in preparing this condensed interim financial information are the same as those adopted in the Group's 2024 annual financial statements.

5 NET INTEREST INCOME

	For the Six months ended June 30	
	2025	2024
Interest income		
Deposits with central Bank	37,883	32,847
Financial assets held under resale agreements, due from other banks and other financial institutions	37,977	45,787
Loans and advances to customers	1,538,400	1,410,809
Financial investments	372,955	369,269
Subtotal	1,987,215	1,858,712
Interest expense		
Borrowings from central Bank	(18,727)	(19,762)
Financial assets sold under repurchase agreements, due to other banks and other financial institutions	(56,525)	(72,506)
Customer deposits	(960,288)	(909,818)
Bonds issued	(16,764)	(28,485)
Others	–	(303)
Subtotal	(1,052,304)	(1,030,874)
Net interest income	934,911	827,838

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

6 NET FEE AND COMMISSION INCOME

	For the Six months ended June 30	
	2025	2024
Fee and commission income		
Commission income from settlement and agency services	7,335	7,687
Commission income from Bank card services	738	696
Commission income from wealth management agency service (Note 33(a)(ii))	4,636	28,401
Other commission income	15,844	16,951
Subtotal	28,553	53,735
Fee and commission expense		
Commission expense from settlement and agency services	(17,446)	(15,399)
Other commission expense	(1,529)	(1,401)
Subtotal	(18,975)	(16,800)
Net fee and commission income	9,578	36,935

7 NET GAINS/(LOSSES) ON TRADING ACTIVITIES

	For the Six months ended June 30	
	2025	2024
Debt securities	63,842	141,804
Funds	3,694	14,426
Asset management plans	(200)	(27,171)
Unlisted stocks	(786)	(1,603)
Wealth management products	—	2,497
Total	66,550	129,953

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

8 NET GAINS ON FINANCIAL INVESTMENTS

	For the Six months ended June 30	
	2025	2024
Net gains arising from financial assets at fair value through other comprehensive income	129,716	69,804

9 OTHER OPERATING INCOME

	For the Six months ended June 30	
	2025	2024
Rental income	4,234	4,564
Net (losses)/gains on disposal of property, plant and equipment	–	917
Government grants	8,030	6,603
Net exchange gain or loss	17,676	–
Net amount of other miscellaneous items	(2,750)	1,339
Total	27,190	13,423

10 OPERATING EXPENSES

	For the Six months ended June 30	
	2025	2024
Staff costs (i)	195,803	190,733
General and administrative expenses	100,786	100,970
Professional fees	2,354	2,618
Listing expenses	–	468
Auditors' remuneration		
– Audit service	1,251	223
– Non-audit service	214	91
Depreciation and amortisation	26,936	31,832
Technical service fees	10,427	9,886
Tax and surcharges	13,933	12,854
Total	351,704	349,675

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

10 OPERATING EXPENSES *(Continued)*

(i) Staff costs

	For the Six months ended June 30	
	2025	2024
Wages and salaries, bonus, allowance and subsidies	137,535	131,096
Staff welfare	5,831	6,975
Social security contributions	26,571	25,071
Labour union funds and employee education funds	3,070	3,225
Defined contribution benefits	23,054	22,746
Supplementary retirement benefits	(258)	1,620
Total	195,803	190,733

11 EXPECTED CREDIT LOSSES

	For the Six months ended June 30	
	2025	2024
Loans and advances to customers at amortised cost (Note 16(b))	475,983	285,095
Loans and advances to customers – fair value through other comprehensive income (Note 16(a))	(514)	2,794
Off-balance-sheet items	(83,495)	9,381
Financial assets held under resale agreements, due from other banks and other financial institutions (Note 15)	64,097	22,875
Financial investments – amortised cost (Note 19(b))	21,788	6
Financial investments – fair value through other comprehensive income (Note 18(a))	(1,537)	32,997
Other financial assets	(15,117)	28,148
Total	461,205	381,296

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

12 INCOME TAX EXPENSE

	For the Six months ended June 30	
	2025	2024
Current income tax	147,666	141,080
Deferred income tax (Note 22)	(83,410)	(55,930)
Total	64,256	85,150

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

The difference between the income tax expense and the amounts which would result from applying the enacted tax rate of 25% to profit before income tax can be reconciled as follows:

	For the Six months ended June 30	
	2025	2024
Profit before income tax	355,036	346,982
Tax calculated at a tax rate of 25%	88,759	86,746
Tax implications of tax – exempt income (a)	(50,506)	(44,726)
Tax effect of expenses that are not deductible for tax purposes (b)	6,208	1,687
Tax effect of recovery of loans that were deducted in previous years	6,990	5,730
Impact of unrecognized deferred tax assets on deductible temporary differences or tax losses	7,250	20,000
Prior period current tax adjustments	5,555	15,713
Income tax expense	64,256	85,150

- (a) The Group's tax-exempt income mainly represents income arising from government bonds and monetary funds which is non-taxable in accordance with the PRC tax laws.
- (b) The Group's expenses that are not tax deductible for tax purposes mainly represent asset impairment losses that do not meet the requirements for pre-tax deduction under applicable income tax regulations, non-public welfare donation expenses, staff cost and entertainment expenses, which exceed the tax deductible limits pursuant to the PRC tax laws.

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13 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per Share

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

	For the Six months ended June 30	
	2025	2024
Net profit attributable to Shareholders of the Bank (RMB'000)	284,500	284,249
Weighted average number of ordinary Shares issued (thousand Shares)	3,900,000	3,900,000
Basic earnings per Share (in RMB)	0.07	0.07

As of June 30, 2025, the Bank had received additional capital contributions totaling RMB1,586,197 thousand, which should result in the issuance of 688,400 thousand new shares. As the registered capital of our bank is currently undergoing the change process, the current financial statements continue to present the share capital of RMB3,900,000 thousand as recorded at the end of 2024. The basic earnings per share, calculated based on the actual number of 4,588,400 thousand shares, amount to RMB0.06 per share.

(b) Diluted earnings per Share

	For the Six months ended June 30	
	2025	2024
Net profit attributable to Shareholders of the Bank (RMB'000)	284,500	284,249
Weighted average number of ordinary Shares issued (thousand Shares)	3,900,000	3,900,000
Potentially diluted weighted average of common shares (thousand shares)	573,667	–
Diluted earnings per Share (in RMB)	0.06	0.07

For the six months ended June 30, 2025, 688,400 thousand H shares of the Bank that have been issued are regarded as potentially diluted ordinary shares and are taken into account in the calculation of diluted earnings per share. For the six months ended June 30, 2024, the Bank had no potential diluted ordinary shares, so diluted earnings per share were the same as basic earnings per share.

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

14 CASH AND BALANCES WITH CENTRAL BANK

	As at June 30, 2025	As at December 31, 2024
Cash	117,458	117,750
Mandatory reserve deposits with central Bank	4,456,523	4,109,715
Surplus reserve deposits with central Bank	1,967,245	2,973,826
Fiscal deposits with central Bank	3,915	114,585
Accrued interest	2,613	2,645
Total	6,547,754	7,318,521

The Group is required to place mandatory reserve deposits with central Bank. The deposits are calculated based on the amount of deposits placed with the Group by its customers.

	As at June 30, 2025 %	As at December 31, 2024 %
Mandatory reserve rate for deposits denominated in RMB		
– The Bank	5.00	5.00
– Xinglong Bank and Xingyi Bank	5.00	5.00

Mandatory reserve deposits with central Bank are not available for use by the Group in its day-to-day operations.

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

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

15 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS, DUE FROM OTHER BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at June 30, 2025	As at December 31, 2024
Deposits with domestic banks and other financial institutions	2,576,365	1,853,710
Placements with domestic banks and other financial institutions	1,976,667	2,276,667
Financial assets held under resale agreements	569,207	1,112,921
Accrued interest	10,458	5,181
Less: ECL allowance	(324,084)	(259,987)
Total	4,808,613	4,988,492

As at June 30, 2025 and December 31, 2024, the Group's collateral for financial assets held under resale agreements are all bonds.

As at June 30, 2025 and December 31, 2024, the Group did not use financial assets held under resale agreements as pledged assets for repurchase agreements with other financial institutions. The collateral received by the Group under resale agreements is presented in Note 35.

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis of loans and advances to customers by measurement category

	As at June 30, 2025	As at December 31, 2024
Loans and advances to customers at amortised cost		
– Corporate loans	55,321,285	48,558,373
– Personal loans	4,743,405	4,882,024
Accrued interest	388,737	303,575
Total loans and advances to customers at amortised cost	60,453,427	53,743,972
Less: ECL allowance	(2,950,519)	(2,626,182)
Net loans and advances to customers at amortised cost	57,502,908	51,117,790
Loans and advances to customers at fair value through other comprehensive income		
– Discounted bills	1,251,501	948,831
– Rediscounted bills	4,336,706	6,377,189
Net loans and advances to customers	63,091,115	58,443,810

The ECL allowance of loans and advances to customers at fair value through other comprehensive income of the Group are shown as follows, and were credited to other comprehensive income.

	As at June 30, 2025	As at December 31, 2024
ECL allowance of loans and advances to customers at fair value through other comprehensive income	2,709	3,223

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16 LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

(b) Movements of ECL allowance

Loans and advances to customers at amortised cost

Corporate Loans	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance as at January 1, 2025	1,427,251	352,731	714,457	2,494,439
Financial assets transferred out or settled during the period	(285,021)	(29,506)	(36,304)	(350,831)
New financial assets originated or purchased	452,250	–	–	452,250
Remeasurement	118,738	128,586	107,111	354,435
Written-off and transferred	–	–	(169,201)	(169,201)
Recovery of loans and advances written-off	–	–	18,488	18,488
Changes of ECL arising from transfer of stages:				
– Transfer to Stage 1	1,345	(1,345)	–	–
– Transfer to Stage 2	(45,885)	45,885	–	–
– Transfer to Stage 3	(1,908)	(38,732)	40,640	–
Loss allowance as at June 30, 2025	1,666,770	457,619	675,191	2,799,580
Personal Loans	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance as at January 1, 2025	22,014	20,099	89,630	131,743
Financial assets transferred out or settled during the period	(8,333)	(7,267)	(16,852)	(32,452)
New financial assets originated or purchased	11,417	–	–	11,417
Remeasurement	63	15,416	25,685	41,164
Written-off and transferred	–	–	(9,977)	(9,977)
Recovery of loans and advances written-off	–	–	9,044	9,044
Changes of ECL arising from transfer of stages:				
– Transfer to Stage 1	558	(558)	–	–
– Transfer to Stage 2	(3,708)	4,014	(306)	–
– Transfer to Stage 3	(764)	(3,571)	4,335	–
Loss allowance as at June 30, 2025	21,247	28,133	101,559	150,939

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

(b) Movements of ECL allowance *(Continued)*

Loans and advances to customers at amortised cost *(Continued)*

Corporate Loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2024	1,134,209	280,010	772,623	2,186,842
Financial assets transferred out or settled during the period	(395,186)	(50,987)	(103,481)	(549,654)
New financial assets originated or purchased	714,340	–	–	714,340
Remeasurement	60,791	219,790	323,117	603,698
Written-off and transferred	–	–	(604,069)	(604,069)
Recovery of loans and advances written-off	–	–	143,282	143,282
Changes of ECL arising from transfer of stages:				
– Transfer to Stage 1	5,797	(5,797)	–	–
– Transfer to Stage 2	(75,976)	88,854	(12,878)	–
– Transfer to Stage 3	(16,724)	(179,139)	195,863	–
Loss allowance as at December 31, 2024	1,427,251	352,731	714,457	2,494,439
Personal Loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2024	28,284	20,088	133,103	181,475
Financial assets transferred out or settled during the period	(13,814)	(6,123)	(24,507)	(44,444)
New financial assets originated or purchased	14,669	–	–	14,669
Remeasurement	(7,571)	15,760	24,004	32,193
Written-off and transferred	–	–	(84,051)	(84,051)
Recovery of loans and advances written-off	–	–	31,901	31,901
Changes of ECL arising from transfer of stages:				
– Transfer to Stage 1	4,964	(4,196)	(768)	–
– Transfer to Stage 2	(1,148)	1,255	(107)	–
– Transfer to Stage 3	(3,370)	(6,685)	10,055	–
Loss allowance as at December 31, 2024	22,014	20,099	89,630	131,743

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17 FINANCIAL INVESTMENTS – FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2025	As at December 31, 2024
Financial assets – fair value through profit or loss		
– Asset management plans	132,936	133,136
– Debt securities (a)	5,749,554	4,530,042
– Unlisted stocks	34,589	35,375
– Funds	1,376,593	1,541,252
Total	7,293,672	6,239,805

(a) Debt securities

	As at June 30, 2025	As at December 31, 2024
Governments	979,302	641,066
Financial institutions	3,347,049	1,848,979
Corporates	1,423,203	2,039,997
Total	5,749,554	4,530,042

18 FINANCIAL INVESTMENTS – FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at June 30, 2025	As at December 31, 2024
Debt securities issued by:		
– Governments	7,039,707	7,943,792
– Financial institutions	8,219,054	6,089,214
– Corporates	526,661	484,800
Interbank certificates of deposit	5,406,038	7,783,982
Accrued interest	164,021	180,754
Total	21,355,481	22,482,542

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

(a) Movements of ECL allowance

	12-month ECL for stage 1	Lifetime ECL for stage 2	Lifetime ECL for stage 3	Total
As at January 1, 2025	6,151	153	320,048	326,352
Originated or purchased	1,368	–	–	1,368
Repayment and transfer out	(2,613)	–	–	(2,613)
Remeasurement	(285)	(7)	–	(292)
Net transfers in:				
– Stage 1	–	–	–	–
– Stage 2	–	–	–	–
– Stage 3	–	–	–	–
As at June 30, 2025	4,621	146	320,048	324,815
As at January 1, 2024	3,892	12,268	289,939	306,099
Originated or purchased	5,058	–	–	5,058
Repayment and transfer out	(3,353)	(5,971)	–	(9,324)
Remeasurement	(5,163)	(427)	30,109	24,519
Net transfers in:				
– Stage 1	5,717	(5,717)	–	–
– Stage 2	–	–	–	–
– Stage 3	–	–	–	–
As at December 31, 2024	6,151	153	320,048	326,352

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19 FINANCIAL INVESTMENTS – AMORTISED COST

	As at June 30, 2025	As at December 31, 2024
Debt securities (a)		
– Listed outside Hong Kong	7,907,299	7,584,851
Trust plans	69,952	69,952
Accrued interest	96,592	112,484
Less: ECL allowance (b)	(31,001)	(9,213)
Total	8,042,842	7,758,074

(a) Debt securities

	As at June 30, 2025	As at December 31, 2024
Issued by:		
– Governments	4,988,443	4,757,964
– Financial institutions	2,173,393	2,034,204
– Corporates	745,463	792,683
Total	7,907,299	7,584,851

The debt securities that the Group invested were all government bonds, provincial government debts, China Development Bank and policy Bank debts.

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19 FINANCIAL INVESTMENTS – AMORTISED COST *(Continued)*

(b) Movements of ECL allowance:

	12-month ECL for stage 1	Lifetime ECL for stage 2	Lifetime ECL for stage 3	Total
As at January 1, 2025	3,561	5,652	–	9,213
Originated or purchased	–	–	–	–
Repayment and transfer out	–	–	–	–
Remeasurement	(362)	–	22,150	21,788
Net transfers in:				
– Stage 1	–	–	–	–
– Stage 2	–	–	–	–
– Stage 3	–	(5,652)	5,652	–
As at June 30, 2025	3,199	–	27,802	31,001
As at January 1, 2024	40	–	–	40
Originated or purchased	6,606	–	–	6,606
Repayment and transfer out	–	–	–	–
Remeasurement	2,567	–	–	2,567
Net transfers in:				
– Stage 1	(5,652)	5,652	–	–
– Stage 2	–	–	–	–
– Stage 3	–	–	–	–
As at December 31, 2024	3,561	5,652	–	9,213

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20 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
Cost						
As at January 1, 2025	340,928	11,148	174,949	35,589	33,091	595,705
Addition	44,248	–	4,337	852	3,993	53,430
Disposal and transfer out	–	–	(118)	(56)	(35,465)	(35,639)
As at June 30, 2025	385,176	11,148	179,168	36,385	1,619	613,496
Accumulated depreciation						
As at January 1, 2025	(129,980)	(9,414)	(139,929)	(31,203)	–	(310,526)
Charge for the period	(11,969)	(382)	(5,818)	(1,030)	–	(19,199)
Disposal and transfer out	–	–	118	56	–	174
As at June 30, 2025	(141,949)	(9,796)	(145,629)	(32,177)	–	(329,551)
Impairment losses						
As at January 1, 2025	(268)	–	–	–	–	(268)
Charge for the period	–	–	–	–	–	–
Disposal and transfer out	–	–	–	–	–	–
As at June 30, 2025	(268)	–	–	–	–	(268)
Net book value						
As at June 30, 2025	242,959	1,352	33,539	4,208	1,619	283,677

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20 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
Cost						
As at January 1, 2024	400,356	11,188	157,920	31,756	26,285	627,505
Addition	766	540	18,216	5,509	6,806	31,837
Disposal and transfer out	(60,194)	(580)	(1,187)	(1,676)	–	(63,637)
As at December 31, 2024	340,928	11,148	174,949	35,589	33,091	595,705
Accumulated depreciation						
As at January 1, 2024	(122,624)	(9,305)	(130,980)	(28,295)	–	(291,204)
Charge for the period	(17,950)	(689)	(10,134)	(4,347)	–	(33,120)
Disposal and transfer out	10,594	580	1,185	1,439	–	13,798
As at December 31, 2024	(129,980)	(9,414)	(139,929)	(31,203)	–	(310,526)
Impairment losses						
As at January 1, 2024	(1,069)	–	–	–	–	(1,069)
Charge for the period	–	–	–	–	–	–
Disposal and transfer out	801	–	–	–	–	801
As at December 31, 2024	(268)	–	–	–	–	(268)
Net book value						
As at December 31, 2024	210,680	1,734	35,020	4,386	33,091	284,911

As at June 30, 2025 and December 31, 2024, the net amount of buildings, for which registrations for the property ownership certificates had not been completed, were RMB7,905 thousand and RMB8,444 thousand respectively. However, such registration process does not have material effect on the rights of the Group to these assets. None of the land or property the Group owned is located in Hong Kong.

Interim Financial Information

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

21 LEASE

	Property	Equipment	Total
Right-of-use assets			
Cost			
As at January 1, 2025	53,963	–	53,963
Increase	1,761	–	1,761
Decrease	–	–	–
As at June 30, 2025	55,724	–	55,724
Accumulated depreciation			
As at January 1, 2025	(22,566)	–	(22,566)
Increase	(5,374)	–	(5,374)
Decrease	–	–	–
As at June 30, 2025	(27,940)	–	(27,940)
Net book value			
As at June 30, 2025	27,784	–	27,784
Lease liabilities			
Net book value			
As at June 30, 2025	(25,583)	–	(25,583)

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

21 LEASE *(Continued)*

	Property	Equipment	Total
Right-of-use assets			
Cost			
As at January 1, 2024	95,775	129	95,904
Increase	14,048	–	14,048
Decrease	(55,860)	(129)	(55,989)
As at December 31, 2024	53,963	–	53,963
Accumulated depreciation			
As at January 1, 2024	(63,601)	(129)	(63,730)
Increase	(11,043)	–	(11,043)
Decrease	52,078	129	52,207
As at December 31, 2024	(22,566)	–	(22,566)
Net book value			
As at December 31, 2024	31,397	–	31,397
Lease liabilities			
Net book value			
As at December 31, 2024	(28,766)	–	(28,766)

22 DEFERRED TAX ASSETS

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using an effective tax rate of 25% as of June 30, 2025 and December 31, 2024 for transactions in the PRC. Movements in the deferred income tax account are as follows:

	As at June 30, 2025	As at December 31, 2024
Balance at the beginning of the period	1,237,353	1,114,600
Charge to profit or loss (Note 12)	83,410	201,412
Changes in ECL allowance for debt instrument investments at FVOCI (Note 31(c))	513	(4,355)
Remeasurement of retirement benefit obligations (Note 31(c))	74	378
Fair value changes of financial investments – FVOCI (Note 31(c))	34,725	(74,682)
Balance at the end of the period	1,356,075	1,237,353

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

22 DEFERRED TAX ASSETS *(Continued)*

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

	As at June 30, 2025		As at December 31, 2024	
	Temporary differences	Deferred income tax assets/(liabilities)	Temporary differences	Deferred income tax assets/(liabilities)
Deferred tax assets				
ECL allowance of loans and advances to customers and financial investments	4,826,837	1,206,710	4,376,154	1,094,039
ECL allowance of financial assets held under resale agreements, due from other banks and other financial institutions (Note 15)	324,084	81,021	259,987	64,997
Employee benefits payable	54,857	13,714	80,502	20,126
Fair value changes of financial investments – FVTPL	45,258	11,314	59,292	14,823
Allowance for impairment losses of foreclosed assets (Note 23(c))	14,482	3,620	14,482	3,620
Lease liabilities	25,848	6,462	29,264	7,316
Others	226,034	56,508	365,583	91,395
Subtotal	5,517,400	1,379,349	5,185,264	1,296,316
Deferred tax liabilities				
Financial investment – changes in fair value measured at fair value and included in other comprehensive income	(65,064)	(16,265)	(203,963)	(50,991)
Right-of-use assets	(28,036)	(7,009)	(31,889)	(7,972)
Subtotal	(93,100)	(23,274)	(235,852)	(58,963)
Total	5,424,300	1,356,075	4,949,412	1,237,353

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

23 OTHER ASSETS

	As at June 30, 2025	As at December 31, 2024
Interest receivable (a)	3,273	4,209
Intangible assets	31,667	33,322
Other receivables	96,023	92,133
Less: ECL allowance	(38,465)	(34,962)
Listing expenses to be capitalized	32,007	26,000
Foreclosed assets (b)	230,791	220,693
Less: Impairment (c)	(14,482)	(14,482)
Long-term deferred expenses	14,573	13,088
Investment properties (d)	49,173	52,158
Others	18,525	28,329
Total	423,085	420,488

(a) Interest receivable

	As at June 30, 2025	As at December 31, 2024
Loans and advances to customers	4,726	24,257
Less: ECL allowance	(1,453)	(20,048)
Total	3,273	4,209

(b) Foreclosed assets

	Properties and plants	Others	Total
As at January 1, 2025	220,358	335	220,693
Increase	10,098	–	10,098
Disposal	–	–	–
As at June 30, 2025	230,456	335	230,791
As at January 1, 2024	83,681	335	84,016
Increase	136,677	–	136,677
Disposal	–	–	–
As at December 31, 2024	220,358	335	220,693

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

23 OTHER ASSETS *(Continued)*

(c) Impairment

	Properties and plants	Others	Total
As at January 1, 2025	14,472	10	14,482
Addition	–	–	–
Reversal	–	–	–
Disposal	–	–	–
As at June 30, 2025	14,472	10	14,482
As at January 1, 2024	14,472	10	14,482
Addition	–	–	–
Reversal	–	–	–
Disposal	–	–	–
As at December 31, 2024	14,472	10	14,482

As of June 30, 2025 and December 31, 2024, the net amount of foreclosed assets for which the property title registration has not been completed was RMB147,031 thousand and RMB105,487 thousand, respectively. However, the registration process does not significantly affect the Group's rights to these assets. Neither the land nor the properties owned by the Group are located in Hong Kong.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

23 OTHER ASSETS *(Continued)*

(d) Investment properties

	As at June 30, 2025	As at December 31, 2024
Cost		
Opening balance	107,610	251,484
Addition	–	–
Disposal and transfer out	<u>(6,412)</u>	<u>(143,874)</u>
Ending balance	<u>101,198</u>	<u>107,610</u>
Accumulated depreciation		
Opening balance	(55,372)	(69,051)
Depreciation	(1,792)	(3,504)
Disposal and transfer out	<u>5,219</u>	<u>17,183</u>
Ending balance	<u>(51,945)</u>	<u>(55,372)</u>
Impairment losses		
Opening balance	(80)	(4,556)
Addition	–	–
Disposal and transfer out	<u>–</u>	<u>4,476</u>
Ending balance	<u>(80)</u>	<u>(80)</u>
Net book value		
Ending balance	<u>49,173</u>	<u>52,158</u>

As of June 30, 2025 and December 31, 2024, the net amount of investment properties for which the property title registration has not been completed was RMB683 thousand and RMB705 thousand, respectively. However, the registration process does not significantly affect the Group's rights to these assets. The remaining lease terms of the land or properties owned by the Group are short-term leases, and none of such land or properties are located in Hong Kong.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

24 BORROWINGS FROM CENTRAL BANK

	As at June 30, 2025	As at December 31, 2024
Borrowings from central Bank	2,121,057	2,265,054
Accrued interest	968	1,192
Total	2,122,025	2,266,246

25 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS, DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	As at June 30, 2025	As at December 31, 2024
Deposits from other banks and financial institutions	995,247	1,015,983
Placements from other banks and financial institutions	1,310,000	2,594,000
Financial assets sold under repurchase agreements	2,424,928	5,718,980
Accrued interest	17,853	11,709
Total	4,748,028	9,340,672

26 CUSTOMER DEPOSITS

	As at June 30, 2025	As at December 31, 2024
Corporate deposits		
– Demand	19,126,257	17,777,390
– Time	24,498,478	22,811,433
Subtotal	43,624,735	40,588,823
Personal deposits		
– Demand	5,278,128	5,430,277
– Time	40,705,751	36,171,850
Subtotal	45,983,879	41,602,127
Accrued interest	2,617,720	2,326,961
Total	92,226,334	84,517,911

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

27 BONDS ISSUED

	As at June 30, 2025	As at December 31, 2024
Interbank certificates of deposit	<u>1,344,866</u>	<u>2,028,101</u>

Interbank certificates of deposit are as follows:

	As at June 30, 2025	As at December 31, 2024
Reference annualized rates of return	2.00%-2.15%	1.85%-2.15%
Original maturity	<u>12 months</u>	<u>3 to 12 months</u>

As at June 30, 2025 and December 31, 2024, the Group and the Bank did not have any overdue principal and interest on interbank certificates of deposit or other defaults.

28 TAXES PAYABLE

	As at June 30, 2025	As at December 31, 2024
Income tax	101,680	201,433
VAT and others	<u>51,698</u>	<u>55,711</u>
Total	<u>153,378</u>	<u>257,144</u>

29 OTHER LIABILITIES

	As at June 30, 2025	As at December 31, 2024
Employee benefits payable (a)	171,087	197,000
Dividends payables	245,138	15,718
Settlement and clearance payables	1,922,883	157,092
Other payables	93,405	90,861
Accrued liabilities	48,085	131,564
Others	<u>201,572</u>	<u>202,029</u>
Total	<u>2,682,170</u>	<u>794,264</u>

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

29 OTHER LIABILITIES *(Continued)*

(a) Employee benefits payable

	As at June 30, 2025	As at December 31, 2024
Short-term employee benefits	118,693	149,167
Defined contribution benefits	6,325	100
Supplementary retirement benefits	46,069	47,733
Total	171,087	197,000

30 SHARE CAPITAL AND CAPITAL RESERVE

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

	As at June 30, 2025	As at December 31, 2024
Number of Shares (Thousands of shares)	3,900,000	3,900,000

The movement of Share capital is as follows:

	As at June 30, 2025	As at December 31, 2024
Balance at the beginning of the period	3,900,000	3,900,000
Contribution of Shareholders	—	—
Share dividends	—	—
Balance at the end of the period	3,900,000	3,900,000

The Bank's H shares were listed on the Main Board of the Hong Kong Stock Exchange on January 13, 2025. A total of 688,400 thousand H shares were issued through the global offering. The funds raised from this issuance amounted to RMB1,645,811 thousand. After the issuance, the number of shares will be changed to 4,588,400 thousand, and the capital reserve will increase by RMB897,797 thousand. As of June 30, 2025, as the registered capital of our bank is currently undergoing the change process, the equity in the current period's financial statements is still presented based on the share capital of RMB3,900,000 thousand at the end of 2024.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

30 SHARE CAPITAL AND CAPITAL RESERVE *(Continued)*

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

- (a) Share premium arising from the issue of Shares at prices in excess of their par value;
- (b) Deemed contributions received from the Shareholders;
- (c) Amount in excess of the book value of non-performing assets purchased by the Shareholders;
- (d) Any other items required by the PRC regulations to be so treated.

Capital reserve can be utilised for the issuance of bonus Shares or for increasing paid-in capital as approved by the Shareholders.

As at June 30, 2025 and December 31, 2024, the Group's capital reserve is shown as follows:

	As at June 30, 2025	As at December 31, 2024
Capital reserve	<u>3,512,784</u>	<u>3,512,784</u>

31 OTHER RESERVES

(a) Surplus reserve

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

(b) General reserve

The Group follows the Administrative Measures for the Provisioning for Reserves of Financial Enterprises (Financial [2012]20) issued by the Ministry of Finance. According to the requirements, the general reserve should not be lower than 1.5% of the period end risk assets. Besides, if there is difficulty reaching the 1.5% threshold, they are allowed to gradually meet the requirement over no more than 5 years.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

31 OTHER RESERVES *(Continued)*

(c) Other comprehensive income

	Gross amount	Taxation effect	Net carrying amount
As at January 1, 2025	529,886	(132,471)	397,415
Items that may not be reclassified subsequently to profit or loss:			
Changes in remeasurement of defined benefit plans	(294)	74	(220)
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of debt instrument investments at FVOCI	(138,889)	34,722	(104,167)
Changes in credit impairment losses for debt instrument investments at FVOCI	(1,997)	499	(1,498)
As at June 30, 2025	388,706	(97,176)	291,530
	Gross amount	Taxation effect	Net carrying amount
As at January 1, 2024	215,303	(53,826)	161,477
Items that may not be reclassified subsequently to profit or loss:			
Changes in remeasurement of defined benefit plans	(1,510)	378	(1,132)
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of debt instrument investments at FVOCI	157,538	(39,385)	118,153
Changes in credit impairment losses for debt instrument investments at FVOCI	35,791	(8,947)	26,844
As at at June 30, 2024	407,121	(101,779)	305,342

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

32 DIVIDENDS

The Group and the Bank

	As at June 30, 2025	As at December 31, 2024
Dividend declared during the period	229,420	78,000
Dividend per Share (in RMB)	0.0500	0.0200

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

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

The Bank approved its profit distribution plan for 2024 at its 38th annual general meeting held on June 26, 2025, based on 4,588,400 thousand ordinary shares, with a distribution of RMB0.05 per share (including tax) accordingly, The Bank will distribute a total of RMB229,420 thousand (including tax) in cash dividends to ordinary shareholders from retained earnings. As of June 30, 2025, dividends that have not been paid have been recognized as dividends payable.

The Bank did not declare and has no plan to declare an interim dividend for the six-month period ending June 30, 2025.

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

33 STRUCTURED ENTITY

(a) Unconsolidated structured entity

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

The unconsolidated structure entities managed by the Group are mainly 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 designs and sells wealth management products to specific targeted clients, and the raised funds are then put into related financial market or invested in related financial products according to the product contracts. The Group, as the asset manager, received corresponding fee and commission income of RMB4,636 thousand for the six months ended June 30, 2025 and RMB28,401 thousand for the six months ended June 30, 2024 (Note 6). As of June 30, 2025 and December 31, 2024, the Group did not provide any liquidity support to wealth management products.

The Group issues and manages unsecured wealth management products to investors. The funds raised from the investors are mainly invested in the open market bonds and money market instruments.

The Group assesses its control on the unsecured wealth management products. The Group takes a fiduciary role on these wealth management products and has no contractual obligation to repay the principal or interest. The risk exposure of the products is mainly from the fluctuation of the expected return of the bonds market and money market performance. The risk of loss is borne by the investors. The Group earns fees and commission income from the products.

As at June 30, 2025 and December 31, 2024, the balance of unconsolidated wealth management products managed by the Group was RMB2,206,154 thousand and RMB3,074,190 thousand, respectively.

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

To make better use of capital for profit, the Group invested in structured entities, including funds and asset management plans issued and managed by independent third parties. The Group classified the unconsolidated structured entities as financial investments-FVTPL and financial investments – amortized cost.

The table below lists the book value and maximum loss risk exposure of the assets due to the holdings of profits from unconsolidated structured entities.

As at June 30, 2025	Maximum	
	Book value	risk exposure
Financial investments – fair value through profit or loss	1,509,529	1,509,529
Financial investments – amortized cost	41,329	41,329

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

33 STRUCTURED ENTITY *(Continued)*

(a) Unconsolidated structured entity *(Continued)*

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

As at December 31, 2024	Book value	Maximum risk exposure
Financial investments – fair value through profit or loss	1,674,388	1,674,388
Financial investments – amortized cost	<u>63,381</u>	<u>63,381</u>

As at June 30, 2025 and December 31, 2024, the Group had not provided any financial or other support plan to unconsolidated structured entities.

The income from the above unconsolidated structured entities was:

	For the six months ended June 30,	
	2025	2024
Net gains/(losses) on trading activities	3,494	(10,248)
Interest income	<u>528</u>	<u>–</u>

(b) Consolidated structured entity

The consolidated structured entities are mainly asset management plans controlled by the Group.

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

(a) Financial guarantees and credit related commitments

The following tables indicate the financial guarantee amounts which the Group commits to extend to customers:

	As at June 30, 2025	As at December 31, 2024
Bank acceptance	4,504,563	9,315,841
Letters of guarantees	<u>39,399</u>	<u>67,827</u>
Total	<u>4,543,962</u>	<u>9,383,668</u>

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

34 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

(b) Capital expenditure commitments

	As at June 30, 2025	As at December 31, 2024
Properties and equipment		
Contracted but not paid	<u>403,725</u>	<u>403,368</u>

(c) Legal proceedings

The Bank may from time to time be involved in various claims and litigations in the ordinary course of its business, mainly including disputes over financial loan contracts, contractual disputes or bond transactions disputes initiated by the Bank against borrowers, guarantors and bond issuers. During the reporting period up to the last practicable date, the Bank has not been a defendant or co – defendant in any material pending litigation.

35 COLLATERALS

(a) Assets pledged

As at June 30, 2025 and December 31, 2024, the carrying amounts of assets pledged as collateral under repurchase agreements and borrowings from central Bank are as follows:

	As at June 30, 2025	As at December 31, 2024
Debt securities	<u>4,870,200</u>	<u>8,382,700</u>

(b) Collateral accepted

The Group received debt securities as collateral for financial assets held under resale agreements as set out in Note 15. Under the terms of these agreements, the Group could not resell or re-pledge certain parts of such collateral unless in the event of default by the counterparties.

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For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

36 NOTES TO STATEMENTS OF CASH FLOWS

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

	As at June 30, 2025	As at December 31, 2024
Cash and balances with central Bank	2,084,703	3,091,576
Financial assets held under resale agreements, due from other banks and other financial institutions	3,374,499	3,834,056
Total	5,459,202	6,925,632

37 RELATED PARTY TRANSACTIONS

(a) Related parties of the Group

(i) Major Shareholders

Major Shareholders include Shareholders with 5% or more interest in the Bank.

As at June 30, 2025, the major Shareholders of the Bank are as follows:

Name of Shareholders	Amount (thousand Shares)	Ratio (%)
Sichuan Yibin Wuliangye Group Co., Ltd.	779,610	19.990
Yibin Municipal Finance Bureau	779,482	19.987
Yibin Cuiping District Finance Bureau	779,220	19.980
Yibin Nanxi District Finance Bureau	660,700	16.940
Total	2,999,012	76.897

As of June 30, 2025, the actual number of shares of the Bank was 4,588,400 thousand. As the registered capital of our bank is currently undergoing the change process, the shareholding ratio of major shareholders for the current period is still calculated based on the share capital of 3,900,000 thousand at the end of 2024.

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37 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Related parties of the Group *(Continued)*

(i) Major Shareholders *(Continued)*

As at December 31, 2024, the major Shareholders of the Bank are as follows:

Name of Shareholders	Amount (thousand Shares)	Ratio (%)
Sichuan Yibin Wuliangye Group Co., Ltd.	779,610	19.990
Yibin Municipal Finance Bureau	779,482	19.987
Yibin Cuiping District Finance Bureau	779,220	19.980
Yibin Nanxi District Finance Bureau	660,700	16.940
Total	2,999,012	76.897

(ii) Other related parties

Other related parties mainly include Directors, Supervisors, senior management of the Bank and their close family members; entities controlled or jointly controlled by Directors, Supervisors, senior management of the Group and their close family members; and entities controlled or jointly controlled by the major Shareholders of the Group as set out in Note 37(a)(i), and the Bank's subsidiaries.

There are various related party transactions that occur between the Bank and its subsidiaries. These transactions are conducted under normal commercial terms and conditions. The material balances and transactions with subsidiaries have been eliminated in full in the consolidated financial statements. In the opinion of management, the transactions between the Bank and its subsidiaries have no significant impact on profit or loss.

(b) Related party transactions and balances

(i) Transactions and balances with major Shareholders

	As at June 30, 2025	As at December 31, 2024
Deposits from customers	6,204,433	5,871,722
	For the six months ended June 30,	
	2025	2024
Interest expense	58,878	45,259

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Notes to the Condensed Consolidated Interim Financial Statements

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37 RELATED PARTY TRANSACTIONS *(Continued)*

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

(ii) Transaction and balances with other related parties

	As at June 30, 2025	As at December 31, 2024
Loans and advances to customers	808,598	770,484
Financial investments	64,596	20,000
Deposits from customers	19,134,947	15,539,758
Bank acceptances bill	350,000	313,389
Entrusted loans	12,977,997	11,248,997
Entrusted deposits	15,288,718	10,668,718
	For the six months ended June 30,	
	2025	2024
Interest income	18,367	27,547
Fee and commission income	923	682
Other operating income	–	71
Interest expense	191,760	156,243
Net gains on financial investments	–	157
Net gains on trading activities	458	–

(c) Remuneration of key management personnel

Key management personnel refer to those persons who have the authority and responsibility to plan, conduct and control the Group's activities.

The remuneration of key management personnel in each of the reporting periods was as follows:

	For the six months ended June 30,	
	2025	2024
Remuneration, salary, allowances and benefits	3,272	3,473
Discretionary bonuses	1,788	3,877
Contribution to pension schemes	–	127
Total	5,060	7,477

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

37 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Capital expenditure commitments

	As at June 30, 2025	As at December 31, 2024
Properties and equipment		
Contracted but not paid for	<u>366,864</u>	<u>362,903</u>

(e) Government related entities

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

38 SEGMENT ANALYSIS

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

The Group has 4 operating segments: corporate banking, retail banking, financial markets, and unallocated classes.

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

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

Financial markets mainly perform inter-financial institution lending and borrowing, financial investment businesses.

Unallocated classes of business perform the businesses not included in the above three segments or cannot be allocated with appropriate basis.

Interim Financial Information

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

38 SEGMENT ANALYSIS *(Continued)*

	For the Six months ended June 30, 2025				
	Corporate Banking	Retail Banking	Financial Markets	Unallocated	Total
Net interest income/(expenses) from external customers	1,046,999	(484,786)	372,698	-	934,911
Inter-segment net interest (expenses)/income	(223,853)	653,149	(429,296)	-	-
Net interest income	823,146	168,363	(56,598)	-	934,911
Net fee and commission income	11,075	4,018	(5,515)	-	9,578
Net gains on trading activities	-	-	66,550	-	66,550
Net gains on financial investments	-	-	129,716	-	129,716
Other operating income	5,782	3,057	487	17,864	27,190
Operating income	840,003	175,438	134,640	17,864	1,167,945
Operating expenses	(214,943)	(109,236)	(20,854)	(6,671)	(351,704)
– Depreciation and expenses	(16,370)	(8,656)	(1,378)	(532)	(26,936)
– Others	(198,573)	(100,580)	(19,476)	(6,139)	(324,768)
Expected credit losses	(356,730)	(20,128)	(84,347)	-	(461,205)
Profit before income tax	268,330	46,074	29,439	11,193	355,036
Capital expenditure	(11,525)	(6,095)	(970)	(375)	(18,965)
Segment assets	59,088,045	5,220,270	48,906,283	15,500	113,230,098
Segment liabilities	47,768,911	48,282,673	7,198,275	52,525	103,302,384

Interim Financial Information

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2025 (In RMB thousands, unless otherwise stated)

38 SEGMENT ANALYSIS (Continued)

	For the Six months ended June 30, 2024				
	Corporate Banking	Retail Banking	Financial Markets	Unallocated	Total
Net interest income/(expenses) from external customers	921,333	(405,793)	312,298	–	827,838
Inter-segment net interest (expenses)/income	(189,667)	635,635	(445,968)	–	–
Net interest income	731,666	229,842	(133,670)	–	827,838
Net fee and commission income	19,419	406	17,110	–	36,935
Net gains on trading activities	–	–	129,953	–	129,953
Net gains on financial investments	–	–	69,804	–	69,804
Other operating income	8,277	4,213	659	274	13,423
Operating income	759,362	234,461	83,856	274	1,077,953
Operating expenses	(216,079)	(106,539)	(20,196)	(6,861)	(349,675)
– Depreciation and expenses	(19,630)	(9,992)	(1,562)	(648)	(31,832)
– Others	(196,449)	(96,547)	(18,634)	(6,213)	(317,843)
Expected credit losses	(300,557)	(24,861)	(55,878)	–	(381,296)
Profit before income tax	242,726	103,061	7,782	(6,587)	346,982
As at December 31, 2024					
	Corporate Banking	Retail Banking	Financial Markets	Unallocated	Total
Capital expenditures	(8,967)	(4,565)	(714)	(296)	(14,542)
Segment assets	52,242,596	5,470,627	51,475,518	16,652	109,205,393
Division liabilities	43,531,253	43,125,163	12,563,781	12,907	99,233,104

There is no high reliance of the Group on any of the main external customers.

39 SUBSEQUENT EVENTS

There are no other significant subsequent events that require disclosure after the reporting date.

Unaudited supplementary financial information

(Expressed in thousands of Renminbi, unless otherwise stated)

In accordance with the Hong Kong Listing Rules and Banking (Disclosure) Rules, the Bank discloses the unaudited supplementary financial information as follows:

1 LIQUIDITY RATIOS AND LEVERAGE RATIO

(1) Liquidity ratios

	As of June 30, 2025	As of December 31, 2024
RMB current assets to RMB current liabilities	101.06%	80.20%
Foreign currency current assets to foreign currency current liabilities	N/A	N/A

(2) Leverage ratio

	As of June 30, 2025	As of December 31, 2024
Leverage ratio	8.06%	8.14%

The above liquidity ratios and leverage ratio were calculated in accordance with the relevant regulations promulgated by the NFRA.

2 CURRENCY CONCENTRATIONS

The Bank is principally engaged in business operations within Yibin City and Neijiang City, the PRC, and all business activities are conducted in RMB. The Bank has no structural position during the Track Record Period.

3 INTERNATIONAL CLAIMS

The Bank is principally engaged in business operations within Yibin City and Neijiang City, the PRC, and regards all claims on third parties outside Chinese Mainland as international claims. The Bank has no international claims during the Track Record Period.

Unaudited supplementary financial information

(Expressed in thousands of Renminbi, unless otherwise stated)

4 GROSS AMOUNT OF OVERDUE CUSTOMER LOANS BY SECURITIES

	As at June 30, 2025									
	Overdue up to 90 days		Overdue 90 days – 1 year		Overdue 1 – 3 years		Overdue over 3 years		Total	
	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion
Pledged loans	20,890	0.03%	12,893	0.02%	390	0.00%	0	0.00%	34,173	0.06%
Collateralized loans	100,674	0.17%	127,904	0.21%	413,826	0.69%	19,532	0.04%	661,936	1.10%
Guaranteed loans	41,231	0.07%	107,376	0.19%	389,734	0.65%	7,410	0.01%	545,751	0.91%
Unsecured loans	6,916	0.01%	7,129	0.01%	10,664	0.02%	1,205	0.00%	25,914	0.04%
Total	169,711	0.25%	255,302	0.43%	814,614	1.36%	28,147	0.05%	1,267,774	2.11%

	As at December 31, 2024									
	Overdue up to 90 days		Overdue 90 days – 1 year		Overdue 1 – 3 years		Overdue over 3 years		Total	
	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion
Pledged loans	37,148	0.07%	210	0.00%	2,700	0.01%	–	–	40,058	0.07%
Collateralized loans	195,824	0.37%	233,472	0.44%	248,638	0.46%	51,236	0.09%	729,170	1.36%
Guaranteed loans	173,438	0.32%	391,564	0.73%	53,905	0.10%	2,998	0.01%	621,905	1.17%
Unsecured loans	9,697	0.02%	4,440	0.01%	9,563	0.02%	572	0.00%	24,272	0.05%
Total	416,107	0.78%	629,686	1.18%	314,806	0.59%	54,806	0.10%	1,415,405	2.65%

Note: The proportion is calculated by dividing the amount of each type of overdue loan by the total loan (excluding discount and accrued interest).



宜宾市商业银行
Yibin City Commercial Bank