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泸州银行股份有限公司*
LUZHOU BANK CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1983)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

The board of directors (the “**Board**”) of Luzhou Bank Co., Ltd (the “**Bank**”) hereby announces the unaudited interim results of the Bank for the six months ended June 30, 2022. This interim results announcement, containing the full text of the 2022 interim report of the Bank, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results.

The printed version of the Bank’s 2022 interim report will be dispatched to the shareholders of the Bank and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Bank at www.lzccb.cn in due course.

By order of the Board
Luzhou Bank Co., Ltd.*
YOU Jiang
Chairman

Luzhou, the PRC, August 24, 2022

As at the date of this announcement, the Board comprises Mr. YOU Jiang and Mr. LIU Shirong as executive Directors, Ms. PAN Lina, Mr. XIONG Guoming, Mr. LIU Qi and Mr. DAI Zhiwei as non-executive Directors and Mr. GU Mingan, Mr. HUANG Yongqing, Mr. YE Changqing, Mr. TANG Baoqi and Mr. ZHONG Jin as independent non-executive Directors.

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

Contents

Corporate Overview	2
Financial Summary	4
Management Discussion and Analysis	6
Changes in Share Capital and Information on Shareholders	47
Directors, Supervisors, Senior Management and Employees	53
Important Events	57
Independent Auditor's Report	59
Financial Statements and Notes	60
Definitions	143



Corporate Overview

I. CORPORATE PROFILE

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

II. CORPORATE INFORMATION

Headquartered in Luzhou, the PRC, Luzhou Bank Co., Ltd. was established on September 15, 1997 as approved by the PBOC. The Bank has branches in Chengdu, Meishan and Suining with a total of 35 operating outlets established. The Bank is preparing to set up six branches, including Wuhou sub-branch and Jinjiang district sub-branch in Chengdu, and Luzhou-Yongchuan-Jiangjin Integrated Development Demonstration Zone sub-branch. As of the end of the Reporting Period, our total assets amounted to RMB144,538 million, our total customer loans amounted to RMB80,759 million, and our total customer deposits amounted to RMB106,362 million.

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

Financial Summary

Unit: RMB' 000

Item	For the six months ended June 30,		Year-on-year change
	2022	2021	
Operating results			change (%)
Net interest income	1,790,738	1,502,940	19.15
Net fee and commission income	92,377	5,058	1,726.35
Operating income	2,358,700	1,670,356	41.21
Operating expenses	(673,160)	(589,150)	14.26
Expected credit losses	(859,361)	(362,257)	137.22
Profit before income tax	829,324	721,120	15.00
Net profit	643,623	563,764	14.17
Net profit attributable to Shareholders of the Bank	643,623	563,764	14.17
Per share (RMB)			change
Net assets per share attributable to our Shareholders ⁽¹⁾	3.16	3.43	(0.27)
Basic earnings per share ⁽²⁾	0.20	0.17	0.03
Diluted earnings per share	0.20	0.17	0.03

Item	June 30,	December 31,	Year-on-year change
	2022	2021	
Scale indicators (RMB' 000)			change (%)
Total assets	144,537,545	134,510,128	7.45
Of which: net customer loans ⁽³⁾	77,857,406	72,236,192	7.78
Total liabilities	134,240,459	124,807,971	7.56
Of which: customer deposits	106,362,072	94,768,521	12.23
Share capital	2,717,752	2,717,752	0.00
Equity attributable to our Shareholders	10,297,086	9,702,157	6.13
Total equity	10,297,086	9,702,157	6.13
Asset quality indicators (%)			change
NPL ratio	1.48	1.42	0.06
Allowance coverage ratio	255.23	262.49	(7.26)
Allowance to gross loan ratio	3.77	3.72	0.05
Capital adequacy indicators (%)			change
Core tier-one capital adequacy ratio ⁽⁴⁾	8.10	8.05	0.05
Tier-one capital adequacy ratio ⁽⁴⁾	9.70	9.75	(0.05)
Capital adequacy ratio ⁽⁴⁾	12.23	13.36	(1.13)
Other indicators (%)			change
Liquidity ratio	79.16	87.79	(8.63)

Financial Summary

Item	For the six months ended June 30,		
	2022	2021	Year-on-year change
Profitability indicators (%)			change
Return on average total assets ⁽⁵⁾	0.92	0.91	0.01
Return on average equity ⁽⁶⁾	12.46	12.21	0.25
Net interest spread ⁽⁷⁾	2.73	2.78	(0.05)
Net interest margin ⁽⁸⁾	2.74	2.64	0.10
Cost-to-income ratio ⁽⁹⁾	27.35	33.98	(6.63)

Notes:

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

Management Discussion and Analysis

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

1. ENVIRONMENT AND PROSPECT

Since the beginning of this year, under the more complex and severe international environment resulting in the significant slowdown in global economic growth, coupled with sporadic domestic resurgences of the COVID-19 pandemic bringing unexpected factors beyond expectation, economic development has been extremely unusual. Facing such extremely complex and difficult situation, the Chinese government initiated efficient coordination among pandemic prevention and control and economic and social development, put more efforts into macro policy adjustment, and implemented a package of economic policies and measures, which effectively contained the pandemic resurgences and contributed to the steady recovery of economic operations as a whole. China's GDP in the first half of the year was RMB56.26 trillion, representing a year-on-year increase of 2.5%. Sichuan Province, which is the principal place of business of the Bank, reinforced the strategic deployment of "one branch with multiple branches and five districts in coordination" and "four-pronged expansion and all-front opening up", delivering outstanding results in high-quality economic development. Its GDP was RMB2.62 trillion, representing a year-on-year increase of 2.8%, which was 0.3 percentage point higher than the national level.

Despite the rising risk of stagflation across the world economy, the significantly increased number of instabilities and uncertainties, and the lingering impact of the pandemic, China's economy boasts strong resilience, great potential and ample vitality, and its long-term positive fundamentals have not changed. With the progress and implementation of various policies to stabilize growth to be facilitated in the second half of the year, the economy is expected to sustain the momentum of recovery. Chengdu-Chongqing region is a region with the most dense population, the strongest industrial foundation, the strongest innovation capability, the most extensive market and the highest degree of opening up in western China, so it has a sound development momentum and tremendous potential. As an important strategic city of the double-city economic circle in the Chengdu-Chongqing region and the South Sichuan Economic Zone, Luzhou strives to leverage its advantages in terms of location and policy, vigorously implements the characteristic development strategy of "One Body with Two Wings" and builds a regional center city in the new era for embracing historic opportunities of economic and social development.

In the first half of the year, the Bank actively responded to the complex and ever-changing external environment and economic situation, and made steady progress in various tasks. Various operating indicators were generally stable, and asset quality and risk resistance were maintained in good condition. The construction of the cadre and talent team continued to advance, and the internal operation and management continued to improve. In light of the new era, new situation and new requirements, the Bank will adhere to the general keynote of seeking progress while maintaining stability, coordinate and promote risk prevention, further reform and development advancement, and reward the investors' care and love with excellent results.

Management Discussion and Analysis

2. DEVELOPMENT STRATEGIES

In the second half of 2022, the Bank will adhere to the general keynote of seeking progress while maintaining stability, continue to optimize the liability structure, strengthen the construction of intelligent risk control, accelerate fintech innovation and development to provide strong support for the construction of Chengdu-Chongqing Double-City Economic Circle and the development of Luzhou “One Body with Two Wings”, and achieve high-quality development in promoting regional economic development.

3. ANALYSIS OF STATEMENTS OF PROFITS

3.1 Financial Results Highlights

Unit: RMB' 000

Item	For the six months ended June 30,	
	2022	2021
Net interest income	1,790,738	1,502,940
Net fee and commission income	92,377	5,058
Net gains on trading activities, net gains on financial investments and other operating income	475,585	162,358
Operating expenses	(673,160)	(589,150)
Expected credit losses	(859,361)	(362,257)
Share of profits of an associate	3,145	2,171
Profit before income tax	829,324	721,120
Income tax expenses	(185,701)	(157,356)
Net profit	643,623	563,764
Of which: net profit attributable to Shareholders of the Bank	643,623	563,764

For the six months ended June 30, 2022, the Bank's profit before income tax amounted to RMB829 million, representing an increase of RMB108 million or 15.00% as compared to the same period of the previous year, and net profit amounted to RMB644 million, representing an increase of RMB80 million or 14.17% as compared to the same period of the previous year. The following table sets forth the impacts of changes in the Bank's major profit or loss items on profit before income tax.

Unit: RMB' 000

Item	Amount
Profit before income tax for the six months ended June 30, 2021	721,120
Changes in 2022	
Changes in net interest income	287,798
Changes in net fee and commission income	87,319
Changes in net gains on trading activities, net gains on financial investments and other operating income	313,227
Changes in operating expenses	(84,010)
Changes in expected credit losses	(497,104)
Changes in share of profits of an associate	974
Profit before income tax for the six months ended June 30, 2022	829,324

Management Discussion and Analysis

3.2 Operating Income

In the first half of 2022, the Bank's operating income amounted to RMB2,359 million, representing an increase of RMB688 million or 41.21% as compared to the same period of the previous year. Among which, net interest income accounted for 75.92%, representing a decrease of 14.06 percentage points as compared to the same period of the previous year. Net non-interest income amounted to RMB568 million, accounting for 24.08%. The following table sets forth the components of the Bank's operating income and its comparison with the same period of the previous year.

Unit: %

Item	For the six months ended June 30,	
	2022	2021
Net interest income	75.92	89.98
Net fee and commission income	3.92	0.30
Net gains on trading activities, net gains on financial investments and other operating income	20.16	9.72
Total	100.00	100.00

3.3 Net Interest Income

For the six months ended June 30, 2022, the Bank's net interest income amounted to RMB1,791 million, representing an increase of RMB288 million or 19.15% as compared to the same period of the previous year, mainly due to the increase of the scale of interest-earning assets. The following table sets forth the average balance, interest income/expense and average yield/cost rate of the assets and liabilities of the Bank for the periods indicated. The average balances of interest-earning assets and interest-bearing liabilities are daily average balances.

Unit: RMB' 000

Item	For the six months ended June 30,					
	2022			2021		
	Average balance	Interest income/expense	Average yield/cost rate (%)	Average balance	Interest income/expense	Average yield/cost rate (%)
Interest-earning assets						
Customer loans	79,117,551	2,698,036	6.82	66,641,000	2,330,713	6.99
Investment ⁽¹⁾	36,282,594	1,032,104	5.69	31,212,681	999,207	6.40
Amounts due from banks and other financial institutions ⁽²⁾	6,581,749	58,261	1.77	6,439,600	62,571	1.94
Balances with central bank	8,719,736	52,529	1.20	9,777,797	57,051	1.17
Total	130,701,630	3,840,930	5.88	114,071,078	3,449,542	6.05

Management Discussion and Analysis

Unit: RMB' 000

Item	For the six months ended June 30,					
	Average balance	2022 Interest income/expense	Average yield/cost rate (%)	Average balance	2021 Interest income/expense	Average yield/cost rate (%)
Interest-bearing liabilities						
Customer deposits	103,046,683	1,647,584	3.20	92,792,443	1,511,906	3.26
Amounts due to banks and other financial institutions ⁽³⁾	5,292,563	70,042	2.65	5,376,362	79,535	2.96
Debt securities issued	16,900,229	286,435	3.39	18,501,799	332,613	3.60
Others	5,138,324	46,131	1.80	2,490,157	22,548	1.81
Total	130,377,799	2,050,192	3.15	119,160,761	1,946,602	3.27
Net interest income	-	1,790,738	-	-	1,502,940	-
Net interest spread	-	-	2.73	-	-	2.78
Net interest margin	-	-	2.74	-	-	2.64

Notes:

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

As of June 30, 2022, the average balance of interest-earning assets of the Bank was RMB130,702 million, representing an increase of RMB16,631 million or 14.58% as compared to the same period of the previous year, mainly due to an increase in the volume of customer loans. Net interest margin was 2.74%, representing an increase of 0.10 percentage point as compared to the same period of the previous year, mainly because the increase in the volume of interest-earning assets was higher than the increase in the volume of interest-bearing liabilities, and the average cost of interest-bearing liabilities declined; net interest spread was 2.73%, representing a decrease of 0.05 percentage point as compared to the same period of the previous year, mainly because the decrease in the average yield on interest-earning assets was higher than the decrease in the average cost of interest-bearing liabilities.

Management Discussion and Analysis

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

Unit: RMB' 000

Item	June 30, 2022 vs. June 30, 2021		Net increase (decrease)
	Due to volume	Due to interest rate	
Assets			
Customer loans	425,471	(58,148)	367,323
Investments	144,220	(111,323)	32,897
Amounts due from banks and other financial institutions	1,259	(5,569)	(4,310)
Balances with central bank	(6,374)	1,852	(4,522)
Changes in interest income	564,576	(173,188)	391,388
Liabilities			
Customer deposits	163,952	(28,274)	135,678
Amounts due to banks and other financial institutions	(1,109)	(8,384)	(9,493)
Debt securities issued	(27,143)	(19,035)	(46,178)
Others	23,775	(192)	23,583
Changes in interest expense	159,475	(55,885)	103,590
Changes in net interest income	405,101	(117,303)	287,798

3.4 Interest Income

For the six months ended June 30, 2022, the Bank's interest income amounted to RMB3,841 million, representing an increase of RMB391 million or 11.35% as compared to the same period of the previous year, mainly due to an increase in the volume of interest-earning assets. The interest income from customer loans and investments constituted the major part of the interest income of the Bank.

Management Discussion and Analysis

3.4.1 Interest income from customer loans

For the six months ended June 30, 2022, the Bank's interest income from customer loans amounted to RMB2,698 million, representing an increase of RMB367 million or 15.76% as compared to the same period of the previous year. The following table sets forth the average balance, interest income and average yield of each component of the customer loans of the Bank for the periods indicated.

Unit: RMB' 000

Item	For the six months ended June 30,					
	Average balance	2022 Interest income	Average yield (%)	Average balance	2021 Interest income	Average yield (%)
Corporate loans	68,494,751	2,365,166	6.91	59,041,473	2,107,877	7.14
Personal loans	10,622,800	332,870	6.27	7,599,527	222,836	5.86
Total customer loans	79,117,551	2,698,036	6.82	66,641,000	2,330,713	6.99

3.4.2 Interest income from investments

For the six months ended June 30, 2022, the Bank's interest income from investments amounted to RMB1,032 million, representing an increase of RMB33 million or 3.29% as compared to the same period of the previous year, mainly due to the increase in the investment volume.

3.4.3 Interest income due from banks and other financial institutions

For the six months ended June 30, 2022, the Bank's interest income due from banks and other financial institutions amounted to RMB58 million, representing a decrease of RMB4 million or 6.89% as compared to the same period of the previous year, mainly due to the decrease in average yield in amounts due from banks and other financial institutions.

3.4.4 Interest income from balances with central bank

For the six months ended June 30, 2022, the Bank's interest income from balances with central bank amounted to RMB53 million, representing a decrease of RMB5 million or 7.93% as compared to the same period of the previous year, mainly due to a decrease in the volume of balances with central bank.

Management Discussion and Analysis

3.5 Interest Expense

For the six months ended June 30, 2022, the Bank's interest expense amounted to RMB2,050 million, representing an increase of RMB104 million or 5.32% as compared to the same period of the previous year, mainly due to an increase in the volume of interest-bearing liabilities. Interest expenses on customer deposits and debt securities issued constituted the major part of the interest expense of the Bank.

3.5.1 Interest expense on customer deposits

For the six months ended June 30, 2022, the Bank's interest expense on customer deposits amounted to RMB1,648 million, representing an increase of RMB136 million or 8.97% as compared to the same period of the previous year. The following table sets forth the average balance, interest expense and average cost rate of each component of the Bank's customer deposits for the periods indicated.

Unit: RMB' 000

Item	For the six months ended June 30,			2021		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Corporate deposits	47,827,168	551,952	2.31	46,980,509	545,429	2.32
Personal deposits	55,219,514	1,095,632	3.97	45,811,934	966,477	4.22
Total customer deposits	103,046,682	1,647,584	3.20	92,792,443	1,511,906	3.26

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

For the six months ended June 30, 2022, the interest expense on deposits and placements from banks and other financial institutions was RMB70 million, representing a decrease of RMB9 million or 11.94% as compared to the same period of the previous year, mainly due to a decrease in both the volume and average cost rate of amounts on deposits and placements from banks and other financial institutions.

3.5.3 Interest expense on debt securities issued

For the six months ended June 30, 2022, the Bank's interest expense on debt securities issued amounted to RMB286 million, representing a decrease of RMB46 million or 13.88% as compared to the same period of the previous year, mainly due to the decrease in the volume of debt securities issued and average cost rate.

Management Discussion and Analysis

3.6 Net Non-interest Income

For the six months ended June 30, 2022, the Bank's net non-interest income amounted to RMB568 million, representing an increase of RMB401 million or 239.25% as compared to the same period of the previous year. The following table sets forth the major components of the Bank's net non-interest income for the periods indicated and the same period of the previous year.

Unit: RMB' 000

Item	For the six months ended June 30,	
	2022	2021
Fee and commission income	101,301	9,531
Fee and commission expense	(8,924)	(4,473)
Net fee and commission income	92,377	5,058
Net gains on trading activities, net gains on financial investments and other operating income	475,585	162,358
Total net non-interest income	567,962	167,416

3.7 Net Fee and Commission Income

For the six months ended June 30, 2022, the Bank's net fee and commission income amounted to RMB92.377 million, representing an increase of RMB87.319 million as compared to the same period of the previous year.

Unit: RMB' 000

Item	For the six months ended June 30,	
	2022	2021
Fee and commission income		
Commission income from settlement services	1,206	1,216
Commission income from bank card services	950	1,018
Commission income from agency services	1,921	853
Commission income from guarantees and credit commitments services	832	2,850
Commission income from wealth management agency services	94,183	3,565
Commission income from investment banking services	2,126	-
Other commission income	83	29
Total	101,301	9,531
Fee and commission expense	(8,924)	(4,473)
Net fee and commission income	92,377	5,058

Management Discussion and Analysis

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

For the six months ended June 30, 2022, the Bank's net gains on trading activities, net gains on financial investments and other operating income amounted to a total gain of RMB476 million, representing an increase of RMB313 million or 192.92% as compared to the same period of the previous year. Among them, net gains on trading activities increased by RMB312 million as compared to the same period of the previous year, and net gains on financial investments decreased by RMB1 million as compared to the same period of the previous year. The following table sets forth the major components of the Bank's net gains on trading activities, net gains on financial investments and other operating income for the periods indicated.

Unit: RMB' 000

Item	For the six months ended June 30,	
	2022	2021
Net gains on trading activities	348,530	36,747
Net gains on financial investments	117,519	118,544
Other operating income	9,536	7,067
Total	475,585	162,358

3.9 Operating Expenses

For the six months ended June 30, 2022, the Bank's operating expenses amounted to RMB673 million, representing an increase of RMB84 million or 14.26% as compared to the same period of the previous year. Among them, professional service fees increased by RMB4 million or 45.29% as compared to the same period of the previous year, taxes and surcharges increased by RMB6 million or 30.04% as compared to the same period of the previous year. The following table sets forth the major components of the Bank's operating expenses for the periods indicated.

Unit: RMB' 000

Item	For the six months ended June 30,	
	2022	2021
Staff costs (including Directors' and Supervisors' emoluments (allowance inclusive))	417,224	371,852
Business and administrative expenses	121,566	99,878
Professional service fees	11,603	7,986
Depreciation and amortization	84,455	78,375
Taxes and surcharges	27,964	21,504
Expenditures on public welfare donations	4,620	4,695
Others	5,728	4,860
Total	673,160	589,150

Management Discussion and Analysis

3.10 Expected Credit Losses

For the six months ended June 30, 2022, the Bank's expected credit losses amounted to RMB859 million, representing an increase of RMB497 million or 137.22% as compared to the same period of the previous year. The following table sets forth the major components of the Bank's expected credit losses for the periods indicated.

Unit: RMB' 000

Item	For the six months ended June 30,	
	2022	2021
ECL for loans at amortized cost	608,090	324,722
ECL for loans – FVOCI	(9,769)	11,748
ECL for credit related financial assets	220,562	(129)
ECL for other financial investments	38,184	27,836
ECL for guarantee commitments	1,844	(2,879)
Other impairment losses	450	959
Total	859,361	362,257

Expected credit losses on loans constituted the largest part of impairment losses on assets. For the six months ended June 30, 2022, the expected credit losses on loans (including discounted bills) amounted to RMB598 million, representing an increase of RMB262 million or 77.82% as compared to the same period of the previous year.

Management Discussion and Analysis

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

4.1 Assets

As of the end of June 2022, the Bank's total assets amounted to RMB144,538 million, representing an increase of RMB10,027 million or 7.45% as compared to the end of the previous year, mainly due to the increase of the Bank's customer loans. The following table sets forth the components of the Bank's total assets as of the dates indicated.

Unit: RMB' 000

Item	June 30, 2022		December 31, 2021	
	Amount	% of total	Amount	% of total
Total customer loans	80,759,268	55.88	74,873,290	55.66
ECL allowance on loans at amortized cost	(2,901,862)	(2.01)	(2,637,098)	(1.96)
Net customer loans	77,857,406	53.87	72,236,192	53.70
Cash and balances with central bank	11,822,822	8.18	10,451,291	7.77
Financial assets held under resale agreements, due from other banks and financial institutions	4,542,836	3.14	7,452,012	5.54
Financial investments – credit related financial assets	2,825,160	1.95	3,091,019	2.30
Financial investments – financial assets at fair value through profit or loss	12,445,855	8.61	9,911,333	7.37
Financial investments – financial assets at fair value through other comprehensive income	16,747,358	11.59	12,834,915	9.54
Financial investments – amortized cost	15,666,140	10.84	16,370,149	12.17
Investment in an associate	52,069	0.04	48,924	0.04
Fixed assets	833,755	0.58	850,082	0.63
Deferred income tax assets	859,537	0.59	777,630	0.58
Other assets	884,607	0.61	486,581	0.36
Total assets	144,537,545	100.00	134,510,128	100.00

Management Discussion and Analysis

Customer loans

As of the end of June 2022, the Bank's total customer loans amounted to RMB80,759 million, representing an increase of RMB5,886 million or 7.86% as compared to the end of the previous year; net customer loans amounted to RMB77,857 million, representing an increase of RMB5,621 million or 7.78% as compared to the end of the previous year. The following table sets forth the customer loans of the Bank by product type as of the dates indicated.

Unit: RMB' 000

Item	June 30, 2022		December 31, 2021	
	Amount	% of total	Amount	% of total
Corporate loans	67,885,722	84.06	60,873,007	81.30
Discounted bills	1,244,626	1.54	3,612,243	4.82
Personal loans	11,392,848	14.11	10,167,490	13.58
Accrued interest	236,072	0.29	220,550	0.30
Total customer loans	80,759,268	100.00	74,873,290	100.00
Less: ECL allowance on loans at amortized cost	(2,901,862)	/	(2,637,098)	/
Net customer loans	77,857,406	/	72,236,192	/

Corporate loans

As of the end of June 2022, the Bank's total corporate loans amounted to RMB67,886 million, representing an increase of RMB7,013 million or 11.52% as compared to the end of the previous year, accounting for 84.06% of the total customer loans, representing an increase of 2.76 percentage points as compared to the end of the previous year.

Discounted bills

As of the end of June 2022, the Bank's total discounted bills amounted to RMB1,245 million, representing a decrease of RMB2,368 million or 65.54% as compared to the end of the previous year, accounting for 1.54% of the total customer loans, representing a decrease of 3.28 percentage points as compared to the end of the previous year.

Personal loans

As of the end of June 2022, the Bank's personal loans amounted to RMB11,393 million, representing an increase of RMB1,225 million or 12.05% as compared to the end of the previous year, accounting for 14.11% of the total customer loans, representing an increase of 0.53 percentage point as compared to the end of the previous year.

Management Discussion and Analysis

Investments

As of the end of June 2022, the carrying value of the Bank's investments amounted to RMB47,685 million, representing an increase of RMB5,477 million or 12.98% as compared to the end of the previous year. The following table sets forth the components of the Bank's investment portfolio as of the dates indicated.

Unit: RMB' 000

Item	June 30, 2022		December 31, 2021	
	Amount	% of total	Amount	% of total
Financial investments – credit related financial assets	2,825,160	5.93	3,091,019	7.32
Financial investments – financial assets at fair value through profit or loss	12,445,855	26.10	9,911,333	23.48
Financial investments – financial assets at fair value through other comprehensive income	16,747,358	35.12	12,834,915	30.41
Financial investments – amortized cost	15,666,140	32.85	16,370,149	38.79
Total	47,684,513	100.00	42,207,416	100.00

Financial investments – credit related financial assets

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

Unit: RMB' 000

Item	June 30, 2022	December 31, 2021
Financial investments – credit related financial assets		
– Trust plans	3,157,850	3,219,100
Less: ECL allowance	(457,927)	(237,365)
Accrued interest	125,237	109,284
Total	2,825,160	3,091,019

Management Discussion and Analysis

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

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

Unit: RMB' 000

Item	June 30, 2022	December 31, 2021
Financial investments – financial assets at fair value through profit or loss		
– Listed outside Hong Kong	5,472,663	5,811,882
– Unlisted	6,973,192	4,099,451
Total	12,445,855	9,911,333

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

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

Unit: RMB' 000

Item	June 30, 2022	December 31, 2021
Financial investments – financial assets at FVOCI		
– Listed outside Hong Kong	6,314,908	6,242,629
– Unlisted	10,084,997	6,331,339
Subtotal	16,399,905	12,573,968
Accrued interest	347,453	260,947
Total	16,747,358	12,834,915

Management Discussion and Analysis

Financial investments – amortized cost

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

Unit: RMB' 000

Item	June 30, 2022	December 31, 2021
Financial investments – amortized cost		
– Listed in Hong Kong	33,557	31,878
– Listed outside Hong Kong	1,506,544	1,168,261
– Unlisted	14,360,283	15,434,848
Subtotal	15,900,384	16,634,987
Accrued interest	431,738	364,088
Less: ECL allowance	(665,982)	(628,926)
Total	15,666,140	16,370,149

4.2 Liabilities

As of the end of June 2022, the Bank's total liabilities amounted to RMB134,240 million, representing an increase of RMB9,432 million or 7.56% as compared to the end of the previous year, mainly due to the stable increase in customer deposits. The following table sets forth the components of the Bank's total liabilities as of the dates indicated.

Unit: RMB' 000

Item	June 30, 2022		December 31, 2021	
	Amount	% of total	Amount	% of total
Customer deposits	106,362,072	79.23	94,768,521	75.93
Due to banks and other financial institutions	4,383,485	3.27	5,254,141	4.21
Financial liabilities at fair value through profit or loss	1,300,229	0.97	–	–
Borrowings from central bank	5,858,888	4.36	3,557,331	2.85
Current tax liabilities	413,171	0.31	400,334	0.32
Debt securities issued	15,099,022	11.25	20,141,958	16.14
Other liabilities	823,592	0.61	685,686	0.55
Total liabilities	134,240,459	100.00	124,807,971	100.00

Management Discussion and Analysis

Customer deposits

As of the end of June 2022, the Bank's total customer deposits amounted to RMB106,362 million, representing an increase of RMB11,594 million or 12.23% as compared to the end of the previous year, accounting for 79.23% of the Bank's total liabilities, being the Bank's primary source of funding. The following table sets forth the components of the Bank's customer deposits by product type and customer type as of the dates indicated.

Unit: RMB' 000

Item	June 30, 2022		December 31, 2021	
	Amount	% of total	Amount	% of total
Corporate deposits	47,033,550	44.22	41,445,360	43.73
Demand deposits	39,425,738	37.07	33,352,878	35.19
Time deposits	7,607,812	7.15	8,092,482	8.54
Personal deposits	57,503,304	54.06	51,781,061	54.64
Demand deposits	12,590,145	11.84	10,616,234	11.20
Time deposits	44,913,159	42.22	41,164,827	43.44
Accrued interest	1,825,218	1.72	1,542,100	1.63
Total customer deposits	106,362,072	100.00	94,768,521	100.00

As of the end of June 2022, the Bank's corporate demand deposits accounted for 37.07% of total customer deposits, representing an increase of 1.88 percentage points as compared to the end of the previous year. Corporate demand deposits accounted for 83.82% of corporate deposits, representing an increase of 3.35 percentage points as compared to the end of the previous year; and personal demand deposits accounted for 21.89% of personal deposits, representing an increase of 1.39 percentage points as compared to the end of the previous year.

Amounts due to banks and other financial institutions

As of the end of June 2022, the Bank's amounts due to banks and other financial institutions amounted to RMB4,383 million, representing a decrease of RMB871 million or 16.57% as compared to the end of the previous year.

Debt securities issued

As of the end of June 2022, the Bank's bonds payable amounted to RMB15,099 million, representing a decrease of RMB5,043 million or 25.04% as compared to the end of the previous year.

Management Discussion and Analysis

4.3 Equity Attributable to Shareholders

As of the end of June 2022, the Bank's equity attributable to Shareholders amounted to RMB10,297 million, representing an increase of RMB595 million or 6.13% as compared to the end of the previous year.

Unit: RMB' 000

Item	June 30, 2022	December 31, 2021
Share capital	2,717,752	2,717,752
Other equity instruments	1,696,824	1,696,824
Capital surplus	1,786,355	1,786,355
Other reserves	2,573,959	2,329,815
Retained earnings	1,522,196	1,171,411
Total equity attributable to Shareholders	10,297,086	9,702,157

5. OTHER FINANCIAL INFORMATION

5.1 Analysis of Off-balance Sheet Items

The Bank's off-balance sheet items include credit commitments, operating lease commitments and capital commitments. Credit commitments are the most important parts and as of the end of the Reporting Period, the balance of credit commitments amounted to RMB683 million.

5.2 Overdue and Outstanding Debts

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

5.3 Assets Pledged

As of the end of the Reporting Period, some of the Bank's assets were pledged as collaterals under repurchase agreements with other banks and financial institutions. For details, please refer to note 35 to the financial statements.

Management Discussion and Analysis

6. ANALYSIS OF LOAN QUALITY

During the Reporting Period, the Bank continued to strengthen its dynamic monitoring and mitigation of risks in relation to credit asset quality, implemented credit policies and enhanced risk management in key industries. As a result, the credit assets scale maintained growth. Due to our collection of non-performing loans (“NPLs”) through multiple ways and channels, the allowance coverage ratio has met the regulatory requirements. As of the end of the Reporting Period, the Bank’s total loans amounted to RMB80,523 million, representing an increase of 7.86% as compared to the end of the previous year, total NPLs amounted to RMB1,189 million, representing an increase of RMB130 million as compared to the end of the previous year, and the NPL ratio was 1.48%, representing an increase of 0.06 percentage point as compared to the end of the previous year.

Distribution of Loans by Five-Category Classification

Unit: RMB' 000

Item	June 30, 2022		December 31, 2021	
	Amount	% of total	Amount	% of total
Normal loans	77,908,889	96.75	73,121,165	97.95
Special mention loans	1,425,595	1.77	472,876	0.63
Substandard loans	1,079,612	1.34	990,160	1.33
Doubtful loans	70,379	0.09	65,814	0.09
Loss loans	38,721	0.05	2,725	0.00
Total customer loans	80,523,196	100.00	74,652,740	100.00
Total NPLs	1,188,712	1.48	1,058,699	1.42

Pursuant to the regulatory requirements on risk-based classification of loans, the Bank has adopted the five-category classification to manage the quality of loans. NPLs include loans classified as substandard, doubtful and loss. During the Reporting Period, the Bank strictly controlled the quality of loans and accelerated disposal of existing NPLs. The percentage of substandard loans increased by 0.01 percentage point to 1.34% as compared to the end of the previous year, the percentage of doubtful loans was unchanged at 0.09% as compared to the end of the previous year, and the percentage of loss loans increased by 0.05 percentage point to 0.05% as compared to the end of the previous year.

Management Discussion and Analysis

Distribution of Loans and NPLs by Industry

Unit: RMB' 000

Item	June 30, 2022				December 31, 2021			
	Amount of loans	% of total	Amount of NPLs	NPL ratio %	Amount of loans	% of total	Amount of NPLs	NPL ratio %
Corporate loans	67,885,722	84.31	859,813	1.27	60,873,007	81.54	899,070	1.48
Leasing and business services	26,319,935	32.69	201,657	0.80	21,724,771	29.10	515,658	2.37
Construction	16,830,386	20.90	78,847	0.47	14,275,490	19.12	62,147	0.44
Wholesale and retail	4,520,721	5.61	59,830	1.08	3,972,040	5.32	50,923	1.28
Manufacturing	2,575,315	3.20	58,230	2.26	2,760,512	3.70	86,550	3.14
Real estate	7,650,095	9.50	374,583	4.90	8,757,758	11.73	145,610	1.66
Accommodation and catering	777,627	0.97	-	-	823,652	1.10	-	-
Education	1,163,000	1.44	-	-	1,357,700	1.82	-	-
Administration of water conservancy, environment and public facilities	2,718,429	3.38	-	-	2,856,439	3.83	-	-
Transportation, warehousing and express services	239,669	0.30	25,669	10.71	183,269	0.25	25,669	14.01
Others	5,090,545	6.32	60,997	1.20	4,161,376	5.57	12,513	0.30
Discounted bills	1,244,626	1.54	65,330	5.25	3,612,243	4.84	-	-
Retail loans	11,392,848	14.15	263,569	2.31	10,167,490	13.62	159,629	1.57
Total customer loans	80,523,196	100.00	1,188,712	1.48	74,652,740	100.00	1,058,699	1.42

In 2022, the Bank actively optimized the allocation of risk-bearing assets and served the real economy. The Bank also actively adjusted its credit structure and increased credit support to small and micro enterprises, agriculture-related economy, livelihood projects and other fields. We strictly controlled credit granted to industries with overcapacity and uncertain prospects, to improve the risk resistance for new credit assets continually. By industry, the Bank's non-performing corporate loans mainly involved real estate, leasing and business services, construction, wholesale and retail and manufacturing, which accounted for 89.92% of our total non-performing corporate loans.

Management Discussion and Analysis

Distribution of Loans and NPLs by Product Type

Unit: RMB' 000

Item	Amount of loans	June 30, 2022			December 31, 2021			
		% of total	Amount of NPLs	NPL ratio %	Amount of loans	% of total	Amount of NPLs	NPL ratio %
Corporate loans	67,885,722	84.31	859,813	1.27	60,873,007	81.54	899,070	1.48
Working capital loans	49,012,298	60.87	431,232	0.88	39,598,201	53.04	233,946	0.59
Fixed asset loans	18,873,424	23.44	428,581	2.27	21,274,806	28.50	665,124	3.13
Discounted bills	1,244,626	1.54	65,330	5.25	3,612,243	4.84	-	-
Retail loans	11,392,848	14.15	263,569	2.31	10,167,490	13.62	159,629	1.57
Individual housing loans	2,751,625	3.42	40,261	1.46	2,696,391	3.61	36,018	1.34
Personal business loans	6,552,976	8.14	192,270	2.93	5,979,097	8.01	108,011	1.81
Personal consumption loans	2,088,247	2.59	31,038	1.49	1,492,002	2.00	15,600	1.05
Total customer loans	80,523,196	100.00	1,188,712	1.48	74,652,740	100.00	1,058,699	1.42

Against the backdrop of replacement of old drivers with new ones and constant advance of the supply-side reform, the Bank actively responded to the changes of demand for effective credits and maintained steady growth in the scale of corporate loans while adhering to the principle of prudent credit extension. As of the end of the Reporting Period, the proportion of the Bank's corporate loans increased by 2.77 percentage points to 84.31% as compared to the end of the previous year. The NPL ratio of corporate loans decreased by 0.21 percentage point to 1.27% as compared to that at the end of the previous year as a result of the strengthening of the Bank's effort in handling corporate NPLs.

The Bank steadily developed its retail loans business and actively innovated retail business products. The balance of retail loans increased by RMB1,225 million as compared to that at the beginning of the year, while the proportion of retail loans increased by 0.53 percentage point to 14.15%. The amount of our NPLs increased and the NPL ratio increased by 0.74 percentage point to 2.31% as compared to the end of the previous year as a result of the deteriorated financial position and weakened repayment abilities of certain borrowers of personal business loans under the retail loans.

Management Discussion and Analysis

Distribution of Loans and NPLs by Geographical Region

Unit: RMB' 000

Geographical Region	Amount of loans	June 30, 2022			December 31, 2021			
		% of total	Amount of NPLs	NPL ratio %	Amount of loans	% of total	Amount of NPLs	NPL ratio %
Luzhou	52,350,268	65.01	939,230	1.79	50,206,812	67.25	1,025,974	2.04
Outside Luzhou	28,172,928	34.99	249,482	0.89	24,445,928	32.75	32,725	0.13
Total customer loans	80,523,196	100.00	1,188,712	1.48	74,652,740	100.00	1,058,699	1.42

The Bank continuously optimized the regional allocation of credit resources and enhanced risk management and control in key industries by serving the economy of Luzhou and actively expanding its cross-regional business. Under the situation of domestic economic restructuring with mounting pressure of non-performing during the year, the Bank strengthened the assessment and incentive measures for its branches and implemented review and approval mechanism with hierarchical authorization on credit extension business to corporate customers. Due to regional economic differences and other factors, the majority of NPLs of the Bank was mainly attributable to Luzhou.

Distribution of Loans and NPLs by Type of Collateral

Unit: RMB' 000

Item	Amount of loans	June 30, 2022			December 31, 2021			
		% of total	Amount of NPLs	NPL ratio %	Amount of loans	% of total	Amount of NPLs	NPL ratio %
Unsecured loans	12,703,562	15.78	101,065	0.80	9,803,584	13.13	118,907	1.21
Guaranteed loans	42,057,161	52.23	383,513	0.91	34,796,495	46.61	82,710	0.24
Collateralized loans	19,051,940	23.66	634,446	3.33	20,263,575	27.14	854,226	4.22
Pledged loans	6,710,533	8.33	69,688	1.04	9,789,086	13.11	2,856	0.03
Total customer loans	80,523,196	100.00	1,188,712	1.48	74,652,740	100.00	1,058,699	1.42

The Bank enhanced risk prevention and control through risk mitigation measures such as adding in guarantors and collaterals, with guaranteed loans and collateralized loans accounting for 75.89%.

Management Discussion and Analysis

Loans to Our Ten Largest Single Borrowers

Unit: RMB' 000

Name of borrowers	Industry	Amount of loans as of the end of the Reporting Period	% of net capital base	% of total loans
A	Construction	1,077,500	8.31	1.34
B	Construction	960,000	7.40	1.19
C	Construction	860,000	6.63	1.07
D	Real estate	852,500	6.57	1.06
E	Leasing and business services	770,000	5.93	0.96
F	Leasing and business services	760,000	5.86	0.94
G	Leasing and business services	756,000	5.83	0.94
H	Real estate	726,000	5.60	0.90
I	Leasing and business services	724,000	5.58	0.90
J	Leasing and business services	680,000	5.24	0.84
Total		8,166,000	62.95	10.14

As of the end of the Reporting Period, the total loans of our ten largest single borrowers amounted to RMB8,166 million, accounting for 62.95% of the Bank's net capital base and 10.14% of the Bank's total loans. The loan balance of the largest single borrower was RMB1,078 million, accounting for 8.31% of the Bank's net capital base.

Distribution of Loans by Period Overdue (Excluding Interest Receivable)

Unit: RMB' 000

Period overdue	June 30, 2022		December 31, 2021	
	Amount	% of total loans	Amount	% of total loans
Overdue for up to 3 months (inclusive)	1,074,725	1.33	1,249,129	1.67
Overdue for over 3 months up to 1 year (inclusive)	676,708	0.84	145,337	0.19
Overdue for over 1 year up to 3 years (inclusive)	339,524	0.43	268,758	0.36
Overdue for over 3 years	27,427	0.03	26,456	0.04
Total overdue loans	2,118,384	2.63	1,689,680	2.26
Total customer loans	80,523,196	100.00	74,652,740	100.00

As of the end of the Reporting Period, the Bank's overdue loans amounted to RMB2,118 million, representing an increase of RMB429 million as compared to the end of the previous year. The percentage of overdue loans in the Bank's total loans was 2.63%, representing an increase of 0.37 percentage point as compared to the end of the previous year. Among them, loans overdue for up to 3 months (inclusive) amounted to RMB1,075 million, accounting for 50.73% of overdue loans.

Foreclosed Assets and Provision for Its Impairment Allowance

As of the end of the Reporting Period, the Bank's total foreclosed assets amounted to RMB268 million with a provision for impairment allowance of RMB15 million, and the net foreclosed assets amounted to RMB253 million.

Management Discussion and Analysis

Changes in Expected Credit Losses Allowance of Loans

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

Unit: RMB' 000

Item	June 30, 2022	December 31, 2021
Balance at the beginning of the year	2,637,098	2,038,405
New financial assets originated or purchased	389,517	740,583
Remeasurement	550,214	738,730
Repayments	(331,641)	(450,182)
Written-offs and disposals for the period	(354,879)	(456,675)
Recoveries of loans written-off in the previous year	866	26,466
Unwinding of discount	10,652	(229)
Impact of exchange rate	35	–
Balance at the end of the year	2,901,862	2,637,098

As of the end of the Reporting Period, the Bank's balance of allowance for expected credit losses of loans amounted to RMB2,902 million, representing an increase of RMB265 million or 10.04% as compared to the end of the previous year.

Corresponding Measures Taken against Non-performing Assets

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

Strengthening the monitoring of overdue loans and loans that were showing other early warning signs, and properly collecting and disposing non-performing loans. Firstly, we have ensured in-advance intervention; specifically, we have strengthened asset quality screening and management of loans associated with risk warnings, formulated risk prevention and control measures in a timely manner, and firmly prevented loans from turning into non-performing loans; secondly, we have worked out “one-customer, one-policy” risk mitigation plan in light of the specific situations of non-performing loans, and enhanced collection efforts and efficiency and reduced collection costs through non-litigation collection, litigation or arbitration collection, and enforcement of notarization; thirdly, we have explored possibilities of resolving non-performing assets through multiple channels including assignment of creditor's rights based on the traditional collection means; fourthly, we have wrote off loans which could be written-off, if appropriate, to optimize the credit asset structure; fifthly, we have established good communication mechanisms with relevant government departments and peer institutions to maintain an open channel to convey information, and jointly address potential problems arising from corporate operations by concerted efforts.

Management Discussion and Analysis

Credit Extension to Group Customers and Risk Management

The Bank adhered to the principles of “implementing unified credit extension, providing an appropriate amount and conducting real-time monitoring” in extending credit to group customers. Firstly, to prevent large-sum credit risk, the Bank implemented unified management of credit extension to group customers and consolidated the total credit amount extended to group members to determine the authority of credit review and approval. Secondly, the Bank strengthened the identification of group customers and invisible relationship among enterprises and identified the invisible relationship among corporate customers by such dimensions as corporate product flow, corporate capital flow, corporate guarantee circle and family ties of actual controllers. Thirdly, the Bank strengthened and timely monitored unified management of credit extension to group customers. The Bank controlled the credit limit through establishing credit account of group customers, combed and updated the list of group customers in a timely manner and prudently approved credit limit to prevent concentration risk and improve its group customer management level on an ongoing basis.

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

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

7. ANALYSIS OF CAPITAL ADEQUACY RATIOS

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

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

Management Discussion and Analysis

We calculate our capital adequacy ratio in accordance with the Capital Administrative Measures for Commercial Banks (Provisional) (CBIRC Order [2012] No. 1) 《商業銀行資本管理辦法(試行)》(中國銀保監會令2012年第1號)) issued by the CBIRC and other relevant regulatory provisions. The on-balance-sheet credit risk weighted assets are calculated with different risk weights determined in accordance with each asset, credit of the counterparty, market and other relevant risks and by considering the effects of qualified pledge and guarantee; the same method is also applied to the calculation of off-balance-sheet credit risk exposure. Market risk-weighted assets are calculated with the standard method, and the operational risk-weighted assets are calculated with the basic indicator method. During the Reporting Period, we complied with the capital requirements prescribed by regulatory authorities.

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

Unit: RMB' 000

	June 30, 2022	December 31, 2021
Total capital before deductions	12,974,080	13,297,005
Of which: Core tier-one capital	8,600,262	8,005,333
Additional tier-one capital	1,696,824	1,696,824
Tier-two capital	2,676,994	3,594,848
Total net capital	12,974,080	13,297,005
Net core tier-one capital	8,600,262	8,005,333
Net additional tier-one capital	1,696,824	1,696,824
Net tier-one capital	10,297,086	9,702,157
Total risk-weighted assets	106,121,956	99,502,890
Core tier-one capital adequacy ratio	8.10%	8.05%
Tier-one capital adequacy ratio	9.70%	9.75%
Capital adequacy ratio ⁽¹⁾	12.23%	13.36%

As of the end of the Reporting Period, the Bank had a capital adequacy ratio of 12.23%, representing a decrease of 1.13 percentage points as compared to the end of the previous year, which was 1.73 percentage points higher than the regulatory requirement; a tier-one capital adequacy ratio of 9.70%, representing a decrease of 0.05 percentage point as compared to the end of the previous year, which was 1.20 percentage points higher than the regulatory requirement; and a core tier-one capital adequacy ratio of 8.10%, representing an increase of 0.05 percentage point as compared to the end of the previous year, which was 0.60 percentage point higher than the regulatory requirement. During the Reporting Period, the changes in the capital adequacy ratio of the Bank were mainly due to the maturity and redemption of the tier-two capital debt of RMB1 billion issued in 2017, and the growth rate of net capital being lower than the growth rate of risk-weighted assets, which resulted in a decrease in capital adequacy ratio compared with the end of the previous year. However, our capital adequacy ratio at each tier was still higher than regulatory standards.

Note:

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

Management Discussion and Analysis

Liquidity Ratios

	As of December 31, 2021
RMB current assets to RMB current liabilities	87.79%
Foreign currency current assets to foreign currency current liabilities	N/A

	As of June 30, 2022
RMB current assets to RMB current liabilities	79.16%
Foreign currency current assets to foreign currency current liabilities	N/A

8. RISK MANAGEMENT

Credit Risk

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

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

Management Discussion and Analysis

3. Strengthening risk screening and risk control in key areas. In accordance with the requirements of the regulatory authorities and our risk management and control, the Bank actively carried out various types of risk screening.
4. Preventing post-loan risks and strengthening post-loan management examinations for credit business. In order to prevent post-loan risks for credit business, we supervised post-loan management personnel at all levels to fulfill their post-loan management responsibilities and continuously have a full grasp of the customers' risk profiles. We actively conducted regular and irregular examinations on post-loan management for major credit customers and customers with potential risks. Regarding problems discovered during the examinations, we demanded each responsible department to make correction in a timely manner, to strengthen post-loan management and to improve our credit risk management and control capabilities.
5. Strengthening the monitoring of overdue loans and loans that were showing other early warning signs, and properly collecting and disposing of non-performing loans. We have strengthened asset quality screening and management of loans associated with risk warnings, formulated risk prevention and control measures in a timely manner, and firmly prevented loans from turning into non-performing loans; we have worked out “one-customer, one-policy” risk mitigation plans in light of the specific situations of non-performing loans, and enhanced collection efforts and efficiency through non-litigation collection, litigation or arbitration collection, enforcement of notarization and credit assignment; we have established good communication mechanisms with peer institutions and government departments to maintain an open channel to convey information, and jointly address potential problems arising from corporate operations by concerted efforts.
6. Strengthening the construction of credit team and promoting high-quality and effective development of the credit business. With the purpose of “reality in touch, demand satisfaction, rapid improvement and effectiveness”, we conducted themed training through external experts and internal business backbone personnel. Supplemented with tests or exams, we kept enhancing the training and guidance for credit line staff, improved the business ability and risk compliance awareness of our credit line staff across the Bank and established an enterprise risk control culture that was able to prevent and control substantial risks and cases.

Management Discussion and Analysis

Operational risk

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

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

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

1. Reinforce internal control level. We optimized the system, process and standards, strengthened special inspections and risk assessment of key businesses, established inspection and rectification implementation mechanism, and guarded against the potential dangers of operational risk based on the analysis of key indicators of risk control and early warnings.
2. Promote the publicity of compliance culture. We carried out publicity, training and competitions, adhered to the guidance of culture, organized a series of training courses on compliance management, rooted in the concept of “internal control first, compliance-oriented”, and built a strong line of defense against business development risks.
3. Strengthen the management and control of employee behavior. We implemented inspections, work shift, compulsory vacation, observed the abnormal behavior of employees on a regular basis, and launched a comprehensive investigation of cases (risks) to study and judge the risk situation of cases, grasped the ideological dynamics of employees, enhanced employees’ awareness and ability of case prevention, and consolidated the foundation of prevention and control.
4. Raise the level of risk control in science and technology. We paid close attention to development, operation and maintenance, and outsourcing business, improved the quality and efficiency of project construction, carried out penetration testing of Internet information systems, and strengthened prevention and control work such as daily inspections and security risk investigations to ensure the safe operation of the system; and conducted special inspections on information technology outsourcing risks to ensure the completeness, compliance and effectiveness of information technology outsourcing management.

Management Discussion and Analysis

Market risk

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

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

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

1. Interest rate risk analysis

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

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

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

Management Discussion and Analysis

2. Exchange rate risk analysis

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

Liquidity risk

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

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

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

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

We hold adequate high-quality liquid assets to ensure our liquidity needs, and have sufficient funds to meet unforeseeable potential payment needs in daily operation. Most of our funds are from customer deposits. Customer deposits constituted a stable fund resource due to their rapid growth, wide varieties and diversified terms during the Reporting Period.

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

Management Discussion and Analysis

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

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

As of June 30, 2022, the liquidity ratio of the Bank was 79.16%, which was 54.16 percentage points higher than relevant regulatory requirements; the high-quality liquidity asset adequacy ratio was 184.35%, which was 84.35 percentage points higher than relevant regulatory requirements; and the liquidity matching ratio was 155.47%, which was 55.47 percentage points higher than relevant regulatory requirements, reflecting that our major liquidity indexes met and were much higher than regulatory requirements.

Management Discussion and Analysis

Information Technology Risk Management

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

The Bank has established comprehensive information technology risk management system in accordance with Guidelines on the Information Technology Risk Management of Commercial Banks, Regulatory Guidelines on the Business Continuity of Commercial Banks, Regulatory Guidelines for Information Technology Outsourcing Risk of Banking Institutions and the Measures for the Commissioning and Change of Important Information Systems of Banking Institutions and prevented major information technology risk events through technical and management measures, so as to ensure the smooth operation of the information system, and support rapid development of business. As of the end of the Reporting Period, there were no major information technology risk events.

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

Management Discussion and Analysis

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

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

Management Discussion and Analysis

9. SEGMENT REPORTING

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

Unit: RMB' 000

Item	For the six months ended June 30, 2022		For the six months ended June 30, 2021	
	Segment profit before income tax	Ratio %	Segment profit before income tax	Ratio %
Corporate banking business	250,370	30.19	320,426	44.43
Retail banking business	193,174	23.29	177,526	24.62
Financial market business	375,726	45.31	216,560	30.03
Others	10,054	1.21	6,608	0.92
Total	829,324	100.00	721,120	100.00

Unit: RMB' 000

Item	For the six months ended June 30, 2022		For the six months ended June 30, 2021	
	Segment operating income	Ratio %	Segment operating income	Ratio %
Corporate banking business	1,118,123	47.40	943,318	56.47
Retail banking business	361,354	15.32	265,527	15.90
Financial market business	869,659	36.87	454,439	27.21
Others	9,564	0.41	7,072	0.42
Total	2,358,700	100.00	1,670,356	100.00

Management Discussion and Analysis

10. BUSINESS REVIEW

Corporate Banking Business

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

Corporate loans

As of the end of the Reporting Period, the balance of our corporate loans amounted to RMB67,886 million, representing an increase of 11.52% as compared to the beginning of the year. In particular, our loans to medium to large enterprises amounted to RMB20,838 million, accounting for 30.70% of our total corporate loans as of the same date; our loans to micro and small enterprises amounted to RMB46,903 million, accounting for 69.09% of our total corporate loans as of the same date. Our other corporate loans amounted to RMB145 million, accounting for 0.21% of our total corporate loans as of the same date. The majority of our corporate loan customers are enterprises incorporated or otherwise having their primary operations in Sichuan Province, in particular Luzhou. Corporate loans have been the largest component of our loan portfolio.

Bill discounting

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

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

As of June 30, 2022, our discounted bills amounted to RMB1,245 million, accounting for 1.54% of our total customer loans as of the same date.

Corporate deposits

As of the end of the Reporting Period, the balance of our corporate customer deposits amounted to RMB47,034 million, accounting for 44.22% of the total deposit balance. Our corporate deposit customers primarily include government agencies such as financial, transportation and social security institutions, public institutions, state-owned enterprises and large private corporations.

Management Discussion and Analysis

Corporate products

For the different financing needs of corporate customers, we provided customers with efficient and convenient financing services by giving full play to the agile decision-making advantage of the local legal-person institution.

We have rolled out “Tian Tian Loan” featuring one-time credit extension, recycling and a favorable treatment of interest-free repayment in the first seven days during each extension, where customers can realize instant withdrawal and repayment through our short message services (SMS), so as to maximize the efficiency of capital use; “Shui Jin Loan”, a credit product which takes the average amount of the total tax paid during the latest two years as its main basis of credit extension; “Fang Hao Loan”, a housing secured loan product using the first full-process online mortgage registration in Luzhou City rolled out based on the mode of “Internet + Real Estate Registration”; “Piao Bao Tong”, which is designed for discounting the electronic commercial acceptance bills issued by the core enterprises to their upstream and downstream enterprises; “Piao e Loan”, with the value-added tax invoicing amount as the main basis of credit extension; and “Le Ye Loan”, a personal operating loan product for production and operation, which was granted in batches to small and micro business operators affiliated with core enterprises.

Corporate banking customer base

As of the end of the Reporting Period, we had a total of 36,919 corporate banking customers, representing an increase of 5,684 or 18.20% as compared to the beginning of the year. By studying the specific financial needs of corporate banking customers, we have launched a broad range of products and services with specific features targeting selected groups of customers. At the same time, we have also established a special customer relationship management system, which allows us to closely track our customers’ and their partners’ business transactions with our Bank, enabling us to offer tailored financial services to them.

Financial services for micro and small enterprises

We are determined to implement the requirements of the Central Committee of the Communist Party of China and the State Council on providing financial support for micro and small enterprises, and takes serving micro small enterprises as the major starting point for fulfilling inclusive finance and social responsibility. By innovating products, streamlining procedures, reducing fees and profits, and deepening the assessment, we effectively improve the quality and efficiency of financial services for micro and small enterprises. As of the end of the Reporting Period, our loan balance to micro and small enterprises amounted to RMB52,771 million. The number of micro and small customers was 8,628. The balance of our inclusive finance loans to micro and small enterprises (excluding bills) amounted to RMB9,604 million. The number of micro and small customers was 8,362, with a weighted average loan interest rate of 6.37%.

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

Management Discussion and Analysis

Retail Banking Business

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

As of June 30, 2022, we had 1,218,900 retail banking customers with total deposits of RMB57,503 million and total loans of RMB11,393 million.

We classify our retail customers into basic customers (with financial assets of less than RMB500,000), value customers (with financial assets of RMB500,000 (inclusive) to RMB1,000,000), high-end customers (with financial assets of RMB1,000,000 (inclusive) to RMB3,000,000), and high-net-worth customers (with financial assets exceeding RMB3,000,000). As of June 30, 2022, we had 7,567 high-end customers and 1,400 high-net-worth customers.

Retail deposits

The balance of retail deposits was RMB57,503 million, representing an increase of RMB5,722 million or 11.05% as compared to the end of the previous year. In particular, the balance of demand deposits amounted to RMB12,590 million, representing an increase of RMB1,974 million or 18.59% as compared to the end of the previous year and accounting for 21.89% of the retail deposits.

Retail loans

We provide our retail customers with personal business loans, personal consumption loans as well as personal residential and commercial mortgage loans. As of June 30, 2022, the total retail loans were RMB11,393 million.

Bank cards

As of June 30, 2022, the number of historical accumulated cards issued to retail banking customers by the Bank was 1,398,700 and the stock of cards was 1,168,300, representing an increase of 36,600 or 3.23% as compared to the end of the previous year.

Management Discussion and Analysis

Wealth management

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

In the first half of 2022, the total amount of the wealth management products sold by us was RMB9,541 million. As of June 30, 2022, we had 43,198 customers for our wealth management products, of which 43,160 were retail customers and 38 were institution customers, with a balance on current products of RMB13,857 million and the performance comparison benchmark of wealth management products ranging from 4.0% to 5.1%.

Precious metal services

We provide our retail customers with precious metal products and services. We commenced sales agency service for precious metal from 2018. As of June 30, 2022, our agency sales of precious metal amounted to RMB1,597,200.

Financial market business

In 2022, in the face of complex changes in the macro environment, market environment and regulatory environment, the Bank pays close attention to macroeconomic changes, follows the trends of financial market policies, and enhances market analysis in order to seize market opportunities. Under the premise of strict risk control, the Bank rationally formulates investment strategies to optimize our investment portfolio, increases our bond investment in a more standardized manner and orderly reduces non-standardized SPV investment.

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

Money market transactions business

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

Management Discussion and Analysis

1. *Interbank deposits*

As of June 30, 2022, the balance of deposits from banks and other financial institutions was RMB538 million, representing a decrease of RMB72 million or 11.85% as compared to the end of the previous year, of which the balance of time deposits from banks was RMB222 million, representing a decrease of 49.55% as compared to the end of the previous year, and the balances of demand deposits from banks and settlement accounts were RMB316 million, representing an increase of 84.80% as compared to the end of the previous year. As of the same date, the balance of deposits with other banks was RMB1,053 million, representing an increase of RMB80 million or 8.19% as compared to the end of the previous year, of which the balance of time deposits with other banks was RMB740 million, representing an increase of 5.41% as compared to the end of the previous year, and the balances of demand deposits with other banks and settlement accounts were RMB313 million, representing an increase of 15.50% as compared to the end of the previous year.

2. *Interbank lending*

As of June 30, 2022, the balance of our interbank placement was RMB3,350 million, representing an increase of RMB35 million or 1.06% as compared to the beginning of the year; the balance of interbank lending was RMB12 million, the same as the beginning of the year.

3. *Bond repurchase*

As of June 30, 2022, the balance of our positive repurchase was RMB485 million, representing a decrease of RMB815 million or 62.69% as compared to the beginning of the year. This was mainly due to the increase in available funds as a result of better growth in the Bank's basic deposits during the Reporting Period, thus reducing the inflow from the positive repurchase business. The balance of counter repurchase was RMB3,488 million, representing a decrease of RMB2,989 million or 46.15% as compared to the beginning of the year. This was mainly due to the Bank's increased interbank certificates of deposit and reduced outflow from the counter repurchase business as a result of the ample liquidity during the Reporting Period.

4. *Bill rediscount*

As of June 30, 2022, we held rediscounted bills amounting to RMB437 million, representing a decrease of RMB943 million or 68.32% as compared to the end of the previous year, mainly due to the decrease of some rediscounted bills based on business needs.

5. *Issuance of interbank certificates of deposit*

As of June 30, 2022, the balance of our interbank certificates of deposit was RMB11,540 million, representing a decrease of RMB3,992 million or 25.70% as compared to the beginning of the year. This was mainly due to the reduction in the issuance of interbank certificates of deposit as our basic deposits grew well with more available funds during the Reporting Period, resulting in a larger decrease in the balance of interbank certificates of deposit compared with the beginning of the year.

Management Discussion and Analysis

Investment business

1. *Bond investment*

As of June 30, 2022, we adjusted the total amount and structure of bond investment according to the bond market conditions and our own needs of asset allocation. As of the end of the Reporting Period, our bond investment amounted to RMB33,021 million, representing an increase of RMB3,044 million or 10.15% as compared to the beginning of the year, among which, the balance of treasury bonds was RMB3,655 million, representing a decrease of RMB486 million or 11.74% as compared to the beginning of the year. The balance of policy financial bonds was RMB6,841 million, representing an increase of RMB2,060 million or 43.09% as compared to the beginning of the year, and the balance of debt securities issued by local governments was RMB1,151 million, representing an increase of RMB173 million or 17.69% as compared to the beginning of the year. The balance of credit bonds was RMB16,386 million, representing a decrease of RMB1,249 million or 7.08% as compared to the beginning of the year. The balance of debt securities issued by commercial banks was RMB4,988 million, representing an increase of RMB2,546 million or 104.26% as compared to the beginning of the year.

2. *SPV investment*

During the Reporting Period, we rationally formulated investment strategies to optimize our investment portfolio in accordance with the trends of financial markets. We increased the investment in public offering monetary funds, while orderly reducing the SPV investment such as bank wealth management products and trust investment plans. As of June 30, 2022, our SPV investment was RMB12,535 million, including RMB1,273 million for public offering bond funds, RMB2,805 million for public offering monetary funds, RMB5,223 million for trust plans, and RMB3,234 million for asset management plans. Our SPV investment increased by RMB2,451 million or 24.31% as compared to the beginning of the year, mainly due to the increased investment in public offering monetary funds and the decreased investment in trust plans and asset management plans.

Management Discussion and Analysis

Financial Consumer Rights Protection

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

1. Establishing full-time organizations and strengthening organizational leadership

We set up a consumer rights protection committee under the Board of Directors to make unified plans and overall arrangements for the bank-wide work on consumer rights protection; and set up a consumer rights protection division under the Internal Control and Compliance Department to take up the work concerning consumer rights protection throughout the Bank. We continuously improved our organizational structure and effectively enhanced our consumer rights protection work.

2. Improving institutional system and consolidating management foundation

We combed the consumer rights protection system, established and improved a consumer rights protection system matching with our organizational structure and business development. During the Reporting Period, we organized and revised 1 system related to consumer rights protection to provide system guarantee for the effective development of our work on consumer rights protection.

3. Highlighting brand reputation and popularizing public education

Adhering to the concept of "customer-orientated" and "service-creating value", we provide "standardized, rigorous, honest and reliable" financial services to consumers to protect their rights. During the Reporting Period, we organized and carried out a series of 12 activities, such as "3.15 Financial Consumer Rights Day", "Publicity on Financial Knowledge Promotion", "Publicity on Keeping the Purse Strings", "Publicity on 'card cutting' campaign", and "Specialized Publicity on Prevention of Illegal Fund Raising", to enhance consumers' risk awareness.

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

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

Changes in Share Capital and Information on Shareholders

I. CHANGES IN SHARE CAPITAL

During the Reporting Period, the Bank's share capital remained unchanged. As of the end of the Reporting Period, the total issued share capital of the Bank was 2,717,752,062 Shares, consisting of 753,120,000 H Shares and 1,964,632,062 Domestic Shares.

II. STATEMENT OF SHAREHOLDING STRUCTURE

Unit: Share, %

	January 1, 2022		Increase (decrease) during the Reporting Period	June 30, 2022	
	Quantity	Percentage		Quantity	Percentage
Total share capital	2,717,752,062	100.00	0	2,717,752,062	100.00
Domestic Shares held by legal person	1,914,501,140	70.44	95,897	1,914,405,243	70.44
Domestic Shares held by natural person	50,130,922	1.85	95,897	50,226,819	1.85
H Shares	753,120,000	27.71	0	753,120,000	27.71

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

The Bank did not purchase, sell or redeem any listed securities of the Bank during the Reporting Period.

IV. DETAILS OF SHAREHOLDERS

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

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

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

Unit: Share

No.	Name of Shareholder	Number of Shares held	Shareholding percentage
1	Luzhou Laojiao Group Co., Ltd.	390,528,000	14.37%
2	Sichuan Jiale Enterprise Group Co., Ltd.	325,440,000	11.97%
3	Luzhou Xinfu Mining Industry Group Co., Ltd.	325,440,000	11.97%
4	Luzhou Municipal Finance Bureau	193,853,760	7.13%
5	Luzhou State-owned Assets Operation Co., Ltd.	173,568,000	6.39%
6	Luzhou Xinglu Jutai Real Estate Co., Ltd.	110,059,035	4.05%
7	Chengdu Modern Agricultural Development Investment Co., Ltd.	97,252,320	3.58%
8	Luzhou Industrial Development Investment Group Co., Ltd.	88,154,722	3.24%
9	Luzhou Xinglu Investment Group Co., Ltd.	48,659,355	1.79%
10	Luzhou Laojiao Co., Ltd.	43,392,000	1.60%

Changes in Share Capital and Information on Shareholders

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

To the knowledge of the Directors or chief executive of the Bank, as of June 30, 2022, interests and short positions of the following persons (other than the Directors, Supervisors and chief executives of the Bank) had or were deemed to have in the Shares and underlying Shares of the Bank which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept pursuant to Section 336 of the SFO, were as follows:

Name of Shareholder	Nature of interest	Class of Shares	Long position/short position	Number of Shares directly or indirectly held (share)	Number of Shares owned with derivative interest (share)	Approximate % of issued Shares in the Bank	Approximate % of the relevant class of Shares in the Bank
Luzhou Laojiao Group Co., Ltd. (瀘州老窖集團有限責任公司) ⁽¹⁾	Beneficial owner Interest in controlled corporation	Domestic Shares	Long Position	390,528,000	-		
		Domestic Shares	Long Position	43,392,000	-		
				433,920,000		15.97%	22.09%
Sichuan Jiale Enterprise Group Co., Ltd. (四川省佳樂企業集團有限公司) ⁽²⁾	Beneficial owner	Domestic Shares	Long Position	325,440,000	-	11.97%	16.56%
JIANG Xiaoying (姜曉英) ⁽²⁾	Interest in spouse	Domestic Shares	Long Position	334,118,400	-	12.29%	17.01%
Luzhou Xinfu Mining Industry Group Co., Ltd. (瀘州鑫福礦業集團有限公司)	Beneficial owner	Domestic Shares	Long Position	325,440,000	-	11.97%	16.56%
Sichuan Xinfu Industrial Group Co., Ltd. (四川鑫福產業集團有限公司) ⁽³⁾	Interest in controlled corporation	Domestic Shares	Long Position	325,440,000	-	11.97%	16.56%
LAI Dafu (賴大福) ⁽³⁾	Interest in controlled corporation	Domestic Shares	Long Position	325,440,000	-	11.97%	16.56%
GE Xiuqiong (葛修瓊) ⁽³⁾	Interest in controlled corporation	Domestic Shares	Long Position	325,440,000	-	11.97%	16.56%
Luzhou Industrial Development Investment Group Co., Ltd. (瀘州產業發展投資集團有限公司) ⁽⁴⁾	Beneficial owner Interest in controlled corporation	Domestic Shares	Long Position	88,154,722	-		
		Domestic Shares	Long Position	173,809,911	-		
				261,964,633		9.64%	13.33%
Luzhou Xinglu Investment Group Co., Ltd. (瀘州市興瀘投資集團有限公司) ⁽⁵⁾	Beneficial owner Interest in controlled corporation	Domestic Shares	Long Position	48,659,355	-		
		Domestic Shares	Long Position	184,954,062	-		
				233,613,417		8.60%	11.89%

Changes in Share Capital and Information on Shareholders

Name of Shareholder	Nature of interest	Class of Shares	Long position/short position	Number of Shares directly or indirectly held (share)	Number of Shares owned with derivative interest (share)	Approximate % of issued Shares in the Bank	Approximate % of the relevant class of Shares in the Bank
Luzhou Municipal Finance Bureau (瀘州市財政局)	Beneficial owner	Domestic Shares	Long Position	193,853,760	–	7.13%	9.87%
Luzhou State-owned Assets Operation Co., Ltd. (瀘州國有資產經營有限公司)	Beneficial owner	Domestic Shares	Long Position	173,568,000	–	6.39%	8.83%
OTX ADVISORY HOLDINGS, INC. ⁽⁶⁾	Beneficial owner	H Shares	Long Position	135,672,000	–	4.99%	18.01%
LUO Zhipeng (羅志鵬) ⁽⁶⁾	Interest in controlled corporation	H Shares	Long Position	135,672,000	–	4.99%	18.01%
ZHOU Min (周敏) ⁽⁷⁾	Interest in controlled corporation	H Shares	Long Position	134,413,200	–	4.95%	17.85%
JNR SPC ⁽⁸⁾	Beneficial owner	H Shares	Long Position	130,980,000	–	4.82%	17.39%
JNR Capital ⁽⁸⁾	Beneficial owner	H Shares	Long Position	130,980,000	–	4.82%	17.39%
ZHENG Zhicheng (鄭志誠) ⁽⁸⁾	Interest in controlled corporation	H Shares	Long Position	130,980,000	–	4.82%	17.39%
Luzhou Fundamental Infrastructure Construction Investment Co., Ltd. (瀘州市基礎建設投資有限公司) ⁽⁹⁾	Beneficial owner Interest in controlled corporation	Domestic Shares Domestic Shares	Long Position Long Position	18,007,680 110,059,035	– –		
				128,066,715		4.71%	6.52%
Luzhou Xinglu Jutai Real Estate Co., Ltd. (瀘州興瀘居泰房地產有限公司) ⁽⁹⁾	Beneficial owner	Domestic Shares	Long Position	110,059,035	–	4.05%	5.60%
Luzhou Chengnan Construction Investment Co., Ltd. (瀘州市城南建設投資有限公司) ⁽⁹⁾	Interest in controlled corporation	Domestic Shares	Long Position	110,059,035	–	4.05%	5.60%
China Development Fund Co., Ltd. (國開發基金有限公司) ⁽⁹⁾	Interest in controlled corporation	Domestic Shares	Long Position	110,059,035	–	4.05%	5.60%
Luzhou High-tech Investment Group Co., Ltd. (瀘州市高新投資集團有限公司)	Beneficial owner	H Shares	Long Position	120,000,000	–	4.42%	15.93%
Luzhou Liquor Investment Co., Ltd. (瀘州酒業投資有限公司)	Beneficial owner	H Shares	Long Position	72,000,000	–	2.65%	9.56%

Changes in Share Capital and Information on Shareholders

Notes:

- (1) Luzhou Laojiao Group Co., Ltd. was wholly owned by Luzhou State-owned Assets Supervision and Administration Commission (瀘州市國有資產監督管理委員會). Luzhou Laojiao Group Co., Ltd. directly held 390,528,000 Domestic Shares and indirectly held 43,392,000 Domestic Shares through its controlled company Luzhou Laojiao Co., Ltd. (瀘州老窖股份有限公司). By virtue of the SFO, Luzhou Laojiao Group Co., Ltd. is deemed to be interested in the Domestic Shares held by Luzhou Laojiao Co., Ltd.
- (2) Mr. XIONG Guoming (熊國銘) (i) indirectly held 8,678,400 Domestic Shares through Sichuan Luzhou Jiale Real Estate Co., Ltd. (四川省瀘州市佳樂房地產有限責任公司). Luzhou Yijia Real Estate Development Co., Ltd. (瀘州益佳房地產開發有限公司) had approximately 92.68% equity interest in Sichuan Luzhou Jiale Real Estate Co., Ltd., Sichuan Jiale Yijia Industrial Co., Ltd. (四川佳樂益佳實業有限公司) had approximately 70.44% equity interest in Luzhou Yijia Real Estate Development Co., Ltd., and Mr. XIONG Guoming had 80% equity interest in Sichuan Jiale Yijia Industrial Co., Ltd.; and (ii) held 325,440,000 Domestic Shares through Sichuan Jiale Enterprise Group Limited (四川省佳樂企業集團有限公司) and Mr. XIONG Guoming had 80% equity interest in Sichuan Jiale Enterprise Group Limited (四川省佳樂企業集團有限公司). By virtue of the SFO, Mr. XIONG Guoming is deemed to be interested in the Domestic Shares held by Sichuan Luzhou Jiale Real Estate Co., Ltd. and Sichuan Jiale Yijia Industrial Co., Ltd. Ms. JIANG Xiaoying (姜曉英) is the spouse of Mr. XIONG Guoming and is deemed to be interested in the Domestic Shares held by Mr. XIONG Guoming under the SFO.
- (3) Mr. LAI Dafu and Ms. GE Xiuqiong held 60% and 40% equity interest in Sichuan Xinfu Industrial Group Co., Ltd., respectively. Sichuan Xinfu Industrial Group Co., Ltd. held 92% equity interest in Luzhou Xinfu Mining Industry Group Co., Ltd. By virtue of the SFO, each of Mr. LAI Dafu, Ms. GE Xiuqiong and Sichuan Xinfu Industrial Group Co., Ltd. is deemed to be interested in the Domestic Shares held by Luzhou Xinfu Mining Industry Group Co., Ltd.
- (4) Luzhou Industrial Investment Group Co., Ltd. directly held 88,154,722 Domestic Shares and indirectly held 173,568,000 Domestic Shares through its wholly-owned subsidiary, Luzhou State-owned Assets Operation Co., Ltd. and indirectly held 241,911 Domestic Shares through its wholly-owned subsidiary, Lutianhua (Group) Co., Ltd. (瀘天化(集團)有限責任公司). By virtue of the SFO, Luzhou Industrial Investment Group Co., Ltd. is deemed to be interested in the Domestic Shares held by Luzhou State-owned Assets Operation Co., Ltd. and Lutianhua (Group) Co., Ltd. (瀘天化(集團)有限責任公司).
- (5) Luzhou Xinglu Investment Group Co., Ltd. directly held 48,659,355 Domestic Shares and (i) indirectly held 110,059,035 Domestic Shares through its controlled corporation Luzhou Xinglu Jutai Real Estate Co., Ltd., in which Luzhou Chengnan Construction Investment Co., Ltd. and Luzhou Xinglu Investment Group Co., Ltd. had 45.99% and 51.86% equity interest, respectively. Luzhou Fundamental Infrastructure Construction Investment Co., Ltd. had approximately 50.82% equity interest in Luzhou Chengnan Construction Investment Co., Ltd., and Luzhou Xinglu Investment Group Co., Ltd. had approximately 55.11% equity interest in Luzhou Fundamental Infrastructure Construction Investment Co., Ltd.; (ii) indirectly held 43,392,000 Domestic Shares through its controlled corporation Luzhou Laojiao Co., Ltd., in which Luzhou Xinglu Investment Group Co., Ltd. had approximately 24.99% equity interest. Luzhou Laojiao Group Co., Ltd. and Luzhou Xinglu Investment Group Co., Ltd. entered into an agreement on action in concert valid from June 1, 2021 to May 31, 2024 in respect of their respective equity in Luzhou Laojiao Co., Ltd.; (iii) indirectly held 13,495,346 Domestic Shares through its controlled corporation Luzhou Xinglu Financing Guarantee Group Co., Ltd. (瀘州市興瀘融資擔保集團有限公司), in which Luzhou Xinglu Investment Group Co., Ltd. had approximately 37.26% equity interest; and (iv) indirectly held 18,007,680 Domestic Shares through its controlled corporation Luzhou Fundamental Infrastructure Construction Investment Co., Ltd. By virtue of the SFO, Luzhou Xinglu Investment Group Co., Ltd. is deemed to be interested in the Domestic Shares held by Luzhou Xinglu Jutai Real Estate Co., Ltd., Luzhou Laojiao Co., Ltd., Luzhou Xinglu Financing Guarantee Group Co., Ltd. and Luzhou Fundamental Infrastructure Construction Investment Co., Ltd.

Changes in Share Capital and Information on Shareholders

- (6) OTX ADVISORY HOLDINGS, INC. was wholly owned by LUO Zhipeng. By virtue of the SFO, LUO Zhipeng is deemed to be interested in the H Shares held by OTX ADVISORY HOLDINGS, INC.
- (7) ZHOU Min (周敏) indirectly held (i) 134,386,800 H Shares through the wholly owned WISMAN CAPITAL LIMITED and (ii) 26,400 H Shares through the wholly owned Wudaokou Capital Limited. By virtue of the SFO, ZHOU Min (周敏) is deemed to be interested in the H Shares held by WISMAN CAPITAL LIMITED and Wudaokou Capital Limited.
- (8) JNR SPC was wholly owned by JNR Capital, which was held as to approximately 66.67% equity interest by ZHENG Zhicheng (鄭志誠). By virtue of the SFO, both JNR Capital and ZHENG Zhicheng (鄭志誠) are deemed to be interested in the H Shares held by JNR SPC.
- (9) Luzhou Xinglu Jutai Real Estate Co., Ltd. was held as to 51.86% equity interest by Luzhou Xinglu Investment Group Co., Ltd. and as to 45.99% equity interest by Luzhou Chengnan Construction Investment Co., Ltd., in which Luzhou Fundamental Infrastructure Construction Investment Co., Ltd. and China Development Fund Co., Ltd. held approximately 50.82% and 41.18% equity interest, respectively. By virtue of the SFO, each of Luzhou Xinglu Investment Group Co., Ltd., Luzhou Fundamental Infrastructure Construction Investment Co., Ltd., China Development Fund Co., Ltd. and Luzhou Chengnan Construction Investment Co., Ltd. is deemed to be interested in the Domestic Shares held by Luzhou Xinglu Jutai Real Estate Co., Ltd.

Save as disclosed above, to the knowledge of the Directors, the Bank is not aware of any other person (other than a Director, Supervisor and chief executive of the Bank) having any interests or short positions in the Shares or underlying Shares of the Bank as of June 30, 2022 which are required to be recorded in the register pursuant to section 336 of the SFO.

(III) Substantial Shareholders of the Bank

For information about the substantial Shareholders⁽¹⁾ of the Bank, please refer to the Related party relationships and Related party transactions under Note 38 to the Financial Statements of this interim report.

Note:

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

Changes in Share Capital and Information on Shareholders

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

As of June 30, 2022, based on the information available to the Bank and as far as our Directors are aware, the interests and short positions of our Directors, Supervisors and chief executives in the Shares, underlying Shares and debentures of our Bank or any associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register of interests kept pursuant to section 352 of the SFO, or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were set out as follows:

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

Note:

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

Save as disclosed above, as of June 30, 2022, none of our Directors, Supervisors and chief executives had any interests or short positions in the Shares, underlying Shares or debentures of our Bank or any associated corporations (as defined in Part XV of the SFO) which were required to be recorded in the register kept pursuant to section 352 of the SFO or which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code.

Directors, Supervisors, Senior Management and Employees

I. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(I) Directors

As of the Latest Practicable Date, the Board of the Bank consisted of eleven Directors, including two executive Directors, namely, Mr. YOU Jiang and Mr. LIU Shirong; four non-executive Directors, namely, Ms. PAN Lina, Mr. XIONG Guoming, Mr. LIU Qi and Mr. DAI Zhiwei; and five independent non-executive Directors, namely, Mr. GU Mingan, Mr. HUANG Yongqing, Mr. YE Changqing, Mr. TANG Baoqi and Mr. ZHONG Jin, respectively.

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

Development and strategy committee: Ms. PAN Lina (chairperson), Mr. YOU Jiang, Mr. XIONG Guoming, Mr. LIU Qi and Mr. DAI Zhiwei

Risk management committee: Mr. XIONG Guoming (chairperson), Mr. YOU Jiang, Mr. LIU Shirong, Mr. YE Changqing and Mr. ZHONG Jin

Audit committee: Mr. YE Changqing (chairperson), Ms. PAN Lina, Mr. GU Mingan and Mr. TANG Baoqi

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

Related party (connected) transactions control committee: Mr. GU Mingan (chairperson), Mr. LIU Shirong, Mr. HUANG Yongqing, Mr. YE Changqing and Mr. ZHONG Jin

Consumer rights protection committee: Mr. HUANG Yongqing (chairperson), Mr. LIU Shirong and Mr. LIU Qi

(II) Supervisors

As of the Latest Practicable Date, the Board of Supervisors of the Bank consisted of four Supervisors, including two employee representative Supervisors, namely Ms. LIU Yongli and Mr. CHEN Yong; and two external Supervisors, namely Mr. DUAN Xuebin and Mr. GUO Bing.

(III) Senior Management

There are nine senior management members in the Bank, namely president Mr. LIU Shirong, vice president Ms. YUAN Shihong, vice president Ms. XUE Xiaoqin, vice president Mr. WU Ji, vice president and chief information officer Mr. HAN Gang (Mr. Han will officially perform his duties as a vice president and the chief information officer of the Bank from the date of obtaining the approval on his qualification from the regulatory authority), vice president and secretary to the Board Mr. MING Yang (Mr. MING will officially perform his duties as a vice president and the secretary to the Board of the Bank from the date of obtaining the approval on his qualification from the regulatory authority), vice president Mr. HU Jia (Mr. Hu will officially perform his duties as a vice president of the Bank from the date of obtaining the approval on his qualification from the regulatory authority), vice president Mr. YANG Bing and assistant to president Mr. AI Yong.

Directors, Supervisors, Senior Management and Employees

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Changes in Directors

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

2. Changes in Supervisors

On January 10, 2022, Ms. YUAN Shihong no longer served as a Supervisor, Chairwoman of the Board of Supervisors, a member of the nomination committee under the Board of Supervisors, a member of the audit and supervision committee under the Board of Supervisors of the Bank due to internal work adjustments. Before the new chairperson of the Board of Supervisor of the Bank is formally appointed, Supervisor CHEN Yong will perform the duties.

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

3. Changes in Senior Management

On January 25, 2022, Mr. LIU Shirong resigned as the secretary of the Board of the Bank due to his wish to focus more on the work of the president in the future.

On February 8, 2022, Mr. CHENG Anhua resigned as the vice president and chief information officer of the Bank due to his personal health.

On April 18, 2022, Mr. HAN Gang was appointed as a vice president and the chief information officer of the Bank (to officially perform his duties as a vice president and the chief information officer of the Bank from the date of obtaining the approval on his qualification from the regulatory authority); Mr. MING Yang was appointed as a vice president and the secretary to the Board of the Bank (to officially perform his duties as a vice president and the secretary to the Board of the Bank from the date of obtaining the approval on his qualification from the regulatory authority); and Mr. HU Jia was appointed as a vice president of the Bank (to officially perform his duties as a vice president of the Bank from the date of obtaining the approval on his qualification from the regulatory authority).

On June 8, 2022, Mr. LIU Shirong obtained the approval on the qualification of president issued by the CBIRC Sichuan Office, with his term of office commenced on June 8, 2022.

On July 19, 2022, Ms. YUAN Shihong obtained the approval on the qualification of vice president issued by the CBIRC Sichuan Office, with her term of office commenced on July 19, 2022.

On August 24, 2022, Ms. LI Yan was appointed as the general manager of the Internal Audit Department of the Bank (to officially perform her duties as the general manager of the Internal Audit Department of the Bank from the date of obtaining the approval on her qualification from the regulatory authority).

4. Changes in Information of Directors, Supervisors and President

Mr. HUANG Yongqing, an independent non-executive Director of the Bank, was appointed as an independent non-executive director of Sichuan Gangtong Medical Equipment Group Co., Ltd. with effect from June 2022.

Mr. YE Changqing, an independent non-executive Director of the Bank, was appointed as an independent non-executive director of VNET Group, Inc. (a company listed on NASDAQ in the United States, stock code: VNET) with effect from August 2022.

On June 8, 2022, Mr. LIU Shirong obtained the approval on the qualification of president issued by the CBIRC Sichuan Office, with his term of office commenced on June 8, 2022.

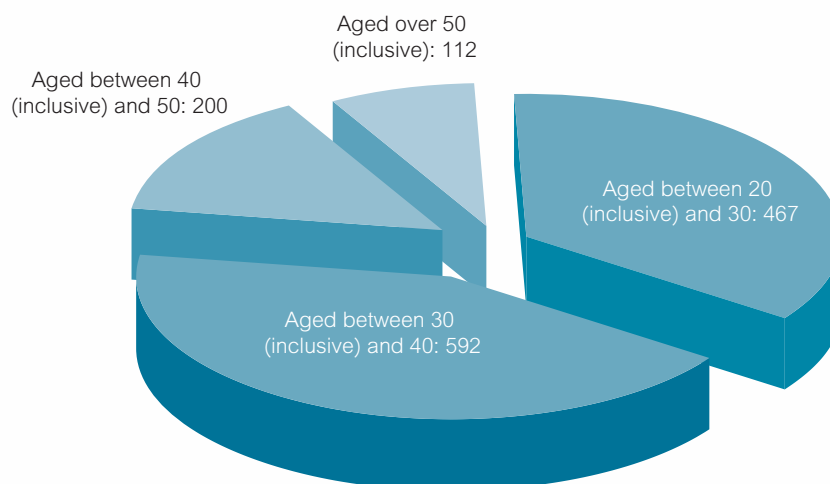
Directors, Supervisors, Senior Management and Employees

III. SECURITIES TRANSACTION BY DIRECTORS AND SUPERVISORS

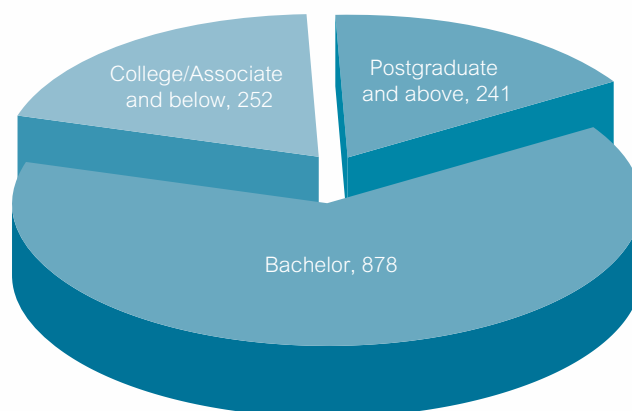
Our Bank has adopted the Model Code as its code for regulating securities transactions by Directors and Supervisors of the Bank. Having made specific enquiry with all Directors and Supervisors by the Bank, our Directors and Supervisors confirmed that they had been in compliance with the Model Code throughout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

IV. DETAILS OF EMPLOYEES

As of June 30, 2022, the Bank had 1,371 employees (including dispatched workers) in total, with an average age of 34.38. Of them, 467 employees aged between 20 (inclusive) and 30, accounting for 34.06%; 592 employees aged between 30 (inclusive) and 40, accounting for 43.18%; 200 employees aged between 40 (inclusive) and 50, accounting for 14.59%; and 112 employees aged over 50 (inclusive), accounting for 8.17%.



By education background, the Bank had 241 employees with postgraduate degrees and above (including 3 doctoral candidates), accounting for 17.58%; 878 employees with bachelor degrees, accounting for 64.04%; 252 employees with college/associate degrees and below, accounting for 18.38%.



The Bank had a total of 135 technology talents, accounting for 9.85% of the employees of the Bank.

Directors, Supervisors, Senior Management and Employees

V. TRAINING FOR EMPLOYEES

According to the annual development strategy and based on the actual demand, the Bank forms special training plans and accurately improves the training results to provide strong talent support to the forward long-term development. During the Reporting Period, the Bank capitalized on multimedia learning tools to organize its employees to participate in international and domestic authoritative tests for certificates and conducted special line training on wealth management marketing and customer acquisition skills, interbank business, credit risk prevention and control, and internal control and compliance, as well as online and offline training for new campus-recruited employees. The total number of various internal and external training activities of the Bank reached approximately 166 and the number of participants reached approximately 6,491.

VI. REMUNERATION POLICIES FOR EMPLOYEES

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

Important Events

CORPORATE GOVERNANCE

During the Reporting Period, the Bank continued to refine its corporate governance structure and improved its corporate governance in strict compliance with laws and regulations such as the Company Law of the PRC, the Commercial Banking Law of the PRC as well as the Listing Rules and in line with the actual conditions of the Bank. We had also adopted Part 2 of the Corporate Governance Code (the “Code”) set out in Appendix 14 to the Listing Rules, reached the requirements of the administrative measures and corporate governance for domestic commercial bank, and established a good corporate governance system.

Pursuant to code provision B.2.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. As disclosed in the announcement of the Bank dated May 27, 2022, the three years’ terms of the seventh session of the Board and the Board of Supervisors of the Bank expired on May 27, 2022. As the re-election of the Board and the Board of Supervisors is still in preparation, in order to maintain the continuity of the relevant work of the Bank, the re-election of the Board and the Board of Supervisors will be postponed. The terms of the seventh session of the Board and the Board of Supervisors of the Bank will be extended to the date when the new session of the Board and the Board of Supervisors are approved at the general meeting and the employee representative meeting according to the Articles of Association and officially perform their duties. At the same time, the terms of the seventh session of the special committees under the Board and the Board of Supervisors and the senior management of the Bank will also be extended accordingly. On August 3, 2022, the Bank announced the lists of candidates for non-employee Directors, non-employee Supervisors, employee Directors and employee Supervisors for the eighth session of the Board and the Board of Supervisors. The re-election/election of such candidates for non-employee Directors and non-employee Supervisors is subject to the consideration and approval of the Shareholders at the upcoming extraordinary general meeting to be held on September 20, 2022. For details, please refer to the Bank’s announcement dated August 3, 2022.

The Bank will proactively proceed with the re-election of the Board and the Board of Supervisors and fulfill the corresponding information disclosure obligations in a timely manner. Before the completion of the re-election, all members of the seventh session of the Board and the Board of Supervisors as well as senior management of the Bank will continue to perform their duties in accordance with relevant laws and regulations and the Articles of Association to ensure the normal operation of the Bank.

Save as disclosed above, we have strictly complied with the principles and Code provisions as well as some of the recommended best practices set out in the Code during the Reporting Period. We are committed to maintaining a high standard of corporate governance.

IMPLEMENTATION OF DIVIDENDS DISTRIBUTION

The 2021 Annual General Meeting of the Bank held on May 25, 2022 considered and approved the 2021 profit distribution plan. In order to better support the Bank’s operation and development, in the light of its capital status as of the end of 2021, no profit distribution was conducted for 2021, nor was capital reserve conversion to share capital. The Bank did not distribute and did not propose to distribute any interim dividend for the six months ended June 30, 2022.

MATERIAL LITIGATIONS AND ARBITRATIONS

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

Important Events

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

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

MATERIAL CONTRACTS AND THEIR PERFORMANCE

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

REVIEW OF INTERIM RESULTS

The Bank's interim financial information for 2022 (unaudited) prepared in accordance with IFRS have been reviewed by PricewaterhouseCoopers, who has been providing audit service for the Bank since 2017, and has issued an unqualified review report.

The Bank's 2022 interim report and 2022 interim financial information (unaudited) have been reviewed by the Audit Committee of the Board and the Board of Directors of the Bank.

MATERIAL ACQUISITION AND DISPOSAL OF ASSETS AND MERGER OF ENTERPRISES

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

SUBSEQUENT MATERIAL EVENTS

The Bank has no subsequent material events from the end of the Reporting Period to the issuance date of this report.

Independent Auditor's Report

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 60 to 142, which comprises the interim condensed statement of financial position of Luzhou Bank Co., Ltd. (the "Bank") as at 30 June 2022 and the interim condensed statement of comprehensive income, the interim condensed statement of changes in equity and the interim condensed statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 August 2022

Interim Condensed Statement of Comprehensive Income

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

	Note	For the six months ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
Interest income		3,840,930	3,449,542
Interest expenses		(2,050,192)	(1,946,602)
Net interest income	4	1,790,738	1,502,940
Fee and commission income		101,301	9,531
Fee and commission expenses		(8,924)	(4,473)
Net fee and commission income	5	92,377	5,058
Net gains on trading activities	6	348,530	36,747
Net gains on financial investments	7	117,519	118,544
Other operating income	8	9,536	7,067
Operating income		2,358,700	1,670,356
Operating expenses	9	(673,160)	(589,150)
Expected credit losses	10	(859,361)	(362,257)
Operating profit		826,179	718,949
Share of profit of an associate	20	3,145	2,171
Profit before income tax		829,324	721,120
Income tax expense	11	(185,701)	(157,356)
Net profit attributable to shareholders of the Bank		643,623	563,764
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value change of financial assets at fair value through other comprehensive income		62,064	27,345
Expected credit losses of financial assets at fair value through other comprehensive income		(191)	33,067
Less: Related income tax impact		(15,467)	(15,103)
Subtotal	36	46,406	45,309
Total comprehensive income attributable to the shareholders of the Bank		690,029	609,073
Earnings per share for profit attributable to the shareholders of the Bank (expressed in RMB per share)			
– basic and diluted	12	0.20	0.17

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

Interim Condensed Statement of Financial Position

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

	Note	30 June 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Cash and balances with central bank	13	11,822,822	10,451,291
Due from and placements with banks and other financial institutions	14	4,542,836	7,452,012
Customer loans	15	77,857,406	72,236,192
Financial investments – credit related financial assets	16	2,825,160	3,091,019
Financial investments – fair value through profit or loss	17	12,445,855	9,911,333
Financial investments – fair value through other comprehensive income	18	16,747,358	12,834,915
Financial investments – amortised cost	19	15,666,140	16,370,149
Investment in an associate	20	52,069	48,924
Property, plant and equipment	21	833,755	850,082
Deferred income tax assets	22	859,537	777,630
Other assets	23	884,607	486,581
Total assets		144,537,545	134,510,128
LIABILITIES			
Borrowings from central bank		5,858,888	3,557,331
Due to and placements from banks and other financial institutions	24	4,383,485	5,254,141
Financial liabilities at fair value through profit or loss	25	1,300,229	–
Customer deposits	26	106,362,072	94,768,521
Debt securities issued	27	15,099,022	20,141,958
Current tax liabilities		413,171	400,334
Other liabilities	28	823,592	685,686
Total liabilities		134,240,459	124,807,971
EQUITY			
Equity attributable to shareholders of the Bank			
Share capital	29	2,717,752	2,717,752
Other equity instruments	30	1,696,824	1,696,824
Capital surplus	29	1,786,355	1,786,355
Other reserves	31	2,573,959	2,329,815
Retained earnings		1,522,196	1,171,411
Total equity		10,297,086	9,702,157
Total liabilities and equity		144,537,545	134,510,128

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

Chairman and Executive Director:
You Jiang

Executive Director and President:
Liu Shirong

Interim Condensed Statement of Changes in Equity

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

	Equity attributable to shareholders of the Bank								
	Share capital Note 29	Other equity instruments Note 30	Capital surplus Note 29	Other reserves			Subtotal	Retained earnings	Total
				Surplus reserve Note 31	General reserve Note 31	Revaluation reserve Note 31			
Balance at 1 January 2022	2,717,752	1,696,824	1,786,355	530,764	1,539,567	259,484	2,329,815	1,171,411	9,702,157
Net profit for the period	-	-	-	-	-	-	-	643,623	643,623
Changes recognised in other comprehensive income	-	-	-	-	-	46,406	46,406	-	46,406
Total comprehensive income	-	-	-	-	-	46,406	46,406	643,623	690,029
Transfer to general reserve	-	-	-	-	197,738	-	197,738	(197,738)	-
Interest on perpetual bonds	-	-	-	-	-	-	-	(95,100)	(95,100)
Balance at 30 June 2022	2,717,752	1,696,824	1,786,355	530,764	1,737,305	305,890	2,573,959	1,522,196	10,297,086
Balance at 1 January 2021	2,264,793	1,696,824	2,239,314	457,338	1,148,053	145,433	1,750,824	997,194	8,948,949
Net profit for the period	-	-	-	-	-	-	-	563,764	563,764
Changes recognised in other comprehensive income	-	-	-	-	-	45,309	45,309	-	45,309
Total comprehensive income	-	-	-	-	-	45,309	45,309	563,764	609,073
Transfer to general reserve	-	-	-	-	391,514	-	391,514	(391,514)	-
Interest on perpetual bonds	-	-	-	-	-	-	-	(95,100)	(95,100)
Balance at 30 June 2021	2,264,793	1,696,824	2,239,314	457,338	1,539,567	190,742	2,187,647	1,074,344	9,462,922

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

Interim Condensed Statements of Cash Flows

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

	For the six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Cash flows from operating activities:		
Profit before income tax	829,324	721,120
Adjustments:		
Depreciation and amortisation	84,455	78,375
Expected credit losses on customer loans	608,090	324,722
Impairment losses on other financial assets	251,271	37,535
Net gains on disposal of long-term assets	(153)	(325)
Net gains arising from financial investments	(344,318)	(195,915)
Changes in fair value of financial assets at fair value through profit or loss	(121,731)	40,624
Interest income from financial investments	(1,032,104)	(999,207)
Interest expenses on debt securities	286,435	332,613
Subtotal	561,269	339,542
Net increase/(decrease) in operating assets:		
Net decrease/(increase) in balances with central bank	137,212	(1,216,792)
Net decrease in due from and placements with banks and other financial institutions	2,987,858	2,559,704
Net increase in customer loans	(5,875,656)	(9,973,219)
Net (increase)/decrease in other operating assets	(3,279,113)	2,057,618
Net increase/(decrease) in operating liabilities:		
Net increase/(decrease) in balances due to central bank	2,300,415	(23,434)
Net decrease in due to and placements from banks and other financial institutions	(852,407)	(717,501)
Net increase in customer deposits	11,310,433	4,549,252
Net increase in other operating liabilities	1,700,499	266,803
Income tax paid	(267,559)	(406,966)
Net cash flows generated from/(used in) operating activities	8,722,951	(2,564,993)

Interim Condensed Statements of Cash Flows

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

	For the six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment, and other long-term assets	66,997	6,250
Purchase of property, plant and equipment, and other long-term assets	(38,526)	(52,774)
Interest income arising from financial investment securities	1,202,213	1,605,142
Purchase of investment securities	(39,415,968)	(29,266,938)
Proceeds from sale and redemption of financial investments	36,386,061	24,119,106
Net cash flows used in investing activities	(1,799,223)	(3,589,214)
Cash flows from financing activities:		
Proceeds from issuance of debt securities	5,300,000	15,161,476
Repayment of debt securities upon maturity	(10,241,558)	(9,994,760)
Interest paid on debt securities	(337,124)	(427,713)
Dividends paid to shareholders	(95,209)	(50)
Net cash flow generated from/(used in) financing activities	(5,373,891)	4,738,953
Impact of exchange rate fluctuation on cash and cash equivalents	39,084	(7,649)
Net increase/(decrease) in cash and cash equivalents	1,588,921	(1,422,903)
Cash and cash equivalents at the beginning of the period	5,232,603	5,590,365
Cash and cash equivalents at the end of the period (Note 37)	6,821,524	4,167,462

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

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

1 GENERAL INFORMATION

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

On 8 May 1998, the Sichuan Branch of the People’s Bank of China approved the renaming of the Bank from “Luzhou City United Bank” to “Luzhou City Commercial Bank Co., Ltd.”. On 4 June 2019, in accordance with the approval of the Sichuan Supervisory Bureau of China Banking and Insurance Regulatory Commission (“CBIRC”) and the approval of Luzhou City Market Supervision and Administration Bureau, the Bank was formally renamed to “Luzhou Bank Co., Ltd.”. The Bank was listed on the main board of Stock Exchange of Hong Kong on 17 December 2018. As at 30 June 2022, the total issued share capital of the Bank is RMB2,717,752,062 with a par value of RMB1 per share.

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

This financial information was authorised for issue by the Board of Directors of the Bank on 24 August 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

The interim condensed financial information should be read in conjunction with the audited financial statements for the year ended 31 December 2021.

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

Except as described below, the Bank’s accounting policies applied in preparing this unaudited interim condensed financial information are consistent with those policies applied in preparing the 2021 annual financial statements.

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

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 New and amended standards adopted by the Bank

A number of new or amended standards became applicable for the current reporting period. The adoption of the new IFRSs and amendments to IFRSs did not have a material impact on the Bank's operating results, financial position or other comprehensive income. The Bank did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

2.1.2 Impact of standards issued but not yet applied by the Bank

There are no standards issued but not yet effective that would be expected to have a material impact on the Bank in the current or future reporting periods and on foreseeable future transactions.

2.2 Critical accounting estimates and judgments in applying accounting policies

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

In preparing this interim condensed financial information, the significant judgements and estimates made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2021.

3 FINANCIAL RISK MANAGEMENT

Overview

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

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

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

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk

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

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

3.1.1 Credit risk measurement

(a) Credit business

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

The core definitions of credit asset classifications in 'Loan Risk Classifications Guiding Principles' are as follows:

Pass: The borrower can fulfil the contracts, and there is insufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time.

Special mention: The borrower has the ability to make current payments, but there may be some potential issues that could have adverse impact on the future payments.

Substandard: The borrower's repayment ability has been impaired and their normal income cannot repay the loan principal plus interest in full. Even with execution of guarantee, there may be certain level of loss.

Doubtful: The borrower cannot repay the principal plus the interest in full. Even with the execution of guarantee, there will be a significant loss.

Loss: After taking consideration of all possible recovery actions or all necessary legal proceedings, the future outcome of recovery is likely to be little or nil.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.1 Credit risk measurement (continued)

(a) Credit business (continued)

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

(b) Financial market business

For treasury business (including debt investments), the Bank chooses banks and other financial institutions prudently, balances the credit risk and return rate of investments, makes reference to internal and external credit rating information, and uses an appropriate credit limit management system to review and adjust credit lines, aiming to manage the credit risk exposed to the treasury business.

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

Debt investments other than debt securities include investments in fund trust schemes, asset management plans and wealth management products set up by banking financial institutions. The Bank implements a rating system for accepting banks, trust companies, securities companies and fund companies, sets credit limits for ultimate borrowers of trust plans, ultimate borrowers of targeted asset management plans, and issuers of inter-bank wealth management products, and carries out follow-up risk management on a regular basis.

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

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2 Risk limit control and mitigation policies

(a) *Credit business*

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

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

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

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

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

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

(b) *Financial market business*

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

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

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2 Risk limit control and mitigation policies (continued)

(b) Financial market business (continued)

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

3.1.3 Collateral and guarantee

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

Type of Collateral	Maximum loan-to-value ratio
Collaterals	
Residential and commercial properties	60%
Land use rights for commercial, residential and comprehensive use	50%
Land use rights for industrial use	40%
Plants, workshops and factories or office and warehouse in non-urban area	40%
Forestry, trees and woodland usage rights	40%
Construction in progress	50%
Pledges	
Security deposits and certificates of deposit (including electronic certificates of deposits) issued by the Bank	100%
Certificates of deposit issued by other banks	90%
Treasury bonds, bank cheques and bank acceptance bills	90%
Commercial acceptance bills	80%
Debt securities issued by corporations with rating of AA or above	50%
Shares and equities	50%
Warehouse receipts and bills of lading	50%
Receivables	50%
Property right from intellectual properties rights including patents and copyrights	30%

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Collateral and guarantee (continued)

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

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

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

Collateral is also held as part of reverse repurchase agreements. Details of collateral accepted and which the Bank is obligated to return are disclosed in Note 35.

3.1.4 Measurement of expected credit losses

In accordance with IFRS 9, the Bank classified the financial instruments into three stages. Stage 1 includes performing financial instruments that are “not credit-impaired on initial recognition”. The Bank needs to measure expected credit losses (“ECL”) in the next 12 months. If the remaining term is less than 12 months, the Bank only needs to measure ECL for the remaining term. Stage 2 includes financial instruments that have had significant increase in credit risk since initial recognition and stage 3 includes credit-impaired financial assets. ECL for the entire life cycle are recognised for those financial instruments in stage 2 and stage 3.

3-stage classification

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

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

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Measurement of expected credit losses (continued)

(1) *Financial assets with significant increase in credit risk*

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

Quantitative criteria

The principal or interest of the contract is overdue for more than 30 days, but less than 90 days.

The debtor's external credit rating (facility rating or obligor rating) has been downgraded to BBB or below.

Qualitative criteria

Changes in the economic, technological or legal environment in which the debtor is operating in at the present time or in the near future, thereby having negative impacts on obligator's repayment ability.

Other circumstances of significant increase in credit risk. For example, appearance of other risk alarm indicators which imply growing potential risk and could cause losses of financial assets to the Bank.

(2) *Definition of default and loss incurred*

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

Quantitative criteria

- The principal or interest of the contract is overdue for more than 90 days.
- The debtor's external credit rating (facility rating or obligor rating) is has been downgraded to C or below.

Qualitative criteria

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

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Measurement of expected credit losses (continued)

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

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

When a financial instrument does not meet any definition of default for six consecutive months, the Bank no longer regards it as an asset in default (reversal). According to the relevant analysis, the Bank has considered the possibility that the financial instruments will be in default again from the reversal under various circumstances, and decided to adopt the six-month observation period.

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

Depending on whether there is a significant increase in credit risk and whether the assets have been impaired, the Bank will measure the expected credit losses for different assets 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 Bank 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 Bank should pay when the default occurs in the next 12 months or throughout the remaining life. The Bank's exposure at default is determined by the expected repayment arrangements, and different types of products will vary. For installments and one-time repayments, the Bank determines the exposure at default according to the repayment plan stipulated in the contract.

The Bank determines the expected credit losses by forecasting the probability of default, loss given default and exposure at default of single debt. The Bank multiplies the three items. This approach can effectively calculate the expected credit losses for future periods, and then discount the results of each period to the report date and add up. The discount rate used in the calculation of expected credit loss is the effective interest rate or its approximate value.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Measurement of expected credit losses (continued)

(4) *Establishment of impairment model*

The Bank has established macro-economic forecast model, with reference to external economic forecasts. The Bank conducts forecasts regularly and establishes three possible economic scenarios, optimistic, basic and pessimistic. Basic scenario is defined as the most probable situation, which 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 Bank has developed several corporate, retail and inter-bank impairment models, including regression models for different macro-economic indicators such as Macro-economic Climate Index, Business Climate Index, National Housing Climate Index and Non-performing loan ratio of commercial banks etc. and uses MERTON formula and historical default information to make 'forward looking' adjustments to probability of default to achieve "forward-looking" calculation of provision.

For asset portfolios that regression model cannot be established, for example, customers' default rate is extremely low or assets without an appropriate internal rating method, the Bank mainly applies external rating and expected loss rate from similar portfolios which regression model have been established so as to increase coverage range of existing impairment models.

(a) *Forwarding-looking information included in ECL model*

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

Scope	
Macro-economic Climate Index	Corporate loans, discounted bills, personal loans, financial investments – credit related financial assets, off-balance sheet business
National Housing Climate Index	Personal loans

These economic indicators and their impact on PD depend on different financial instruments, which involve expert judgments. The Bank annually makes forecasts on these economic indicators ("Basic economic scenarios") and provides the best estimation of the economics for the next two years. The Bank believes that the economic indicators from two years later to the end of the maturity of financial instruments tend to maintain average or average growth for a long time in the following period through the mean regression method. The impact of these economical variables on the PD has been determined by performing MERTON model analysis to understand the impact of historical changes on PD, EAD and LGD.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Measurement of expected credit losses (continued)

(4) *Establishment of impairment model* (continued)

(a) *Forwarding-looking information included in ECL model* (continued)

As at 30 June 2022, the significant assumptions used to estimate expected credit losses are presented as three economic scenarios, including “Optimistic scenario”, “Basic scenario”, and “Pessimistic scenario”, which are applicable to the Bank. The weighting of “Basic scenario” adopted by the Bank overweights the aggregated weightings of other scenarios.

Similar to other economic predictions, there is highly inherent uncertainty to the prediction and estimation of probability. Therefore, the actual results may significantly differ from the prediction. The Bank believes that these predictions reflect the best estimation of possible outcomes, and the chosen scenarios can represent possible scenarios appropriately.

3.1.5 Maximum exposure to credit risk

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

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

	As at 30 June 2022			Total
	Stage 1	Stage 2	Stage 3	
Assets				
Balances with central bank	11,733,628	–	–	11,733,628
Due from and placements with banks and other financial institutions	4,542,836	–	–	4,542,836
Customer loans	76,000,044	1,469,512	387,850	77,857,406
Financial investments – credit related financial assets	2,467,967	–	357,193	2,825,160
Financial investments – fair value through other comprehensive income	16,705,531	41,827	–	16,747,358
Financial investments – amortised cost	14,927,893	662,408	75,839	15,666,140
Other financial assets	292,704	–	–	292,704
Subtotal	126,670,603	2,173,747	820,882	129,665,232
Off balance sheet guarantees and commitments	680,460	–	–	680,460

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.5 Maximum exposure to credit risk (continued)

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

	As at 31 December 2021			Total
	Stage 1	Stage 2	Stage 3	
Assets				
Balances with central bank	10,359,361	–	–	10,359,361
Due from and placements with banks and other financial institutions	7,452,012	–	–	7,452,012
Customer loans	70,097,240	1,764,103	374,849	72,236,192
Financial investments- credit related financial assets	2,544,050	546,969	–	3,091,019
Financial investments – fair value through other comprehensive income	12,800,333	34,582	–	12,834,915
Financial investments – amortised cost	15,663,659	630,640	75,850	16,370,149
Other financial assets	239,951	–	–	239,951
Subtotal	119,156,606	2,976,294	450,699	122,583,599
Off balance sheet guarantees and commitments				
	804,108	–	–	804,108

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

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

	As at 30 June 2022	As at 31 December 2021
Assets		
Financial investments – fair value through profit or loss		
– Bond investments	7,680,594	8,201,873
– Trust plans	94,100	91,917
– Fund investments	4,615,395	1,560,411
Total	12,390,089	9,854,201

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.6 Customer loans

	As at 30 June 2022			
	Corporate loans	Personal loans	Discounted bills	Total
Stage 1	65,480,815	11,038,777	879,296	77,398,888
Stage 2	1,545,094	90,502	300,000	1,935,596
Stage 3	859,813	263,569	65,330	1,188,712
Total	67,885,722	11,392,848	1,244,626	80,523,196
Add: Accrued Interest	178,821	57,251	–	236,072
Less: ECL allowance (i)	(2,455,942)	(445,920)	–	(2,901,862)
Net amount	65,608,601	11,004,179	1,244,626	77,857,406

	As at 31 December 2021			
	Corporate loans	Personal loans	Discounted bills	Total
Stage 1	58,141,105	9,908,845	3,239,214	71,289,164
Stage 2	1,832,832	99,016	373,029	2,304,877
Stage 3	899,070	159,629	–	1,058,699
Total	60,873,007	10,167,490	3,612,243	74,652,740
Accrued Interest	183,809	36,741	–	220,550
Less: ECL allowance (i)	(2,306,162)	(330,936)	–	(2,637,098)
Net amount	58,750,654	9,873,295	3,612,243	72,236,192

(i) As at 30 June 2022, ECL allowance recognised by the Bank for Discounted bills – FVOCI was RMB132,144 thousand (as at 31 December 2021: RMB141,913 thousand).

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.6 Customer loans (continued)

(a) Stage-3 loans

As at 30 June 2022	Collateralised or pledged loans				Non-collateralised or pledged loans			
	Credit-impaired assets (Stage 3)	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held	Gross exposure	Impairment allowance	Carrying amount
Customer loans								
– Corporate loans		476,609	(359,167)	117,442	249,579	383,204	(288,264)	94,940
– Personal loans		162,195	(109,077)	53,118	95,336	101,374	(80,798)	20,576
– Discounted bills		65,330	(40,014)	25,316	25,316	-	-	-
Total		704,134	(508,258)	195,876	370,231	484,578	(369,062)	115,516

As at 31 December 2021	Collateralised or pledged loans				Non-collateralised or pledged loans			
	Credit-impaired assets (Stage 3)	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held	Gross exposure	Impairment allowance	Carrying amount
Customer loans								
– Corporate loans		755,536	(533,680)	221,856	307,365	143,534	(100,363)	43,171
– Personal loans		101,546	(66,410)	35,136	54,643	58,083	(40,669)	17,414
Total		857,082	(600,090)	256,992	362,008	201,617	(141,032)	60,585

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

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.6 Customer loans (continued)

(b) Restructured customer loans

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

	As at 30 June 2022	As at 31 December 2021
Restructured customer loans	90,294	134,481

(c) Overdue customer loans by security and overdue date

	As at 30 June 2022				Total
	Overdue up to 90 days	Overdue 90 days – 1 year	Overdue 1 – 3 years	Overdue over 3 years	
Guaranteed loans	531,506	280,730	1,116	25,669	839,021
Collateralised loans	174,609	297,642	303,675	1,394	777,320
Pledged loans	305,552	69,330	8	–	374,890
Unsecured loans	63,058	29,006	34,725	364	127,153
Total	1,074,725	676,708	339,524	27,427	2,118,384

	As at 31 December 2021				Total
	Overdue up to 90 days	Overdue 90 days – 1 year	Overdue 1 – 3 years	Overdue over 3 years	
Guaranteed loans	251,000	35,827	–	25,669	312,496
Collateralised loans	946,817	76,892	246,508	724	1,270,941
Pledged loans	23,991	2,600	8	–	26,599
Unsecured loans	27,321	30,018	22,242	63	79,644
Total	1,249,129	145,337	268,758	26,456	1,689,680

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.6 Customer loans (continued)

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

	As at 30 June 2022		As at 31 December 2021	
	Amount	%	Amount	%
Corporate loans				
Leasing and commercial services	26,319,935	32.59	21,724,771	29.01
Construction	16,830,386	20.84	14,275,490	19.07
Real estate	7,650,095	9.47	8,757,758	11.70
Wholesale and retail trade	4,520,721	5.60	3,972,040	5.31
Administration of water conservancy, environment and public facilities	2,718,429	3.37	2,856,439	3.82
Manufacturing	2,575,315	3.19	2,760,512	3.69
Financial	1,707,490	2.11	1,375,200	1.84
Education	1,163,000	1.44	1,357,700	1.81
Electricity, heat, gas and water production and supply	1,055,320	1.31	532,670	0.71
Health and social work	840,150	1.04	833,050	1.11
Accommodation and catering	777,627	0.96	823,652	1.10
Information transmission, software and information technology services	585,900	0.73	486,000	0.65
Agriculture, forestry, animal husbandry and fishery	512,767	0.63	498,469	0.67
Transportation, warehousing and postage service	239,669	0.30	183,269	0.24
Household services, repairs and other services	202,250	0.25	214,500	0.29
Scientific research and technology services	87,969	0.11	103,789	0.14
Culture, sports and entertainment	50,900	0.06	63,400	0.08
Mining	47,799	0.06	54,298	0.07
Discounted bills	1,244,626	1.54	3,612,243	4.82
Total corporate loans	69,130,348	85.60	64,485,250	86.13
Personal business loans	6,552,976	8.11	5,979,097	7.99
Residential mortgage loans	2,751,625	3.41	2,696,391	3.60
Personal consumption loans	2,088,247	2.59	1,492,002	1.99
Total personal loans	11,392,848	14.11	10,167,490	13.58
Accrued Interest	236,072	0.29	220,550	0.29
Total customer loans excluding ECL allowance	80,759,268	100.00	74,873,290	100.00

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.6 Customer loans (continued)

(e) Type of collateral analysis

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

	As at 30 June 2022	As at 31 December 2021
Guaranteed loans	42,057,161	34,796,495
Collateralised loans	19,051,940	20,263,575
Unsecured loans	12,703,562	9,803,584
Pledged loans	6,710,533	9,789,086
Accrued interest	236,072	220,550
Total	80,759,268	74,873,290

3.1.7 Investment securities

As at 30 June 2022 and 31 December 2021, RMB securities are rated by major domestic rating agencies.

The rating results of investment securities as following:

As at 30 June 2022	Financial investments – fair value through profit or loss	Financial investments – FVOCI	Financial investments – amortised cost	Financial investment – credit related financial assets	Total
RMB securities					
A-1	–	136,407	–	–	136,407
AAA	1,527,495	930,592	1,466,624	–	3,924,711
AA- to AA+	2,720,858	1,823,465	84,000	–	4,628,323
A	–	35,046	–	–	35,046
Unrated ^(a)	7,918,519	13,474,395	14,316,203	3,157,850	38,866,967
Accrued interest	223,217	347,453	431,738	125,237	1,127,645
Less: ECL Allowance	–	–	(665,982)	(457,927)	(1,123,909)
Subtotal	12,390,089	16,747,358	15,632,583	2,825,160	47,595,190
Foreign currency					
Unrated	–	–	33,557	–	33,557
Total	12,390,089	16,747,358	15,666,140	2,825,160	47,628,747

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.7 Investment securities (continued)

As at 31 December 2021	Financial investments – fair value through profit or loss	Financial investments – FVOCI	Financial investments – amortised cost	Financial investment – credit related financial assets	Total
RMB					
A-1	–	169,960	–	–	169,960
AAA	1,844,906	800,481	1,266,133	–	3,911,520
AA- to AA+	2,343,620	2,213,360	254,131	–	4,811,111
Unrated (a)	5,665,675	9,390,167	15,082,845	3,219,100	33,357,787
Accrued Interest	–	260,947	364,088	109,284	734,319
Less: ECL Allowance	–	–	(628,926)	(237,365)	(866,291)
Subtotal	9,854,201	12,834,915	16,338,271	3,091,019	42,118,406
Foreign currency					
Unrated	–	–	31,878	–	31,878
Total	9,854,201	12,834,915	16,370,149	3,091,019	42,150,284

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.7 Investment securities (continued)

(a) Unrated securities

As at 30 June 2022	Financial investments – fair value through profit or loss	Financial investments – FVOCI	Financial investments – amortised cost	Financial investment – credit related financial assets	Total
Provincial government bonds	–	150,077	947,662	–	1,097,739
Central government bonds	–	1,950,873	1,671,017	–	3,621,890
Policy bank bonds	–	1,677,587	5,069,136	–	6,746,723
Certificates of deposit	–	4,275,140	–	–	4,275,140
Medium-term Notes	–	615,882	–	–	615,882
Private placement notes	763,745	957,883	280,000	–	2,001,628
Funds	4,615,395	–	–	–	4,615,395
Industry funds (Senior tranche)	–	–	400,000	–	400,000
Privately raised company bonds	2,345,509	3,846,953	5,108,388	–	11,300,850
Trust plans	94,100	–	840,000	3,157,850	4,091,950
General corporate bonds	99,770	–	–	–	99,770
Total	7,918,519	13,474,395	14,316,203	3,157,850	38,866,967

As at 31 December 2021	Financial investments – fair value through profit or loss	Financial investments – FVOCI	Financial investments – amortised cost	Financial investment – credit related financial assets	Total
Provincial government bonds	–	–	960,462	–	960,462
Central government bonds	–	1,496,164	2,592,465	–	4,088,629
Policy bank bonds	–	391,996	4,256,022	–	4,648,018
Certificates of deposit	–	1,748,485	–	–	1,748,485
Medium-term Notes	–	298,140	–	–	298,140
Private placement notes	794,423	1,570,766	280,000	–	2,645,189
Funds	1,560,411	–	–	–	1,560,411
Industry funds (Senior tranche)	–	–	400,000	–	400,000
Privately raised corporate bond	3,218,924	3,884,616	5,507,896	–	12,611,436
Trust plans	91,917	–	1,086,000	3,219,100	4,397,017
Total	5,665,675	9,390,167	15,082,845	3,219,100	33,357,787

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.7 Investment securities (continued)

Financial investments – amortised cost are summarised as follows:

	As at 30 June 2022	As at 31 December 2021
Stage 1	14,752,403	15,467,761
Stage 2	897,981	917,226
Stage 3	250,000	250,000
Add: Accrued interest	431,738	364,088
Gross amount	16,332,122	16,999,075
Less: ECL allowance	(665,982)	(628,926)
Net amount	15,666,140	16,370,149

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

	As at 30 June 2022	As at 31 December 2021
Stage 1	2,519,500	2,580,750
Stage 2	–	638,350
Stage 3	638,350	–
Add: Accrued Interest	125,237	109,284
Gross amount	3,283,087	3,328,384
Less: ECL allowance	(457,927)	(237,365)
Net amount	2,825,160	3,091,019

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.7 Investment securities (continued)

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

	As at 30 June 2022		As at 31 December 2021	
	amount	%	amount	%
Leasing and commercial services	1,434,850	43.71	1,468,350	44.12
Agriculture, forestry, animal husbandry and fishery	1,000,000	30.46	1,000,000	30.04
Construction	573,000	17.45	582,000	17.49
Administration of water conservancy, environment and public facilities	150,000	4.57	168,750	5.07
Add: Accrued interest	125,237	3.81	109,284	3.28
Total	3,283,087	100.00	3,328,384	100.00

3.1.8 Foreclosed assets

	As at 30 June 2022	As at 31 December 2021
Business properties	268,491	41,940
Provision for foreclosed assets	(15,258)	(15,310)
Net amount	253,233	26,630

Foreclosed assets are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. The Bank does not generally occupy foreclosed properties for its business use. Foreclosed assets are classified in the statement of financial position as other assets.

3.1.9 Concentration risk analysis for financial assets with credit risk exposure

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

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

4 NET INTEREST INCOME

	For the six months ended 30 June	
	2022	2021
Interest income		
Balances with central bank	52,529	57,051
Due from and placements with banks and other financial institutions	58,261	62,571
Customer loans	2,698,036	2,330,713
Financial investments – credit related financial assets	113,194	136,628
Financial investments	918,910	862,579
Subtotal	3,840,930	3,449,542
Including: Interest income from impaired financial assets	27,225	6,664
Interest expenses		
Due to central bank	(43,979)	(20,974)
Due to and placements from banks and other financial institutions	(70,042)	(79,535)
Customer deposits	(1,647,584)	(1,511,906)
Debt securities issued	(286,435)	(332,613)
Others	(2,152)	(1,574)
Subtotal	(2,050,192)	(1,946,602)
Net interest income	1,790,738	1,502,940

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

5 NET FEE AND COMMISSION INCOME

	For the six months ended 30 June	
	2022	2021
Fee and commission income		
Commission income from wealth management agency services	94,183	3,565
Commission income from investment banking services	2,126	–
Commission income from agency services	1,921	853
Commission income from settlement services	1,206	1,216
Commission income from bank card services	950	1,018
Commission income from guarantees and credit commitments	832	2,850
Other commission income	83	29
Total	101,301	9,531
Fee and commission expenses	(8,924)	(4,473)
Net fee and commission income	92,377	5,058

6 NET GAINS ON TRADING ACTIVITIES

	For the six months ended 30 June	
	2022	2021
Debt securities-unrealised fair value change	60,708	(31,584)
Debt securities-realised gains	248,738	75,980
Foreign exchange gains/(losses)	39,084	(7,649)
Total	348,530	36,747

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022

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

7 NET GAINS ON FINANCIAL INVESTMENTS

	For the six months ended 30 June	
	2022	2021
Net gains arising from de-recognition of FVOCI	1,066	5,583
Financial investments at FVPL-unrealised fair value change	61,023	(9,040)
Financial investments at FVPL-realised gains	55,430	122,001
Total	117,519	118,544

8 OTHER OPERATING INCOME

	For the six months ended 30 June	
	2022	2021
Net gains on disposal of non-current assets	153	325
Incentive and subsidy funds	2,436	1,502
Penalty on early termination of contracts	188	737
Rental income from investment properties	5,465	2,244
Other miscellaneous income ⁽¹⁾	1,294	2,259
Total	9,536	7,067

(1) Other miscellaneous income mainly includes penalty and confiscatory income.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

9 OPERATING EXPENSES

	For the six months ended 30 June	
	2022	2021
Staff costs (including directors and supervisors' emoluments (allowance inclusive)) ⁽¹⁾	417,224	371,852
Business and administrative expenses	121,566	99,878
Depreciation and amortisation	84,455	78,375
Taxes and surcharges	27,964	21,504
Professional service fee	11,603	7,986
Expenditures on public welfare donations	4,620	4,695
Others	5,728	4,860
Total	673,160	589,150

(1) Staff costs

	For the six months ended 30 June	
	2022	2021
Salaries and bonuses	319,033	290,416
Defined contribution plans ^(a)	42,642	35,663
Staff benefits	20,430	17,911
Housing benefits and subsidies	16,029	13,116
Other social security and benefit costs	10,379	6,288
Staff education and labour union expenses	8,711	8,458
Total	417,224	371,852

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

9 OPERATING EXPENSES (continued)

(1) Staff costs (continued)

(a) Defined contribution plans

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

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

The amount recognised in profit or loss is as follows:

	For the six months ended 30 June	
	2022	2021
Expenses incurred for retirement benefit	21,028	16,239
Expenses incurred for corporate annuity plan	21,614	19,424
Total	42,642	35,663

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

	As at 30 June 2022	As at 31 December 2021
Statement of financial position obligations for:		
Retirement benefit	1,348	2,307
Corporate annuity plan	156	156
Total	1,504	2,463

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

10 EXPECTED CREDIT LOSSES

	For the six months ended 30 June	
	2022	2021
ECL for customer loans at amortised cost (Note 15(b))	608,090	324,722
ECL for customer loans – FVOCI (Note 15(b))	(9,769)	11,748
ECL for financial investments – credit related financial assets (Note 16)	220,562	(129)
ECL for financial investments – amortised cost (Note 19)	28,876	6,598
ECL for financial investments – FVOCI (Note 18)	9,577	21,319
ECL for financial assets held under resale agreements, due from other banks and financial institutions (Note 14)	(269)	(81)
ECL for guarantee commitments	1,844	(2,879)
Other impairment losses (Note 23(3))	450	959
Total	859,361	362,257

11 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2022	2021
Current income tax	283,075	148,355
Deferred income tax (Note 22)	(97,374)	9,001
Total	185,701	157,356

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

The difference between the actual income tax charge in the profit or loss and the amounts which would result from applying the enacted tax rate 25% (for the six months ended 30 June 2021: 25%) to profit before income tax can be reconciled as follows:

	For the six months ended 30 June	
	2022	2021
Profit before income tax	829,324	721,120
Tax calculated at a tax rate of 25%	207,331	180,280
Tax effect arising from non-taxable income ^(a)	(25,047)	(19,414)
Tax effect of expenses that are not deductible for tax purposes ^(b)	5,351	2,039
Income tax adjustment for prior years	(1,934)	(5,549)
Income tax expense	185,701	157,356

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

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

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022

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

12 BASIC AND DILUTED EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2022	2021
Net profit attributable to shareholders of the Bank	643,623	563,764
Less: Net profit attributable to other equity holders of the Bank	(95,100)	(95,100)
Net profit attributable to ordinary shareholders of the Bank	548,523	468,664
Weighted average number of ordinary shares issued ('000) ⁽ⁱ⁾	2,717,752	2,717,752
Basic earnings per share (RMB) ⁽ⁱ⁾	0.20	0.17

- (i) Since the Bank's capital reserve were converted into share capital in 2021, the total share capital of the Bank were changed from RMB2,264,793,000 to RMB2,717,752,000. According to the requirements of the International Financial Reporting Standards, the comparative data of weighted average number of ordinary shares and basic earnings per share have been restated.

The Bank issued non-cumulative perpetual bonds on 18 March 2020 and 11 June 2020 under the terms and conditions as detailed in Note 30.1 Perpetual Bonds. For the purpose of calculating basic earnings per share, distributions on non-cumulative perpetual bonds declared in respect of the period should be deducted from the amounts attributable to shareholders of the Bank. The Bank has declared distributions on perpetual bonds of RMB95,100 thousand for the six months ended 30 June 2022 (for the six months ended 30 June 2021: RMB95,100 thousand).

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

13 CASH AND BALANCES WITH CENTRAL BANK

	30 June	31 December
	2022	2021
Cash	89,194	91,930
Mandatory reserve deposits with central bank ^(a)	5,971,446	5,862,248
Surplus reserve deposits with central bank	5,679,237	4,167,263
Fiscal deposits with central bank	80,051	326,461
Accrued interest	2,894	3,389
Total	11,822,822	10,451,291

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

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

13 CASH AND BALANCES WITH CENTRAL BANK (continued)

As at 30 June 2022 and 31 December 2021, the mandatory reserve deposits rates of the Bank are as follows:

	30 June 2022	31 December 2021
Mandatory reserve rate for deposits denominated in RMB	5.50%	6.00%

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

14 DUE FROM AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2022	31 December 2021
Reverse repurchase agreements – debt securities	3,488,089	6,477,545
Placements with banks and other financial institutions	12,131	12,131
Due from banks and other financial institutions	1,053,128	973,446
Accrued interest	1,952	1,623
Less: ECL allowance	(12,464)	(12,733)
Total	4,542,836	7,452,012

15 CUSTOMER LOANS

(a) Customer loans

	30 June 2022	31 December 2021
Customer loans at amortised cost		
Corporate loans	67,885,722	60,873,007
Personal loans	11,392,848	10,167,490
Accrued interest	236,072	220,550
Gross amount of loans at amortised cost	79,514,642	71,261,047
Less: ECL allowance	(2,901,862)	(2,637,098)
Net customer loans at amortised cost	76,612,780	68,623,949
Customer loans – FVOCI		
Discounted bills	1,244,626	3,612,243
Net customer loans – FVOCI	1,244,626	3,612,243
Net customer loans	77,857,406	72,236,192

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

15 CUSTOMER LOANS (continued)

(b) Movements on ECL allowance

Corporate loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	1,155,111	517,008	634,043	2,306,162
New financial assets originated	291,854	–	–	291,854
Remeasurement	67,540	100,725	271,390	439,655
Repayments	(160,282)	(17,141)	(54,682)	(232,105)
Write-off	–	–	(354,879)	(354,879)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(13,062)	13,062	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(658)	–	658	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(145,681)	145,681	–
Unwinding of discount	–	–	5,220	5,220
Exchange differences	35	–	–	35
Loss allowance as at 30 June 2022	1,340,538	467,973	647,431	2,455,942

Personal loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	195,343	28,514	107,079	330,936
New financial assets originated	97,663	–	–	97,663
Remeasurement	18,127	24,924	67,508	110,559
Repayments	(83,692)	(5,372)	(10,472)	(99,536)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(1,910)	1,910	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(1,583)	–	1,583	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(18,808)	18,808	–
<i>Transfer from Stage 3 to Stage 2</i>	–	591	(591)	–
<i>Transfer from Stage 2 to Stage 1</i>	2,412	(2,412)	–	–
<i>Transfer from Stage 3 to Stage 1</i>	338	–	(338)	–
Recoveries of loans written-off in previous years	–	–	866	866
Unwinding of discount	–	–	5,432	5,432
Loss allowance as at 30 June 2022	226,698	29,347	189,875	445,920

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

15 CUSTOMER LOANS (continued)

(b) Movements on ECL allowance (continued)

Corporate loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2021	1,045,114	109,368	702,804	1,857,286
New financial assets originated	573,730	–	–	573,730
Remeasurement	(118,186)	410,441	374,985	667,240
Repayment	(298,422)	(15,872)	(36,913)	(351,207)
Write-off and transfer out	–	–	(448,497)	(448,497)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(35,207)	35,207	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(14,659)	–	14,659	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(19,395)	19,395	–
<i>Transfer from Stage 2 to Stage 1</i>	2,741	(2,741)	–	–
Recoveries of loans written-off in previous years	–	–	11,272	11,272
Unwinding of discount	–	–	(3,662)	(3,662)
Loss allowance as at 31 December 2021	1,155,111	517,008	634,043	2,306,162

Personal loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2021	96,514	36,605	48,000	181,119
New financial assets originated	166,853	–	–	166,853
Remeasurement	8,171	22,223	41,096	71,490
Repayment	(75,664)	(14,145)	(9,166)	(98,975)
Write-off	–	–	(8,178)	(8,178)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(1,222)	1,222	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(1,256)	–	1,256	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(17,216)	17,216	–
<i>Transfer from Stage 3 to Stage 2</i>	–	1,026	(1,026)	–
<i>Transfer from Stage 2 to Stage 1</i>	1,201	(1,201)	–	–
<i>Transfer from Stage 3 to Stage 1</i>	746	–	(746)	–
Recoveries of loans written-off in previous years	–	–	15,194	15,194
Unwinding of discount	–	–	3,433	3,433
Loss allowance as at 31 December 2021	195,343	28,514	107,079	330,936

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

15 CUSTOMER LOANS (continued)

(b) Movements on ECL allowance (continued)

Discounted bills	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	54,713	87,200	–	141,913
New financial assets originated or Purchased	12,268	–	–	12,268
Remeasurement	65	10,833	24,043	34,941
Repayment	(51,143)	(5,835)	–	(56,978)
Transfers:				
<i>Transfer from Stage 2 to Stage 3</i>	–	(15,971)	15,971	–
As at 30 June 2022	15,903	76,227	40,014	132,144

Discounted bills	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	72,222	–	–	72,222
New financial assets originated or purchased	61,613	–	–	61,613
Remeasurement	–	80,300	–	80,300
Repayment	(72,222)	–	–	(72,222)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(6,900)	6,900	–	–
As at 31 December 2021	54,713	87,200	–	141,913

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

15 CUSTOMER LOANS (continued)

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

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

Corporate loans	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	58,141,105	1,832,832	899,070	60,873,007
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	<i>(328,326)</i>	<i>328,326</i>	<i>-</i>	<i>-</i>
<i>Transfer from Stage 1 to Stage 3</i>	<i>(25,508)</i>	<i>-</i>	<i>25,508</i>	<i>-</i>
<i>Transfer from Stage 2 to Stage 3</i>	<i>-</i>	<i>(531,952)</i>	<i>531,952</i>	<i>-</i>
Derecognition of financial assets of current period	(7,538,203)	(84,112)	(82,717)	(7,705,032)
New financial assets originated	15,229,397	-	-	15,229,397
Write-off	-	-	(514,000)	(514,000)
Exchange differences	2,350	-	-	2,350
As at 30 June 2022	65,480,815	1,545,094	859,813	67,885,722
Personal loans	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	9,908,845	99,016	159,629	10,167,490
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	<i>(80,684)</i>	<i>80,684</i>	<i>-</i>	<i>-</i>
<i>Transfer from Stage 1 to Stage 3</i>	<i>(61,751)</i>	<i>-</i>	<i>61,751</i>	<i>-</i>
<i>Transfer from Stage 2 to Stage 3</i>	<i>-</i>	<i>(59,640)</i>	<i>59,640</i>	<i>-</i>
<i>Transfer from Stage 3 to Stage 2</i>	<i>-</i>	<i>980</i>	<i>(980)</i>	<i>-</i>
<i>Transfer from Stage 2 to Stage 1</i>	<i>14,044</i>	<i>(14,044)</i>	<i>-</i>	<i>-</i>
<i>Transfer from Stage 3 to Stage 1</i>	<i>582</i>	<i>-</i>	<i>(582)</i>	<i>-</i>
Derecognition of financial assets of current period	(3,467,936)	(16,494)	(15,889)	(3,500,319)
New financial assets originated	4,725,677	-	-	4,725,677
As at 30 June 2022	11,038,777	90,502	263,569	11,392,848

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

15 CUSTOMER LOANS (continued)

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

Corporate loans	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	45,176,538	390,212	1,283,350	46,850,100
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(1,581,302)	1,581,302	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(601,592)	–	601,592	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(73,698)	73,698	–
<i>Transfer from Stage 2 to Stage 1</i>	9,950	(9,950)	–	–
Derecognition of financial assets of current year	(15,659,021)	(55,034)	(67,196)	(15,781,251)
New financial assets originated	30,796,532	–	–	30,796,532
Write-off and transfer out	–	–	(992,374)	(992,374)
As at 31 December 2021	58,141,105	1,832,832	899,070	60,873,007
Personal loans	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	7,516,912	133,301	74,216	7,724,429
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(74,263)	74,263	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(57,501)	–	57,501	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(55,187)	55,187	–
<i>Transfer from Stage 3 to Stage 2</i>	–	1,678	(1,678)	–
<i>Transfer from Stage 2 to Stage 1</i>	7,275	(7,275)	–	–
<i>Transfer from Stage 3 to Stage 1</i>	1,255	–	(1,255)	–
Derecognition of financial assets of current year	(4,441,148)	(47,764)	(16,164)	(4,505,076)
New financial assets originated	6,956,315	–	–	6,956,315
Write-off	–	–	(8,178)	(8,178)
As at 31 December 2021	9,908,845	99,016	159,629	10,167,490

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

15 CUSTOMER LOANS (continued)

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

Discounted bills	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	3,239,214	373,029	-	3,612,243
New financial assets originated or purchased	678,296	-	-	678,296
Proceeds received	(3,038,214)	(7,699)	-	(3,045,913)
Transfers:				
Transfer from Stage 2 to Stage 3	-	(65,330)	65,330	-
As at 30 June 2022	879,296	300,000	65,330	1,244,626

Discounted bills	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	4,778,348	-	-	4,778,348
New financial assets originated or purchased	3,612,243	-	-	3,612,243
Proceeds received	(4,778,348)	-	-	(4,778,348)
Transfers:				
Transfer from Stage 1 to Stage 2	(373,029)	373,029	-	-
As at 31 December 2021	3,239,214	373,029	-	3,612,243

(d) Customer loans listed by stages

As at 30 June 2022	Stage 1	Stage 2	Stage 3	Total
Total customer loans	77,398,888	1,935,596	1,188,712	80,523,196
- Corporate loans	66,360,111	1,845,094	925,143	69,130,348
- Personal loans	11,038,777	90,502	263,569	11,392,848
Accrued interest	168,392	31,236	36,444	236,072
Less: ECL allowance	(1,567,236)	(497,320)	(837,306)	(2,901,862)
Net customer loans	76,000,044	1,469,512	387,850	77,857,406

As at 31 December 2021	Stage 1	Stage 2	Stage 3	Total
Total customer loans	71,289,164	2,304,877	1,058,699	74,652,740
- Corporate loans	61,380,319	2,205,861	899,070	64,485,250
- Personal loans	9,908,845	99,016	159,629	10,167,490
Accrued interest	158,530	4,748	57,272	220,550
Less: ECL allowance	(1,350,454)	(545,522)	(741,122)	(2,637,098)
Net customer loans	70,097,240	1,764,103	374,849	72,236,192

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

16 FINANCIAL INVESTMENTS – CREDIT RELATED FINANCIAL ASSETS

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

	30 June 2022	31 December 2021
Financial investments – credit related financial assets – Trust plans ⁽¹⁾	3,157,850	3,219,100
Accrued interest	125,237	109,284
Gross amount	3,283,087	3,328,384
Less: ECL allowance	(457,927)	(237,365)
Total	2,825,160	3,091,019

(1) Trust plans

Analysis by type of collateral:

	30 June 2022	31 December 2021
Guaranteed	2,088,350	2,088,350
Pledged	883,000	925,750
Unsecured	186,500	205,000
Total	3,157,850	3,219,100

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

16 FINANCIAL INVESTMENTS – CREDIT RELATED FINANCIAL ASSETS (continued)

(1) Trust plans (continued)

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

	For the six months ended 30 June 2022			
	Financial investments – credit related financial assets			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	43,326	194,039	–	237,365
Remeasurement	7,390	–	214,186	221,576
Repayments	(1,014)	–	–	(1,014)
Transfers:				
<i>Transfer from Stage 2 to Stage 3</i>	–	(194,039)	194,039	–
As at 30 June 2022	49,702	–	408,225	457,927

	For the year ended 31 December 2021			
	Financial investments – credit related financial assets			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	53,300	193,349	–	246,649
Remeasurement	18	690	–	708
Repayment	(9,992)	–	–	(9,992)
As at 31 December 2021	43,326	194,039	–	237,365

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

16 FINANCIAL INVESTMENTS – CREDIT RELATED FINANCIAL ASSETS (continued)

(1) Trust plans (continued)

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

Gross amount	For the six months ended 30 June 2022			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	2,580,750	638,350	–	3,219,100
Repayment	(61,250)	–	–	(61,250)
Transfers:				
<i>Transfer from Stage 2 to Stage 3</i>	–	(638,350)	638,350	–
As at 30 June 2022	2,519,500	–	638,350	3,157,850

	For the year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	3,258,250	638,350	–	3,896,600
Repayment	(677,500)	–	–	(677,500)
As at 31 December 2021	2,580,750	638,350	–	3,219,100

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

17 FINANCIAL INVESTMENTS – FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022	31 December 2021
Financial investments – fair value through profit or loss		
– Listed outside Hong Kong	5,472,663	5,811,882
– Unlisted	6,973,192	4,099,451
Total	12,445,855	9,911,333

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

	30 June 2022	31 December 2021
Financial investments – fair value through profit or loss (unlisted)		
– Public funds	4,615,395	1,560,411
– Corporate entity bonds	1,515,149	1,725,633
– Commercial bank bonds	692,782	664,358
– Trust plans	94,100	91,917
– Equity investments at fair value	55,766	57,132
Total	6,973,192	4,099,451

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

As at 30 June 2022, no financial investments measured at fair value through profit or loss of the Bank were pledged to third parties under repurchase agreements (as at 31 December 2021: Nil).

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

	30 June 2022	31 December 2021
Financial investments – fair value through profit or loss		
– Corporate companies	7,081,912	7,629,432
– Fund companies	4,615,395	1,560,411
– Commercial banks	692,782	664,358
– Equity investments at fair value	55,766	57,132
Total	12,445,855	9,911,333

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

18 FINANCIAL INVESTMENTS – FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2022	31 December 2021
Financial investments – FVOCI		
– Listed outside Hong Kong	6,314,908	6,242,629
– Unlisted	10,084,997	6,331,339
Subtotal	16,399,905	12,573,968
Accrued interest	347,453	260,947
Total	16,747,358	12,834,915

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

	30 June 2022	31 December 2021
Financial investments – FVOCI (unlisted)		
– Commercial bank bonds	4,275,140	1,748,485
– Corporate entity bonds	2,001,136	2,694,694
– Central government bonds	1,950,873	1,496,164
– Policy bank bonds	1,677,587	391,996
– Provincial government bonds	180,261	–
Total	10,084,997	6,331,339

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

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

	30 June 2022	31 December 2021
Financial investments – FVOCI		
– Corporate companies	8,316,044	8,937,323
– Commercial banks	4,275,140	1,748,485
– Governments	2,131,134	1,496,164
– Policy banks	1,677,587	391,996
Total	16,399,905	12,573,968

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

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

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

	Financial investments – FVOCI			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2022	231,996	11,748	–	243,744
New financial assets purchased	38,149	–	–	38,149
Remeasurement	15,739	1,966	–	17,705
Repayments	(46,277)	–	–	(46,277)
As at 30 June 2022	239,607	13,714	–	253,321

	Financial investments – FVOCI			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2021	127,335	–	–	127,335
New financial assets purchased	104,882	–	–	104,882
Remeasurement	2,920	10,942	–	13,862
Repayment	(2,335)	–	–	(2,335)
Transfer:				
<i>Transfer from Stage 1 to Stage 2</i>	(806)	806	–	–
As at 31 December 2021	231,996	11,748	–	243,744

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

19 FINANCIAL INVESTMENTS – AMORTISED COST

	30 June 2022	31 December 2021
Financial investments – amortised cost		
– Listed in Hong Kong	33,557	31,878
– Listed outside Hong Kong	1,506,544	1,168,261
– Unlisted	14,360,283	15,434,848
Subtotal	15,900,384	16,634,987
Accrued interest	431,738	364,088
Less: ECL allowance	(665,982)	(628,926)
Total	15,666,140	16,370,149

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

	30 June 2022	31 December 2021
Financial investments – amortised cost (unlisted)		
– Corporate entity bonds	5,432,468	6,139,899
– Policy bank bonds	5,069,136	4,256,022
– Government bonds	1,671,017	2,592,465
– Local government bonds	947,662	960,462
– Collective Trust plans	840,000	1,086,000
– Industry funds (Senior tranche)	400,000	400,000
Total	14,360,283	15,434,848

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

	30 June 2022	31 December 2021
Financial investments – amortised cost		
– Corporate companies	6,972,569	7,340,038
– Policy banks	5,069,136	4,256,022
– Governments	2,618,679	3,552,927
– Trust companies	840,000	1,086,000
– Fund companies	400,000	400,000
Total	15,900,384	16,634,987

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

19 FINANCIAL INVESTMENTS – AMORTISED COST (continued)

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

	Financial investments – amortised cost			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2022	129,189	287,466	212,271	628,926
New financial assets originated or purchased	19,381	–	–	19,381
Remeasurement	21,207	11,552	2,309	35,068
Repayment	(19,925)	(5,648)	–	(25,573)
Unwinding of discount	–	–	8,139	8,139
Exchange differences	41	–	–	41
As at 30 June 2022	149,893	293,370	222,719	665,982

	Financial investments – amortised cost			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2021	175,783	106,418	192,741	474,942
New financial assets originated or purchased	17,786	–	–	17,786
Remeasurement	7,257	182,792	6,712	196,761
Repayment	(63,416)	(9,965)	–	(73,381)
Transfer:				
<i>Transfer from Stage 1 to Stage 2</i>	(8,221)	8,221	–	–
Unwinding of discount	–	–	12,818	12,818
As at 31 December 2021	129,189	287,466	212,271	628,926

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

19 FINANCIAL INVESTMENTS – AMORTISED COST (continued)

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

Gross amount	Financial investments – amortised cost			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	15,467,761	917,226	250,000	16,634,987
New financial assets originated or purchased	1,704,355	–	–	1,704,355
Repayment	(2,421,392)	(19,245)	–	(2,440,637)
Exchange differences	1,679	–	–	1,679
As at 30 June 2022	14,752,403	897,981	250,000	15,900,384

Gross amount	Financial investments – amortised cost			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	15,290,832	350,000	250,000	15,890,832
New financial assets originated or purchased	4,244,312	–	–	4,244,312
Repayment	(3,467,383)	(32,774)	–	(3,500,157)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(600,000)	600,000	–	–
As at 31 December 2021	15,467,761	917,226	250,000	16,634,987

20 INVESTMENT IN AN ASSOCIATE

	30 June 2022	31 December 2021
Balance at the beginning of the period/year	48,924	45,175
Share of profit after tax	3,145	3,749
Balance at the end of the period/year	52,069	48,924

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

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

20 INVESTMENT IN AN ASSOCIATE (continued)

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

	Place of incorporation	Assets	Liabilities	Revenue	Net profit	Interest held (%)
30 June 2022						
Luxian Yuantong Rural Bank Co., Ltd. (瀘縣元通村鎮銀行)	PRC	1,213,473	1,040,258	21,071	10,483	30%
31 December 2021						
Luxian Yuantong Rural Bank Co., Ltd. (瀘縣元通村鎮銀行)	PRC	1,294,355	1,131,546	37,855	12,495	30%

21 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress ^(a)	Total
Cost						
As at 1 January 2022	780,062	10,438	186,603	55,808	101,312	1,134,223
Additions	-	-	3,337	3,904	31,285	38,526
Less: Disposal in the current period	-	-	(185)	(12)	-	(197)
Transfer to amortisation of long-term deferred expenses	-	-	-	-	(17,029)	(17,029)
As at 30 June 2022	780,062	10,438	189,755	59,700	115,568	1,155,523
Accumulated depreciation						
As at 1 January 2022	(136,041)	(5,758)	(117,516)	(24,826)	-	(284,141)
Depreciation in the current period	(17,886)	(728)	(14,626)	(4,414)	-	(37,654)
Disposals	-	-	27	-	-	27
As at 30 June 2022	(153,927)	(6,486)	(132,115)	(29,240)	-	(321,768)
Net book value						
As at 30 June 2022	626,135	3,952	57,640	30,460	115,568	833,755

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022

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

21 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
Cost						
As at 1 January 2021	654,937	10,438	142,686	42,909	175,795	1,026,765
Additions	16,698	–	44,217	14,569	72,283	147,767
Transfer in/(out)	108,427	–	1,175	–	(109,602)	–
Less: Disposals in the current year	–	–	(1,475)	(1,670)	–	(3,145)
Transfer to amortisation of long-term deferred expenses	–	–	–	–	(37,164)	(37,164)
As at 31 December 2021	780,062	10,438	186,603	55,808	101,312	1,134,223
Accumulated depreciation						
As at 1 January 2021	(105,064)	(4,150)	(94,829)	(17,828)	–	(221,871)
Depreciation in the current year	(30,977)	(1,608)	(23,145)	(7,242)	–	(62,972)
Disposals	–	–	458	244	–	702
As at 31 December 2021	(136,041)	(5,758)	(117,516)	(24,826)	–	(284,141)
Net book value						
As at 31 December 2021	644,021	4,680	69,087	30,982	101,312	850,082

As at 30 June 2022, the net amount of buildings, for which registrations for the property ownership certificates had not been completed, was RMB28,142 thousand (31 December 2021: RMB29,040 thousand). However, the directors are of the view that this does not have significant impact on the rights of the Bank to use these assets.

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

(a) Construction in progress

	30 June 2022	31 December 2021
Software engineering	58,049	46,341
Business building and decoration projects	39,136	39,446
Others	18,383	15,525
Total	115,568	101,312

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

22 DEFERRED INCOME TAX

Deferred income taxes were calculated on all temporary differences under the liability method using an effective tax rate of 25% as at 30 June 2022 and 31 December 2021 for transactions in the PRC (2021: 25%).

Movements in the deferred income tax account are as follows:

	For the six months ended 30 June 2022	For the year ended 31 December 2021
Balance at the beginning of the period/year	777,630	628,037
Income tax expense (Note 11)	97,374	187,610
Changes in fair value of financial investments at FVOCI	(15,516)	8,508
Changes in ECL allowance of financial investments at FVOCI	49	(46,525)
Balance at the end of the period/year	859,537	777,630

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

	30 June 2022		31 December 2021	
	Temporary differences	Deferred income tax assets/ (liabilities)	Temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
Asset impairment allowances	3,250,944	812,737	2,807,553	701,887
Unrealised losses on fair value measurement of financial investments at FVOCI	-	-	39,679	9,920
Payroll payable	398,669	99,666	333,067	83,267
Subtotal	3,649,613	912,403	3,180,299	795,074
Deferred tax liabilities				
Unrealised gains on fair value measurement of financial investments at FVPL	(189,079)	(47,270)	(69,775)	(17,444)
Unrealised gains on fair value measurement of financial investments at FVOCI	(22,385)	(5,596)	-	-
Subtotal	(211,464)	(52,866)	(69,775)	(17,444)
Net deferred income tax assets	3,438,149	859,537	3,110,524	777,630

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

23 OTHER ASSETS

	30 June 2022	31 December 2021
Prepaid interest	155,733	34,619
Prepaid expenses	108,120	33,052
Foreclosed assets ⁽²⁾	268,491	41,940
Less: Impairment allowance ⁽³⁾	(15,258)	(15,310)
Other receivables	144,631	120,297
Right-of-use assets ⁽¹⁾	82,572	87,913
Interest receivable from customer loans	68,917	28,801
Long-term prepaid expenses	60,809	69,269
Intangible assets ⁽⁴⁾	9,718	14,450
Investment properties ⁽⁵⁾	874	947
Clearing and settlement ⁽⁶⁾	–	70,597
Others	–	6
Total	884,607	486,581

(1) Right-of-use assets

	Buildings	Office equipment	Total
Cost			
As at 1 January 2022	126,903	110	127,013
Additions	9,103	–	9,103
Deductions	(2,031)	–	(2,031)
As at 30 June 2022	133,975	110	134,085
Accumulated depreciation			
As at 1 January 2022	(39,045)	(55)	(39,100)
Depreciation in the period	(14,433)	(11)	(14,444)
Decreases	2,031	–	2,031
As at 30 June 2022	(51,447)	(66)	(51,513)
Net book value			
As at 30 June 2022	82,528	44	82,572

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

23 OTHER ASSETS (continued)

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

	Buildings	Office equipment	Total
Cost			
As at 1 January 2021	79,175	110	79,285
Additions	54,401	–	54,401
Deductions	(6,673)	–	(6,673)
As at 31 December 2021	126,903	110	127,013
Accumulated depreciation			
As at 1 January 2021	(24,163)	(33)	(24,196)
Depreciation in the year	(21,555)	(22)	(21,577)
Decreases	6,673	–	6,673
As at 31 December 2021	(39,045)	(55)	(39,100)
Net book value			
As at 31 December 2021	87,858	55	87,913

(2) Foreclosed assets

	Properties and plants
1 January 2022	41,940
Additions	227,390
Disposals	(839)
30 June 2022	268,491
As at 1 January 2021	48,300
Additions	27,000
Disposals	(33,360)
As at 31 December 2021	41,940

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

23 OTHER ASSETS (continued)

(3) Impairment for foreclosed assets

	Properties and plants
1 January 2022	15,310
Additions	450
Disposals	(502)
30 June 2022	15,258
As at 1 January 2021	15,855
Additions	5,792
Disposals	(6,337)
As at 31 December 2021	15,310

(4) Intangible assets

	Software
Cost	
As at 1 January 2022	45,325
Additions	-
Disposals	-
As at 30 June 2022	45,325
Accumulated amortisation	
As at 1 January 2022	(30,875)
Amortisation expense	(4,732)
Disposals	-
As at 30 June 2022	(35,607)
Net book value	9,718

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

23 OTHER ASSETS (continued)

(4) Intangible assets (continued)

	Software
Cost	
As at 1 January 2021	32,300
Additions	13,025
Transfers in	–
Disposals	–
As at 31 December 2021	45,325
Accumulated amortisation	
As at 1 January 2021	(17,373)
Amortisation expense	(13,502)
Transfers in	–
Disposals	–
As at 31 December 2021	(30,875)
Net book value	14,450

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

23 OTHER ASSETS (continued)

(5) Investment properties

	30 June 2022	31 December 2021
Cost		
Balance at the beginning of the period/year	11,453	11,453
Additions	-	-
Disposals	-	-
Balance at the end of the period/year	11,453	11,453
Accumulated depreciation		
Balance at the beginning of the period/year	(10,506)	(10,361)
Provision	(73)	(145)
Disposals	-	-
Balance at the end of the period/year	(10,579)	(10,506)
Net book value		
Balance at the end of the period/year	874	947

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

	30 June 2022	31 December 2021
Located in PRC		
Leased out (within 10 years)	778	851
Held and prepared for operating lease	96	96
Total	874	947

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

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

24 DUE TO AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2022	31 December 2021
Due to banks and other financial institutions	538,471	610,878
Repo	485,000	1,300,000
Placements from banks and other financial institutions	3,350,000	3,315,000
Accrued interest	10,014	28,263
Total	4,383,485	5,254,141

25 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022	31 December 2021
Short sell of borrowed securities	1,300,229	–

26 CUSTOMER DEPOSITS

	30 June 2022	31 December 2021
Corporate demand deposits	39,425,738	33,352,878
Including:		
Guarantee deposits	1,279,647	1,383,031
Corporate time deposits	7,607,812	8,092,482
Individual demand deposits	12,590,145	10,616,234
Individual time deposits	44,913,159	41,164,827
Accrued interest	1,825,218	1,542,100
Total	106,362,072	94,768,521

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

27 DEBT SECURITIES ISSUED

	30 June 2022	31 December 2021
Inter-bank certificates of deposit	11,540,329	15,532,576
Fixed rate tier-2 capital debt – 2027 ^(a)	–	1,000,000
Fixed rate tier-2-capital debt – 2030 ^(b)	1,500,000	1,500,000
Fixed rate SME debt – 2024 ^(c)	2,000,000	2,000,000
Accrued interest	58,693	109,382
Total	15,099,022	20,141,958

(a) The Bank issued RMB1 billion tier-2 capital debt in February 2017. The term of this capital debt lasts for 10 years, and the fixed interest rate is 5.50%. The Bank, as an issuer, can choose to redeem the debt in part or for all at the face value on 14 February 2022, the last day of the interest rate year that is set to redeem in advance in this year, if the capital level of the Bank still meets the CBIRC requirement after exercising the right of redemption and subject to the CBIRC approval. The Bank exercised the right of redemption on 14 February 2022 to redeem the bonds in full at par value.

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

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

(c) The Bank issued RMB2 billion special financial debt for loans to small and micro enterprises (the “SME debt”) in May 2021. The term of this SME debt lasts for 3 years, and the fixed interest rate is 3.85%. The Bank has no option to redeem the bond before maturity.

The tier-2 capital debts the Bank issued have the write-down feature, which allows the Bank to write down the entire principals of the debts when regulatory triggering events as stipulated in the offering documents occur and any accumulated unpaid interest would become not payable.

As at 30 June 2022, the Bank did not have overdue principal or interest on debt issued or certificates of deposit, or any other default (as at 31 December 2021: Nil).

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

28 OTHER LIABILITIES

	30 June 2022	31 December 2021
Employee benefits payable	398,669	347,067
Dividends payable	119,797	119,906
Clearing and settlement ^(a)	116,777	–
Lease liabilities	79,193	86,430
Provisions	13,270	960
Deferred income	7,570	9,299
Security deposits	6,247	8,831
Advances from customers	18	13
Others	82,051	113,180
Total	823,592	685,686

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

29 SHARE CAPITAL AND CAPITAL SURPLUS

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

	30 June 2022	31 December 2021
Number of shares ('000)	2,717,752	2,717,752

The movement of share capital is as follows:

Share capital ('000)	For the six months ended 30 June 2022	For the year ended 31 December 2021
Balance at the beginning of the period/year	2,717,752	2,264,793
Capital increase by shareholders	–	452,959
Balance at the end of the period/year	2,717,752	2,717,752

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

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

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

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

29 SHARE CAPITAL AND CAPITAL SURPLUS (continued)

As at 31 December 2021 and 30 June 2022, the Bank's capital surplus was shown as follow:

	31 December 2021	Additions	30 June 2022
Share premium	1,786,355	–	1,786,355

	31 December 2020	Deduction	31 December 2021
Share premium	2,239,314	(452,959)	1,786,355

On 25 March 2021, the Board of Directors of the Bank proposed the capitalisation of the capital surplus from the issue of shares at premium by issuing shares in a proportion of 2 shares for every 10 shares being held, resulting in an additional 452,958,677 shares. The share capital changed from RMB2,264,793 thousand to RMB2,717,752 thousand after the capitalisation, which was approved by the CBIRC on 17 August 2021. The capitalisation issue plan have been approved by the shareholders' meeting on 8 June 2021 and completed on 11 October 2021.

30 OTHER EQUITY INSTRUMENTS

30.1 Perpetual bonds

30.1.1 Perpetual bonds outstanding as at 30 June 2022 and 31 December 2021

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

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

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

30 OTHER EQUITY INSTRUMENTS (continued)

30.1 Perpetual bonds (continued)

30.1.2 Main clauses

The perpetual bonds will continue to be outstanding so long as the Bank's business continues to operate. After five years from the issuance of the perpetual bonds, the Bank may redeem the perpetual bonds in whole or in part on each distribution payment date. Upon the occurrence of Write-down Event, the Bank has the right, subject to the approval of the China Banking and Insurance Regulatory Commission but without the need for the consent of the bondholders, to write down whole or part of the aggregate amount of the perpetual bonds. The claims in respect of the perpetual bonds are subordinated to the claims of depositors, general creditors, and subordinated indebtedness that rank senior to the perpetual bonds; and will rank in priority to all classes of equity shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other Additional Tier 1 Capital instruments of the Bank that rank pari passu with the perpetual bonds.

The distributions on the perpetual bonds are non-cumulative. The Bank shall have the right to cancel, in whole or in part, distributions on the bonds and any such cancellation shall not constitute an event of default. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. However, the Bank will not distribute income to ordinary shareholders until it decides to start paying full distributions to the bondholders.

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

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

31 OTHER RESERVES

	Surplus reserve ^(a)	General reserve ^(b)	Revaluation reserve of financial assets at FVOCI	Impairment allowances for financial assets at FVOCI	Total
Balance at 1 January 2022	530,764	1,539,567	(29,760)	289,244	2,329,815
Other comprehensive income	-	-	46,548	(142)	46,406
Addition	-	197,738	-	-	197,738
Balance at 30 June 2022	530,764	1,737,305	16,788	289,102	2,573,959
Balance at 31 December 2020	457,338	1,148,053	(4,236)	149,669	1,750,824
Other comprehensive income	-	-	(25,524)	139,575	114,051
Addition	73,426	391,514	-	-	464,940
Balance at 31 December 2021	530,764	1,539,567	(29,760)	289,244	2,329,815

(a) Surplus reserve

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

(b) General reserve

The Bank follows “the management methods of financial institutions reserve” (CAIJIN [2012] No. 20) issued by the Ministry of Finance. According to these requirements, the general reserve should not be lower than the 1.5% of the year end risk weighted assets.

On 29 March 2022, the Board of Directors of the Bank proposed that 1.5% of the risk weighted assets at the end of 2021 should be appropriated to general risk reserve amounting to RMB197,738 thousand. This proposal was approved by the Annual General Meeting held on 25 May 2022. As at 30 June 2022, the ending balance of general reserve was RMB1,737,305 thousand (as at 31 December 2021: RMB1,539,567 thousand).

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

32 DIVIDENDS

As reviewed and approved by the Bank's shareholders' general meeting held on May 25, 2022 and June 8, 2021, no cash dividend distribution are made for 2021 and 2020.

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

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

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

33 STRUCTURED ENTITIES

(a) Unconsolidated structured entities

(i) Unconsolidated structured entities managed by the Bank

The unconsolidated structure entities managed by the Bank are mainly wealth management products issued and managed by the Bank acting as asset manager. Based on the analysis and research on the potential targeted clients, the Bank designs and sells wealth management products to targeted clients, and the raised funds are then put into related financial market or invested in related financial products according to the product contracts. Investment returns would be allocated to investors according to the contract. The Bank receives corresponding wealth management commission fee income as the asset manager. The Bank had recognised net commission income from asset management service of non-principal-guaranteed wealth management products with the amount of RMB94,183 thousands for the six months ended 30 June 2022 (for the six months ended 30 June 2021: RMB3,565 thousands). The Bank did not provide any liquidity support to the wealth management products for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

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

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

As at 30 June 2022, the balance of unconsolidated wealth management products issued and managed by the Bank was RMB13,856,561 thousands (as at 31 December 2021: RMB10,041,150 thousands).

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

33 STRUCTURED ENTITIES (continued)

(a) Unconsolidated structured entities (continued)

(ii) Unconsolidated structured entities invested by the Bank

In order to increase the return of extra funds, the Bank invests in the unconsolidated structured entities which mainly included the funds and trust plans issued and managed by third parties. The Bank classified the investments in the unconsolidated structured entities as financial assets at FVPL or amortised cost (for the six months ended 30 June 2021: the unconsolidated structured entities invested by the Bank mainly included the funds, trust plans and wealth management products issued and managed by third parties).

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

As at 30 June 2022	Book value	Maximum exposure to loss
Financial investments – amortised cost	695,219	695,219
Financial investments – fair value through profit or loss	4,709,495	4,709,495
Total	5,404,714	5,404,714

As at 31 December 2021	Book value	Maximum exposure to loss
Financial investments – amortised cost	927,990	927,990
Financial investments – fair value through profit or loss	1,652,328	1,652,328
Total	2,580,318	2,580,318

For the six months ended 30 June 2022 and 2021, the interest income, net gains on financial investments and fee and commission income from the above unconsolidated structured entities were:

	For the six months ended 30 June	
	2022	2021
Interest income	35,682	42,965
Net gains on financial investments	31,119	98,084
Fee and commission income	94,183	3,565
Total	160,984	144,614

For the six months ended 30 June 2022, the Bank has not provided any financial or other support to unconsolidated structured entities (for the year ended 2021: Nil).

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

33 STRUCTURED ENTITIES (continued)

(b) Consolidated structured entities

As at 30 June 2022	Book value	Maximum exposure to loss
Financial investments – credit related financial assets	2,825,160	2,825,160
Financial investments – amortised cost	3,567,423	3,567,423
Total	6,392,583	6,392,583

As at 31 December 2021	Book value	Maximum exposure to loss
Financial investments – credit related financial assets	3,091,019	3,091,019
Financial investments – amortised cost	3,788,622	3,788,622
Total	6,879,641	6,879,641

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

	For the six months ended 30 June	
	2022	2021
Interest income	285,769	344,633

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

Financial guarantees and credit related commitments

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

	30 June 2022	31 December 2021
Bank acceptance notes	659,832	581,625
Letter of guarantees	23,433	23,443
Letter of credits	–	200,000
Total	683,265	805,068

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

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

Capital expenditure commitments

	30 June 2022	31 December 2021
Contracted but not provided for		
– Capital expenditure commitments for buildings	27,756	22,465
– Acquisition of IT system	109,120	121,190
	136,876	143,655
Authorised but not contracted for		
– Capital expenditure commitments for buildings	24,965	4,890
– Acquisition of IT system	47,870	49,875
	72,835	54,765
Total	209,711	198,420

Legal proceedings

The Bank has involved as defendants in certain lawsuits arising from its normal business operations. The Bank had no outstanding legal claims as at 30 June 2022 (as at 31 December 2021: Nil).

35 COLLATERALS

(a) Assets pledged:

Assets pledged by the Bank as collateral are mainly for repurchase agreements and PBOC re-lending. All of these arrangements will be mature within 12 months from the date they take effect (as at 31 December 2021: Same). The carrying amount of these collaterals are listed below:

	30 June 2022	31 December 2021
Bonds	6,448,000	4,158,000

(b) Collateral accepted:

The Bank received debt securities and inter-bank certificates of deposits as collateral in connection with the purchase of assets under resale agreements, the Bank has not accepted collateral that can be resold or repledged. The book value of the collateral was RMB3,488,089 thousand as at 30 June 2022 (as at 31 December 2021: RMB6,477,545 thousand). The Bank did not resell or repledge such collateral.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

36 OTHER COMPREHENSIVE INCOME

	Before tax amount	Tax benefit	Net of tax amount
For the six months ended 30 June 2022			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Changes in fair value of financial investments measured at FVOCI	62,064	(15,516)	46,548
Expected credit losses of financial investments measured at FVOCI	(191)	49	(142)
Other comprehensive income for the period	61,873	(15,467)	46,406

	Before tax amount	Tax benefit	Net of tax amount
For the six months ended 30 June 2021			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Changes in fair value of financial investments measured at FVOCI	27,345	(6,835)	20,510
Expected credit losses of financial investments measured at FVOCI	33,067	(8,268)	24,799
Other comprehensive income for the period	60,412	(15,103)	45,309

37 NOTES TO STATEMENTS OF CASH FLOWS

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

	30 June 2022	30 June 2021
Cash and balances with central bank	5,768,431	2,940,940
Financial assets due from other banks and financial institutions	1,053,093	1,226,522
Total	6,821,524	4,167,462

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

38 RELATED PARTY TRANSACTIONS

38.1 Related party relationships

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

As at 30 June 2022 and 31 December 2021, the major shareholders of the Bank, holding 5% or more of the equity interest in the Bank, or holding less than 5% of the equity interest of the Bank but able to exercise significant influence over the operation and management of the Bank, were as follows:

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

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

38 RELATED PARTY TRANSACTIONS (continued)

38.2 Related party transactions

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

(1) Related party customer loans (including discounted bills)

	30 June 2022	31 December 2021
Major shareholders	268,980	369,470
Other related companies	3,030,841	3,116,543
Key management personnel and their close family members	38,885	67,399
Total	3,338,706	3,553,412

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

	For the six months ended 30 June	
	2022	2021
Major shareholders	10,784	15,101
Other related companies	108,577	92,596
Key management personnel and their close family members	845	1,753
Total	120,206	109,450

(3) Related party deposits

	30 June 2022	31 December 2021
Major shareholders	7,249,040	5,537,817
Other related companies	1,578,118	1,284,775
Key management personnel and their close family members	336,498	468,267
Total	9,163,656	7,290,859

(4) Related party deposit interest expense

	For the six months ended 30 June	
	2022	2021
Major shareholders	98,026	80,651
Other related companies	14,257	6,882
Key management personnel and their close family members	6,770	11,197
Total	119,053	98,730

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

38 RELATED PARTY TRANSACTIONS (continued)

38.2 Related party transactions (continued)

(5) Related party other receivables and pre-payments

	30 June 2022	31 December 2021
Major shareholders	70	70
Other related companies	45,279	44,262
Key management personnel and their close family members	5	–
Total	45,354	44,332

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

	30 June 2022	31 December 2021
Major shareholders	132,978	131,762
Other related companies	81,504	91,743
Total	214,482	223,505

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

	For the six months ended 30 June	
	2022	2021
Major shareholders	7,290	10,178
Other related companies	1,244	6,829
Total	8,534	17,007

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

	30 June 2022	31 December 2021
Major shareholders	305,432	398,239
Other related companies	424,297	423,210
Total	729,729	821,449

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

38 RELATED PARTY TRANSACTIONS (continued)

38.2 Related party transactions (continued)

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

	For the six months ended 30 June	
	2022	2021
Major shareholders	11,682	6,555
Other related companies	16,682	15,330
Total	28,364	21,885

(10) Related party fees commission and income

	For the six months ended 30 June	
	2022	2021
Major shareholders	4	3
Other related companies	30	20
Key management personnel and their close family members	2	3
Total	36	26

(11) Key management compensation:

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

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

	For the six months ended 30 June	
	2022	2021
Remuneration, salary, allowances and benefits	3,787	4,375
Discretionary bonuses	1,354	1,432
Contribution to pension schemes	116	135
Total	5,257	5,942

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

38 RELATED PARTY TRANSACTIONS (continued)

38.2 Related party transactions (continued)

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

	As at 30 June 2022		
	Corporate loans	Personal loans	Total
Luzhou Xinglu Financing Guarantee Group Co., Ltd.	2,920,670	7,600	2,928,270
Luzhou Xinglu Agricultural Financing Guarantee Co., Ltd.	54,618	–	54,618
Luzhou Jintong Financing Guarantee Co., Ltd.	73,500	43,590	117,090
Sichuan Hongxin Financing Guarantee Co., Ltd.	160,870	62,500	223,370
Luzhou Development Financing Guarantee Co., Ltd.	692,360	33,700	726,060
Luxian Agriculture and SMEs Financing Guarantee Co., Ltd.	112,250	–	112,250
Total	4,014,268	147,390	4,161,658

	As at 31 December 2021		
	Corporate loans	Personal loans	Total
Luzhou Xinglu Financing Guarantee Group Co., Ltd.	2,801,069	7,620	2,808,689
Luzhou Xinglu Agricultural Financing Guarantee Co., Ltd.	70,600	–	70,600
Luzhou Jintong Financing Guarantee Co., Ltd.	92,500	43,640	136,140
Sichuan Hongxin Financing Guarantee Co., Ltd.	213,980	73,400	287,380
Luzhou Development Financing Guarantee Co., Ltd.	523,555	36,200	559,755
Luxian Agriculture and SMEs Financing Guarantee Co., Ltd.	102,880	2,800	105,680
Total	3,804,584	163,660	3,968,244

For the six months ended 30 June 2022, the fees for the guarantee services provided by the related parties to the borrowers of the Bank shall be paid by the borrowers, and the Bank does not pay any fees to the related parties (for the six months ended 30 June 2021: same).

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

38 RELATED PARTY TRANSACTIONS (continued)

38.2 Related party transactions (continued)

(13) Property leasing

Sichuan Kangrun Real Estate Co., Ltd., a related party of the Bank, leases two properties located in Chengdu City, Sichuan Province to the Bank. The lease term is from 1 January 2022 to 31 December 2022. The rent of the first half of 2022 is RMB1,163,894.

Luzhou Xinglu Asset Management Co., Ltd., a related party of the Bank, leases a property located in Luzhou City, Sichuan Province to the Bank for a period of five years from 2 May 2021 to 1 May 2026. The rent of the first half of 2022 is RMB102,480.

Luzhou Guohua Asset Management Co., Ltd., a related party of the Bank, leases a property located in Luzhou City, Sichuan Province to the Bank. The lease term is from 1 May 2020 to 30 April 2023. The rent of the first half of 2022 is RMB444,198.

Yijia Real Estate Co., Ltd., a related party of the Bank, leases a property located in Luzhou City, Sichuan Province to the Bank. The lease term is from 1 August 2016 to 31 July 2026. The rent of the first half of 2022 is RMB42,476.

Luzhou Xinglu Jutai Real Estate Co., Ltd., a related party of the Bank, leases a property located in Luzhou City, Sichuan Province to the Bank. The lease term is from 1 September 2014 to 31 August 2022. The rent of the first half of 2022 is RMB190,386.

(14) Government related entities

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

(15) Others

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

	For the six months ended 30 June	
	2022	2021
Customer loans	4.00%-7.50%	3.43%-9.00%
Customer deposits	0.35%-4.05%	0.35%-5.23%
Financial investments – fair value through other comprehensive income	5.50%-7.50%	8.80%-8.50%
Financial investments – fair value through profit or loss	5.85%-6.90%	5.85%-7.00%

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022

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

39 SEGMENT ANALYSIS

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

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

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

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

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

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

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

39 SEGMENT ANALYSIS (continued)

	For the six months ended 30 June 2022				
	Corporate banking	Retail banking	Financial market	Others	Total
Net interest income/(expenses) from external customers	1,934,901	(773,407)	629,244	-	1,790,738
Inter-segment net interest income/(expenses)	(823,215)	1,085,639	(262,424)	-	-
Net interest income	1,111,686	312,232	366,820	-	1,790,738
Net fee and commission income	6,437	49,122	36,790	28	92,377
Net gains on trading activities	-	-	348,530	-	348,530
Net gains arising from financial investments	-	-	117,519	-	117,519
Other operating income	-	-	-	9,536	9,536
Operating income	1,118,123	361,354	869,659	9,564	2,358,700
Operating expenses	(376,273)	(59,495)	(235,187)	(2,205)	(673,160)
– Depreciation and amortisation	(43,085)	(9,969)	(30,896)	(505)	(84,455)
– Others	(333,188)	(49,526)	204,291	(1,700)	(588,705)
Expected credit losses	(491,480)	(108,685)	(258,746)	(450)	(859,361)
Share of profit of an associate	-	-	-	3,145	3,145
Profit before income tax	250,370	193,174	375,726	10,054	829,324
Capital expenditure	106,984	24,755	76,718	1,254	209,711
Segment assets	73,735,936	17,061,393	52,875,719	864,497	144,537,545
Segment liabilities	(47,903,559)	(59,214,901)	(27,114,613)	(7,386)	(134,240,459)

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

39 SEGMENT ANALYSIS (continued)

	For the six months ended 30 June 2021				
	Corporate banking	Retail banking	Financial market	Others	Total
Net interest income/(expenses) from external customers	1,552,176	(734,943)	685,707	-	1,502,940
Inter-segment net interest income/(expenses)	(610,292)	1,000,416	(390,124)	-	-
Net interest income	941,884	265,473	295,583	-	1,502,940
Net fee and commission income	1,434	54	3,565	5	5,058
Net gains on trading activities	-	-	36,747	-	36,747
Net gains arising from financial investments	-	-	118,544	-	118,544
Other operating income	-	-	-	7,067	7,067
Operating income	943,318	265,527	454,439	7,072	1,670,356
Operating expenses	(336,827)	(40,604)	(210,043)	(1,676)	(589,150)
– Depreciation and amortisation	(40,107)	(7,934)	(29,932)	(370)	(78,343)
– Others	(296,720)	(32,670)	(180,111)	(1,306)	(510,807)
Expected credit losses	(286,065)	(47,397)	(27,836)	(959)	(362,257)
Share of profit of an associate	-	-	-	2,171	2,171
Profit before income tax	320,426	177,526	216,560	6,608	721,120
Capital expenditure	158,737	31,403	118,468	1,466	310,074
Segment assets	65,727,378	13,002,924	49,053,210	606,860	128,390,372
Segment liabilities	(40,890,349)	(49,565,143)	(28,468,871)	(3,087)	(118,927,450)

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

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

40 FIDUCIARY ACTIVITIES

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

	30 June 2022	31 December 2021
Entrusted loans	2,087,116	2,141,982

41 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(a) Fair value hierarchy

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

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

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

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

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

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022

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

41 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(continued)

(b) Financial instruments not measured at fair value

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

The table below summarises the financial assets and liabilities that have difference between book value (including accrued interest) and fair value as at 30 June 2022 and 31 December 2021.

	Book value	As at 30 June 2022			Total
		Level 1	Level 2	Level 3	
Financial assets					
Financial investments – amortised cost	15,666,140	–	9,930,618	6,008,709	15,939,327
Financial investments – credit related financial assets	2,948,391	–	–	3,170,364	3,170,364
Financial liabilities					
Debt securities issued	15,099,022	–	14,912,995	–	14,912,995

	Book value	As at 31 December 2021			Total
		Level 1	Level 2	Level 3	
Financial assets					
Financial investments – amortised cost	16,370,149	–	9,835,059	6,861,015	16,696,074
Financial investments – credit related financial assets	3,091,019	–	–	3,232,836	3,232,836
Financial liabilities					
Debt securities issued	20,141,958	–	20,133,692	–	20,133,692

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

41 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(continued)

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

Financial investments – credit related financial assets

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

Financial investments – amortised cost

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

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

Debt securities issued

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

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

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

41 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(continued)

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

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

30 June 2022	Level 1	Level 2	Level 3	Total
Financial assets				
Customer loans - discounted bills	-	1,244,627	-	1,244,627
Financial investments – fair value through profit or loss	4,615,395	7,774,694	55,766	12,445,855
Financial investments – FVOCI	-	16,747,358	-	16,747,358
Total	4,615,395	25,766,679	55,766	30,437,840
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	1,300,229	-	1,300,229

As at 31 December 2021	Level 1	Level 2	Level 3	Total
Customer loans – discounted bills	-	3,612,243	-	3,612,243
Financial investments – fair value through profit or loss	1,560,411	8,293,790	57,132	9,911,333
Financial investments – FVOCI	-	12,834,915	-	12,834,915
Total	1,560,411	24,740,948	57,132	26,358,491

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

41 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(continued)

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

Specific valuation techniques used to value financial instruments include:

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

Movement of Level – 3 valuation methodology

	Financial investments – fair value through profit or loss
Balance at 1 January 2022	57,132
Total gains or losses – Current profit and loss	(1,366)
Balance at 30 June 2022	55,766
Total gains for the period included in profit and loss for financial assets held as at 30 June 2022	2,674

	Financial investments – fair value through profit or loss
Balance at 1 January 2021	6,135,255
Total gains or losses – Current profit and loss	1,350
Additions	2,230,527
Disposals and settlement	(8,310,000)
Balance at 31 December 2021	57,132
Total gains for the year included in profit and loss for financial assets held as at 31 December 2021	73,246

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2022
(All amounts expressed in thousands of RMB unless otherwise stated)

41 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(continued)

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

Quantitative information about the significant unobservable inputs used in the fair value measurement of Level 3 for the period ended 30 June 2022 and the year ended 31 December 2021 presented as follows:

As at 30 June 2022	Fair Value	Valuation Technique(s)	Unobservable Inputs	Range of discount rate/ Net Assets value
Financial investments – fair value through profit or loss – Equity investment ⁽ⁱ⁾	996	Recent transaction prices	Not applicable	Not applicable
– Equity investment	54,770	Net assets analysis	Net assets	1.3796

As at 31 December 2021	Fair Value	Valuation Technique(s)	Unobservable Inputs	Range of discount rate/ Net Assets value
Financial investments – fair value through profit or loss – Equity investment ⁽ⁱ⁾	996	Recent transaction prices	Not applicable	Not applicable
– Equity investment	56,136	Net assets analysis	Net assets	1.3800

(i) As at 30 June 2022, unlisted equity investments using recent transaction prices without adjustment amounted to RMB996 thousand (as at 31 December 2021: RMB996 thousand).

42 SUBSEQUENT EVENTS

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

Definitions

“Articles of Association” or “Articles”	the articles of association of the Bank, as amended from time to time
“Bank”, “our Bank”, “we” or “us”	Luzhou Bank Co., Ltd. (泸州银行股份有限公司)
“Board of Supervisors”	the board of Supervisors of the Bank
“Board” or “Board of Directors”	the board of Directors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“China” or “PRC”	the People’s Republic of China, but for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Bank
“Domestic Shares”	ordinary shares in the share capital of the Bank with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“HK\$” or “HKD” or “Hong Kong Dollars”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Shares”	the overseas listed foreign shares in the ordinary share capital of the Bank with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong Dollars and listed and traded on the Hong Kong Stock Exchange
“IAS”	International Accounting Standards and its interpretations
“IFRS”	International Financial Reporting Standards issued by the IAS Board
“Latest Practicable Date”	August 24, 2022, being the latest practicable date for the purpose of containing certain information in this report before this report is printed
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange

Definitions

“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“Reporting Period”	six months ended June 30, 2022
“RMB” or “Renminbi”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	the holder(s) of the Shares
“Shares”	the Domestic Shares and H Shares of the Bank
“Supervisor(s)”	the supervisor(s) of the Bank