



2021
Interim Report



重庆农村商业银行

CHONGQING RURAL COMMERCIAL BANK

CHONGQING RURAL COMMERCIAL BANK

Stock Code: 3618

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

Important Notice

1. The Board, the Board of Supervisors and the directors, supervisors and senior management of the Bank warrant that the truthfulness, accuracy and completeness of the contents of the interim report, and that there are no false presentations, misleading statements or material omissions herein, and legally liable jointly and severally.
2. The 2021 interim report and its results announcement of the Bank have been considered and approved at the 60th meeting of the fourth session of the Board of Directors of the Bank convened on 25 August 2021. The number of directors who should attend the meeting is 12 with 12 directors actually attended the meeting and 1 director entrusted other director to vote on his/her behalf. Some supervisors and senior management personnel of the Bank attended the meeting.
3. The 2021 interim report prepared by the Bank in accordance with Chinese Accounting Standards has been reviewed by PricewaterhouseCoopers Zhong Tian LLP, and the 2021 interim report prepared in accordance with International Financial Reporting Standards has been reviewed by PricewaterhouseCoopers.
4. The chairman of the Bank Liu Jianzhong and president Xie Wenhui warrant the authenticity, accuracy and completeness of the financial report in this report.
5. The Bank did not distribute profits and no capitalisation of the capital reserve to share capital is proposed during the 2021 interim period.
6. This report may contain forward-looking statements such as future plans of the Bank. Such statements are made by the Bank based on the current situation and forecast, are related to future events or the Bank's future financial, business or other performance. Possible future plans do not constitute a substantive commitment by the Bank to its investors. Investors and people concerned should be fully aware of the risks and understand the differences between plans, forecast and commitment.
7. There is no misappropriation of the Bank's funds by its controlling shareholders and other related parties for non-operating purposes and no instance of providing external guarantee that is in breach of the established decision-making procedure.
8. The Bank has no significant risks that need to draw special attention of investors. For details of the major risks that the Bank faces in its business operation and various measures adopted by the Bank, please refer to the Risk Management in Section III.

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Definitions

Definitions of frequently-used terms

“Articles of Association”	Articles of Association of the Bank as amended from time to time
“Board of Directors” or “Board”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBIRC Chongqing Office”	China Banking and Insurance Regulatory Commission Chongqing Regulatory Bureau (中國銀行保險監督管理委員會重慶監管局)
“China Banking Regulatory Authority”	China Banking and Insurance Regulatory Commission and its agencies
“Chongqing Rural Commercial Bank”, “Bank” or “CQRC”	Chongqing Rural Commercial Bank Co., Ltd.* (重慶農村商業銀行股份有限公司)
“County Area”	Regions other than 9 urban area of Chongqing city, also including 12 village and township banks controlled by the Bank and Qujing Branch established in another province by the Bank
“CPC”	the Communist Party of China (中國共產黨)
“CSRC”	China Securities Regulatory Commission
“Group”	Chongqing Rural Commercial Bank Co., Ltd.* (重慶農村商業銀行股份有限公司) and its subsidiaries
“HKD” or “HK dollars”	the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region, the PRC
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“PBOC” or “Central bank”	the People’s Bank of China
“PRC” or “China”	the People’s Republic of China
“Reporting Period”	for the six months period from 1 January 2021 to 30 June 2021

Definitions

“RMB” or “Renminbi”	the lawful currency of the PRC
“rural commercial bank”	a short-hand reference to “rural commercial bank” (農村商業銀行)
“Sannong”	a short-hand reference to the Chinese pronunciation of the phrase “agriculture, rural areas and farmers”
“Shanghai Stock Exchange” or “SSE”	Shanghai Stock Exchange
“United States”	the United States of America
“USD” or “U.S. dollars”	the lawful currency of the United States
“village and township banks”	bank institutions that are approved by China Banking Regulatory Authority to be incorporated in rural areas to provide services to local farmers or enterprises
“yuan”	RMB yuan

Company Profile and Major Financial Indicator

I. Company Basic Information

Legal name and abbreviation in Chinese	重慶農村商業銀行股份有限公司 (abbreviated as “重慶農村商業銀行”)
Legal name and abbreviation in English	Chongqing Rural Commercial Bank Co., Ltd. (abbreviated as “Chongqing Rural Commercial Bank”)
Legal representative	LIU Jianzhong
Authorised representatives	LIU Jianzhong XIE Wenhui
Secretary to the Board	ZHANG Peizong
Securities affairs representative	HOU Cheng
Contact details of investors	Correspondence Address: No. 36 Jinshamen Road, Jiangbei District, Chongqing, the PRC Telephone: (8623) 6111 0853 Fax: (8623) 6111 0844 Email address: ir@cqrcb.com
Company Secretary	WONG Sau Ping
Registered and office address and postcode	No. 36 Jinshamen Road, Jiangbei District, Chongqing, the PRC 400023
Historical change of the Company’s registered address	The registered address of the Bank at the time of its establishment on 27 June 2008 was 10 Yanghe Road East, Jiangbei District, Chongqing, and was changed to the current registered address on 1 April 2017
Principal place of business in Hong Kong	31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Company’s website	www.cqrcb.com
Email address	cqrcb@cqrcb.com
Designated media for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Company Profile and Major Financial Indicator

Designated website of CSRC for publication of interim report	Website of the Shanghai Stock Exchange (www.sse.com.cn)
Website of the Hong Kong Stock Exchange for publication of interim report	the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk)
Place for maintenance of interim report	Office of the Board of Directors of the Bank
A-share listing stock exchange	Shanghai Stock Exchange Stock Short Name: Yu Nong Shang Hang Stock Code: 601077
H-share listing stock exchange	The Stock Exchange of Hong Kong Limited Stock Short Name: CQRC BANK Stock Code: 3618
A share registrar	Shanghai branch of China Securities Depository and Clearing Company Limited No. 188 Yanggaonan Road, Pudong New District, Shanghai, the PRC
H share registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Date of first incorporation and registration authority	27 June 2008 Administration for Market Regulation of Chongqing
Unified social credit code of corporate legal person business license	91500000676129728J
Financial license institution number	The Bank holds a financial license number B0335H250000001 approved by the China Banking Regulatory Authority
Auditors	PricewaterhouseCoopers Zhong Tian LLP 11/F, PricewaterhouseCoopers Center, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai, the PRC Signing accountants: WANG Wei, FENG Ye PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong Signing accountant: LEUNG Kwok Wai, Jimmy

Company Profile and Major Financial Indicator

Legal advisor as to PRC laws	Chongqing Solton & Partners 10-12F, Building 7, Corporate Avenue, No. 7 Huasheng Road, Yuzhong District, Chongqing, the PRC
Legal advisor as to Hong Kong laws	Clifford Chance LLP 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
Sponsor performing continuous supervision	China International Capital Corporation Limited Correspondence Address: 27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing, the PRC Telephone: (8610) 6505 1166 Fax: (8610) 6505 1156 Sponsor Representatives: XU Jia, LIU Zihan Continuous supervisory period: 29 October 2019 to 31 December 2021

Company Profile and Major Financial Indicator

II. Major Accounting Data and Financial Indicator of the Company

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021	For the six months ended 30 June 2020 (Restated) ⁽⁷⁾	Rate of change (%)	For the six months ended 30 June 2019 (Restated) ⁽⁷⁾
Operating results				
Operating income	15,171.5	13,923.0	8.97	13,270.1
Net interest income	13,104.0	12,077.9	8.50	11,519.8
Net non-interest income	2,067.5	1,845.1	12.05	1,750.3
Among which: net fee and commission income	1,262.5	1,382.4	(8.67)	1,293.4
other net non-interest income	805.0	462.7	73.98	456.9
Operating expenses	(4,204.5)	(3,809.5)	10.37	(2,995.3)
Credit impairment losses	(3,953.0)	(3,713.7)	6.44	(3,239.5)
Profit before tax	7,014.0	6,399.8	9.60	7,035.3
Net profit	5,817.9	5,265.1	10.50	5,840.5
Net profit attributable to shareholders of the Bank	<u>5,733.3</u>	<u>5,182.7</u>	<u>10.62</u>	<u>5,751.4</u>
Based on per share (RMB)				
Basic earnings per share	0.50	0.46	0.04	0.58
Diluted earnings per share	<u>0.50</u>	<u>0.46</u>	<u>0.04</u>	<u>0.58</u>
Profitability indicators (%)				
Annual average return on total assets ⁽¹⁾	0.99	1.00	(0.01)	1.19
Annual weighted average return on net assets ⁽²⁾	11.87	11.44	0.43	15.70
Net interest spread ⁽³⁾	2.06	2.14	(0.08)	2.19
Net interest margin ⁽⁴⁾	2.23	2.31	(0.08)	2.36
Net fee and commission income to operating income ratio	8.32	9.93	(1.61)	9.75
Cost-to-income ratio ⁽⁵⁾	<u>26.72</u>	<u>26.38</u>	<u>0.34</u>	<u>21.72</u>

Company Profile and Major Financial Indicator

(Expressed in RMB million, unless otherwise stated)	30 June 2021	31 December 2020	Rate of change (%)	31 December 2019
Scale indicators				
Total assets	1,224,219.4	1,136,366.6	7.73	1,030,230.2
Among which: net loans and advances to customers	539,477.4	486,963.4	10.78	416,340.8
Total liabilities	1,125,741.1	1,041,294.4	8.11	940,427.9
Among which: deposits from customer	757,154.9	724,999.8	4.44	673,401.8
Share Capital	11,357.0	11,357.0	–	11,357.0
Equity attributable to shareholders of the Bank	96,990.2	93,668.7	3.55	88,213.5
Non-controlling interests	1,488.1	1,403.5	6.03	1,588.8
Total equity	98,478.3	95,072.2	3.58	89,802.3
Based on per share (RMB)				
Net asset per share attributable to shareholders of the Bank	8.54	8.25	Change 0.29	7.77
Assets quality indicators (%)				
Non-performing loan ratio	1.28	1.31	Changes (0.03)	1.25
Provision coverage ratio	312.50	314.95	(2.45)	380.31
Provision-to-loan ratio	3.99	4.12	(0.13)	4.75
Capital adequacy indicators (%)				
Core Tier 1 capital adequacy ratio ⁽⁶⁾	11.99	11.96	Changes 0.03	12.42
Tier 1 capital adequacy ratio ⁽⁶⁾	12.00	11.97	0.03	12.44
Capital adequacy ratio ⁽⁶⁾	14.29	14.28	0.01	14.88
Total equity to total assets ratio	8.04	8.37	(0.33)	8.72
Other indicators (%)				
Deposit-to-loan ratio	74.21	70.05	Change 4.16	64.91

Company Profile and Major Financial Indicator

Notes:

- (1) Average return on total assets represents the net profit for the Reporting Period (including profit attributable to non-controlling interests) as a percentage of the average balance of total assets as at the beginning and end of the period.
- (2) Calculated in accordance with the requirements of “Rules on the Preparation and Submission of Information Disclosed by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share” (Revision 2010) issued by CSRC.
- (3) Calculated as the difference between the average yield on total interest-bearing assets and the average cost rate on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-bearing assets.
- (5) Calculated by dividing total operating expenses (excluding taxes and surcharges) by operating income.
- (6) Calculated in accordance with the “Regulation Governing Capital of Commercial Banks (Provisional)” promulgated by the China Banking Regulatory Commission.
- (7) In accordance with the “Notice of Strict Implementation of Accounting Standards for Business Enterprises for Effective Improvement of the Work of 2020 Annual Report for Enterprises” promulgated by the Ministry of Finance, the State-owned Assets Supervision and Administration Commission of the State Council, the CBIRC and the CSRC, since 2020, the Group reclassified its credit cardholder installment income from fee and commission income to interest income, and the financial indicators related to net interest income and net non-interest income have been restated.

Basis of Preparation of Certain Financial Indicators

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

Management Discussion and Analysis

I. Overview of the Company's Businesses

The Bank was established in 2008, listed on the H-share main board in 2010, and listed on the A-share main board in 2019. Its comprehensive strength ranks top among the China's rural commercial banks. The Bank's main businesses include corporate finance business, small and micro finance business, retail finance business and financial market business. The corporate finance business mainly provides a wide variety of corporate finance products and services for enterprises and public institutions, government agencies, and financial institutions, including corporate loans business, trade financing loans business, bills business and guarantees business. The small and micro finance business mainly provides a full range of financial services for micro-enterprises, small and micro business owners and individual businesses. The retail finance business mainly includes personal loan and deposit business, bank card business and intermediary business, etc. The financial market business mainly includes capital operation business, investment banking business and asset custody business. At the same time, the Bank currently has one wholly-owned non-banking subsidiary and one non-banking holding subsidiary which engage in asset management business and financial leasing business respectively.

II. The Development Strategy and Core Competitiveness

(1) Development strategy of the Bank

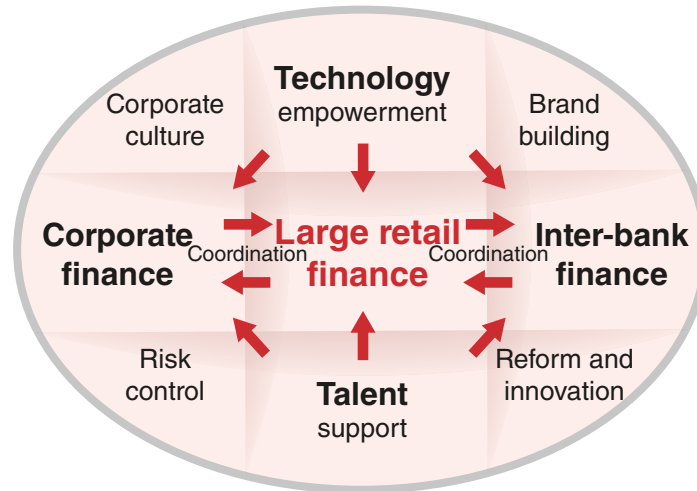
Under the guidance of the strategic goal of "striving to become a leading regional bank in China", the Bank adheres to the ideas of "characteristic operation, streamlining the management and fostering good corporate culture" and "strengthening management, controlling risks and stabilizing development", adheres to the 12-character strategic policy of "anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents". The Bank takes large retail business as the core competitiveness, promotes the "coordination of four clients" plus "four-wheel drive" of retail, small and micro, corporate and interbank business and continuously promotes the high-quality and connotative development of the Bank to continuously enhance the ability of financial support for rural revitalization and provide services for the sustainable development of the real economy.

1. *Anchoring banks with retail*

The Bank strives to become “a bank with best customer experience”, insisting on customer-oriented principle and taking retail as the foundation of development and survival. At the same time, the Bank comprehensively learned from other outstanding banks. By enhancing the “speed, precision and depth” of retail, the Bank’s service capability and contribution to wealth management, consumer finance and microfinance will be improved. Meanwhile, it will “reduce costs, control risks and increase efficiency” to create a “large retail” business ecology with distinctive features, outstanding advantages and market leadership and establish a solid foundation for high-quality development.

— **The development path**

The Bank takes Chongqing as the main battlefield, carries forward the hot pot culture of Chongqing, gives play to its four major characteristics of “hemp, spicy, fresh and fragrance”, forming a large retail finance as the core, achieving the coordination and development of the company and interbank finance, empowering financial science and technology as top, providing support to talents as base, with the four sides supplemented by enterprise culture, brand construction, risk management and control and reform and innovation, so as to promote the coordinated and efficient development of the whole Bank’s business on a joint basis.



Hemp (stress the characteristics): Base on the market positioning of supporting “agriculture, rural areas and farmers” and supporting small and micro enterprises and serving the real economy, grasp the advantages of the establishment of the Bank and adhere to the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”.

Spicy (core competitiveness): Give play to the experience advantages of deeply penetrating counties and serving “agriculture, rural areas and farmers”, and build a retail business system with the characteristics of the Rural Commercial Bank through the empowerment of new technologies, new channels and new systems with the help of the core advantages of branch channels, service teams and customer base.

Fresh (cooperate with each other): With retail as the establishment foundation of the Bank, strengthen the linkage among retail finance, corporate finance, small and micro finance and interbank finance, so as to realize the deep interaction and collaborative promotion of all lines.

Fragrance (brand image): Create a distinctive and popular brand image of “Yukuai” products, the technological image of “Digital Rural Commercial Bank” and the talents attracting image of “the near one pleases and the far one comes”.

— New retail thinking of “three transformations”

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

Transform from “B2C” to “BBC”. Transform from the traditional “Bank to Customer” to “Bank-Business-Customer”. Build a BBC financial ecosystem, turn the Bank into a platform, take 2W3H evaluation system as the standard, and build an integrated ecosystem of finance and life.

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

— New retail strategy of “five attitudes”

Serve counties attentively and set up the model of rural vitalization. Seize the opportunity of the development policy of rural vitalization strategy, give play to the channel advantages of 1,456 county outlets, and fully tap the financial demand potential of individual and agricultural industry in rural areas.

Serve users wholeheartedly and build a BBC financial ecosystem. Build an integrated ecosystem of finance and life based on the scene of “food, lodging and transportation; sightseeing, shopping and entertainment; medicine, education and nursing”. Bind the products with the merchants deeply with “merchant code + system”, approach the construction of the ecosystem, and focus on outlets and “three sides” to create scene marketing. Establish the new retail brand of “Yukuai Life” and build a series of sub-brands of “home life”, “car life” and “beauty life”.

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

Serve all customers closely and reconstruct the customer operation system. Reconstruct the customer management system with the customer as the center to realize the effective management of customers by specific organization and staff. Track the performance of customer managers in real time and activate the sleeping retail customers with “four completeness and three contributions” as the assessment objective and personal financial service platform as the support.

Concentrate on technology empowerment, and build digital products and processes. Optimize the basic financial services of “deposit, loan, remittance, payment and inquiry”. Enrich mobile banking APP and micro banking functions to create the “yukuai” series of online products. Establish the intelligent brain of the branches, and create a digital workflow for customer managers. Enable management, and build automated and intelligent credit granting and risk management.

2. *Propelling the Bank with technology*

Take building a “Digital Rural Commercial Bank” as the goal, and adhere to taking technology as the innovation engine and growth momentum. Continue to increase investment in financial technology, accelerate the application of new technologies such as big data, AI and cloud computing, and let financial technology innovation drive the business and operations and management of the whole Bank to improve simultaneously. Adhere to independent research and development, and form a “patent pool” and “standard library” with the characteristics of the rural commercial bank and local features.

— **Promote the “four enhancements”**

Enhance financial technology empowerment. Through the establishment of the late-developing advantage of financial technology, strengthen basic research and application research, promote the transformation of scientific and technological achievements, enable all lines and businesses, enable pre-loan, in-loan and post-loan risk management, and promote the driving of financial technology innovation for simultaneous enhancement of the quality and efficiency of operation and management.

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

Enhance online and offline integration. Solve offline bottlenecks by technological means, accelerate the transformation of the new generation of branches, and rebuild the journey of customer branches. Make customer service precise, put application scenarios on the platform, and integrate linkage marketing. Move the offline superior products to the online, and gradually develop online users into comprehensive customers of payment and settlement, investment and financing, and credit consumption.

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

3. *Empowering the Bank with talents*

Adhere to taking talents as the core resources and future hope. Based on the employment philosophy of “talent is the primary resource”, build a high-quality talent team with firm political stand, excellent specialty and reasonable structure at full stretch, accelerate the introduction and cultivation of professional and inter-disciplinary talents in new business, risk control, financial innovation and other aspects, and provide a strong talent guarantee for sustainable and high-quality development.

— **Implement the “Five Programs”**

Management talent leading program. Adhere to “simultaneously promoting” internal training and external introduction, and properly select and make good use of a number of excellent talents who understand both operation and management, and have both professional knowledge and practical experience, incorporate them into the middle-level leader and basic-level manager team. Promote the reform of the management tenure system and contractual management, and form a management system featuring market-oriented recruitment, contractual management, differentiated compensation, and market-oriented exit.

Professional talent development program. Adhere to introducing a talent and motivating a team, introduce and develop core talents in high-level key positions urgently needed in operation and management in accordance with the principle of “one matter, one approach; one person, one strategy”. Adhere to the compensation marketization, constantly improve the compensation distribution system, and strive to build a high-skilled talent team with reasonable structure, matching echelons and outstanding performance.

Practical talents support program. The Bank focused on both “high-end intelligence” and “basic skills” talents, and carry out internship programs. The Bank created an employer brand, enriched the talent attraction pipeline, and carried out recruitment by region, level and job type to inject “fresh blood” for the sustainable development of talents. The Bank also strictly implemented the job rotation and mandatory leave system, and established a market-oriented employment system with contract management as the core and job management as the basis. Moreover, the Bank widened the career development channel of talents and improved the efficiency in the use of human resources.

Talent quality improvement program. Increase the talent pool, continue to promote the mechanism of tracking and training of management trainee as well as exchange and cultivation of up-appointment and down-transfer, intensify the training management and control of outstanding young employees, and promote the sustainable development of human resources. Improve employment training, and build a three-dimensional training system of “bringing in + going out, online + offline, on-site + video, head office + line + branch”.

Talent service guarantee program. Optimize and improve the organizational structure system with clear objectives, clear boundaries, equal rights and responsibilities, simplicity and efficiency, improve the basic compensation system, promote the digital construction of human resources, create a high-quality talent development platform, create conditions for talent gathering and development, and form a talent selection and employment mechanism that is conducive to all kinds of outstanding talents to stand out and fully show their abilities.

(2) Investment value and core competitiveness of the Bank

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

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

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

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

Retail finance with significant advantages and potential. The strategic retail transformation takes building “a bank with best customer experience” as the goal, promotes three transformations of new thinking, new concept and new mechanism, makes use of traditional advantages such as outlets across Chongqing, well-known brands and leading client base as well as three modern advantages of new technology, new channel and new system, takes customer as the center, implements the “five attitudes” strategy of retail finance, build an ecological platform, a financial life circle and a core brand, deeply taps the potential of customers, and promote retail finance to constantly release potentials.

Corporate finance with green development and intensive cultivation. The Bank has established a “1+3+22+N” green financial system to develop green credit and green financial products, and comprehensively promote the construction of green financial benchmark bank. Implement the “1 + 2 + 3” strategy to deepen and penetrate corporate finance. Seize a major strategic opportunity, namely, the national strategic opportunity of the two-city economic circle in Chengdu-Chongqing area; establish two service modes to drive online and intelligent improvement of financial services through technological innovation, so as to create professional, accurate and appropriate “expert” services and comprehensive, efficient and high-quality “housekeeping” services; by focusing on the three main directions, try hard to adjust the debt structure, strictly control the cost of interest payment, and expand the net fee and commission income.

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

III. Overall Operating Analysis

In the first half of 2021, the Group thoroughly implemented various decision-making arrangements and regulatory requirements introduced by the country, always adhered to the market positioning of “serving agriculture, rural areas and farmers, serving small and medium-sized enterprises and serving county economy”, insisted on the “characteristic operation, streamlining the management and fostering good corporate culture” as main line, with the working ideas of “strong management, risk control and stable development”, vigorously promoted the strategies of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, and maintained a good momentum of sustainable and steady development. The operating conditions showed the following characteristics:

Operating results risen steadily. The Group’s total assets was RMB1,224.219 billion, representing an increase of RMB87.853 billion as compared to the end of the previous year, and remained the first in the national rural commercial bank. The deposit balance reached RMB757.155 billion, representing an increase of RMB32.155 billion as compared to the end of the previous year. The balance of loans was RMB561.881 billion, representing an increase of RMB53.996 billion as compared to the end of the previous year. The Group ranks first in Chongqing in terms of the scales of total assets, deposits and loan. The operating income and net profit were RMB15.172 billion and RMB5.818 billion, respectively, representing a year-on-year increase of 8.97% and 10.50%.

Asset quality was generally steady. The Group’s non-performing loan (“NPL”) ratio was 1.28%, representing a decrease of 0.03 percentage point as compared to the end of the previous year. The ratio of loans past due for more than 90 days to NPLs was 57.93%. The asset quality remained at an excellent level. The Group’s capital adequacy ratio and tier 1 capital adequacy ratio were 14.29% and 11.99%, respectively and the provision coverage ratio was 312.50%, indicating that the Group had strong risk resistance capabilities.

Structural adjustment progressed steadily. The asset structure of the Group optimized continuously. The Group’s loan accounted for 45.90% of total assets, representing an increase of 1.21 percentage points as compared to the end of the previous year, which maintained steady improvement. As retail transformation accelerated, retail loans accounted for 45.35% of total loans, representing an increase of 2.71 percentage points as compared to the end of the previous year. The profit before tax accounted for 50.01% of total profit before tax of the Group, representing a year-on-year increase of 9.96 percentage points.

Market image continued to be improved. The Bank has been ranked 119th in The Banker’s Top 1000 World Banks, up 3 places from the previous year, and 761st in Forbes Global 2000, up 54 places from the previous year. The Bank ranks No. 1 among banks in western China, and No. 1 among China’s rural commercial banks and banks in western and central China in terms of comprehensive strength. The Bank’s Yuzui Data Center has been included in the National Green Data Center List, and was the only financial institution included in western China.

IV. Financial Review

(I) Income Statement Analysis

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021	For the six months ended 30 June 2020 (Restated)	Change in amount	Rate of change (%)
Net interest income	13,104.0	12,077.9	1,026.1	8.50
Net non-interest income	2,067.5	1,845.1	222.4	12.05
Including: net fee and commission income	1,262.5	1,382.4	(119.9)	(8.67)
net other non- interest income	805.0	462.7	342.3	73.98
Operating income	15,171.5	13,923.0	1,248.5	8.97
Operating expenses	(4,204.5)	(3,809.5)	(395.0)	10.37
Credit impairment losses	(3,953.0)	(3,713.7)	(239.3)	6.44
Profit before tax	7,014.0	6,399.8	614.2	9.60
Income tax expense	(1,196.1)	(1,134.7)	(61.4)	5.41
Net profit	5,817.9	5,265.1	552.8	10.50

In the first half of 2021, the Group insisted on serving the real economy. Its various business showed a trend of steady progress, its operating quality and efficiency were steadily improved and its profitability was continuously enhanced. The Group recorded an operating income of RMB15.172 billion, representing a year-on-year increase of RMB1.249 billion or 8.97%. It recorded a net profit of RMB5.818 billion, representing a year-on-year increase of RMB553 million or 10.50%.

1. *Net interest income*

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021	For the six months ended 30 June 2020 (Restated)	Change in amount	Rate of change (%)
Interest income	25,386.9	22,755.1	2,631.8	11.57
Interest expense	(12,282.9)	(10,677.2)	(1,605.7)	15.04
Net interest income	<u>13,104.0</u>	<u>12,077.9</u>	<u>1,026.1</u>	<u>8.50</u>

The Group insisted on finance, returned to its original positioning, focused on its main responsibilities and business and made every effort to serve the real economy. In the first half of 2021, the Group recorded a net interest income of RMB13.104 billion, representing an increase of RMB1,026 million or 8.50% as compared to the same period of last year. Among which, the loan interest income accounted for 54.83% of the interest income, representing an increase of 1.40 percentage points over the same period of last year.

Management Discussion and Analysis

(1) Net interest spread and net interest margin

The data below sets forth the average balances of interest-bearing assets and interest bearing liabilities of the Group, related interest income or interest expense and average yields (for assets) or average costs rate (for liabilities) for the periods indicated. The analysis below excludes the impact of capital-preserve type of customer-driven wealth management products and lease liabilities on the interest income and expense and average balances.

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021			For the six months ended 30 June 2020 (Restated)		
	Average balance	Interest income/expense	Annualised average yield/cost rate (%)	Average balance	Interest income/expense	Annualised average yield/cost rate (%)
Assets						
Loans and advances to customers	536,455.9	13,920.2	5.23	449,347.1	12,157.0	5.44
Financial investment	421,729.1	8,321.3	3.98	355,994.0	7,379.4	4.17
Balances with Central Bank	60,581.8	459.1	1.53	61,791.1	477.7	1.55
Due from banks and other financial institutions	168,167.7	2,686.3	3.22	182,523.8	2,708.2	2.98
Total interest-bearing assets	1,186,934.5	25,386.9	4.31	1,049,656.0	22,722.3	4.35
Liabilities						
Deposits from customers	744,997.6	7,246.3	1.96	695,719.9	6,966.7	2.01
Borrowings from Central Bank	64,390.7	868.3	2.72	35,568.8	543.3	3.07
Due to banks and other financial institutions	99,992.9	1,325.4	2.67	85,672.2	836.8	1.96
Debt securities issued	190,387.7	2,839.8	3.01	149,466.5	2,294.2	3.09
Total interest-bearing liabilities	1,099,768.9	12,279.8	2.25	966,427.4	10,641.0	2.21
Net interest income		13,107.1			12,081.3	
Net interest spread⁽¹⁾			2.06			2.14
Net interest margin⁽¹⁾			2.23			2.31

Note:

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

Management Discussion and Analysis

In the first half of 2021, the Group's net interest spread was 2.06% and net interest margin was 2.23%, representing a year-on-year decrease of 8 basis points. Firstly, the Group proactively employed instruments introduced by the Central Bank to practically reduce the financing cost of the enterprise; secondly, affected by the continuous impact of the LPR re-pricing, the loan yield rate recorded a year-on-year decrease; thirdly, affected by the industry market competition and business structure adjustment, the segment revenue narrowed in the industry.

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

(Expressed in RMB million, unless otherwise stated)	Volume factor	Rate factor	Changes in amount of interest income and expense
Assets			
Loans and advances to customers	2,259.2	(496.0)	1,763.2
Financial investments	1,297.4	(355.5)	941.9
Balances with Central Bank	(9.2)	(9.4)	(18.6)
Due from banks and other financial institutions	(229.2)	207.3	(21.9)
Changes in interest income	3,318.2	(653.6)	2,664.6
Liabilities			
Deposits from customers	479.0	(199.4)	279.6
Borrowings from Central Bank	388.8	(63.8)	325.0
Due to banks and other financial institutions	189.6	299.0	488.6
Debt securities issued	610.8	(65.2)	545.6
Changes in interest expense	1,668.2	(29.4)	1,638.8
Net changes in interest income	<u>1,650.0</u>	<u>(624.2)</u>	<u>1,025.8</u>

Net interest income increased by RMB1,026 million over the same period of the previous year, among which, the increase of RMB1,650 million of net interest income was driven by the changes in the average balance of various assets and liabilities and the decrease of RMB624 million of net interest income was attributable to the changes in the average yield and the average cost rate.

Management Discussion and Analysis

(2) Interest income

In the first half of 2021, the interest income of the Group amounted to RMB25,387 million, representing an increase of RMB2,632 million or 11.57% over the same period of the previous year, which was mainly due to the steady growth in loans and advances to customers and the scale of financial investments and assets of the Group. The details are as follows:

① Interest Income from Loans and Advances to Customers

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021			For the six months ended 30 June 2020 (Restated)		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Corporate loans	286,902.4	7,048.9	4.95	258,803.0	6,496.5	5.05
General short-term loans	70,775.3	1,459.7	4.16	88,251.8	2,111.3	4.81
Medium and long-term loans	216,127.1	5,589.2	5.22	170,551.2	4,385.2	5.17
Retail loans	234,177.2	6,655.4	5.73	167,376.5	5,357.7	6.44
General short-term loans	95,369.1	2,785.2	5.89	55,130.1	1,984.7	7.24
Medium and long-term loans	138,808.1	3,870.2	5.62	112,246.4	3,373.0	6.04
Discounted bills	15,376.3	215.9	2.83	23,167.6	302.8	2.63
Total loans and advances to customers	536,455.9	13,920.2	5.23	449,347.1	12,157.0	5.44

The interest income from loans and advances to customers amounted to RMB13.920 billion, representing an increase of RMB1.763 billion or 14.50% over the same period of the previous year, which was mainly attributable to the faster growth in the average balance of corporate loans and personal loans.

② Interest Income from Financial Investments

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021			For the six months ended 30 June 2020		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Financial assets measured at amortised cost	403,041.7	8,016.8	4.01	345,330.4	7,203.6	4.19
Financial assets measured at fair value through other comprehensive income	18,687.4	304.5	3.29	10,663.6	175.8	3.32
Total financial investments	421,729.1	8,321.3	3.98	355,994.0	7,379.4	4.17

In the first half of 2021, interest income from financial investments amounted to RMB8.321 billion, representing an increase of RMB942 million or 12.76% over the same period of the previous year. This was mainly attributable to the Group's strengthening of market research and judgment while allocating the scale of financial assets investment reasonably on the basis of maintaining a balance between liquidity and profitability.

③ Interest Income from Balances with Central Bank

The interest income from balances with Central Bank amounted to RMB459 million, representing a decrease of RMB19 million or 3.89% over the same period of the previous year, mainly due to the fact that the PBOC lowered the reserve requirement ratio and the average balance of the Group with Central Bank decreased by RMB1,209 million over the same period of the previous year.

Management Discussion and Analysis

④ Interest Income from Due from Banks and Other Financial Institutions

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021			For the six months ended 30 June 2020		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Deposits and placements with banks and other financial institutions	137,415.6	2,384.5	3.50	148,501.9	2,465.4	3.34
Financial assets held under resale agreements	30,752.1	301.8	1.98	34,021.9	242.8	1.44
Total amount due from banks and other financial institutions	168,167.7	2,686.3	3.22	182,523.8	2,708.2	2.98

In the first half of 2021, the Group's interest income due from banks and other financial institutions amounted to RMB2,686 million, representing a decrease of RMB22 million or 0.81% over the same period of the previous year, mainly due to the fact that the Group optimized its asset structure, increased credit investment and reduced the proportion of the assets allocation to banks.

(3) Interest expense

In the first half of 2021, the interest expense of the Group was RMB12,283 million, representing an increase of RMB1,606 million or 15.04% over the same period of last year, mainly driven by the increase of interest-bearing liabilities of the Group. The details are analyzed as follows:

① Interest Expense on Deposits from Customers

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021			For the six months ended 30 June 2020		
	Average balance	Interest expense	Annualised average cost rate (%)	Average balance	Interest expense	Annualised average cost rate (%)
Subtotal corporate deposits	163,530.7	1,071.1	1.32	156,161.9	985.1	1.27
Demand deposit	113,367.6	365.0	0.65	113,440.1	389.4	0.69
Time deposit	50,163.1	706.1	2.84	42,721.8	595.7	2.80
Subtotal personal deposits	581,466.9	6,175.2	2.14	539,558.0	5,981.6	2.23
Demand deposit	123,576.2	210.6	0.34	125,878.7	327.4	0.52
Time deposit	457,890.7	5,964.6	2.63	413,679.3	5,654.2	2.75
Total deposits from customers	744,997.6	7,246.3	1.96	695,719.9	6,966.7	2.01

In the first half of 2021, the interest expense on deposits from customers amounted to RMB7,246 million, representing an increase of RMB280 million or 4.01% over the same period of last year. The interest payment rate on deposits from customers was 1.96%, representing a decrease of 5 basis points over the same period of the previous year. Since the first half of the year, the Group proactively consolidated its core liability, on the one hand, it continued to leverage outlet, personnel and product advantages, spared no effort to do marketing and increase inventories during the peak season and stabilized the funding resource of the deposit; and on the other hand, taking into the overall consideration of the interest rate marketization and industry competition, the Bank strengthened internal pricing management and differentiated and targeted marketing to reduce deposit costs.

Management Discussion and Analysis

② Interest Expense on Borrowings from Central Bank

In the first half of 2021, interest expense on borrowings from Central Bank amounted to RMB868 million, representing an increase of RMB325 million or 59.82% over the same period of previous year, mainly due to the fact that we proactively used the re-loans in support of small enterprises, re-loans in support of agriculture and funds for rediscounting from Central Bank to support the development of real economy, with the increase of RMB28,822 million on average balance of borrowings from Central Bank over the same period of the previous year.

③ Interest Expense on Due to Banks and Other Financial Institutions

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021			For the six months ended 30 June 2020		
	Average balance	Interest expense	Annualised average cost rate (%)	Average balance	Interest expense	Annualised average cost rate (%)
Amounts from banks and other financial institutions	62,761.0	958.9	3.08	41,715.2	517.0	2.49
Financial assets sold under repurchase agreements	37,231.9	366.5	1.99	43,957.0	319.8	1.46
Total amount due to banks and other financial institutions	99,992.9	1,325.4	2.67	85,672.2	836.8	1.96

In the first half of 2021, the Group's interest expense on due to banks and other financial institutions amounted to RMB1,325 million, representing an increase of RMB489 million or 58.39% over the same period of the previous year, mainly due to the year-on-year increase in interbank cost of liabilities resulted by the increased interbank market interest rates.

④ Interest Expense on Issued Debt Securities

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021			For the six months ended 30 June 2020		
	Average balance	Interest expense	Annualised average cost rate (%)	Average balance	Interest expense	Annualised average cost rate (%)
Debt Securities Payable	28,445.0	520.3	3.69	23,463.4	449.2	3.85
Interbank deposit certificate	161,942.7	2,319.5	2.89	126,003.1	1,845.0	2.94
Total Issued Debt Securities	190,387.7	2,839.8	3.01	149,466.5	2,294.2	3.09

In the first half of 2021, the interest expenses on issued debt securities of the Group amounted to RMB2,840 million, representing an increase of RMB546 million or 23.78% over the same period of the previous year, primarily due to the aggressive adjusting of liabilities structure based on market conditions and increasing the issuance of the low-cost interbank deposit certificate, which resulted in an increase in the average balance of debt securities.

2. *Net non-interest income*

In the first half of 2021, the Group's net non-interest income amounted to RMB2,068 million, representing an increase of RMB222 million or 12.05% over the same period of the previous year, accounting for 13.63% of the operating income, representing an increase of 0.38 percentage point over the same period of the previous year.

Management Discussion and Analysis

(1) Net fee and commission income

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021	For the six months ended 30 June 2020 (Restated)	Change in amount	Rate of change (%)
Subtotal fee and commission income	1,318.5	1,431.4	(112.9)	(7.89)
Wealth management fees	751.7	937.7	(186.0)	(19.84)
Agency and fiduciary service fees	245.9	175.5	70.4	40.11
Bank card fees	91.9	73.7	18.2	24.69
Settlement and clearing fees	62.6	68.2	(5.6)	(8.21)
Others	166.4	176.3	(9.9)	(5.62)
Fee and commission expense	(56.0)	(49.0)	(7.0)	14.29
Total net fee and commission income	1,262.5	1,382.4	(119.9)	(8.67)

In the first half of 2021, the net fee and commission income of the Group amounted to RMB1,263 million, representing a decrease of RMB120 million or 8.67% over the same period of the previous year. The net and commission income accounted for 8.32% of the operating income.

Wealth management fees amounted to RMB752 million, representing a decrease of RMB186 million or 19.84% over the same period of the previous year, mainly due to the decrease in the asset yield of the overall market.

Agency and fiduciary service fees amounted to RMB246 million, representing an increase of RMB70 million or 40.11% over the same period of the previous year, mainly due to the growth of the Group's underwriting business and fund insurance agency business in the first half of the year.

Bank card fees amounted to RMB92 million, representing an increase of RMB18 million or 24.69% over the same period of the previous year, mainly attributed to the increase in the numbers of the bank cards of the Group.

Settlement and clearing fees amounted to RMB63 million, representing a decrease of RMB6 million or 8.21% over the same period of the previous year, mainly due to the fact that the Group adjusted the fee rate of a part of settlement business.

(2) Net other non-interest income

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Change in amount	Rate of change (%)
Net trading gain or loss	536.2	396.5	139.7	35.23
Other net business gain	240.1	29.5	210.6	713.90
Share of net profits from associates	(19.6)	(2.7)	(16.9)	625.93
Net gain resulted from derecognition of financial assets at fair value through other comprehensive income	48.3	38.4	9.9	25.78
Net gain resulted from derecognition of financial assets measured at amortised cost	-	1.0	(1.0)	(100.00)
Total net other non-interest income	805.0	462.7	342.3	73.98

In the first half of 2021, the Group's net other non-interest income was RMB805 million, representing an increase of RMB342 million or 73.98% over the same period of the previous year, mainly due to the fact that net gains and losses on financial assets transactions at fair value through profit and loss increased, as well as the Group increased financial support for stabilizing enterprises and preserving employment and increased net revenue from the interest rate swap business with the Central Bank for deferring capital repayment for inclusive small and micro enterprises.

Management Discussion and Analysis

3. Operating expenses

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Change in amount	Rate of change (%)
Staff costs	2,719.5	2,458.0	261.5	10.64
Salaries, bonuses and allowances	1,781.6	1,832.2	(50.6)	(2.76)
Staff benefits, social insurance premiums, housing provident fund	630.9	413.6	217.3	52.54
Others	307.0	212.2	94.8	44.67
Taxes and surcharges	150.5	136.5	14.0	10.26
Depreciation and amortisation	404.2	438.6	(34.4)	(7.84)
Other general and administrative expenses	930.3	776.4	153.9	19.82
Total operating expenses	<u>4,204.5</u>	<u>3,809.5</u>	<u>395.0</u>	<u>10.37</u>

In the first half of 2021, the operating expenses of the Group amounted to RMB4,205 million, representing an increase of RMB395 million or 10.37% as compared to the same period of the previous year.

(1) Staff Costs

Staff costs were the largest component of operating expenses of the Group, accounting for 64.68% and 64.52% of its total operating expenses for first half of 2021 and 2020 respectively.

In the first half of 2021, staff costs amounted to RMB2.720 billion, representing an increase of RMB262 million or 10.64% over the same period of the previous year. Among which, staff benefits, social insurance premiums and housing provident fund increased by RMB217 million or 52.54% over the same period of the previous year, mainly due to the fact that, under the spirit of the relevant instructions on pandemic prevention and control, the Group's social insurance contributions for its employees can enjoy certain stage reductions and concessions during the same period of the previous year. Other staff costs increased by RMB95 million as compared with the same period of the previous year, mainly due to an increase in the actuarial cost driven by the Group's adjustment to the supplementary medical insurance expense.

(2) Taxes and Surcharges

Taxes and surcharges mainly relate to revenue generated from loans (interest income), transfer of securities and other financial products and services. In the first half of 2021, taxes and surcharges amounted to RMB151 million, representing a year-on-year increase of RMB14 million or 10.26%, which was mainly due to the increase in the taxes such as value-added tax, driven by the continued increase in the Group's taxable income.

(3) Depreciation and Amortization

In the first half of 2021, the depreciation and amortization amounted to RMB404 million, representing a decrease of RMB34 million over the same period of the previous year, which was basically stable.

(4) Other General and Administrative Expenses

In the first half of 2021, other general and administrative expenses amounted to RMB930 million, representing an increase of RMB154 million or 19.82% as compared to the same period of the previous year, which was mainly due to the increase in the professional service fee and business promotion fee related to the business development.

4. Impairment loss

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Change in amount	Rate of change (%)
Credit impairment loss on loans and advances to customers	3,587.7	3,299.6	288.1	8.73
Credit impairment loss on financial investments	325.8	584.7	(258.9)	(44.28)
Other credit impairment losses	39.5	(170.6)	210.1	(123.15)
Total impairment loss	3,953.0	3,713.7	239.3	6.44

Management Discussion and Analysis

In the first half of 2021, based on the principle of forward-looking and cautious operation, the Group's provision for impairment loss was RMB3,953 million, representing an increase of RMB239 million or 6.44% over the same period of the previous year. Among which, impairment losses on loans and advances to customers increased by RMB288 million over the same period of the previous year, mainly due to the fact that the Group made appropriate provision along with the credit scale increased.

The impairment losses on financial investments decreased by RMB259 million over the same period of the previous year, mainly due to the fact that the Group consolidated the risk valuation, prevention and control system, and the asset quality of the financial investments continued to deliver good performance.

Other impairment losses increased by RMB210 million over the same period of the previous year, mainly due to the decrease in the scale of off-sheet assets over the same period of the previous year, which resulted in the decrease in the impairment provision.

5. Income tax expense

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Change in amount	Rate of change (%)
Profit before tax	7,014.0	6,399.8	614.2	9.60
Tax calculated at applicable statutory tax rate	1,705.3	1,572.8	132.5	8.42
Add/(less) the tax effect of the following items:				
Non-deductible expenses	54.1	18.3	35.8	195.63
Non-taxable income	(562.8)	(455.8)	(107.0)	23.48
Others	(0.5)	(0.6)	0.1	(16.67)
Income tax expense	1,196.1	1,134.7	61.4	5.41

In the first half of 2021, income tax expense amounted to RMB1,196 million, representing an increase of RMB61 million over the same period of the previous year. The effective income tax rate was 17.05%, lower than the statutory rate of 25%, which was mainly due to the fact that the Group continued to optimize the investment structure of its business and held certain statutory tax-exempt treasury bonds and local government bonds on the basis of balancing risks and returns, thereby reducing the effective income tax rate.

(II) Analysis on Balance Sheet

1. Assets

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

(Expressed in RMB million, unless otherwise stated)	30 June 2021		31 December 2020		Change in amount	Rate of change (%)
	Amount	Percentage (%)	Amount	Percentage (%)		
Net loans and advances to customers	539,477.4	44.07	486,963.4	42.85	52,514.0	10.78
Carrying balance of loans and advances to customers	561,881.4	45.90	507,885.9	44.69	53,995.5	10.63
Allowances for impairment on loans and advances to customers ⁽¹⁾	(22,404.0)	(1.83)	(20,922.5)	(1.84)	(1,481.5)	7.08
Financial Investments	473,109.9	38.65	429,954.5	37.83	43,155.4	10.04
Financial assets measured at amortised cost	416,378.6	34.02	383,164.5	33.72	33,214.1	8.67
Financial assets measured at fair value through other comprehensive income	21,446.8	1.75	16,625.5	1.46	4,821.3	29.00
Financial assets measured at fair value through profit and loss	35,284.5	2.88	30,164.5	2.65	5,120.0	16.97
Cash and balances with Central Bank	65,309.9	5.33	65,368.9	5.75	(59.0)	(0.09)
Deposits and placements with banks and other financial institutions	123,676.1	10.10	137,386.6	12.09	(13,710.5)	(9.98)
Financial assets held under resale agreements	6,543.0	0.53	1,303.0	0.11	5,240.0	402.15
Investment in associates	430.7	0.04	450.3	0.04	(19.6)	(4.35)
Goodwill	440.1	0.04	440.1	0.04	–	–
Other assets⁽²⁾	15,232.3	1.24	14,499.8	1.29	732.5	5.05
Total Assets	1,224,219.4	100.00	1,136,366.6	100.00	87,852.8	7.73

Notes:

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

Management Discussion and Analysis

As of the end of June 2021, the Group's total assets amounted to RMB1,224,219 million, representing an increase of RMB87,853 million or 7.73% as compared to the end of the previous year.

The carrying balance of loans and advances to customers amounted to RMB561.881 billion, representing an increase of RMB53.996 billion or 10.63% over the end of the previous year. The Group, as the largest local financial institution in Chongqing, has seized the opportunity of the construction of the Yangtze River Economic Zone and the Chengdu-Chongqing Economic Circle, and provided more support for major strategies and key projects while preventing risks. On the one hand, the Group has focused on credit investment in the fields of people's livelihood and infrastructure, increased support for rural revitalization, advanced manufacturing and green finance, and promoted the stable development of corporate finance; on the other hand, the Group has strengthened financial technology innovation, promoted the integration and development of online and offline business, and strengthened the targeted marketing of small-micro and consumer credit, thus promoting the high-quality development of inclusive finance.

Financial investments amounted to RMB473,110 million, representing an increase of RMB43,155 million or 10.04% as compared to the end of the previous year. In the first half of 2021, the Group increased the investment in standardized products such as bonds and funds.

Total cash and balances with the Central Bank amounted to RMB65,310 million, representing a decrease of RMB59 million or 0.09% as compared to the end of the previous year, which remained stable in general.

Deposits and placements with banks and other financial institutions amounted to RMB123,676 million, representing a decrease of RMB13,711 million or 9.98% as compared to the end of the previous year, mainly due to the fact that the Group optimized its asset structure, reduced deposits with banks and other financial institutions, increased credit investment and increased the proportion of credit assets.

Financial assets held under resale agreements amounted to RMB6,543 million, representing an increase of RMB5,240 million or 402.15% as compared to the end of the previous year, mainly due to the Group's utilization of surplus funds through multiple channels, after comprehensively taking into account the needs of asset-liability and liquidity management.

Investment in associates amounted to RMB431 million, mainly due to the Group's equity participation in Chongqing Xiaomi Consumer Finance Co., Ltd.

(1) Loans and Advances to Customers

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

(Expressed in RMB million, unless otherwise stated)	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans	290,177.3	51.64	273,631.3	53.88
Short-term loans	60,911.7	10.84	69,302.5	13.65
Medium and long-term loans	229,265.6	40.80	204,328.8	40.23
Retail loans	254,799.1	45.35	216,543.7	42.64
Personal mortgage loans ⁽¹⁾	99,211.8	17.66	91,337.0	17.98
Personal business and re- employment loans ⁽²⁾	79,650.0	14.18	66,799.8	13.15
Other loans ⁽³⁾	75,937.3	13.51	58,406.9	11.51
Discounted bills	16,905.0	3.01	17,710.9	3.48
Total loans and advances to customers	561,881.4	100.00	507,885.9	100.00

Notes:

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

As at the end of June 2021, the carrying balance of loans and advances to customers of the Group amounted to RMB561,881 million, representing an increase of RMB53,996 million, or 10.63% as compared to the end of the previous year.

The gross amount of corporate loans and advances was RMB290,177 million, representing an increase of RMB16,546 million, or 6.05% as compared to the end of the previous year. Among which, short-term loans decreased by RMB8.391 billion, and medium-and long-term loans increased by RMB24.937 billion. The Group has deeply promoted rural revitalization and provided credit support in rural areas such as rural infrastructure, industry chain of important agricultural products and modern agricultural technology; focused deeply on advanced manufacturing and implemented: the “honghu support system” action program intended to provide assistance for the manufacturing to promote the development of new energy vehicles and other strategic emerging industries; practiced green finance; launched wind power special service plan and innovated carbon quotation pledged loan business to enhance the capacity of green financial services.

Total retail loans and advances amounted to RMB254.799 billion, representing an increase of RMB38.255 billion or 17.67% over the end of the previous year, and an increase of 2.71 percentage points of the proportion in the total loans. The Group continuously implemented the strategic orientation of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents” and vigorously developed inclusive finance and consumer finance retail loan business.

Among which, total personal mortgage loans amounted to RMB99.212 billion, representing an increase of RMB7.875 billion or 8.62% over the end of the previous year, mainly due to the major support for the local citizens’ reasonable financing requirement for owner-occupied houses, subject to the regulatory requirements.

Total personal business and reemployment loans amounted to RMB79.650 billion, representing an increase of RMB12.850 billion or 19.24% over the end of the previous year. The Group has pushed the development of inclusive finance, and made integration of online and offline service models to support the development of personal operating loans business such as “Housing Fast Loan” and “Tax Fast Loan” through multiple channels.

Total other loans amounted to RMB75.937 billion, representing an increase of RMB17.530 billion or 30.01% over the end of the previous year. The Group has improved the quality and efficiency of the consumer finance by leveraging the financial technology, and business such as “Yukuai Loan” and “Guaranteed E-loan” increased significantly.

Discounted bills amounted to RMB16,905 million, representing a decrease of RMB806 million or 4.55% as compared to the end of the previous year.

Management Discussion and Analysis

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

(Expressed in RMB million, unless otherwise stated)	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Total corporate loans and advances	290,177.3	51.64	273,631.3	53.88
Water, environmental and public facility management	69,841.4	12.43	63,875.2	12.58
Leasing and business services	65,959.7	11.74	60,476.7	11.91
Manufacturing	61,123.9	10.88	61,019.7	12.01
Electricity, heat, gas and water production and supply industries	21,592.0	3.84	19,232.7	3.79
Transportation, warehousing and postal services	21,484.2	3.82	18,177.2	3.58
Wholesale and retail industries	17,524.1	3.12	17,969.1	3.54
Health and social work	6,502.6	1.16	6,288.3	1.24
Construction	6,277.4	1.12	6,601.1	1.30
Real estate	5,484.5	0.98	5,676.8	1.12
Culture, sport and entertainment	2,800.4	0.50	2,322.8	0.46
Others	11,587.1	2.05	11,991.7	2.35
Personal loans and advances	254,799.1	45.35	216,543.7	42.64
Discounted bills	16,905.0	3.01	17,710.9	3.48
Total loans and advances to customers	561,881.4	100.00	507,885.9	100.00

Since 2021, following the guideline spirit of government and regulation, the Group increased input of resources on real economy, assisted the main body of economic market in resuming work and production, and continued to advance credit support for national and major local strategic projects, intelligent manufacturing, and people's livelihood. As of the end of June 2021, the balance of the Group's corporate loans invested in water, environmental and public facilities management, leasing and business service and manufacturing industries were RMB69.841 billion, RMB65.960 billion and RMB61.124 billion respectively, accounting for 12.43%, 11.74% and 10.88% of the Group's total loans and advances, respectively.

Management Discussion and Analysis

(2) Financial Investments

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

(Expressed in RMB million, unless otherwise stated)	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Bonds investment	370,926.7	78.41	305,211.4	70.99
Debt instruments issued by financial institutions	12,083.9	2.55	9,045.5	2.10
Interbank certificates of deposit	39,408.7	8.33	61,478.3	14.30
Debt financing plan	26,932.8	5.69	32,620.6	7.59
Fund	22,743.6	4.81	21,028.4	4.89
Equity instruments	1,014.2	0.21	570.3	0.13
Total financial investments	473,109.9	100.00	429,954.5	100.00

As of the end of June 2021, the total financial investment amounted to RMB473,110 million, representing an increase of RMB43,155 million or 10.04% as compared with the end of the previous year. The Group continued to strengthen its market analysis and judgment, actively optimized asset structure, and constantly increased the proportion of investment in standardized assets.

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

(Expressed in RMB million, unless otherwise stated)	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	150,860.4	40.67	113,384.5	37.14
Public institutions, and quasi-government bonds	81,523.6	21.98	69,429.7	22.75
Financial institution bonds	76,376.1	20.59	60,147.3	19.71
Corporate bonds	62,166.6	16.76	62,249.9	20.40
Total bonds investment	370,926.7	100.00	305,211.4	100.00

In the first half of 2021, the Group optimized the structure of financial investment and increased the investment in local government bonds and financial institutions bonds. As of the end of June 2021, the government bonds and financial institution bonds increased by RMB37,476 million and RMB16,229 million respectively, as compared to the end of the previous year.

(3) Repossessed assets

As part of its effort to recover impaired loans and advances, the Group may obtain the title of the collateral, through legal actions or voluntary transfer from the borrowers, as compensation for the losses on loans and advances and interest receivable. As at the end of June 2021, the Group's repossessed assets were RMB91 million, and the balance of impairment allowances for repossessed assets was RMB12 million. Please refer to "Other Assets" under Notes to the Financial Statements for details.

2. *Liabilities*

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

(Expressed in RMB million, unless otherwise stated)	30 June 2021		31 December 2020		Change in amount	Rate of change (%)
	Amount	Percentage (%)	Amount	Percentage (%)		
Deposits from customers	757,154.9	67.26	724,999.8	69.63	32,155.1	4.44
Deposits and placements from banks and other financial institutions	64,329.3	5.71	62,139.3	5.97	2,190.0	3.52
Debt securities issued	209,191.0	18.58	173,178.2	16.63	36,012.8	20.80
Borrowings from Central Bank	67,744.4	6.02	62,313.8	5.98	5,430.6	8.71
Financial assets sold under repurchase agreements	14,478.6	1.29	6,373.2	0.61	8,105.4	127.18
Other liabilities ⁽¹⁾	12,842.9	1.14	12,290.1	1.18	552.8	4.50
Total liabilities	1,125,741.1	100.00	1,041,294.4	100.00	84,446.7	8.11

Note:

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

Management Discussion and Analysis

As of the end of June 2021, the total liabilities of the Group increased by RMB84,447 million, or 8.11%, to RMB1,125.741 billion as compared to the end of the previous year. Deposits from customers are the most core liabilities source of the Group, representing an increase of RMB32,155 million or 4.44% as compared to the end of the previous year; deposits and placements from banks and other financial institutions increased by RMB2,190 million or 3.52% as compared to the end of the previous year; the debt securities issued increased by RMB36,013 million or 20.80% as compared to the end of the previous year, mainly due to the optimization of liabilities structure of the Group based on the market condition. Borrowings from Central Bank increased by RMB5,431 million or 8.71% as compared to the end of the previous year, which was mainly due to the fact that the Bank proactively used the Central Bank's monetary instruments and newly added Central Bank's special funds including re-loans in support of agriculture and micro and small enterprises, etc.

(1) Deposits from customers

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

(Expressed in RMB million, unless otherwise stated)	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Subtotal corporate deposits	155,763.3	20.57	156,370.2	21.57
Demand deposit	112,899.5	14.91	122,309.1	16.87
Time deposit	42,863.8	5.66	34,061.1	4.70
Subtotal personal deposits	595,109.9	78.60	561,617.1	77.46
Demand deposit	117,698.8	15.55	128,951.9	17.79
Time deposit	477,411.1	63.05	432,665.2	59.67
Pledged deposits	6,272.3	0.83	7,002.5	0.97
Other deposits	9.4	–	10.0	–
Total deposits from customers	757,154.9	100.00	724,999.8	100.00

In the first half of 2021, the Group leveraged its channel and retail advantages, and steadily increased deposits from customers. As of the end of June 2021, total deposits from customers amounted to RMB757,155 million, representing an increase of RMB32,155 million or 4.44% as compared to the end of the previous year.

In terms of customer structure, corporate deposits amounted to RMB155,763 million with a decrease of RMB607 million or 0.39% over the end of the previous year, the percentage of deposits from customers recorded a decrease of 1.00 percentage point as compared to the end of the previous year; personal deposits amounted to RMB595,110 million with an increase of RMB33,493 million or 5.96% over the end of the previous year, the percentage of total deposits from customers recorded an further increase of 1.14 percentage points as compared to the end of the previous year.

In terms of term structure, the demand deposits amounted to RMB230,598 million, representing a decrease of RMB20,663 million or 8.22% over the end of the previous year, and accounted for 30.46% of total deposits from customers. Time deposits amounted to RMB520,275 million, representing an increase of RMB53,549 million or 11.47% over the end of the previous year, with the proportion of total deposits from customers of 68.71%.

(2) Debt securities issued

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

(III) Shareholders’ Equity

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

(Expressed in RMB million, unless otherwise stated)	30 June 2021		31 December 2020		Change in amount	Rate of change (%)
	Amount	Percentage (%)	Amount	Percentage (%)		
Share capital	11,357.0	11.53	11,357.0	11.95	–	–
Capital reserve	20,924.6	21.25	20,924.6	22.01	–	–
Investment revaluation reserve	(40.5)	(0.04)	(418.0)	(0.44)	377.5	(90.31)
Actuarial revaluation reserve	(536.5)	(0.54)	(268.5)	(0.28)	(268.0)	99.81
Surplus reserve	12,069.8	12.26	12,069.8	12.70	–	–
General risk reserve	15,824.3	16.07	14,056.1	14.78	1,768.2	12.58
Retained earnings	37,391.5	37.96	35,947.7	37.80	1,443.8	4.02
Equity attributable to shareholders of the Bank	96,990.2	98.49	93,668.7	98.52	3,321.5	3.55
Non-controlling interests	1,488.1	1.51	1,403.5	1.48	84.6	6.03
Total shareholders’ equity	98,478.3	100.00	95,072.2	100.00	3,406.1	3.58

Management Discussion and Analysis

As of the end of June 2021, total equity amounted to RMB98,478 million, representing an increase of RMB3,406 million as compared to the previous year, mainly attributable to the increase in retained earnings. In particular, investment revaluation reserve increased by RMB378 million as compared to the end of the previous year, mainly due to the changes in the fair value of financial assets measured at fair value through other comprehensive income invested by the Group; actuarial revaluation reserve decreased by RMB268 million from the end of the previous year, mainly due to the increase in the actuarial costs for supplementary medical insurance of the Group; general risk reserve increased by RMB1,768 million as compared to the end of the previous year, mainly due to provision with an amount of 1.5% of the balance of risk assets at the end of the previous year.

(IV) Off-Balance-Sheet Items

Off-balance-sheet items of the Group mainly include unused credit card limit, acceptance bills, letters of guaranteed funds issued and letters of credit issued. The balances of unused credit card limit, acceptance bills, letters of guaranteed funds issued and letters of credit issued amounted to RMB24,137 million, RMB6,992 million, RMB3,340 million and RMB2,502 million respectively. All the Group's capital expenditure commitments which have been approved but were unnecessary to be presented on the balance sheet were signed but unfulfilled contracts with amount of RMB434 million. The operating lease commitments of the Group that are not included in the measurement of lease liabilities were not significant.

(V) Statement of Cash Flows

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Net cash flow from operating activities	9,809.4	58,214.4
Net cash flow from investing activities	(33,281.7)	(5,535.9)
Net cash flow from financing activities	30,806.1	(41,836.0)

Net cash inflows from operating activities amounted to RMB9,809 million, representing a decrease of RMB48,405 million as compared to the same period of the previous year, among which, the cash outflow was RMB74,491 million, representing a year-on-year increase of RMB17,351 million, mainly due to the fact that the Group increased credit investment, and the loans and advances to customers recorded a year-on-year increase; and the cash inflow was RMB84,301 million, representing a year-on-year decrease of RMB31,054 million, mainly due to that the Group optimized and adjusted the liabilities structure and increased the proportion of the issued debt securities.

Net cash outflow from investing activities amounted to RMB33,282 million. In particular, cash inflow amounted to RMB119,621 million with a year-on-year increase of RMB12,940 million, which was mainly due to the increase in cash received from recovery of bonds investments; cash outflow amounted to RMB152,903 million with a year-on-year increase of RMB40,685 million, which was mainly due to the increase in cash payments on bonds investments.

Net cash inflow from financing activities amounted to RMB30,806 million. In particular, cash inflow amounted to RMB148,105 million, which was mainly due to the cash received from the issuance of bonds by the Group; cash outflow amounted to RMB117,299 million, which was mainly due to the redemption of cash paid by the bond issuance.

(VI) Loan Quality Analysis

1. Breakdown of Loans by the five-category classification

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

(Expressed in RMB million, unless otherwise stated)	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Normal	541,951.6	96.45	489,255.1	96.33
Special mention	12,758.8	2.27	11,985.7	2.36
Substandard	4,548.0	0.81	2,868.6	0.56
Doubtful	2,406.7	0.43	3,641.1	0.72
Loss	216.3	0.04	135.4	0.03
Total loans and advances to customers	561,881.4	100.00	507,885.9	100.00
Amount of NPLs	7,171.0		6,645.1	
NPL ratio (%)		1.28		1.31

During the first half of 2021, the domestic macro economy has been improving steadily and the momentum has been increasing, but the current situation is still severe. The epidemic in some countries is still spreading rapidly, and economic recovery remains uncertain. The Group actively responded to the complicated and ever-changing environment at home and abroad, as well as insisted on making classification in a prudent manner, and put great efforts to the recovery and disposal of NPLs, so that the asset quality maintained its overall stability. As of the end of June 2021, the balance of NPLs was RMB7,171 million, representing an increase of RMB526 million as compared to that of the end of the previous year. The NPL ratio was 1.28%, representing a decrease of 0.03 percentage point as compared to that of the end of the previous year. Among which, the balance of NPLs of urban area and the balance of NPLs of county area accounted for 70.19% and 29.81% of the Group, respectively.

2. Concentration of Loans

(1) Concentration by industry and distribution of NPL

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

(Expressed in RMB million, unless otherwise stated)	30 June 2021				31 December 2020			
	Loan amount	Percentage (%)	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Percentage (%)	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans	290,177.3	51.64	5,717.9	1.97	273,631.3	53.88	5,316.0	1.94
Manufacturing	61,123.9	10.88	1,021.2	1.67	61,019.7	12.01	2,961.9	4.85
Production and supply of electricity, gas and water	21,592.0	3.84	177.5	0.82	19,232.7	3.79	–	–
Real estate	5,484.5	0.98	339.0	6.18	5,676.8	1.12	–	–
Leasing and commercial services	65,959.7	11.74	625.8	0.95	60,476.7	11.91	7.4	0.01
Water conservancy, environment and public utility management	69,841.4	12.43	0.0	–	63,875.2	12.58	–	–
Construction	6,277.4	1.12	50.9	0.81	6,601.1	1.30	47.4	0.72
Wholesale and retail	17,524.1	3.12	1,372.7	7.83	17,969.1	3.54	1,440.7	8.02
Other	42,374.3	7.53	2,130.8	5.03	38,780.0	7.63	858.6	2.21
Personal loans	254,799.1	45.35	1,452.1	0.57	216,543.7	42.64	1,328.1	0.61
Discounted bills	16,905.0	3.01	1.0	0.01	17,710.9	3.48	1.0	0.01
Total	561,881.4	100.00	7,171.0	1.28	507,885.9	100.00	6,645.1	1.31

Since 2021, the domestic economy has been improving steadily. The Bank has followed macro policies and increased credit investment in major national and local strategic projects, intelligent manufacturing, people's livelihood and other aspects, helping enterprises affected by the epidemic to resume production; asset quality has remained stable overall. Due to liquidity constraints of individual real estate enterprises, there was a stoppage of construction of projects under construction. Based on the prudent principle, the Bank classified their loan risk as non-performing, but collaterals of the loans are sufficient, and the Bank will continue to strengthen the recovery and disposal of non-performing assets and gradually realize the recovery of creditor's rights.

Management Discussion and Analysis

(2) Concentration of borrowers

As of the end of June 2021, the Group's total loans to its largest single borrower accounted for 3.46% of its net capital while total loans to its top ten clients accounted for 25.90% of its net capital, both of which were in compliance with the regulatory requirements. All the Group's loans to top ten largest single borrowers were not NPLs.

① Indicators of concentration

Major Regulatory Indicators	Regulatory standard	30 June 2021	31 December 2020	31 December 2019
Percentage of the loans to largest single client(%)	≤10%	3.46	3.74	5.15
Percentage of the loans to single group client (%)	≤15%	6.07	5.72	6.37
Percentage of the loans to top ten clients to the net capital (%)	–	25.90	23.76	24.19

② Loans to top ten largest single borrowers

(Expressed in RMB million, unless otherwise stated)	Industry	30 June 2021	
		Amount of loans	Percentage of the total amount of loans and advances (%)
Client A	Water conservancy, environment and public utility management	3,991.5	0.71
Client B	Leasing and commercial service	3,990.8	0.71
Client C	Manufacturing	3,450.5	0.61
Client D	Transportation, warehousing and postal services	3,090.4	0.55
Client E	Water conservancy, environment and public utility management	2,705.8	0.48
Client F	Leasing and commercial service	2,658.3	0.47
Client G	Water conservancy, environment and public utility management	2,555.8	0.45
Client H	Leasing and commercial service	2,503.3	0.45
Client I	Leasing and commercial service	2,500.4	0.45
Client J	Water conservancy, environment and public utility management	2,419.5	0.43

Management Discussion and Analysis

3. Distribution of Loans and NPLs by Product Type

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

(Expressed in RMB million, unless otherwise stated)	30 June 2021			31 December 2020		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans	290,177.3	5,717.9	1.97	273,631.3	5,316.0	1.94
Short-term loans	60,911.7	1,878.2	3.08	69,302.5	1,247.1	1.80
Medium-and-long-term loans	229,265.6	3,839.7	1.67	204,328.8	4,068.9	1.99
Retail loans	254,799.1	1,452.1	0.57	216,543.7	1,328.1	0.61
Personal mortgage loans	99,211.8	275.6	0.28	91,337.0	279.5	0.31
Personal business and re-employment loans	79,650.0	609.3	0.77	66,799.8	544.6	0.82
Other loans	75,937.3	567.2	0.75	58,406.9	504.0	0.86
Discounted bills	16,905.0	1.0	0.01	17,710.9	1.0	0.01
Total	<u>561,881.4</u>	<u>7,171.0</u>	<u>1.28</u>	<u>507,885.9</u>	<u>6,645.1</u>	<u>1.31</u>

As of the end of June 2021, non-performing ratio of corporate loans of the Group increased by 0.03 percentage point to 1.97% as compared with the end of the previous year, whereas non-performing ratio of retail loans decreased by 0.04 percentage point to 0.57% as compared with the end of the previous year.

4. *Restructured Loans and Advances to Customers*

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

(Expressed in RMB million, unless otherwise stated)	30 June 2021		31 December 2020	
	Amount	Percentage of the total amount of loans and advances (%)	Amount	Percentage of the total amount of loans and advances (%)
Restructured loans and advances to customers	1,034.9	0.18	1,539.5	0.30

5. *Overdue Loans and Advances to Customers*

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

(Expressed in RMB million, unless otherwise stated)	30 June 2021		31 December 2020	
	Amount	Percentage of the total amount of loans and advances (%)	Amount	Percentage of the total amount of loans and advances (%)
Overdue within 3 months	2,862.3	0.51	1,379.0	0.27
Overdue for 3 months to 1 year	2,351.5	0.42	2,473.9	0.49
Overdue for over 1 year and within 3 years	1,533.3	0.27	1,303.8	0.26
Overdue for more than 3 years	269.1	0.05	426.5	0.08
Total overdue loans and advances to customers	<u>7,016.2</u>	<u>1.25</u>	<u>5,583.2</u>	<u>1.10</u>

Management Discussion and Analysis

As of the end of June 2021, the total overdue loans amounted to RMB7,016 million, representing an increase of RMB1,433 million from the end of the previous year; overdue loans accounted for 1.25%, representing an increase of 0.15 percentage point from the end of the previous year.

6. Changes in Provision for Loans Impairment

(Expressed in RMB million, unless otherwise stated)	30 June 2021			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	10,549.1	4,246.6	6,126.8	20,922.5
Transfer:				
Transfer to stage 1	581.2	(517.8)	(63.4)	–
Transfer to stage 2	(625.0)	724.9	(99.9)	–
Transfer to stage 3	(84.9)	(889.8)	974.7	–
ECL changes arisen from stage transfer	(496.8)	1,332.6	1,627.3	2,463.1
New financial assets originated or purchased	4,570.5	–	–	4,570.5
Derecognition or settlement	(2,882.8)	(456.2)	(702.1)	(4,041.1)
Remeasurement	(286.7)	449.1	860.2	1,022.6
Write-offs and other transfer out for the period	–	–	(2,533.6)	(2,533.6)
Closing balance	11,324.6	4,889.4	6,190.0	22,404.0

As of the end of June 2021, the Group's provision for impairment of loans and advances measured at amortized cost amounted to RMB22.404 billion, representing an increase of RMB1.482 billion over the end of the previous year. In addition, the provision for loss on discounting and rediscounting of bills measured at fair value and recognized in other comprehensive income amounted to RMB6 million.

7. *Distribution of Loans by Type of Collateral*

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

(Expressed in RMB million, unless otherwise stated)	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Credit loans	94,936.3	16.90	77,664.2	15.29
Guaranteed loans	179,188.5	31.89	160,337.6	31.57
Collateralised loans	227,970.5	40.57	208,580.2	41.07
Pledged loans	59,786.1	10.64	61,303.9	12.07
Total loans and advances to customers	561,881.4	100.00	507,885.9	100.00

8. *Loan Migration Ratios*

Items (%)	30 June 2021	31 December 2020	31 December 2019
Migration ratios of normal loans	1.59	4.27	3.32
Migration ratios of special- mentioned loans	24.35	11.04	7.40
Migration ratios of substandard loans	34.83	12.36	30.01
Migration ratios of doubtful loans	4.53	1.87	2.07

(VII) Segment Information

1. Summary of Geographical Segment

(Expressed in percentage)	30 June 2021		31 December 2020	
	County	Urban	County	Urban
Deposits	70.20	29.80	70.04	29.96
Loans	51.39	48.61	50.79	49.21
Assets	53.11	46.89	52.91	47.09
Loan-deposit ratio	54.33	121.04	50.80	115.06

In the first half of 2021, the Group's county-level deposits accounted for 70.20%, an increase of 0.16 percentage point over the end of the previous year. County-level loans accounted for 51.39%, an increase of 0.60 percentage point over the end of the previous year, and the county-level assets accounted for 53.11%, an increase of 0.20 percentage point over the end of the previous year; county-level deposit to loan ratio was 54.33%, an increase of 3.53 percentage points over the end of the previous year. Based in Chongqing, the Group insists on its orientation of supporting small and micro enterprises and agriculture-based entities, deeply cultivates the rural economy, continuously improves the county's financial service capabilities, and supports the development of county economy.

2. Summary of Business Segment

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021		For the six months ended 30 June 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate business	5,172.3	34.09	4,960.4	35.63
Retail banking business	6,293.8	41.49	5,285.4	37.96
Capital operation business	3,705.3	24.42	3,674.2	26.39
Unallocated	0.1	0.00	3.0	0.02
Total operating income	15,171.5	100.00	13,923.0	100.00

In the first half of 2021, the Group's operating income of corporate business was RMB5,172 million, accounting for 34.09%, a year-on-year decrease of 1.54 percentage points; operating income of retail banking business was RMB6,294 million, accounting for 41.49%, a year-on-year increase of 3.53 percentage points; operating income of capital operation business was RMB3,705 million, accounting for 24.42%, a year-on-year decrease of 1.97 percentage points. In recent years, the Bank has been adhering to the strategy of "anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents", promoted the investment to retail and continuously optimized the loan structure. The proportion of operating income of retail banking business continued to increase, achieving a significant result in transformation.

(VIII) Differences between the Financial Statements Prepared in accordance with Chinese Accounting Standards and IFRSs

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

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

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

(Expressed in RMB million, unless otherwise stated)	Net Assets (Consolidated)		
	30 June 2021	31 December 2020	31 December 2019
In accordance with Accounting Standards for Enterprises	98,038.2	94,632.1	89,362.2
Differentiated items and amount			
– Goodwill from acquisitions	440.1	440.1	440.1
In accordance with IFRSs	<u>98,478.3</u>	<u>95,072.2</u>	<u>89,802.3</u>

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

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

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

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

V. Discussion and Analysis of Main Business Operations

(I) Retail Business

The Bank adheres to the development strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, adheres to the development concept of “customer-centered” business, focuses on “personal savings and loans, bank cards, wealth management, and agency”, focuses on customers, maintains the determination of transformation and upgrading, further cultivates the retail market, and focuses its efforts. In the first half of 2021, the income of retail business was RMB6,294 million, representing a year-on-year increase of RMB1,008 million, accounting for 41.49% of the operating income of the Group, ranking the first in the Group’s operating income for four consecutive years. The profit before tax was RMB3,508 million, representing a year-on-year increase of RMB944 million, accounting for 50.01% of the Group’s profit before tax, ranking the first in the Group’s profit before tax.

1. *Personal Deposit and Loan Business*

Deposit scale recorded a stable growth. By creating a classification management system of “functional, featured and scenario-based” products, the Bank creates featured and scenario-based deposit products around customers’ differentiated needs to achieve customer product penetration and to boost continuous deposit growth. As at the end of June 2021, the balance of personal deposits of the Group amounted to RMB595,110 million, representing an increase of RMB33,493 million or 5.96% over the end of the previous year. The Bank ranked the first among Chongqing in terms of the market shares in the total amount and the increment of personal deposits.

Continue to optimize the loan structure. The Bank insisted on business for small and micro enterprises, stressed product innovation, implemented differentiated credit services, continued to support inclusive finance and constantly consolidated the advantageous position of personal loan business. The Bank implemented various measures to promote the professionalization, online operation and standardization of personal loan business, so as to achieve structural transformation. As at the end of June 2021, the balance of the Group’s retail loan amounted to RMB254,799 million, representing an increase of RMB38,255 million or 17.67% over the end of the previous year. The Bank ranked the first in Chongqing in term of the market shares in the total amount and the increment of retail loans. Among which, the closing balance of personal mortgage loans amounted to RMB99.212 billion, representing an increase of RMB7.875 billion as compared with the end of the previous year; the Bank has developed innovative loan products by itself, and has launched self-innovated products such as the retail credit consumer loans “Yukuai Loan”, the housing mortgage product “Housing Fast Loan” and the housing mortgage “Jie Housing Loan”. The closing balance of autonomous innovative loans was RMB8.147 billion, representing an increase of RMB2.159 billion as compared with the end of the previous year. The risk of retail loans was well controlled, with a non-performing rate of 0.57%, decreased by 0.04 percentage point from the end of the previous year.

2. Bank Card Business

(1) Debit card business

The Bank has continuously enriched the “Jiangyu” branded debit card product system, launched rural vitalization cards, and continuously improved the functions of debit cards to boost the steady growth of debit card business. As at the end of June 2021, the total number of debit cards issued by the Bank reached 24,585,900; the consumption related thereto amounted to RMB42,989 million. Specially, nostalgia series of debit cards issued with the function of subsidizing foreign remittance fees reached an issued number of 12,933,300 and gained remote remittance funds of RMB38,163 million.

(2) Credit card business

Focusing on the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, the Bank has promoted the construction of “BBC Ecosystem” for credit card business and created a new model for credit card development, achieving results in ecological construction, business innovation, brand building and system construction, and steadily developing various businesses. **Continuously promote the construction of the ecosystem.** Focusing on three scenarios of “home, car, and beauty”, the Bank has set up 19 ecosystems, and established a multi-level and multi-scenario open financial service ecosystem centered on the Bank’s outlets and linked to merchants in the surrounding communities. **Continuously promote innovation in services and products.** The Bank has issued new cards such as “Jiangyu Credit Card – Rural Revitalization Card” and “Jiangyu Credit Card – Yukuai Car Life”, and functions of “quick approval and quick use” of credit cards to improve customer acquisition ability and enhance the issuance efficiency of credit cards. **Continuously promote brand image construction.** Led by the philosophy of “regionalization and specialization”, the Bank has provided more financial products such as “Jiangyu Credit Card” and “Yukuai” series products, and made more promotion efforts to enhance the brand recognition of the Bank’s credit cards. **Continuously improve the level of financial technology.** The Bank has promoted paperless card application through mobile marketing APP, replacing the paper application mode; completed the matchmaking of functions between virtual credit cards and physical credit cards, and issued both virtual and physical cards; improved the service capability of the self-built core system, carried out system iterations in an orderly manner and ensured the smooth operation of the system.

As of the end of June 2021, 176,300 new credit cards were issued by the Bank. The accumulative total number of credit cards issued by the Bank exceeded 1,563,300; during the first half of the year, the cumulative number of consumptions related to credit cards of the Bank amounted to 17,280,800 and the cumulative consumption amount was RMB16,352 million; the credit loan balance was RMB6,824 million, representing an increase of RMB1,821 million as compared to the end of the previous year. The NPL ratio was 1.99%, representing a decrease of 0.17 percentage point as compared to the end of the previous year. The volume and scale of credit card issuance continued to rise.

3. *Wealth Management Business*

The wealth management business has continued to achieve breakthroughs. First, the wealth management brand has become more recognized. Following the concept of “realizing home happiness with wealth management” and focusing on “high net worth, high quality and high level” clients, the Bank has built “Jiangyu Wealth” management brands. Second, wealth management indicators have increased significantly. The personal financial assets under management (AUM) of the Bank recorded a net increase of RMB37.366 billion, representing an increase of 5.67%. The number of VIP customers increased by 156,000 or 7.05%, and the AUM increased by RMB37.478 billion or 7.93%; the number of wealth management and private customers increased by 334 or 5.67%, and net increase in the AUM was RMB1.509 billion or 5.44%. Third, the operating mechanism has achieved initial results, and the professional team has been growing steadily. The Bank has 829 client managers of wealth management and 42 wealth advisors, creating a three-tier professional wealth management talent team including outlet wealth managers, branch wealth advisors and head office private banking investment advisors.

4. *Agency Business*

The agency business increased significantly. The Bank continues to enrich its agency product system, and focuses on strengthening cooperation with leading fund companies and insurance companies to provide high net worth clients with channels to invest in the capital market. In the first half of 2021, the sales of fund products reached RMB3.388 billion, the sales of insurance products reached RMB743 million, up 56.75% year-on-year, and the sales of savings bonds reached RMB805 million. In addition, the Bank has actively explored new product cooperation and demonstrated the feasibility of selling brokerage-based asset management products on a commission basis.

(II) Small and Micro Enterprises Business

The Bank continues to increase innovation, accelerate technology-enabled small and micro finance business, and continues to deepen the construction of an “online + offline” driven small-micro financial service system with the Bank’s characteristics. As of the end of June 2021, the Bank had 140,600 inclusive small and micro enterprise loans¹, with an increase of 12,100 over the beginning of the year, and the loan balance was RMB85.375 billion, an increase of RMB10.648 billion from the beginning of the year, with a growth rate of 14.25%, which was 3.00 percentage points higher than the growth rate of all loans of the Bank. The Bank strictly enforced the “seven prohibitions and four disclosures” and “two prohibitions and two restrictions”, and reduced the comprehensive financing costs of small and micro enterprises through the use of refinancing to support agriculture and small businesses, loan renewal without repayment of principal as well as borrowing and repayment on demand. The average interest rate for new inclusive small and micro enterprise loans was 5.90% in the first half of the year, remaining stable on the basis of 2020. With a NPL ratio of 1.02% for inclusive small and micro enterprise loans, the asset quality was controlled at a sound level and the target of “two increases”² was achieved in the first half of 2021. The Bank was awarded “2020 Outstanding Bank for Small and Micro Enterprises Financial Services” in the assessment of financial services for small and micro enterprises organized by CBIRC Chongqing Office.

Establish a digital marketing system for small and micro finance businesses. Firstly, relying on financial technology innovation, the Bank has developed the function of retaining handwritten signature traces of clients’ electronic contracts and mortgage registration procedures, further promoted paperless functions, and realized mutual recognition of electronic signatures and electronic vouchers of mortgage registration departments, thus becoming the first financial institution in Chongqing to truly realize online mortgage registration through mobile banking services. Secondly, the Bank has established online loan application channels for startup guaranteed loans and open financial service platforms for small and micro enterprises. Customers can directly scan the QR code on their mobile phones to apply for guaranteed business loans online without leaving home, anytime and anywhere; meanwhile, data interconnection is realized with the guarantee fund manager – Chongqing Small & Micro Business Guarantee Co., Ltd., and the audit information and results of the Bank and the guarantee fund manager are transmitted online, greatly improving the efficiency of loan processing and effectively enhancing the sense of access of entrepreneurial and employment groups.

1 Inclusive small and micro enterprise loans refer to small and micro enterprises loans, individual business owners, and small and micro enterprise owners business loans with total individual credit amount below RMB10 million (inclusive), excluding discounted and re-discounted bills.

2 “Two increases” refer to the growth rate of inclusive small and micro enterprise loans with total individual credit amount below RMB10 million (inclusive) is not less than the growth rate of various loans as compared with that to the beginning of the year, and the number of enterprises with loan balances not less than the level at the beginning of the year.

Launch small-micro financial online “hit” products. The Bank has continuously improved the online product system for small and micro enterprises with “Housing Fast Loan”, “Bill Fast Discount” and “Tax Fast Loan” as core products. The Bank has optimised the “Housing Fast Loan”, added business progress alerts and automatic pre-filling of some fields to enhance the product experience; launched the “Secondary Pledge Loan” to make use of the collateral value of the Bank’s existing loans, further broadening the client base of the house mortgage operating loan business. In the first half of the year, a total of RMB16.7 billion of online loans for small and micro enterprises were made.

Establish an intelligent risk control system for small and micro finance businesses. The Bank has made use of financial technologies to introduce external information such as business, taxation, social security and lawsuit-related information, strengthened internal and external data mining, built intelligent risk control models, thus realizing the pre-lending, lending and post-lending risk control for small and micro credit business, optimizing offline business processes, establishing online and offline coordination mechanisms, and conducting due diligence work.

Strengthen the effectiveness of small and micro financial services in outlets. The Bank promoted tiered classification management, gave full play to the Bank’s outlet and personnel advantages, strengthened the construction of specialized sub-branches for small and micro enterprises, and promoted 17 specialized sub-branches for small and micro enterprises to play an exemplary and leading role and backbone supporting role; further integrated the marketing teams of small and micro finance business in branches and sub-branches, and established 26 new “financial service centers for small and micro enterprises” in 2021, thus forming a market brand and enhancing the service capacity of small and micro finance business in outlets.

(III) Corporate Business

1. Corporate deposit and loan business

The Bank followed the national “Belt and Road” initiative, bolstered up the construction of the Yangtze River Economic Belt, the leader of inland open-economy and the Chengdu-Chongqing dual-city economic circle, supported the implementation of major country-wise and local strategies, and provided financial aids for regional economic transformation and development. It held the ecosystem to be the priority, put into practice the notion of green development, carried out the construction of green financial system in an active manner, oriented itself towards green finance, and endeavored to step up the green transformation of the Company’s customers. Focusing on advanced manufacturing, it formulated a “honghu support system” action program¹ intended to provide assistance for the emerging industries, which harbors the ambition of promoting strategic emerging industries that are hopeful to set sail in Chongqing. The Bank promoted rural revitalization by providing financial support for rural infrastructure construction, industry chain for important agricultural products, agricultural green development, agricultural products logistics, rural tourism, modern agricultural science and technology and rural land. During the Reporting Period, the Bank promoted the corporate business steadily in accordance with national macro-economic adjustment and control, external regulatory policies, and regional economic operations, and in accordance with the principles of legal compliance and commercial sustainability.

As at the end of June 2021, the balance of corporate deposit of the Group (including the pledged deposits and other deposits) amounted to RMB162,045 million, ranking third in the Chongqing regional local and foreign currency market. The annualised average cost rate of the corporate deposits was 1.32%, among them, the demand deposits accounted for 72.48%, maintaining relatively high demand deposits percentage. The balance of corporate loans with discount of the Group was RMB307,082 million, representing an increase of RMB15,740 million or 5.40% as compared to the end of previous year, ranking third in the Chongqing regional local and foreign currency market; the annualised average yield of the Group’s corporate loans without discount was 4.95% and the corporate loan-deposit spread was 3.63%.

1 The Bank stimulated the net increase of loans for manufacturing through adoption of the special performance, so as to step up the efforts on loans for manufacturing, and accelerate the upgrade and high-quality development of the manufacturing industry.

Provide more financial support in the field of infrastructure and serve the construction of Chengdu-Chongqing Economic Circle. Focusing on the Chongqing's Pilot Plan for Promoting the Construction of China's Strength in Transportation (2021-2025) (《重慶市推動交通強國建設試點實施方案(2021-2025年)》), the Bank has increased its project marketing efforts in Chengdu-Chongqing dual-city projects and infrastructure. The Bank issued a list of major infrastructure construction projects at the municipal level and followed up on key projects in the areas of railroads, highways, airports, energy, water conservancy, ecological protection and other infrastructure. The Bank has provided compensation for major infrastructure projects to apply the FTP pricing compensation for the purpose of enhancing marketing incentives for branches/sub-branches. The Bank has taken the initiative to interact with ministries at the municipal level to understand the construction plan of the Chengdu-Chongqing Dual-city Economic Circle and participated in Sichuan-Chongqing linkage activities such as Gaozhu New Area and Wanzhou, Dazhou, and Kaizhou Demonstration Zone. In the first half of 2021, the Bank has reserved 58 new infrastructure projects of RMB58.43 billion, approved 15 projects of RMB7.192 billion, and granted new infrastructure loans of RMB7.125 billion, with a year-on-year increase of RMB3.927 billion. The Bank has supported 11 construction projects related to the Chengdu-Chongqing Economic Circle, and granted credit exceeding RMB14.2 billion, with credit balance exceeding RMB3.2 billion, providing support for projects such as Danei Expressway, Suizi Expressway, Yingshan-Sanfeng, Tongan Expressway and Yusui Expressway.

Support the development of the real economy and increase the assessment and promotion of the manufacturing segment. Following the latest decisions and policies of the CPC Central Committee, the State Council, the municipal committee, the municipal government and regulatory authorities, the Bank has been fully committed to fulfilling all policy objectives with a high degree of political standing and market sensitivity, such as financial support for medium and long term manufacturing industry, private enterprises and science and technology. The Bank has implemented the "honghu support system" action program, sorted out the manufacturing projects in the list of municipal key projects, provided the branches and sub-branches with instructions in marketing, and made breakthroughs in deepening cooperation with high-quality clients; deeply analyzed the policies and status of strategic emerging industries to grasp business development opportunities. As of the end of June 2021, the balance of the Bank's domestic and foreign currency manufacturing loans was RMB60.43 billion, with an increase of RMB442 million from the end of the previous year, ranking first in Chongqing market.

Give full play to the role of financial assistance in the rural revitalization and continuously increase the support for rural revitalization. In collaboration with Chongqing Municipal Committee, the Bank visited and researched on site to select target customers. The Bank also issued the “Notice on the Marketing of Key Projects for Rural Revitalization” (《關於開展鄉村振興重點項目行銷的通知》) and formulated the “Measures for the Management of the Jiangyu Rural Revitalization Loan” (《江渝鄉村振興貸管理辦法》), guiding branches and sub-branches to provide financial support in rural infrastructure construction, industrial chains of key agricultural products, agricultural green development, agricultural product logistics, rural tourism, modern agricultural technology, rural land, etc.

2. *Institutional business*

The Bank continued to strengthen the construction of cooperation channel with functional departments of the Chongqing Municipal Government, the financial industry and institutions at different levels. Through businesses such as social security fund issuance, treasury cash management, government bond underwriting, non-tax business collection and pre-sale fund supervision, the Bank maintained close cooperation with 45 municipal agencies, including the Chongqing Municipal Finance Bureau, Human Resources and Social Security Bureau and Housing and Construction Committee. To fulfill the social responsibility of a local bank, the Bank exclusively provided tax authorities with collection services for basic endowment insurance for urban and rural residents and cooperative medical insurance for residents to strengthen financial services in the areas of pension and medical security. The Bank signed a strategic cooperation agreement with Chongqing Red Cross Society to fulfill its social responsibility and devote itself to public welfare undertakings. It also signed a strategic cooperation agreement with Chongqing Municipal Housing Provident Fund Administration Center to cooperate with the Center to establish a flexible provident fund deposit system for employees, expand beneficiary groups and boost the development of housing provident fund business in Chongqing. In addition, the Bank actively built an “institutional alliance” information platform to share source information, realize the coordination between the headquarters and branches and between departments. It promoted the steady development of the Company’s business through product portfolio services.

3. *International Business*

During the Reporting Period, the international business of the Bank showed a good development trend. The international settlement amounted to USD3,451 million (including cross-border settlement of RMB2,806 million), representing a year-on-year increase of 32.52%; foreign exchange settlement amounted to USD1,314 million, representing a year-on-year increase of 48.14%; the number of foreign exchange customers of the Bank reached 1,246, representing an increase of 28 customers from the end of the previous year; the on-balance sheet and off-balance sheet trade financing balance and foreign currency loan balance amounted to USD1,339 million. Transaction volume of foreign exchange transaction ranked the first among local corporate Banks in Chongqing, of which the transaction volume of interbank current foreign exchange settlements amounted to USD4,185 million. The transaction volume of forward and swaps foreign exchange settlements amounted to USD374 million. The interbank collaboration was continually strengthened. The Bank has obtained USD9,500 million from financial institution credit at home and abroad. Derivatives counterparties increased to 30, overseas disbursement counterparties increased to 41 and forfeiting counterparties increased to 37.

Blockchain has been applied successfully. First, the Bank took the lead in using the “domestic foreign currency freight payment” scenario developed by the State Administration of Foreign Exchange. The Bank provided the first domestic foreign currency freight payment business in Chongqing through the blockchain platform of the State Administration of Foreign Exchange, thus reducing the “round-trip cost” of clients and providing reliable information support for business verification. At present, a total of 23 clients have handled such business, with a total of 83 transactions and USD5.17 million. Second, the Bank successfully applied the cross-border financial blockchain service platform in credit insurance policy financing scenarios. The Bank has successfully handled the export credit insurance financing scenario business on the platform, becoming the first local bank in Chongqing to provide this business. Three businesses have been completed in the new scenario, totaling USD377,000.

Digital services help development. The Bank has realized the integration with the customs declaration data of enterprises in the “single window” for international trade of China (Chongqing), and provided the declaration portal in combination with Chongqing international trade and transport submission standardized information, thus improving the level of cross-border settlement services and promoting the digital development of the Bank’s international settlement financial services.

Contribution has been made to rural revitalization. The Bank contributed to the rural revitalization by handling Chongqing’s first “cross-border financing loan secured by live beef cattle” of USD1 million, helping an agricultural company raise low-cost cross-border funds. This is another new initiative for the Bank to promote rural revitalization and realize green finance.

(IV) Financial Market Business

1. Overview of Inter-bank Business

With risk control as the premise and development as the long-term goal, the financial interbank business of the Bank was supplemented by technological support to improve efficiency, jointly promoting the interbank business to grow steadily.

Establish brand image and increase the market influence. During the Reporting Period, the Bank's market influence steadily increased and its brand awareness further expanded. On the one hand, it successfully regained the qualification of Tier 1 dealer for open market business in 2021, being the only legal institution in Chongqing to be granted this qualification; through active participation in open market business operations, the Bank accelerated the transmission of monetary policy in the western region and maintained the stability of the money market; on the other hand, as an existing bond market maker, the Bank has been actively engaged in bilateral quotations to reach transactions, thus providing liquidity to the bond market; as a core dealer in local currency, the Bank has been deeply involved in the "X-" series of innovative interbank products, contributing to the improvement of trading activity, efficiency and quality in the interbank market, and has been honored as "Repo Innovation Active Dealer" and "X-Lending Active Institution" several times during the Reporting Period.

Promote the development and optimize the asset and liability structure. On the asset side, in the first half year of 2021, the Bank maintained a steady recovery in economic fundamentals and a prudent and neutral monetary policy, coupled with an slowdown in the issuance of local government bonds compared with the previous year, the liquidity of banking system was reasonably abundant, and market interest rates changed in a narrow range. In this context, the Bank rationalized the pace of establishing asset positions while keeping an eye on the market and used flexible trading strategies to seize the opportunity to increase asset returns. On the liability side, the Bank explored for transaction in different markets, innovated financing channel, expanded the debt resources with diversified trading methods and continuously reduced the cost of liabilities.

Seek transformation and broaden the space for interbank cooperation. Establishing the awareness of customer-centered buyer service, and taking the completed business as a channel, the Bank has organized other departments throughout the Bank to take joint actions to dig deeper into the customer demand for interbank business by establishing a moderate competition mechanism for traders, thus creating a mutually beneficial and win-win ecosystem for the interbank business.

Improve the efficiency and promote online transformation for business. Firstly, the Bank adapted to the market situation and the proportion of online business was increasing; secondly, it continued to improve the systemic support and further enhanced business online approval, so that transaction efficiency and the business standardized management was continuously improved.

2. *Bond investment*

In the first half of 2021, the Bank conscientiously implemented the policy call for financial support to the real economy, achieved a multi-level bond investment portfolio and continued to optimize its bond investment strategy by balancing liquidity and yield while ensuring safety.

As of the end of June 2021, the investment balance of the Group's bonds amount to RMB370,927 million, of which government bonds, public sector bonds and quasi-government bonds amounted to RMB232,384 million, with an increase of RMB49,570 million as compared with the end of the previous year; among other bonds, AAA¹ rated bonds were RMB86.256 billion, representing an increase of RMB16.819 billion over the end of the previous year. Among other bonds, AA+ rated bonds were RMB26.471 billion, representing an increase of RMB1.756 billion over the end of the previous year. Among other bonds, AA-rated bonds were RMB25.672 billion, representing a decrease of RMB2.401 billion from the end of the previous year.

As of the end of June 2021, the carrying value of the Group's financial institution bonds amounted to RMB155,892 million which consisted of debt securities issued by policy Banks of RMB78,486 million, asset securitization products of RMB67,521 million, commercial banking debts of RMB6,577 million and bonds issued by other financial institutions of RMB3,308 million. The breakdown of the top ten financial bonds held is as follows:

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

Management Discussion and Analysis

Unit: RMB million, except for annualised interest rate

Name of debt securities	Nominal value	Annualised interest rate (%)	Maturity date
Debt securities issued by policy Banks in 2019	10,000.00	3.48	2029/1/8
Debt securities issued by policy Banks in 2020	5,000.00	3.07	2030/3/10
Debt securities issued by policy Banks in 2021	5,000.00	3.66	2031/3/1
Debt securities issued by policy Banks in 2018	4,240.00	4.88	2028/2/9
Debt securities issued by policy Banks in 2018	4,000.00	4.00	2025/11/12
Debt securities issued by policy Banks in 2019	3,750.00	3.45	2029/9/20
Debt securities issued by policy Banks in 2021	3,500.00	3.41	2031/6/7
Debt securities issued by policy Banks in 2020	3,000.00	3.09	2030/6/18
Debt securities issued by policy Banks in 2018	3,000.00	4.69	2023/3/23
Debt securities issued by policy Banks in 2021	2,000.00	3.66	2031/3/1

3. Asset management business

As of the end of June 2021, the outstanding balance of the Group's wealth management products amounted to RMB142,618 million, representing an increase of RMB4,363 million over the end of the previous year. The scale of self-issued wealth management products of CQRC Wealth Management Co., Ltd. exceeded RMB92.296 billion, ranking among the top city and rural commercial wealth management subsidiaries. Since the Bank started business one year ago, it has achieved "four transformations" in the wealth management business.

First, governance model has been transformed. As the only wealth management company in the national rural commercial system and the western China, the Bank has built a corporate governance model, both in form and essence. Its operation mode of wealth management business has been transformed from banking department system to corporate legal person system, and the Company operates smoothly and orderly.

Second, product model has been transformed. The Bank accelerated its net worth transformation efforts in strict compliance with regulatory requirements. As of the end of June 2021, the Group's balance of principal-guaranteed wealth management was reduced to zero, and the proportion of net-value wealth management products exceeded 88.62%, so the product transformation and upgrading were further accelerated.

Third, investment capacity has been transformed. The Bank launched wealth management products with the themes of "rural revitalization", "Chengdu-Chongqing Twin-City Economic Circle" and "green finance" to support the development of real economy and green economy; provided client-centered and client cycle-based wealth management products to enhance client experience and enrich the product system; participated in the subscription and investment of public REITs, accelerated the layout of equity assets, and made breakthroughs in innovative asset investment.

Fourth, market reform has been transformed. The Bank accelerated the market-oriented reform process and piloted a management model of product manager system, forming a three-in-one team structure of "coordination by product managers, implementation by investment managers and protection by operation managers". The Bank established an investment research team to enhance the Bank's investment research and market foresight. The Bank strengthened its strategy of achieving development through talents and implemented a talent development project to enhance the professionalism and teamwork of its talent team, thereby laying the foundation of talent for business development. Relying on technological empowerment to promote development, the Bank regarded financial technologies as the "engine" to promote business, building an interconnected, efficient and intelligent financial technology platform.

4. *Investment banking business*

During the Reporting Period, the Bank led underwriting of 16 debt financing instruments of non-financial corporations, with an aggregate underwriting share of RMB6.074 billion, representing a year-on-year increase of 141.51%; newly joined underwriting syndicates for local government bonds of Anhui, Hebei, Sichuan, Yunnan, Hunan, Shandong and Jiangxi with the total number of syndicates joined reaching 22 and the local government bonds underwritten by syndicates joined amounting to RMB27.35 billion for the whole year, representing a year-on-year increase of 164.3%; successfully completed the Bank's work on the issuance of 2 green financial bonds with an amount of RMB3.0 billion; the green financial bonds with an amount of RMB1.0 billion were all used to grant loans with carbon emission reduction benefits, which are dedicated to helping achieve the "carbon emissions peak, carbon neutrality" strategic objectives. At the same time, the Bank's subsequent management efforts continued to increase, the quality of internal risk control was steadily strengthened, and the comprehensive development level of investment banking business was further improved.

5. *Asset custodial business*

As of the end of the Reporting Period, the asset custodial scale of the Bank was RMB134,519 million. During the Reporting Period, no material custody risk events occurred.

(V) Financial Technology

1. *Practice the “empowering the Bank with talents” and continuously optimize the scientific and technological talent team*

The Bank has continued to improve the organizational structure in the Bank’s technology construction with the Financial Technology Center and the Technology and Information Department as the core, and attracted qualified scientists and technicians through various channels such as internal screening, external introduction and campus recruitment. In the first half of 2021, the Bank continued to introduce various specialized talents in the fields of information security, system R&D, product innovation, digital risk control, etc., and strengthened the cultivation of independent core R&D capability; therefore, continuous optimization was realized in the structure of the scientific and technological talent team. At the same time, the Bank strengthened the ethical governance of science and technology for the whole staff, established a correct view of science and technology, and improved the market-based mechanism of “people can be transferred to other jobs or go to a higher or a lower post as required”, so as to fully activate the vitality of scientific and technological innovation within the Bank. As of the end of June 2021, the Bank had 422 scientific and technical personnel and nearly 800 outsourced scientific and technical personnel, and the professional scientific and technical talent team has been continuously improved and developed.

2. *Adhere to the principle of “developing the bank with science and technology” and consolidate the foundation of bank-wide development and transformation*

Focusing on key financial technology capability platforms such as face recognition, image analysis, voice recognition, semantic analysis, intelligent knowledge base, video banking and RPA, the Bank continued to upgrade, integrate and optimize the smart technological platform, forming 7 platforms and 21 standardized capabilities with perception, cognition and automation as the core, supporting dozens of business scenarios. For video banking, the Bank has completed the launch of 9 scenarios and trial runs in more than 200 outlets of 6 sub-branches; the Bank has put into use multiple scenarios such as robotic automatic outbound call, assisted manual outbound call and automatic Q&A; for RPA application, the Bank has established more than 10 process automation scenarios; thus, traditional labor-intensive business has been constantly replaced by digital labor. At the same time, the Bank established a “dialect bank” with local characteristics. Through the integrated use of voice, semantics and other financial technology capabilities, the Bank explored the delivery of barrier-free financial services for various groups in society by using intelligent voice services with Chongqing dialect recognition as an important breakthrough, and promoted intelligent voice services in mobile banking, WeChat official accounts, smart vehicles and other online and offline channels to realize self-adjusted recognition of dialects and Mandarin in all channels, continuously reducing the difficulty of accessing financial services and effectively practicing inclusive financial services.

3. *Promote digital products to enrich and improve clients’ financial service system*

Through independent innovation, the Bank has continued to launch and improve special self-developed products such as Piao Fast Discount, Yukuai Loan, Housing Fast Loan, Tax Fast Loan, Jiefang Loan and Second Mortgage Loan, while continuously consolidating the foundation of innovative cooperation with third-party high-quality assets, and covering credit, collateral and other products to deliver differentiated services and effectively serve various client groups. As of the end of June 2021, the balance of online loans was RMB82.192 billion, representing a net increase of RMB28.199 billion from the end of the previous year. The business scale grew steadily and the overall risk remained stable. The Bank has also provided online opening services for business accounts – “Yuzhangtong”, and realized the application, acceptance and data submission. Originally, opening a business account requires more than 3 round-trip to the outlets, which takes a week or longer. However, after this service is launched, clients only need to visit the outlets once and can open business accounts in half an hour. In the first half of 2021, the number of new online business accounts was 11,000, and the cumulative number of online business accounts opened was 28,000. The online business account opening service replaced the traditional business account opening service by more than 80%.

4. *Strengthen online channel operation and management to enhance the client service access experience*

Through nine major platforms, including “Chongqing Rural Commercial Cloud”, intelligent banking big data platform, unified channel access, smart marketing, smart customer service, and smart risk control, the Bank strengthened the operation and management of online channels such as mobile banking APP and WeChat official accounts. The Bank has continued to improve data insight and mining capabilities, and further enriched business scenarios such as “Guess what you want” and “Guess what you want to ask”; added 51 intelligent rules and 39 optimization rules for “Guess what you want”, and provided 570,000 smart searches for customers, with a year-on-year increase of 77.28%. Through the new lottery activity mode and the new marketing tools of financial vouchers and virtual commodity vouchers, the Bank provided marketing activity theme templates and page display configuration, and realized the flexible integration with external equity platforms, small programs and other marketing resources to jointly build mobile banking, merchants with payment acquiring needs and other scenarios, thus identifying 15 types of client groups and providing marketing strategies 84 times. By continuously improving its smart customer service capability, with average monthly visit and enquiry exceeding 320,000 persons/time, the Bank shunted more than 71% of customer calls received by customer service staff in customer service centers. By continuously improving its intelligent transaction risk control system, introducing new authentication methods such as mobile number verification, and operating environment detection functions for mobile banking APP, and upgrading Yunzhengtong and device fingerprinting SDK, the Bank implemented more than 300 transaction event risk control strategies, monitored about 251 million events of various types, strengthened risk control on 21,213,700 suspicious operations, and implemented more than 11,200 cases of in-event risky trading halts to protect user information and transaction security.

5. *Deepen bank data governance and improve the application capability of bank data elements*

Focusing on data governance, the Bank has developed and implemented a “value-driven, small-step iterative” data governance program, and carried out middle office construction in terms of data from data analysis, anti-fraud, intelligent decision-making, third-party data management and other capabilities, thus forming a digital analysis and decision-making engine to empower the Bank, laying a solid data foundation for intelligent products and artificial intelligence, and supporting bank-wide smart risk control, targeted marketing, optimised operation, upgraded experience and refined management. For the construction of data platforms, the Bank optimised the intelligent decision-making platform system, and the number of real-time decisions currently averages over 10,000 per day, with a success rate of over 99%. The Bank completed the construction of the first phase of the external data integrated management platform, and in the first half of the year, the platform accessed 23 data sources and provided 123 data services.

6. *Provide intellectual property protection and build a “patent pool” and “standard library” with rural commercial characteristics*

As the Bank’s financial technology is based on the independent mastery of “platform architecture + key technologies”, the Bank insisted on making system-wide innovation breakthroughs, conducted in-depth research on scenarios to achieve key breakthroughs, provided comprehensive intellectual property protection in key fields such as artificial intelligence and experience enhancement, and built a “patent pool” in core fields. In the first half of the year, the Bank was granted a total of 4 patents for inventions and accumulatively owned nearly 80 patents of various types; the Bank participated in the development of 3 industry standards issued by the PBOC, 5 group standards such as China Banking Association and 8 enterprise standards; meanwhile, as the only local financial institution among the members of China Financial Standardization Technical Committee, the Bank is promoting and participating in the establishment of standard systems and the preparation of specific standards in special areas such as green finance, inclusive finance and rural revitalization.

(VI) Financial Business in County Area

County area is the principle base where the Group carries out Sannong financial services. The financial business in county area has been a long-term strategic focus of the Group, and also one of the Group’s major sources of revenue. The Group provides diversified financial services for customers in county area through 5 branches, 26 first level sub-branches, 110 secondary level sub-branches and their 1,313 distribution outlets, 2 community branch outlets as well as 12 village and township banks located in county area. During the Reporting Period, the Group took advantage of interactive linkage between urban and rural areas (城鄉聯動優勢), deepened internal reforms, actively innovated products, and strived to enhance the financial services in county area, all of which have led to the rapid growth of financial services in county area.

As of the end of June 2021, the loan balance of the financial business⁽¹⁾ of the Group in county area amounted to RMB288,769 million, representing an increase of RMB30,800 million, or 11.94% over the end of the previous year. In particular, the corporate loan balance of the financial business in county area amounted to RMB104,019 million which accounted for 33.87% of the corporate loan balance (inclusive of discount) of the Group, representing an increase of RMB2,107 million, or 2.07% over the end of the previous year. The personal loan balance of the financial business in the county area amounted to RMB184,750 million, representing an increase of RMB28,693 million, or 18.39% over the end of the previous year, accounting for 72.51% of the personal loan balance of the Group. The deposits balance in county area amounted to RMB531,512 million, representing an increase of RMB23,711 million, or 4.67% over the end of the previous year.

(1) The loan of the financial business in County Area refers to loans released by branches of the Bank in Chongqing City, other than loans released in 9 major districts. It also includes loans released by 12 village and township banks and Qujing Branch.

The Group fully implemented strategic deployment of the Party and the State, committed to the new development philosophy and followed the general keystone of making progress while maintaining stability, insisted on the general principle of the prioritised development of agriculture and rural areas, carried out works under the theme of promoting high quality development to strengthen the alignment of financial service measures, and paid close attention to the implementation of measures. Based on the new industries, new business normal and new dominance in county areas, channeling of financial resources was propelled to support high-quality and efficient agriculture, rural areas suitable for business and with pleasant living environments and the prosperity and affluence of farmers. As of the end of June 2021, the balance of agricultural loans of the Group¹ amounted to RMB177.748 billion.

1. Reform and Innovation

(1) Management Reinforcement

During the Reporting Period, the Bank has actively and steadily pushed forward the construction of Sannong financial service system, with an aim to continuously improve capability and level of such service. A meeting was held on a regular basis by Sannong Financial Service Committee of the Board to listen to a report on the work of Sannong financial services and focus on reinforcing the strategic move on Sannong financial services. The Financial Services Committee for Sannong and Rural Revitalization under the senior management has studied and formulated policies, plans and tasks for the Bank's work of Sannong and rural revitalization, and coordinated major cross-business-lines and cross-departmental linkage events, thus promoting the sustainable and healthy development of the Bank's Sannong and rural revitalization business. By introducing Sannong Business Management Department in the head office to functional departments and leading Sannong financial services among the Bank, the Bank set up secondary departments or professional posts under the corporate and personal banking business lines to be responsible for the Sannong business marketing guidance, product innovation, etc. It has set up specialised institutions in respective county branches, to be responsible for the specific promotion of Sannong business. In addition, the Bank further optimised the plan for delegation of power and simplified credit service approval procedures to improve the quality and performance of Sannong financial service.

(2) Strengthening Incentives

The Bank continuously enhanced the capacity of Sannong financial services, solely prepared the agricultural loans and the inclusive agriculture-related credit plan, established the special assessment scheme to provide performance incentives to the business relating to consolidating and expanding its achievements in poverty alleviation and assisting in the implementation of the rural revitalization. The Bank implemented a differentiated incentive policy toward the business of Sannong. Resources including staff, funds, self-service machines and others were shifted towards the sub-branches providing the financial services in county area to ensure that the financial services in county area could become fast and convenient, timely, effective and satisfying.

¹ The agricultural loans refer to loans to farmers, loans to rural enterprises and various organisations, loans to urban enterprises and various organisations directing to activities related to agriculture, forestry, animal husbandry and fishery industry as well as supporting agriculture and rural development in accordance with the "Special Statistics System of Agricultural Loans" (《涉農貸款專項統計制度》) (Yin Fa [2007] No. 246).

(3) Innovation-driven

With a focus on the improving inclusive financial services, the Bank accelerated innovative product and service models and increased financial supply for Sannong. The Bank actively promoted cooperation models such as bank to government and bank to guarantor, continued to promote the integration and development of “Three Cooperatives”, accelerated the use of new technologies such as cloud computing, big data, and artificial intelligence, and innovated “online + offline” two-way driving, fast and efficient financial service products or service models to meet the diversified financial needs of customers in rural areas. The Bank also revised and improved existing measures and operating procedures of Sannong credit loan based on new changes, new characteristics and new demands of rural areas, so as to promote the integration of products and markets.

2. *Personal Banking Business in County Area*

During the Reporting Period, the Bank devised and implemented special marketing plans in a bid to drive the growth of personal banking businesses in county area. Targeting the county’s individual and private business owners, household farm owners, entrepreneurs and innovation leaders and other excellent customers, the Bank vigorously developed personal products for specific areas. The Bank launched a complete product line from traditional deposit, loan and remittance to new investment and financing, and carried out differentiated and characteristic financial service alignment for different types of individual customer groups to continuously improve customer service experience by leveraging the advantages of big data and online-to-offline integration.

As the only bank in Chongqing offering the social pension insurance services for urban and rural residents, the Bank carried out social pension insurance agency services for urban and rural residents in all districts/counties throughout the city, with coverage of over 11.2 million people. Departments of finance and social insurance of the city and district/county have opened social insurance accounts with the Bank, with a capital balance of RMB15,199 million by the end of June 2021. In the first half of 2021, the number of individual pensions withheld by the Bank amounted to 4,390 thousand, totaling RMB1,499 million; the number of individual pensions paid by the Bank as an agent amounted to 30,980 thousand, totaling RMB10,467 million. These services provided the Bank with an extensive customer base and helped stabilize the customer resources and facilitate the development of the Bank’s businesses.

The Bank made greater efforts in the construction of electronic channels in county area and vigorously marketed the Jiangyu Card (江渝卡), the Farmer's Fortune Card (福農卡), the rural vitalization cards (鄉村振興卡), credit card and mobile banking, etc. As of the end of June 2021, the Bank operated 2,960 ATMs, 315 multimedia enquiry machines and 1,608 units of intelligent integrated counters in county area and established and operated 449 convenient rural financial centers. The number of debit cards and credit cards issued by the Bank in county area also increased by 613.9 thousand and increased by 144.2 thousand over the end of the previous year, respectively, to 19,374.2 thousand and 1,211.0 thousand, respectively, which accounted for 78.86% of the debit cards issued by the Bank and 77.46% of the credit cards issued by the Bank, respectively. 9,554.9 thousand customers in county area opened for mobile phone banking service, accounting for 79.56% of the number of customers opening for mobile phone banking service of the Bank and representing an increase of 623.4 thousand customers over the end of the previous year. With the gradual enhancement in electronic equipment, the increase in the number of cards and the promotion and marketing on E-banking products, the Bank is well poised to keep expanding its customer base in county area, increase the penetration of banking business in county area, and build good business relationship with customers.

3 *Corporate Banking Business in County Area*

During the Reporting Period, we centered on the key corporate banking businesses in county area such as facilitating the integrated development of urban and rural areas and the modernization of agriculture and rural areas. The Bank actively promoted the grass root-level settlement account through online and offline distinctive financial services, targeting at agricultural industrialization leading enterprises, whilst continuing to step up financial support for the consolidating and expanding country and the local poverty alleviation work.

The Bank had been earnestly opening corporate settlement accounts for the rural collective economic organization in county area, expediting the facilitation and online process of corporate settlement for the grass root-level collective economic organization. The Bank continued to tighten classified management of corporate customers in county area, energetically intensify marketing efforts and strive to foster core customer groups. By the end of June 2021, the Bank supported 468 agricultural industrialization leading enterprises, and the outstanding balance of loans amounting to RMB11,426 million.

The Bank attached great importance to consolidating and expanding the achievements in poverty alleviation and maintaining the overall stability of existing support policies and support efforts during the transition period. The Bank revised and issued the Chongqing Rural Commercial Bank's Measures on the Management of Jiangyu Rural Revitalization Loans (《重慶農村商業銀行江渝鄉村振興貸管理辦法》) to continuously support poverty-alleviation areas in consolidating and expanding the achievements in poverty alleviation such as infrastructure, public service facilities and relocation assistance. The Bank vigorously supported reclamation of land for rural construction. As of the end of June 2021, the Bank granted RMB16,017 million credit in accumulate to the reclamation project, the accumulated amount of loans provided by the Bank was RMB10,209 million, the outstanding balance of loans was RMB658 million, assisting 186.8 thousand acres of rural construction land to undergo reclamation.

(VII) Distribution Channels

1. *Physical Outlets*

Operating outlets are the primary distribution channels of the Bank. As of the end of June 2021, the Bank had 1,764 branches of various kinds, including 1,456 in county areas. The network of sub-branches covers all the 38 administrative districts and counties with 1,454 distribution outlets in the county area of Chongqing and 308 institutions in the city's urban area. The Bank has put the construction of distribution channels into its medium and long-term strategic development plan and stepped up optimising the layout of outlets and restructuring to improve its service coverage, service capabilities and operational efficiency. In 2021, the Bank intended to relocate 21 existing branches and refurbish 86 existing branches.

2. *Self-service banking*

In order to expand the scope of customer services and provide customers with more convenient services, by the end of June 2021, the Bank established 148 24-hour self-service banking centers. The number of ATMs put into use amounted to 4,038 units, the intelligent integrated counters was 2,100 units and self-service inquiry terminals put into use amounted to 338 units. The proportion of self-service machines to outlet was 3.67:1. The Bank continued to deepen the basic financial services in rural areas, and connected the "last kilometer" of rural financial services. By the end of June 2021, 454 convenient rural financial service centers had been established. As such, the Bank extended its financial service coverage whilst bringing convenience and benefits to the people in rural area. It won widespread recognition from the local government and the general public, achieving both social and economic benefits.

3. *Electronic Channels*

(1) Telephone banking

During the Reporting Period, the Bank always insisted on the service philosophy of “customer-oriented”, promoted the innovation of service model and management mechanism, and strengthened the financial technology empowerment. Our manual telephone access ratio was 94.46%, representing an increase of 2.87 percentage points over the same period of the previous year; VIP access ratio was 98.98%, representing an increase of 0.23 percentage point over the same period of the previous year; and customer satisfaction reached 99.33%, representing an increase of 4.39 percentage points over the same period of the previous year. The Bank has taken the initiatives to adapt to the changing market situation, deepen its customer management capabilities, enhance the value of telephone pipeline services, and actively expand its outbound call marketing business, achieving a credit card installment marketing volume of RMB373 million, with a year-on-year increase of over 10 times.

(2) Mobile banking

The Group continued to innovate and develop mobile banking business, which includes three versions of mobile banking: “exclusive version”, “simple version” and “growth version”; Focusing on multi-channel scenarios such as living payment and automobile finance, it has launched pocket money, living expenses, financial and business education, family protection, family online and other functions to shape the family circle and realize full online coverage of retail business so as to further enhance customer experience; it provided various ways for customer easy login including password, FACE ID/fingerprint, hand gesture and face-scanning. On the basis of realizing intelligent and characteristic functions such as online reservation, ATM card-free cash withdrawal, audio transfer, bulky transfer, scheduled transfer, wish deposit, wealth assessment, single key bill payment and life calendar, replacement of magnetic stripe cards (debit cards) by chip cards with the same account number, Xiaoyu assistant and “scanning code handling”, the Bank added sharing of mobile banking APP, independent utilisation of retail loans, release of temporary loss report and cloud printing functions, among which the cloud printing function enables customers to print transaction details, receipts and loan repayment details via mobile banking APP, shunting the pressure of counter business and guiding customers to handle more online channel business.

By the end of June 2021, the number of mobile banking customers of the Group reached 12,009.3 thousand, representing a net increase of 775.9 thousand or 6.91% as compared to the end of the previous year. The transaction volume during the year achieved RMB859,078 million, representing a year-on-year increase of 18.52%. The number of the financial transactions was 37,514.8 thousand, representing a year-on-year increase of 27.41%.

(3) Corporate e-banking

The Group continued to provide the bank-corporate direct connection customer services, such as group companies, large and medium-sized enterprises, trading centers and schools; continuously optimised corporate e-banking, accelerated the construction of the new generation of corporate e-banking projects, and carried out channel integration, product innovation and process optimisation for corporate e-banking to enhance the Bank's corporate financial service capability.

As of the end of June 2021, the number of corporate internet banking customers of the Group reached 133.9 thousand, representing an increase of 9.6 thousand, or 7.72% over the end of the previous year; the transaction volume reached RMB578,730 million for the year, representing a year-on-year increase of 47.35%. The financial transactions of the Bank reached 5,207.2 thousand, representing a year-on-year increase of 28.72%.

The substitution rate of electronic channels financial transactions of the Bank reached 96.94% for the first half of the year, representing an increase of 0.65 percentage point as compared to the end of the previous year.

(VIII) Principal Controlled and Investee Companies

1. Information on Controlled Subsidiaries

(1) Village and township banks

CQRC Village and Township Bank is a general name for the village and township banks established by the Bank as the major promoter. The establishment of village and township banks is of great significance to fulfilling the Rural Revitalization Strategy, performing social responsibility, broadening and deepening the service to new rural construction, exploring the development of business growth and establishing a sustainable model for the growth of profit of the Bank. As of the end of the Reporting Period, the Bank has established 12 CQRC Village and Township Banks in 12 counties (districts/cities) across 5 provinces, of which the shareholding ratio is not less than 51% for all, with aggregate registered capital amounting to RMB1,662 million, total assets amounting to RMB4,611 million, net assets amounting to RMB1,795 million, the respective outstanding balance of deposits and loans in aggregate amounting to RMB2,119 million and RMB3,692 million, NPL ratio and allowance to NPLs amounting to 1.02% and 409.53%, respectively, and net profits amounting to RMB35 million during the Reporting Period; The overall business development of village and township banks was stable, the business of village and township banks was steadily developed, the asset quality remained a stable and improving trend; the internal control level was continuously enhanced; the main risk regulatory indicators met regulatory requirements and the sustainable operation capability was continuously enhanced.

(2) CQRC Financial Leasing Co., Ltd.

CQRC Financial Leasing Co., Ltd. is a controlling subsidiary of the Bank. It was established in December 2014 with a registered capital of RMB2.5 billion. It is mainly engaged in financial leasing business, transfer and transfer of finance lease assets, fixed income securities investment business, interbank lending, borrowing from financial institutions, sales and disposals of leased property, brokerage consulting, and establishment of project companies in domestic bonded districts to conduct leasing business, etc. In 2020, the Bank held 80% equity interests of CQRC Financial Leasing upon it completed the transfer of the equity interests of Chongqing Jieli Wheel Manufacturing Co., Ltd.. As at the end of the Reporting Period, the total assets and net assets of CQRC Financial Leasing was RMB43.240 billion and RMB4,746 million, respectively, recording a net profit of RMB388 million during the Reporting Period.

(3) CQRC Wealth Management Co., Ltd.

CQRC Wealth Management Co., Ltd., a wholly-owned subsidiary of the Bank, officially commenced business in June 2020. It is the first wealth management subsidiary of rural commercial banks in China and corporate banks in western China, with a registered capital of RMB2 billion. It is primarily engaged in public offering of wealth management products to the general public, investment and management of properties entrusted by investors; private placement of wealth management products to qualified investors, investment and management of properties entrusted by investors; wealth management advisory and consulting services; and other businesses approved by the banking supervisory authorities of the State Council. As at the end of the Reporting Period, the total assets and net assets of CQRC Wealth Management were RMB2.135 billion and RMB2.084 billion, respectively, recording net profit of RMB76.01 million during the Reporting Period.

2. *Principal Investee Companies*

Chongqing Xiaomi Consumer Finance Co., Ltd. is the second licensed consumer finance company in Chongqing. It is mainly engaged in granting personal consumer loans. Its registered capital was RMB1.5 billion. The Bank held its 30% equity interests. As at the end of the Reporting Period, the total assets and net assets of Xiaomi Consumer Finance were RMB4.691 billion and RMB1.436 billion, respectively.

VI. Key Operation Concerns

(i) About profitability

In the first half of 2021, the Group achieved an operating revenue of RMB15.172 billion, a year-on-year increase of RMB1.249 billion or 8.97%; and recorded a net profit of RMB5.818 billion, a year-on-year increase of RMB553 million or 10.5%, growing at a double-digit rate. This was mainly due to the following aspects: **firstly, the business scale maintained steady growth.** The Group's asset scale exceeded RMB1,200 billion, an increase of RMB87.853 billion or 7.73% as compared to the end of the previous year. The loan scale exceeded RMB560 billion, an increase of RMB53.996 billion or 10.63% as compared to the end of the previous year, hitting a new high in both increment and growth rate. The deposit scale exceeded RMB750 billion, an increase of RMB32.155 billion or 4.44% as compared to the end of the previous year. The Group actively leveraged on Central Bank's monetary policy tools, and borrowed RMB67.744 billion from Central Bank, representing an increase of RMB5.431 billion or 8.71% against the end of the previous year. **Secondly, the business structure optimized continuously.** The proportions of loan and retail loans continued raising, with various loans accounting for 45.90% of the total assets, an increase of 1.21 percentage points as compared to the end of the previous year, and personal loans accounting for 45.35% of the total loans, an increase of 2.71 percentage points as compared to the end of the previous year. **On the one hand,** the Group actively served the "Belt and Road" Initiative, boosted the construction of Yangtze River Economic Belt and Chengdu-Chongqing twin-city economic circle, pushed forward the implementation of national and local major strategies, and gave key support to areas related to people's livelihood, such as green credit, major infrastructure, advanced manufacturing, healthcare and education, etc. **On the other hand,** the Group adhered to the strategy of "anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents", gave full play to the advantages of numerous outlets, wide coverage and familiarity with local people and local conditions, kept innovating online products and service pipelines, continued improving the stable development of retail business driven by "online + offline" two wheels, and the deposit amount and increase amount of the personal deposit ranked the first in Chongqing City in terms of the market shares, received prominent results in retail transformation. **Thirdly, the deposit interest rate was well controlled.** The Group insisted on the strategy of "balancing volume and price, achieving coordinated development", and continuously strengthened the efforts to control the deposit structure and price, so as to build a pyramid-type system for product pricing with low, medium and high levels of "functional product, featured product, scenario product". Meanwhile, the Group conducted precision marketing by matching the differentiated deposit products, and thus achieved remarkable success in the control of deposit interest rate, which was 1.96%, down 1 basis point as compared to the end of the previous year and 5 basis points on a year-on-year basis.

Looking ahead to the second half of 2021, the economy will seek progress while maintaining stability, and the construction of the Chengdu-Chongqing twin-city economic circle will gradually advance. The Group will actively seize the opportunity of high-quality economic development in Chongqing, focus on the working ideas of "reinforcing management, controlling risk and stabilizing development", remain determined to promote transformation and upgrading, continuously increase the proportion of retail deposit and loan and intermediate business

revenue, maintain the asset quality within a controllable range, optimize the structure of expense and capital expenditure, and increase investment in the Fintech innovation. In the meantime, the Group will learn from the peer and achieve outstanding performance, foreseeing a steady growth of the full-year net profit.

Firstly, we will grasp the opportunity of RRR cut, and continue to increase its loans to enterprises, especially the small and micro businesses in the retail industry. The effect of “making up price with structure” will emerge in a gradual manner, thus remaining the return on assets stable. **Secondly**, we will seize the chance of the upper limit requirements on the floating point difference of deposit interest rate in different types of banks, which will relieve the pressure of competition on the deposits of local corporate bodies to a certain extent within a short term, and the “volume and price” of deposits are expected to maintain balanced growth. **Thirdly**, with the steady growth of deposit scale and the continuous application and utilization of Central Bank’s monetary policy tools such as re-loan and rediscount, low-cost debts will account for an increasing percentage, which will be beneficial to the overall cost of debts. **Fourthly**, we will continue to improve the level of cost refinement and control, achieve the accurate allocation of resources, continuously optimise the expense structure, adhere to “maintaining expenditures in some areas while reducing them in others”, enhance the input-output analysis, give full play to the leverage role of financial resources, and control the cost-income ratio within a reasonable range.

(ii) About growth in net fee and commission income

In the first half of 2021, the net fee and commission income of the Group amounted to RMB1.263 billion, representing a decrease of RMB120 million or 8.67% on a year-on-year basis. Among which, the fund management fees amounted to RMB752 million, a year-on-year decrease of RMB186 million, which was mainly due to the downward trend of market interest rate and the narrowing of fund management spreads. The Group, on the basis of pushing forward the agency wealth management business steadily, insisted on “customer-oriented” principle, formed new business growth points by creating new products for intermediate business meeting the diversified demand of customers, made efforts to create key intermediate business products such as agency insurance, fund, cash management, and online payment business, and fostered new growth drivers for intermediate business. In the first half of 2021, the revenue of key intermediate business products achieved a year-on-year increase of 96.7%. **Firstly**, by continuously enriching the agency product system, strengthening cooperation with the top companies in the public fund industry and insurance companies, and promoting the agency and fund sales of insurance and fund business, the Group increased its major agency business income by 122.6% on a year-on-year basis. **Secondly**, by increasingly enhancing its service ability for corporate clients, actively digging into the comprehensive demands of corporate groups, governments, public institutions, and other clients, leveraging on the Bank’s advantages in talents and IT, the Group provided comprehensive cash management service to corporate clients. **Thirdly**, by actively developing bond underwriting business and other investment banking business, the Group formed a systematic service system with standardized bonds as the main business, supplemented by new businesses such as portfolio financing, agency sales and derivatives, the Group achieved a year-on-year increase of 43.2% in revenue from investment banking business such as bond underwriting.

In the second half of 2021, the Group will insist on classified and refined management based on the current business status, make efforts by adopting a three-pronged approach of “consolidating advantages, highlighting key points, continuing to make innovations” while reinforcing the support force and steadily promoting the intermediate business.

Firstly, the Group will consolidate its advantages to accelerate the optimization and upgrading of agency wealth management business. At the product end, the Group will give full play to the professional advantages of its wealth management subsidiaries, strengthen product innovation, and continue to improve the product system of “normalized + specific products”. The Group will adhere to the “fixed income +” strategy. Under the premise of controllable risks, the Group will actively integrate with the capital market and appropriately allocate equity assets such as stock purchase, so as to increase product returns; at the pipeline end, the Group will further expand its basic client base, continuously increase local wealth management market share, actively expand distribution pipeline outside the city, strive to increase the number of distribution agencies by more than 50%, and build a direct sales platform APP in due course to form a comprehensive and three-dimensional sales pipeline network covering online and offline channels and places in and out of the city.

Secondly, the Group will highlight the key points and dig into the development potential of hit products of intermediate business income. The Group will, by focusing on the personal clients with mid- and high-net worth, continuously improve the professional ability and investment strategy analysis ability of wealth consultants, become more forward-looking in wealth management business, and offer better wealth management service to mid- and high-end clients. The Group will, combined with the comprehensive financial demands of groups, governments, public institutions, and other clients, regard cash management business as a hit product to provide clients with comprehensive payment and receipt, capital management, information service, e-commerce, and other services, so as to enhance customer stickiness and expand the Group’s intermediate business income. The Group will, by creating the major account service model focusing on “investment bank + commercial bank”, implement a package of services, including loans, short-term financing bills, corporate bonds, trust plans, and cash management, thus driving business development such as direct financing, guarantee and warranty.

Thirdly, the Group will continue to make innovations and enhance its comprehensive financial service ability. On the one hand, the Group will create a product system that covers the entire life cycle by centering on various scenarios of life, enriching bank card products, and actively expanding online consumption scenarios. Meanwhile, the Group will attract more online merchants around the BBC financial ecosystem, and continuously expand a comprehensive service platform integrating financial trading, agency sales, online merchant, marketing and promotion. **On the other hand,** the Group will keep improving the layering and classifying construction of customers, establish a classified comprehensive financial service system around the needs of customers, and enhance the customers’ holding rate of all types of products in a targeted way.

Fourthly, the Group will reinforce the support force to steadily promote the intermediate business. On the one hand, the Group will continue to promote the differentiated pricing of products, and adopt strategies for differentiated pricing by subdividing the customer groups and combining the overall business development strategy and the different life cycles where specific tasks lie; **on the other hand,** the Group will strengthen resource guarantee, refine the internal assessment, put more efforts in the license application and the investment and loan linkage incentives, refine the process assessment of pipeline application, key product promotion and differentiated pricing, and push forward the intermediate business.

(iii) About net interest margin

In the first half of 2021, the Group's net interest margin was 2.23%, down 8 basis points from the previous year and 2 basis points less than the end of the previous year, and the trend of semi-annual month-on-month decline slowed down (a decline of 6 basis points at the end of 2020 against the first half of 2020). **On the one hand,** the Group actively implemented the policies and regulation-oriented principle, and actually reduced the financing costs of the real economy. As the Group offered more low-income loans in the second half of the previous year, and also due to the repricing of loan this year, the Group's loan return rate decreased 21 basis points on a year-on-year basis. **On the other hand,** the Group continued to increase the grant of loans this year, which led to a substantial increase of fund demands. To meet the demands of business growth, the Group appropriately expanded the scale of interbank financing, so that the overall cost of interest-paying liabilities rose slightly.

Looking ahead to the second half of 2021, the deposit market will still face the pressure of competition, the interest rate of fund market will continue to be under downward pressure, and so does the net interest margin. However, the Group will continue to accelerate the assets business structure transformation, put more efforts in the control of deposit interest, and strive to maintain the net interest margin in the second half of 2021 stable. **On the asset side, firstly,** according to the loan growth plan at the beginning of the year, we will continue to increase loan investment, constantly raise the "three proportions", namely, the proportion of loans, the proportion of retail loans, and the proportion of innovative loans, insist on "making up price with volume" and "making up price with structure", and stabilize the loan return rate. **Secondly,** we will strength the analysis of the interest rate, and do a good job in the allocation of major categories of assets. In the meantime, we will grasp the opportunity to rationalize the "product structure and maturity structure", speed up to transform to trading and light business, stabilize the capital business returns, and improve the quality and efficiency of development. **On the liability side, firstly,** we will seize the chance of the upper limit requirements on the floating point difference of deposit interest rate in different types of banks, continue to effectively control the volume and price of deposits, and consolidate the quality and efficiency of deposit development. **Secondly,** we will expand diversified liabilities in combination with the needs of business development, continue to actively apply for relatively low-cost funds such as re-loan, rediscount, optimize the liability structure, and keep the cost of liabilities stable.

(iv) About asset quality

During the first half of 2021, the domestic macro economy has been improving steadily and the momentum has been increasing. The Group has constantly assessed the impact of the gradual release of epidemic risks on asset quality and carried out the recovery and disposal of non-performing assets. The last four categories of loans saw a downward trend, and the overdue rate of loans remained low; as a result, the prudence of risk classification was further improved and the asset quality maintained a positive trend.

Firstly, asset quality continued to improve. As of the end of June 2021, the percentage of last four loans of the Group decreased by 0.12 percentage point over the end of the year, among which: the NPL ratio was 1.28%, representing a decrease of 0.03 percentage point over the end of last year, the percentage of loans of concern was 2.27%, representing a decrease of 0.09 percentage point over the end of last year, maintaining at an excellent level in the industry. **Secondly**, the prudence of risk classification continued to improve. Adhering to the principle of prudent classification, on the basis of all loans overdue for more than 90 days being included in non-performing management, the Group has steadily promoted the inclusion of loans overdue for more than 60 days in non-performing management. At the end of June, the ratio of loans overdue for more than 90 days and loans overdue for more than 60 days to NPLs of the Group was 57.93% and 61.93% respectively, representing a decrease of 5.34 percentage points and 6.78 percentage points over the end of last year. Meanwhile, the overdue rate of loans was 1.25%, which continued to be lower than the NPL ratio, and the asset quality was further improved. **Thirdly**, release the risk of overdue loans in an orderly manner. As of the end of June, the balance of loans handled by the Group with deferred repayment of principal and interest was RMB12.8 billion, representing a decrease of RMB400 million over the end of the year, and accounting for 2.28% of the balance of loans of the Group, representing a decrease of 0.33 percentage point over the end of the year. The Group continually conducted risk evaluation on above loans, made dynamic risk classification and management, accurately reflected the asset quality, made enough impairment provision and released the risk of overdue loans in an orderly manner. As of the end of June, the average ratio for impairment of the above-mentioned loans was 32.79%, and the impact on the Group's subsequent operations was relatively small. **Fourthly**, the settlement and management of NPLs were continuously strengthened. As for the loans written-off, the Bank treated them as on-balance sheet loans, strengthened its management in strict compliance with the principle of "keeping records of the loan write-off and exercising creditor's rights for loan recovery". In the first half of 2021, the NPLs settled and collected by the Group were RMB1.070 billion, representing a year-on-year increase of RMB279 million.

During the second half of 2021, as the domestic macro economy is expected to grow, the Group will continue to increase its efforts in the identification, early warning and disposal of credit risks, guard the risk bottom line and carry out the monitoring and control of asset quality in the post-epidemic period. **On the one hand**, the Group will strictly manage the access to incremental credit to comply with national macro policies, continue to optimize the credit structure and promote the application of early warning system based on big data risk control model to enhance the risk control capability. **On the other hand**, the Group will carry out in-depth recovery and disposal of the stock of non-performing assets to revitalize the stock of non-performing assets and to enhance operating efficiency. Overall, it is expected that the Group's credit risk will be generally controllable in the second half of the year, with the non-performing generation rate decreasing year-on-year and the asset quality maintaining a positive trend. The asset quality maintained a good level in the industry.

(v) About impairment provision

The Group has always adhered to the principles of compliance, prudent and stable operation and the business philosophy of giving equal importance to efficiency and scale, quality and speed, and internal control and development, maintaining a good provision level in the industry. **Firstly**, the provision ratio was relatively high, and the risk defense capacity was relatively strong. As of the end of June 2021, the provision coverage of the Group was 312.50%, the provision-to-loan ratio was 3.99% and the provision coverage of loans overdue for more than 90 days and loans overdue for more than 60 days was 539.49% and 504.58%, respectively. **Secondly**, the year-on-year increase of the provision for loan impairment was significantly declined. In the first half of 2021, the provision for impairment loss was RMB3.953 billion, representing a year-on-year increase of RMB239 million as compared to the same period of last year, and the increase rate recorded a year-on-year decrease of 56%. Among which, the provision for credit assets was RMB3.588 billion, representing a year-on-year increase of RMB288 million, and the increase rate recorded a year-on-year decrease of 88%, which was mainly due to the forward-looking provision for loan impairment was sufficiently made for the impaired assets in the previous periods and the quality of the credit assets of the Group continued to be improved, and the newly-added impairment provision was mainly used in the appropriate provision for the enlarged credit scale. The provision for non-credit assets such as the financial institution investment was RMB324 million, representing a year-on-year decrease of RMB211 million, which was mainly due to that the Bank adjusted the product structure of the financial investment, increased the investment to the low-risk assets such as the interest-rate bonds and reduced the investment proportion for the assets such as the corporate bonds and trust.

(vi) About the creation of the “BBC” ecosystem

In order to implement the development concept of “customer-oriented”, the Bank actively builds the BBC ecosystem of “Banks, Merchants, and Customers” around the three life circles of “home, car, and beauty” and the 19 life scenes. As of the end of June 2021, the Bank had a total of 337,300 active merchants, representing an increase of 177,400 or 110.99% from the end of the previous year, and 53,400 “daily active” merchants, representing a net increase of 47,400 or 7.99 times from the end of the previous year. The cumulative number of merchant transactions amounted to 106 million, representing an increase of 91,432,800 or 6.48 times from the end of the previous year; and the cumulative transaction amounted to RMB13.633 billion, representing an increase of RMB12.547 billion or 11.56 times from the end of the previous year. The scenario client served the Bank was 569,300, representing an increase of 554,600 as compared to the end of last year.

In the second half of the year, the Bank will continue to build up the “BBC” ecosystem in the following three aspects: firstly, further enrich the products and optimize the tools, promote the paperless mobile entry of merchant business to realize the rapid increase in the volume of “Yukuai Pay” merchants and promote their activities; secondly, strive to develop “Yukuai Life” merchants, centering on three categories and nineteen sub-categories of life scenarios of “Home, Car and Beauty” to enrich the equity-based products, and optimize the environment of using card; and thirdly, strengthen the linkage and attraction with merchants, enhance the activity of both customers and merchants to form a positive development trend of “customer interaction and business mutual advancement” with merchants.

VII. Risk Management

During the Reporting Period, in the face of the continuing far-reaching impact of the epidemic and the complex and severe external environment, by implementing the major decisions and deployments of the CPC Central Committee and the requirements of the CPC municipal committee, the municipal government and regulatory authorities at all levels, and adhering to the general idea of “strengthening management, controlling risk, and stabilizing development”, the Group has constantly improved the comprehensive risk management system, built a solid risk defense line, and guarded the risk bottom line, thus ensuring the sound development of the business. Firstly, the Bank has maintained its overall risk appetite of “prudent” and added new indicators for Internet lending preference and green finance preference according to regulatory requirements and the actual business situation of the Bank. Secondly, the Bank has updated the risk limit control program, and strengthened operational monitoring and regular notification; no limit triggering event occurred. Thirdly, the Bank has strengthened the system construction, adding 19 new systems, revising 165 systems, repealing and adjusting 60 systems; as a result, the system has been constantly improved, and the quality of systems has been further enhanced. Fourthly, the Bank has conducted stress tests to ensure that stress scenarios are more in line with the changing external situation and the actual business development. The test results show that the Bank is more capable of withstanding the impact of various stress scenarios. Fifthly, the Bank’s ability to identify, measure, assess, monitor and control risks has been steadily improved. The asset quality remained stable, internal controls were implemented effectively, and the provision for asset impairment was adequate. Capital adequacy ratios at all levels were maintained at a high level and liquidity remained adequate. During the Reporting Period, the Group’s inherent risk level was generally stable, and its risk management capabilities were commensurate with the nature, scale and complexity of the business.

(1) Risk Management Structure

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

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

(2) Credit Risk Management

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

During the first half of 2021, the Group has actively responded to the current complex and changing internal and external environment, earnestly implemented macro policies of the state, and strengthened credit risk control based on the work idea of "strengthening management, controlling risk, and stabilizing development". Firstly, the Bank has further improved the credit risk management system. Taking into account the current macro-economic situation, the Bank has issued annual credit investment guidelines to guide the continuous optimization of credit structure, and revised credit business-related systems to enhance risk management capabilities. Secondly, the Bank has constantly assessed the risk of loans with delayed repayment of principal and interest. The Group has constantly assessed the risk of loans with delayed repayment of principal and interest in response to national policies during the epidemic, dynamically implemented risk classification and management, and adequately provided for impairment to release the risk of loans with delayed repayment of principal and interest in an orderly manner. Thirdly, the Bank has strengthened credit management. The

Group has continuously optimized management mechanisms and processes, adapted to internal and external management needs, further improved limit management requirements, focused on optimizing business processes, and established an early warning system based on big data risk control models, thus further improving the level of credit management. The Group's credit risk was generally controllable in the first half of the year and the asset quality maintained a positive trend.

(3) Market Risk Management

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

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

In the first half of 2021, the Group continued to improve its proactive market risk management capabilities and steadily advanced various management tasks. Firstly, the Group further optimized the market risk management system, revised the Administrative Measures on Comprehensive Market Risk (《市場風險綜合管理辦法》), Administrative Measures on the Market Risk Limit (《市場風險限額管理辦法》), and Administrative Measures on the Market Risk Pressure Testing (《市場風險壓力測試管理辦法》), further improved market risk management system and consolidated management basis; secondly, the Group formulated a full-year market risk limit plan in accordance with the business plan. It has clearly formulated measures for limits management and control and proactively researched and responded to the market fluctuation and reminded them. Thirdly, in light of the current macro policies and economic situation, the Group reasonably adjusted the stress test scenario, assessed the impact on capital under different stress scenarios, and pursuant to the regulatory requirements, carried the stress test on market risk, improved its forward-looking analysis of market risk and continuously improved the refined market risk management level.

1. Interest Rate Risk Analysis

Interest rate risk is the major market risk faced by the bank accounts. The Group measures interest rate sensitivity gap on a regular basis, evaluates interest rate risk through gap analysis, and further assesses the impact of interest rate changes on net interest income and economic value in varied interest rate scenarios.

Management Discussion and Analysis

During the first half of 2021, China has coordinated the prevention and control of the epidemic and economic and social development, and vigorously implemented macro policies. As a result, the national economy in general continued its stable recovery, the macro economy was stable and improving, and the monetary policy remained sound. The overall liquidity in the first half of the year was reasonably abundant, with shibor and interest rate bond maturity yields of all maturities showing a certain degree of downward movement compared with the beginning of the year. As the monetary policy continues to remain flexible, targeted and reasonably moderate, it is expected that the liquidity will continue to be reasonably loose in the second half of the year, and the interest rate will tend to be stable. The Group will continue to pay attention to the macro monetary policy and domestic and international economic situation, apply FTP internal fund transfer pricing system in a reasonable manner, and further improve interest rate pricing management; the Bank will also actively implement the pricing adjustment mechanism for deposit interest rate, take the initiative to adjust the term structure of assets and liabilities, and strengthen limit management; the Bank will improve the foresight of interest rate risk management, cope with interest rate risks and ensure the continued improvement in the Group's revenue and market value by conducting stress tests, and maintaining a reasonable interest spread level.

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

(Expressed in RMB million)	30 June 2021						Non-interest bearing	Total
	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Over 5 years		
Interest rate gap	(188,148.3)	(22,852.3)	4,078.1	50,370.3	221,540.6	25,858.6	90,847.0	

(Expressed in RMB million)	31 December 2020						Non-interest bearing	Total
	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Over 5 years		
Interest rate gap	(125,962.3)	(68,593.5)	(44,241.4)	88,510.0	155,894.8	82,328.2	87,935.8	

As at the end of June 2021, the Group's accumulated gaps of interest rate for all maturities amounted to RMB90.847 billion, representing an increase of RMB2.911 billion over the end of the previous year.

2. *Interest rate sensitivity analysis*

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

Unit:RMB million

Change in basis points	30 June 2021		31 December 2020	
	Impact on net profit	Impact on other comprehensive income	Impact on net profit	Impact on other comprehensive income
Increase in 100 basis points	173.8	151.4	347.4	118.5
Decrease in 100 basis points	(173.8)	(151.4)	(347.4)	(118.5)

3. *Exchange Rate Risk Analysis*

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

During the first half of 2021, the USD/RMB exchange rate was in the midst of rapid fluctuations. Especially in April and May, the value of the RMB rose rapidly and retreated in June, with the USD/RMB exchange rate falling by 1.2% as compared with the beginning of the year. Facing the significant depreciation of the USD, the Bank has proactively controlled its USD exposure; as of the end of June, the foreign exchange exposure was reduced by 80% as compared with the beginning of the year, and the overall foreign exchange risk was controllable. Looking forward to the second half of this year, due to the extremely high inflation in the United States, it is expected that bond purchases will be gradually reduced in the second half of this year. In contrast, China's monetary policy is relatively loose, and the tightening of US dollar liquidity may bring depreciation pressure on RMB. Overall, the current complicated foreign currency factors lead to great uncertainty in the future trend of RMB exchange rate. Under the market-oriented exchange rate formation mechanism, the exchange rate

Management Discussion and Analysis

may either appreciate or depreciate. The Group will continuously pay attention to global economic situation, strengthen the study and judgment on the trend of foreign exchange rate and reasonably allocate local and foreign currency assets. The Group strengthened its management capability of its exposure to foreign exchange risks and the management standard of foreign exchange assets and liabilities by enhancing the dynamic management of the deposits and loans of foreign exchange and arranging the utilization of foreign exchange capital reasonably. It also actively explored the usage of financial instruments for exchange rate to hedge against the exchange rate risk.

As at the end of June 2021, the position of foreign currencies on the Group's balance sheet denominated in RMB is as follows:

(Expressed in RMB million)	30 June 2021				Total
	RMB	U.S. dollars RMB equivalent	HK dollars RMB equivalent	Other currencies RMB equivalent	
Net position	90,091.9	569.3	195.0	(9.2)	90,847.0

(Expressed in RMB million)	31 December 2020				Total
	RMB	U.S. dollars RMB equivalent	HK dollars RMB equivalent	Other currencies RMB equivalent	
Net position	87,732.9	(377.8)	189.1	391.6	87,935.8

4. Exchange rate sensitivity analysis

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

Unit: RMB million

Exchange rate changes	30 June 2021 Impact on net profit	31 December 2020 Impact on net profit
5% appreciation	(21.3)	12.8
5% depreciation	21.3	(12.8)

(4) Liquidity Risk Management

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

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

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

In the first half of 2021, the Group insisted on the business ideology of prudence and compliance, continuously optimized the structure of assets and liabilities, formulated and implemented the liquidity risk appetite and limit management and control plan for 2021. Combing the external environment and internal requirements for business changes, the Group conducted forward-looking liquidity risk index management, advancedly deployed and dynamically adjusted liquidity risk management strategies and promoted liquidity risk indicators to meet standards on a continuous basis. The Group enhanced daytime liquidity risk management, improved liquidity risk implementation information system, and strengthened the supervision and control of the high-quality liquid assets to facilitate the refined management.

Management Discussion and Analysis

1. Liquidity risk analysis

In the first half of 2021, under the complex domestic and international economic situation, the monetary policy maintained a healthy position, the People's Bank of China flexibly used a variety of monetary policy tools to keep the total amount of liquidity matching the market demand. In general, the banking system liquidity remains reasonably abundant. The Group strictly complied with the liquidity limit management mechanism and maintained satisfactory liquidity. As at the end of half year of 2021, all the key indicators reflecting the liquidity status of the Group met the supervision requirements. The Group appraised the liquidity risk conditions by means of liquidity gap analysis. As at the end of June 2021, the liquidity gap analysis of the Group is as follows:

Undiscounted contractual cash flows categorised by contractual maturities:

(Expressed in RMB million)	30 June 2021							Total
	Past due/ Undated	On demand	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Net position of assets and liabilities	60,858.5	(221,364.9)	(22,998.9)	(31,547.1)	(193,325.7)	230,302.1	529,615.0	351,539.0

(Expressed in RMB million)	31 December 2020							Total
	Past due/ Undated	On demand	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Net position of assets and liabilities	59,086.2	(244,445.4)	(23,885.0)	(77,322.7)	(25,946.3)	206,312.4	421,793.3	315,592.5

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

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As at the end of June 2021, the liquidity ratio of the Group is as follows:

Liquidity ratio (%)	30 June 2021	31 December 2020	31 December 2019
Renminbi	67.80	57.06	57.12
Foreign Currency	71.94	98.87	29.94

As of the end of June 2021, the net stable funding ratio of the Group is as follows:

(Expressed in RMB million, unless otherwise stated)	30 June 2021	31 March 2021
Available stable funding	830,101.40	830,675.86
Required stable funding	683,875.07	797,539.62
Net stable funding ratio (%)	121.38	104.15

As of the end of June 2021, the liquidity coverage ratio of the Group is as follows:

(Expressed in RMB million, unless otherwise stated)	30 June 2021
Qualified and high-quality liquid assets	136,006.37
Net cash outflows in future 30 days	51,073.28
Liquidity coverage rate (%)	266.30

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

(5) Operational Risk Management

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

During the Reporting Period, the Bank combined training and guidance with inspection and supervision, thus forming and strengthening awareness of operational risk prevention and control, and strictly controlling operational behaviors in key areas. Firstly, the Bank has carried out detailed risk monitoring and identification. The Bank has updated and improved key risk indicators in line with the actual operation and management, initiated post-system evaluation to comprehensively identify risk links and evaluate the effectiveness of risk control measures. Secondly, the Bank has carried out inspections to identify and rectify weaknesses and shortcomings. The Bank has conducted a horizontal to vertical annual case risk screening and implemented key business checks and account risk control for the counter. Thirdly, the Bank focused on improving the ability of internal control. The Bank has launched a campaign of "Year of Internal Control and Compliance Management" to rectify problems and strengthen awareness through a combination of self-examination and correction and education and training. Fourthly, the Bank has deepened business continuity management. The Bank has formulated and implemented an annual exercise plan and organized and implemented a centralized switchover practice exercise for important businesses to test the timeliness and effectiveness of the emergency response mechanism. Fifthly, the Bank has solidly promoted outsourcing risk management. The Bank has implemented special risk alert requirements for supervision, organized the joint on-site inspection of some off-site outsourcing businesses, launched annual IT outsourcing risk management assessments, identified the outsourcing risk base in important areas, and continuously optimized the risk control strategies.

(6) Reputation Risk

Reputation risk refers to the risk of negative evaluation of the Group by the stakeholders, the public and the media due to the Group's operations, management and other actions or external events, thereby damaging the brand value of the Group, adversely affecting the normal operation of the Group, or even affecting market stability and social stability. During the Reporting Period, the Bank established a sound reputation risk management mechanism, actively and effectively prevented reputation risk and responded to negative public opinion events, and actively maintained the Bank's good market image to achieve the overall objective of reputation risk management.

(7) Information Technology Risks

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

During the Reporting Period, the Group has implemented a number of IT risk control measures to enhance its network security protection capability, and made every effort to ensure the safe and stable operation of the Bank's critical infrastructure and information systems. Firstly, the Bank has provided security protection at various important points in time. During important festivals and events such as the celebrations of the 100th anniversary of the founding of the Communist Party of China, the New Year's Day and the Spring Festival, and peak season marketing, the Group has provided strong support and security protection for important businesses. Secondly, the Bank has attached great importance to the protection of sensitive data. The Bank has carried out a special investigation of customer data risk and production data operation risk, deeply analyzed the effectiveness of the whole life cycle risk control of sensitive data, especially personal customer information, and timely identified and rectified potential risks. Thirdly, the Bank has carried out a number of assessments and self-examinations. The Bank has implemented special risk checks on IT outsourcing, phishing attacks and online lending IT risks, and has promoted rectification with checks and improved risk prevention capabilities.

(8) Anti-Money Laundering Risks

In compliance with the "risk-based" principle, the Bank has taken the implementation of the PBOC's Order No. 1 of 2021 as an opportunity to improve its working mechanism, strengthen active management, and accelerate the transition of anti-money laundering (AML) efforts to a risk-based approach, thereby preventing money laundering risks.

During the Reporting Period, the Bank revised the AML internal control system, including the Measures on the Management of Self-Assessment of Money Laundering and Terrorist Financing Risks (《洗錢和恐怖融資風險自評估管理辦法》), and optimised the AML management process; improved the assessment standard system and carried out risk assessment by third-party institutions; steadily promoted the AML system upgrade project to enhance technological support; carried out self-examination of AML system and data quality, organised and implemented special AML checks, continuously promoted the governance of client data, and improved the effectiveness of AML work by strengthening self-examination and rectification in a problem-oriented manner; conducted AML publicity and training, produced AML micro videos, strengthened the fulfillment of core obligations, and continuously improved the level of AML management.

(9) Implementation of the Basel Capital Accord

The Group focused on the promotion of new capital accord and continuously refined management level of risk management. Firstly, the Group completed the update on the internal rating of non-retailing sector of 2021, continuously carried out internal rating system monitoring and verification, conducted internal rating analysis on a regular basis, and analyzed and reported retailing and non-retailing internal rating analysis on a quarterly basis, and comprehensively analyzed the overall rating status from the perspectives of rating distribution, default analysis, quota analysis and model verification monitoring to ensure that the internal rating system was functioning properly. Secondly, the Bank has constantly optimized the internal rating model to ensure the accuracy and reasonableness of the quantitative results of risk parameters and promote the application of risk parameters of internal rating in the whole credit process. Thirdly, the Group continually optimized various systems such as rating system management and financial instrument impairment management to promote the standardised and efficient use of the results of the construction of new capital accord. Fourthly, the Bank's risk data management has achieved remarkable results. The Bank's risk data mart can provide stable and reliable basic data interfaces for systems such as various risk management, capital measurement and impairment measurement, and open risk indicator monitoring functions to institutions at all levels so as to provide analysis tools for the refined management of various risks accordingly. Fifthly, the impairment measurement system under the IFRS9 and the risk-weighted assets (RWA) system based on risk data collection was in stable operation, which achieved automation of impairment measurement and improved the refinement level of risk management.

(10) Internal Audit

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

The Bank continued to implement informatization, standardization and professionalization to improve the quality and efficiency of internal audit. Firstly, the Bank emphasized informatization, using big data technology to optimize audit models to achieve accurate and efficient audits and coverage. Secondly, the Bank stressed the standardisation. It continuously updated function related working papers, implemented standardized audit processes and various-level audit quality control. Thirdly, the Bank focused on the professionalization, promoted the professionalization of auditors to foster the spirit of concentration, profession and expert, more than a hundred people had obtained qualifications such as internationally certified internal auditors, certified public accountants, and titles of senior and middle-ranking, achieving excellent team quality.

During the Reporting Period, the Group's internal audit adhered to the goals of serving the organization. In response to internal and external requirements, it took initiative and dedicatedly fulfilled its duties to further improve the level of audit supervision. By systematically sorting out the internal and external requirements and incorporating the national policies, regulatory requirements, head office strategies and key risks into the scope of audit priorities according to the actual situation of the Bank, the Bank carried out internal audit and played the role of "self-examination and self-correction", "value orientation" and "taking precautions" in internal audit to promote the implementation of national policies, regulatory requirements and head office strategies and to promote the long-term sustainable development of the Bank.

(11) Large Risk Exposures

Pursuant to the requirements of the Administrative Measures for Large Risk Exposures of Commercial Banks (《商業銀行大額風險暴露管理辦法》) issued by the CBIRC, the Bank established a management mechanism for large risk exposures and included the mechanism into the comprehensive risk management system of the Group. The system measured and monitored the status and changes of large risk exposures, and continued to strengthen the limit control of large credit business to prevent concentration risk. The Bank promoted the construction of large-value risk exposure system in an orderly manner and continuously improved its ability to manage large-value risk exposure. As of the end of the Reporting Period, the Bank's indicators of large risk exposures were better than the regulatory requirements.

(12) Related Party Transactions

During the Reporting Period, in accordance with the banks' requirements for listing of A shares, the Bank continued to improve its management of related party transactions: **Firstly**, the Bank strengthened the management of the list of related parties. It conveyed communicated with shareholders, directors, supervisors and senior management and other persons about the importance and principles of related party transaction management, regularly collected information from related parties, conducted dynamic management and timely update of the list, strengthened identification of related parties, thereby laying a solid foundation for related party transaction management. **Secondly**, the Bank strictly reviewed related-party transactions. The Bank reviewed and approved all related party transactions in accordance with external management requirements and the Bank's management system, actively promoted the coordinated reporting of credit to related party group, carried out classification review and hierarchical approval of related-party transactions, controlled compliance risks of related party transactions, and improved the Bank's related party transaction management efficiency. **Thirdly**, the Bank strengthened the concentration management and control of related party transactions. It regularly monitored indicators of concentration for substantial shareholders and related parties of the Bank to prevent concentration risk. During the Reporting Period, all relevant indicators met the regulatory requirements.

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1. Related party transactions during the ordinary course of business

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

(1) Pursuant to the relevant provisions of the CBIRC, during the Reporting Period, there were 3 significant related party transactions approved by the Board of Directors, which involve CQRC Financial Leasing Co., Ltd. (渝農商金融租賃有限責任公司) and Chongqing Kangju Xicheng Toushang Street Asset Management Co., Ltd. (重慶康居西城城投商街資產管理有限公司).

① As at the end of the Reporting Period, the balance of credit-related significant related party transactions of the Bank approved during the Reporting Period was RMB4.211 billion, as follows:

Unit: RMB million

No.	Name of related party	Transaction type	Credit balance	Percentage of net capital
1	CQRC Financial Leasing Co., Ltd. (渝農商金融租賃有限責任公司)	Credit	4,210.8	3.65%

② The transaction amount of the non-credit significant related party transactions of the Bank approved during the Reporting Period was RMB0.5717 million, as follows:

Unit: RMB million

No.	Name of related party	Transaction type	Transaction amount	Business type
1	CQRC Financial Leasing Co., Ltd. (渝農商金融租賃有限責任公司)	Non-credit	0	Service fee ¹
2	Chongqing Kangju Xicheng Toushang Street Asset Management Co., Ltd. (重慶康居西城城投商街資產管理有限公司)	Non-credit	0.6	Property lease

¹ There is no actual transaction amount occurred for this project.

(2) In accordance with the relevant regulations of the Shanghai Stock Exchange, during the Reporting Period, the balance of the Bank's loans to related natural persons under the relevant regulations of the Shanghai Stock Exchange was RMB76 million. There were no significant related party transactions that occurred between the Bank and related parties under the relevant regulations of the Shanghai Stock Exchange.

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

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

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

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

4. *Claims, Debt Transactions with Related Parties*

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

5. *Business transactions with related finance companies*

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

6. *Other significant related party transactions*

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

VIII. Capital Management

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

In the first half 2021, the Group continued to promote the refinement of capital management, rationally arrange risk-weighted asset plans, optimize business structure, improve capital utilization efficiency, maintain continuous growth of capital, expand external capital supplement channels, and constantly enhance the service capability for real economy. The capital indicators during the Reporting Period performed well, providing a strong guarantee for the Group's stable business development and strategic implementation.

(I) Capital Adequacy Ratio

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

By the end of June 2021, the Group's capital adequacy ratio was 14.29%, representing an increase of 0.01 percentage point from the end of the previous year; the core tier 1 capital adequacy ratio and the tier 1 capital adequacy ratio were 11.99% and 12.00%, respectively, representing an increase of 0.03 percentage point respectively from the end of the previous year. The Group's capital adequacy ratio was basically equal to that at the end of the previous year, which mainly benefited from the optimization of business structure, the steady improvement in the growth rate and proportion of retail credit, and the sustained transformation of self-operated investment allocation to low-weight business such as asset securitization and interest rate bonds, so that while stabilizing the revenue, the Group enabled the risk-weighted asset growth lower than the asset growth rate and basically equal to the net capital growth rate.

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

Calculation results of capital adequacy ratio of the Group and the Bank (Expressed in RMB million, unless otherwise stated)	30 June 2021		31 December 2020	
	The Group	The Bank	The Group	The Bank
	Core tier 1 capital, net	96,745.9	88,876.5	93,726.7
Net tier 1 capital	96,842.2	88,876.5	93,814.2	86,352.5
Net capital	115,294.9	106,621.2	111,936.2	103,850.9
Risk-weighted assets	806,831.2	762,478.0	783,924.2	745,153.3
Include: Credit risk weighted assets	750,074.3	708,322.0	724,715.5	688,370.2
Market risk weighted asset	6,247.6	6,072.3	8,699.4	8,699.4
Operational risk weighted assets	50,509.3	48,083.7	50,509.3	48,083.7
Core tier 1 capital adequacy ratio (%)	11.99	11.66	11.96	11.59
Tier 1 capital adequacy ratio (%)	12.00	11.66	11.97	11.59
Capital adequacy ratio (%)	14.29	13.98	14.28	13.94

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Capital Adequacy Ratio (Expressed in RMB million, unless otherwise stated)	30 June 2021	31 December 2020
Core tier 1 capital	97,712.1	94,324.7
Portion of paid-in capital that may be included	11,357.0	11,357.0
Portion of capital reserve that may be included	20,347.6	20,238.1
Surplus reserve and general risk reserve	27,894.2	26,125.9
Unappropriated profit	37,391.4	35,947.7
Non-controlling interests	721.9	656.0
Core tier 1 capital deductible items	(966.2)	(598.0)
Goodwill, net of relevant deferred tax liabilities	(440.1)	(440.1)
Other intangible assets (excluding land use rights), net of relevant deferred tax liabilities	(536.5)	(157.9)
Total of others that should be deducted from core tier 1 capital	10.4	–
Core tier 1 capital, net	96,745.9	93,726.7
Other tier 1 capital	96.3	87.5
Non-controlling interests	96.3	87.5
Net tier 1 capital	96,842.2	93,814.2
Tier 2 capital	18,452.7	18,122.0
Tier 2 capital instruments and related premium that may be included	9,000.0	9,000.0
Excessive loan loss allowances	9,260.2	8,947.1
Non-controlling interests	192.5	174.9
Net capital	115,294.9	111,936.2
Total risk-weighted assets	806,831.2	783,924.2
Core tier 1 capital adequacy ratio (%)	11.99	11.96
Tier 1 capital adequacy ratio (%)	12.00	11.97
Capital adequacy ratio (%)	14.29	14.28

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

(Expressed in RMB million)	30 June 2021		31 December 2020	
	Risk exposure	Unmitigated risk exposure	Risk exposure	Unmitigated risk exposure
On-balance sheet credit risk	1,209,520.0	1,182,611.3	1,118,872.7	1,096,997.8
Off-balance sheet credit risk	17,397.0	13,664.3	24,648.7	15,494.7
Counterparty credit risk	22,192.9	22,192.9	18,827.9	18,827.9
Total	1,249,109.9	1,218,468.5	1,162,349.3	1,131,320.4

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

(II) Leverage Ratio

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

By the end of June 2021, the Group’s leverage ratio was 7.80%, a decrease of 0.28 percentage point from the end of the previous year, mainly because the growth rate of net tier 1 capital, was lower than the growth rate of on-balance sheet and off-balance sheet assets.

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

(Expressed in RMB million)	30 June 2021
Consolidated total assets	1,224,219.4
Consolidated adjustments	–
Customer assets adjustments	–
Derivatives adjustment	103.0
Securities financing transactions adjustments	–
Off-balance sheet item adjustments	17,580.3
Other adjustments	(966.2)
<u>The balance of assets on and off-balance sheet after adjustments</u>	<u>1,240,936.5</u>

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

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(Expressed in RMB million, unless otherwise stated)	30 June 2021
Assets on the balance sheet (excluding derivatives and securities financing transactions)	1,217,657.2
Less: tier 1 capital deduction	(966.2)
The balance of assets on the balance sheet after adjustments (excluding derivatives and securities financing transactions)	1,216,691.0
Replacement cost of various types of derivatives (net of qualified margins)	19.3
Potential risk exposure in various derivatives	103.0
The sum of collaterals deducted from the balance sheet	–
Less: assets receivables formed due to qualified margins	–
Less: the balance of derivative assets formed due to transactions with central counterparties for providing clearing service for the customers	–
Notional principal for sold credit derivatives	–
Less: the balance of sold credit derivatives assets which can be deducted	–
The balance of derivatives assets	122.3
The balance of accounting assets for securities financing transactions	6,543.0
Less: the balance of securities financing transactions assets which can be deducted	–
Counterparty credit risk exposure to securities financing transactions	–
The balance of securities financing transactions assets formed due to securities financing transactions by proxy	–
The balance of securities financing transactions assets	6,543.0
The balance of items off balance sheet	37,501.6
Less: the balance of items off balance sheet reduced due to credit conversion	(19,921.3)
The balance of items off balance sheet after adjustments	17,580.3
Tier 1 capital, net	96,842.2
The balance of assets on and off-balance sheet after adjustments	1,240,936.6
Leverage ratio (%)	7.80

IX. Outlook

Seen from the national state of economic activities, the results of epidemic prevention and control nationwide and the economic and social development in the first half of 2021 have been steadily broadened and cemented, economic operation continued to recover steadily and the gross domestic product was RMB53,216.7 billion, a year-on-year growth of 12.7%. In the second half of the year, with the accelerated development of international and domestic double circular economic growth model and the deepening of supply-side structural reform, China's capacity to meet short-term internal and external challenges and realize long-term development and transformation will be constantly enhanced, and the economic growth resilience will be more prominent. According to International Monetary Fund projections, China's economic full-year growth will be 8.1%, which is expected to lead major economies in the world.

From the local state of economic activities perspective, in the first half of 2021, the economy in Chongqing maintained a momentum of steady recovery from last year, new growth drivers continued to grow, the high-quality development momentum was good and the regional GDP was RMB1,290.3 billion, a year-on-year growth of 12.8%. In the second half of the year, Chongqing will adhere to the general work guideline of making progress while maintaining stability, continue to do a good job in epidemic prevention and control, vigorously promote reform and innovation, accelerate the construction of the dual-city economic circle in Chengdu and Chongqing, constantly release the domestic demand potential, smooth the economic cycle, maintain the economic operation within a reasonable range and make solid progress in high-quality economic development.

In the second half of 2021, the Bank will center around the annual target and task, focus on serving the main responsibilities and principal business of the real economy, and work together with sincerity and dedication to promote the strategies of "establishing the bank with retail, thriving the bank with technology, and strengthening the bank with talents" with all efforts. The Bank will boost the scale and strength of retail, small and micro businesses, make the business better and finer, improve the profitability and contribution of the financial market and consolidate and improve the business advantages. The Bank will advance the financial innovation at full speed, empower the operation, management and service through the financial technology platform construction and digital application and strive to build a stellar characteristic digital bank in the industry. The Bank will comprehensively improve the management and control level of the risks, strictly observe the bottom line of prudent operation and protect the high-quality development.

Corporate Governance

I. Overview of Corporate Governance

During the Reporting Period, the Bank convened a total of 40 important meetings of different kinds, at which 106 proposals were considered and approved and 70 reports were heard or reviewed. Among which, there were 1 general meeting (8 proposals were considered and approved and 3 reports were heard), 7 meetings of the Board of Directors (49 proposals were considered and approved and 24 reports were heard or reviewed), 26 meetings of the specialised committees of the Board of Directors (including 4 meetings of the Strategic Development Committee, 6 meetings of the Audit Committee, 5 meetings of the Related Party Transaction Supervision Committee, 6 meetings of the Risk Management Committee, 1 meeting of the Remuneration Committee, 0 meeting of Nomination Committee, 3 meetings of Consumer Rights Protection Committee and 1 meeting of the Sannong Financial Service Committee, at which 32 proposals were considered and 35 reports were heard), 6 meetings of the Board of Supervisors (17 proposals were considered and 8 reports were heard).

During the Reporting Period, in strict compliance with relevant laws and regulations including the Company Law of the People's Republic of China and the Commercial Bank Law of the People's Republic of China as well as the listing rules of Shanghai Stock Exchange and Stock Exchange, and taking into its actual situation, the Bank continuously improved the corporate governance structure to enhance corporate governance standards.

During the Reporting Period, the Bank has always abided by and complied with the code provisions under the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules. At the same time, the Bank also complied with most of the recommended best practices contained in the aforementioned code.

During the Reporting Period, the legal action which the directors of the Bank may face is covered in the internal risk management and control scope of the Bank. As the Bank considers that no additional risk exists, insurance arrangements for directors have not been made as required under provision A.1.8 of the code.

II. Securities Transactions by Directors and Supervisors

The Bank has adopted, in respect of securities transactions by directors, supervisors and relevant employees, a code not lower than the required standards as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. Having made specific enquiries with all directors and supervisors, all directors and supervisors of the Bank confirmed that they have complied with the aforesaid Code for the six months ended 30 June 2021.

III. Amendments to the Articles of Association

During the Reporting Period, the Articles of Association was not amended.

IV. Details of the General Meeting

During the Reporting Period, the Bank held 1 general meeting, being the 2020 annual general meeting of the Bank. Details are as follows:

On 28 May 2021, the Bank held the 2020 annual general meeting. At the 2020 annual general meeting, 8 resolutions mainly regarding 2020 work report of the Board of Directors, the 2020 work report of the Board of Supervisors, the 2020 annual financial final proposal, the 2020 profit distribution plan, the 2021 financial budget proposal, the 2020 annual report, the appointment of the accounting firm for 2021 and issuance of financial bonds were considered and approved. 3 reports including the work report of the independent non-executive directors of the Bank for 2020, the work report of the Sannong financial services in 2020 and the work report of the related party transactions for 2020 were heard at the general meeting. The general meeting was held in compliance with relevant legal procedures.

For details of the attendance, the consideration and approval of resolutions and the voting at the meeting, please refer to the disclosure documents including the 2020 Annual General Meeting documents, the general meeting circular and the announcements on resolutions published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Bank.

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

(I) Basic information on Directors, Supervisors and senior management

1. Information on Directors, Supervisors and senior management

Existing Directors

Name	Position	Gender	Age	Term of office
Liu Jianzhong	Secretary to the Party Committee, Chairman and Executive Director	Male	58	June 2008 –
Xie Wenhui	Deputy Secretary to the Party Committee, President and Executive Director	Male	49	August 2014 –
Zhang Peizong	Member of the Party Committee, Vice President, Executive Director and Secretary to the Board	Male	46	December 2018 –
Zhang Peng	Non-executive Director	Male	45	August 2019 –
Yin Xianglin	Non-executive Director	Male	39	December 2020 –
Gu Xiaoxu	Non-executive Director	Female	50	December 2020 –
Wen Honghai	Non-executive Director	Male	55	June 2008 –
Song Qinghua	Independent Non-executive Director	Male	55	September 2017 –
Zhang Qiaoyun	Independent Non-executive Director	Male	58	December 2018 –
Lee Ming Hau	Independent Non-executive Director	Male	43	June 2019 –
Li Jiaming	Independent Non-executive Director	Male	55	December 2020 –
Bi Qian	Independent Non-executive Director	Female	52	December 2020 –

Outgoing Director

Name	Position	Gender	Age	Term of office
Luo Yuxing	Non-executive Director	Male	58	January 2018 – January 2021

Existing Supervisors

Name	Position	Gender	Age	Term of office
Huang Qingqing	Shareholder Representative Supervisor	Female	36	October 2020 –
Zhang Jinruo	External Supervisor	Male	40	October 2020 –
Hu Yuancong	External Supervisor	Male	47	October 2020 –
Zhang Yingyi	External Supervisor	Male	48	October 2020 –
Zheng Yi	Employee Representative Supervisor	Male	55	November 2011 –
Zhu Yuzhou	Employee Representative Supervisor	Male	56	November 2011 –
Le Xiaoming	Employee Representative Supervisor	Male	44	June 2019 –

Outgoing Supervisor

Name	Position	Gender	Age	Term of office
Zuo Ruilan	Shareholder Representative Supervisor	Female	45	June 2008 – June 2021

Senior Management

Name	Position	Gender	Age	Term of office ¹
Xie Wenhui	Deputy Secretary to the Party Committee, President, Executive Director	Male	49	December 2013 –
Wang Min	Member of the Party Committee, Vice President	Male	57	July 2015 –
Dong Lu	Member of the Party Committee, Vice President	Female	45	May 2011 –
Shu Jing	Member of the Party Committee, Vice President	Female	49	October 2015 –
Zhang Peizong	Member of the Party Committee, Vice President, Secretary to the Board, Executive Director and Director of CQRC Financial Leasing Co., Ltd.	Male	46	September 2016 –
Gao Song	Member of the Party Committee, Vice President	Male	42	September 2016 –

2. *Changes in Directors, Supervisors and Senior Management*

On 20 January 2021, Mr. Luo Yuxing resigned from non-executive director of the Bank and the positions of relevant special committees under the Board due to personal work requirement.

Ms. Zuo Ruilan ceased to serve as shareholder representative supervisor of the Bank and the positions of relevant special committees under the Supervisory Committee due to personal work reason, with effect from 9 June 2021.

Mr. Zhang Peizong ceased to serve as the secretary to the Party Committee and chairman of the board of directors of CQRC Financial Leasing Co., Ltd. since 27 July 2021.

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

3. Particulars of Changes in shareholdings of Directors, Supervisors and Senior Management

Shareholdings of Existing Directors, Supervisors and Senior Management

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Increase/ (Decrease) in the number of shares during the Reporting Period	Reasons for Increase/(Decrease)
Directors					
Liu Jianzhong	Secretary to the Party Committee, Chairman, Executive Director	23,500	34,500	11,000	Share price stabilization measures for 2021
Xie Wenhui	Deputy Secretary to the Party Committee, President, Executive Director	23,500	34,500	11,000	Share price stabilization measures for 2021
Zhang Peizong	Member of the Party Committee, Vice President, Executive Director, Secretary to the Board	18,300	28,300	10,000	Share price stabilization measures for 2021
Zhang Peng	Non-executive Director	1,000	3,800	2,800	Share price stabilization measures for 2021
Wen Honghai	Non-executive Director	13,000	16,000	3,000	Share price stabilization measures for 2021
Supervisor					
Zhu Yuzhou	Employee Representative Supervisor	37,600	37,600	0	-
Senior Management					
Wang Min	Member of the Party Committee, Vice President	20,000	30,000	10,000	Share price stabilization measures for 2021
Dong Lu	Member of the Party Committee, Vice President	18,000	28,000	10,000	Share price stabilization measures for 2021
Shu Jing	Member of the Party Committee, Vice President	18,300	28,300	10,000	Share price stabilization measures for 2021
Gao Song	Member of the Party Committee, Vice President	17,700	27,700	10,000	Share price stabilization measures for 2021

Shareholdings of Outgoing Directors, Supervisors and Senior Management

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Increase/ (Decrease) in the number of shares during the Reporting Period	Reasons for Increase/ (Decrease)
Director					
Luo Yuxing	Non-executive Director	15,000	15,000	-	-
Supervisor					
Zuo Ruilan	Shareholder Representative Supervisor	11,900	11,900	-	-

(II) Basic Information of Employees and Institutions

1. Employees

As of the end of June 2021, the Bank had 15,004 regular employees, 11,305 of whom held bachelor's degree or above, representing 75.35% of all the Bank's regular employees. In addition, the Bank had 432 dispatch workers, 552 internally retired employees and 6,504 retired employees, and the major subsidiaries have 358 regular employees.

2. Overview of human resources management

In the first half of 2021, the Bank focused on the strategy of "anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents", actively explored new mechanisms and initiatives for recruiting, training, deploying, motivating, and disciplining human resources of the Bank under the new situation, the staff structure has been continuously optimized, the quality of staff has been significantly improved and the talent mechanism has been gradually improved.

Promote the leading plan of management talents. The Bank has implemented the standards of good cadres in the new era, and applied strict standards and procedures to select loyal and clean cadres. The Bank has implemented the plan of "notification, public announcement and sanction of a number of defaulters who have evaded bank debts" to adjust and optimize the manpower structure. The Bank fully promoted the posting system and contractual reform of leaders of holding subsidiaries, so as to realize moving up and down, in and out, as well as scaling-up or downsizing.

Promote the development project of professional talents. To give full play to the decisive role of the market in the allocation of talent resources, the Bank adhered to the “school recruitment + social recruitment”, “open recruitment + headhunting search”, adhere to the principle of “introducing a talent, driving a team” and market-oriented introduction of professionals in financial technology and green financial sector. The Bank has piloted an internship program to strengthen the examination of practical ability and enlarge the reserve of talents whose skills are in short supply.

Promote the support plan of practical talents. The Bank has established a market-based employment system with contract management as the core and job management as the basis. By improving the two-way selection as well as examination and transfer mechanisms, the Bank has promoted the reasonable flow of employees between front and back offices, head office and branches/sub-branches, and main urban zone and non-main urban zone, thus improving the utilization efficiency of human resources and optimizing staff structure.

Promote the plan of improvement on the quality of talent. The Bank has been continuously promoting the training mechanism of “management trainees” trailing training and assigning them to branches at higher levels and sub-branches at lower levels. Focusing on Party history learning and instruction, the Bank has built a three-dimensional training system of “bringing in + going out, online + offline, on-site + video, head office + line of business + branches/sub-branches”, with a total of 860 training sessions and 170,066 participants in the first half of the year.

Promote the talent service and protection plan. The Bank has improved the basic salary system, made social security contributions including basic pensions, medical insurance, maternity insurance, work injury insurance, unemployment insurance, and housing funds in accordance with the law, and provided supplementary medical insurance and corporate annuity mechanism, thus protecting the legitimate rights and interests of talents and creating a talent ecological environment of “making the near happy to stay and the far-off happy to come”.

3. The distribution of Branches

Name	Address	Number of outlets	Number of staff
The headquarters and its business department	No. 36 Jinshamen Road, Jiangbei District, Chongqing City	2	1,504
Yuzhong Branch	No. 142 Xinhua Road, Yuzhong District, Chongqing City	8	149
Dadukou Branch	1-3, 1-4-1-1, Block 1, 1-4-1-2, 1-4-2-2, Block 1,11 Tianchenhuafu, Chunhui Road Street, Dadukou District, Chongqing City	14	168
Jiangbei Branch	1-1, No. 10, Yanghe East Road, Jiangbei District, Chongqing City	28	300
Shapingba Branch	Annex 37, 38, 39, No. 118 Xiaoyanggong Bridge, Shapingba District, Chongqing City	36	338
Jiulongpo Branch	Annex 1, No. 2 Xijiao Road, Yang Jia Ping, Jiulongpo District, Chongqing City	51	425
Nan'an Branch	No. 24 Jiangnan Avenue, Nanping, Nan'an District, Chongqing City	30	349
Beibei Branch	No. 20 Beixia West Road, Beibei District, Chongqing City	27	266
Yubei Branch	1-1, Block 1, No. 91 Shuanglong Avenue, Shuanglonghu Street, Yubei District, Chongqing City	38	313
Liangjiang Branch	No. 21, 23, 25 Jintong Road, New North Zone, Chongqing City	18	241
Ba'nan Branch	No. 145 Longzhou Avenue, Ba'nan District, Chongqing City	56	394
Wansheng Branch	No. 36 Wandong North Road, Wansheng District, Chongqing City	13	123
Fuling Branch	Block 1, Hongfu Building No. 55 Xinghua Middle Road, Fuling District, Chongqing City	77	486
Changshou Branch	No. 13 Xiangyang Road, Fengcheng Street Office, Changshou District, Chongqing City	49	344
Jiangjin Branch	Block E, Jinhui Garden, Binjiang West Road, Jijiang Street Office, Jiangjin District, Chongqing City	83	513
Hechuan Branch	No. 2 Jiuchang Road, Hechuan District, Chongqing City	89	610
Yongchuan Branch	No. 399, Honghe Middle Road, Yongchuan District, Chongqing City	56	402
Nanchuan Branch	No. 24 Jinfo Avenue, Nanchuan District, Chongqing City	40	298
Qijiang Branch	No. 34 Jiulong Avenue, Wenlong Street, Qijiang District, Chongqing City	43	337
Tongnan Branch	No. 4, Xingtong Avenue, Guilin Street Office, Tongnan County, Chongqing City	40	288
Tongliang Branch	No. 102 Zhongxing Road, Bachuan Street, Tongliang County, Chongqing City	50	367
Dazu Branch	Annex 2 No.390 Wuxing Avenue, Tangxiang Street Office, Dazu County, Chongqing City	39	302

Name	Address	Number of outlets	Number of staff
Rongchang Branch	No. 106 Haitang Avenue, Changzhou Street Office, Rongchang District, Chongqing City	36	285
Bishan Branch	No. 4 Bitong Road, Bicheng Street Office, Bishan District, Chongqing City	40	335
Wanzhou Branch	No. 91 Taibai Road, Wanzhou District, Chongqing City	96	672
Liangping Branch	No. 1, Block 26, Minghao Commercial Area, Liangshan Town, Liangping County, Chongqing City	46	371
Chengkou Branch	No. 30 South Street, Gecheng Town, Chengkou County, Chongqing City	25	167
Fengdu Branch	No. 187 2nd Shangye Road, Sanhe Street, Fengdu County, Chongqing City	47	333
Dianjiang Branch	No. 371 Renmin East Road, Guixi Street, Dianjiang County, Chongqing City	48	322
Zhong County Branch	No. 49 Ba Wang Road, Zhongzhou Town, Zhong County, Chongqing City	60	406
Kaizhou Branch	(Shimin Plaza) Kaizhou Avenue, Hanfeng Street Office, Kaizhou District, Chongqing City	64	487
Yunyang Branch	No. 1335 Yunjiang Avenue, Qinglong Road, Yunyang County, Chongqing City	69	470
Fengjie Branch	No. 32 Gongping Lane, Yufu Street, Fengjie County, Chongqing City	46	352
Wushan Branch	No. 258 Guangdong Middle Road, Wushan County, Chongqing City	31	254
Wuxi Branch	Unit 1-1, No.7 Yanghe Garden, No.25, Binhe Zhilu, Boyang Street, Wuxi County, Chongqing City	38	296
Qianjiang Branch	No. 217 Jiefang Road, Chengdong Street, Qianjiang District, Chongqing City	34	275
Wulong Branch	No. 36 Furong Middle Road, Furong Street, Wulong District, Chongqing City	35	286
Shizhu Branch	No. 41 Xinkai Road, Nanbin Town, Shizhu Tujia Autonomous County, Chongqing City	32	229
Xiushan Branch	Shizi Street, Yuxiu Avenue, Zhonghe Town, Xiushan Tujia and Miao Autonomous County, Chongqing City	36	258
Youyang Branch	No. 5, Taohuayuan Middle Road, Taohuayuan Town, Youyang Tujia and Miao Autonomous County, Chongqing City	46	313
Pengshui Branch	Annex 4, No.2 Shizui Street, Hanjia Street, Pengshui Miao and Tujia Autonomous County, Chongqing City	46	323
Qujing Branch	Block 2 and 3, "Renhe Garden, Yunding Town Center" Dahua Bridge, Qilin West Road, Qilin District, Qujing City	2	53
Total		1,764	15,004

VI. Implementation of Dividends Distribution

According to the resolution passed at the 2020 annual general meeting of the Bank held on 28 May 2021, a cash dividend of RMB0.222 per share (tax inclusive) for 2020 was distributed to all shareholders with a total of RMB2.521 billion (tax inclusive) distributed, based on the total share capital of 11.357 billion shares. Specifically: cash dividend of RMB1.963 billion (tax inclusive) was distributed for A shares on 29 June 2021; cash dividend of RMB558 million (tax inclusive) was distributed for H shares in HK dollars on 9 July 2021.

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

The Bank did not distribute profits and no capitalisation of the capital reserve is proposed during the 2021 interim period.

VIII. Equity Incentive Plan, Employee Stock Ownership Plan or Other Employee Incentives and the Effect

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

Environment and Social Responsibilities

I. Environmental Information

The Bank insisted on implementing the concept of green development, continuously innovated green finance and enhanced green service capability. A Green Finance Committee has been set up under the senior management to coordinate and promote the development of green finance, and a Green Finance Department has been established to be responsible for green finance policy research, business management and promotion, while all departments of the Bank and all institutions of the Group act as carriers of green development to jointly promote the Bank's green finance development. In 2020, the Bank announced the adoption of the Equator Principles, thus becoming the first in the central and western China, the second enterprise in Chongqing to join the National Green Finance Committee, and the first member of the working group on environmental disclosure of Chinese and British financial institutions in central and western regions.

As of the end of June 2021, the Bank's green credit balance was RMB30.854 billion, representing a net increase of RMB6.287 billion from the end of the previous year, directing financial resources to green fields effectively and supporting the development and growth of green industries. In June this year, the Bank was awarded the "Green Power on the Road to a Moderately Prosperous Society – Praise for the Influential Financial Enterprise Brand for the Year 2021" by the 7th Green Development Forum hosted by Xinhuanet.

First, intensify assessment efforts. The Bank has incorporated green credit allocation into the KPI assessment system of head office departments and branches, discounted the occupation cost of green credit economic capital, and further made targeted downward adjustment of green credit FTP price, thus providing preferential interest rates for green projects.

Second, steadily explore information disclosure. The Bank formulated the Work Plan of Chongqing Rural Commercial Bank on Environmental Information Disclosure (《重慶農村商業銀行環境信息披露工作方案》), served as the leader of the working group of Chongqing financial institutions environmental information disclosure, participated in system research and structure design, and helped improve the level and capability of Chongqing financial institutions' environmental information disclosure. The Bank has given full play to its leading role and become the first financial institution in Chongqing to disclose the previous year's climate and environmental information through the "Yangtze River Green Financing Connection".

Third, provide innovative green financial products. Combined with financial technology to explore green financial technology innovation, the Bank has formed a green finance group product system integrating corporate finance, small-micro finance, retail finance, investment banking and financial market, leasing, etc.. The Bank formulated a special service plan for wind power customers and supported 6 wind power projects with a total credit amount of RMB2.1 billion. The Bank has taken the lead in conducting carbon allowance pledge loan business in Chongqing, and released a carbon allowance pledge loan of RMB120 million for a garment factory in Chongqing.

Environment and Social Responsibilities

Fourth, broaden the green financing channels. The Bank has successfully issued the first green financial bond – “Zhaiquantong” of RMB2 billion in the western China and the first green financial bond of RMB1 billion in the western China for the special purpose of supporting “carbon emissions peak and carbon neutrality”. This meets the diversified green financial needs.

Fifth, promote low-carbon operation actively. The Bank promoted paperless operation throughout the Bank and strengthened energy saving and emission reduction in the ordinary course of business. During the Reporting Period, the Bank saved approximately 30,411,600 sheets of paper by promoting paperless counter construction, which contributed significantly to operational cost savings. The Bank’s Yuzui Data Center has been included in the 2020 National Green Data Center List jointly assessed by six ministries, including the Ministry of Industry and Information Technology and the National Development and Reform Commission.

II. Consolidating the achievements of poverty alleviation and helping to promote rural revitalization

The Bank has fully implemented the Party’s and the State’s important deployment for Sannong work in the new development stage, practiced the new development concept deeply, integrated into the new development pattern actively, assumed the new development mission earnestly, and conducted work on the establishment of systems and mechanisms, product and service innovation, consolidation and expansion of poverty-alleviation achievements and effective linkage with rural revitalization, thus continuously improving the depth, breadth and warmth of rural financial services.

Adhere to the leadership of the Party and maintain the determination to support agriculture.

By integrating the Party’s leadership of Sannong work into the Bank’s governance, daily operations and cultural construction, the Party Committee has studied and issued 10 measures to implement the spirit of Central Document No. 1 and guiding opinions on financial services for the work of Sannong. The Bank has continued to optimize incentive mechanisms, directly linked the achievements of serving rural revitalization with positions, income, etc., improved the due diligence system for Sannong financial services, and incorporated the tolerance policies of NPLs into internal assessment and evaluation. As of the end of June 2021, the Group’s balance of agricultural loans was RMB177.748 billion, representing an increase of RMB7.334 billion from the end of the previous year.

Focus on “shaking off poverty rather than responsibility, policies, assistance and supervision” and strengthen support for development.

The Bank implemented the deployment requirements of the transition period, so that responsibilities will not be discharged, policies will remain unchanged and efforts will not be reduced, and strengthened financial support for industrial assistance, targeted assistance and assistance in villages. The Bank has formulated special assessment schemes to stimulate endogenous motivation, strengthened financial services for industry, entrepreneurship and employment development in poverty-alleviation areas, and implemented the linkage mechanism of “government + bank + poverty-alleviation household” to conduct poverty monitoring and provide dynamic assistance to households out of poverty. By the end of June 2021, the Bank had released balance of various loans of RMB161.987 billion in the poverty-alleviation areas of Chongqing, representing an increase of RMB21.067 billion or 14.95% over the end of the previous year, with a growth rate of 7.17 percentage points higher than that of the same period of the previous year.

Strengthen financial innovation and take strong initiatives that are beneficial to people. The Bank innovated a series of financial products such as credit, deposit, wealth management and theme bank cards for rural revitalization, and took advantage of big data and online and offline integration to innovate products and services. It is remarkable that the Bank explored to solve the problem of rural secured mortgage, and issued the first live sheep mortgage loan and the first live beef cattle mortgage cross-border financing loan in Chongqing during the Reporting Period. The Bank has also continued to promote agricultural online credit business, carried out the “1+2+N” inclusive financial services to villages, conducted innovative public welfare activities such as “doctor of traditional Chinese medicine conducted medical consultation in villages to promote health, benefit the people and help revitalize the country, and launched innovative “dialect banking” services, etc. to promote the all-round upgrading of credit, service, channel, product, technology and experience.

III. Consumer Rights Protection

In the first half of 2021, the Bank has always practiced the development philosophy of “people-oriented”, promoted the construction of consumer protection systems and mechanisms, provided financial services suitable for the elderly, promoted publicity and training of financial knowledge, and strengthened complaint management, thereby raising the level and awareness of consumer rights protection and satisfying diversified financial needs.

Consolidate the foundation and continue the construction of systems and mechanisms. The Board and its Consumer Protection Committee, the Board of Supervisors, the senior management and the leading work group for consumer rights protection performed their respective responsibilities to promote a high degree of integration of consumer protection with corporate strategy and corporate governance by strengthening the top-level design, and further defining the strategies, policies and objectives of consumer rights protection work in the Bank’s 14th Five-Year Plan (2021-2025). The functional departments of consumer protection at all levels gave full play to their active role in system construction, consumer rights protection review, marketing promotion, complaint management, publicity and training, supervision and inspection, and internal assessment to promote the protection of consumers to be implemented and coming into effect. The Bank has issued various work tips and information exchanges for more than 10 times; completed more than 300 reviews of consumer protection on product access, marketing data, internal control system, etc..

Environment and Social Responsibilities

Provide thoughtful financial services suitable for the elderly. In response to the dialect characteristics of Chongqing, the Bank provided trial intelligent voice navigation function in the Bank's convenient self-service terminals (158), so that elderly customers can use Chongqing dialect to handle "deposit, withdrawal, payment, remittance and checking" business and further reduced the number of operations on the screen menu. The Bank has promoted the transformation of mobile banking APP suitable for the elderly, tailored a simple version of mobile banking APP for elderly customers, and provided convenient human service buttons for the elderly in mobile banking, thereby improving the accessibility and security of mobile payment services for elderly customers. The Bank has built a service area for "Happy Home" in its outlets, provided health emergency supplies and convenience-for-people goods, and irregularly offered various theme activities such as counterfeit money identification, telecommunication fraud prevention, health and wellness, etc.. 67 "Happy Homes" have been created in the whole jurisdiction. The Bank has provided elderly rural customers with modern financial services such as mobile banking, WeChat banking and telephone banking, and also strengthened convenient service outlets, mobile banking vehicles and mobile integrated terminal services to provide "basic financial services in villages and comprehensive financial services in townships". 58 inclusive financial bases have been established and put into operation by the whole Bank.

Perform responsibilities and promote publicity and education of financial knowledge. Focusing on the hot spots and problems of social concern and caring for special groups such as "the elderly and youth", the Bank has launched the theme publicity activities of "Mine Removal Operations", produced publicity data in the form of "explaining risks with cases", such as "fraud prevention strategies for the elderly", "tips on the risk of illegal fund raising in pensions", "rational consumption on the basis of income", "caution against non-performing school loans" and "consumer tips on the rational use of credit cards", and provided "financial knowledge classes in schools" in some primary and secondary schools, thus providing tips for the elderly to guard against fraud, advocating student group to form rational consumption concept, and guiding the youth to form correct values about money, consumption and integrity. With the theme publicity activities such as "3.15 Education and Publicity Week", "Publicity of Financial Knowledge" and "Guarding the Purse", the Bank has provided online resources and services such as risk warning, award-winning quizzes, interactive games, etc. by using the official website, mobile banking APP and WeChat official account of the Bank. In total, the Bank has pushed more than 40 WeChat pictures and short videos of various financial knowledge, and carried out more than 3,000 online and offline publicity activities with more than 500,000 audiences.

Strengthen consumer complaint management based on the people-oriented principle. The Bank has improved the disclosure of complaint acceptance channels and promoted the disclosure of four-level complaint methods at outlets; established a rapid handling mechanism for complaint and consultation, and received complaints by adopting a two-way transfer and handling mechanism of “system+telephone”; organized regular “listening program”; continued to build a “complaint reception area”; provided functions such as respondent data marking and checking and reminding of historical complaint data; regularly conducted multi-dimensional screening and analysis of complaint data; promoted the construction of diversified dispute resolution mechanisms to guide consumers to choose diversified dispute resolution methods. The Bank has accepted a total of 1,370 consumer complaint cases, with the total number of complaint cases decreasing by 12.79% year-on-year, involving 13 business categories such as RMB savings, loans, bank cards, self-operated wealth management, payment and settlement, RMB management, personal financial information, banking agency business, other intermediate business, debt collection, treasury business, other business, legal person business; 5 complaint business processing channels including business outlets, ATMs, electronic channels, third-party channels, middle and back office business channels; 12 complaint reasons including service quality, business systems and facilities and equipment, business rules, marketing methods, information disclosure, choices of consumers, service charges, product income, contract terms, capital security, information security, debt collection. The Bank’s 42 branches/sub-branches are involved, including 41 branches and sub-branches in Chongqing and 1 branch in Yunnan. The complaint completion rate and customer satisfaction reached 99.05% and 99.78% respectively.

Major Events

I Performances of Undertakings

In accordance with relevant laws and regulations, the Bank's undertakings contained in the Prospectus for Initial Public Offering disclosed on 20 September 2019 and the Announcement on the Listing of the Shares under Initial Public Offering disclosed on 28 October 2019 were faithfully performed.

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether Strictly performed in a timely manner
Undertakings in relation to the initial public offer	Others	Chongqing Rural Commercial Bank Co., Ltd.	<p>1. The Bank shall, within 5 trading days after the competent department such as the CSRC or a people's court has made a final determination thereon or a ruling thereon has become effective, initiate the procedures for share repurchase to repurchase all the new A Shares of the Bank under the public offering for any false representation, misleading statement or material omission contained in the prospectus of the Bank which will have a material and substantial effect on the judgment of ability of the Bank to satisfy the conditions of offering under law. Details of the share repurchase scheme will be subject to consideration of the internal and external review and approval of the Bank under applicable laws, regulations, regulatory documents and the Articles of Association. The repurchase price shall not be lower than the issue price thereof plus interest on such shares for such periods from issue to such repurchase at the prevailing bank demand deposit interest rate. In case of any activities such as profit distribution, capitalisation of capital reserves, secondary offering, allotment after the issuance and listing, such repurchase shall cover all the new A Shares and their derivative shares under the public offering, and the above share issue price shall be adjusted for such ex-rights and ex-dividends activities.</p> <p>2. The Bank will compensate the investors fully and promptly for any losses in securities trading suffered by them due to any false representation, misleading statement or material omission in the prospectus of the Bank in accordance with law based on the final determination or the effective ruling made by a competent department such as the CSRC or a people's court.</p>	20 September 2019 – permanent	Yes

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether Strictly performed in a timely manner
			<p>The Bank shall be liable in accordance with relevant laws, regulations, regulatory documents and the requirements of the regulatory authorities if it fails to perform the above undertakings.</p> <p>For the performance of each public undertakings made in this offering and listing, the Bank will make the following undertakings:</p> <ol style="list-style-type: none"> 1. The Bank will strictly fulfill relevant obligations and responsibilities according to the undertakings made by it in connection with the initial public offering and listing of domestic RMB ordinary shares (A shares). 2. If the Bank fails to fulfill relevant obligations and responsibilities according to the public undertakings made by it, it hereby undertakes to take the following disciplinary measures: <ol style="list-style-type: none"> (1) The Bank will make public explanations for its failure in fulfilling such undertakings on the media designated by the CSRC. (2) The Bank will make compensation for the losses suffered by public investors arising from their transactions made in reliance upon the undertakings made by the Bank in such manner and amount as confirmed by securities regulatory authorities or judicial bodies. (3) Where the undertakings made by the Bank set out specific restrictive measures, the Bank will implement such restrictive measures. 		

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether Strictly performed in a timely manner
Undertakings in relation to the initial public offer	Limited sales of shares	Zhu Yuzhou and Zuo Ruilan (Resigned), supervisors who hold shares of the Bank	Zhu Yuzhou and Zuo Ruilan (Resigned), supervisors who hold shares of the Bank, undertake: "The shares of Chongqing Rural Commercial Bank that I hold will not be transferred within 1 year from the stock listing date under this offering. During my term of office in Chongqing Rural Commercial Bank, I will not transfer exceed 25% of the total number of shares of Chongqing Rural Commercial Bank that I hold through concentrated bidding, block trade and share transfer by agreement every year, excluding the shareholdings change caused by judicial enforcement, inheritance, legacy and legal property division. If I resign as the supervisor of Chongqing Rural Commercial Bank, I shall not transfer any shares of Chongqing Rural Commercial Bank that I hold within half a year after the termination of my appointment."	29 October 2019 – half a year after the termination of their appointments	Yes
Undertakings in relation to the initial public offer	Limited sales of shares	149 out of 150 individuals of the Bank who hold more than 50,000 internal employee shares of the Bank	149 out of 150 individuals of the Bank who hold more than 50,000 internal employee shares of the Bank undertake: "The shares of Chongqing Rural Commercial Bank that I hold will not be transferred within 3 years from the listing date of the A shares of Chongqing Rural Commercial Bank. After the lapse of the above 3-year lock-up period, the shares of Chongqing Rural Commercial Bank sold by me in each year shall not exceed 15% of my total shareholdings of the Bank in Chongqing Rural Commercial Bank Co., Ltd.. The total number of shares of the Chongqing Rural Commercial Bank transferred by me from the lapse of the above 3-year lock-up period to 5-year shall not exceed 50% of my total shareholdings in Chongqing Rural Commercial Bank." 1 resigned employee of the Bank did not sign these letters of commitment due to personal reasons.	29 October 2019 – 29 October 2027	Yes

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether Strictly performed in a timely manner
Undertakings in relation to the initial public offer	Limited sales of shares	Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) and Loncin Holdings Ltd. (隆鑫控股有限公司)	<p>Within 36 months from the listing of the shares issued by Chongqing Rural Commercial Bank, the Company shall not transfer or entrust others to manage the domestic shares issued by Chongqing Rural Commercial Bank directly and/or indirectly held by the Company before the initial public offering of A shares, and the part of those shares held by the Company will not be repurchased by Chongqing Rural Commercial Bank.</p> <p>Shareholders' intention to hold shares and undertakings in relation to reducing their holdings:</p> <p>1 Within 6 months from the listing date of shares issued by Chongqing Rural Commercial Bank, if the closing price of A shares of Chongqing Rural Commercial Bank is lower than the issue price for 20 consecutive trading days, or the closing price is lower than the issue price as at the end of the 6-month period upon the listing (if the day is not a trading day, it will be the first trading day after that day), the lock-up period of the shares of Chongqing Rural Commercial Bank held by it will be automatically extended for another 6 months on the basis of the lock-up period (hereinafter referred to as "the above lock-up period") described in "II. Restrictions on the stock circulation and shareholders' voluntary lock-up undertaking to the shares held by them" under this section. If Chongqing Rural Commercial Bank has any ex-rights and ex-dividend events such as dividend distribution, bonus shares of issue, and capitalisation of capital reserves after the issuance and listing, the issue price will be adjusted by ex-rights and ex-dividend.</p> <p>2. Within 2 years after the expiry of the above lock-up period (including the extended lock-up period), if it reduces its holdings in Chongqing Rural Commercial Bank's A shares which have directly or indirectly held by it before this issuance of Chongqing Rural Commercial Bank (excluding A shares newly purchased from the public market after this issuance of Chongqing Rural Commercial Bank), the reduction price shall not be lower than the issue price of the issuance. If Chongqing Rural Commercial Bank has any ex-rights and ex-dividend events such as dividend distribution, bonus shares of issue, and capitalisation of capital reserves after the issuance and listing, the issue price will be adjusted by ex-rights and ex-dividend.</p>	29 October 2019 – 29 April 2025	Yes

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether Strictly performed in a timely manner
Undertakings in relation to the initial public offer	Others	Chongqing Yufu Capital Opeartion Group Company Limited (重慶渝富資本運營集團有限公司)	<p>3. After the expiry of the lock-up period (including the extended lock-up period) of the shares of Chongqing Rural Commercial Bank held by it, when it reduces its holdings of Chongqing Rural Commercial Bank's A shares, it will notify Chongqing Rural Commercial Bank in writing of the intention to reduce its holdings and the amount of its proposed reduction and Chongqing Rural Commercial Bank shall perform the announcement obligation (if required) in accordance with the rules in force at that time. After 3 trading days from the date of the announcement of Chongqing Rural Commercial Bank, it can reduce its holdings of Chongqing Rural Commercial Bank's A shares.</p> <p>There are no false representation, misleading statement or material omission contained in the prospectus of Chongqing Rural Commercial Bank and are jointly and severally liable for its truthfulness, accuracy, completeness.</p> <p>In the event that there are any false representation, misleading statement or material omission in the prospectus for the A-share issuance and listing of Chongqing Rural Commercial Bank, which will result in material or substantial impact on assessing whether Chongqing Rural Commercial Bank satisfies the issuance conditions as required by laws, the Company will procure Chongqing Rural Commercial Bank to repurchase all the new shares under the initial public offering and all shares derived therefrom (if the Company has any ex-rights and ex-dividend events such as dividend distribution, bonus shares of issue, and capitalisation of capital reserves after the listing of the shares).</p> <p>The Company will compensate the investors in accordance with law for any losses in securities trading suffered by them due to any false representation, misleading statement or material omission in the prospectus for this issuance and listing of Chongqing Rural Commercial Bank.</p> <p>The Company guarantees the performance of the above undertakings with the dividends that shall be enjoyed in the profit distribution plan of Chongqing Rural Commercial Bank in the year of A-share listing and subsequent years, and after the relevant obligations in the above undertakings of the Company occur and before the performance, the Company shall not transfer the then shares of Chongqing Rural Commercial Bank held by it.</p>	29 October 2019 – permanent	Yes

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether Strictly performed in a timely manner
Undertakings in relation to the initial public offer	Others	Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司), Loncin Holdings Ltd. (隆鑫控股有限公司), Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司), Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司), Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司), Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司), Jiangsu Huaxi Group Co., Ltd. (江蘇華西集團有限公司), Chongqing Water Group Co., Ltd. (重慶水務集團股份有限公司), Panhua Group Co., Ltd. (攀華集團有限公司), Chongqing Guanghua Holding (Group) Co., Ltd. (重慶光華控股(集團)有限公司) and Chongqing Jinyuan Times Shopping Mall Co. Ltd. (重慶金源時代購物廣場有限公司)	The Company will comply with Several Provisions on the Reduction of Shares Held by the Shareholders, Directors, Supervisors, and Senior Executives of the Listed Company (《上市公司股東、董監高減持股份的若干規定》) issued by the CSRC, and relevant requirements under the Rules Governing the Listing of Stocks (《股票上市規則》) and the Detailed Implementing Rules of the Shanghai Stock Exchange for Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies (《上海證券交易所上市公司股東及董事、監事、高級管理人員減持股份實施細則》) issued by the Shanghai Stock Exchange.	29 October 2019 – permanent	Yes

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether Strictly performed in a timely manner
Undertakings in relation to the initial public offer	Others	Chongqing Rural Commercial Bank, directors of the Bank (excluding independent directors and directors who are not receiving remuneration from the Bank) and senior management of the Bank	If, within three years after the listing of initial public offering of A Shares of the Bank, the closing prices of A Shares of the Bank remain lower than its latest audited net asset value per share for 20 consecutive trading days which is not attributable to any event of force majeure, subject to the relevant laws, regulations and regulatory documents regarding the increase in shares or repurchase requirements, the Bank and relevant entities will adopt measures, including share repurchase of the Bank and shareholding increment to the directors of the Bank (excluding independent directors and directors who are not receiving remuneration from the Bank) and senior management of the Bank, to stabilise the stock price.	29 October 2019 – 29 October 2022	Yes
Undertakings in relation to the initial public offer	Resolution of horizontal competition	Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	<p>1. The existing main business of the Company and its subsidiaries (including wholly-owned, holding subsidiaries and enterprises that the Company has actual controls over them) does not involve commercial banking business, and has no horizontal competition with Chongqing Rural Commercial Bank.</p> <p>2. During the period of the Company as a substantial shareholder of Chongqing Rural Commercial Bank, the Company and its subsidiaries (including wholly-owned, holding subsidiaries and enterprises that the Company has actual controls over them) will not, directly or indirectly, engage in business activities that compete with or may compete with the main business of Chongqing Rural Commercial Bank in any way. The Company will supervise its subsidiaries in accordance with this undertaking and exercise necessary rights to ensure them to comply with this undertaking.</p> <p>For undertakings 3-5, please refer to "VII. Undertakings of Bank's largest shareholder for avoiding horizontal competition" in the "Prospectus" of the Bank</p>	20 September 2019 – permanent	Yes

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

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

III. Violations Existing in the Guarantees

During the Reporting Period, the Bank provided no external guarantee in violation of any law or regulation or the prescribed resolution procedures.

IV. Appointment and Removal of Accounting Firms

As considered and approved by the 2020 annual general meeting of the Bank, the Bank reappointed PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as external auditors of the Bank for 2021 which will be responsible for providing relevant services pursuant to PRC and international auditing standards, respectively. The term of the appointment is one year. For details, please refer to documents of the 2020 general meeting of the Bank and relevant resolution announcements.

V. Matters Relating to Insolvency or Restructuring

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

VI. Material Legal Proceedings and Arbitrations

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

As of the end of the Reporting Period, pending legal proceedings in which the Group was a defendant or a third party involved an amount of RMB27.14 million. In the view of the Bank, these will not have any material effect on the Bank's operating activities.

VII. Suspected Violation of Laws and Regulations by and Penalties Imposed on the Bank and Directors, Supervisors and Senior Management of the Bank and Relevant Rectification

During the Reporting Period, the Bank and its directors, supervisors and senior management were not suspected of committing any crime and being investigated or subject to compulsory measures in accordance with the law, subject to criminal penalties, suspected of violating the law and being investigated by the CSRC or subject to administrative penalties by the CSRC, subject to significant administrative penalties by other competent authorities, suspected of committing serious law or disciplinary offences or job-related crimes and being subject to detention measures by disciplinary inspection and supervision authorities and affecting the performance of their duties, suspected of violating the law and being subject to compulsory measures by other competent authorities and affecting the performance of their duties, subject to administrative supervision measures by the CSRC and subject to disciplinary actions by a stock exchange.

VIII. Integrity

During the Reporting Period, the Bank did not exist the situations either of refusing the execution of court orders nor unsettling significant due debts.

IX. Material Related Party Transactions

During the Reporting Period, for details of related party transactions of the Bank, please refer to the section headed “Management Discussion and Analysis – VII. Risk Management – (12) Related Party Transactions” of this report.

X. Material Contracts and Their Performance

During the Reporting Period, the Bank had not entered into any material contracts nor performed such contracts.

XI. Acquisition and Disposal of Assets and Merger of Enterprises

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

XII. Description on Other Major Events

During the Reporting Period, save as disclosed above, the Bank has no other major events.

XIII. Review

The interim condensed consolidated financial information for the six months ended 30 June 2021 prepared by the Bank in accordance with International Financial Reporting Standards has been reviewed by PricewaterhouseCoopers, which has issued unqualified review report.

The unaudited interim report of the Bank for the six months ended 30 June 2021 has been reviewed by the audit committee of the Board of Directors and the Board of Directors.

The Report is prepared in Chinese and English respectively. In case of any ambiguity in the understanding of the Chinese and English versions of the Report, the Chinese version shall prevail.

Changes in Shares and Particulars of Shareholders

I. Changes in Share Capital

(I) Movement in shares

1. Movement in shares

Unit: share, %

	31 December 2020		Increase/(decrease)+/(-) in this movement					30 June 2021	
	Number of shares	Percentage	Issuance of new shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage
I. Shares with selling restrictions	2,969,198,941	26.14	-	-	-	-	-	2,969,198,941	26.14
1. State-owned shares	0	0.00	-	-	-	-	-	0	0.00
2. Shares held by state-owned legal persons	2,374,171,611	20.90	-	-	-	-	-	2,374,171,611	20.90
3. Shares held by other domestic investors	595,027,330	5.24	-	-	-	-	-	595,027,330	5.24
Among which: Shares held by domestic non-state-owned legal persons	579,577,300	5.10	-	-	-	-	-	579,577,300	5.10
Shares held by domestic natural persons	15,450,030	0.14	-	-	-	-	-	15,450,030	0.14
4. Shares held by foreign investors	0	0.00	-	-	-	-	-	0	0.00
Among which: Shares held by foreign legal persons	0	0.00	-	-	-	-	-	0	0.00
Shares held by foreign natural persons	0	0.00	-	-	-	-	-	0	0.00
II. Tradable shares without selling restrictions	8,387,801,059	73.86	-	-	-	-	-	8,387,801,059	73.86
1. RMB-denominated ordinary shares	5,874,465,018	51.73	-	-	-	-	-	5,874,465,018	51.73
2. Domestic listed foreign shares	0	0.00	-	-	-	-	-	0	0.00
3. Overseas listed foreign share	2,513,336,041	22.13	-	-	-	-	-	2,513,336,041	22.13
4. Others	0	0.00	-	-	-	-	-	0	0.00
III. Total ordinary shares	11,357,000,000	100.00	-	-	-	-	-	11,357,000,000	100.00

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

2. Explanation of changes in shares

During the Reporting Period, there was no change in the Bank’s total share capital which will impact the financial indicators such as earnings per share and net assets per share.

Changes in Shares and Particulars of Shareholders

(II) Changes in restricted shares

During the Reporting Period, there was no change in shares with selling restrictions of the Bank.

II. Particulars of Shareholders

(I) Total number of shareholders

As at the end of June 2021, the total number of shareholders of the Bank was 266,913 holders. Of which, 265,687 was the shareholders of A shares and 1,226 was the shareholders of H shares. As of 31 July 2021 (i.e. the end of the previous month on the publication date of the Bank's A-share interim report), the total number of shareholders of the Bank was 262,138 holders. Of which, 260,914 was the shareholders of A shares and 1,224 was the shareholders of H shares.

Changes in Shares and Particulars of Shareholders

(II) Top ten shareholders and top ten shareholders holding tradable shares (or shareholders without selling restrictions) as of the end of the Reporting Period

1. Particulars of shareholdings of the top ten shareholders

Unit: share, %

Name of shareholder (Full name)	Particulars of shareholdings of the top ten shareholders						
	Increase/ (Decrease) during the Reporting Period	Number of shares held at the end of the period	Percentage (%)	Number of shares held with selling restrictions	Condition of shares	Pledged or frozen Number of shares	Nature of shareholder
Hong Kong Securities Clearing Company Nominees Limited ⁽¹⁾	0	2,513,336,041	22.13	0	-	-	Overseas legal person
Chongqing Yufu Capital Operation Group Company Limited ⁽²⁾ (重慶渝富資本運營集團有限公司)	0	988,000,000	8.70	988,000,000	-	-	State-owned legal person
Chongqing City Construction Investment (Group) Company Limited ⁽³⁾ (重慶市城市建設投資(集團)有限公司)	0	797,087,430	7.02	797,087,430	-	-	State-owned legal person
Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	0	589,084,181	5.19	589,084,181	-	-	State-owned legal person
Loncin Holdings Co., Ltd. (隆鑫控股有限公司)	0	570,000,000	5.02	570,000,000	Pledged/judicial freezing	570,000,000	Domestic non-State-owned legal person
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	(224,677,911)	218,422,089	1.92	0	Pledged	218,422,089	Domestic non-State-owned legal person
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	(12,000,000)	188,000,000	1.66	0	-	-	Domestic non-State-owned legal person
Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	0	150,000,000	1.32	0	Pledged	120,000,000	Domestic non-State-owned legal person
Chongqing Water Group Co., Ltd. (重慶水務集團股份有限公司)	0	125,000,000	1.10	0	-	-	State-owned legal person
Chongqing Guanghua Holding (Group) Co., Ltd. (重慶光華控股(集團)有限公司)	0	108,452,600	0.95	0	-	-	Domestic non-State-owned legal person

Changes in Shares and Particulars of Shareholders

Name of shareholder (Full name)	Particulars of shareholdings of the top ten shareholders						
	Increase/ (Decrease) during the Reporting Period	Number of shares held at the end of the period	Percentage (%)	Number of shares held with selling restrictions	Pledged or frozen Condition of shares	Number of shares	Nature of shareholder
Statement on specific repurchase accounts of top ten shareholders				Nil			
Statement on aforesaid shareholder's entrusted voting rights, trusted voting rights and abandoned voting rights				Nil			
Statement on the related relations or concerted actions among the shareholders above				Nil			
Statement on preference shareholders with resumed voting right and their number of shares held				Nil			

Notes:

- (1) The number of shares held by Hong Kong Securities Clearing Company Nominees Limited refers to the total number of shares in the shareholders of H shares' account of the Bank in the trading system represented by Hong Kong Securities Clearing Company Nominees Limited.
- (2) Chongqing River & Holiday Hotel Management Co., Ltd. (重慶兩江假日酒店管理有限公司), Chongqing Chuanyi Automation Co., Ltd. (重慶川儀自動化股份有限公司) and Chongqing Sanxia Financing Guarantee Group Corporation (重慶三峽融資擔保集團股份有限公司), the related parties of Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司), hold 2,000,000 A shares, 10,000,000 A shares, 15,000,454 A shares, respectively. Chongqing Yufu (Hong Kong) Co., Ltd. (重慶渝富(香港)有限公司) holds 13,246,000 H shares of the Bank, and jointly holds 1,028,246,454 shares of the Bank, accounting for 9.05% of the total share capital collectively.
- (3) Chongqing Yukaifa Co., Ltd. (重慶渝開發股份有限公司), a related party of Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), holds 30,000,000 A shares of the Bank, and jointly holds 827,087,430 A shares of the Bank, accounting for 7.28% of the total share capital collectively.

Changes in Shares and Particulars of Shareholders

2. Particulars of shareholdings of the top ten shareholders without selling restrictions

Unit: share

Name of shareholder	Number of tradable shares held without selling restrictions	Type and number of shares	
		Type	Number
Hong Kong Securities Clearing Company Nominees Limited	2,513,336,041	Overseas listed foreign shares	2,513,336,041
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	218,422,089	RMB-denominated ordinary shares	218,422,089
Hong Kong Securities Clearing Company Limited ⁽¹⁾	197,539,738	RMB-denominated ordinary shares	197,539,738
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	188,000,000	RMB-denominated ordinary shares	188,000,000
Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	150,000,000	RMB-denominated ordinary shares	150,000,000
Chongqing Water Group Co., Ltd. (重慶水務集團股份有限公司)	125,000,000	RMB-denominated ordinary shares	125,000,000
Chongqing Guanghua Holding (Group) Co., Ltd. (重慶光華控股(集團)有限公司)	108,452,600	RMB-denominated ordinary shares	108,452,600
Chongqing Jinyuan Times Shopping Mall Co. Ltd. (重慶金源時代購物廣場有限公司)	100,000,000	RMB-denominated ordinary shares	100,000,000
Chongqing Water Conservancy Investment Group Co., Ltd. (重慶市水利投資(集團)有限公司)	90,400,631	RMB-denominated ordinary shares	90,400,631
Jiangsu Huaxi Group Co., Ltd. (江蘇華西集團有限公司)	90,000,000	RMB-denominated ordinary shares	90,000,000

Note : (1) Hong Kong Securities Clearing Company Limited is an institution that is designated as a nominal holder and is designated by others to hold shares on their behalf. It holds the Northbound Trading Link shares of the Bank which are held by investors.

Changes in Shares and Particulars of Shareholders

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

Unit: Share

No.	Name of shareholder with selling restrictions	Number of shares held with selling restrictions	Details of approved tradable shares with selling restrictions	
			Time available for trading	Additional number of approved tradable shares Selling restrictions
1	Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	988,000,000	April 2023	0 42 months from the date of the Bank's listing
2	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	797,087,430	April 2023	0 42 months from the date of the Bank's listing
3	Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	589,084,181	April 2023	0 42 months from the date of the Bank's listing
4	Loncin Holdings Co., Ltd. (隆鑫控股有限公司)	570,000,000	April 2023	0 42 months from the date of the Bank's listing
5	Chongqing Ruineng Construction Engineering Co., Ltd. (重慶瑞能建築工程集團有限公司)	5,200,000	October 2022	0 36 months from the date of the Bank's listing
6	Xiamen Qipilang Asset Management Co., Ltd. (廈門七匹狼資產管理有限公司)	4,000,000	October 2022	0 36 months from the date of the Bank's listing
7	Deng Lingran	1,000,000	October 2022	0 36 months from the date of the Bank's listing
8	Huang Rong	817,400	October 2022	0 36 months from the date of the Bank's listing
9	Wang Xianjun	301,000	October 2022	0 36 months from the date of the Bank's listing
10	Zhang Li	263,800	Release in batches: October 2022: 39,570 shares; October 2023: 39,570 shares; October 2024: 39,570 shares; October 2025: 13,190 shares; October 2027: 131,900 shares.	0 36 months, 48 months, 60 months, 72 months and 96 months from the date of the Bank's listing, respectively

(III) Explanation of the absence of controlling shareholders and actual controllers of the Bank

The shareholding structure of the Bank is diversified, as of the end of June 2021, the percentage of shareholding of the largest shareholder was 8.70%, and there are no controlling shareholders holding more than 50% of the shares. For major shareholders holding more than 5% of the shares, their respective shares do not exceed 10% of the total share capital, and their total shareholding does not exceed 50%. As the voting rights enjoyed by the shares held by them are not sufficient to make a material impact on resolutions approved at general meetings, no controlling shareholder of the Bank is existed. The Bank does not have any person who can actually control the Bank through investment relations, agreements or other arrangements, although not being a shareholder of the Bank, so no actual controller existed.

(IV) Particulars of major shareholders

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

As of the end of June 2021, Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) and Loncin Holding Co., Ltd. (隆鑫控股有限公司) held 988,000,000 shares, 797,087,430 shares, 589,084,181 shares and 570,000,000 shares of the Bank, respectively, representing 8.70%, 7.02%, 5.19% and 5.02% of total share capital of the Bank respectively, and are major shareholders of the Bank. Except for the aforesaid shareholders, there were no other legal person shareholders of the Bank holding 5% or more of total share capital of the Bank, nor were there any other employees or natural persons other than employees holding 5% or more of shares of the Bank.

- (1) Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司) (formerly known as “Chongqing Yufu Assets Management Group Company Limited” (重慶渝富資產經營管理集團有限公司)), which was established on 27 February 2004, currently has a registered capital of RMB10 billion. It is a solely state-owned comprehensive assets operation and management company organised under the approval of Chongqing Municipal Government and is under supervision of Chongqing State-owned Assets Supervision and Administration Commission as a municipal state-owned key enterprise.
- (2) Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), which was established on 26 February 1993, currently has a registered capital of RMB20 billion. It is a solely state-owned enterprise with its business covering city infrastructure constructions as its major business, and real estates, financial equity, intelligent traffic, health & pension, exhibition economy, general aviation and other industries, positioning itself as a “general contractor, general construction agent and general operator” of major infrastructure projects.

Changes in Shares and Particulars of Shareholders

- (3) Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) (formerly known as “Chongqing Transport and Travel Investment Group Company Limited” (重慶交通旅遊投資集團有限公司)), which was established on 6 December 2002, currently has a registered capital of RMB5.287 billion. It is a large solely state-owned enterprise established with the fund from Chongqing Municipal Government and is engaged in the construction of secondary roads in Chongqing and the development and management of tourism resources in Chongqing. In 2019, its 100% equity is transferred to Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) and is directly managed by the Municipal Finance Bureau. It clearly defined its strategic position as a company specializing in assets operation and management.
- (4) Loncin Holding Co., Ltd. (隆鑫控股有限公司) was established on 22 January 2003 and currently has a registered capital of RMB1 billion. It is an industry-based investment holding group.

2. Other major shareholders under regulations

As at the end of June 2021, Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司), Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) and Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司) may appoint directors and supervisors of the Bank, and hold 188,000,000 shares, 150,549,000 shares and 72,879,515 shares of the Bank, respectively, representing 1.66%, 1.33% and 0.64% of total share capital of the Bank respectively, and are also substantial shareholders of the Bank.

- (1) Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司) (formerly known as “Xiamen Laierfu Trading Co., Ltd.” (廈門來爾富貿易有限責任公司)) was established on 22 May 2001 with a current registered capital of RMB0.1 billion, and is engaged in non-securities equity investment and advising on equity investment.
- (2) Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) was established on 25 November 1987 with a registered capital of RMB3.884 billion. It is an A-share listed company. Its business segments mainly include: culture-commerce projects and smart retail, jewellery and fashion, cultural catering, food and beverage, Chinese fashion watches, beauty and health, and real estates with composite functions.
- (3) Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司) was established on 4 April 1997 with a current registered capital of RMB0.1 billion. It is engaged in real estate development and sale of commodity housing; residential leasing; interior decoration; real estate consultation; technology consultation, technical service, etc.

Changes in Shares and Particulars of Shareholders

Name of shareholder	Controlling shareholder	Actual controller	Parties acting in concert	Ultimate beneficiary
Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司)	Chongqing State-owned Assets Supervision and Administration Commission	Nil	Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Chongqing State-owned Assets Supervision And Administration Commission	Chongqing State-owned Assets Supervision and Administration Commission	Nil	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)
Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)	The Finance Bureau of Chongqing City	Nil	Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)
Loncin Holdings Co., Ltd. (隆鑫控股有限公司)	Loncin Group Co., Ltd. (隆鑫集團有限公司)	Tu Jianhua	Nil	Loncin Holdings Co., Ltd. (隆鑫控股有限公司)
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	Xiamen Sifang Jiasheng Trade Co., Ltd. (廈門四方嘉盛貿易有限公司)	Zhou Zehui	Nil	Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)
Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司)	Shanghai Fosun High Technology (Group) Co., Ltd. (上海復星高科技(集團)有限公司)	Guo Guangchang	Nil	Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司)
Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	Huaxin Century Investment Group Co., Ltd. (華新世紀投資集團有限公司)	Zhao Yanguang	Nil	Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)

Notes:

- (1) As at the end of June 2021, there were no substantial shareholders holding 10% or more of the shares (as defined under the Listing Rules) of the Bank.
- (2) For definitions of controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiary of major shareholders of the Bank, please refer to the relevant requirements under Provisional Regulation Governing Equity Interest of Commercial Banks by the CBIRC.

Changes in Shares and Particulars of Shareholders

(V) Substantial Interests and Short Positions

As at the end of June 2021, to the knowledge of the Bank, the following individuals (other than the directors, supervisors and chief executives) had an interest and short position in the shares of the Bank which would fall to be disclosed to the Bank under the provisions of Divisions 2 and 3 of Part XV of the SFO, or interests and short positions in the shares of the Bank as recorded in the register required to be kept by the Bank under Section 336 of the SFO were as follows:

A Shares

Unit: share, %

Name of shareholder	Capacity	Number of A shares held	% of the A shares	% of the total share capital of the Bank
Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	Beneficial Owner	988,000,000	11.17	8.70
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Beneficial Owner	797,087,430	9.01	7.02
Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	Beneficial Owner	589,084,181	6.66	5.19
Loncin Holdings Co., Ltd. (隆鑫控股有限公司)	Beneficial Owner	570,000,000	6.45	5.02
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	Beneficial Owner	188,000,000	2.13	1.66
Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	Beneficial Owner	72,879,515	0.82	0.64

Changes in Shares and Particulars of Shareholders

H Shares

Unit: share, %

Name of shareholder	Capacity	Number of H shares held ⁽³⁾	% of the H shares	% of the total share capital of the Bank
BlackRock, Inc. ⁽¹⁾	Interest of controlled corporations	149,949,563 (L)	5.97	1.32
		5,321,000 (S)	0.21	0.05
BlackRock Global Funds	Beneficial Owner	132,885,000 (L)	5.29	1.17
Citigroup Inc.	Interest of controlled corporations/approved lending agent	131,489,774 (L)	5.23	1.16
		3,274,741 (S)	0.13	0.03
		127,426,890 (P)	5.07	1.12
Guo Guangchang ⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
		340,719,000 (L)	13.56	3.00
Fosun International Holdings Ltd. ⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
Fosun Holdings Limited ⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
Fosun International Limited ⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司)	Beneficial Owner	150,549,000 (L)	5.99	1.33

Notes:

- (1) According to BlackRock, Inc.'s Notice of Disclosure of Corporate Major Shareholders' Interests regarding relevant event filed on 7 April 2021, BlackRock, Inc. is deemed to hold a long position of 149,949,563 H shares and a short position of 5,321,000 H shares. These shares are held jointly by Trident Merger, LLC, BlackRock Holdco 2, Inc. that are directly or indirectly controlled by BlackRock, Inc., and other controlled corporations. In accordance with the SFO, BlackRock, Inc. is deemed to have interests in the shares held by such companies.
- (2) Guo Guangchang holds 85.29% equity interests in Fosun International Holdings Ltd.. Fosun International Holdings Ltd. holds 100% equity interests in Fosun Holdings Limited. Fosun Holdings Limited holds 71.05% equity interests in Fosun International Limited. Therefore, Guo Guangchang, Fosun International Holdings Ltd. and Fosun Holdings Limited are all deemed to be interested in the shares of the Bank held by Fosun International Limited and various corporations controlled by it. Guo Guangchang holds jointly a long position in 340,719,000 H shares of the Bank through Fosun International Limited and other corporations controlled by it.
- (3) (L) – Long position, (S) – Short position, (P) – Lending pool.

Changes in Shares and Particulars of Shareholders

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

As of 30 June 2021, the interests of the directors, supervisors and the chief executive of the Bank and their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules were as follows:

Unit: share, %

Name	Position	Capacity	Number of A shares held	% of the A shares	% of the total share capital
Directors					
Liu Jianzhong	Secretary to the Party Committee, Chairman, Executive Director	Direct owner	34,500	0.00039	0.00030
Xie Wenhui	Deputy Secretary to the Party Committee, President, Executive Director	Direct owner	34,500	0.00039	0.00030
Zhang Peizong	Member of the Party Committee, Vice President, Executive Director, Secretary of the Board	Direct owner	28,300	0.00032	0.00025
Zhang Peng	Non-executive Director	Direct owner	3,800	0.00004	0.00003
Wen Honghai	Non-executive Director	Direct owner	16,000	0.00018	0.00014
Supervisor					
Zhu Yuzhou	Employee Representative	Direct owner	37,600	0.00043	0.00033

Save as disclosed above, none of the Directors, the Supervisors, or the chief executives of the Bank or their associates held any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations as at 30 June 2021.

III. Issue, Purchase, Sale and Redemption of Securities

During the Reporting Period, the Bank has not issued, purchased, sold or redeemed any shares of the Bank and has not publicly issued any corporate bonds listed on the stock exchange.

On 10 May 2021, the Bank redeemed a total of RMB3 billion of financial bonds (first tranche) (the bond referred to as “18 Chongqing Rural Commercial Bond 01”, bond code: 1821017) of Chongqing Rural Commercial Bank Co., Ltd. for 2018. The bonds are a 3-year fixed-rate variety, and the coupon rate is 4.5%. On 3 June 2021, the Bank issued green financial bonds (first tranche) (the bond referred to as “21 Chongqing Rural Commercial Green Financial Bond 01”, bond code: 2121024) of Chongqing Rural Commercial Bank Co., Ltd. for 2021 through book-building process and filing. The bonds are a 3-year fixed-rate variety, and its final issuance scale is RMB1 billion and the coupon rate is 3.29%. On 3 June 2021, the Bank issued green financial bonds (second tranche) (the bond referred to as “21 Chongqing Rural Commercial Green Financial Bond 02”, bond code: 2121025) of Chongqing Rural Commercial Bank Co., Ltd. for 2021 through book-building process and filing. The bonds are a 3-year fixed-rate variety, and its final issuance scale is RMB2 billion and the coupon rate is 3.29%.

Report on review of Interim Financial Information

To the Board of Directors of Chongqing Rural Commercial Bank Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 147 to 262, which comprises the interim condensed consolidated statement of financial position of Chongqing Rural Commercial Bank Co., Ltd. (the “Bank”) and its subsidiaries (together, the “Group”) as at 30 June 2021 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. 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 Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2021

Interim Condensed Consolidated Income Statement

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
Interest income	6	25,386,834	22,755,097
Interest expenses	6	(12,282,853)	(10,677,217)
Net interest income		13,103,981	12,077,880
Fee and commission income	7	1,318,506	1,431,413
Fee and commission expenses	7	(55,977)	(48,976)
Net fee and commission income		1,262,529	1,382,437
Net trading gains	8	536,150	396,475
Share of profits of associates		(19,598)	(2,721)
Other operating income, net	9	240,094	29,530
Net gains on derecognition of financial assets measured at fair value through other comprehensive income		48,294	38,401
Net gains on derecognition of financial assets measured at amortised cost		—	982
Operating income		15,171,450	13,922,984
Operating expenses	10	(4,204,505)	(3,809,483)
Credit impairment losses	11	(3,952,959)	(3,713,661)
Profit before tax		7,013,986	6,399,840
Income tax expenses	12	(1,196,099)	(1,134,706)
Profit for the period		5,817,887	5,265,134
Attributable to:			
Shareholders of the Bank		5,733,250	5,182,706
Non-controlling interests		84,637	82,428
		5,817,887	5,265,134
Earnings per share (Expressed in Renminbi (“RMB”) Yuan per share)			
- Basic/Diluted	13	0.50	0.46

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

Interim Condensed Consolidated Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Profit for the period	<u>5,817,887</u>	<u>5,265,134</u>
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial (losses)/gains on defined benefit plans	(267,952)	52
Net gains/(losses) on financial assets measured at fair value through other comprehensive income-equity instruments	<u>301,340</u>	<u>(82,078)</u>
Items that may be reclassified subsequently to profit or loss:		
Net gains on financial assets measured at fair value through other comprehensive income-debt instruments	76,213	59,531
Credit impairment losses of financial assets measured at fair value through other comprehensive income-debt instruments	<u>(101)</u>	<u>(7,954)</u>
Other comprehensive income for the period (net of tax)	<u>109,500</u>	<u>(30,449)</u>
Total comprehensive income for the period	<u><u>5,927,387</u></u>	<u><u>5,234,685</u></u>
Total comprehensive income attributable to:		
Shareholders of the Bank	5,842,750	5,152,257
Non-controlling interests	<u>84,637</u>	<u>82,428</u>
Total comprehensive income for the period	<u><u>5,927,387</u></u>	<u><u>5,234,685</u></u>

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

Interim Condensed Consolidated Statement of Financial Position

AS AT 30 JUNE 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	30 June 2021 (Unaudited)	31 December 2020 (Audited)
ASSETS			
Cash and balances with central bank	15	65,309,866	65,368,923
Deposits with banks and other financial institutions	16	19,720,374	27,771,457
Placements with banks and other financial institutions	17	103,955,705	109,615,104
Derivative financial assets	18	19,301	58,492
Financial assets held under resale agreements	19	6,542,983	1,303,008
Loans and advances to customers	20	539,477,413	486,963,403
Financial investments	21		
Financial assets measured at fair value through profit or loss		35,284,533	30,164,463
Financial assets measured at fair value through other comprehensive income		21,446,812	16,625,544
Financial assets measured at amortised cost		416,378,558	383,164,489
Investment in associates	22	430,730	450,328
Property and equipment	23	4,740,817	4,920,318
Right-of-use assets		176,060	167,924
Goodwill	24	440,129	440,129
Deferred tax assets	33	8,464,465	7,538,644
Other assets	25	1,831,694	1,814,346
Total assets		<u>1,224,219,440</u>	<u>1,136,366,572</u>
LIABILITIES			
Borrowings from central bank	26	67,744,375	62,313,807
Deposits from banks and other financial institutions	27	30,376,339	35,439,301
Placements from banks and other financial institutions	28	33,952,985	26,699,999
Financial liabilities measured at fair value through profit or loss		10,248	–
Derivative financial liabilities	18	7,402	81,746
Financial assets sold under repurchase agreements	29	14,478,616	6,373,200
Deposits from customers	30	757,154,895	724,999,814
Accrued staff costs	31	4,455,126	4,558,014
Income tax payable		992,181	1,018,622
Lease liabilities		155,902	148,955
Debt securities issued	32	209,190,962	173,178,209
Other liabilities	34	7,222,066	6,482,695
Total liabilities		<u>1,125,741,097</u>	<u>1,041,294,362</u>

Interim Condensed Consolidated Statement of Financial Position (Continued)

AS AT 30 JUNE 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	30 June 2021 (Unaudited)	31 December 2020 (Audited)
EQUITY			
Share capital	35	11,357,000	11,357,000
Capital reserve	36	20,924,618	20,924,618
Investment revaluation reserve	37	(40,506)	(417,958)
Actuarial changes reserve		(536,477)	(268,525)
Surplus reserve	38	12,069,842	12,069,842
General reserve	39	15,824,313	14,056,058
Retained earnings		<u>37,391,440</u>	<u>35,947,699</u>
Equity attributable to shareholders of the Bank		96,990,230	93,668,734
Non-controlling interests		<u>1,488,113</u>	<u>1,403,476</u>
Total equity		<u>98,478,343</u>	<u>95,072,210</u>
Total equity and liabilities		<u>1,224,219,440</u>	<u>1,136,366,572</u>

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

The condensed consolidated financial information on pages 147 to 262 were approved and authorised for issue by the Board of Directors on 25 August 2021 and were signed on its behalf by:

LIU JIANZHONG

CHAIRMAN

XIE WENHUI

EXECUTIVE DIRECTOR AND PRESIDENT

Interim Condensed Consolidated Statement Of Changes In Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	Attributable to shareholders of the Bank							Non-Controlling Interests	Total	
		Share capital	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings			
As at 1 January 2021		11,357,000	20,924,618	(417,958)	(268,525)	12,069,842	14,056,058	35,947,699	93,668,734	1,403,476	95,072,210
Profit for the period		-	-	-	-	-	-	5,733,250	5,733,250	84,637	5,817,887
Other comprehensive income		-	-	377,452	(267,952)	-	-	-	109,500	-	109,500
Total comprehensive income for the period		-	-	377,452	(267,952)	-	-	5,733,250	5,842,750	84,637	5,927,387
Appropriation to general reserve	39	-	-	-	-	-	1,768,255	(1,768,255)	-	-	-
Dividend distribution	14	-	-	-	-	-	-	(2,521,254)	(2,521,254)	-	(2,521,254)
As at 30 June 2021 (Unaudited)		11,357,000	20,924,618	(40,506)	(536,477)	12,069,842	15,824,313	37,391,440	96,990,230	1,488,113	98,478,343
As at 1 January 2020		11,357,000	21,014,618	(106,558)	(336,069)	11,283,588	12,635,296	32,365,628	88,213,503	1,588,824	89,802,327
Profit for the period		-	-	-	-	-	-	5,182,706	5,182,706	82,428	5,265,134
Other comprehensive income		-	-	(30,501)	52	-	-	-	(30,449)	-	(30,449)
Total comprehensive income for the period		-	-	(30,501)	52	-	-	5,182,706	5,152,257	82,428	5,234,685
Appropriation to general reserve	39	-	-	-	-	-	1,293,499	(1,293,499)	-	-	-
Dividend distribution	14	-	-	-	-	-	-	(2,612,110)	(2,612,110)	(287)	(2,612,397)
As at 30 June 2020 (Unaudited)		11,357,000	21,014,618	(137,059)	(336,017)	11,283,588	13,928,795	33,642,725	90,753,650	1,670,965	92,424,615

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

Interim Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Operating activities		
Profit before tax	7,013,986	6,399,840
Adjustments for:		
Depreciation and amortisation	404,215	438,614
Credit impairment losses	3,952,959	3,713,661
Interest income arising from investment securities	(8,321,304)	(7,411,639)
Interest expense arising from debt securities issued	2,839,805	2,294,228
Net gain on disposal of investment securities	(454,941)	(387,367)
Net loss on investment in associates	19,598	2,721
Dividends income from investment securities	(540)	–
Net gain on disposal of property, equipment and other assets	(18,563)	(4,744)
Fair value gains	(131,178)	(13,123)
Foreign exchange gains	(4,589)	(20,262)
Operating cash flows before movements in working capital	<u>5,299,448</u>	<u>5,011,929</u>
Decrease in balances with central bank, deposits with banks and other financial institutions	7,533,535	2,718,444
Decrease in placements with banks and other financial institutions	8,876,934	14,575,419
Increase in financial assets held under resale agreements	(388,389)	–
Increase in financial assets held for trading purposes	(976,566)	(1,623,890)
Increase in loans and advances to customers	(55,910,400)	(37,504,012)
Increase in financial assets sold under repurchase agreements	8,127,161	20,203,878
Increase in borrowings from central bank	5,034,805	7,359,260
Increase/(decrease) in placements from banks and other financial institutions	7,137,278	(942,401)
Increase in deposits from customers, deposits from banks and other financial institutions	28,680,521	52,802,170
Increase in financial liabilities measured at fair value through profit or loss	10,121	–
Decrease in other operating assets	687,072	342,739
Decrease in other operating liabilities	(2,117,269)	(3,012,056)
Cash from operating activities	<u>11,994,251</u>	<u>59,931,480</u>
Income tax paid	<u>(2,184,861)</u>	<u>(1,717,045)</u>
Net cash generated from operating activities	<u>9,809,390</u>	<u>58,214,435</u>

Interim Condensed Consolidated Statement of Cash Flows (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
Investing activities			
Cash received from disposal and redemption of investment securities		110,446,749	98,377,400
Interest income received from investment securities		9,143,317	8,289,422
Cash received from disposal of property, equipment and other assets		30,551	14,787
Dividends income from investment securities		540	–
Cash paid for purchase of investment securities		(152,700,117)	(112,083,949)
Cash paid for purchase of property, equipment and other assets		(202,702)	(133,595)
Net cash used in investing activities		(33,281,662)	(5,535,935)
Financing activities			
Debt securities issued		148,105,347	96,586,114
Redemption of bonds issued		(114,200,000)	(135,910,000)
Dividends paid to shareholders of the Bank		(2,326,074)	(2,026,933)
Dividends paid to shareholders of non-controlling interests		–	(287)
Interest paid on debt securities issued		(732,400)	(437,203)
Cash paid in other financing activities		(40,785)	(47,729)
Net cash generated from/(used in) financing activities		30,806,088	(41,836,038)
Net increase in cash and cash equivalents		7,333,816	10,842,462
Cash and cash equivalents as at 1 January		19,268,138	20,533,230
Effect of foreign exchange rate changes		(16,781)	17,925
Cash and cash equivalents as at 30 June	41	<u>26,585,173</u>	<u>31,393,617</u>
Net cash from operating activities include:			
Interest received		16,727,207	15,879,721
Interest paid		(10,538,745)	(8,132,823)
Net interest received from operating activities		<u>6,188,462</u>	<u>7,746,898</u>

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

Notes To The Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION

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

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

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

The Bank has financial services certificate No. B0335H250000001 issued by the China Banking Regulatory Commission (the former “CBRC”. It was renamed as “China Banking and Insurance Regulatory Commission” in 2018, hereinafter referred to as “CBIRC”), and a corporate legal person business license with a unified social credit code 91500000676129728J issued by the Chongqing Administration of Industry and Commerce.

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

The condensed consolidated financial information is presented in RMB, which is also the functional currency of the Bank.

2. BASIS OF PREPARATION

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

The unaudited condensed consolidated financial information contains selected explanatory notes, which provide explanations of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2020. The selected notes do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”). Therefore the condensed consolidated financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

Except for the below amendments, the accounting policies and methods of computation used in preparing the condensed consolidated financial information for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

3.1 New standards, amendments and interpretations effective in 2021 and adopted by the Group

- | | | | |
|-----|--|-----|---------------------------------------|
| (1) | Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | (i) | Interest rate benchmark (IBOR) reform |
| (i) | The IASB has issued IBOR Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. | | |

The Phase 2 amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR), including: 1. For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. 2. Require an entity to prospectively cease to apply the Phase 1 reliefs to a noncontractually specified risk component at the earlier of when changes are made to the noncontractually specified risk component, or when the hedging relationship is discontinued. 3. Additional temporary exceptions from applying specific hedge accounting requirement. 4. Additional IFRS 7 disclosure requirements related to IBOR reform.

The adoption of the amendments do not have a significant impact on the Group's consolidated financial statements.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New standards and amendments not yet effective and have not been adopted before their effective dates

		Effective for annual periods beginning on or after
(1)	Amendments to IAS 1 Classification of Liabilities as Current or Non-current	1 January 2022
(2)	Amendments to IFRS 3 Reference to the Conceptual Framework	1 January 2022
(3)	Amendments to IAS 37 Cost of Fulfilling a Contract	1 January 2022
(4)	Amendments to IAS 16 Proceeds before Intended Use	1 January 2022
(5)	IFRS 17 Insurance Contracts	1 January 2023
(6)	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 IASB Annual Improvements 2018- 2020 cycle	1 January 2022
(7)	Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred.

The Group expects the adoption of the above standards and amendments to have no significant impact on the Group's consolidated financial statements. Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2020.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2020.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

5. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND STRUCTURED ENTITIES

(1) Investment in subsidiaries

As at 30 June 2021, details of the Bank's subsidiaries are set out below:

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

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

5. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND STRUCTURED ENTITIES (Continued)

(1) Investment in subsidiaries (Continued)

The proportion of equity holding and proportion of voting rights in the board of directors remained the same as above for the six months ended 30 June 2021.

All the 14 subsidiaries above were sponsored to establish by the Bank. As at 30 June 2021 and 31 December 2020, the amount of non-controlling interests of each subsidiary of the Bank was insignificant to the Group and hence not disclosed further.

There were no significant restrictions on the Bank's or its subsidiaries' ability to access or use the assets and settle the liabilities of the Group.

(2) Investment in associates

Name of entity	Date of incorporation	Place of incorporation	Registered and paid-in capital (RMB, million)	Proportion of equity interest (%)	Proportion of voting power in the general meeting (%)	Principal activities
Chongqing Xiaomi Consumer Finance Co., Ltd.	29/05/2020	Chongqing	1,500	30.00	30.00	Consumer Finance

(3) The Group also consolidated structured entities as disclosed in Note 44 Structured Entities.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

6. NET INTEREST INCOME

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Interest income		
Loans and advances to customers	13,920,151	12,156,864
Including: Corporate loans and advances	7,048,881	6,496,387
Personal loans and advances	6,655,413	5,357,672
Discounted bills	215,857	302,805
Financial investments	8,321,304	7,411,639
Including: Financial assets measured at amortised cost	8,016,797	7,231,512
Financial assets measured at fair value through other comprehensive income (FVOCI)	304,507	180,127
Placements with banks and other financial institutions	2,111,915	2,234,667
Balances with central bank	459,139	477,738
Financial assets held under resale agreements	301,771	242,845
Deposits with banks and other financial institutions	<u>272,554</u>	<u>231,344</u>
Subtotal	<u>25,386,834</u>	<u>22,755,097</u>
Interest expense		
Deposits from customers	(7,246,334)	(6,966,624)
Debt securities issued	(2,839,805)	(2,294,228)
Borrowings from central bank	(868,344)	(543,316)
Placements from banks and other financial institutions	(600,096)	(445,443)
Financial assets sold under repurchase agreements	(366,468)	(319,845)
Deposits from banks and other financial institutions	(358,827)	(104,453)
Others	<u>(2,979)</u>	<u>(3,308)</u>
Subtotal	<u>(12,282,853)</u>	<u>(10,677,217)</u>
Net interest income	<u>13,103,981</u>	<u>12,077,880</u>
Included in interest income		
Interest income on listed investments	7,314,671	6,237,206
Interest income on unlisted investments	<u>1,006,633</u>	<u>1,174,433</u>
Total	<u>8,321,304</u>	<u>7,411,639</u>

Listed investments include debt securities traded on the China Domestic Interbank Bond Market and stock exchanges.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

7. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Fee and commission income		
Wealth management fees	751,683	937,790
Agency and fiduciary service fees	245,861	175,503
Bank card fees	91,948	73,701
Settlement and clearing fees	62,554	68,153
Others	<u>166,460</u>	<u>176,266</u>
Subtotal	<u>1,318,506</u>	<u>1,431,413</u>
Fee and commission expense		
Bank card fees	(33,324)	(20,899)
Settlement and clearing fees	(5,026)	(15,033)
Others	<u>(17,627)</u>	<u>(13,044)</u>
Subtotal	<u>(55,977)</u>	<u>(48,976)</u>
Total	<u><u>1,262,529</u></u>	<u><u>1,382,437</u></u>

8. NET TRADING GAINS

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Net gains on financial assets measured at fair value through profit or loss	548,093	405,123
Net gains on financial liabilities measured at fair value through profit or loss	(2,501)	–
Net losses on derivatives	<u>(9,442)</u>	<u>(8,648)</u>
Total	<u><u>536,150</u></u>	<u><u>396,475</u></u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

9. OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Government grants	182,191	21,112
Foreign exchange gains	4,589	20,262
Rental income	17,445	4,990
Net gain on disposal of property, equipment and other assets	18,563	4,744
Penalty and compensation income	3,633	4,236
Donation	(1,500)	(22,300)
Others, net	15,173	(3,514)
Total	<u>240,094</u>	<u>29,530</u>

10. OPERATING EXPENSES

	NOTE	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
Staff costs	(1)	2,719,519	2,457,964
General operating and administrative expenses		891,891	613,893
Depreciation and amortisation		404,215	438,614
Tax and surcharges		150,534	136,498
Others		38,346	162,514
Total		<u>4,204,505</u>	<u>3,809,483</u>

(1) Staff costs

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Salaries, bonuses and allowances	1,781,680	1,832,135
Social insurance	397,008	189,580
Housing funds	182,145	162,776
Supplementary retirement benefits (Note 31(1))	139,160	46,630
Enterprise annuity	88,170	87,210
Labour union fees and staff education expenses	61,551	63,110
Staff welfare	51,812	61,235
Early retirement benefits	17,993	15,288
Total	<u>2,719,519</u>	<u>2,457,964</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

11. CREDIT IMPAIRMENT LOSSES

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Loans and advances to customers	3,587,684	3,299,640
Financial investments:		
Financial assets measured at amortised cost	325,646	585,173
Financial assets measured at fair value through other compressive income	193	(450)
Placements with banks and other financial institutions	(5,690)	(66,756)
Financial assets held under resale agreements	3,526	10,039
Deposits with banks and other financial institutions	(135)	6,944
Loan commitments	40,881	(121,006)
Others	854	77
Total	<u>3,952,959</u>	<u>3,713,661</u>

12. INCOME TAX EXPENSE

(1) Income tax expense

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Income tax expense comprises:		
Current income tax		
– PRC Enterprise Income Tax	2,158,420	1,564,742
Deferred tax (<i>Note 33</i>)	(962,321)	(430,036)
Total	<u>1,196,099</u>	<u>1,134,706</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

12. INCOME TAX EXPENSE (Continued)

(2) Reconciliation between income tax expense and accounting profit:

The tax charges for the six months ended 30 June 2021 and 30 June 2020 can be reconciled to the profit before tax per the interim condensed consolidated statement of income as follows:

	NOTE	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
Profit before tax		7,013,986	6,399,840
Tax calculated at applicable statutory tax rate of 25%		1,753,497	1,599,960
Difference of income tax calculated at subsidiaries' applicable statutory tax rate of 15%		(48,217)	(27,098)
Tax effect of expenses not deductible for tax purpose	(i)	54,079	18,296
Tax effect of non-taxable income and tax reduction	(ii)	(562,797)	(455,845)
Others		(463)	(607)
Income tax expense		<u>1,196,099</u>	<u>1,134,706</u>

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

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

13. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	<u>Six months ended 30 June</u>	
	2021 (Unaudited)	2020 (Unaudited)
Earnings:		
Profit for the period attributable to shareholders of the Bank	<u>5,733.250</u>	<u>5,182.706</u>
Numbers of shares:		
Weighted average number of shares in issue (<i>thousand</i>)	<u>11,357.000</u>	<u>11,357.000</u>
Basic and diluted earnings per share (<i>RMB Yuan</i>)	<u>0.50</u>	<u>0.46</u>

There were no potential dilutive ordinary shares outstanding during the current and prior periods. Accordingly, diluted earnings per share were same as basic earnings per share.

14. DIVIDENDS

	<u>Six months ended 30 June</u>	
	2021 (Unaudited)	2020 (Unaudited)
Dividends recognised as distribution during the period		
Year 2020 – RMB22.2 cents per share	2,521,254	–
Year 2019 – RMB23 cents per share	<u>–</u>	<u>2,612,110</u>

A dividend of RMB22.2 cents per share (tax inclusive) in respect of the year ended 31 December 2020 with a total of RMB2,521 million has been proposed by the Board of Directors on 30 March 2021 and was approved by the shareholders in the 2020 annual general meeting on 28 May 2021.

A dividend of RMB23 cents per share (tax inclusive) in respect of the year ended 31 December 2019 with a total of RMB2,612 million has been proposed by the Board of Directors on 26 March 2020 and was approved by the shareholders in the 2019 annual general meeting on 20 May 2020.

The Bank does not propose interim dividend for year 2021.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

15. CASH AND BALANCES WITH CENTRAL BANK

	NOTE	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Cash		2,777,705	3,144,929
Mandatory reserve deposits with central bank	(1)	55,874,245	54,561,748
Surplus reserve deposits with central bank	(2)	6,380,920	5,702,967
Other deposits with central bank	(3)	276,996	1,959,279
Total		<u>65,309,866</u>	<u>65,368,923</u>

- (1) The Group places mandatory reserve deposits with the People's Bank of China (the "PBOC"). This includes RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve funds are not available for the Group's daily operations.

As at 30 June 2021, mandatory reserve deposits with the PBOC were calculated at 7.5% (31 December 2020: 7.5%) of eligible RMB deposits for the Bank, while for the subsidiaries at 6% or 5% (31 December 2020: 6% or 5%); and 7% for foreign currency deposits from customers (31 December 2020: 5%). The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

- (2) The surplus reserve deposits maintained with the PBOC are mainly for the purpose of clearing and position transferring.
- (3) Other deposits with central bank mainly represents the required fiscal deposits placed with the PBOC, which are non-interest bearing.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

16. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Deposits with:		
Domestic banks and other financial institutions	18,902,153	27,172,596
Overseas banks	<u>1,075,918</u>	<u>856,693</u>
Gross amount	<u>19,978,071</u>	<u>28,029,289</u>
Expected credit losses allowances (ECL allowances)	(257,697)	(257,832)
-Stage 1	(18,996)	(19,131)
-Stage 3	<u>(238,701)</u>	<u>(238,701)</u>
Carrying amount	<u><u>19,720,374</u></u>	<u><u>27,771,457</u></u>

17. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Placements with:		
Other domestic financial institutions	97,552,575	108,628,185
Domestic banks	<u>6,753,245</u>	<u>1,342,724</u>
Gross amount	<u>104,305,820</u>	<u>109,970,909</u>
ECL allowances	(350,115)	(355,805)
-Stage 1	(46,340)	(48,983)
-Stage 3	<u>(303,775)</u>	<u>(306,822)</u>
Carrying amount	<u><u>103,955,705</u></u>	<u><u>109,615,104</u></u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

18. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	As at 30 June 2021 (Unaudited)			As at 31 December 2020 (Audited)		
	Contract/ Nominal amount	Fair Value		Contract/ Nominal amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Currency forward	705,864	5,237	(4,621)	2,571,800	41,586	(35,976)
Foreign exchange swap	1,007,929	3,101	(26)	335,681	–	(42,593)
Interest swap	9,741,250	2,755	(2,755)	7,534,460	3,177	(3,177)
Credit Risk Mitigation	1,010,000	8,208	–	870,000	13,729	–
Total	<u>12,465,043</u>	<u>19,301</u>	<u>(7,402)</u>	<u>11,311,941</u>	<u>58,492</u>	<u>(81,746)</u>

19. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Analysed by collateral type:		
-Debt securities	<u>6,547,688</u>	<u>1,304,187</u>
ECL allowances		
-Stage 1	<u>(4,705)</u>	<u>(1,179)</u>
Carrying amount	<u>6,542,983</u>	<u>1,303,008</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS

(1) Analysis of loans and advances to customers

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Gross amount of loans and advances to customers measured at amortised cost	544,976,404	490,174,980
Less: ECL allowances	<u>(22,404,029)</u>	<u>(20,922,467)</u>
Carrying amount of loans and advances measured at amortised cost (i)	<u>522,572,375</u>	<u>469,252,513</u>
Carrying amount of loans and advances measured at fair value through other comprehensive income	<u>16,905,038</u>	<u>17,710,890</u>
Net loans and advances to customers	<u><u>539,477,413</u></u>	<u><u>486,963,403</u></u>

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

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Gross amount of loans and advances to customers measured at amortised cost	544,976,404	490,174,980
Less: ECL allowances		
– stage 1	(11,324,594)	(10,549,072)
– stage 2	(4,889,407)	(4,246,604)
– stage 3	<u>(6,190,028)</u>	<u>(6,126,791)</u>
Carrying amount of loans and advances measured at amortised cost	<u><u>522,572,375</u></u>	<u><u>469,252,513</u></u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(2) Movements of gross carrying amount on loans and advances to customers

Corporate loans and advances	For the six months ended 30 June 2021 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	252,962,816	14,278,388	6,390,083	273,631,287
Transfer:				
Transfer from stage 1 to stage 2	(9,671,216)	9,671,216	–	–
Transfer from stage 1 to stage 3	(157,035)	–	157,035	–
Transfer from stage 2 to stage 1	1,802,847	(1,802,847)	–	–
Transfer from stage 2 to stage 3	–	(2,504,629)	2,504,629	–
Transfer from stage 3 to stage 2	–	129,831	(129,831)	–
New financial assets originated or purchased	77,331,434	–	–	77,331,434
Derecognition or settlement	(56,296,304)	(1,914,115)	(558,018)	(58,768,437)
Write-offs and others	–	–	(2,280,282)	(2,280,282)
Others	149,577	106,620	7,131	263,328
As at 30 June 2021	<u>266,122,119</u>	<u>17,964,464</u>	<u>6,090,747</u>	<u>290,177,330</u>

Personal loans and advances	For the six months ended 30 June 2021 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	213,471,831	1,743,778	1,328,084	216,543,693
Transfer:				
Transfer from stage 1 to stage 2	(1,445,163)	1,445,163	–	–
Transfer from stage 1 to stage 3	(461,223)	–	461,223	–
Transfer from stage 2 to stage 1	243,635	(243,635)	–	–
Transfer from stage 2 to stage 3	–	(278,629)	278,629	–
Transfer from stage 3 to stage 1	83,868	–	(83,868)	–
Transfer from stage 3 to stage 2	–	37,466	(37,466)	–
New financial assets originated or purchased	105,218,392	–	–	105,218,392
Derecognition or settlement	(66,012,676)	(734,771)	(238,789)	(66,986,236)
Write-offs and others	–	–	(253,321)	(253,321)
Others	278,355	560	(2,369)	276,546
As at 30 June 2021	<u>251,377,019</u>	<u>1,969,932</u>	<u>1,452,123</u>	<u>254,799,074</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(2) Movements of gross carrying amount on loans and advances to customers (Continued)

Corporate loans and advances	For the year ended 31 December 2020 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	228,141,507	18,443,261	8,175,637	254,760,405
Transfer:				
Transfer from stage 1 to stage 2	(9,454,520)	9,454,520	–	–
Transfer from stage 1 to stage 3	(2,192,817)	–	2,192,817	–
Transfer from stage 2 to stage 1	3,383,622	(3,383,622)	–	–
Transfer from stage 2 to stage 3	–	(6,544,866)	6,544,866	–
Transfer from stage 3 to stage 2	–	277,520	(277,520)	–
New financial assets originated or purchased	133,814,218	–	–	133,814,218
Derecognition and settlement	(101,014,846)	(4,136,899)	(1,001,551)	(106,153,296)
Write-offs and others	–	–	(9,315,863)	(9,315,863)
Others	285,652	168,474	71,697	525,823
As at 31 December 2020	<u>252,962,816</u>	<u>14,278,388</u>	<u>6,390,083</u>	<u>273,631,287</u>

Personal loans and advances	For the year ended 31 December 2020 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	159,794,055	1,290,309	1,153,418	162,237,782
Transfer:				
Transfer from stage 1 to stage 2	(1,638,083)	1,638,083	–	–
Transfer from stage 1 to stage 3	(997,584)	–	997,584	–
Transfer from stage 2 to stage 1	134,644	(134,644)	–	–
Transfer from stage 2 to stage 3	–	(340,805)	340,805	–
Transfer from stage 3 to stage 1	64,550	–	(64,550)	–
Transfer from stage 3 to stage 2	–	17,712	(17,712)	–
New financial assets originated or purchased	133,878,007	–	–	133,878,007
Derecognition and settlement	(78,101,461)	(728,913)	(344,386)	(79,174,760)
Write-offs and others	–	–	(735,742)	(735,742)
Others	337,703	2,036	(1,333)	338,406
As at 31 December 2020	<u>213,471,831</u>	<u>1,743,778</u>	<u>1,328,084</u>	<u>216,543,693</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(3) Analysed by assessment method of ECL allowances

	As at 30 June 2021 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Gross amount of loans and advances measured at amortised cost	517,499,138	19,934,396	7,542,870	544,976,404
Less: ECL allowances	(11,324,594)	(4,889,407)	(6,190,028)	(22,404,029)
Carrying amount of loans and advances measured at amortised cost	<u>506,174,544</u>	<u>15,044,989</u>	<u>1,352,842</u>	<u>522,572,375</u>
Carrying amount of loans and advances measured at FVOCI	<u>16,904,038</u>	<u>–</u>	<u>1,000</u>	<u>16,905,038</u>
Expected credit losses of loans and advances measured at FVOCI	<u>(4,647)</u>	<u>–</u>	<u>(1,000)</u>	<u>(5,647)</u>
	As at 31 December 2020 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Gross amount of loans and advances measured at amortised cost	466,434,647	16,022,166	7,718,167	490,174,980
Less: ECL allowances	(10,549,072)	(4,246,604)	(6,126,791)	(20,922,467)
Carrying amount of loans and advances measured at amortised cost	<u>455,885,575</u>	<u>11,775,562</u>	<u>1,591,376</u>	<u>469,252,513</u>
Carrying amount of loans and advances measured at FVOCI	<u>17,709,890</u>	<u>–</u>	<u>1,000</u>	<u>17,710,890</u>
Expected credit losses of loans and advances measured at FVOCI	<u>(4,970)</u>	<u>–</u>	<u>(1,000)</u>	<u>(5,970)</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

Corporate loans and advances	For the six months ended 30 June 2021 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	5,699,101	3,667,757	5,076,089	14,442,947
Transfer:				
Transfer from stage 1 to stage 2	(481,309)	481,309	–	–
Transfer from stage 1 to stage 3	(38,798)	–	38,798	–
Transfer from stage 2 to stage 1	425,143	(425,143)	–	–
Transfer from stage 2 to stage 3	–	(782,450)	782,450	–
Transfer from stage 3 to stage 2	–	71,927	(71,927)	–
ECL changes arisen from stage transfer	(347,201)	1,027,312	1,262,161	1,942,272
New financial assets originated or purchased	1,882,742	–	–	1,882,742
Derecognition or settlement	(1,270,635)	(250,612)	(469,095)	(1,990,342)
Remeasurement	(302,736)	445,217	692,284	834,765
Write-offs and others	–	–	(2,280,282)	(2,280,282)
As at 30 June 2021	<u>5,566,307</u>	<u>4,235,317</u>	<u>5,030,478</u>	<u>14,832,102</u>

Personal loans and advances	For the six months ended 30 June 2021 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	4,849,971	578,847	1,050,702	6,479,520
Transfer:				
Transfer from stage 1 to stage 2	(143,697)	143,697	–	–
Transfer from stage 1 to stage 3	(46,092)	–	46,092	–
Transfer from stage 2 to stage 1	92,630	(92,630)	–	–
Transfer from stage 2 to stage 3	–	(107,332)	107,332	–
Transfer from stage 3 to stage 1	63,373	–	(63,373)	–
Transfer from stage 3 to stage 2	–	27,970	(27,970)	–
ECL changes arisen from stage transfer	(149,581)	305,306	365,096	520,821
New financial assets originated or purchased	2,687,778	–	–	2,687,778
Derecognition or settlement	(1,612,161)	(205,569)	(232,989)	(2,050,719)
Remeasurement	16,066	3,801	167,981	187,848
Write-offs and others	–	–	(253,321)	(253,321)
As at 30 June 2021	<u>5,758,287</u>	<u>654,090</u>	<u>1,159,550</u>	<u>7,571,927</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

Corporate loans and advances	For the year ended 31 December 2020 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	4,804,086	4,817,852	6,062,858	15,684,796
Transfer:				
Transfer from stage 1 to stage 2	(846,576)	846,576	–	–
Transfer from stage 1 to stage 3	(571,092)	–	571,092	–
Transfer from stage 2 to stage 1	1,176,797	(1,176,797)	–	–
Transfer from stage 2 to stage 3	–	(2,242,189)	2,242,189	–
Transfer from stage 3 to stage 2	–	232,087	(232,087)	–
ECL changes arisen from stage transfer	(975,043)	1,692,842	1,921,643	2,639,442
New financial assets originated or purchased	3,837,973	–	–	3,837,973
Derecognition or settlement	(1,973,650)	(536,556)	(285,818)	(2,796,024)
Remeasurement	246,606	33,942	4,112,075	4,392,623
Write-offs and others	–	–	(9,315,863)	(9,315,863)
As at 31 December 2020	<u>5,699,101</u>	<u>3,667,757</u>	<u>5,076,089</u>	<u>14,442,947</u>

Personal loans and advances	For the year ended 31 December 2020 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	3,740,890	387,869	930,552	5,059,311
Transfer:				
Transfer from stage 1 to stage 2	(251,816)	251,816	–	–
Transfer from stage 1 to stage 3	(196,142)	–	196,142	–
Transfer from stage 2 to stage 1	50,122	(50,122)	–	–
Transfer from stage 2 to stage 3	–	(121,071)	121,071	–
Transfer from stage 3 to stage 1	50,792	–	(50,792)	–
Transfer from stage 3 to stage 2	–	13,524	(13,524)	–
ECL changes arisen from stage transfer	(97,213)	256,860	456,539	616,186
New financial assets originated or purchased	3,595,160	–	–	3,595,160
Derecognition or settlement	(1,931,232)	(167,324)	(173,149)	(2,271,705)
Remeasurement	(110,590)	7,295	319,605	216,310
Write-offs and others	–	–	(735,742)	(735,742)
As at 31 December 2020	<u>4,849,971</u>	<u>578,847</u>	<u>1,050,702</u>	<u>6,479,520</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS

(1) By measurement

		As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Financial assets measured at fair value through profit or loss (FVPL)	(a)	35,284,533	30,164,463
Financial assets measured at amortised cost	(b)	416,378,558	383,164,489
Financial assets measured at FVOCI	(c)	21,446,812	16,625,544
– Debt instruments		20,432,605	16,055,223
– Equity instruments		<u>1,014,207</u>	<u>570,321</u>
Total		<u><u>473,109,903</u></u>	<u><u>429,954,496</u></u>

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

By nature

		As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Debt securities	(i)	5,335,782	6,871,036
Interbank deposit certificates		945,894	–
Investment in wealth management products		3,340,427	2,265,065
Funds		22,743,609	21,028,362
Asset management plans		2,806,689	–
Trust plans		<u>112,132</u>	<u>–</u>
Total		<u><u>35,284,533</u></u>	<u><u>30,164,463</u></u>
Analysed as:			
Listed outside Hong Kong		6,281,676	6,871,036
Unlisted		<u>29,002,857</u>	<u>23,293,427</u>
Total		<u><u>35,284,533</u></u>	<u><u>30,164,463</u></u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(1) By measurement (Continued)

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

By type of issuers

(i) Debt securities

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Debt securities issued by:		
Public sector and quasi-governments	1,740,892	1,651,528
Financial institutions	3,564,602	5,219,508
Corporate bonds	<u>30,288</u>	<u>—</u>
Total	<u><u>5,335,782</u></u>	<u><u>6,871,036</u></u>

Debt securities investments measured at fair value through profit or loss are all traded on the China Domestic Interbank Bond Market.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(1) By measurement (Continued)

(b) Financial assets measured at amortised cost

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Government bonds	149,576,590	113,405,955
Public sector and quasi-government bonds	61,463,622	52,024,618
Financial institution bonds	72,532,190	54,642,698
Corporate bonds	62,271,752	62,424,815
Interbank deposit certificates	37,981,756	61,506,343
Trust plans	9,540,163	10,000,126
Debt financing plans	<u>27,563,783</u>	<u>33,385,586</u>
Gross balances	<u>420,929,856</u>	<u>387,390,141</u>
ECL Allowances		
-Stage 1	(921,333)	(1,062,189)
-Stage 2	(707)	(437,574)
-Stage 3	<u>(3,629,258)</u>	<u>(2,725,889)</u>
Net balances	<u><u>416,378,558</u></u>	<u><u>383,164,489</u></u>
Analysed as:		
Listed outside Hong Kong	383,621,106	343,763,457
Unlisted	<u>32,757,452</u>	<u>39,401,032</u>
Total	<u><u>416,378,558</u></u>	<u><u>383,164,489</u></u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(1) By measurement (Continued)

(c) Financial investments measured at fair value through other comprehensive income

The Group designated investments set out below as equity securities measured at FVOCI due to the Group's strategic objective to hold them for a long term.

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Debt instruments:		
Public sector and quasi-government bonds	18,321,247	15,755,737
Financial institution bonds	298,511	299,486
Interbank deposit certificates	497,921	–
Government bonds	1,314,926	–
Subtotal	<u>20,432,605</u>	<u>16,055,223</u>
Equity instruments:		
Banks and other financial institutions	199,759	142,203
Other corporations	814,448	428,118
Subtotal	<u>1,014,207</u>	<u>570,321</u>
Total	<u>21,446,812</u>	<u>16,625,544</u>
Analysed as:		
Listed outside Hong Kong	21,306,579	16,583,697
Listed in Hong Kong	90,133	33,847
Unlisted	50,100	8,000
Total	<u>21,446,812</u>	<u>16,625,544</u>

- (i) Debt instruments included in “Listed outside Hong Kong” are traded in the China Domestic Interbank Bond Market; equity instruments presented in “Listed outside Hong Kong” are listed in mainland China.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(2) Movements of gross carrying amount on financial assets

Financial assets measured at amortised cost

	Six months ended 30 June 2021 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	382,001,241	1,064,967	4,323,933	387,390,141
Transfer:				
Transfer from stage 1 to stage 2	(519,984)	519,984	–	–
Transfer from stage 2 to stage 3	–	(998,700)	998,700	–
New financial assets				
originated or purchased	108,727,423	–	–	108,727,423
Derecognition or settlement	(74,560,558)	–	(60,000)	(74,620,558)
Others	(599,832)	(57,492)	90,174	(567,150)
As at 30 June 2021	<u>415,048,290</u>	<u>528,759</u>	<u>5,352,807</u>	<u>420,929,856</u>
	2020 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	344,308,777	5,506,295	–	349,815,072
Transfer:				
Transfer from stage 2 to stage 1	326,661	(326,661)	–	–
Transfer from stage 2 to stage 3	–	(4,000,000)	4,000,000	–
New financial assets				
originated or purchased	155,038,582	–	60,000	155,098,582
Derecognition or settlement	(118,157,548)	(400)	–	(118,157,948)
Others	484,769	(114,267)	263,933	634,435
As at 31 December 2020	<u>382,001,241</u>	<u>1,064,967</u>	<u>4,323,933</u>	<u>387,390,141</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(2) Movements of gross carrying amount on financial assets (Continued)

Debt instruments measured at fair value through other comprehensive income

	Six months ended 30 June 2021 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	16,055,223	–	–	16,055,223
New financial assets originated or purchased	9,306,038	–	–	9,306,038
Derecognition or settlement	(4,919,050)	–	–	(4,919,050)
Others	(9,606)	–	–	(9,606)
As at 30 June 2021	<u>20,432,605</u>	<u>–</u>	<u>–</u>	<u>20,432,605</u>
	2020 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	6,679,007	–	–	6,679,007
New financial assets originated or purchased	10,580,976	–	–	10,580,976
Derecognition or settlement	(1,348,335)	–	–	(1,348,335)
Remeasurement	143,575	–	–	143,575
As at 31 December 2020	<u>16,055,223</u>	<u>–</u>	<u>–</u>	<u>16,055,223</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(3) Analysed by assessment method of ECL allowances

	As at 30 June 2021 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	415,048,290	528,759	5,352,807	420,929,856
Less: ECL allowances	(921,333)	(707)	(3,629,258)	(4,551,298)
Carrying amount of financial assets measured at amortised cost	<u>414,126,957</u>	<u>528,052</u>	<u>1,723,549</u>	<u>416,378,558</u>
Carrying amount of financial assets measured at FVOCI	<u>20,432,605</u>	—	—	<u>20,432,605</u>
Carrying amount of financial investments which recognised ECL	<u>434,559,562</u>	<u>528,052</u>	<u>1,723,549</u>	<u>436,811,163</u>
ECL allowances of financial assets measured at FVOCI	<u>(273)</u>	—	—	<u>(273)</u>
	As at 31 December 2020 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	382,001,241	1,064,967	4,323,933	387,390,141
Less: ECL allowances	(1,062,189)	(437,574)	(2,725,889)	(4,225,652)
Carrying amount of financial assets measured at amortised cost	<u>380,939,052</u>	<u>627,393</u>	<u>1,598,044</u>	<u>383,164,489</u>
Carrying amount of debt instruments measured at FVOCI	<u>16,055,223</u>	—	—	<u>16,055,223</u>
Carrying amount of financial investments which recognised ECL	<u>396,994,275</u>	<u>627,393</u>	<u>1,598,044</u>	<u>399,219,712</u>
ECL allowances of financial assets measured at FVOCI	<u>(80)</u>	—	—	<u>(80)</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(4) Analysed by movements of ECL allowances

Financial assets measured at amortised cost

	Six months ended 30 June 2021 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	1,062,189	437,574	2,725,889	4,225,652
Transfer:				
From stage 1 to stage 2	(715)	715	–	–
From stage 2 to stage 3	–	(437,574)	437,574	–
ECL changes arisen from stage transfer	–	(8)	259,810	259,802
New financial assets originated or purchased	108,092	–	–	108,092
Derecognition or settlement	(241,483)	–	(40,630)	(282,113)
Remeasurement	(6,750)	–	246,615	239,865
As at 30 June 2021	<u>921,333</u>	<u>707</u>	<u>3,629,258</u>	<u>4,551,298</u>
	2020 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	1,101,930	2,294,726	–	3,396,656
Transfer:				
From stage 2 to stage 1	5,606	(5,606)	–	–
From stage 2 to stage 3	–	(1,905,711)	1,905,711	–
ECL changes arisen from stage transfer	(4,855)	–	779,549	774,694
New financial assets originated or purchased	436,907	–	40,629	477,536
Derecognition or settlement	(418,346)	(154)	–	(418,500)
Remeasurement	(59,053)	54,319	–	(4,734)
As at 31 December 2020	<u>1,062,189</u>	<u>437,574</u>	<u>2,725,889</u>	<u>4,225,652</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(4) Analysed by movements of ECL allowances (Continued)

Financial assets measured at fair value through other comprehensive income

	Six months ended 30 June 2021 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	80	–	–	80
New financial assets originated or purchased	194	–	–	194
Remeasurement	(1)	–	–	(1)
As at 30 June 2021	<u>273</u>	<u>–</u>	<u>–</u>	<u>273</u>
	2020 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	778	–	–	778
New financial assets originated or purchased	80	–	–	80
Derecognition or settlement	(778)	–	–	(778)
As at 31 December 2020	<u>80</u>	<u>–</u>	<u>–</u>	<u>80</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

22. INVESTMENTS IN ASSOCIATES

According to the approval of CBIRC ([2020] No. 80), the Bank established Chongqing Xiaomi Consumer Finance Co., Ltd. holding the share of 30% with a capital contribution of RMB450 million. The proportion of voting rights of the Bank in Chongqing Consumer Finance Co., Ltd. is equal to that of equity holding. Chongqing Consumer Finance Co., Ltd. is registered in Chongqing, the PRC, engaging in consumer finance services, with a registered capital of RMB1.5 billion.

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

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Investment cost:		
Non-listed	450,328	450,000
Proportion of the Group in consolidated income and OCI after deducting profit distribution	<u>(19,598)</u>	<u>328</u>
	<u><u>430,730</u></u>	<u><u>450,328</u></u>

The financial statement of Chongqing Xiaomi Consumer Finance Co., Ltd. is as follow:

	As at 30 June 2021 (Unaudited)
Total assets	<u>4,691,208</u>
Total equity	<u><u>1,435,767</u></u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

22. INVESTMENTS IN ASSOCIATES (Continued)

The investment income enjoyed by the Group is recognized according to the above financial situation:

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Net assets of associates	1,435,767	1,501,094
Shareholding ratio of the Group	<u>30.00%</u>	<u>30.00%</u>
Shares of net assets of the Group in associates	<u><u>430,730</u></u>	<u><u>450,328</u></u>

The ability of joint ventures to remit funds to the Group in the form of cash dividends, or to repay loans or prepayments to the Group is not subject to significant restrictions.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

23. PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost						
As at 1 January 2020	7,068,071	1,331,436	98,669	805,920	552,578	9,856,674
Additions	107,399	211,399	280	197,401	226,805	743,284
Transferred in	214,188	28,942	1,212	50,134	(294,476)	–
Transferred to other assets	–	–	–	–	(53,153)	(53,153)
Disposals	(116,387)	(140,555)	(3,402)	(41,823)	–	(302,167)
As at 31 December 2020						
(Audited)	7,273,271	1,431,222	96,759	1,011,632	431,754	10,244,638
Additions	9,299	22,751	–	11,789	158,755	202,594
Transferred in	103,461	678	–	8,577	(112,716)	–
Transferred to other assets	–	–	–	–	(33,553)	(33,553)
Disposals	(28,945)	(11,734)	(2,966)	(19,562)	–	(63,207)
As at 30 June 2021						
(Unaudited)	7,357,086	1,442,917	93,793	1,012,436	444,240	10,350,472
Accumulated depreciation						
As at 1 January 2020	(3,189,983)	(957,143)	(91,225)	(644,439)	–	(4,882,790)
Charge for the year	(457,223)	(155,579)	(2,901)	(85,048)	–	(700,751)
Disposals	79,423	136,145	3,299	40,354	–	259,221
As at 31 December 2020						
(Audited)	(3,567,783)	(976,577)	(90,827)	(689,133)	–	(5,324,320)
Charge for the period	(213,985)	(81,958)	(978)	(40,529)	–	(337,450)
Disposals	20,942	11,345	2,877	16,951	–	52,115
As at 30 June 2021						
(Unaudited)	(3,760,826)	(1,047,190)	(88,928)	(712,711)	–	(5,609,655)
Carrying amount						
As at 30 June 2021						
(Unaudited)	3,596,260	395,727	4,865	299,725	444,240	4,740,817
As at 31 December 2020						
(Audited)	3,705,488	454,645	5,932	322,499	431,754	4,920,318

As at 30 June 2021, the registration transfer process of certain properties has not been completed and the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those assets or have an adverse effect on business.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

24. GOODWILL

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Cost and carrying amount	<u>440,129</u>	<u>440,129</u>

During the six months ended 30 June 2021, based on assessment performed by the Bank, there is no impairment for the goodwill (31 December 2020: Nil).

25. OTHER ASSETS

	NOTE	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Interest receivable	(1)	25,763	26,414
Land use rights		376,627	384,865
Pre-paid tax		101,932	61,384
Foreclosed assets	(2)	79,979	79,506
Intangible assets	(3)	170,623	157,913
Others	(4)	<u>1,076,770</u>	<u>1,104,264</u>
Total		<u>1,831,694</u>	<u>1,814,346</u>

(1) Interest receivable

As at 30 June 2021 and 31 December 2020, the Group included the interests on financial instruments, accrued using the effective interest rate method, in the carrying amounts of the corresponding financial instruments, and recorded the interests on related financial instruments that had become due and receivable but not yet been received at the balance sheet date in interest receivable under other assets.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

25. OTHER ASSETS (Continued)

- (2) Foreclosed assets

Analysis by type

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Land use rights and buildings	91,492	93,098
Allowance for impairment losses	<u>(11,513)</u>	<u>(13,592)</u>
Total	<u><u>79,979</u></u>	<u><u>79,506</u></u>

- (3) Intangible assets are mainly computer software which are amortised over 10 years.
- (4) The amounts mainly represent receivables from suppliers, decoration fees of leased assets, temporary payments of other receivables, deferred expenditure.

26. BORROWINGS FROM CENTRAL BANK

As at 30 June 2021, borrowings from central bank mainly contain the mid-term loan facilities from PBOC, of which the gross amount is RMB45,500 million (31 December 2020: RMB42,300 million).

27. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Deposits from domestic banks	8,096,669	32,979,174
Deposits from other domestic financial institutions	<u>22,279,670</u>	<u>2,460,127</u>
Total	<u><u>30,376,339</u></u>	<u><u>35,439,301</u></u>

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

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

28. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Placements from domestic banks and other financial institutions	33,193,222	26,029,948
Placements from overseas banks	<u>759,763</u>	<u>670,051</u>
Total	<u><u>33,952,985</u></u>	<u><u>26,699,999</u></u>

29. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Analysed by collateral type:		
– Debt securities	8,966,606	499,707
– Bills	<u>5,512,010</u>	<u>5,873,493</u>
Total	<u><u>14,478,616</u></u>	<u><u>6,373,200</u></u>

All repurchase agreements are due within twelve months from inception.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

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30. DEPOSITS FROM CUSTOMERS

	NOTE	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Demand deposits			
Corporate customers		112,899,491	122,309,124
Individual customers		117,698,751	128,951,929
Time deposits			
Corporate customers		42,863,783	34,061,088
Individual customers		477,411,185	432,665,168
Pledged deposits	(1)	6,272,250	7,002,513
Others (Including outward remittance and remittance outstanding)		9,435	9,992
Total		<u>757,154,895</u>	<u>724,999,814</u>

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

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Acceptances	2,943,022	3,401,115
Loans and receivables	1,390,133	1,366,301
Letters of credit	269,574	399,083
Letters of guarantee	120,648	114,645
Others	1,548,873	1,721,369
Total	<u>6,272,250</u>	<u>7,002,513</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

31. ACCRUED STAFF COSTS

	NOTE	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Salaries, bonuses and allowances		1,668,025	2,231,526
Supplementary retirement benefits	(1)	2,261,468	1,818,630
Labor union fees and staff education expenses		281,483	258,211
Early retirement benefits	(2)	144,090	149,587
Enterprise annuity	(3)	100,060	100,060
Total		<u>4,455,126</u>	<u>4,558,014</u>

(1) Supplementary retirement benefits

The Group sponsors defined benefit plans for qualified employees. The defined benefit plans include supplementary retirement benefits.

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

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

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

Supplementary retirement benefits include supplementary pension and medical benefits.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

31. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

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

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Discount rate		
Discount rate-supplementary retirement benefits	3.75%	3.75%
Discount rate-early retirement benefits	2.75%	3.00%
Annual growth rate of annuity payment	6.00%	6.00%
Annual average medical expenses inflation rate	7.00%	7.00%
Expected increase rate of cost of living for beneficiaries	4.50%	4.50%
Mortality rate	China Insurance Industry Experience Mortality Table 2010- 2013	

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

31. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

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

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Service cost:		
– Current service cost	24,460	28,510
– Past service cost	73,450	2,900
New participants during the period	710	2,900
Plan amendments	72,740	–
Net interest expense	41,250	62,680
Components of supplementary retirement benefit costs recognised in profit or loss	<u>139,160</u>	<u>94,090</u>
Remeasurement on the net defined benefit liability		
– Actuarial losses due to liability experience (i)	357,269	–
– Actuarial gains arising from changes in financial assumptions	–	(90,059)
Components of supplementary retirement benefit cost recognised in other comprehensive income	<u>357,269</u>	<u>(90,059)</u>
Total	<u><u>496,429</u></u>	<u><u>4,031</u></u>

- (i) The change resulting from the remeasurement of the net liabilities of the defined benefit plan is mainly caused by the increase in the premiums of the supplementary medical insurance provided by the Group to its employees.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

31. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

Movement in the present value of the supplementary retirement benefit obligation in the current period were as follows:

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Defined benefit obligation at beginning of the period/ year	1,818,630	1,907,119
Interest cost	41,250	62,680
(Gains)/losses arising from re-measurement on the defined benefit liability:		
– Actuarial losses due to liability experience	357,269	–
– Actuarial gains arising from changes in financial assumptions	–	(90,059)
Current service cost	24,460	28,510
Past service cost	73,450	2,900
– New participants during the period	710	2,900
– Plan amendments	72,740	–
Benefits paid	<u>(53,591)</u>	<u>(92,520)</u>
Defined benefit obligation at end of the period/year	<u>2,261,468</u>	<u>1,818,630</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

31. ACCRUED STAFF COSTS (Continued)

(2) Early retirement benefits

Early retirement benefits include basic salary and allowance paid monthly/annually, social insurance contribution and housing fund, and supplemental medical benefits in excess of the statutory level paid by the government-mandated basic medical program to original and new retired staff until they reach their normal retirement age. As such retired persons no longer bring financial benefits to the Group, the Group will provide the internal retirement benefits to such retired persons in accordance with the termination benefits treatment.

For the six months ended 30 June 2021, the Group incurred RMB18 million (for the six months ended 30 June 2020: RMB15 million), and paid RMB23 million (for the six months ended 30 June 2020: RMB24 million) in respect of the early retirement benefits plan.

(3) Enterprise annuity

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

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

32. DEBT SECURITIES ISSUED

	NOTE	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Interbank certificates of deposit issued	(1)	179,973,461	143,748,381
Bonds issued	(2)	29,217,501	29,429,828
Total		<u>209,190,962</u>	<u>173,178,209</u>

(1) As at 30 June 2021 and 31 December 2020, the tenor of the outstanding certificates of deposit issued by the Bank in the China Domestic Internal Bond Market was within 12 months.

(2) As approved by the PBOC and CBIRC, the Bank issued green financial bonds of RMB2,000 million on 3 June 2021.

As approved by the PBOC and CBIRC, the Bank issued green financial bonds of RMB1,000 million on 3 June 2021.

As approved by the PBOC and CBIRC, the Bank issued green financial bonds of RMB2,000 million on 5 November 2020.

As approved by the PBOC and CBIRC, the Bank issued financial bonds of RMB8,000 million on 12 March 2020.

As approved by the PBOC and CBIRC, the Bank issued financial bonds of RMB2,000 million on 9 January 2020.

As approved by the PBOC and CBIRC, the Bank issued callable tier-two capital bonds of RMB5,000 million on 13 June 2019.

As approved by the PBOC and CBIRC, CQRC Financial Leasing Co., Ltd., the subsidiary of the Bank, issued financial bonds of RMB2,000 million on 1 April 2019.

As approved by the PBOC and CBIRC, the Bank issued special financial bonds for small and micro enterprise loans of RMB3,000 million on 14 December 2018.

As approved by the PBOC and CBIRC, the Bank issued callable tier-two capital bonds of RMB4,000 million on 7 December 2016.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

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33. DEFERRED TAXATION

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

	As at 30 June 2021 (Unaudited)	
	Deferred tax assets/(liabilities)	Deductible/(taxable) temporary differences
Deferred tax assets		
ECL allowances	7,822,024	31,288,097
Accrued and unpaid wages, bonuses and allowances	492,036	1,968,143
Retirement benefits	212,090	848,358
Adjustment of book value of assets and liabilities on the date of establishment	31,352	125,407
Government grants	18,912	75,649
Provision	75,129	300,517
Depreciation expense and others	41,642	166,569
	<u>8,693,185</u>	<u>34,772,740</u>
Deferred tax liabilities		
Adjustment of book value of assets and liabilities on the date of establishment	(42,854)	(171,415)
Changes in fair value of financial instruments	(69,848)	(279,393)
Depreciation expense and others	(116,018)	(464,073)
	<u>(228,720)</u>	<u>(914,881)</u>
Net balances	<u>8,464,465</u>	<u>33,857,859</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

33. DEFERRED TAXATION (Continued)

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

	As at 31 December 2020 (Audited)	
	Deferred tax assets/(liabilities)	Deductible/(taxable) temporary differences
Deferred tax assets		
ECL allowances	6,728,456	26,913,820
Accrued and unpaid wages, bonuses and allowances	612,908	2,451,633
Retirement benefits	129,663	518,653
Adjustment of book value of assets and liabilities on the date of establishment	27,508	110,030
Government grants	19,562	78,247
Changes in fair value of financial instruments	76,495	305,981
Provision	62,897	251,589
Depreciation expense and others	38,674	154,698
	<u>7,696,163</u>	<u>30,784,651</u>
Deferred tax liabilities		
Adjustment of book value of assets and liabilities on the date of establishment	(43,404)	(173,617)
Depreciation expense and others	(114,115)	(456,460)
	<u>(157,519)</u>	<u>(630,077)</u>
Net balances	<u>7,538,644</u>	<u>30,154,574</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

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33. DEFERRED TAXATION (Continued)

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

	ECL allowances	Retirement benefits	Accrued salaries bonuses and allowances	Provision	Fair value changes of financial instruments	Government grants	Others	Total
As at 1 January 2021	6,728,456	129,663	612,908	62,897	76,495	19,562	(91,337)	7,538,644
Credit/(Charge) to profit or loss	1,093,568	(6,890)	(120,872)	12,232	(20,492)	(650)	5,425	962,321
Credit to other comprehensive income	—	89,317	—	—	(125,851)	—	34	(36,500)
As at 30 June 2021 (Unaudited)	<u>7,822,024</u>	<u>212,090</u>	<u>492,036</u>	<u>75,129</u>	<u>(69,848)</u>	<u>18,912</u>	<u>(85,878)</u>	<u>8,464,465</u>
As at 1 January 2020	5,141,016	161,182	583,675	100,905	(53,176)	20,211	(39,516)	5,914,297
Credit/(Charge) to profit or loss	1,587,440	(9,004)	29,233	(38,008)	29,683	(649)	(55,633)	1,543,062
Credit to other comprehensive income	—	(22,515)	—	—	99,988	—	3,812	81,285
As at 31 December 2020 (Audited)	<u>6,728,456</u>	<u>129,663</u>	<u>612,908</u>	<u>62,897</u>	<u>76,495</u>	<u>19,562</u>	<u>(91,337)</u>	<u>7,538,644</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

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34. OTHER LIABILITIES

		As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Other payables	(1)	5,438,924	5,106,230
Deferred income	(2)	683,911	658,981
Tax payables (excluding corporate income tax payable)	(3)	558,736	421,094
Provision	(4)	300,517	251,589
Dividend payable		<u>239,978</u>	<u>44,801</u>
Total		<u><u>7,222,066</u></u>	<u><u>6,482,695</u></u>

(1) Other payables

		As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Leasing business related payables		2,818,985	2,713,167
Payables from providing agency services		1,123,282	1,358,035
Items in process of clearing and settlement		583,495	288,028
Long term loans	(i)	35,904	35,904
Others		<u>877,258</u>	<u>711,096</u>
Total		<u><u>5,438,924</u></u>	<u><u>5,106,230</u></u>

- (i) The amounts represent special-purpose loans from International Fund for Agriculture Development (“IFAD”) to support the petty loans in the PRC.

As at 30 June 2021 and 31 December 2020, the loans bear a fixed interest rate of 0.75% per annum. At 30 June 2021, these loans have a remaining life of 23 years. The terms are similar to the related loans granted to customers.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

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34. OTHER LIABILITIES (Continued)

(2) Deferred income

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

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Deferred leasing income	536,371	532,810
Government grants	75,698	76,881
Fee and commission	67,193	44,109
Operating leasing	4,649	5,066
Others	—	115
Total	<u>683,911</u>	<u>658,981</u>

(3) Tax payables (excluding corporate income tax payable)

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Value added tax	469,552	367,584
Urban maintenance and construction tax	33,639	24,758
Individual income tax	25,478	6,038
Others	30,067	22,714
Total	<u>558,736</u>	<u>421,094</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

34. OTHER LIABILITIES (Continued)

(4) Provision

		As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Expected credit loss provision	(ii)	200,800	159,919
Others		<u>99,717</u>	<u>91,670</u>
Total		<u><u>300,517</u></u>	<u><u>251,589</u></u>

(ii) As at 30 June 2021 and 31 December 2020, the Group's provision for credit impairment losses due to loan commitments and financial guarantee contracts are mainly in Stage 1.

35. SHARE CAPITAL

	Number of shares (in thousands)	Amount
As at 31 December 2020 (Audited)	11,357,000	11,357,000
As at 30 June 2021 (Unaudited)	<u><u>11,357,000</u></u>	<u><u>11,357,000</u></u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

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36. CAPITAL RESERVE

The Bank issued shares at a premium. Share premium was recorded in the capital reserve after deducting direct issuance costs which mainly included underwriting fees and professional fees. Where the Group has acquired a subsidiary's equity interest held by non-controlling shareholders, the difference between the increase in the cost of long-term equity investments as a result of acquisition of non-controlling interests and the share of net assets of the subsidiary calculated continuously from the acquisition date based on the new shareholding proportion shall be adjusted to the capital premium.

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

37. INVESTMENT REVALUATION RESERVE

	Pre-tax amount	Tax impact	Net-of-tax amount
As at 31 December 2019	(142,076)	35,518	(106,558)
Fair value (losses)/gains for the year			
Amount reclassified to profit or loss upon disposal of financial assets measured at FVOCI	(307,331)	76,833	(230,498)
Amount that cannot be reclassified to profit or loss upon disposal of financial assets measured at FVOCI	(107,869)	26,967	(80,902)
As at 31 December 2020 (Audited)	<u>(557,276)</u>	<u>139,318</u>	<u>(417,958)</u>
As at 31 December 2020	(557,276)	139,318	(417,958)
Fair value gains/(losses) for the period			
Amount reclassified to profit or loss upon disposal of financial assets measured at FVOCI	101,482	(25,370)	76,112
Amount that cannot be reclassified to profit or loss upon disposal of financial assets measured at FVOCI	401,787	(100,447)	301,340
As at 30 June 2021 (Unaudited)	<u>(54,007)</u>	<u>13,501</u>	<u>(40,506)</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

38. SURPLUS RESERVE

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

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

For the six months ended 30 June 2021, the Bank does not propose any appropriation to statutory surplus reserve (For the six months ended 30 June 2020: Nil) and the Bank does not propose any appropriation to discretionary surplus (For the six months ended 30 June 2020: Nil).

39. GENERAL RESERVE

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

During the six months ended 30 June 2021, the Bank transferred RMB1,702 million to general reserve pursuant to the regulatory requirement (during the six months ended 30 June 2020: RMB1,293 million).

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

40. RETAINED EARNINGS

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

	Six months ended 30 June 2021 (Unaudited)	2020 (Audited)
At beginning of the period/year	35,062,157	31,891,253
Profit for the period/year	5,316,534	7,862,538
Appropriation to surplus reserve	–	(786,254)
Appropriation to general reserve	(1,702,428)	(1,293,270)
Dividends recognised as distribution	(2,521,254)	(2,612,110)
Other comprehensive income transferred to retained earnings	–	–
	<u>36,155,009</u>	<u>35,062,157</u>

41. CASH AND CASH EQUIVALENTS

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

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Cash	2,777,705	3,144,929
Surplus reserve deposits with central bank	6,380,920	5,702,967
Deposits with banks and other financial institutions	8,058,845	8,856,396
Placements with banks and other financial institutions	3,208,404	260,000
Financial assets held under resale agreements	6,159,299	1,303,846
	<u>26,585,173</u>	<u>19,268,138</u>
Total	<u>26,585,173</u>	<u>19,268,138</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

42. SEGMENT ANALYSIS

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

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

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

The Group has no major customers which contribute 10 percent or more of the Group's income.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Operating segment

The Group provides a diversified range of banking and related financial services. The products and services offered to customers are organised into three operating segments:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit takings, financial leasing and other types of corporate intermediary services.

Personal banking

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

Financial market operations

The Group's treasury operations segment conducts money market or repurchase transactions and debt instruments investment for its own accounts or on behalf of customers.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

42. SEGMENT ANALYSIS (Continued)

Operating segment (Continued)

	For the six months ended 30 June 2021 (Unaudited)					
	Corporate banking	Personal banking	Financial market operations	Segment total	Unallocated	Total
External interest income	7,347,844	7,031,446	11,007,544	25,386,834	-	25,386,834
External interest expense	(1,145,148)	(6,103,542)	(5,034,163)	(12,282,853)	-	(12,282,853)
Inter-segment interest (expense)/income	(1,404,854)	4,587,477	(3,182,623)	-	-	-
Net interest income	4,797,842	5,515,381	2,790,758	13,103,981	-	13,103,981
Fee and commission income	313,397	687,519	317,590	1,318,506	-	1,318,506
Fee and commission expense	(9,712)	(7,073)	(39,192)	(55,977)	-	(55,977)
Net fee and commission income	303,685	680,446	278,398	1,262,529	-	1,262,529
Net trading gains	-	-	536,150	536,150	-	536,150
Share of profits of associates	-	-	-	-	(19,598)	(19,598)
Other operating income, net	70,640	98,002	51,735	220,377	19,717	240,094
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	-	-	48,294	48,294	-	48,294
Operating income	5,172,167	6,293,829	3,705,335	15,171,331	119	15,171,450
Operating expenses	(1,376,706)	(1,701,383)	(1,126,416)	(4,204,505)	-	(4,204,505)
Expected Credit Losses	(2,544,791)	(1,084,628)	(323,540)	(3,952,959)	-	(3,952,959)
Profit before tax	<u>1,250,670</u>	<u>3,507,818</u>	<u>2,255,379</u>	<u>7,013,867</u>	<u>119</u>	<u>7,013,986</u>
Income tax expense					(1,196,099)	(1,196,099)
Profit for the period						<u>5,817,887</u>
Depreciation and amortisation included in operating expenses	132,355	163,569	108,291	404,215	-	404,215
Capital expenditure	<u>66,372</u>	<u>82,025</u>	<u>54,305</u>	<u>202,702</u>	<u>-</u>	<u>202,702</u>
	As at 30 June 2021 (Unaudited)					
Segment assets	289,357,746	247,725,051	672,869,749	1,209,952,546	14,266,894	1,224,219,440
Segment liabilities	168,979,253	597,434,390	357,135,334	1,123,548,977	2,192,120	1,125,741,097
Supplementary information						
Credit commitments	<u>12,834,255</u>	<u>24,136,909</u>	<u>-</u>	<u>36,971,164</u>	<u>-</u>	<u>36,971,164</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

42. SEGMENT ANALYSIS (Continued)

Operating segment (Continued)

	For the six months ended 30 June 2020 (Unaudited)					
	Corporate banking	Personal banking	Financial market operations	Segment total	Unallocated	Total
External interest income	6,911,375	5,723,227	10,120,495	22,755,097	–	2,755,097
External interest expense	(1,028,158)	(5,941,070)	(3,707,989)	(10,677,217)	–	(10,677,217)
Inter-segment interest (expense)/income	(1,230,467)	4,961,523	(3,731,056)	–	–	–
Net interest income	4,652,750	4,743,680	2,681,450	12,077,880	–	12,077,880
Fee and commission income	317,453	565,006	548,954	1,431,413	–	1,431,413
Fee and commission expense	(10,901)	(24,135)	(13,940)	(48,976)	–	(48,976)
Net fee and commission income	306,552	540,871	535,014	1,382,437	–	1,382,437
Net trading gains	–	–	396,475	396,475	–	396,475
Share of profits of associates	–	–	–	–	(2,721)	(2,721)
Other operating income, net	1,074	880	21,834	23,788	5,742	29,530
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	–	–	38,401	38,401	–	38,401
Net gains on derecognition of financial assets measured at amortized cost	–	–	982	982	–	982
Operating income	4,960,376	5,285,431	3,674,156	13,919,963	3,021	13,922,984
Operating expenses	(1,293,848)	(1,577,847)	(937,788)	(3,809,483)	–	(3,809,483)
Expected Credit Losses	(2,034,451)	(1,144,258)	(534,952)	(3,713,661)	–	(3,713,661)
Profit before tax	<u>1,632,077</u>	<u>2,563,326</u>	<u>2,201,416</u>	<u>6,396,819</u>	<u>3,021</u>	<u>6,399,840</u>
Income tax expense					(1,134,706)	(1,134,706)
Profit for the period						<u>5,265,134</u>
Depreciation and amortisation included in operating expenses	148,971	181,670	107,973	438,614	–	438,614
Capital expenditure	<u>45,374</u>	<u>55,334</u>	<u>32,887</u>	<u>133,595</u>	–	<u>133,595</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

42. SEGMENT ANALYSIS (Continued)

Operating segment (Continued)

	As at 31 December 2020 (Audited)					
Segment assets	272,591,604	210,513,240	639,730,733	1,122,835,577	13,530,995	1,136,366,572
Segment liabilities	169,739,455	563,635,428	305,680,556	1,039,055,439	2,238,923	1,041,294,362
Supplementary information						
Credit commitments	<u>15,430,825</u>	<u>21,959,923</u>	<u>-</u>	<u>37,390,748</u>	<u>-</u>	<u>37,390,748</u>

Unallocated assets mainly include property and equipment of the Group, equity investments, goodwill and deferred tax assets. Unallocated liabilities mainly include tax liabilities and dividends payable.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

43. RELATED PARTY TRANSACTIONS

(1) Related parties of the Group

The directors of the Bank consider that the following shareholders are related parties of the Group:

Name of shareholders	Percentage of shares holding of the Bank (%)	
	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Chongqing Yufu Assets Management Group Co., Ltd. (重慶渝富資本運營集團有限公司)	8.70	8.70
Chongqing City Investment (Group) Co., Ltd. (重慶市城市建設投資(集團)有限公司)	7.02	7.02
Chongqing Development and Real Estate Management Company (重慶發展置業管理有限公司)	5.19	5.19
Loncin Holding Co., Ltd. (隆鑫控股有限公司)	5.02	5.02
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司) (a)	1.92	3.90
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	1.66	1.76
Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司)	1.33	1.33
Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司) (a)	1.32	1.32
Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	0.64	1.64

(a) The company was a shareholder related party of the Group in the past 12 months.

Other related parties include key management members and their close family members; the enterprises directly or indirectly controlled by key management members and their close family members or served by key management members and their close family members as directors or senior management; staffs with credit approval authority and their close family members; the enterprises directly or indirectly controlled by staffs with credit approval authority and their close family members or served by staffs with credit approval authority and their close family members as director or senior management; the enterprises related to shareholders with more than 5% (including 5%) shares of the Bank, or shareholders who hold less than 5% of the total shares or capital but have significant influence on the Bank's operation and management; the natural persons or legal persons who satisfy any circumstances above in the next 12 months in accordance with the relevant agreement and arrangement or in the past 12 months.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

43. RELATED PARTY TRANSACTIONS (Continued)

(2) Related party transactions

For the six months ended 30 June 2021, the Group entered into the following material transactions with related parties

	Interest income		Interest expense	
	For the six months ended 30 June		For the six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Shareholders of the Bank	91,728	204,347	7,090	7,726
Other related parties	259,365	268,768	243,067	201,471
Total	351,093	473,115	250,157	209,197

Other than interest income, fee and commission income of the Group arising from related party transactions for the six-month ended 30 June 2021 and 2020 was not significant either individually or in aggregate.

The amount of lease expense or income incurred by the Group with related parties is not significant for the six-month ended 30 June 2021 and 2020.

At the end of each reporting period, the Group had the following material outstanding balances with related parties:

	Loans and advances to related parties		Customer deposits from related parties	
	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
	Shareholders of the Bank	3,991,474	4,883,474	1,758,377
Other related parties	11,166,844	11,713,833	20,562,184	21,150,309
Total	15,158,318	16,597,307	22,320,561	22,071,600

For the period ended 30 June 2021, the Group wrote off the loans of Loncin Holdings Limited amounted to RMB1,392 million.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

43. RELATED PARTY TRANSACTIONS (Continued)

(2) Related party transactions (Continued)

	Guarantee provided by related guarantee companies	
	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Other related guarantee companies	<u>18,059,153</u>	<u>21,171,950</u>

In addition to the above-mentioned businesses, related guarantee companies also provide guarantees for part of the Group's financial investments.

The conditions and prices of these transactions are determined on the basis of market price and normal business procedure or contractual terms. They are examined and approved in accordance with the transaction type and content by corresponding decision-making authority. The impairment of the investments and loans in related parties was assessed using expected credit loss (ECL) model, the same as regular investments and loans.

As at 30 June 2021, in trust investments, the principal balance of RMB1,400 million was invested to related parties of the Bank (31 December 2020: RMB1,429 million); in debt securities investments, the principal balance of bonds and interbank deposit certificates issued by related parties and purchased by the Bank was RMB530 million (31 December 2020: RMB1,265 million); in the financial assets measured at fair value through profit and loss, the bond with a principal balance of RMB30 million were issued by related parties and purchased by the Bank (31 December 2020: RMB0 million).

As at 30 June 2021, the principal balance of the Bank's deposits and placements with related parties was RMB1,259 million (31 December 2020: RMB2,209 million).

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

43. RELATED PARTY TRANSACTIONS (Continued)

(3) Transactions between the Bank and its subsidiaries

There are various types of related party transactions between the Bank and its subsidiaries. The conditions and prices of these transactions are determined on the basis of market price and normal business procedure or contractual terms. They are examined and approved in accordance with the transaction type and content by corresponding decision-making authority.

For the six months ended at 30 June 2021 and the year ended at 31 December 2020, transactions between the Bank and its subsidiaries include deposits with banks, deposits from banks, placement with banks and other financial institutions, bond investment, wealth management products, and so forth.

As at 30 June 2021, the Bank's deposits with subsidiaries amounted to RMB452 million (31 December 2020: RMB381 million); the Bank's deposits from subsidiaries amounted to RMB554 million (31 December 2020: RMB922 million); the Bank's placements with subsidiaries amounted to RMB3,750 million (31 December 2020: RMB4,650 million); debt securities issued by the Bank's subsidiary and purchased by the Bank amounted to RMB100 million (31 December 2020: RMB100 million); wealth management products issued by the Bank's subsidiary and purchased by the Bank amounted to RMB3,150 million (31 December 2020: RMB1,000 million).

For the six months ended at 30 June 2021, the interest income of the Bank's transactions with subsidiaries amounted to RMB91 million (for the six months ended at 30 June 2020: RMB81 million); the interest expense amounted to RMB8 million (for the six months ended at 30 June 2020: RMB8 million).

Other than the transactions above, outstanding balances with subsidiaries as at 30 June 2021 and 31 December 2020 was not significant.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

43. RELATED PARTY TRANSACTIONS (Continued)

(4) Key management personnel

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

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

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
key management personnel remuneration	<u>1,670</u>	<u>1,855</u>

Key management personnel remuneration refers to paid remuneration to directors and senior management in the current year approved in accordance with internal and external management requirements, including the basic annual salary and advance performance salary for the six months ended 30 June 2021 that was issued in accordance with external regulatory requirements.

Certain key management personnel' s final emoluments for the six months ended 30 June 2021 are subject to approval by relevant authorities in the PRC and have not been finalised on report date. Management of the Group believes that difference in emoluments will not have significant impact on the consolidated financial statements of the Group as at for the six months ended 30 June 2021.

For the six months ended 30 June 2021, both the loans made to key management personnel and their relatives, and the corresponding interest income are not material.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

44. STRUCTURED ENTITIES

(1) Unconsolidated structured entities managed by the Group

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

As at 30 June 2021 and 31 December 2020, the outstanding WMPs issued by the Group amounted to RMB139,435 million and RMB137,255 million, respectively, which represent the total size of the WMP vehicles. The interest of the Group from the operation of the WMPs mainly consists of fee and commission income. For the six months ended 30 June 2021, the Group’s interest in the non-guaranteed WMP Vehicles included in Fee and Commission Income was RMB752 million (for the six months ended at 30 June 2020: RMB918 million).

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMP vehicles or any third parties that could increase the level of the Group’s risk from or reduce its interest in WMP vehicles disclosed above during the six months ended 30 June 2021 and the year ended 31 December 2020. The Group is not required to absorb any loss incurred by WMPs before other parties.

During the six months ended 30 June 2021 and the year ended 31 December 2020, no loss was incurred by the WMP Vehicles relating to the Group’s interests in the WMP Vehicles, and the WMP Vehicles did not experience difficulty in financing their activities.

In July 2020, the regulators announced the extension to the end of 2021 of the transition period set out in the Guiding Opinions on Improving the Compliance of the Asset Management Operations of Financial Institutions, encouraging financial institutions to adopt a combination of methods to dispose their existing portfolio, including assumption in the new products, market-oriented transfer, and/or recognition in the balance sheet. According to regulatory requirements, the Bank pragmatically, efficiently, actively and orderly promotes net worth product, asset standardization, disposal of existing portfolio, etc., and strives to achieve the smooth transition and steady development of wealth management business.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

44. STRUCTURED ENTITIES (Continued)

(2) Unconsolidated structured entities held by the Group

The Group invests in a number of other unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. As at 30 June 2021 and 31 December 2020, the Group's maximum exposure to these other unconsolidated structured entities is summarised in the table below.

	As at 30 June 2021 (Unaudited)		
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Maximum exposure to credit risk
WMPs issued by other banks	3,340,427	–	3,340,427
Funds	22,743,609	–	22,743,609
Trust beneficial rights	112,132	5,824,643	5,936,775
Asset-backed securities	–	67,521,635	67,521,635
Assst management plans	2,806,689	–	2,806,689
Total	29,002,857	73,346,278	102,349,135

	As at 31 December 2020 (Audited)		
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Maximum exposure to credit risk
WMPs issued by other banks	2,265,065	–	2,265,065
Funds	21,028,362	–	21,028,362
Trust beneficial rights	–	6,780,468	6,780,468
Asset-backed securities	–	49,984,950	49,984,950
Total	23,293,427	56,765,418	80,058,845

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

44. STRUCTURED ENTITIES (Continued)

(2) Unconsolidated structured entities held by the Group (Continued)

The underlying assets of trust beneficial rights and asset-backed securities primarily include trust loans and credit assets, the underlying assets of WMPs issued by other banks, funds and asset management plans primarily includes interbank assets and bonds. Asset-backed securities are mainly issued by financial institutions.

Information of the total size of the Unconsolidated Structured Entities of the Group listed above is not readily available from the public.

(3) Consolidated structured entities

The Group's non-principal guaranteed WMPs issued by CQRC Financial Leasing Company Limited is consolidated by the Group at 30 June 2021, which amounted to RMB3,150 million (31 December 2020: 1,000 million). During the six months ended 30 June 2021 and the year 2020, the Group did not provide financial support to the consolidated structured entities.

45. CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings

The Group is involved as defendants in certain lawsuits arising from its normal business operations. As at 30 June 2021 and 31 December 2020, provisions of RMB3.83 million and RMB1.59 million were made respectively based on court judgments or the advice of counsels. The directors of the Bank believe, based on legal advice, that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

Capital commitments

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Contracted but not provided for	<u>433.988</u>	<u>501.665</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

45. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Credit commitments

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Acceptances	6,992,308	9,236,861
Undrawn credit card limit	24,136,909	21,959,923
Letters of guarantee	3,339,790	3,799,237
Letters of credit issued	<u>2,502,157</u>	<u>2,394,727</u>
Total	<u>36,971,164</u>	<u>37,390,748</u>

Credit commitments represent general facility limits granted to customers. These credit facilities may be drawn in the form of loans and advances or through the issuance of letters of credit, acceptances or letters of guarantee.

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

Credit risk weighted amounts for credit commitments

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Credit commitments	<u>12,533,993</u>	<u>15,577,978</u>

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBIRC and are dependent on, among other factors, the creditworthiness of the counterparty and the maturity characteristics. The risk weightings used range from 0% to 100%, for contingent liabilities and commitments.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

45. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Collateral

Assets pledged as collateral

The carrying amount of assets pledged as collateral under repurchase agreement and borrowings from central bank and etc. by the Group is as follows:

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Bonds	97,585,325	79,241,623
Bills	<u>5,344,703</u>	<u>5,869,707</u>
Total	<u>102,930,028</u>	<u>85,111,330</u>

Collateral accepted

The Group received bills and securities as collaterals in connection with the securities lending transactions and the purchase of assets under resale agreements. The Group has no collaterals that have been re-pledged, with the obligation of the Group to return at the maturity date as at 30 June 2021 and 31 December 2020.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

46. TRANSFER OF FINANCIAL ASSETS

(1) Financial assets sold under repurchase agreements

In daily operating activities, the Group entered into repurchase agreements with certain counterparties. As at 30 June 2021, there are debt securities with carrying amount of RMB8,966 million under these agreements measured at amortised cost (31 December 2020: RMB569 million). The carrying amount of bills, which were sold by the Group to certain counterparties and were subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices, was RMB5,345 million as at 30 June 2021 (31 December 2020: RMB5,870 million). The proceeds from selling such debt securities and bills totalling RMB14,479 million as at 30 June 2021 (31 December 2020: RMB6,373 million) are presented as “financial assets sold under repurchase agreements” (see Note 29).

As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these debt securities and bills to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these securities during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these debt securities and therefore has not derecognised from the consolidated financial statements but regarded as “collateral” for the secured lending from the counterparties.

(2) Rediscounted bills

As at 30 June 2021 and 31 December 2020, the carrying amount of the outstanding rediscounted bills of the Group, which qualifies for derecognition, were RMB510 million and RMB5,360 million, respectively.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

46. TRANSFER OF FINANCIAL ASSETS (Continued)

(3) Asset securitisation

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

As at 30 June 2021 and 31 December 2020, the Group's credit assets transferred have expired.

(4) Transfer of non-performing loans

For the six months ended 30 June 2021, the Group did not dispose non-performing assets (30 June 2020: Nil) by transferring them to third parties. The Group analysed whether to derecognise related credit asset according to the degree of risk and reward retention. After the assessment, the Group derecognised the relevant credit assets.

(5) Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or repledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 30 June 2021, the principal balances of debt securities lent to counterparties was RMB12,730 million. (31 December 2020: RMB1,690 million).

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT

(1) Overview

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

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

The major risks of the Group include credit risk, market risk and liquidity risk. Market risk includes currency risk and interest risk. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(2) Risk Management Framework

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

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

The Group's framework of financial risk management, risk management policies and process except for credit risk used in preparing the interim condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's consolidated financial statement for the year end 31 December 2020.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk

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

(i) Loans and advances to customers

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

The Group strictly implements the "Measures for Management of Bad Debt Verification of Financial Enterprises" issued by Ministry of Finance. For those claims that have taken necessary measures and implemented necessary procedures and are still unable to recover, they will be written off after approval if complying with the conditions for the recognition of bad debts. For the six months ended 30 June 2021, the Group wrote off non-performing loans of RMB2,534 million (for the six months ended 30 June 2020: RMB1,877 million).

(ii) Due from banks and other financial institutions

The Group adopts a Group-to-Group principle for credit to financial institutions. The Group set credit lines for financial institutions or single financial institutions that have financial transactions with the Group.

(iii) Bonds and other notes

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

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (continued)

(iv) Other financial assets

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

(v) Credit commitments

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

Expected Credit Loss Measurement

The Group adopts a “three-stage” model for impairment based on changes in credit quality since initial recognition, to estimate the ECL.

Stage 1: Financials instruments with no significant increase in credit risk after initial recognition. Expected credit losses in the next 12 months is recognised.

Stage 2: There are significant increase in credit risk since initial recognition, but no objective evidence of impairment of the financial instrument. Lifetime ECL of financial instruments is recognised.

Stage 3: Financial instruments show objective evidence of impairment on the balance sheet date. Lifetime ECL is recognised.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

(v) Credit commitments (Continued)

Significant Increase in Credit Risk (SICR)

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

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

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

After the outbreak of COVID-19, the Group provided relief plans to existing customers affected by the epidemic. For customers who applied for loan relief plans, the Group prudently determined whether there was a significant change in their credit risk based on the specific terms of deferred repayment, the borrower's credit status and repayment ability, and other evidence-based information. For customers who applied for temporary deferred repayment facilities due to the epidemic, the Group paid attention to and promptly determined whether there was a significant change in the credit risk instead of only considering deferred repayment facilities.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

(v) Credit commitments (Continued)

Definition on Default and Credit-impaired Assets

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

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

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

(v) Credit commitments (Continued)

Measuring ECL – Explanation of Inputs, Assumptions and Estimation Techniques

The Group's method of measuring ECL of financial assets includes risk parameter modelling approach and discounted cash flow modelling approach. The discounted cash flow model is applicable to financial assets classified into stage three which are large-amount and high-risk. The risk parameter model is applicable to financial assets divided into phase one, phase two and phase three which cash flow model is not applicable.

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

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

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

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

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

The ECL of financial assets using the discounted cash flow modelling approach is measured based on the difference between the total book value and the present value of estimated future cash flows discounted at a certain discount rate.

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

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

(v) Credit commitments (Continued)

Forward-looking Information

The calculation of ECL incorporates forward-looking macro-economic information.

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

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

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

For the six months ended 30 June 2021, the forecast value range of the Group's baseline scenario for the year-on-year growth rate of Chongqing's gross product (GDP) in 2021 is 7.50%-8.50%. The Group fully considered the impact of COVID-19 when evaluating the forecast information used in the ECL model, and made careful adjustments to the macroeconomic forecast.

Combined with expert judgment, the Group set the weighting of multiple scenarios based on the principle of taking the baseline scenario as the main and the rest scenarios as a supplement. The weight of the baseline scenario of the Group as at June 30, 2021 is higher than the weights of other scenarios.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

(v) Credit commitments (Continued)

Sensitivity analysis

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

As at 30 June 2021, the Group's credit impairment provision would increase by RMB425 million, assuming that the weighting of the optimistic scenario is reduced by 10% while the weighting of the baseline scenario is increased by 10%. The Group's credit impairment provision would decrease by RMB588 million, if the weighting of the pessimistic scenario is reduced by 10%, and the weight of baseline scenario is increased by 10%.

As at 31 December 2020, the Group's credit impairment provision would increase by RMB407 million, assuming that the weighting of the optimistic scenario is reduced by 10% while the weighting of the baseline scenario is increased by 10%. The Group's credit impairment provision would decrease by RMB560 million, if the weighting of the pessimistic scenario is reduced by 10%, and the weight of baseline scenario is increased by 10%.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of the reporting period without taking into account any collateral held or other credit enhancements. The maximum exposure to credit risk at the end of the reporting period is represented by the carrying amount of each financial asset recognised in the consolidated statements of financial position and credit commitments disclosed in Note 45 “Contingent Liabilities and Commitments”.

	As at 30 June 2021 (Unaudited)				Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements
	Stage 1	Stage 2	Stage 3	Not applicable	
Financial assets					
Cash and balances with central bank	62,532,161	-	-	-	62,532,161
Deposits with banks and other financial institutions	19,720,374	-	-	-	19,720,374
Placements with banks and other financial institutions	103,955,705	-	-	-	103,955,705
Derivative financial assets	-	-	-	19,301	19,301
Financial assets held under resale agreements	6,542,983	-	-	-	6,542,983
Loans and advances to customers	523,078,582	15,044,989	1,353,842	-	539,477,413
Financial investments					
Financial assets measured at fair value through profit or loss	-	-	-	35,284,533	35,284,533
Financial assets measured at fair value through other comprehensive income	20,432,605	-	-	-	20,432,605
Financial assets measured at amortised cost	414,126,957	528,052	1,723,549	-	416,378,558
Other financial assets	1,066,246	-	-	-	1,066,246
Subtotal	1,151,455,613	15,573,041	3,077,391	35,303,834	1,205,409,879
Off-balance sheet credit commitments	36,297,297	673,487	380	-	36,971,164
Total	1,187,752,910	16,246,528	3,077,771	35,303,834	1,242,381,043

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

	As at 31 December 2020 (Audited)				Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements
	Stage 1	Stage 2	Stage 3	Not applicable	
Financial assets					
Cash and balances with central bank	62,223,994	-	-	-	62,223,994
Deposits with banks and other financial institutions	27,771,457	-	-	-	27,771,457
Placements with banks and other financial institutions	109,615,104	-	-	-	109,615,104
Financial assets held under resale agreements	1,303,008	-	-	-	1,303,008
Derivative financial assets	-	-	-	58,492	58,492
Loans and advances to customers	473,595,465	11,775,562	1,592,376	-	486,963,403
Financial investments					
Financial assets measured at fair value through profit or loss	-	-	-	30,164,463	30,164,463
Financial assets measured at fair value through other comprehensive income	16,055,223	-	-	-	16,055,223
Financial assets measured at amortised cost	380,939,052	627,393	1,598,044	-	383,164,489
Other financial assets	1,093,264	-	-	-	1,093,264
Subtotal	1,072,596,567	12,402,955	3,190,420	30,222,955	1,118,412,897
Off-balance sheet credit commitments	36,997,061	233,715	53	-	37,230,829
Total	1,109,593,628	12,636,670	3,190,473	30,222,955	1,155,643,726

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

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

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

Corporate loans and advances	As at 30 June 2021 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Credit rating				
Risk level 1	189,938,632	3,075,296	–	193,013,928
Risk level 2	76,183,487	13,012,567	–	89,196,054
Risk level 3	–	1,876,601	–	1,876,601
Default	–	–	6,090,747	6,090,747
Gross carrying amount	<u>266,122,119</u>	<u>17,964,464</u>	<u>6,090,747</u>	<u>290,177,330</u>
ECL allowance	<u>(5,566,307)</u>	<u>(4,235,317)</u>	<u>(5,030,478)</u>	<u>(14,832,102)</u>
Net carrying amount	<u>260,555,812</u>	<u>13,729,147</u>	<u>1,060,269</u>	<u>275,345,228</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

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

Personal loans and advances	As at 30 June 2021 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Credit rating				
Risk level 1	251,229,346	–	–	251,229,346
Risk level 2	147,673	1,790,275	–	1,937,948
Risk level 3	–	179,657	–	179,657
Default	–	–	1,452,123	1,452,123
Gross carrying amount	<u>251,377,019</u>	<u>1,969,932</u>	<u>1,452,123</u>	<u>254,799,074</u>
ECL allowance	<u>(5,758,287)</u>	<u>(654,090)</u>	<u>(1,159,550)</u>	<u>(7,571,927)</u>
Net carrying amount	<u>245,618,732</u>	<u>1,315,842</u>	<u>292,573</u>	<u>247,227,147</u>

As at 30 June 2021, discounted bills included in corporate loans and advances were RMB16,905 million (31 December 2020: RMB17,711 million, the credit risk level is mainly “Risk level 1”).

Notes To The Interim Condensed Consolidated Financial Information (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

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

Corporate loans and advances	As at 31 December 2020 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Credit rating				
Risk level 1	160,733,375	1,718,692	–	162,452,067
Risk level 2	92,229,441	11,531,122	–	103,760,563
Risk level 3	–	1,028,574	–	1,028,574
Default	–	–	6,390,083	6,390,083
Gross carrying amount	<u>252,962,816</u>	<u>14,278,388</u>	<u>6,390,083</u>	<u>273,631,287</u>
ECL allowance	<u>(5,699,101)</u>	<u>(3,667,757)</u>	<u>(5,076,089)</u>	<u>(14,442,947)</u>
Net carrying amount	<u>247,263,715</u>	<u>10,610,631</u>	<u>1,313,994</u>	<u>259,188,340</u>

Personal loans and advances	As at 31 December 2020 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Credit rating				
Risk level 1	213,362,245	–	–	213,362,245
Risk level 2	109,586	1,584,743	–	1,694,329
Risk level 3	–	159,035	–	159,035
Default	–	–	1,328,084	1,328,084
Gross carrying amount	<u>213,471,831</u>	<u>1,743,778</u>	<u>1,328,084</u>	<u>216,543,693</u>
ECL allowance	<u>(4,849,971)</u>	<u>(578,847)</u>	<u>(1,050,702)</u>	<u>(6,479,520)</u>
Net carrying amount	<u>208,621,860</u>	<u>1,164,931</u>	<u>277,382</u>	<u>210,064,173</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Loans and advances to Customers

- (i) The composition of loans and advances to customers by industry or by nature is analysed as follows:

	As at 30 June 2021 (Unaudited)		As at 31 December 2020 (Audited)	
	Amount	%	Amount	%
Corporate loans and advances				
Water, environment and public utilities management	69,928,820	22.77	63,969,943	21.96
Leasing and commercial services	66,149,497	21.54	60,894,463	20.90
Manufacturing	64,504,040	21.01	63,304,280	21.73
Retail and wholesale	26,170,301	8.52	26,318,943	9.03
Production and supply of electricity, heating, gas and water	21,847,677	7.11	19,624,184	6.74
Transportation, logistics and postal services	21,784,819	7.09	18,352,497	6.30
Construction	6,505,874	2.12	7,089,808	2.43
Sanitation and social work	6,502,612	2.12	6,288,277	2.16
Financial industry	6,193,025	2.02	7,608,672	2.61
Real estate	5,484,519	1.79	5,676,948	1.95
Others	12,011,184	3.91	12,214,162	4.19
Subtotal	<u>307,082,368</u>	<u>100.00</u>	<u>291,342,177</u>	<u>100.00</u>
Personal loans and advances				
Mortgages	99,211,760	38.94	91,337,004	42.18
Loans to private business and employment assistance loans	79,650,017	31.26	66,799,803	30.85
Credit cards	6,823,811	2.68	5,002,879	2.31
Others	69,113,486	27.12	53,404,007	24.66
Subtotal	<u>254,799,074</u>	<u>100.00</u>	<u>216,543,693</u>	<u>100.00</u>
Total	<u>561,881,442</u>		<u>507,885,870</u>	

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Loans and advances to customers (Continued)

(ii) The composition of of loans and advances to customers by contractual maturity and collateral type is analysed as follows:

	As at 30 June 2021 (Unaudited)			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Unsecured loans	51,431,078	29,303,675	14,201,547	94,936,300
Guaranteed loans	29,209,688	80,068,282	69,910,577	179,188,547
Collateralised and other secured loans				
– loans secured by property and other immovable assets	72,766,674	38,425,231	116,778,639	227,970,544
– other pledged loans	19,829,782	5,195,628	34,760,641	59,786,051
Total	173,237,222	152,992,816	235,651,404	561,881,442

	As at 31 December 2020 (Audited)			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Unsecured loans	45,364,810	22,980,557	9,318,826	77,664,193
Guaranteed loans	33,542,293	61,235,221	65,560,134	160,337,648
Collateralised and other secured loans				
– loans secured by property and other immovable assets	67,782,253	32,896,282	107,901,668	208,580,203
– other pledged loans	20,994,359	5,530,668	34,778,799	61,303,826
Total	167,683,715	122,642,728	217,559,427	507,885,870

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Loans and advances to customers (Continued)

(iii) Overdue loans

	As at 30 June 2021 (Unaudited)				
	Up to 90 days	91 – 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	331,383	306,029	34,294	7,764	679,470
Guaranteed loans	1,486,634	721,107	983,672	146,090	3,337,503
Collateralised and other secured loans					
– loans secured by property and other immovable assets	1,035,249	754,763	502,646	115,219	2,407,877
– other pledged loans	9,005	569,621	12,695	–	591,321
Total	2,862,271	2,351,520	1,533,307	269,073	7,016,171

	As at 31 December 2020 (Audited)				
	Up to 90 days	91 – 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	224,109	307,210	19,046	6,433	556,798
Guaranteed loans	306,172	1,207,142	964,299	332,319	2,809,932
Collateralised and other secured loans					
– loans secured by property and other immovable assets	755,021	957,886	319,486	87,679	2,120,072
– other pledged loans	93,679	1,698	1,000	–	96,377
Total	1,378,981	2,473,936	1,303,831	426,431	5,583,179

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Loans and advances to customers (Continued)

(iv) Rescheduled loans and advances

Rescheduled loans are loans that have been renegotiated due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are subject to ongoing monitoring.

The amount of rescheduled loans and advances is shown as follows:

	As at 30 June 2021 (Unaudited)		As at 31 December 2020 (Audited)	
	Total	Percentage of gross loans and advances to customers	Total	Percentage of gross loans and advances to customers
Rescheduled loans and advances to customers	<u>1,034,882</u>	<u>0.18%</u>	<u>1,539,513</u>	<u>0.30%</u>
Of which:				
Rescheduled loans and advances overdue for more than 90 days	<u>508,799</u>	<u>0.09%</u>	<u>743,805</u>	<u>0.15%</u>

(v) Assets foreclosed under credit enhancement arrangement

No new foreclosed assets were acquired by the Group for the six months ended 30 June 2021 (For the six months ended 30 June 2020: Nil).

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Debt securities

(i) Debt securities analysed by credit rating and credit risk characteristics

The Group and the Bank relies on credit rating provided by the external credit agencies in the PRC to classify the debt securities.

	As at 30 June 2021 (Unaudited)				Total
	AAA	AA	A and below	Unrated	
Financial assets measured at fair value through profit and loss					
Public sector, quasi-government bonds	-	-	-	1,740,892	1,740,892
Financial institution bonds	1,732,499	1,832,103	-	-	3,564,602
Corporate bonds	-	-	-	30,288	30,288
Interbank deposit certificates	-	-	-	945,894	945,894
Funds	-	-	-	22,743,609	22,743,609
Others	-	-	-	6,259,248	6,259,248
Subtotal	1,732,499	1,832,103	-	31,719,931	35,284,533
Financial assets measured at fair value through other comprehensive income					
Government bonds	152,445	-	-	1,162,481	1,314,926
Public sector, quasi-government bonds	-	-	-	18,321,247	18,321,247
Financial institution bonds	298,511	-	-	-	298,511
Interbank deposit certificates	-	-	-	497,921	497,921
Subtotal	450,956	-	-	19,981,649	20,432,605
Financial assets measured at amortised cost					
Government bonds	33,609,121	-	-	115,936,328	149,545,449
Public sector, quasi-government bonds	2,108,391	-	-	59,353,052	61,461,443
Financial institution bonds	72,412,228	100,776	-	-	72,513,004
Corporate bonds	8,333,940	14,219,987	-	39,582,382	62,136,309
Interbank deposit certificates	-	-	-	37,964,901	37,964,901
Debt financing plans	-	-	-	26,932,809	26,932,809
Trust plans	-	-	-	5,824,643	5,824,643
Subtotal	116,463,680	14,320,763	-	285,594,115	416,378,558
Total	118,647,135	16,152,866	-	337,295,695	472,095,696

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Debt securities (Continued)

(i) Debt securities analysed by credit rating and credit risk characteristics (continued)

	As at 31 December 2020 (Audited)				Total
	AAA	AA	A and below	Unrated	
Financial assets measured at fair value through profit and loss					
Public sector, quasi-government bonds	-	-	-	1,651,528	1,651,528
Financial institution bonds	3,610,397	1,609,111	-	-	5,219,508
Funds	-	-	-	21,028,362	21,028,362
Others	-	-	-	2,265,065	2,265,065
Subtotal	3,610,397	1,609,111	-	24,944,955	30,164,463
Financial assets measured at fair value through other comprehensive income					
Public sector, quasi-government bonds	-	-	-	15,755,737	15,755,737
Financial institution bonds	299,486	-	-	-	299,486
Subtotal	299,486	-	-	15,755,737	16,055,223
Financial assets measured at amortised cost					
Government bonds	77,720,555	-	-	35,663,965	113,384,520
Public sector, quasi-government bonds	2,067,553	-	-	49,954,929	52,022,482
Financial institution bonds	54,628,273	-	-	-	54,628,273
Corporate bonds	7,506,167	13,946,380	23,522	40,773,786	62,249,855
Interbank deposit certificates	-	-	-	61,478,326	61,478,326
Debt financing plans	-	-	-	32,620,565	32,620,565
Trust plans	-	-	-	6,780,468	6,780,468
Subtotal	141,922,548	13,946,380	23,522	227,272,039	383,164,489
Total	145,832,431	15,555,491	23,522	267,972,731	429,384,175

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flow or maturity mismatches of assets and liabilities.

The Asset and Liability Management Committee of the Group mapped out the index management system of the ratios of asset and liability structure, based on the principles of liquidity, safety, and profitability; determines annual target values of these indexes in accordance with regulatory requirement and business plan; and allocates the tasks to branches for implementation.

The Group established the supervision system of indexes of asset and liability management, the liquidity reverse system, and relevant emergency management measures, to reduce the liquidity risk of the Group. The Group worked out the regulatory indicators of liquidity in accordance with the requirement of CBIRC, and reported to CBIRC periodically.

The assets which can be used for repaying debt and paying for the outstanding credit commitments contain cash and balances with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets measured at fair value through profit and loss, and so forth. In normal operation, majority of deposits will not be withdrawn immediately on the maturity date. Therefore, the Group will retain this part of cash flow.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities

The table below summarises the maturity analysis of financial assets and liabilities by remaining contractual maturities at the end of the reporting period.

	As at 30 June 2021 (Unaudited)							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central bank	56,151,241	9,158,625	-	-	-	-	-	65,309,866
Deposits with banks and other financial institutions	-	7,005,569	4,240,826	3,101,400	5,372,579	-	-	19,720,374
Placements with banks and other financial institutions	-	-	16,961,669	35,895,664	51,098,372	-	-	103,955,705
Derivative financial assets	-	-	806	584	6,200	11,711	-	19,301
Financial assets held under resale agreements	-	-	6,155,772	193,690	193,521	-	-	6,542,983
Loans and advances to customers	2,158,944	-	18,510,777	26,172,196	150,829,933	161,147,477	180,658,086	539,477,413
Financial investments								
Financial assets measured at fair value through profit and loss	-	4,121,995	649,901	1,015,075	3,675,931	16,333,698	9,487,933	35,284,533
Financial assets measured at fair value through other comprehensive income	1,014,207	-	4,236	613,490	224,167	1,267,013	18,323,699	21,446,812
Financial assets measured at amortised cost	1,524,343	-	10,105,475	16,303,134	56,391,271	143,967,227	188,087,108	416,378,558
Other financial assets	-	1,066,246	-	-	-	-	-	1,066,246
Total financial assets	60,848,735	21,352,435	56,629,462	83,295,233	267,791,974	322,727,126	396,556,826	1,209,201,791
Borrowings from central bank	-	-	7,568,799	9,134,197	51,041,379	-	-	67,744,375
Deposits from banks and other financial institutions	-	1,046,925	4,500,930	10,323,052	14,505,432	-	-	30,376,339
Placements from banks and other financial institutions	-	-	5,199,066	7,458,764	21,295,155	-	-	33,952,985
Financial liabilities measured at fair value through profit or loss	-	-	10,248	-	-	-	-	10,248
Derivative financial liabilities	-	-	762	511	2,795	3,334	-	7,402
Financial assets sold under repurchase agreements	-	-	9,875,041	3,001,121	1,602,454	-	-	14,478,616
Deposits from customers	-	236,268,994	34,495,014	45,531,186	274,510,178	166,349,523	-	757,154,895
Debt securities issued	-	-	20,500,947	44,331,984	120,363,393	14,996,593	8,998,045	209,190,962
Other financial liabilities	-	5,403,020	-	-	-	-	35,904	5,438,924
Total financial liabilities	-	242,718,939	82,150,807	119,780,815	483,320,786	181,349,450	9,033,949	1,118,354,746
Net position	60,848,735	(221,366,504)	(25,521,345)	(36,485,582)	(215,528,812)	141,377,676	387,522,877	90,847,045

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities (continued)

	As at 31 December 2020 (Audited)							Total
	Overdue/ undated	On demand	Less than sw1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central bank	56,523,959	8,844,964	-	-	-	-	-	65,368,923
Deposits with banks and other financial institutions	-	7,526,046	1,055,967	8,054,179	11,135,265	-	-	27,771,457
Placements with banks and other financial institutions	-	-	7,857,729	20,661,983	81,095,392	-	-	109,615,104
Derivative financial assets	-	-	821	850	42,191	14,630	-	58,492
Financial assets held under resale agreements	-	-	1,303,008	-	-	-	-	1,303,008
Loans and advances to customers	1,871,846	-	17,074,107	28,283,353	141,709,769	136,404,373	161,619,955	486,963,403
Financial investments								
Financial assets measured at fair value through profit and loss	-	2,503,025	815,756	1,449,309	1,011,699	14,334,000	10,050,674	30,164,463
Financial assets measured at fair value through other comprehensive income	570,321	-	-	124,903	128,645	294,020	15,507,655	16,625,544
Financial assets measured at amortised cost	-	-	4,005,274	30,306,457	66,313,445	157,763,203	124,776,110	383,164,489
Other financial assets	-	1,093,264	-	-	-	-	1,093,264	1,093,264
Total financial assets	58,966,126	19,967,299	32,112,662	88,881,034	301,436,406	308,810,226	311,954,394	1,122,128,147
Borrowings from central bank	-	-	80	3,982,483	58,331,244	-	-	62,313,807
Deposits from banks and other financial institutions	-	1,784,356	4,671,977	13,061,472	15,921,496	-	-	35,439,301
Placements from banks and other financial institutions	-	-	5,401,533	5,242,857	16,055,609	-	-	26,699,999
Derivative financial liabilities	-	-	760	798	79,961	227	-	81,746
Financial assets sold under repurchase agreements	-	-	2,400,573	2,661,785	1,310,842	-	-	6,373,200
Deposits from customers	-	257,556,816	43,719,865	104,664,428	160,641,822	158,416,883	-	724,999,814
Debt securities issued	-	-	2,299,293	43,329,903	104,657,249	13,893,834	8,997,930	173,178,209
Other financial liabilities	-	5,070,326	-	-	-	-	35,904	5,106,230
Total financial liabilities	-	264,411,498	58,494,081	172,943,726	356,998,223	172,310,944	9,033,834	1,034,192,306
Net position	58,966,126	(244,444,199)	(26,381,419)	(84,062,692)	(55,561,817)	136,499,282	302,920,560	87,935,841

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows

The tables below present the cash flows of financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the expected undiscounted contractual cash flows. The Group manages liquidity risk on basis of expected undiscounted cash flows.

	As at 30 June 2021 (Unaudited)							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Non-derivative financial assets								
Cash and balances with central bank	56,151,241	9,171,107	-	-	-	-	-	65,322,348
Deposits with banks and other financial institutions	-	7,020,452	4,267,328	3,107,982	5,465,503	-	-	19,861,265
Placements with banks and other financial institutions	-	-	16,998,224	36,112,911	52,138,535	-	-	105,249,670
Financial assets held under resale agreements	-	-	6,162,363	194,221	194,937	-	-	6,551,521
Loans and advances to customers	2,168,687	-	20,148,455	30,716,021	170,197,903	217,779,668	287,586,431	728,597,165
Financial investments								
Financial assets measured at fair value through profit and loss	-	4,121,995	674,754	1,033,091	3,894,694	17,038,388	9,886,324	36,649,246
Financial assets measured at fair value through other comprehensive income	1,014,207	-	4,248	646,271	608,382	3,801,665	21,147,038	27,221,811
Financial assets measured at amortised cost	1,524,343	-	10,964,260	17,098,159	65,844,692	188,062,349	220,873,091	504,366,894
Other financial assets	-	1,040,483	-	-	-	-	-	1,040,483
Total financial assets	60,858,478	21,354,037	59,219,632	88,908,656	298,344,646	426,682,070	539,492,884	1,494,860,403

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

	As at 30 June 2021 (Unaudited)							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Non-derivative financial liabilities								
Borrowings from central bank	-	-	7,577,370	9,249,739	51,756,191	-	-	68,583,300
Deposits from banks and other financial institutions	-	1,046,925	4,503,219	10,363,020	14,745,058	-	-	30,658,222
Placements from banks and other financial institutions	-	-	5,206,920	7,583,314	21,657,505	-	-	34,447,739
Financial liabilities measured at fair value through profit or loss	-	-	10,248	-	-	-	-	10,248
Financial assets sold under repurchase agreements	-	-	9,876,651	3,012,563	1,631,486	-	-	14,520,700
Deposits from customers	-	236,268,994	34,514,079	45,687,103	278,776,011	179,215,388	-	774,461,575
Debt securities issued	-	-	20,530,000	44,560,000	123,104,100	17,164,600	9,842,000	215,200,700
Other financial liabilities	-	5,403,020	-	-	-	-	35,904	5,438,924
Total financial liabilities	-	242,718,939	82,218,487	120,455,739	491,670,351	196,379,988	9,877,904	1,143,321,408
Net position	60,858,478	(221,364,902)	(22,998,855)	(31,547,083)	(193,325,705)	230,302,082	529,614,980	351,538,995
Derivative financial instruments								
Settled by total amount								
Total inflows	-	-	643,477	14,042	661,727	405,059	-	1,724,305
Total outflows	-	-	(643,433)	(13,969)	(658,323)	(404,889)	-	(1,720,614)
Net position	-	-	44	73	3,404	170	-	3,691

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

	As at 31 December 2020 (Audited)							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Non-derivative financial assets								
Cash and balances with central bank	56,523,959	8,857,569	-	-	-	-	-	65,381,528
Deposits with banks and other financial institutions	-	7,538,540	1,056,797	8,090,541	11,340,255	-	-	28,026,133
Placements with banks and other financial institutions	-	-	7,871,258	20,969,005	82,919,595	-	-	111,759,858
Financial assets held under resale agreements	-	-	1,304,523	-	-	-	-	1,304,523
Loans and advances to customers	1,991,967	-	19,402,702	34,503,546	166,756,751	177,088,010	257,441,764	657,184,740
Financial investments								
Financial assets measured at fair value through profit and loss	-	2,503,025	816,054	1,472,774	1,339,418	16,947,592	11,667,512	34,746,375
Financial assets measured at fair value through other comprehensive income	570,321	-	-	153,500	389,875	2,458,500	18,158,000	21,730,196
Financial assets measured at amortised cost	-	-	4,218,349	31,335,348	74,082,314	195,221,957	144,633,810	449,491,778
Other financial assets	-	1,066,850	-	-	-	-	-	1,066,850
Total financial assets	59,086,247	19,965,984	34,669,683	96,524,714	336,828,208	391,716,059	431,901,086	1,370,691,981

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

	As at 31 December 2020 (Audited)							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Non-derivative financial liabilities								
Borrowings from central bank	-	-	80	4,065,726	59,352,087	-	-	63,417,893
Deposits from banks and other financial institutions	-	1,784,224	4,678,474	13,118,821	16,146,469	-	-	35,727,988
Placements from banks and other financial institutions	-	-	5,406,419	5,345,790	16,421,740	-	-	27,173,949
Financial assets sold under repurchase agreements	-	-	2,401,990	2,671,100	1,324,499	-	-	6,397,589
Deposits from customers	-	257,556,816	43,763,700	105,044,740	162,822,515	169,185,099	-	738,372,870
Debt securities issued	-	-	2,304,000	43,601,200	106,707,200	16,218,600	10,072,000	178,903,000
Other financial liabilities	-	5,070,326	-	-	-	-	35,904	5,106,230
Total financial liabilities	-	264,411,366	58,554,663	173,847,377	362,774,510	185,403,699	10,107,904	1,055,099,519
Net position	59,086,247	(244,445,382)	(23,884,980)	(77,322,663)	(25,946,302)	206,312,360	421,793,182	315,592,462
Derivative financial instruments								
Settled by total amount								
Total inflows	-	-	11,081	15,258	2,489,088	409,294	-	2,924,721
Total outflows	-	-	(11,021)	(15,206)	(2,526,857)	(408,620)	-	(2,961,704)
Net position	-	-	60	52	(37,769)	674	-	(36,983)

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

Assets available to meet obligations related to the Group's liabilities and outstanding credit commitments primarily include cash and balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets at fair value through profit or loss. In the normal course of business, the majority of customer deposits repayable on demand or on maturity are expected to be retained.

Off-balance sheet items

Off-balance sheet items of the Group include acceptances, undrawn credit card limits and others. The tables below set forth the amounts of the off-balance sheet items by remaining maturity.

	30 June 2021 (Unaudited)			Total
	Up to 1 year	1 – 5 years	Over 5 years	
Bank acceptances	6,992,308	–	–	6,992,308
Undrawn credit card limits	24,136,909	–	–	24,136,909
Letters of guarantee	1,033,095	2,298,695	8,000	3,339,790
Letters of credit issued	2,502,157	–	–	2,502,157
Total	34,664,469	2,298,695	8,000	36,971,164

	31 December 2020 (Audited)			Total
	Up to 1 year	1 – 5 years	Over 5 years	
Bank acceptances	9,236,861	–	–	9,236,861
Undrawn credit card limits	21,959,923	–	–	21,959,923
Letters of guarantee	2,040,782	1,750,455	8,000	3,799,237
Letters of credit issued	2,394,727	–	–	2,394,727
Total	35,632,293	1,750,455	8,000	37,390,748

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, and stock prices. Market risk arises from the proprietary business of the Group.

The Group is primarily exposed to interest rate risk arising from corporate and personal banking, and treasury operations. Interest rate risk is inherent in many of its business and largely arises from mismatches between the re-pricing dates of interest-generating assets and interest-bearing liabilities.

The Group's foreign currency risk is the risk of loss in respect of its foreign currency exposures, arising from transactions taken on foreign currency denominated assets and liabilities, which results from movements in foreign currency exchange rates.

Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and to a lesser extent in other currencies.

The exchange rate of RMB to USD is under a managed floating exchange rate system. The HKD exchange rate has been pegged to the USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Foreign currency risk (Continued)

	As at 30 June 2021 (Unaudited)				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Cash and balances with central bank	65,153,641	156,225	–	–	65,309,866
Deposits with banks and other financial institutions	18,462,209	1,007,472	202,770	47,923	19,720,374
Placements with banks and other financial institutions	103,697,281	258,424	–	–	103,955,705
Derivative financial assets	17,165	2,136	–	–	19,301
Financial assets held under resale agreements	6,542,983	–	–	–	6,542,983
Loans and advances to customers	537,687,487	1,789,926	–	–	539,477,413
Financial investments					
Financial assets measured at fair value through profit and loss	35,284,533	–	–	–	35,284,533
Financial assets measured at fair value through other comprehensive income	21,446,812	–	–	–	21,446,812
Financial assets measured at amortised cost	416,345,857	32,701	–	–	416,378,558
Other financial assets	1,066,246	–	–	–	1,066,246
Total financial assets	1,205,704,214	3,246,884	202,770	47,923	1,209,201,791
Borrowings from central bank	67,744,375	–	–	–	67,744,375
Deposits from banks and other financial institutions	30,376,209	130	–	–	30,376,339
Placements from banks and other financial institutions	33,416,705	536,280	–	–	33,952,985
Financial liabilities measured at fair value through profit or loss	10,248	–	–	–	10,248
Derivative financial liabilities	2,864	4,538	–	–	7,402
Financial assets sold under repurchase agreements	14,478,616	–	–	–	14,478,616
Deposits from customers	754,989,349	2,100,748	7,738	57,060	757,154,895
Debt securities issued	209,190,962	–	–	–	209,190,962
Other financial liabilities	5,403,020	35,904	–	–	5,438,924
Total financial liabilities	1,115,612,348	2,677,600	7,738	57,060	1,118,354,746
Net position	90,091,866	569,284	195,032	(9,137)	90,847,045
Credit commitments	35,786,420	627,079	–	557,665	36,971,164

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Foreign currency risk (Continued)

	As at 31 December 2020 (Audited)				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Cash and balances with central bank	65,279,310	89,613	–	–	65,368,923
Deposits with banks and other financial institutions	26,353,725	807,862	191,794	418,076	27,771,457
Placements with banks and other financial institutions	109,081,116	533,988	–	–	109,615,104
Derivative financial assets	57,585	907	–	–	58,492
Financial assets held under resale agreements	1,303,008	–	–	–	1,303,008
Loans and advances to customers	484,941,118	2,022,285	–	–	486,963,403
Financial investments					
Financial assets measured at fair value through profit and loss	30,164,463	–	–	–	30,164,463
Financial assets measured at fair value through other comprehensive income	16,625,544	–	–	–	16,625,544
Financial assets measured at amortised cost	383,131,476	33,013	–	–	383,164,489
Other financial assets	1,093,264	–	–	–	1,093,264
Total financial assets	1,118,030,609	3,487,668	191,794	418,076	1,122,128,147
Borrowings from central bank	62,313,807	–	–	–	62,313,807
Deposits from banks and other financial institutions	35,439,170	131	–	–	35,439,301
Placements from banks and other financial institutions	25,181,588	1,518,411	–	–	26,699,999
Derivative financial liabilities	3,404	78,342	–	–	81,746
Financial assets sold under repurchase agreements	6,373,200	–	–	–	6,373,200
Deposits from customers	722,738,012	2,232,671	2,698	26,433	724,999,814
Debt securities issued	173,178,209	–	–	–	173,178,209
Other financial liabilities	5,070,326	35,904	–	–	5,106,230
Total financial liabilities	1,030,297,716	3,865,459	2,698	26,433	1,034,192,306
Net position	87,732,893	(377,791)	189,096	391,643	87,935,841
Credit commitments	34,641,177	2,115,055	–	474,597	37,230,829

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Foreign currency risk (Continued)

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against USD by 5% on net profit.

	As at 30 June 2021 (Unaudited) (Decrease)/ Increase in Net profit	As at 31 December 2020 (Audited) (Decrease)/ Increase in Net profit
RMB5% appreciation	(21,348)	12,821
RMB5% depreciation	21,348	(12,821)

The impact on the net profit arises from the effects of movement in RMB exchange rate on the net positions of foreign monetary assets and liabilities. Changes in foreign currency exchange rate will not affect other comprehensive income.

The effect on the net profit is based on the assumption that the Group's net foreign currency at the end of the reporting period remains unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ to the actual situation.

Interest rate risk

The interest rate risk of the Group arises from the mis-matches between contractual maturities and re-pricing of interest-generating assets and interest-bearing liabilities. The Group manages its interest rate risk by:

- Regularly monitoring the macro-economic factors that may impact on the PBOC benchmark interest rates;
- Minimising the mis-matches between contractual maturities and repricing of interest generating assets and interest-bearing liabilities; and
- Enhancing the interest rate margin on interest-generating assets and interest-bearing liabilities with reference to the prevailing PBOC benchmark interest rates.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Interest rate risk (Continued)

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Group's financial assets and liabilities.

	As at 30 June 2021 (Unaudited)						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	62,079,953	-	-	-	-	3,229,913	65,309,866
Deposits with banks and other financial institutions	4,158,488	8,799,302	5,298,586	-	-	1,463,998	19,720,374
Placements with banks and other financial institutions	16,481,230	35,197,525	50,318,308	-	-	1,958,642	103,955,705
Derivative financial assets	-	-	-	-	-	19,301	19,301
Financial assets held under resale agreements	6,154,695	192,797	193,425	-	-	2,066	6,542,983
Loans and advances to customers	30,313,907	35,689,565	369,569,269	81,686,006	20,448,079	1,770,587	539,477,413
Financial investments							
Financial assets measured at fair value through profit and loss	649,901	-	326,281	1,572,757	3,732,737	29,002,857	35,284,533
Financial assets measured at fair value through other comprehensive income	-	497,921	100,032	1,267,013	18,323,697	1,258,149	21,446,812
Financial assets measured at amortised cost	10,226,727	15,125,284	53,426,987	143,937,118	188,070,029	5,592,413	416,378,558
Other financial assets	-	-	-	-	-	1,066,246	1,066,246
Total financial assets	130,064,901	95,502,394	479,232,888	228,462,894	230,574,542	45,364,172	1,209,201,791
Borrowings from central bank	7,160,000	8,842,060	48,950,875	-	-	2,791,440	67,744,375
Deposits from banks and other financial institutions	5,496,663	10,240,000	14,448,000	-	-	191,676	30,376,339
Placements from banks and other financial institutions	5,143,404	7,374,183	21,135,223	-	-	300,175	33,952,985
Financial liabilities measured at fair value through profit or loss	-	-	-	-	-	10,248	10,248
Derivative financial liabilities	-	-	-	-	-	7,402	7,402
Financial assets sold under repurchase agreement	9,870,242	2,985,855	1,598,919	-	-	23,600	14,478,616
Deposits from customers	270,041,976	44,580,640	268,982,716	163,096,026	-	10,453,537	757,154,895
Debt securities issued	20,500,947	44,331,984	120,039,049	14,996,593	8,998,045	324,344	209,190,962
Other financial liabilities	-	-	-	-	35,904	5,403,020	5,438,924
Total financial liabilities	318,213,232	118,354,722	475,154,782	178,092,619	9,033,949	19,505,442	1,118,354,746
Interest rate risk gap	<u>(188,148,331)</u>	<u>(22,852,328)</u>	<u>4,078,106</u>	<u>50,370,275</u>	<u>221,540,593</u>	<u>25,858,730</u>	<u>90,847,045</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Interest rate risk (Continued)

	As at 31 December 2020 (Audited)						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	378,534	-	-	-	-	64,990,389	65,368,923
Deposits with banks and other financial institutions	7,131,614	7,907,087	11,021,674	-	-	1,711,082	27,771,457
Placements with banks and other financial institutions	7,658,689	20,193,742	80,039,422	-	-	1,723,251	109,615,104
Derivative financial assets	-	-	-	-	-	58,492	58,492
Financial assets held under resale agreements	1,302,667	341	-	-	-	-	1,303,008
Loans and advances to customers	177,696,186	41,357,944	152,536,317	94,186,332	19,320,775	1,865,849	486,963,403
Financial investments							
Financial assets measured at fair value through profit and loss	-	-	-	1,547,004	5,324,032	23,293,427	30,164,463
Financial assets measured at fair value through other comprehensive income	-	-	-	294,020	15,507,655	823,869	16,625,544
Financial assets measured at amortised cost	2,866,553	28,349,580	63,004,676	157,763,203	124,776,110	6,404,367	383,164,489
Other financial assets	-	-	-	-	-	1,093,264	1,093,264
Total financial assets	197,034,243	97,808,694	306,602,089	253,790,559	164,928,572	101,963,990	1,122,128,147
Borrowings from central bank	-	3,980,300	56,919,030	-	-	1,414,477	62,313,807
Deposits from banks and other financial institutions	6,400,447	12,960,000	15,800,300	-	-	278,554	35,439,301
Placements from banks and other financial institutions	5,354,482	5,180,000	15,961,770	-	-	203,747	26,699,999
Derivative financial liabilities	-	-	-	-	-	81,746	81,746
Financial assets sold under repurchase agreement	2,383,006	2,640,039	1,304,810	-	-	45,345	6,373,200
Deposits from customers	306,621,361	98,496,248	156,492,667	151,386,738	-	12,002,800	724,999,814
Debt securities issued	2,237,221	43,145,576	104,364,898	13,893,834	8,997,930	538,750	173,178,209
Other financial liabilities	-	-	-	-	35,904	5,070,326	5,106,230
Total financial liabilities	322,996,517	166,402,163	350,843,475	165,280,572	9,033,834	19,635,745	1,034,192,306
Interest rate risk gap	(125,962,274)	(68,593,469)	(44,241,386)	88,509,987	155,894,738	82,328,245	87,935,841

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Interest rate risk (Continued)

The following table illustrates the potential impact after taxation of a parallel upward or downward shift of 100 basis points in RMB's yield curve on the net profit and comprehensive income, based on the Group's position of interest-bearing assets and liabilities at the end of the reporting period.

	For the six months ended 30 June 2021 (Unaudited)		For the year 31 December 2020 (Audited)	
	Net profit	Other comprehensive income	Net profit	Other comprehensive income
+100 basis points	173,751	151,415	347,447	118,513
- 100 basis points	(173,751)	(151,415)	(347,447)	(118,513)

Given the nature of demand deposits, their interest rate fluctuations are less volatile than those of other products; therefore the impact of yield curves movement on interest expenses related to demand deposits has been excluded.

The sensitivity analysis on net profit is based on reasonably possible changes in interest rates in the coming year with the assumption that the structure of financial assets and financial liabilities held at the end of the reporting period remain unchanged.

The sensitivity analysis on equity is the effect on changes of fixed rate financial assets at end of the reporting period after adjusting in accordance with the reasonably possible changes in interest rates.

The Group, based on regulatory requirement, conducts interest risk management in accordance with relevant regulations in Basel Accord.

This assumption does not represent the policy of use of funds and interest rate risk management of the Group. Therefore, the impact mentioned above may be different from actual situations.

Besides, the impact analysis of changes in interest rate mentioned above is a way of illustration, showing the estimated changes of net profit and other comprehensive income in cases of estimated yield and current interest risk of the Group. However, the risk management measures which may be adopted by management have not been taken into consideration in the analysis.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(6) Capital management

The Group's objectives on capital management are to:

- safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- support the Group's stability and growth;
- allocate capital in an efficient and risk based approach to optimise risk adjusted return to the shareholders; and
- maintain an adequate capital base to support the development of business.

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with Administrative Measures on the Capital of Commercial Banks (Trial). For systematically important banks, CBIRC requires minimum core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%, respectively. For non-systematically important banks, CBIRC requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. As at 30 June 2021 and 31 December 2020, the Group is in compliance with these legal and regulatory requirements.

The weighted credit risk assets of on-balance sheet exposures are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantee. The similar calculation is adopted for off-balance sheet credit risk exposures, with adjustments made to reflect the more contingent nature of any potential loss. Market risk-weighted assets are calculated using the standardised approach. Basic indicator approach is used to calculate the risk weighted assets of operational risk.

The Group calculated the following core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with Administrative Measures on the Capital of Commercial Banks (Trial) and relevant requirements promulgated by the CBIRC.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(6) Capital management (Continued)

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Core tier-one capital adequacy ratio	11.99%	11.96%
Tier-one capital adequacy ratio	12.00%	11.97%
Capital adequacy ratio	<u>14.29%</u>	<u>14.28%</u>
Net core tier-one capital	96,745,901	93,726,738
Net tier-one capital	96,842,156	93,814,211
Net capital base	<u>115,294,841</u>	<u>111,936,261</u>
Risk-weighted assets		
Credit-risk-weighted assets	750,074,275	724,715,545
Market-risk-weighted assets	6,247,639	8,699,411
Operational risk-weighted assets	50,509,324	50,509,324
Total of risk-weighted assets	<u>806,831,238</u>	<u>783,924,280</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

48. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available such as the market price of the listed equity securities on exchanges. Where Level 1 inputs are not available, the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models, including discounted cash flow analysis, using prices from observable current market transactions for similar instruments to the extent available.

The main valuation techniques used by the Group is the discounted cash flow model for financial instruments. The main inputs used in discounted cash flow model include recent transaction prices, interest rates, own credit spread and counterparty credit spreads, as appropriate. If these parameters used in the model are substantively based on observable market data and/or obtainable from active open market, the instruments are classified as Level 2.

The following tables give the information about how the fair values of these financial assets and financial liabilities are categorised and determined (in particular, the valuation technique(s) and inputs used).

As at 30 June 2021 and 31 December 2020, the debt securities traded on the China Interbank Bond Market are classified into Level 2. Their fair values are provided by China Central Depository & Clearing Co., Ltd. and determined by using the present value valuation technique under income approach and applying the respective interest yield curves of relevant debt securities as the key parameter for their fair value measurement.

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

	Level 1	Level 2	Level 3	Total
At 30 June 2021 (Unaudited)				
Financial assets measured at fair value through profit or loss				
– Debt securities issued by:				
Public sector and quasi-governments	–	1,740,892	–	1,740,892
Financial institutions	–	3,564,602	–	3,564,602
Corporation bonds	–	30,288	–	30,288
– Inter-bank deposit	–	945,894	–	945,894
– WMPs issued by other banks	–	–	3,340,427	3,340,427
– Funds	–	22,743,609	–	22,743,609
– Others	–	–	2,918,821	2,918,821
Financial assets measured at fair value through other comprehensive income				
– Listed equity securities issued by:				
Financial institutions	–	191,759	–	191,759
Other institutions	–	772,348	–	772,348
– Unlisted equity securities issued by:				
Financial institutions	–	–	8,000	8,000
Other institutions	–	–	42,100	42,100
– Debt securities issued by:				
Public sector and quasi-governments	–	18,321,247	–	18,321,247
Financial institutions	–	298,511	–	298,511
Government bonds	–	1,314,926	–	1,314,926
Inter-bank deposit	–	497,921	–	497,921
Loans and advances to customers				
Carrying amount of financial assets measured at fair value through other comprehensive income				
	–	–	16,905,038	16,905,038
Financial liabilities measured at fair value through profit or loss				
	–	10,248	–	10,248
Derivative financial instruments				
– Assets	–	15,381	3,920	19,301
– Liabilities	–	7,402	–	7,402

Notes To The Interim Condensed Consolidated Financial Information (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

48. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

	Level 1	Level 2	Level 3	Total
At 31 December 2020 (Audited)				
Financial assets measured at fair value through profit or loss				
– Debt securities issued by:				
Public sector and quasi-governments	–	1,651,528	–	1,651,528
Financial institutions	–	5,219,508	–	5,219,508
– WMPs issued by other banks	–	–	2,265,065	2,265,065
– Fund	–	21,028,362	–	21,028,362
Financial assets measured at fair value through other comprehensive income				
– Listed equity securities issued by:				
Financial institutions	–	134,203	–	134,203
Other institutions	–	428,118	–	428,118
– Unlisted equity securities issued by:				
Financial institutions	–	–	8,000	8,000
– Debt securities issued by:				
Public sector and quasi-governments	–	15,755,737	–	15,755,737
Financial institutions	–	299,486	–	299,486
Loans and advances to customers				
Carrying amount of financial assets measured at fair value through other comprehensive income	–	–	17,710,890	17,710,890
Derivative financial instruments				
– Assets	–	58,492	–	58,492
– Liabilities	–	81,746	–	81,746

Notes To The Interim Condensed Consolidated Financial Information (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

48. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

There were no significant transfers between levels for the six months ended 30 June 2021 and 2020.

Reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy

	Six months ended 30 June 2021 (Unaudited)			
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Loans and advances to customers	Derivative Financial assets
As at 1 January 2021	2,265,065	8,000	17,710,890	–
Total gain or loss:				
– Profit and loss	54,178	–	259,695	–
– Other comprehensive income	–	–	25,827	–
Purchases	6,212,132	42,100	19,717,310	3,920
Sales and settlements	(2,272,127)	–	(20,808,684)	–
As at 30 June 2021	<u>6,259,248</u>	<u>50,100</u>	<u>16,905,038</u>	<u>3,920</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

48. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy (Continued)

	2020 (Audited)		
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Loans and advances to customers
As at 1 January 2020	13,217,558	8,000	20,086,701
Total gains or losses:	45,065	–	(23,530)
Purchases	5,040,000	–	37,094,234
Sales and settlements	(16,037,558)	–	(39,446,515)
As at 31 December 2020	<u>2,265,065</u>	<u>8,000</u>	<u>17,710,890</u>

Notes To The Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Financial assets and financial liabilities are not measured at fair value on a recurring basis.

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not measured at their fair values. Financial assets and liabilities for which the carrying amounts approximate their fair values, such as balances with central bank, financial assets held under resale agreements, deposits with banks and other financial institutions, placements with banks and other financial institutions, borrowings from central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions and financial assets sold under repurchase agreements are not included in the tables below.

	As at 30 June 2021 (Unaudited)		As at 31 December 2020 (Audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers	522,572,375	543,650,842	469,252,513	472,456,273
Financial assets measured at amortised cost	<u>416,378,558</u>	<u>423,164,470</u>	<u>383,164,489</u>	<u>389,408,736</u>
Total	<u>938,950,933</u>	<u>966,815,312</u>	<u>852,417,002</u>	<u>861,865,009</u>
Financial liabilities				
Deposits from customers	757,154,895	774,576,503	724,999,814	742,786,904
Debt securities issued	<u>209,190,962</u>	<u>209,256,860</u>	<u>173,178,209</u>	<u>173,176,429</u>
Total	<u>966,345,857</u>	<u>983,833,363</u>	<u>898,178,023</u>	<u>915,963,333</u>

The Group determines the fair value of debt securities issued by adopting level 2; determines the fair value of financial assets measured at amortised cost by adopting level 2 or 3.

49. EVENT AFTER THE REPORTING PERIOD

The Group has no significant events after the reporting period.

Unreviewed Supplementary Financial Information

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

LIQUIDITY RATIO

(Expressed in percentage)

Group

	As at 30 June 2021	As at 31 December 2020
RMB current assets to RMB current liabilities	67.80	57.06
Foreign currency current assets to foreign currency liabilities	<u>71.94</u>	<u>98.87</u>

LIQUIDITY COVERAGE RATIO

Group

	As at 30 June 2021	As at 31 December 2020
Liquidity coverage ratio (expressed in percentage)	<u>266.30</u>	<u>186.99</u>

Unreviewed Supplementary Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

CURRENCY CONCENTRATIONS

Group

	Equivalent in Renminbi			Total
	USD	HKD	Others	
As at 30 June 2021				
Spot assets	3,862.0	745.9	2,979.1	7,587.0
Spot liabilities	(3,099.6)	(745.9)	(5,796.1)	(9,641.6)
Forward purchases	720.0	–	2,816.8	3,536.8
Forward sales	(1,306.6)	–	–	(1,306.6)
Net position	<u>175.8</u>	<u>–</u>	<u>(0.2)</u>	<u>175.6</u>

	Equivalent in Renminbi			Total
	USD	HKD	Others	
As at 31 December 2020				
Spot assets	4,657.4	196.7	444.7	5,298.8
Spot liabilities	(4,371.6)	(179.2)	(53.2)	(4,604.0)
Forward purchases	1,587.5	–	–	1,587.5
Forward sales	(1,299.1)	–	(390.0)	(1,689.1)
Net position	<u>574.2</u>	<u>17.5</u>	<u>1.5</u>	<u>593.2</u>

Unreviewed Supplementary Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, the Group's international claims are the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions and loans and advances to customers.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfer. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks and other financial institutions	Non-bank private sectors	Total
As at 30 June 2021			
Asia Pacific (not including Mainland China)	1,121.1	2,194.0	3,315.1
– of which attributed to Hong Kong	206.3	–	206.3
North America	849.0	–	849.0
Europe	18.4	–	18.4
Total	<u>1,988.5</u>	<u>2,194.0</u>	<u>4,182.5</u>
As at 31 December 2020			
Asia Pacific (not including Mainland China)	1,697.7	2,426.8	4,124.5
– of which attributed to Hong Kong	191.5	–	191.5
North America	625.7	–	625.7
Europe	34.3	–	34.3
Total	<u>2,357.7</u>	<u>2,426.8</u>	<u>4,784.5</u>

Unreviewed Supplementary Financial Information (Continued)

For the six months ended 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

SUMMARY OF INFORMATION ON GEOGRAPHIC SEGMENTS

When information is prepared based on the geographic segments, total operating income is allocated in accordance with the locations of branches recording the income. The table below sets forth the total operating income attributable to county area branches and urban area branches for the periods indicated.

	For the six months ended 30 June 2021			For the six months ended 30 June 2020		
	County Area ⁽¹⁾	Urban Area	Total	County Area ⁽¹⁾	Urban Area	Total
Net interest income	3,468.0	9,636.0	13,104.0	2,028.9	10,049.0	12,077.9
Net fee and commission income	406.2	856.3	1,262.5	594.7	787.7	1,382.4
Net trading gains	–	536.2	536.2	–	396.5	396.5
Share of profits of associates	–	(19.6)	(19.6)	–	(2.7)	(2.7)
Other operating income, net	22.5	217.6	240.1	(4.1)	33.6	29.5
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	–	48.3	48.3	–	38.4	38.4
Net gains on derecognition of financial assets measured at amortised cost	–	–	–	–	1.0	1.0
Total operating income	3,896.7	11,274.8	15,171.5	2,619.5	11,303.5	13,923.0
Internal transfer of income and expense	3,422.7	(3,422.7)	–	3,902.0	(3,902.0)	–
Income after adjustment	<u>7,319.4</u>	<u>7,852.1</u>	<u>15,171.5</u>	<u>6,521.5</u>	<u>7,401.5</u>	<u>13,923.0</u>

- (1) County Area refers to regions other than 9 districts of Urban Area of Chongqing City. The information of County Area also includes the information of the twelve village and township bank subsidiaries and the information of Qujing Branch.

Unreviewed Supplementary Financial Information (Continued)

For the six months ended 30 June 2021

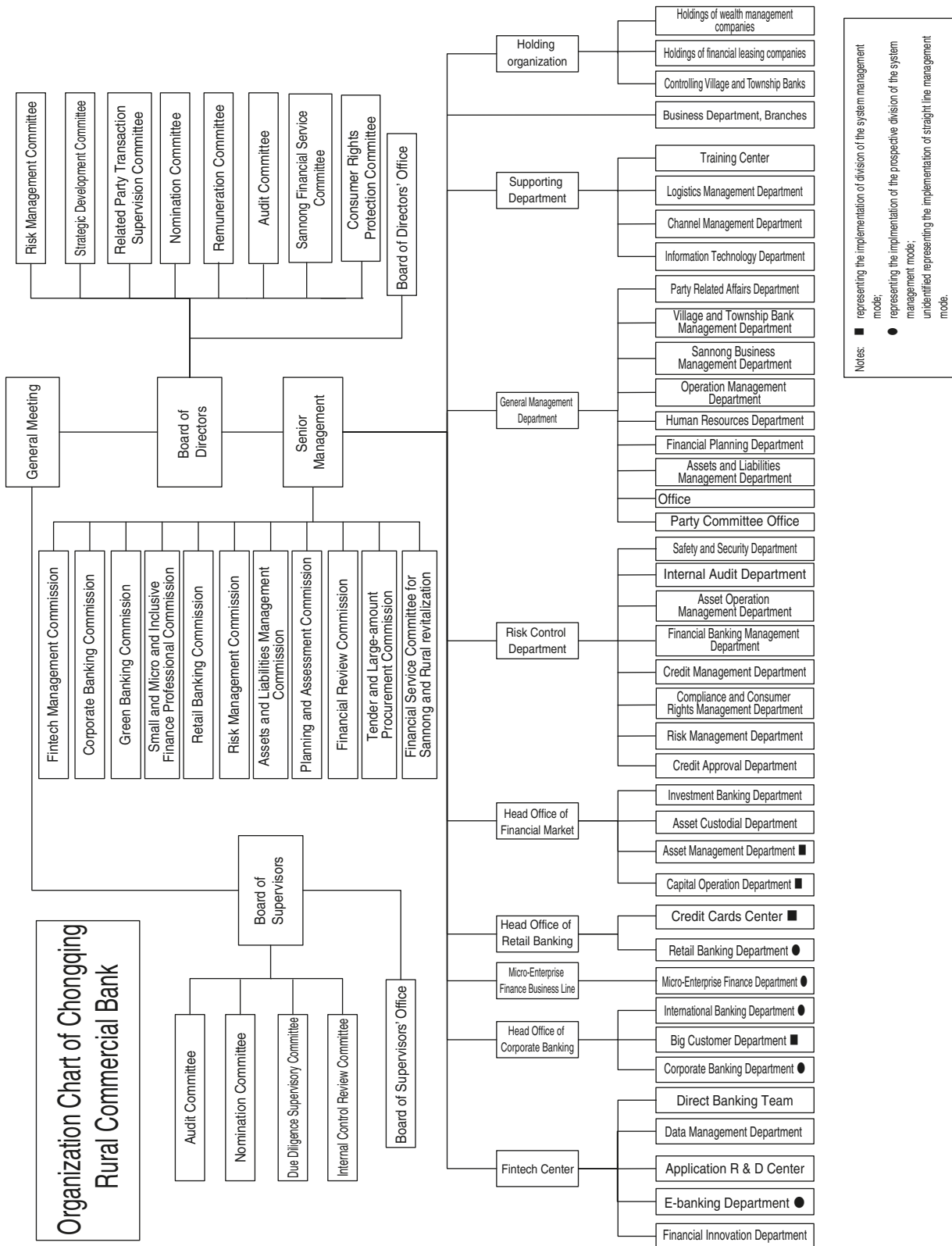
(Amounts in thousands of Renminbi, unless otherwise stated)

ABSTRACT OF GEOGRAPHICAL SEGMENTS

(Expressed in percentage)	As at 30 June 2021		As at 31 December 2020	
	County Area	Urban Area	County Area	Urban Area
Deposits	70.20	29.80	70.04	29.96
Loans	51.39	48.61	50.79	49.21
Assets	53.11	46.89	52.91	47.09
Loan-deposit ratio	<u>54.33</u>	<u>121.04</u>	<u>50.80</u>	<u>115.06</u>

(Expressed in percentage)	For the six months ended 30 June 2021		For the six months ended 30 June 2020	
	County Area	Urban Area	County Area	Urban Area
Return on average total assets	0.88	1.10	0.90	1.14
Net fee and commission income to operating income	5.55	10.91	9.12	10.64
Cost-to-income ratio	<u>30.15</u>	<u>25.44</u>	<u>32.34</u>	<u>22.82</u>

Organisation Chart





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