



鄭州銀行股份有限公司

BANK OF ZHENGZHOU CO., LTD.

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

股份代號 Stock Code: 6196
優先股股份代號 Preference Shares Stock Code: 4613

INTERIM REPORT 2022
中期報告



This interim report is printed on
environment-friendly paper

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* This Report is prepared in both Chinese and English. If there are any discrepancies between the Chinese and English versions, the Chinese version shall prevail.

IMPORTANT NOTICE

The Board of Directors, Board of Supervisors and Directors, Supervisors and senior management of the Bank hereby warrant the truthfulness, accuracy and completeness of the contents of this interim report and that there are no false representations, misleading statements or material omissions, and jointly and severally assume liability for the information hereof.

The 2022 interim report (the “**Report**”) and the announcement of interim results were reviewed and approved at the Bank’s sixth meeting of the seventh session of the Board of Directors held on 30 August 2022; 12 Directors were eligible to attend the meeting and 12 of them attended in person, with several Supervisors of the Bank being in attendance.

Unless otherwise specified, the financial information set out in this Report represents data from the consolidated financial statements of the Bank and its subsidiaries, namely Henan Jiuding Financial Leasing Co., Ltd., Fugou Zhengyin County Bank Co., Ltd., Xinmi Zhengyin County Bank Co., Ltd., Xunxian Zhengyin County Bank Co., Ltd. and Queshan Zhengyin County Bank Co., Ltd.

The 2022 interim financial report prepared in accordance with China Accounting Standards for Business Enterprises and International Financial Reporting Standards by the Bank was unaudited. Ernst & Young Hua Ming LLP and Ernst & Young had reviewed the Report in accordance with the PRC and Hong Kong Review Standards, respectively.

Mr. WANG Tianyu, the legal representative and chairman of the Board, Mr. SHEN Xueqing, the president, Mr. SUN Haigang, the person-in-charge of accounting, and Ms. GAO Chenxin, the head of accounting department of the Bank hereby declare and warrant the truthfulness, accuracy, and completeness of the financial statements in this Report.

The Bank had no plan to distribute cash dividend, bonus share, or issue new shares by way of conversion of capital reserve for the first half of 2022.

Forward-looking statements such as future plans mentioned in this Report do not constitute actual commitments of the Bank to investors. Investors and parties concerned should be fully aware of the risks, and understand the differences among plans, estimates and commitments.

During the Reporting Period, the Bank was not aware of any material risk that would adversely affect its future development strategies and business targets. The details of the major risks to which the Bank was exposed in its operations and management and the corresponding measures adopted by the Bank are described in this Report. For details, please refer to the information in the section headed “Risk Management” in the chapter headed “Management Discussion and Analysis” of this Report.

DEFINITIONS

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

“2021 AGM”	the annual general meeting of the Bank convened on 10 June 2022
“Articles of Association”	the articles of association of the Bank, as amended from time to time
“A Share(s)”	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Bank, which are listed and traded on the SZSE (stock code: 002936)
“A Shareholder(s)”	holder(s) of A Share(s)
“Bank”, “Bank of Zhengzhou”, or “we”	Bank of Zhengzhou Co., Ltd.* (鄭州銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability on 16 November 1996 in accordance with the PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“Capitalization Issue”	the issue of one new Share for every 10 Shares held by way of capitalization of capital reserve in 2021 as the dividend distribution plan of the Bank for the year ended 31 December 2020
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBIRC Henan Office”	China Banking and Insurance Regulatory Commission Henan Office
“Company Law”	the Company Law of the People’s Republic of China
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Stock Exchange Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Bank
“Fugou Zhengyin County Bank”	Fugou Zhengyin County Bank Co., Ltd. (扶溝鄭銀村鎮銀行股份有限公司)
“Group”	the Bank and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“H Share(s)”	overseas-listed foreign share(s) in the share capital of the Bank, with a nominal value of RMB1.00 each, which are listed and traded on the Main Board of the Hong Kong Stock Exchange (stock code: 6196)
“H Shareholder(s)”	holder(s) of H Share(s)
“Jiuding Financial Leasing Company”	Henan Jiuding Financial Leasing Co., Ltd. (河南九鼎金融租賃股份有限公司)
“Latest Practicable Date”	30 August 2022, being the latest practicable date prior to the printing of this Report for the purpose of ascertaining certain information contained hereof
“Law on Commercial Banks”	Law on Commercial Banks of the People’s Republic of China
“Macao”	the Macao Special Administrative Region of the PRC
“MOF”	the Ministry of Finance of the People’s Republic of China
“Offshore Preference Shares”	59,550,000 shares of non-cumulative perpetual offshore preference shares with a nominal value of RMB100 each issued by the Bank and listed on the Hong Kong Stock Exchange (stock code: 4613)
“PRC” or “China”	the People’s Republic of China, and for the purpose of this Report only, excluding Hong Kong, Macao and Taiwan regions
“Queshan Zhengyin County Bank”	Queshan Zhengyin County Bank Co., Ltd. (確山鄭銀村鎮銀行股份有限公司)
“Reporting Period”	the six months from 1 January 2022 to 30 June 2022
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time

DEFINITIONS

“Share(s)” or “Ordinary Share(s)”	the A Share(s) and the H Share(s)
“Shareholders” or “Ordinary Shareholders”	the holders of Ordinary Shares
“Stock Exchange Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Bank
“SZSE”	the Shenzhen Stock Exchange
“SZSE Listing Rules”	the Rules Governing the Listing of Stocks on the SZSE
“Xinmi Zhengyin County Bank”	Xinmi Zhengyin County Bank Co., Ltd. (新密鄭銀村鎮銀行股份有限公司)
“Xinzheng Zhengyin County Bank”	Xinzheng Zhengyin County Bank Co., Ltd. (新鄭鄭銀村鎮銀行股份有限公司)
“Xunxian Zhengyin County Bank”	Xunxian Zhengyin County Bank Co., Ltd. (浚縣鄭銀村鎮銀行股份有限公司)
“Yanling Zhengyin County Bank”	Yanling Zhengyin County Bank Co., Ltd. (鄆陵鄭銀村鎮銀行股份有限公司)
“Zhongmu Zhengyin County Bank”	Zhongmu Zhengyin County Bank Co., Ltd. (中牟鄭銀村鎮銀行股份有限公司)

* *The Bank is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), and not subject to the supervision of the Hong Kong Monetary Authority, nor being authorized to carry out banking and/or deposit-taking business in Hong Kong.*

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

1 BASIC INFORMATION

Legal name in Chinese:	鄭州銀行股份有限公司 (Abbreviation: 鄭州銀行)
Legal name in English:	Bank of Zhengzhou Co., Ltd. (Abbreviation: ZHENGZHOU BANK)
Legal representative:	Mr. WANG Tianyu
Authorised representatives:	Mr. WANG Tianyu, Mr. XIA Hua
Board secretary and contact details:	Mr. XIA Hua Contact address: 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China Tel: +86-371-6700 9199 Fax: +86-371-6700 9898 E-mail: ir@zzbank.cn
Joint company secretaries:	Mr. XIA Hua, Dr. NGAI Wai Fung ⁽¹⁾
Securities affairs representative and contact details:	Mr. CHEN Guang ⁽²⁾ Contact address: 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China Tel: +86-371-6700 9199 Fax: +86-371-6700 9898 E-mail: ir@zzbank.cn
Places of listing, stock abbreviations and codes:	A Shares: SZSE BANK OF ZHENGZHOU 002936 H Shares: Hong Kong Stock Exchange BANK OF ZHENGZHOU 6196 Offshore Preference Shares: Hong Kong Stock Exchange ZZBNK 17USDPREF 4613
Unified Social Credit Code:	914100001699995779
Financial licence number:	B1036H241010001
Registered address and office address:	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China
Postal code of the registered address and office address:	450018

Notes:

1. On 28 February 2022, Ms. LEUNG Wing Han Sharon resigned as the joint company secretary of the Bank and Dr. NGAI Wai Fung was appointed as the joint company secretary of the Bank.
2. On 30 August 2022, upon consideration and approval at the sixth meeting of the seventh session of the Board, Mr. CHEN Guang was appointed as the Bank's securities affairs representative, and Mr. WANG Yongfeng ceased to serve as the Bank's securities affairs representative.

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

Principal place of business in Hong Kong:	40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong
Contact address:	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China
Tel:	+86-371-6700 9199
Fax:	+86-371-6700 9898
E-mail:	ir@zzbank.cn
Website:	www.zzbank.cn
Newspapers for information disclosure:	Securities Times, China Securities Journal, Shanghai Securities News, Securities Daily
Websites for information disclosure:	Website for publishing the interim report of A Shares: www.cninfo.com.cn Website for publishing the interim report of H Shares: www.hkexnews.hk
Places where the Report can be obtained:	The General Office of the Board and principal place(s) of business of the Bank
Domestic auditor:	Ernst & Young Hua Ming LLP
Address of domestic auditor:	Rooms 01-12, Level 17, Ernst & Young Tower Oriental Plaza No. 1 East Chang An Avenue Dong Cheng District Beijing, China
Undersigned accountants:	Mr. CHEN Sheng, Ms. CHEN Lijing
International auditor:	Ernst & Young <i>(Registered Public Interest Entity Auditor)</i>
Address of international auditor:	27/F, One Taikoo Place 979 King's Road Quarry Bay, Hong Kong
Undersigned accountant:	Andy Ng
PRC legal advisor:	King & Wood Mallesons (Beijing)
Hong Kong legal advisor:	King & Wood Mallesons
Registrar for A Shares:	China Securities Depository and Clearing Corporation Limited, Shenzhen Branch
Registrar for H Shares:	Computershare Hong Kong Investor Services Limited

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

2 MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

The financial data and indicators set forth in this Report are prepared in accordance with the International Financial Reporting Standards. Unless otherwise specified, such information represents the data of the Group stated in RMB.

Unit: RMB'000

Major accounting data	For the six months ended 30 June			
	2022	2021	Increase/ decrease for the Reporting Period as compared to the same period of the previous year (%)	2020
Operating results				
Operating income ⁽¹⁾	7,564,388	6,944,864	8.92	7,680,524
Total profit	3,245,690	3,161,181	2.67	3,082,420
Net profit attributable to Shareholders of the Bank	2,531,066	2,453,871	3.15	2,417,853
Net cash flow (used in)/generated from operating activities	(18,129,194)	(5,563,807)	225.84	6,320,762
Calculated on a per Share basis (RMB/Share)				
Basic earnings per Share ⁽²⁾	0.31	0.30	3.33	0.37
Diluted earnings per Share ⁽²⁾	0.31	0.30	3.33	0.37
Scale indicators	As at 30 June 2022	As at 31 December 2021	Increase/ decrease as at the end of the Reporting Period as compared to the end of the previous year (%)	As at 31 December 2020
Total assets	584,295,564	574,979,662	1.62	547,813,444
Gross loans and advances to customers (excluding accrued interest)	316,481,914	289,027,668	9.50	237,959,190
Provision for impairment losses on loans and advances to customers ⁽³⁾	8,630,509	8,369,541	3.12	7,931,775
Total liabilities	522,149,410	515,568,122	1.28	501,841,523
Total deposits from customers (excluding accrued interest)	324,463,768	318,813,450	1.77	314,230,420
Share capital	8,265,538	8,265,538	-	7,514,125
Shareholders' equity	62,146,154	59,411,540	4.60	45,971,921
Including: equity attributable to shareholders of the Bank	60,404,546	57,766,182	4.57	44,494,897
Net assets per Share attributable to Ordinary Shareholders of the Bank ⁽⁴⁾ (RMB/Share)	5.15	4.83	6.63	4.88
Net capital ⁽⁵⁾	64,048,687	63,166,634	1.40	52,679,369
Including: net tier-one capital ⁽⁵⁾	60,347,729	57,931,340	4.17	44,492,918
Net risk-weighted assets ⁽⁵⁾	449,086,949	421,013,820	6.67	409,505,750

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	As at 30 June 2022	As at 31 December 2021	Change as at the end of the Reporting Period as compared to the end of the previous year	As at 31 December 2020
Major financial indicators				
Capital adequacy ratio (%)				
Core tier-one capital adequacy ratio ⁽⁵⁾	9.43	9.49	(0.06)	8.92
Tier-one capital adequacy ratio ⁽⁵⁾	13.44	13.76	(0.32)	10.87
Capital adequacy ratio ⁽⁵⁾	14.26	15.00	(0.74)	12.86
Asset quality indicators (%)				
Non-performing loan ratio ⁽⁶⁾	1.76	1.85	(0.09)	2.08
Allowance to non-performing loans ⁽⁶⁾	154.82	156.58	(1.76)	160.44
Allowance to total loans ⁽⁶⁾	2.73	2.90	(0.17)	3.33
For the six months ended 30 June				
	2022	2021	Change for the Reporting Period as compared to the same period of the previous year	2020
Profitability indicators (%)				
Weighted average return on net assets ⁽²⁾ (annualized)	12.27	12.88	(0.61)	15.16
Return on total assets ⁽⁷⁾ (annualized)	0.91	0.91	–	0.96
Cost-to-income ratio ⁽⁸⁾	16.98	18.75	(1.77)	17.58
Net interest spread ⁽⁹⁾ (annualized)	2.22	2.20	0.02	2.32
Net interest margin ⁽¹⁰⁾ (annualized)	2.35	2.24	0.11	2.32

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

	As at 30 June 2022	As at 31 December 2021	Change as at the end of the Reporting Period as compared to the end of the previous year	As at 31 December 2020
Other financial indicators (%)				
Leverage ratio ⁽¹¹⁾	9.00	8.72	0.28	6.63
Liquidity ratio ⁽¹¹⁾	59.75	63.72	(3.97)	70.41
Liquidity coverage ratios ⁽¹¹⁾	191.65	339.61	(147.96)	353.94
Loan-to-deposit ratio ⁽¹¹⁾	97.54	90.66	6.88	75.73
Percentage of loans to the single largest customer ⁽¹¹⁾	4.10	4.75	(0.65)	3.61
Percentage of loans to the top ten single customers ⁽¹¹⁾	30.81	27.66	3.15	26.17
Percentage of credit granted to the single largest group customer ⁽¹¹⁾	5.88	4.93	0.95	6.15
Normal loan migration ratio ⁽¹¹⁾	1.29	4.58	(3.29)	4.68
Special mention loan migration ratio ⁽¹¹⁾	14.17	48.26	(34.09)	33.16
Substandard loan migration ratio ⁽¹¹⁾	14.70	1.35	13.35	68.76
Doubtful loan migration ratio ⁽¹¹⁾	2.94	4.27	(1.33)	-

Notes:

- Operating income includes net interest income, net fee and commission income, net trading gains, net gains arising from investments and other operating income.
- Basic earnings per Share, diluted earnings per Share and weighted average return on net assets were calculated according to Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No.9): Calculation and Disclosure of Rate of Return on Equity and Earnings per Share (2010 Revision).

In December 2021, the Bank issued one new Share for every 10 Shares to Ordinary Shareholders by way of conversion of capital reserve. After the implementation of the Capitalization Issue, the number of Ordinary Shares of the Bank increased from 7,514,125,090 to 8,265,537,599. Basic earnings per Share and diluted earnings per Share during the comparison period were recalculated on the basis of the number of Shares after the Capitalization Issue. Other equity instruments were deducted from the weighted average net assets.

During the Reporting Period, the Bank did not distribute dividends on the Offshore Preference Shares. No dividend of the Offshore Preference Shares had to be deducted from the “net profit attributable to Shareholders of the Bank”, and net proceeds raised from the Offshore Preference Shares and perpetual bonds issuance were deducted from the “weighted average net assets”.

- Including the provision for impairment losses on the loans and advances to customers measured at amortized costs and the loans and advances to customers at fair value through other comprehensive income.

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

4. Representing the equity attributable to Ordinary Shareholders of the Bank after deducting other equity instruments divided by the number of Ordinary Shares at the end of the period.
5. Calculated based on the “Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)” published by the CBIRC.
6. Non-performing loan ratio was calculated by dividing total non-performing loan principal (excluding accrued interests) by gross loan and advance principal to customers (excluding accrued interest); the allowance to non-performing loans was calculated by dividing allowance for impairment losses on loans and advances to customers by total non-performing loan principal (excluding accrued interest); and the allowance to total loans was calculated by dividing allowance for impairment losses on loans and advances to customers by gross loan and advance principal to customers (excluding accrued interest).
7. Representing the net profit for the Reporting Period as a percentage to the average balance of the total assets as at the beginning and end of the Reporting Period.
8. Calculated by dividing operating expenses (excluding tax and surcharges) by operating income.
9. Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities, calculated based on daily average of the interest-earning assets and the interest-bearing liabilities.
10. Calculated by dividing net interest income by the daily average balance of interest-earning assets.
11. Percentage of loans to the single largest customer and percentage of loans to the top ten single customers were recalculated in accordance with regulatory criteria based on reviewed data. Loan-to-deposit ratio was recalculated as per audited (reviewed) total loan principal divided by total deposit principal. Other indicators represent data reported to regulatory authorities. Loan migration ratio was based on the criteria of the parent of the Bank.

3 DIFFERENCE IN ACCOUNTING DATA UNDER DOMESTIC AND INTERNATIONAL ACCOUNTING STANDARDS

Neither the Bank’s net assets as at the end of the Reporting Period nor the net profit during the Reporting Period calculated in accordance with China Accounting Standards for Business Enterprises differs from that calculated in accordance with the International Financial Reporting Standards.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

1 REVIEW OF THE ECONOMIC ENVIRONMENT AND THE INDUSTRY

In the first half of 2022, the international environment became more complex and challenging, and China saw frequent outbreaks of COVID-19 across the nation with increasing adverse impacts. The unexpected headwinds dealt a heavy blow to the economy. Faced with the extremely difficult situation, all prefectures and authorities across the country effectively coordinated epidemic prevention and control and socio-economic development, while strengthening macro policy control. The national economy remained relatively stable. First, the economy has resisted pressure to achieve positive growth. China's gross domestic product ("GDP") for the first half of the year reached RMB56,264.2 billion, representing a year-on-year increase of 2.5%. Specifically, GDP for the first and second quarter increased by 4.8% and 0.4% year-on-year respectively. The primary, secondary and tertiary sectors recorded a year-on-year growth of 5.0%, 3.2% and 1.8%, respectively. Second, industrial production stabilized and rebounded, and high-tech manufacturing developed rapidly. In the first half of the year, the added value of industries above designated size increased by 3.4% year-on-year, and that of high-tech manufacturing increased by 9.6% year-on-year. Third, the service sector gradually recovered. In the first half of the year, the added value of the service industry increased by 1.8% year-on-year. In June 2022, China's service industry business activity index and service industry business activity expectation index were 54.3% and 61.0%, up by 7.2 and 5.8 percentage points from the previous month, respectively. Fourth, market sales improved. In the first half of 2022, the total retail sales of consumer goods was RMB21,043.2 billion, representing a year-on-year decrease of 0.7% (including a year-on-year decrease of 4.6% in the second quarter). Fifth, the investment in fixed assets continued to grow. In the first half of 2022, the national investment in fixed assets (excluding rural households) was RMB27,143 billion, representing a year-on-year increase of 6.1%. In particular, the investment in the primary, secondary and tertiary sectors increased by 4.0%, 10.9% and 4.0% year-on-year, respectively. Sixth, the import and export of goods grew rapidly. In the first half of the year, the total imports and exports of goods grew by 9.4% year-on-year to RMB19,802.2 billion, of which exports amounted to RMB11,141.7 billion and imports RMB8,660.5 billion, representing an increase of 13.2% and 4.8%, respectively. Seventh, consumer prices rose moderately, and residents' income grew steadily. In the first half of the year, China's Consumer Price Index ("CPI") rose 1.7% year-on-year; China's per capita disposable income of residents was RMB18,463, representing a year-on-year increase of 4.7%; the per capita income ratio of urban and rural residents was 2.55, narrowed by 0.06 over the same period of last year. In the first half of 2022, China's economy overcame the adverse effects of unexpected headwinds and showed signs of stabilization and recovery. However, the foundation for sustained economic recovery is unstable amid the rising risk of stagflation in the world economy, the monetary policy tightening of major economies, the lingering impact of COVID-19 in China, and the intertwining of structural contradictions and cyclical problems.

Since the COVID-19 outbreak in 2020, China has maintained a prudent monetary policy. In the first half of 2022, China continued to play the dual functions of the total amount and structure of monetary policy tools, in an effort to serve the real economy and stabilize the economy. As at the end of June 2022, total stock of social financing amounted to RMB334.27 trillion, representing a year-on-year increase of 10.8%, 0.2 percentage point lower than the same period last year. In the first half of 2022, the increment of social financing amounted to RMB21 trillion, an increase of RMB3.2 trillion from the same period last year. As at the end of June 2022, the balance of broad money (M2) was RMB258.15 trillion, representing a year-on-year increase of 11.4%, 2.8 percentage points higher than the same period last year. The balance of RMB and foreign currency loans reached RMB212.34 trillion, representing a year-on-year increase of 10.8%. Among them, the balance of RMB loans was RMB206.35 trillion, representing a year-on-year increase of 11.2% or RMB13.68 trillion (RMB919.2 billion more than the increase in the same period of last year). The balance of RMB and foreign currency deposits reached RMB257.68 trillion, representing a year-on-year increase of 10.5%. Among them, the balance of RMB deposits was RMB251.05 trillion, representing a year-on-year increase of 10.8% or RMB18.82 trillion (RMB4.77 trillion more than the increase in the same period of last year). In the interbank RMB market, a total of RMB821.62 trillion was traded through interbank lending, spot trading and repo. The weighted average interest rates of interbank lending and pledged repo were 1.56% and 1.57%, 0.57 and 0.6 percentage point lower than those for the same period last year, respectively.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2022, with the accelerated implementation of a series of policies to stabilize the economy and the continuous improvement in epidemic prevention and control, the economy of Henan Province stabilized and recovered at an accelerated pace. First, the growth rates of the province's major economic indicators were higher than the national levels. In the first half of 2022, the provincial GDP was RMB3,075.72 billion, with a year-on-year increase of 3.1%, 0.6 percentage point higher than the national level, reversing the situation that the growth rate had been lower than the national level for seven consecutive quarters since the third quarter of 2020. Second, industrial production stabilized and rebounded. In the first half of the year, the added-value of industries above designated size in the province increased by 5.2% year-on-year, 1.3 percentage points higher than the national average; and the added value of the five leading industries, strategic emerging industries, and high-tech manufacturing increased by 6.7%, 8.7% and 17.0% year-on-year, respectively. Third, investment in fixed assets maintained a double-digit growth. In the first half of the year, the province's investment in fixed assets increased by 10.3% year-on-year, 4.2 percentage points higher than the national average. In particular, the investment in high-tech manufacturing increased by 40.3%. Fourth, the consumer goods market rebounded robustly. In the first half of the year, the province's total retail sales of consumer goods amounted to RMB1,184,844 million, representing a year-on-year increase of 0.3%, 1.0 percentage point higher than the national average; the retail sales of enterprises above designated size reached RMB346,475 million, representing a year-on-year increase of 4.1%. Fifth, consumer prices rose modestly, while industrial producer prices continued to decline. In the first half of the year, the province's CPI rose by 1.2% year-on-year, 0.5 percentage point lower than the national average; industrial producer price index increased by 8.7% year-on-year, 1.0 percentage point higher than the national average; and industrial producer purchase price index increased by 9.5% year-on-year, 0.9 percentage point lower than the national average. Sixth, the income of residents increased steadily with a reduction in the per capita income ratio of urban and rural residents. In the first half of the year, the province's per capita disposable income of residents was RMB13,322, representing a year-on-year increase of 4.6%; and per capita living expenditure was RMB9,412, representing a year-on-year increase of 3.6%. The income ratio of urban and rural residents in the province narrowed to 2.36 from 2.40 in the same period last year.

Since 2022, the banking industry has been implementing the decisions and policies of the CPC Central Committee and the State Council to fully support the stabilization of the macro-economy and prevent and resolve financial risks, while deepening the structural reform of the financial supply side to promote high-quality economic development. Overall, in 2022, the banking industry has been operating steadily with major business and risk indicators in a reasonable range. In the first half of the year, the total assets of China's banking industry grew steadily, with the total local and foreign currency assets of banking institutions amounting to RMB367.7 trillion, representing a year-on-year increase of 9.4%. The quality of credit assets was generally stable, and the banking industry's risk compensation capability was sufficient. As at the end of June, the balance of non-performing loans (NPLs) of banking institutions was RMB3.8 trillion, representing an NPL ratio of 1.77%, down 0.05 percentage point from the beginning of the year; and the provision coverage ratio was 201.3%. The credit supply to the real economy was constantly on the rise. In the first half of the year, the balance of RMB loans increased year-on-year by 11.2% or RMB13.7 trillion, RMB919.2 billion more than the increase in the same period last year. The balance of loans from banking institutions to small and micro enterprises reached RMB55.8 trillion, of which the balance of inclusive loans to small and micro enterprises was RMB21.77 trillion, representing a year-on-year increase of 22.6%. The industry stepped up efforts to serve the high-quality development of the manufacturing industry, with the balance of manufacturing loans increasing by RMB3.3 trillion, RMB1.6 trillion more than the increase in the same period last year. With strong support for green transformation, the balance of green credit of 21 major banks reached RMB18.6 trillion. The industry strengthened financial services for new citizens and introduced special support policies, in an ongoing effort to improve the quality and efficiency of financial services for new citizens. As at the end of June, the balance of loans for new citizens of banking institutions was RMB1.2 trillion. Overall, China's economy is currently stabilizing and recovering, but the world economic environment will be more complex and challenging in the future while economic uncertainties persist. In this context, banking institutions, especially small and medium-sized banks, will face rising pressure on the disposal of non-performing assets.

2 BUSINESS REVIEW

2.1 Principal Business

Bank of Zhengzhou is a regional joint-stock commercial bank established in November 1996. It went public on the Hong Kong Stock Exchange in December 2015 and was listed on the SZSE in September 2018, becoming the first domestic city commercial bank to be listed on both the A-share and H-share markets. The Bank is positioned to serve the local economy, urban and rural residents and small and medium-sized enterprises (SMEs). To this end, the Bank proactively implements national strategies and major strategic decisions and arrangements of the province and city, upholds its unique positioning as “a commerce and logistics bank, an SME financial service expert, and a boutique bank for residents”, deepens reforms and business transformation, and implements the “Five & Four Strategy” to promote high-quality development with “Five Clouds” and “Four New Types of Finance”, in an effort to provide customers with high-quality, convenient and efficient integrated financial services.

The Bank is primarily engaged in corporate banking, retail banking and treasury business. The Bank provides corporate banking customers with diversified financial products and services, including corporate loans (including trade finance), international business and services, corporate deposits, and products and services involving handling fees and commissions. The Bank provides retail banking customers with a wide range of products and services, including loans, deposits, bank cards and products and services involving handling fees and commissions. The Bank’s treasury business seeks to maximize the return on capital for non-loan purposes while meeting its liquidity needs. The Bank’s treasury business mainly includes money market transactions, investment in securities and other financial assets, bond underwriting and distribution, inter-bank discounting and rediscounting of bills, and treasury business conducted on behalf of customers.

2.2 Operational Performance

The business indicators remained stable. As at the end of the Reporting Period, the Bank had total assets of RMB584,296 million, an increase of 1.62% from the end of the previous year; total loans of RMB316,482 million, an increase of 9.50% from the end of the previous year; and total deposits of RMB324,464 million, an increase of 1.77% from the end of the previous year. During the Reporting Period, the Bank recorded a net profit of RMB2,632 million, representing a year-on-year increase of 3.63%. The Bank’s NPL ratio and allowance to NPL ratio were 1.76% and 154.82% respectively, all meeting the regulatory requirements.

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The “Five & Four Strategy” was further promoted. The Bank closely followed the major decisions and arrangements of the central and local governments and combined “Five Clouds” and “Four New Types of Finance” to form the “Five & Four Strategy”. In terms of policy-based technological innovation finance, the Bank gradually improved its organizational structure, established the “six-in-one” operational mechanism, and intensified communication with local and municipal governments and technology innovation institutions to accelerate the construction of a technology-oriented ecosystem. During the Reporting Period, the Bank delivered credit pre-approval letters to 3,325 clients, representing a total of RMB19.3 billion in pre-approved credit facilities. Such facilities had been used by 1,210 technological innovation enterprises with a total amount of RMB10.24 billion. In terms of small and micro enterprise finance, the Bank strengthened the effect of “introducing Phoenix-like companies” to industrial parks, while promoting the “10,000 people helping 10,000 enterprises” and “President visiting enterprises” initiatives. During the Reporting Period, we visited and surveyed 766 enterprises, and supported 290 enterprises with new and renewed loans of RMB9,101 million. In terms of rural finance, the Bank established payment service outlets for rural inclusive finance, improved the rural financial service environment, strengthened the supply of rural financial products, launched the “Rural Revitalization Edition” of the mobile banking APP, was selected as the “Demonstration Project of Empowering Rural Revitalization with Financial Technology in Henan Province”, and continuously deepened diversified service scenarios, so as to provide rural residents with safe, reliable and convenient financial services. In terms of citizen finance, the Bank built a “15-minute convenient service network” for social security and medical insurance, and formulated “12 Measures” for financial services for new citizens to provide convenient and accessible financial services for new citizens. In terms of “Five Clouds”, the Bank made breakthroughs in innovative products, and had gained over 1,000 customers in key fields and industries.

Various measures were taken to serve the real economy. In an effort to implement the spirit of the national video and teleconference on stabilizing the economy, the Bank set up a task force and developed 27 measures to help stabilize the economy in eight aspects. The Bank set up a leading group for the long-term mechanism for serving small and micro enterprises, and introduced 18 measures in four aspects, i.e. enhancing the confidence in lending, stimulating the motivation to lend, consolidating the foundation for lending, and improving the expertise in lending, to bail out small and micro enterprises, while stepping efforts to provide financial support for epidemic prevention and control and social and economic development. According to the requirements of the provincial and municipal governments and regulatory authorities to stabilize market entities, the Bank deferred repayment of principal and interest for small and micro enterprises, sole proprietors, truck drivers and other customers seriously affected by COVID-19, involving a total amount of RMB902 million. The Bank also helped troubled real estate companies tide over the difficulties through repayment schedule adjustments and maturity extensions, thus contributing to the stable social and economic development.

2.3 Analysis of Core Competitiveness

Leveraging regional advantages to build a “commerce and logistics bank”. In the context of promoting domestic and international dual cycle, the Bank leverages Zhengzhou’s geographical advantages as an important national transportation hub, a national central city, a core city in the Central Plains Economic Zone and an important node city in the Belt and Road Initiative to build a financial, transactional and service-oriented commerce and logistics banking platform. Based on transaction banking, the Bank has established a “four-in-one” platform combining the flows of business, information, capital, and goods, and focuses on the optimization of the online service platforms of “Five Clouds” and the integration of system functions to explore the development commerce and logistics finance with characteristics.

Practicing social responsibility and becoming an “SME financial service expert”. By optimizing the business model of small and micro finance, the Bank returns to the nature of small and micro finance. With a focus on developing hit products and an aim to realize digital, online and intelligent operations, the Bank constantly innovates in small and micro credit products. Moreover, the Bank builds a small and micro credit risk culture system, and develops an intelligent risk control system supported by a big data platform to conduct whole-process risk control; prudently conducts joint credit operations by collaborating with Internet tech giants in different ways to increase access to long-tail customers and jointly build a new inclusive finance ecosystem; implements the “Partnership Project Plan” to provide a full range of integrated financial service solutions for small and micro enterprise parks and enterprises in such parks.

Speeding up the development of policy-based technological innovation finance in support of the strategy of technology innovation. In an effort to follow the innovation-driven development strategy of the Henan Provincial Party Committee and Provincial Government, the Bank plays the role as an entity providing policy-based financial services for technological innovation, and implements the “Twelve Measures” to fully support technology firms and key enterprises meeting the “sole proprietor to enterprise, small enterprise to enterprise above designated size (EADS), EADS to joint-stock company, and listing” conditions in line with national industrial policies and Henan Province’s development strategy. In addition, the Bank vigorously implements the policies of the Henan Provincial Party Committee and Provincial Government to stabilize the economy, in a drive to serve the high-quality economic and social development in Henan.

Developing inclusive finance to build a “boutique bank for residents”. As a local financial institution in Zhengzhou, the Bank adheres to the principle of “honoring the responsibility to defend the hometown” and focuses on citizens’ basic necessities of life to pursue the digital transformation featuring “scenario-based products and online and intelligent services”, so as to meet the financial needs of customers in all aspects, continuously enhance service efficiency and customer experience, and establish itself as a “boutique bank for residents” well trusted by the public. The Bank extends modern financial services to rural areas by building a comprehensive management platform for rural business and developing a rural revitalization version of mobile banking app and other products to serve rural residents online and offline, in an effort to broaden and deepen the financial services for rural revitalization and solve the “last mile” problem of rural financial services.

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Managing compliance risks carefully to ensure sound operations. The Bank sets the bottom line of “compliance-based development”, creates a good atmosphere for “compliance-based operations and sound development”, and continuously improves compliance management and internal control. Specifically, the Bank regularly reviews relevant measures and compliance issues, and inspects all aspects of operational and managerial activities from beginning to end, thus consolidating the foundation for compliance and internal control; promotes swindle prevention and control and employee behavior management, and implements swindle prevention responsibilities at all levels to develop an inclination for proactive compliance; strengthens employees’ compliance awareness and skills education to build the cornerstone of compliance-based development and promote the healthy development of various business lines; adheres to the goal of “zero risk event”, continuously strengthens the construction of three lines of defense, increases accountability for violations, and eliminates hidden risks in a timely manner.

Developing innovative thinking to accelerate innovation output. The Bank attaches great importance to financial innovation, and actively creates an institutional environment suitable for innovation. To this end, the Bank has the chief information officer serve as the director of innovation, further optimizes the innovation system by overhauling the overall innovation process, and has established an efficient innovation management mechanism and an innovation assessment and reward mechanism with equal rights and responsibilities to stimulate the innovation enthusiasm of all departments and employees and promote the implementation of high-quality innovation ideas and projects. Moreover, the Bank strengthens the integration of technology and business and builds a two-wheeled innovation model driven by “agile innovation & steady innovation” to accelerate innovation output; intensifies external cooperation, and leverages fintech including big data and AI to improve its capabilities in risk control and comprehensive financial services, with a view to integrating innovations into all aspects of the Bank’s development strategies, business processes, products and services.

Creating a corporate culture and adhering to the corporate vision. The Bank upholds the core values of “reverence, professionalism, inquisitiveness, altruism and responsibility”, the principle of “providing people-oriented, customer-centered and heart-warming financial services”, and the mission of “providing heart-warming financial services for better life”. Such corporate culture is deeply embedded in the daily activities of employees to help motivate the employees and strives to be a bank that cares about its customers. The Bank’s corporate culture represents the common ideal and pursuit, and serves as the spiritual and action guidance, of its employees. Guided by this culture, the Bank strives to realize the corporate vision of building a “leading bank with high-quality development” and become a “century-old bank”.

2.4 Major Awards

In January 2022, the Bank was awarded the title of “City Commercial Bank of the Year 2021” by China Times;

In January 2022, the Bank was awarded the title of “Excellent Underwriter in the Financial Bond Interbank Market” by China Development Bank;

In January 2022, the Bank was awarded the title of “Excellent Financial Bond Issuer” by China Central Depository & Clearing Co., Ltd.;

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In February 2022, the Bank was granted the title of “Chinese Banking Institution with High-quality Development in 2021” by China Finance Net;

In May 2022, the Bank received the “2021 Henan Socially Responsible Enterprise of the Year” Award jointly issued by Henan Daily, Henan State-owned Assets Supervision and Administration Commission, Finance Bureau of Henan Province, and Henan Provincial Department of Industry and Information Technology;

In June 2022, the Bank was awarded the title of “2021 Outstanding Transformation and Innovation Enterprise in Zhengzhou” by Zhengzhou Enterprise Confederation;

In July 2022, the Bank ranked 184th on the “Top 1,000 Global Banks in 2022” list published by The Banker magazine of the United Kingdom.

3 FINANCIAL STATEMENTS ANALYSIS

3.1 Income Statement Analysis

During the Reporting Period, under the leadership of the Board, the Bank proactively navigated through the complex and harsh economic challenges through consolidating its advantages and bolstering weak spots, so as to address the adversities in development and press ahead for high-quality growth. During the Reporting Period, the Bank recorded net profit of RMB2,632 million, representing a year-on-year increase of 3.63%; and net profit attributable to Shareholders of the Bank of RMB2,531 million, representing a year-on-year increase of 3.15%. Major items of and changes in the Bank’s income statement are set out as follows:

Unit: RMB’000

Item	For the six months ended 30 June			
	2022	2021	Change	Rate of change (%)
Net interest income	6,245,713	5,768,589	477,124	8.27
Non-interest income	1,318,675	1,176,275	142,400	12.11
Operating income	7,564,388	6,944,864	619,524	8.92
Less: Operating expenses	1,362,293	1,379,839	(17,546)	(1.27)
Less: Credit impairment loss	2,959,345	2,410,934	548,411	22.75
Operating profit	3,242,750	3,154,091	88,659	2.81
Share of profits of associates	2,940	7,090	(4,150)	(58.53)
Profit before taxation	3,245,690	3,161,181	84,509	2.67
Less: Income tax expenses	613,474	621,154	(7,680)	(1.24)
Net profit	2,632,216	2,540,027	92,189	3.63
Including: Shareholders of the Bank	2,531,066	2,453,871	77,195	3.15
Non-controlling interests	101,150	86,156	14,994	17.40

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3.1.1 Net Interest Income, Net Interest Spread and Net Interest Margin

During the Reporting Period, the Bank recorded net interest income of RMB6,246 million, representing a year-on-year increase of RMB477 million or 8.27% and accounted for 82.57% of the operating income. In particular, business scale adjustment resulted in an increase of RMB540 million in net interest income and changes in yield or cost rate resulted in a decrease of RMB63 million in net interest income.

The following table sets forth the average balance of the Bank's interest-earning assets and interest-bearing liabilities, interest income and expenses, average yield of these interest-earning assets and average cost rate of these interest-bearing liabilities during the Reporting Period:

Unit: RMB'000

Item	For the six months ended 30 June					
	2022 Average balance ⁽⁶⁾	2022 Interest income/ expenses	2022 Annualized average yield/ cost rate (%)	2021 Average balance ⁽⁶⁾	2021 Interest income/ expenses	2021 Annualized average yield/ cost rate (%)
Interest-earning assets						
Loans and advances to customers	302,402,393	8,186,819	5.41	253,750,971	6,908,743	5.45
Investment securities and other financial assets ⁽¹⁾	154,075,586	3,192,031	4.14	192,975,017	4,513,275	4.68
Deposits with the central bank	24,357,360	154,270	1.27	25,564,632	181,803	1.42
Amounts due from banks and other financial institutions ⁽²⁾	20,947,549	155,161	1.48	15,421,496	86,932	1.13
Lease receivables	30,265,662	1,023,294	6.76	27,171,264	924,272	6.80
Total interest-earning assets	532,048,550	12,711,575	4.78	514,883,380	12,615,025	4.90
Interest-bearing liabilities						
Deposits from customers	314,721,102	3,756,740	2.39	314,914,248	3,959,357	2.51
Amounts due to banks and other financial institutions ⁽³⁾	77,969,034	1,142,640	2.93	75,840,884	1,157,894	3.05
Debt securities issued	91,804,451	1,288,650	2.81	89,607,958	1,370,359	3.06
Due to the central bank	21,568,769	277,832	2.58	26,028,813	358,826	2.76
Total interest-bearing liabilities	506,063,356	6,465,862	2.56	506,391,903	6,846,436	2.70
Net interest income		6,245,713			5,768,589	
Net interest spread ⁽⁴⁾ (annualized)			2.22			2.20
Net interest margin ⁽⁵⁾ (annualized)			2.35			2.24

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Notes:

1. Consists of financial investments at amortized cost and bonds at fair value through other comprehensive income.
2. Consists of deposits and placements with banks and other financial institutions and financial assets held under resale agreements.
3. Consists of deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements.
4. Calculated as the difference between the average yield on total interest-earning assets and the average cost rate of total interest-bearing liabilities based on the average daily interest-earning assets and interest-bearing liabilities.
5. Calculated by dividing the net interest income by the average balance of interest-earning assets based on the average daily interest-earning assets.
6. Calculated as the average daily balance of the Bank.

During the Reporting Period, changes in the volume and interest rate of the Bank led to changes in interest income and interest expenses. Changes in volume are measured by changes in the average balance of the interest-earning assets and interest-bearing liabilities while changes in interest rate are measured by changes in the average interest rate of the interest-earning assets and interest-bearing liabilities. Combined effects of the changes in volume and interest rate were included in changes in interest.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	For the six months ended 30 June		
	2022 vs. 2021		Net increase/ (decrease) ⁽³⁾
	Increase/(decrease) due to Volume ⁽¹⁾	Interest rate ⁽²⁾	
Interest-earning assets			
Loans and advances to customers	1,324,606	(46,530)	1,278,076
Investment in securities and other financial assets	(909,775)	(411,469)	(1,321,244)
Deposits with the central bank	(8,586)	(18,947)	(27,533)
Amounts due from banks and other financial institutions	31,151	37,078	68,229
Lease receivables	105,261	(6,239)	99,022
Changes in interest income	542,657	(446,107)	96,550
Interest-bearing liabilities			
Deposits from customers	(2,428)	(200,189)	(202,617)
Amounts due to banks and other financial institutions	32,491	(47,745)	(15,254)
Debt securities issued	33,591	(115,300)	(81,709)
Due to the central bank	(61,485)	(19,509)	(80,994)
Changes in interest expenses	2,169	(382,743)	(380,574)

Notes:

1. Represents the average balance for the Reporting Period minus the average balance for the previous period, multiplied by the average yield/cost rate for the previous period.
2. Represents the average revenue/(expenses) for the Reporting Period minus the average revenue/(expenses) for the previous period, multiplied by the average balance for the Reporting Period.
3. Represents the interest income/(expenses) for the Reporting Period minus the interest income/(expenses) for the previous period.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Net interest spread and net interest margin

During the Reporting Period, the Bank's net interest spread amounted to 2.22%, representing an increase of 0.02 percentage point as compared to the same period of the previous year, while the Bank's net interest margin amounted to 2.35%, representing an increase of 0.11 percentage point as compared to the same period of the previous year. The main reasons for the increase in net interest spread and net interest margin are that the Bank strengthened assets and liabilities management, vigorously expanded low-interest deposits, while interest-bearing liabilities recorded a year-on-year decrease in average cost rate due to volatilities in market capital.

3.1.2 Interest Income

During the Reporting Period, the Bank achieved interest income of RMB12,712 million, representing a year-on-year increase of RMB97 million or 0.77%, mainly due to the increase in the scale of interest-earning assets.

Interest income from loans and advances to customers

During the Reporting Period, the Bank steadily promoted credit granting. The average balance of loans and advances to customers issued by the Bank increased by RMB48,651 million as compared to the same period of the previous year. The interest income from loans amounted to RMB8,187 million, representing an increase of RMB1,278 million or 18.50% as compared to the same period of the previous year. Set out below are the average balance, interest income and average yield for each component of the Bank's loans and advances to customers during the Reporting Period:

Unit: RMB'000

Item	For the six months ended 30 June					
	2022			2021		
	Average balance	Interest income	Annualized average yield (%)	Average balance	Interest income	Annualized average yield (%)
Corporate loans	211,062,003	6,093,856	5.77	170,164,825	4,916,020	5.78
Personal loans	77,274,018	1,918,345	4.97	69,655,721	1,790,878	5.14
Discounted bills	14,066,372	174,618	2.48	13,930,425	201,845	2.90
Gross loans and advances to customers	302,402,393	8,186,819	5.41	253,750,971	6,908,743	5.45

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Interest income from investment in securities and other financial assets

During the Reporting Period, interest income from investment in securities and other financial assets of the Bank amounted to RMB3,192 million, representing a year-on-year decrease of RMB1,321 million or 29.27%, which was principally attributable to the combined effects of the decrease in investment securities and other financial assets and drop in average yield.

Interest income from deposits with the central bank

During the Reporting Period, interest income from deposits with the central bank of the Bank was RMB154 million, representing a year-on-year decrease of RMB28 million or 15.14%, mainly attributable to the decrease in the scale of RMB statutory deposit reserve during the Reporting Period.

Interest income from amounts due from banks and other financial institutions

During the Reporting Period, the Bank's interest income from amounts due from banks and other financial institutions increased by RMB68 million or 78.49% year-on-year to RMB155 million, which was primarily attributable to the increase in the scale and average yield rate of amounts due from banks and other financial institutions during the Reporting Period.

Interest income from lease receivables

During the Reporting Period, interest income from lease receivables of the Bank increased by RMB99 million or 10.71% as compared to the same period of the previous year to RMB1,023 million, which was primarily attributable to the increase in the scale of lease receivables of Jiuding Financial Leasing Company, a subsidiary of the Bank.

3.1.3 Interest Expense

During the Reporting Period, the Bank's interest expense amounted to RMB6,466 million, representing a decrease of RMB381 million or 5.56% as compared to the same period of the previous year, which was affected by the decrease in the average cost rate of interest-bearing liabilities.

Interest expense on deposits from customers

During the Reporting Period, the Bank's interest expense on deposits from customers amounted to RMB3,757 million, representing a year-on-year decrease of RMB203 million or 5.12%, and accounted for 58.10% of all interest expenses. The decrease was mainly due to the decrease in the average cost rate as the Bank vigorously expanded low-interest deposits.

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Unit: RMB'000

Item	2022			2021		
	Average balance	Interest expense	Annualized average cost rate (%)	Average balance	Interest expense	Annualized average cost rate (%)
For the six months ended 30 June						
Corporate deposits						
Demand	79,948,067	308,437	0.77	71,587,551	220,846	0.62
Time	75,959,049	1,253,757	3.30	104,149,844	1,774,939	3.41
Subtotal	155,907,116	1,562,194	2.00	175,737,395	1,995,785	2.27
Personal deposits						
Demand	31,505,831	122,712	0.78	25,479,801	110,987	0.87
Time	92,249,671	1,786,199	3.87	82,341,935	1,581,865	3.84
Subtotal	123,755,502	1,908,911	3.08	107,821,736	1,692,852	3.14
Others	35,058,484	285,635	1.63	31,355,117	270,720	1.73
Total deposits from customers	314,721,102	3,756,740	2.39	314,914,248	3,959,357	2.51

Interest expense on amounts due to banks and other financial institutions

During the Reporting Period, the Bank's interest expense on amounts due to banks and other financial institutions amounted to RMB1,143 million, representing a year-on-year decrease of RMB15 million or 1.32%, which was primarily attributable to the decrease in average cost rate of amounts due to banks and other financial institutions during the Reporting Period.

Interest expense on debt securities issued

During the Reporting Period, the Bank's interest expense on debt securities issued amounted to RMB1,289 million, representing a decrease of RMB82 million or 5.96% as compared to the same period of the previous year, which was primarily attributable to the decrease in average cost rate of deposits in inter-banks of the Bank during the Reporting Period.

Interest expense arising from amounts due to the central bank

During the Reporting Period, interest expense arising from amounts due to the central bank amounted to RMB278 million, representing a decrease of RMB81 million or 22.57% as compared to the same period of the previous year, which was primarily attributable to the decrease in scale and rate of refinancing of the central bank during the Reporting Period as compared to the same period of the previous year.

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3.1.4 Non-interest Income

During the Reporting Period, the Bank achieved non-interest income of RMB1,318 million, representing an increase of RMB142 million or 12.11% as compared to the same period of the previous year and accounted for 17.43% of the operating income. Such income includes net fee and commission income of RMB419 million, representing a decrease of RMB303 million as compared to the same period of the previous year; other non-interest income of RMB899 million, representing an increase of RMB446 million as compared to the same period of the previous year.

Net fee and commission income

Unit: RMB'000

Item	For the six months ended 30 June			
	2022	2021	Change	Rate of change (%)
Fee and commission income				
Agency and custody services fees	271,811	522,381	(250,570)	(47.97)
Underwriting and advisory fees	101,180	121,367	(20,187)	(16.63)
Acceptance and guarantee services fees	63,849	70,585	(6,736)	(9.54)
Bank card services fees	57,637	58,413	(776)	(1.33)
Others	18,231	21,398	(3,167)	(14.80)
Subtotal	512,708	794,144	(281,436)	(35.44)
Fee and commission expenses	93,402	71,428	21,974	30.76
Net fee and commission income	419,306	722,716	(303,410)	(41.98)

During the Reporting Period, the Bank's net fee and commission income amounted to RMB419 million, representing a decrease of RMB303 million or 41.98% as compared to the same period of the previous year, which was primarily attributable to the change in the scale of the agency and custody business.

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Other non-interest income

Unit: RMB'000

Item	For the six months ended 30 June			
	2022	2021	Change	Rate of change (%)
Net trading gains	694,185	279,268	414,917	148.57
Net gains arising from investment	176,205	141,207	34,998	24.78
Other operating income	28,979	33,084	(4,105)	(12.41)
Total	899,369	453,559	445,810	98.29

During the Reporting Period, other non-interest income amounted to RMB899 million, representing an increase of RMB446 million or 98.29% as compared to the same period of the previous year, which was primarily due to the change in gains arising from financial investments at fair value through profit or loss and the change in the exchange rate of US dollar against the RMB during the Reporting Period.

3.1.5 Operating Expenses

During the Reporting Period, the Bank strengthened cost control and effectively implemented financial resources allocation to record operating expenses of RMB1,362 million, a decrease of RMB18 million, or 1.27%, from the corresponding period of previous year.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	For the six months ended 30 June			
	2022	2021	Change	Rate of change (%)
Staff costs	712,574	746,211	(33,637)	(4.51)
Depreciation and amortization	227,427	228,031	(604)	(0.26)
Rental and property management expenses	37,397	39,276	(1,879)	(4.78)
Office expenses	23,569	21,899	1,670	7.63
Tax and surcharges	78,028	77,771	257	0.33
Others	283,298	266,651	16,647	6.24
Total operating expenses	1,362,293	1,379,839	(17,546)	(1.27)

The following table sets forth the major components of staff costs of the Bank during the Reporting Period:

Unit: RMB'000

Item	For the six months ended 30 June			
	2022	2021	Change	Rate of change (%)
Salaries, bonuses and allowances	415,229	456,701	(41,472)	(9.08)
Social insurance and annuity	167,138	147,128	20,010	13.60
Supplementary retirement benefits	3,098	19,387	(16,289)	(84.02)
Staff welfare	55,451	54,565	886	1.62
Housing allowances	61,270	56,370	4,900	8.69
Others	10,388	12,060	(1,672)	(13.86)
Total	712,574	746,211	(33,637)	(4.51)

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.1.6 Credit Impairment Losses

During the Reporting Period, the Bank's credit impairment losses increased by RMB548 million or 22.75% from the previous year to RMB2,959 million. The impairment losses of loans and advances to customers was RMB1,968 million, representing an increase of RMB500 million or 34.07% as compared to the same period of the previous year. This is mainly due to the fact that the Bank enhanced efforts to provide for allowance to improve the ability to resist and mitigate risks in line with changes in the market operating environment and the asset structure.

Unit: RMB'000

Item	For the six months ended 30 June			
	2022	2021	Change	Rate of change (%)
Impairment losses on loans and advances to customers	1,968,202	1,468,028	500,174	34.07
Impairment losses on financial investments measured at amortized cost	683,624	864,755	(181,131)	(20.95)
Impairment losses on lease receivables	210,027	169,247	40,780	24.09
Impairment losses on off-balance sheet credit commitments	4,237	980	3,257	332.35
Impairment losses on financial investments at fair value through other comprehensive income	(4,213)	(92,285)	88,072	(95.43)
Others ^(Note)	97,468	209	97,259	46,535.41
Total provision for credit impairment losses	2,959,345	2,410,934	548,411	22.75

Note: Others consist of impairment losses on items such as deposits with banks and other financial institutions, financial assets held under resale agreements, placements with banks and other financial institutions, etc.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.1.7 Income Tax Expenses

During the Reporting Period, the Bank's income tax expenses amounted to RMB613 million, representing a decrease of RMB8 million or 1.24% as compared to the same period of the previous year. During the Reporting Period, the Bank's effective tax rate was 18.90%, which is lower than the statutory tax rate of 25% and was mainly due to the fact that the interest income from state-owned bonds and local government bonds held by the Bank was tax-exempt income according to the relevant PRC tax law.

Unit: RMB'000

Item	For the six months ended 30 June			
	2022	2021	Change	Rate of change (%)
Current tax	1,405,916	1,095,919	309,997	28.29
Deferred tax	(792,442)	(474,765)	(317,677)	66.91
Total income tax expenses	613,474	621,154	(7,680)	(1.24)

Note: Due to adjustments to the presentation of income tax expenses for the period, figures for the same period of the previous year have been reclassified accordingly.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.2 Balance Sheet Analysis

3.2.1 Assets

As at the end of the Reporting Period, the Bank's total assets amounted to RMB584,296 million, representing an increase of RMB9,316 million or 1.62% from the end of the previous year. The increase in total assets was mainly due to the increase in loans and advances to customers, financial investments at fair value through profit or loss and lease receivables. The balances (after provision) of the components of the Bank's total assets and their respective percentages are as follows:

Unit: RMB'000

Item	As at 30 June 2022		As at 31 December 2021		Change	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Assets						
Cash and deposits with the central bank	28,046,789	4.80	33,433,058	5.81	(5,386,269)	(1.01)
Deposits with banks and other financial institutions	3,140,947	0.54	2,919,058	0.51	221,889	0.03
Placements with banks and other financial institutions	4,324,687	0.74	4,182,213	0.73	142,474	0.01
Derivative financial assets	-	-	173,981	0.03	(173,981)	(0.03)
Financial assets held under resale agreements	6,490,938	1.11	14,228,603	2.47	(7,737,665)	(1.36)
Loans and advances to customers	309,505,729	52.97	282,399,091	49.11	27,106,638	3.86
Lease receivables	30,545,717	5.23	28,224,856	4.91	2,320,861	0.32
Financial investments						
- Financial investments at fair value through profit or loss	45,315,546	7.76	41,109,728	7.15	4,205,818	0.61
- Financial investments at fair value through other comprehensive income	14,448,773	2.47	17,311,509	3.01	(2,862,736)	(0.54)
- Financial investments at amortized cost	130,810,883	22.39	139,328,387	24.23	(8,517,504)	(1.84)
Investments in associates	410,026	0.07	407,086	0.07	2,940	-
Property and equipment	2,944,723	0.50	2,874,435	0.50	70,288	-
Deferred tax assets	4,657,444	0.80	3,900,289	0.68	757,155	0.12
Other assets	3,653,362	0.62	4,487,368	0.79	(834,006)	(0.17)
Total assets	584,295,564	100.00	574,979,662	100.00	9,315,902	-

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Loans and advances to customers

As at the end of the Reporting Period, the Bank's total loans and advances to customers amounted to RMB316,482 million, representing an increase of RMB27,454 million or 9.50% from the end of the previous year. The Bank's loans and advances to customers were mainly composed of corporate loans, personal loans and discounted bills. Set out below is a breakdown of the Bank's loans by business line:

Unit: RMB'000

Item	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total (%)	Amount	% of total (%)
Corporate loans ⁽¹⁾	222,421,149	70.28	199,784,576	69.13
Personal loans	79,948,551	25.26	76,138,099	26.34
Discounted bills	14,112,214	4.46	13,104,993	4.53
Total loans and advances to customers	316,481,914	100.00	289,027,668	100.00
Add: Accrued interest	1,644,559		1,439,787	
Less: Provision for impairment losses ⁽²⁾	8,620,744		8,068,364	
Book value of loans and advances to customers	309,505,729		282,399,091	

Notes:

1. Forfeiting is included in the corporate loans.
2. Excluding provision for impairment losses on forfeiting and discounted bills, which was included in other comprehensive income.

(1) Corporate loans

Corporate loan is the largest component of the Bank's loans and advances to customers. As at the end of the Reporting Period, the Bank's corporate loans amounted to RMB222,421 million, accounted for 70.28% of the Bank's total loans and advances to customers and representing an increase of RMB22,637 million or 11.33% from the end of the previous year. During the Reporting Period, the Bank closely focused on the "Five & Four Strategy" and ramped up credit issuance, thereby achieving steady growth in corporate loans.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth a breakdown of the Bank's corporate loans by collateral:

Unit: RMB'000

Item	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total (%)	Amount	% of total (%)
Unsecured loans	49,821,188	22.40	41,672,338	20.86
Guaranteed loans	120,586,055	54.22	106,221,079	53.17
Loans secured by mortgages	33,597,349	15.10	35,270,336	17.65
Pledged loans	18,416,557	8.28	16,620,823	8.32
Total corporate loan principal	222,421,149	100.00	199,784,576	100.00

(2) *Personal loans*

As at the end of the Reporting Period, the Bank's personal loans amounted to RMB79,949 million, accounted for 25.26% of the Bank's total loans and advances to customers and representing an increase of RMB3,810 million or 5.00% from the end of the previous year, which was primarily attributable to the growth of personal business loans and personal consumption loan businesses. In particular, personal business loans amounted to RMB31,211 million, representing an increase of 11.56% from the end of the previous year; personal consumption loans amounted to RMB5,886 million, representing an increase of 39.38% from the end of the previous year.

The following table sets forth a breakdown of the Bank's personal loans by product type:

Unit: RMB'000

Item	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total (%)	Amount	% of total (%)
Personal business loans	31,211,133	39.04	27,976,927	36.74
Personal residential mortgage loans	39,745,855	49.71	40,841,865	53.64
Personal consumption loans	5,885,675	7.36	4,222,797	5.55
Credit card loans	3,105,888	3.89	3,096,510	4.07
Total personal loan principal	79,948,551	100.00	76,138,099	100.00

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

(3) Discounted bills

As at the end of the Reporting Period, the Bank's discounted bills amounted to RMB14,112 million, representing an increase of RMB1,007 million or 7.69% from the end of the previous year. During the Reporting Period, the Bank flexibly adjusted the scale of bill financing according to the needs of business development and the financing needs of customers.

Investments in securities and other financial assets

As at the end of the Reporting Period, the Bank's total investments in securities and equity instruments amounted to RMB192,234 million, representing a decrease of RMB8,202 million or 4.09% from the end of the previous year. Details are set out as follows:

Unit: RMB'000

Item	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total (%)	Amount	% of total (%)
Financial investments at amortized cost	132,687,417	69.03	142,202,178	70.95
Financial investments at fair value through other comprehensive income	14,231,165	7.40	17,124,485	8.54
Financial investments at fair value through profit or loss	45,315,546	23.57	41,109,728	20.51
Total investments in securities and other financial assets	192,234,128	100.00	200,436,391	100.00
Add: Accrued interest	1,948,475		1,869,618	
Less: Provision for impairment losses ^(Note)	3,607,401		4,556,385	
Book value of investments in securities and other financial assets	190,575,202		197,749,624	

Note: Excluding provision for impairment losses on financial investments at fair value through other comprehensive income.

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The Bank's investment in securities is classified into debt instruments and equity instruments. Set out below is a breakdown of the Bank's investment in securities by product:

Unit: RMB'000

Item	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total (%)	Amount	% of total (%)
Debt securities investments				
Government bonds	54,458,471	28.41	48,182,773	24.11
Debt securities issued by policy banks	34,648,277	18.07	37,847,706	18.94
Debt securities issued by banks and other financial institutions	3,140,461	1.64	1,887,894	0.94
Debt securities issued by corporate issuers	4,449,097	2.32	4,353,801	2.18
Subtotal	96,696,306	50.44	92,272,174	46.17
Investment products under trust scheme	42,581,308	22.21	50,856,881	25.45
Investment products managed by securities companies	38,559,654	20.11	40,889,534	20.46
Others ^(Note)	13,870,437	7.24	15,850,025	7.92
Total debt instruments	191,707,705	100.00	199,868,614	100.00
Equity instruments	526,423		567,777	
Total investments in securities and other financial assets	192,234,128		200,436,391	

Note: Others consist of debt financing schemes.

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The following table sets forth a breakdown of the top ten financial bonds by nominal value balance held by the Bank as at the end of the Reporting Period:

Unit: RMB'000

No.	Type of bonds	Nominal value balance	Interest rate (%)	Maturity date	Impairment
1	2016 financial bonds	3,250,000	3.33	2026-02-22	121
2	2016 financial bonds	2,490,000	3.33	2026-01-06	92
3	2020 financial bonds	2,440,000	3.09	2030-06-18	91
4	2020 financial bonds	2,220,000	3.07	2030-03-10	82
5	2016 financial bonds	2,200,000	3.24	2023-02-25	82
6	2016 financial bonds	1,900,000	3.32	2023-01-06	71
7	2020 financial bonds	1,870,000	3.79	2030-10-26	69
8	2019 financial bonds	1,360,000	3.45	2029-09-20	51
9	2019 financial bonds	1,170,000	3.74	2029-07-12	43
10	2016 financial bonds	1,150,000	3.18	2026-04-05	43

Derivative financial instruments

During the Reporting Period, the exchange rate between the US dollar and RMB fluctuated, and the Bank made reasonable use of foreign exchange forwards to effectively mitigate market risks.

Unit: RMB'000

Derivative financial instrument	As at 30 June 2022			As at 31 December 2021		
	Contractual/ notional amount	Fair value of assets	Fair value of liabilities	Contractual/ notional amount	Fair value of assets	Fair value of liabilities
Foreign exchange forwards	2,483,218	-	(74,600)	6,248,186	173,981	-
Total	2,483,218	-	(74,600)	6,248,186	173,981	-

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.2.2 Liabilities

As at the end of the Reporting Period, the Bank's total liabilities amounted to RMB522,149 million, representing an increase of RMB6,581 million or 1.28% from the end of the previous year, which was mainly due to the increase in liabilities such as deposits from customers, financial assets sold under repurchase agreements, placements from banks and other financial institutions and bonds payable.

Unit: RMB'000

Item	As at 30 June 2022		As at 31 December 2021		Change	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Due to the central bank	21,609,804	4.14	22,785,695	4.42	(1,175,891)	(0.28)
Deposits from banks and other financial institutions	31,495,945	6.03	37,666,420	7.31	(6,170,475)	(1.28)
Placements from banks and other financial institutions	28,983,675	5.55	27,636,976	5.36	1,346,699	0.19
Derivative financial liabilities	74,600	0.01	-	-	74,600	0.01
Financial assets sold under repurchase agreements	17,298,191	3.31	12,371,414	2.40	4,926,777	0.91
Deposits from customers	327,616,719	62.74	321,574,215	62.37	6,042,504	0.37
Tax payable	1,320,331	0.25	359,712	0.07	960,619	0.18
Bonds payable	90,522,112	17.34	90,076,717	17.47	445,395	(0.13)
Other liabilities ^(Note)	3,228,033	0.63	3,096,973	0.60	131,060	0.03
Total	522,149,410	100.00	515,568,122	100.00	6,581,288	-

Note: Other liabilities primarily consist of payment and collection clearance accounts, staff costs payable, and estimated liabilities.

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Deposits from customers

As at the end of the Reporting Period, the Bank's gross deposits from customers amounted to RMB324,464 million, representing an increase of RMB5,650 million or 1.77% from the end of the previous year. The steady growth in the Bank's deposits from customers was mainly attributable to the overall growth of the deposit business as a result of the Bank's vigorous efforts in building its customer base. Set out below is a breakdown of the Bank's deposits from customers by product type and maturity profile:

Unit: RMB'000

Item	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total (%)	Amount	% of total (%)
Corporate deposits				
Demand	79,976,658	24.65	88,226,614	27.67
Time	76,369,164	23.54	75,143,583	23.57
Subtotal	156,345,822	48.19	163,370,197	51.24
Personal deposits				
Demand	33,102,522	10.20	36,268,084	11.38
Time	96,115,327	29.62	85,412,343	26.79
Subtotal	129,217,849	39.82	121,680,427	38.17
Other deposits	38,900,097	11.99	33,762,826	10.59
Gross principal of deposits from customers	324,463,768	100.00	318,813,450	100.00
Add: Accrued interest	3,152,951		2,760,765	
Total deposits from customers	327,616,719		321,574,215	

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.2.3 Shareholders' Equity

As at the end of the Reporting Period, the Bank's total Shareholders' equity amounted to RMB62,146 million, representing an increase of RMB2,735 million or 4.60% from the end of the previous year. The total equity attributable to shareholders of the Bank amounted to RMB60,405 million, representing an increase of RMB2,638 million or 4.57% from the end of the previous year. The increase in Shareholders' equity was mainly due to sustained profit of the Bank.

Unit: RMB'000

Item	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total (%)	Amount	% of total (%)
Shareholders' equity				
Share capital	8,265,538	13.30	8,265,538	13.91
Capital reserve	7,452,490	11.99	7,452,490	12.54
Surplus reserve	3,281,678	5.28	3,281,678	5.52
General risk reserve	7,484,458	12.04	7,481,353	12.59
Fair value reserve	(67,597)	(0.11)	(173,457)	(0.29)
Remeasurement of net defined benefit liability	(67,817)	(0.11)	(69,255)	(0.12)
Retained earnings	16,231,433	26.12	13,703,472	23.07
Other equity instruments	17,824,363	28.68	17,824,363	30.00
Total equity attributable to Shareholders of the Bank	60,404,546	97.19	57,766,182	97.22
Non-controlling interests	1,741,608	2.81	1,645,358	2.78
Total Shareholders' equity	62,146,154	100.00	59,411,540	100.00

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.2.4 Off-balance Sheet Commitments

The following table sets forth a breakdown of the Bank's off-balance sheet credit commitments as at the end of the Reporting Period:

Unit: RMB'000

Item	As at 30 June 2022	As at 31 December 2021
Bank acceptances	79,786,837	79,719,509
Letters of credit	12,679,898	13,759,386
Guarantees	2,665,833	2,620,966
Unused credit card commitments	5,335,993	4,749,329
Total	100,468,561	100,849,190

As at the date of this Report, the Bank had no significant contingent liabilities. Details of off-balance sheet commitments are disclosed in Note 40 to the financial statements in the chapter headed "Independent Auditor's Review Report" of this Report.

3.2.5 Asset Right Restriction as at the End of the Reporting Period

As at the end of the Reporting Period, the Bank pledged certain of its assets as the collateral of the repurchase agreement. Details of pledged assets are disclosed in Note 40 to the financial statements in the chapter headed "Independent Auditor's Review Report" of this Report.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3 Loan Quality Analysis

During the Reporting Period, the Bank continuously strengthened its credit risk management and accelerated the disposal of non-performing assets, thus keeping the overall quality of loans under control. As at the end of the Reporting Period, the balance of non-performing loans amounted to RMB5,574 million and the non-performing loan ratio was 1.76%, decreased by 0.09 percentage point from the end of the previous year.

3.3.1 Distribution of Loans by Five-Category Loan Classification

Unit: RMB'000

Item	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total (%)	Amount	% of total (%)
Normal	304,057,158	96.08	277,294,011	95.94
Special mention	6,850,269	2.16	6,388,575	2.21
Substandard	4,493,692	1.42	4,593,529	1.59
Doubtful	1,009,677	0.32	711,808	0.25
Loss	71,118	0.02	39,745	0.01
Total loans and advances to customers	316,481,914	100.00	289,027,668	100.00
NPLs and NPL ratio^(Note)	5,574,487	1.76	5,345,082	1.85

Note: NPL ratio is calculated by dividing the total principal of the non-performing loans (excluding accrued interest) by the total principal of loans and advance to customers (excluding accrued interest).

According to the five-category loan classification system, the Bank classified its non-performing loans into substandard, doubtful and loss categories.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3.2 Distribution of Loans and Non-Performing Loans by Product Type

Unit: RMB'000

Item	As at 30 June 2022				As at 31 December 2021			
	Amount	% of total (%)	NPL amount	NPL ratio (%)	Amount	% of total (%)	NPL amount	NPL ratio (%)
Corporate loans								
Short-term loans	63,928,670	20.20	1,709,273	2.67	60,613,512	20.98	879,837	1.45
Medium and long-term loans	158,492,479	50.08	2,058,632	1.30	139,171,064	48.15	2,831,200	2.03
Subtotal	222,421,149	70.28	3,767,905	1.69	199,784,576	69.13	3,711,037	1.86
Discounted bills	14,112,214	4.46	-	-	13,104,993	4.53	-	-
Personal loans								
Personal business loans	31,211,133	9.86	1,019,752	3.27	27,976,927	9.68	968,167	3.46
Personal residential mortgage loans	39,745,855	12.56	533,865	1.34	40,841,865	14.13	391,266	0.96
Personal consumption loans	5,885,675	1.86	190,134	3.23	4,222,797	1.46	210,850	4.99
Credit card balance	3,105,888	0.98	62,831	2.02	3,096,510	1.07	63,762	2.06
Subtotal	79,948,551	25.26	1,806,582	2.26	76,138,099	26.34	1,634,045	2.15
Total	316,481,914	100.00	5,574,487	1.76	289,027,668	100.00	5,345,082	1.85

During the Reporting Period, the Bank adhered to high-quality development, intensified risk management, and strengthened the effort on the collection and disposal of non-performing assets. As at the end of the Reporting Period, the NPL ratio of corporate loans (excluding discounted bills) was 1.69%, decreased by 0.17 percentage point from the end of the previous year; the NPL ratio of personal loans was 2.26%, increased by 0.11 percentage point from the end of the previous year.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3.3 Distribution of Loans and Non-Performing Loans by Industry

Unit: RMB'000

Item	As at 30 June 2022				As at 31 December 2021			
	Amount	% of total (%)	NPL amount	NPL ratio (%)	Amount	% of total (%)	NPL amount	NPL ratio (%)
Wholesale and retail	39,452,184	12.47	727,070	1.84	31,741,472	10.98	1,323,147	4.17
Manufacturing	16,119,425	5.09	945,258	5.86	14,765,860	5.11	527,151	3.57
Construction	21,409,878	6.76	274,922	1.28	20,018,268	6.93	172,618	0.86
Real estate	33,210,087	10.49	1,115,698	3.36	34,438,375	11.92	1,193,938	3.47
Leasing and commercial services	45,174,655	14.27	162,222	0.36	33,694,931	11.64	210,026	0.62
Water, environment and public facility management	41,272,337	13.04	3,497	0.01	40,052,714	13.86	4,800	0.01
Agriculture, forestry, animal husbandry and fishery	3,140,041	0.99	106,870	3.40	3,253,187	1.13	118,565	3.64
Transportation, storage and postal services	6,241,185	1.97	113,307	1.82	6,664,013	2.31	13,950	0.21
Production and supply of electricity, heating power, gas and water	2,304,599	0.73	-	-	2,048,934	0.71	-	-
Accommodation and catering	1,649,311	0.52	111,729	6.77	1,387,905	0.48	119,795	8.63
Mining	2,041,516	0.65	54,000	2.65	2,032,243	0.70	4,000	0.20
Culture, sports and entertainment	1,928,105	0.61	107,932	5.60	1,576,940	0.55	19,650	1.25
Others	8,477,826	2.69	45,400	0.54	8,109,734	2.81	3,397	0.04
Total corporate loans	222,421,149	70.28	3,767,905	1.69	199,784,576	69.13	3,711,037	1.86
Total personal loans	79,948,551	25.26	1,806,582	2.26	76,138,099	26.34	1,634,045	2.15
Discounted bills	14,112,214	4.46	-	-	13,104,993	4.53	-	-
Total	316,481,914	100.00	5,574,487	1.76	289,027,668	100.00	5,345,082	1.85

As at the end of the Reporting Period, the non-performing corporate loans of the Bank were mainly concentrated in (1) the real estate industry; (2) the manufacturing industry; and (3) the wholesale and retail industry, with NPL ratios of 3.36%, 5.86% and 1.84%, respectively.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3.4 Distribution of Loans and Non-Performing Loans by Collateral

The following table sets forth a breakdown of the Bank's loans and non-performing loans by collateral:

Unit: RMB'000

Item	As at 30 June 2022				As at 31 December 2021			
	Amount	% of total (%)	NPL amount	NPL ratio (%)	Amount	% of total (%)	NPL amount	NPL ratio (%)
Unsecured loans	56,811,414	17.95	522,772	0.92	47,398,227	16.40	273,518	0.58
Guaranteed loans	123,344,480	38.97	1,868,339	1.51	109,016,175	37.72	1,869,783	1.72
Loans secured by								
mortgages	102,161,165	32.28	3,132,949	3.07	101,095,217	34.98	2,738,972	2.71
Pledged loans	34,164,855	10.80	50,427	0.15	31,518,049	10.90	462,809	1.47
Total	316,481,914	100.00	5,574,487	1.76	289,027,668	100.00	5,345,082	1.85

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3.5 Borrower Concentration

As at the end of the Reporting Period, the Bank's loan balance to any single borrower did not exceed 10% of the Bank's net capital. The following table sets forth, as at the end of the Reporting Period, the Bank's loan balance to the ten largest single borrowers (excluding group borrowers), none of which was non-performing loan.

Unit: RMB'000

Item	Industry	As at 30 June 2022		
		Principal balance	% of total loans (%)	% of net capital (%)
Borrower A	Water, environment and public facility management	2,628,400	0.83	4.10
Borrower B	Leasing and commercial services	2,500,000	0.79	3.90
Borrower C	Leasing and commercial services	2,500,000	0.79	3.90
Borrower D	Leasing and commercial services	2,115,500	0.67	3.30
Borrower E	Leasing and commercial services	2,081,390	0.66	3.25
Borrower F	Water, environment and public facility management	1,700,000	0.54	2.65
Borrower G	Real estate	1,682,500	0.53	2.63
Borrower H	Leasing and commercial services	1,654,920	0.52	2.58
Borrower I	Real estate	1,473,400	0.47	2.30
Borrower J	Agriculture, forestry, animal husbandry and fishery	1,395,344	0.44	2.18
Total		19,731,454	6.23	30.81

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3.6 Overdue Loans

Unit: RMB'000

Item	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total (%)	Amount	% of total (%)
Current loans	306,528,325	96.85	280,677,370	97.11
Loans past due for ^(Note)				
3 months (inclusive) or less	4,419,441	1.40	3,915,550	1.35
3 months to 1 year (inclusive)	3,204,728	1.01	1,751,401	0.61
1 year or more	2,329,420	0.74	2,683,347	0.93
Subtotal	9,953,589	3.15	8,350,298	2.89
Gross loan principal	316,481,914	100.00	289,027,668	100.00

Note: Representing the principal amount of the loans on which principal or interest is overdue.

As at the end of the Reporting Period, the Bank's overdue loans amounted to RMB9,954 million, representing an increase of RMB1,603 million or 19.20% as compared with the end of the previous year. Overdue loans accounted for 3.15% of the total loans, increased by 0.26 percentage point as compared with the end of the previous year.

3.3.7 Repossessed Assets and Provision for Impairment

As at the end of the Reporting Period, the total amount of Bank's repossessed assets was RMB12 million, and the net amount thereof was RMB12 million.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3.8 Provision and Write-off of Allowance for Impairment Losses on Loans

During the Reporting Period, the Bank made a loan loss reserve of RMB1,968 million, with RMB1,845 million provided for loans and advances to customers measured at amortized cost, and RMB123 million for loans and advances to customers measured at fair value through other comprehensive income. RMB1,828 million of non-performing loans was written off or disposed, and RMB121 million of written-off loans was recovered. As at the end of the Reporting Period, the balance of the Bank's loan loss reserve was RMB8,631 million, of which the balance of impairment losses on loans and advances to customers measured at amortized cost was RMB8,621 million and the balance of impairment losses on loans and advances to customers measured at fair value through other comprehensive income was RMB10 million.

Changes in provision for impairment losses on loans and advances to customers at amortized cost are set out as follows:

Unit: RMB'000

Item	As at 30 June 2022	As at 31 December 2021
Opening balance	8,068,364	7,755,623
Provision for the period	1,845,369	3,593,261
Write-off and disposal for the period	(1,414,100)	(3,669,923)
Recovery of written-off loans	121,111	389,403
Closing balance	8,620,744	8,068,364

Changes in provision for impairment losses on loans and advances to customers at fair value through other comprehensive income are set out as follows:

Unit: RMB'000

Item	As at 30 June 2022	As at 31 December 2021
Opening balance	301,177	176,152
Provision for the period	122,833	125,025
Write-off and disposal for the period	(414,245)	–
Closing balance	9,765	301,177

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.4 Cash Flow Statement Analysis

During the Reporting Period, the Bank's net cash outflow from operating activities was RMB18,129 million, where the cash inflow was RMB32,066 million, representing a decrease of RMB12,861 million from the same period of the previous year, mainly due to the decrease in the net increment of deposits and placements from banks and other financial institutions from the same period of the previous year; and the cash outflow was RMB50,195 million, representing a decrease of RMB296 million from the same period of the previous year, mainly due to the year-on-year decrease in the net increase of loans and advances to customers, lease receivables and the net decrease of financial assets sold under repurchase agreements.

During the Reporting Period, the Bank's net cash inflow from investing activities was RMB11,899 million, where the cash inflow was RMB71,344 million, representing a decrease of RMB33,913 million from the same period of the previous year, mainly due to the decrease in cash flow received from the recovery of investments; the cash outflow was RMB59,445 million, representing a decrease of RMB40,457 million from the same period of the previous year, mainly due to the decrease in cash outflow for investment payments.

During the Reporting Period, the Bank's net cash outflow from financing activities was RMB899 million, where the cash inflow was RMB61,967 million, representing an increase of RMB5,385 million from the same period of the previous year, mainly due to the increase in cash inflows received from the issuance of interbank deposits; the cash outflow was RMB62,866 million, representing an increase of RMB1,151 million from the same period of the previous year, mainly due to the increase in cash outflows for the repayment of the bonds due.

Unit: RMB'000

Item	For the six months ended 30 June		
	2022	2021	Year-on-year change
Subtotal of cash inflows from operating activities	32,065,841	44,927,234	(12,861,393)
Subtotal of cash outflows from operating activities	50,195,035	50,491,041	(296,006)
Net cash flows used in operating activities	(18,129,194)	(5,563,807)	(12,565,387)
Subtotal of cash inflows from investing activities	71,343,758	105,256,575	(33,912,817)
Subtotal of cash outflows from investing activities	59,444,582	99,901,116	(40,456,534)
Net cash flows generated from investing activities	11,899,176	5,355,459	6,543,717
Subtotal of cash inflows from financing activities	61,966,736	56,581,824	5,384,912
Subtotal of cash outflows from financing activities	62,866,010	61,715,275	1,150,735
Net cash flows used in financing activities	(899,274)	(5,133,451)	4,234,177
Effect of exchange rate changes on cash and cash equivalents	107,507	(40,469)	147,976
Net decrease in cash and cash equivalents	(7,021,785)	(5,382,268)	(1,639,517)

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.5 Business Segment Report

The following table sets forth the Bank's total operating income by business segment for the periods indicated.

Unit: RMB'000

Item	For the six months ended 30 June			
	2022		2021	
	Amount	% of total (%)	Amount	% of total (%)
Corporate banking business	3,831,745	50.66	3,823,067	55.05
Retail banking business	1,183,818	15.65	994,708	14.32
Treasury business	2,519,846	33.31	2,094,005	30.15
Others ^(Note)	28,979	0.38	33,084	0.48
Total operating income	7,564,388	100.00	6,944,864	100.00

Note: This segment consists primarily of equity investments and the corresponding income, and any other businesses that do not constitute a reporting segment on their own.

3.6 Significant Accounting Policies, Accounting Estimates and Accounting Methods

3.6.1 Explanation of changes in accounting policies, accounting estimates and accounting methods as compared with the financial report of the previous accounting period

During the Reporting Period, the Bank's significant accounting policies, accounting estimates and accounting methods had not been changed.

3.6.2 Explanation of major accounting errors correction during the Reporting Period that require retrospective restatement

During the Reporting Period, the Bank did not have any major accounting errors correction that need to be retrospectively restated.

3.6.3 Explanation of changes in the scope of the consolidated statements as compared with the financial report of the previous accounting period

There is no change in the consolidation scope of the financial statements of the Bank as compared with the financial statements for the previous accounting period.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.7 Assets and Liabilities at Fair Value

Unit: RMB'000

Item	Opening balance	Net gains/(losses) from changes in fair value for the Reporting Period	Accumulated changes in fair value recognised in equity	Impairment accrued during the Reporting Period	Closing balance
Financial investments at fair value through profit or loss (excluding derivative financial assets)	41,109,728	209,759	-	-	45,315,546
Derivative financial assets	173,981	(173,981)	-	-	-
Financial investments at fair value through other comprehensive income	17,311,509	-	(206,942)	4,213	14,448,773
Subtotal of financial assets	58,595,218	35,778	(206,942)	4,213	59,764,319
Derivative financial liabilities	-	74,600	-	-	74,600
Subtotal of financial liabilities	-	74,600	-	-	74,600

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.8 Major Statement Items and Financial Indicators with Changes of More than 30% and the Main Reasons for the Changes

Unit: RMB'000

Item	For the six months ended 30 June			Analysis of the major reasons
	2022	2021	Changes compared to the same period of the previous year (%)	
Fee and commission income	512,708	794,144	(35.44)	Due to the effect of the Bank's proactive response to the regulatory policy on fees and charges reduction as well as changes in the scale of the agency and custody business during the Reporting Period.
Fee and commission expense	(93,402)	(71,428)	30.76	Mainly due to the increase in fee expenses of asset business as compared with the same period of the previous year.
Net trading gains	694,185	279,268	148.57	Mainly due to changes in the fair value of financial assets at fair value through other comprehensive income.
Share of profits of associates	2,940	7,090	(58.53)	Mainly due to the decrease in profits of associates during the Reporting Period as compared with the same period of the previous year.

Unit: RMB'000

Item	As at			Analysis of the major reasons
	30 June 2022	31 December 2021	Changes compared to the end of the previous year (%)	
Derivative financial assets	-	173,981	(100.00)	Mainly due to changes in the exchange rate of the US dollar against the RMB.
Derivative financial liabilities	74,600	-	-	
Financial assets held under resale agreements	6,490,938	14,228,603	(54.38)	Mainly due to changes in the scale of financial assets held under resale agreements during the Reporting Period.
Financial assets sold under repurchase agreements	17,298,191	12,371,414	39.82	Mainly due to changes in the scale of financial assets sold under repurchase agreements during the Reporting Period.
Tax payable	1,320,331	359,712	267.05	Increase in income tax payable at the end of the Reporting Period.
Fair value reserve	(67,597)	(173,457)	(61.03)	Mainly due to changes in the fair value of financial assets at fair value through other comprehensive income.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

4 INVESTMENT ANALYSIS

4.1 Overview

The following table sets out the details of the Bank's equity investments as at the end of the Reporting Period:

Unit: RMB'000

Item	As at 30 June 2022	As at 31 December 2021	The Bank's share of the interest the investee (%)
Jiuding Financial Leasing Company	1,020,000	1,020,000	51.00
Fugou Zhengyin County Bank	30,120	30,120	50.20
Xinmi Zhengyin County Bank	64,000	64,000	51.20
Xunxian Zhengyin County Bank	51,000	51,000	51.00
Queshan Zhengyin County Bank	25,500	25,500	51.00
Zhongmu Zhengyin County Bank	208,000	208,000	18.53
Yanling Zhengyin County Bank	34,950	34,950	49.58
Xinzheng Zhengyin County Bank ^(Note)	17,280	17,280	25.00
China UnionPay Co., Ltd.	8,000	8,000	0.27
Funds Clearing Center for City Commercial Banks	400	400	1.29
Total	1,459,250	1,459,250	

Note: Subsequent to the Reporting Period, in July 2022, as considered and approved by the 2022 extraordinary general meetings of Xinzheng Zhengyin County Bank and the seventh extraordinary meeting in 2022 of the seventh session of Board, and considered and approved by CBIRC Henan Office, Xinzheng Zhengyin County Bank issued 36,680,000 shares to the Bank, and the number of shares held by the Bank increased from 17,280,000 shares to 53,960,000 shares with the shareholding increasing from 25.00% to 51.00%.

For details of the Bank's other investments as at the end of the Reporting Period, please refer to the paragraphs headed "Balance Sheet Analysis" in the chapter headed "Management Discussion and Analysis" of the Report.

4.2 Significant Equity Investments Made During the Reporting Period

During the Reporting Period, the Bank did not make any significant equity investment.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

4.3 Significant Non-equity Investments in Progress During the Reporting Period

During the Reporting Period, the Bank did not have any significant non-equity investment in progress.

4.4 Use of Proceeds

During the Reporting Period, there was no use of proceeds by the Bank.

4.5 Operations of Subsidiaries

4.5.1 Operations of Subsidiaries

Jiuding Financial Leasing Company

As at the end of the Reporting Period, the Bank held 51.00% equity interest in Jiuding Financial Leasing Company, a subsidiary of the Bank with a registered capital of RMB2 billion. Jiuding Financial Leasing Company was established in the PRC where it carries out its business. Its principal businesses include: (1) financial leasing business; (2) outward or inward transfer of financial leasing assets; (3) fixed income securities investment business; (4) acceptance of leasing deposits from lessees; (5) taking time deposits with a term of three months or more from non-banking shareholders; (6) interbank lending; (7) borrowing from financial institutions; (8) offshore borrowing; (9) sale and disposal of leased assets; (10) economic consultancy; (11) other business approved by the CBIRC (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Jiuding Financial Leasing Company had total assets of RMB31,913 million, net assets of RMB3,267 million, and total financing leasing business of RMB30,964 million. During the Reporting Period, it recorded operating income of RMB499 million, operating profit of RMB247 million and net profit of RMB186 million.

Fugou Zhengyin County Bank

As at the end of the Reporting Period, the Bank held 50.20% equity interest in Fugou Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB60 million. Fugou Zhengyin County Bank was established in the PRC where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) interbank lending; (6) debit card business; (7) acting as issuing agent, cashing agent and underwriter of government bonds; (8) acting as collection and payment agent; (9) other business approved by the banking regulatory authority of the PRC (business activities requiring licensing shall be carried out with valid permits or qualification certificates). As at the end of the Reporting Period, Fugou Zhengyin County Bank had total assets of RMB853 million, net assets of RMB75 million, total loans and advances to customers of RMB644 million, and total deposits from customers of RMB655 million. During the Reporting Period, it recorded operating income of RMB19 million, operating profit of RMB4 million, and net profit of RMB3 million.

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Xinmi Zhengyin County Bank

As at the end of the Reporting Period, the Bank held 51.20% equity interest in Xinmi Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB125 million. Xinmi Zhengyin County Bank was established in the PRC where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) interbank lending; (6) banking card business; (7) acting as issuing agent, cashing agent and underwriter of government bonds; (8) acting as collection and payment agent and insurance agent; (9) other business approved by the banking regulatory authority (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Xinmi Zhengyin County Bank had total assets of RMB1,016 million, net assets of RMB160 million, total loans and advances to customers of RMB782 million, and total deposits from customers of RMB568 million. During the Reporting Period, it recorded operating income of RMB14 million, operating profit of RMB148,800 and net profit of RMB149,800.

Xunxian Zhengyin County Bank

As at the end of the Reporting Period, the Bank held 51.00% equity interest in Xunxian Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB100 million. Xunxian Zhengyin County Bank was established in the PRC where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) acting as issuing agent, cashing agent and underwriter of government bonds; (6) interbank lending; (7) debit card business; (8) acting as collection and payment agent and insurance agent; (9) other business approved by the banking regulatory authority (business operations requiring permits shall be carried out after obtaining relevant permits from the competent authorities) (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Xunxian Zhengyin County Bank had total assets of RMB2,074 million, net assets of RMB143 million, total loans and advances to customers of RMB947 million, and total deposits from customers of RMB1,788 million. During the Reporting Period, it recorded operating income of RMB35 million, operating profit of RMB23 million, and net profit of RMB17 million.

Queshan Zhengyin County Bank

As at the end of the Reporting Period, the Bank held 51.00% equity interest in Queshan Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB50 million. Queshan Zhengyin County Bank was established in the PRC where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) interbank lending; (6) banking card business; (7) acting as issuing agent, cashing agent and underwriter of government bonds; (8) acting as collection and payment agent and insurance agent; (9) other business approved by the banking regulatory authority (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Queshan Zhengyin County Bank had total assets of RMB557 million, net assets of RMB53 million, total loans and advances to customers of RMB345 million, and total deposits from customers of RMB454 million. During the Reporting Period, it recorded operating income of RMB8 million, operating profit of RMB315,000, and net profit of RMB142,800.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

4.5.2 Operations of Investee Companies

As at the end of the Reporting Period, the Bank held 18.53%, 49.58% and 25.00% equity interest in Zhongmu Zhengyin County Bank, Yanling Zhengyin County Bank and Xinzheng Zhengyin County Bank, respectively. The three county banks had total assets of RMB21,364 million, total loans and advances to customers of RMB15,354 million, and total deposits from customers of RMB17,705 million.

Zhengyin county banks have always committed to serving “agriculture, farmers and rural areas” and supporting “medium and small-sized enterprises”. With a growing asset size and an increasingly balanced structure of deposits and loans, the banks have stepped up their efforts to support rural areas and agriculture and enhanced risk prevention and control capability gradually, of which, Zhongmu Zhengyin County Bank is ranked at the forefront among all county banks in the country in terms of comprehensive strength.

4.5.3 Acquisition and Disposal of Subsidiaries During the Reporting Period

During the Reporting Period, the Bank did not acquire or dispose of any subsidiary.

4.6 Structured Entities Controlled by the Bank

Details of the structured entities controlled by the Bank are set out in Note 41 to the financial statements in the chapter headed “Independent Auditor’s Review Report” in this Report.

5 CAPITAL MANAGEMENT

The Bank’s goals of capital management include: (1) satisfying regulatory requirements on an ongoing basis, and making reasonable room for normal operations and development from a capital perspective; (2) ensuring that the capital level is commensurate with major risk exposure and risk management capacity; (3) ensuring that capital planning is in line with the status of operation, risk movement trends, and long-term development strategy; (4) using a variety of capital tools to optimize the scale and structure of capital, continuously strengthening the endogenous capacity of capital, and controlling the cost of capital with the support of reasonable financing strategies; (5) implementing Bank-wide capital performance evaluation, enhancing the efficiency of capital use, and fully guaranteeing the level of return on capital through capital allocation, risk pricing and performance evaluation; (6) appropriately implementing counter-cyclical capital management, and smoothing the impact of cyclical fluctuations on sustainable and stable operations through active capital management.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

The Bank continuously improves its comprehensive risk management structure and internal capital management procedures, prudently evaluates various risks, and fully identifies, measures, monitors and reports on major risks. In accordance with the relevant requirements of the regulatory authorities and the business needs under its development strategy, the Bank conducts capital planning regularly to set a capital adequacy ratio target for at least three years. The capital planning is dynamically adjusted in a timely manner based on changes in regulatory requirements, development trends and other circumstances. When conducting capital planning, the Bank prudently evaluates asset quality, profit growth and capital market volatility, fully considers factors that may have a significant negative impact on capital levels, including contingent risk exposure, severe and prolonged market recession, and other events exceeding risk tolerance, ensures that the target capital level is commensurate with the business development strategy, risk appetite, risk management capability, and external operating environment, balances short-term and long-term capital needs, and considers the long-term sustainability of various sources of capital replenishment.

Based on the requirements of regulatory authorities and internal risk management requirements, the Bank conducts stress tests on capital adequacy ratio on a regular or irregular basis as an important part of the internal capital adequacy assessment procedures to evaluate the risk exposures of the Bank under stressful conditions, the interaction between risks, the ability of capital to absorb losses and support business continuity, as well as the reasonableness of capital management objectives, capital replenishment arrangements and response measures. The results of stress tests are applied in medium and long-term capital planning. For severe stress scenarios, the Bank formulates contingency capital plans to meet unplanned capital needs, specifying corresponding capital replenishment policies and response measures to ensure stable operations.

Capital financing management aims to further strengthen capital capacity, improve capital structure and enhance capital quality. The Bank focuses on the endogenous growth of capital; strives to realize the balance and coordination between expansion, profitability and capital constraints; replenishes capital via measures like profit growth, keeping surplus reserve and allocating sufficient provision for impairment losses on loans; optimizes capital structure and raises capital adequacy ratio level, so as to further improve the Bank's capability to resist risks and support the development of the real economy.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

5.1 Capital Adequacy Ratios Analysis

The Bank continued to refine its business structure and strengthen its capital management. Set out below are the Bank's capital adequacy ratios as at the end of the Reporting Period and the end of the previous year calculated in accordance with the Administrative Measures for Capital of Commercial Banks (Provisional) 《(商業銀行資本管理辦法(試行))》 issued by the CBIRC and other relevant requirements issued:

Unit: RMB'000

Item	As at 30 June 2022	As at 31 December 2021
Core tier-one capital		
Share capital	8,265,538	8,265,538
Valid portion of capital reserve	7,452,490	7,452,490
Fair value reserve	(67,597)	(173,457)
Re-measurement of net defined benefit liability	(67,817)	(69,255)
Surplus reserve	3,281,678	3,281,678
General risk reserve	7,484,458	7,481,353
Retained earnings	16,231,433	13,703,472
Valid portion of minority interests	1,310,450	1,192,294
Total core tier-one capital	43,890,633	41,134,113
Core tier-one capital deductions	(1,541,994)	(1,184,947)
Net core tier-one capital	42,348,639	39,949,166
Additional tier-one capital		
Additional tier-one capital instruments and related premium	17,824,363	17,824,363
Valid portion of minority interests	174,727	157,811
Net tier-one capital	60,347,729	57,931,340
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	–	2,000,000
Surplus provision for loan impairment	3,351,505	2,916,530
Valid portion of minority interests	349,453	318,764
Net tier-two capital	3,700,958	5,235,294
Net capital base	64,048,687	63,166,634
Total risk-weighted assets	449,086,949	421,013,820
Core tier-one capital adequacy ratio (%)	9.43	9.49
Tier-one capital adequacy ratio (%)	13.44	13.76
Capital adequacy ratio (%)	14.26	15.00

Note: For details, please refer to the column headed "Financial Summary" under the "Investor Relations" section on the Bank's website.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

5.2 Leverage Ratios Analysis

Unit: RMB'000

Item	30 June 2022	31 March 2022	31 December 2021	30 September 2021
Net tier-one capital Balance of on/off-balance sheet assets after adjustment	62,035,237	60,807,166	59,551,505	50,258,453
Leverage ratio (%)	9.00	8.93	8.72	7.37

Note: Indicators related to leverage ratio as at the end of the Reporting Period, the end of the first quarter of 2022, the end of 2021 and the end of the third quarter of 2021 are calculated based on the requirements of the Administrative Measures for Leverage Ratio Management of Commercial Banks (Amended) 《(商業銀行槓桿率管理辦法(修訂))》 of the CBIRC and are consistent with the data reported to the regulatory authorities. For details, please refer to the column headed “Financial Summary” under the “Investor Relations” section of the Bank’s website.

6 BUSINESS OPERATION

6.1 Corporate Banking Business

6.1.1 Corporate Deposits

During the Reporting Period, the Bank adhered to the high-quality development strategy, concentrated on customer base expansion and product research and development (“R&D”) to support the scale stability and structural optimization of corporate deposits. Upholding the deposit-based principle, the Bank made efforts to improve the quality and quantity of general customers, thus driving the growth of and optimizing the structure of corporate deposits. In addition, the Bank continued to promote the application and promotion of Five Clouds products, and strengthened the development of scenario-based financial products to support the steady growth of deposits; and implemented the requirements of refined management to lower the costs of existing and new deposits in an orderly manner, with a view to continuously reducing the interest bearing cost on corporate deposits.

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6.1.2 Corporate Loans

During the Reporting Period, the Bank proactively implemented the decisions and policies on stabilizing the economy through finance, practiced the mission of serving the local economy and market entities, and constantly optimized financial services to give strong support for enterprises to overcome difficulties and resume work and production, thus using financial “blood” to nourish the “artery” of the economy and improve the “microcirculation” of enterprises. As a provider of technological innovation finance services in Henan Province, the Bank, in line with the strategic priority to technological innovation finance, continuously increased financial support for “specialized and new enterprises, high-tech enterprises, key manufacturing enterprises, and technology SMEs”; supported the construction of key projects including “major projects, three-in-one-batch projects, and post-disaster reconstruction projects”; continued to carry out the “10,000 people helping 10,000 enterprises” and “President visiting enterprises” initiatives, and implemented targeted policies to benefit enterprises. As at the end of the Reporting Period, the total principal of corporate loans (including advances, forfeiting and discounted bills) of the Bank amounted to RMB236,533 million, representing an increase of RMB23,644 million or 11.11% from the end of the previous year.

6.1.3 Corporate Customers

During the Reporting Period, the Bank continued to promote customer base management and development, expand the customer base and optimize the customer base structure. On the basis of classified management of customers, the Bank continued to classify customers, strengthened classification and hierarchical guidance, enhanced digital technology support, and intensified assessment guidance and team building; emphasized process management, advocated bank-wide marketing, and promoted customer base development in an orderly and efficient manner; launched and promoted a visual panel with “a panoramic view of customer base development” to tap and track potential and existing customers, and conducted visual marketing to give full play to the Bank’s system and information advantages, so as to tap into and track potential and existing customers and continuously improve the quantity and quality of customers. During the Reporting Period, the Bank had 13,388 new corporate customers.

6.1.4 Institutional Business

During the Reporting Period, the Bank signed a strategic cooperation agreement with the Department of Human Resources and Social Security of Henan Province to jointly build a “skilled talent management service information system” in line with the strategic initiatives of the Henan provincial and Zhengzhou municipal governments; cooperated with the non-tax reform of Henan Provincial Department of Finance, becoming the first financial institution in the province to introduce non-tax e-payment receipts; implemented the “Double Reduction” policy requirements, connected with the national regulatory platform actively, and gave full play to the role of finance in supervising off-campus training funds and preventing risks; won bids for agency qualifications for a number of key business lines, and continuously increased the business coverage of key segments, thereby consolidating the business foundation. During the Reporting Period, the Bank’s deposits from institutional customers continued to grow steadily, accounting for an increasing proportion of corporate deposits. As at end of the Reporting Period, the balance of deposits from institutional customers was RMB63,777 million, representing an increase of RMB4,636 million from the end of the previous year.

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6.2 Retail Banking Business

6.2.1 Personal Deposits

The Bank always assumes its “duty to safeguard the homeland” and upholds its corporate spirit of “building up trust with integrity and reaching for the future with morality”. Based on the strategic vision to become a “leading bank with high-quality development”, the Bank vigorously consolidates its unique positioning as a “boutique bank for residents”. For the personal customer business, the Bank constantly improved the service system to enhance the general customer base; innovated and upgraded products, deeply cultivated key customer groups; strengthened wealth management, increased customer stickiness, and continuously optimized the deposit structure. As at end of the Reporting Period, the balance of the Bank’s personal deposits amounted to RMB129,218 million, representing an increase of RMB7,537 million or 6.19% from the end of the previous year.

6.2.2 Personal Loans

During the Reporting Period, the Bank continued to optimize product functions, stepped up efforts in product research and development, and provided customers with high-quality and efficient services. Specifically, the Bank constantly optimized self-operated consumer credit products, and developed lightweight offline business processes and diverse online products to improve user experience and increase market share; implemented the decisions and arrangements of the CPC Central Committee and the State Council to improve the availability and convenience of financial services for new citizens and enhance the sense of acquisition, happiness and security of new citizens, and launched a “Home Mortgage Product for New Citizens” with preferential interest rate, loan term and other favorable conditions; introduced an automated approval system for the personal home mortgage product Housing E-finance (房e融) to shorten the time for customers to apply for mortgage loans; and developed the online “Preferential Business Loan” (惠商贷) for sole proprietors such as street shops and farmers’ market vendors, thus further expanding the coverage of inclusive finance. As at end of the Reporting Period, the balance of the Bank’s personal deposits amounted to RMB79,949 million, representing an increase of RMB3,810 million or 5.00% from the end of the previous year.

6.2.3 Bank Cards

With Shangding Card (商鼎卡) as the basic debit card, the Bank constantly enriches debit card types and improves their functions. During the Reporting Period, the Bank issued new trade union membership cards and Year of the Tiger cards, with the number of newly issued cards increasing steadily. As at the end of the Reporting Period, the Bank had issued a total of 7,259,100 debit cards (including electronic accounts), representing an increase of 105,900 cards from the end of the previous year.

For credit card business, the Bank adheres to the “citizen finance” strategy. With an aim to “enhance customers’ card-use experience by developing convenient and preferential consumption scenarios”, the Bank explored innovative products and services, promoted the convenience of online services, and constantly enhanced customers’ sense of acquisition, convenience and security in applying for and using cards. As at the end of the Reporting Period, the Bank had issued a total of 603,000 credit cards. During the Reporting Period, online credit card consumption reached RMB1,621 million, representing a year-on-year increase of 34.41% and contributing a revenue of RMB89 million.

6.3 Treasury Business

6.3.1 Money Market Transactions

During the Reporting Period, faced with the triple pressure on China’s economy and the complex, volatile international environment, the state implemented policies to stabilize growth preemptively and coordinated the monetary policy and fiscal policy to maintain sufficient but not overwhelming liquidity. The Bank continuously strengthened its ability to analyze the money market, improved the management of interbank liability business, diversified the ways to conduct treasury business, and flexibly adjusted the maturity structure of interbank liabilities. On the basis of ensuring its own liquidity safety, the Bank actively carried out lending activities in the money market. As at the end of the Reporting Period, the balance of the Bank’s deposits with banks and other financial institutions and financial assets held under resale agreements was RMB13,957 million; and the balance of deposits from banks and other financial institutions and financial assets sold under repurchase agreements was RMB77,778 million.

6.3.2 Investment in Securities and Other Financial Assets

During the Reporting Period, the Bank paid close attention to the changes in international situation, domestic and international economic environment and macro policies, improved investment research capabilities, strengthened the research and trend analysis on the capital market, bond market, regulatory policies and the impact of the pandemic and other factors on the domestic and international economic environment, timely adjusted the direction of capital investment and business development strategies, and refined the portfolio and made prudent investments while keeping risks under control. As at the end of the Reporting Period, the Bank’s total investment in bonds, investment products under trust plans, investment products managed by securities companies and other securities financial assets amounted to RMB192,234 million, representing a decrease of 4.09% from the end of the previous year. Among them, the total investment in bonds was RMB96,696 million, representing an increase of 4.79% from the end of the previous year; and the total investment in investment products under trust plans and investment products managed by securities companies was RMB81,141 million, representing a decrease of 11.56% from the end of the previous year.

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6.3.3 Investment Banking Business

The Bank's lead underwriting business of non-financial corporate debt financing instruments developed well. During the Reporting Period, the Bank acted as lead underwriter for 16 debt financing instruments issued by 11 enterprises, with a total issuance amount of RMB10.7 billion, representing a year-on-year increase of 224%. The Bank ranked among the top in Henan Province in terms of the number of enterprises served, the number of instruments issued and the underwriting amount. The Bank's new products for technological innovation finance, i.e. "Share Option Loan" and "Listing Loan", were well received in the market. During the Reporting Period, the Bank granted credit of RMB619 million to 18 enterprises to facilitate the healthy development of specialized and new enterprises and technology SMEs in Henan Province. The Bank also strengthened the connection and cooperation with other investment banks, and brought in external funds through matchmaking to maintain and deeply tap the Bank's existing large and medium sized clients. During the Reporting Period, the Bank completed 45 matchmaking transactions with a total amount of RMB8,359 million.

6.3.4 Wealth Management Business

During the Reporting Period, guided by the new regulations on asset management, the Bank started with medium and long-term wealth management products to promote the shift to net-worth wealth management products and build a more rational product portfolio. The Bank is committed to creating sustainable and stable returns for customers using long-term and prudent portfolio strategies with manageable risks. During the Reporting Period, the Bank newly issued a total of 11 wealth management products, raising RMB32,732 million in total. As at the end of the Reporting Period, the Bank had 83 outstanding wealth management products with a total AUM of RMB47,883 million, down 0.19% from the end of the previous year. As at the end of the Reporting Period, the balance of net-worth wealth management products was RMB47,883 million (representing 100% of the total), including RMB10,598 million in cash management net-worth products, RMB26,891 million in regular open-end net-worth products, and RMB10,394 million in closed-end net-worth products.

6.4 Featured Business

6.4.1 Commerce and Logistics Finance

During the Reporting Period, based on its distinctive positioning, the Bank improved business quality and efficiency with differentiated operations, refined process management, and made efforts to increase the quality and quantity of "Five Clouds" offerings. The "Five Clouds" system consists of Cloud Trading, Cloud Financing, Cloud Business, Cloud Logistics and Cloud Service, which are Internet-based platforms supported by advanced fintech. Leveraging efficient response mechanisms, high-quality product solutions and professional service capabilities, the system provides one-stop financial services integrating payment, settlement and financing to cater to the core needs of key enterprises in industrial chains and their upstream and downstream customers, in a drive to build a "commerce and logistics banking" brand.

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Cloud Trading

As a treasury manager for corporate customers, the “Cloud Trading” platform provides customers with “tailor-made” integrated financial solutions based on group cash management, cross-bank treasury management, bank-enterprise direct link and other settlement products, so as to efficiently satisfy customers’ treasury management needs. During the Reporting Period, based on customers’ needs, the Bank continuously updated products and system and enriched the product mix to improve customer experience. For corporate online banking, the Bank launched exclusive products for small business customers such as “E-tax Financing” (e税融) and “E-purchase Loan” (e采贷), constantly optimized the functions of intra-group cash pool, cross-bank treasury management and other products, and introduced smart collection products for corporate customers. As of the end of the Reporting Period, the Bank had signed up over 70,000 corporate online banking customers; its cash management platform had provided treasury management solutions for nearly 3,400 large and medium-sized enterprises and public institutions; its bank-enterprise direct link had connected with nearly 150 large and medium-sized group customers; the Bank had issued approximately 6,000 corporate settlement cards in total.

Cloud Financing

The “Cloud Financing” platform is an open online supply chain financing platform powered by innovative financial technologies such as electronic signatures, big data applications and Internet technology. It efficiently satisfies the fast financing needs of upstream and downstream customers of key enterprises through customization or standardization, thus serving the supply chain ecosystem. During the Reporting Period, the Bank successfully launched the first innovative product “Yidingtong” (医鼎通), and issued the first offshore bond backed by a standby letter of credit and the first cross-border non-financing letter of guarantee. The Cloud Financing platform had helped over 1,000 upstream and downstream customers raise over RMB21 billion in total.

Cloud Business

The “Cloud Business” platform is an online supply chain management and financing service platform that extends the credit of key enterprises to multiple tiers of upstream suppliers through electronic settlement vouchers, thereby addressing the financing needs of small and medium-sized suppliers. As of the end of the Reporting Period, the Bank had completed the development and testing of version 2.0 of the Cloud Business system, conducted the first interbank transaction on the Cloud Business platform, and helped over 1,800 upstream partners of key enterprises raise over RMB7.5 billion in total.

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Cloud Logistics

The “Cloud Logistics” platform is an online platform that provides “one-stop” financial services for the logistics industry. It helps logistics companies utilize working capital and recover funds efficiently through products and services such as treasury management, financing services and logistics support. The Bank upgraded the “freight payment agency” and other logistics finance products, improved the digital logistics finance service ecosystem, and made efforts to enhance financial service capabilities for customers throughout the logistics chain. Meanwhile, in line with the national policy of ensuring smooth logistics flows, the Bank took the lead in formulating special measures for logistics relief, and increased financial support for transportation and logistics customers through internal and external collaboration, covering customers in many fields closely related to COVID-19 relief such as trade logistics, commodity logistics, emergency logistics, cold chain logistics and individual drivers. As of the end of the Reporting Period, nearly 1.25 million payments had been made under the D+0 payment agency service, with a total amount of RMB1.8 billion.

Cloud Service

The “Cloud Service” platform provides customers with value-added and customized financial and non-financial services based on the Bank’s Commerce and Finance WeChat Official Account and scenario-based financial service platform. During the Reporting Period, the Bank successfully obtained the qualification as a bank to handle wage deposits for migrant workers from the Department of Human Resources and Social Security of Henan Province, becoming one of the first 10 banks obtaining such qualification. In addition, the Bank promoted the expansion of scenario-based financial services such as supervision of pre-sale housing funds by local bureaus of housing in Henan Province, Easy-To-Pay (易繳費), supervision of salary payments to migrant workers, house deposit, supervision of housing rental funds, etc. A total of over 270 scenario-based financial projects have materialized under the Cloud Service platform.

6.4.2 Financial Services for Small and Micro Enterprises

During the Reporting Period, the Bank adhered to the principle of “returning to the nature and keeping the original intention” and continuously improved the quality and efficiency of financial services for small and micro enterprises. With a focus on SME customers including real estate customers, data scenario customers, technological innovation customers, supply chain customers, long-tail customers, the Bank optimized related financial products, launched a WeChat applet for the data scenario-based product E-tax Financing, and introduced a number of functions for certain processes of the supply chain product E-purchase Loan, including credit pre-approved application, pre-approved credit line evaluation, online credit investigation and information query authorization, and online appointment and account opening. In addition, the Bank implemented the policy of deferring payments of principal and interest due from small and micro enterprises and provided “loan renewal” services for small and micro enterprises to help them tide over difficulties; learned about the financing needs of small and micro enterprises, participated in small and micro finance promotion campaigns, normalized online bank-enterprise meetings, and regularly carried out online live broadcasts to promote inclusive financial products; increased technology support for business, enriched internal and external data, optimized the risk control model for loans to small and micro enterprises, and built an intelligent risk control system. As at the end of the Reporting Period, the balance of inclusive loans to small and micro enterprises (excluding discounted bills) was RMB44,104 million, representing an increase of RMB5,156 million or 13.24% from the beginning of the year, and the number of small and micro enterprises with outstanding inclusive loans stood at 66,191.

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6.4.3 Financial Services for Residents

The Bank upholds the customer-centric philosophy and the mission of “providing heart-warming financial services for better life”, and goes deep into the lives of residents to improve people’s livelihood from small scenarios, in an effort to build a boutique bank for residents that benefits both enterprises and the public. Specifically, the Bank opened the “Green Channel” of acquiring business for sole proprietors and small and micro businesses, and introduced the “Preferential Collection” (惠收款) fee reduction policy to reduce the operating costs of small and micro businesses, thus enhancing the resilience and vitality of the economy; launched electronic certificates of deposit for commemorative days and used scenarios such as holidays to meet the diverse needs of customers; obtained approval from the People’s Bank of China for the issuance of social security cards carrying citizen card functions in a number of prefecture-level cities, which is supported by the government; provided special offers such as money-off and random discount based on the needs of residents in daily life (with a focus on clothing, food, housing, transportation, and entertainment), especially in small shops with small-value but frequent purchases, which can really benefit the public while bringing more footfall to merchants.

6.4.4 Financial Services for Technological Innovation

During the Reporting Period, the Bank proactively participated in the strategic initiatives of the Henan Provincial Party Committee and Provincial Government, particularly the “Two Guarantees” and the “Ten Strategies”, and seized opportunities as an entity providing policy-based financial services for technological innovation in the province to promote the transformation of internal business systems, so as to build a unique image in the field of technological innovation; focused on supporting enterprises meeting the “sole proprietor to enterprise, small enterprise to EADS, EADS to joint-stock company, joint-stock company to listing” conditions, specialized and new enterprises, “little giant” enterprises and other innovation-oriented enterprises, and continued to provide “low-cost, low-guarantee, long-term and convenient” financial services for all kinds of innovative businesses; leveraged the network of service outlets to improve the quality and efficiency of services in all respects, and constantly increased the coverage, first-time loan ratio and loan approval rate of policy-based technology innovation finance to facilitate the accelerated growth of technology SMEs.

6.5 Distribution Channels

6.5.1 Physical outlets

As at the end of the Reporting Period, the Bank established its head office in Zhengzhou, Henan, 14 branches in Nanyang, Xinxiang, Luoyang, Anyang, Xuchang, Shangqiu, Luohe, Xinyang, Puyang, Pingdingshan, Zhumadian, Kaifeng, Zhoukou and Hebi of Henan Province, 162 sub-branches and one special entity. Meanwhile, the Bank enhanced the layout of its self-service equipment outlets, established a network of 161 internal and 29 external self-service equipment outlets, forming proper regional coverage and providing convenient 24-hour services.

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6.5.2 Electronic banking

Personal channel

The Bank actively pushes forward the establishment of personal electronic banking channels. For mobile banking, we continuously optimize finance-related functions such as wealth management, credit cards and loans, and diversify online financial products, so as to support the implementation of the “Four New Types of Fiance” strategy through channel construction. We continuously increase non-financial scenarios by introducing electronic social security cards, upgrading social security payments, adjusting the layout of lifestyle pages, and providing access to popular information, thereby invigorating customer activity. For frequently used basic functions such as transfer, we diagnose pain points in the process to improve customer experience. As at the end of the Reporting Period, the cumulative number of contracted mobile banking customers was 2,584,500, representing an increase of 6.2% as compared with the end of the previous year, with peak monthly active users reaching 623,800.

The Bank is committed to creating a new “digital intelligence” service ecosystem. We actively explore and enhance the interactive capabilities of intelligent customer service to offer customers more convenient, efficient and high-quality intelligent services. During the Reporting Period, the Bank took full advantage of technologies such as automatic speech recognition (ASR), natural language processing (NLP), and text-to-speech (TTS) to create diversified service scenarios with human-machine integration, thereby gradually forming an online AI service matrix of Bank of Zhengzhou comprising intelligent voice service, intelligent outbound call service, intelligent text robot service, and intelligent quality inspection. With intelligent customer service capabilities, we have obtained real-time insight into customer needs, innovated service model, reshaped service process, and achieved intelligent risk prevention and control, improving both service efficiency and user experience. As at the end of the Reporting Period, the customer satisfaction rate exceeded 99%, and the response accuracy and problem solving rate of the intelligent robot “Xiao Zheng” remained over 91%.

Corporate channel

For corporate online banking, the Bank has achieved functions such as account management, transfer and remittance, cash management, agency services, electronic bills, investment and wealth management, loan services, supply chain finance, letter of guarantee, cross-border finance, e-government, digital confirmation, business review, and customer service. With corporate mobile banking, we provide corporate customers with online account service, transfer service, cash management, investment and wealth management, loan service, authorization center and other service functions, enabling customers to handle business without leaving home. With WeChat banking, we offer a wealth of online functions through the Commerce and Finance Official Account of Bank of Zhengzhou, including financial services such as account management, corporate settlement card management, account overview, electronic invoices, bill receipt inquiry, bank-enterprise reconciliation, letter of guarantee business inquiry, easy payment, small business loans, and account opening appointments. During the Reporting Period, the Bank conducted approximately 2.43 million transactions through electronic corporate channels, with an amount of approximately RMB690 billion. As at the end of the Reporting Period, we had nearly 70,000 contracted accounts on a cumulative basis.

7 RISK MANAGEMENT

During the Reporting Period, the Bank proactively responded to changes in the regulatory and market environment based on internal and external circumstances, and upheld the “prudent, rational and sound” risk management philosophy. Guided by the strategy of quality development, the Bank promoted “sixbones spirit”, constantly strengthened its comprehensive risk management, enhanced its risk management structure and management mechanism, improved its risk management systems and procedures, and steadily boosted its risk management capabilities, with risk management becoming more refined and effective. The primary risks faced by the Bank in its operation and its risk management measures are as follows.

7.1 Credit Risk

Credit risk refers to the risk of incurring loss by banks due to debtors’ or counterparties’ failure to perform contractual obligations or responsibilities. The Bank’s credit risk exposure mainly comes from loan portfolios, investment portfolios, guarantees and other types of on- and off-balance sheet credit risk exposure. The Bank has built a comprehensive credit risk management framework covering all credit business processes, and developed policies and procedures to accurately identify, assess, measure, monitor, mitigate and control credit risks. The Bank’s main measures for credit risk management during the Reporting Period are as follows:

Firstly, we emphasized credit policy risk guidance. The Bank conducted field surveys led by independent approvers, and publicized the latest credit policies and review requirements; formulated a negative list of customer access, and discussed credit schemes on a customer-by-customer basis; adjusted the existing customer mix and carried out fine management of existing loans due. Second, we improved the management structure. The Bank improved the organizational structure of the risk management committee of senior management and its sub-committees, and optimized the functions and responsibilities, division of authority and powers, and rules of procedure related to the disposal of risk assets; and refined the working mechanism of the departmental review committee and the credit committee. Third, we carried out post-loan risk screening. Based on the asset map, early warning model, and regular post-loan meetings, the Bank conducted special risk screening on hidden risks found in real estate loans and daily supervision and inspection through on-site and off-site surveys. Fourth, we clarified the post-loan management responsibilities. The Bank promoted earlier disposal of risks, carried out maturity management and overdue interest monitoring, determined maturity management and credit reduction and exit solutions on a customer-by-customer basis, and implemented the prevention and control of new risks to prevent the decline of asset quality. Fifth, we improved the functions of the risk system. The Bank added the function of real-time synchronization of financial statement data, and launched the first phase of “Asset Map”, a comprehensive credit risk monitoring and reporting platform. Sixth, we intensified the disposal of NPLs. The Bank implemented the inspection mechanism for the disposal of risk assets, assigned the responsibilities of reducing NPLs, and adopted a package of measures such as transfer, write-off, restructuring, debt-to-equity swap and debt repayment in kind to speed up the disposal of risk assets.

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As at the end of the Reporting Period, the Bank's single customer loan concentration was 4.10%, in compliance with the 10% cap requirement stipulated by the CBIRC; single group customer credit concentration was 5.88%, in compliance with the 15% cap requirement stipulated by the CBIRC; the balance of loans to the top ten customers was RMB19,731 million, and the loan concentration of the top ten customers was 30.81%; the outstanding balance of credit facilities to a single related party customer was RMB2.5 billion, with a credit concentration of 3.79%; and the credit concentration of all related party customers was 16.65%, in compliance with the 50% cap requirement stipulated by the CBIRC.

7.2 Market Risk

Market risk refers to the risk of on- or off-balance-sheet loss arising from adverse changes in market prices. The market risks exposed to the Bank are mainly interest rate risk and exchange rate risk. The Bank's market risk management covers the whole process of identifying, measuring and monitoring market risks. Main measures adopted during the Reporting Period are as follows:

First, we completed the development of annual market risk limits. The Bank added a stop-loss limit for investment banking, and tightened 4 limits including bond stop-loss, interest rate and exchange rate exposure, and sensitivity limits, thus strengthening risk limit control. Second, we completed the development and transformation of management tools in an orderly manner. The Bank developed AUM pass-through management functions for the market risk system to access the underlying data on AUM, including internal management statements, pre/post-pass-through portfolio structures, asset measurement and other core functional modules, thus consolidating the foundation for pass-through management of wealth management business. Third, we continued to optimize the market risk reporting system. The Bank incorporated the analysis of fund business, post-pass-through AUM overview and information on active management of bonds to improve the coverage and readability of regular reports. Fourth, we continuously promoted capacity building for risk management. The Bank optimized the market risk tracking table to improve the visibility and trend tracking of key market risk factors.

7.3 Operational Risk

Operational risk refers to the risk of loss caused by imperfect or problematic internal procedures, personnel or information technology systems, or external events, mainly including internal and external fraud, workplace safety failures, business interruptions, damage of tangible assets and information technology system failures. During the Reporting Period, the Bank mainly adopted the following measures for operational risk management:

First, we improved the operational risk management system. The Bank revised the operational risk management measures, refined the management rules for the three major tools of operational risk management, defined the content, frequency, timeliness and submission channels of operational risk reports, and added relevant requirements for consolidated management. Second, we continuously carried out operational risk identification and assessment. Based on GRC system, the Bank conducted process review and operational risks identification and assessment on updated and newly released products and services, analyzed the types of potential risk events and risk factors, evaluated the effectiveness of targeted control measures to prevent risks. Third, we strengthened the collection of data on operational risk events and losses. The Bank optimized system coordination, promoted the online and offline collection of data on operational risk losses, and conducted case studies to strengthen warning education, so as to enhance all employees' awareness of risk prevention. Fourth, we consolidated the three lines of defense against operational risks. The Bank further consolidated the operational risk management framework by strengthening the risk control functions of the first line of defense (including branches and business lines), optimizing the risk identification and interception of the second line of defense (including internal control & compliance and risk management lines), and breaking through the information barriers of the three lines of defense, thus realizing joint prevention and control of risks.

7.4 Liquidity Risk

Liquidity risk refers to the risk of failure to obtain sufficient funds in time or failure to obtain sufficient funds at a reasonable cost to pay off debts falling due, to perform other payment obligations and to meet other capital requirements for normal business operations. During the Reporting Period, the Bank strengthened capital management, adjusted the maturity structure of assets and liabilities and enhanced liquidity risk monitoring. Main measures adopted are as follows:

First, we strengthened cash position management. The Bank kept abreast of the changes in monetary policy and market liquidity, made reasonable financing plans based on cash flows to ease cash flow gaps. Moreover, the Bank strengthened the monitoring of capital changes and timely coped with the surplus and shortage of capital to ensure that the demand for clearing positions is well met. Second, we strengthened liquidity risk monitoring. The Bank established a three-level liquidity risk limit management system and regularly monitored the liquidity risk limits; and developed liquidity monitoring and analysis tools to enhance the capabilities in liquidity risk assessment and monitoring. Third, we optimized the asset-liability structure. The Bank continued to transform the structure of assets, and rationally increased the weight of high-quality liquid assets to enhance asset liquidity; constantly optimized the debt structure, strengthened the marketing of deposits, and extended the maturity of interbank liabilities, thus further enhancing the stability of liabilities. Fourth, we carried out stress tests and emergency drills. The Bank conducted liquidity stress testing, and increased the asset allocation of short-term and high-quality bonds and reduced cash flow gaps under stress based on the stress test results to improve the risk mitigation capability; carried out intra-group liquidity emergency drills, and constantly improved emergency plans from the aspects of early warning response, reporting channels, division of responsibilities, emergency response, public opinion control, recovery management, etc.

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As at the end of the Reporting Period, the Bank's liquidity ratio was 59.75%, in compliance with the 25% minimum requirement stipulated by the CBIRC; its liquidity coverage rate was 191.65%, in compliance with the 100% minimum requirement stipulated by the CBIRC; its net stable funding ratio was 114.64%, in compliance with the 100% minimum requirement stipulated by the CBIRC. Overall, the Bank's key liquidity indicators met the regulatory requirements and its overall liquidity risk was under control.

7.5 Information Technology Risk

Information technology risk refers to the operational, legal, reputational and other risks caused by natural factors, human factors, technical loopholes and management flaws in the course of applying information technology. During the Reporting Period, the Bank continuously improved its sci-tech risk management system and the methods to monitor and assess information technology risks, and conducted information system emergency drills to improve business continuity management. Main measures adopted are as follows:

First, we strengthened information technology management. The Bank completed generator on-load switching drills, network equipment switching drills for branches and sub-branches, and disaster recovery switching drills for 38 relocated information systems to improve information system operation and maintenance capabilities and business continuity; completed the localized transformation of the database and operating system of the traceability system, and continuously promoted the independent control of information systems. Second, we intensified information technology risk management. The Bank amended a number of IT-related management policies including the Management Measures for Performance Testing of Software Application Projects and the Risk Management Measures for IT Outsourcing (Trial); continuously conducted information technology risk monitoring, strengthened the analysis of basic data of monitoring indicators, and carried out information technology risk assessment. Third, we improved business continuity management. The Bank optimized the structure of the Business Continuity Management Committee and standardized the business continuity and emergency management. Specifically, the Bank revised two management policies and one general plan, added three special contingency plans for emergencies, and continuously improved the contingency plan system; carried out annual internal and external training on business continuity management to promote and apply knowledge on business continuity management and emergency drill practices; held a summary meeting on emergency response, and organized annual comprehensive emergency drills covering multiple scenarios including "flood and COVID-19 outbreak".

7.6 Reputational Risk

Reputational risk refers to the risk of negative reporting and comments about the Bank due to its operations, management and other activities or external events. The Bank has established a positive, reasonable and effective mechanism for reputational risk management to identify, monitor, control and eliminate reputational risk. During the Reporting Period, the Bank mainly adopted the following measures:

Firstly, we continuously monitored public opinions. By monitoring public opinions in real time, the Bank promptly identified and properly handled negative public opinions, leveraging media publicity to guide public opinions in a positive direction. As at the end of the Reporting Period, a total of 96 editions of “Special Report on Public Opinion” and 25 editions of “Weekly Report on Public Opinion” had been compiled. Secondly, we made clear management responsibilities. In principle, public opinion events are handled by branches and sub-branches at the front line, while relevant departments of the head office offer close collaboration, so as to constantly strengthen the joint prevention and control of public opinion events and petition complaints events and cases. Thirdly, we strengthened reputation risk management. Seizing the opportunity of “Emergency Capacity Improvement Action” initiated by Zhengzhou SASAC, we revised “Reputation Risk Emergency Plan”, and increased the Bank’s positive publicity related to technological innovation finance, inclusive finance, fee reduction and incentive scheme, fostering amicable public opinion.

7.7 Anti-Money Laundering Management

The Bank strictly complied with the Anti-Money Laundering Law of the People’s Republic of China and other applicable laws and regulations, deepened the implementation of the “risk-based” working method, earnestly performed various anti-money laundering social responsibilities and legal obligations, and effectively improved the risk management level of money laundering and terrorist financing. The Bank’s main measures for anti-money laundering during the Reporting Period are as follows:

Firstly, the Bank strengthened the construction of anti-money laundering system, revised and improved three internal control systems, and further standardized business operations. Secondly, the Bank completely rebuilt the risk self-assessment system and indicators of institutional money-laundering and terrorist financing according to the regulatory provisions, and set up the self-assessment business system to lay the foundation for the first self-assessment based on the new system. Thirdly, the Bank continuously increased the empowering of information technology, invested in and developed the research and development of suspicious transaction monitoring model, and adjusted the customer rating function. Fourthly, the Bank arranged business training to comprehensively enhance staff’s awareness, knowledge and skills for anti-money laundering and to promote the anti-money laundering risk management culture. Fifthly, by continuous publicity of anti-money laundering and fully capitalizing new media and new technology, the Bank promoted knowledge on anti-money laundering and anti-terrorism financing to the public to improve their understanding on anti-money laundering.

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8 RECEIVING RESEARCH DELEGATIONS, COMMUNICATION AND INTERVIEW ACTIVITIES

During the Reporting Period, the Bank did not receive any research delegations, and had no communication and interview activities.

9 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

9.1 Significant Environmental Protection Issues

The Bank and its subsidiaries are not recognised as key waste discharge units as disclosed by the environmental protection authorities. During the Reporting Period, no administrative punishment was imposed on the Bank for environmental issues.

9.2 Social Responsibility

The Bank consolidated the achievements in poverty alleviation and thoroughly implemented the requirements of the rural revitalization policy. During the Reporting Period, the Bank optimized its products, launched the “Rural Revitalization Loan”, a business loan product for rural revitalization, conducted a field survey on a cooperative to deeply learn about its production and operation model, capital turnover needs, financial status and other relevant information, and granted it a Rural Revitalization Loan of RMB300 million accordingly. In addition, the Bank adopted multiple approaches such as guarantee reduction and bank-government-enterprise cooperation to solve the problem of difficult and expensive financing for all kinds of new agricultural business entities in Henan Province, including family farms, professional farmer households, farmers’ cooperatives, agricultural enterprises, and agricultural social service organizations. As at the end of the Reporting Period, the balance of agriculture-related loans of the Bank was RMB79,462 million, representing an increase of RMB6,019 million or 8.20% from the end of the previous year; the balance of inclusive agriculture-related loans was RMB6,647 million, representing an increase of RMB821 million or 14.09% from the end of the previous year.

The Bank strengthened village poverty alleviation to revitalize villages with practical work and help villagers get rich with sincerity. During the Reporting Period, the Bank made visits and provided aids to the target village. In aggregate, the Bank has donated over RMB100,000 in kind and in cash to the target village to support its rural infrastructure construction, grassroots party building, and epidemic prevention and control; allocated fiscal poverty alleviation funds to help the target village build asphalt roads according to the arrangement of the higher-level party committee and government and the joint decisions of the two committees of the village; help established the strategy to develop agritainment and tourism, and cooperated with the village committee to promote the “Yungu Rural Tourism” project and improve supporting tourism facilities, thus helping villagers to get rich and facilitating ecological protection; worked with the two committees of the village to conduct anti-fraud publicity, epidemic prevention and control, and monitoring during the flood season, and to organize a variety of cultural and sports activities such as square dancing, red song singing, caring for those in need, and traditional festival celebrations, so as to cultivate civilized rural customs and improve the happiness of villagers.

10 OUTLOOK

In the second half of 2022, the Bank will continue to uphold the strategic vision of building a “leading bank with high-quality development” and the unique positioning as “a commerce and logistics bank, an SME financial service expert, and a boutique bank for residents”, solidly promote the “Five Clouds” and “Four New Types of Finance” (technological innovation finance, small and micro enterprise finance, rural finance and citizen finance), constantly strengthen the synergy between technology and business, facilitate the high-quality application of digital innovation achievements, and take concrete actions to provide strong support for the healthy and stable growth of the local economy.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1 CHANGES IN ORDINARY SHARES

1.1 Table of Changes in Ordinary Shares

Unit: Shares

	As at 31 December 2021		Increase/decrease during the Reporting Period (+/-)					As at 30 June 2022	
	Number	Proportion (%)	Issuance of new shares	Bonus shares	Capitalization Issue	Others	Sub-total	Number	Proportion (%)
I. Shares subject to trading moratorium	553,938,363	6.70	-	-	-	-203,800,668	-203,800,668	350,137,695	4.24
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. Shares held by state-owned legal persons	392,529,280	4.75	-	-	-	-203,879,280	-203,879,280	188,650,000	2.28
3. Shares held by other domestic investors	161,409,083	1.95	-	-	-	+78,612	+78,612	161,487,695	1.96
Including: Shares held by domestic legal persons	132,357,482	1.60	-	-	-	-	-	132,357,482	1.60
Shares held by domestic natural persons	29,051,601	0.35	-	-	-	+78,612	+78,612	29,130,213	0.36
4. Shares held by foreign investors	-	-	-	-	-	-	-	-	-
Including: Shares held by overseas legal persons	-	-	-	-	-	-	-	-	-
Shares held by overseas natural persons	-	-	-	-	-	-	-	-	-
II. Shares not subject to trading moratorium	7,711,599,236	93.30	-	-	-	+203,800,668	+203,800,668	7,915,399,904	95.76
1. Ordinary Shares denominated in RMB	5,874,819,236	71.08	-	-	-	+203,800,668	+203,800,668	6,078,619,904	73.54
2. Domestically-listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas-listed foreign shares	1,836,780,000	22.22	-	-	-	-	-	1,836,780,000	22.22
4. Others	-	-	-	-	-	-	-	-	-
III. Total	8,265,537,599	100.00	-	-	-	-	-	8,265,537,599	100.00

Notes:

- The minor differences in the last digits are caused by rounding.
- During the Reporting Period, for the reasons of changes in the Bank's Ordinary Shares, please refer to the section headed "Changes in Shares Subject to Trading Moratorium during the Reporting Period".
- During the Reporting Period, the Bank did not conduct any Share repurchase.
- During the Reporting Period, there were no changes in the total number of Ordinary Shares of the Bank. The changes shown in the table above had no impact on financial indicators such as earnings per share and net assets per share in the previous year and the latest period.

As at the end of the Reporting Period, the Bank had 8,265,537,599 issued Ordinary Shares, including 6,428,757,599 A Shares and 1,836,780,000 H Shares.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1.2 Changes in Shares Subject to Trading Moratorium during the Reporting Period

Unit: Shares

Name of Shareholder	Number of Shares subject to trading moratorium at the beginning of the Reporting Period	Number of Shares lifted from trading moratorium during the Reporting Period	Increase in the number of Shares subject to trading moratorium during the Reporting Period	Number of Shares subject to trading moratorium at the end of the Reporting Period	Reasons for being subject to trading moratorium	Date of lifting from trading moratorium
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	188,650,000	-	-	188,650,000	Share subscription from non-public issuance	27 November 2025
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	110,000,000	-	-	110,000,000	Share subscription from non-public issuance	27 November 2025
Bridge Trust Co., Ltd. (百瑞信託有限公司)	203,879,280	203,879,280 ⁽¹⁾	-	-	Share subscription from non-public issuance	27 May 2022
Directors, supervisors and senior management of the Bank (including those who served as directors, supervisors and senior management before the IPO of A shares)	350,473	-	-	350,473	IPO	-
Shareholders (excluding the ones mentioned above) whose shares are still subject to trading moratorium	512,372	-	78,612 ⁽²⁾	590,984	Locked shares held by senior management	-
	50,546,238	-	-	50,546,238	IPO	-
Total	553,938,363	203,879,280	78,612	350,137,695		

Notes:

- In May 2022, A Shares subscribed by Bridge Trust Co., Ltd. from the Bank via non-public issuance were lifted from trading moratorium and listed for trading.
- In January 2022, a plan formulated by the Bank in July 2021 to stabilize the share price of A Shares was implemented and completed. Some Directors, supervisors and senior management increased their holdings of A Shares, and such shares were locked and lifted from trading moratorium in accordance with the requirements of the No. 1 Self-discipline and Regulation Guideline for Listed Companies on Shenzhen Stock Exchange – Standard Operation of Listed Companies on the Main Board (深圳證券交易所上市公司自律監管指引第1號-主板上市公司規範運作).
- The minor differences in the last digits are caused by rounding.

2 ISSUANCE AND LISTING OF SECURITIES

During the Reporting Period, the Bank did not issue any Ordinary Shares and Preference Shares and did not have any corporate bonds which were publicly issued and listed on any stock exchanges.

For details of other bond issuance of the Bank and its subsidiaries, please refer to “Issuance and Repurchase of Bonds” in the chapter headed “Significant Events” of this report.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

3 INFORMATION ON ORDINARY SHAREHOLDERS

Number of Ordinary Shareholders and Their Shareholding

As at the end of the Reporting Period, the Bank had a total of 99,227 Ordinary Shareholders, of whom 99,170 were holders of A Shares and 57 were holders of H Shares.

The following table sets out the direct shareholdings of the top 10 Ordinary Shareholders of the Bank as at the end of the Reporting Period:

Unit: Shares

Name of Shareholder	Nature of Shareholder	Class of Shares	Shareholdings percentage (%)	Number of Ordinary Shares held at the end of the Reporting Period	Changes over the Reporting Period (+/-)	Number of Ordinary Shares held subject to trading moratorium	Number of Ordinary Shares held not subject to trading moratorium	Pledged, marked or frozen Status of Shares	Number
HKSCC Nominees Limited (香港中央結算(代理人)有限公司)	Overseas legal person	H Shares	22.22	1,836,582,674	+1,320	-	1,836,582,674	Unknown	-
Zhengzhou Finance Bureau (鄭州市財政局)	State-owned	A Shares	7.23	597,496,646	-	-	597,496,646	Pledged	84,799,000
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	State-owned legal person	A Shares	5.44	449,810,819	-	188,650,000	261,160,819	-	-
Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	State-owned legal person	A Shares	4.24	350,846,279	-	-	350,846,279	-	-
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Domestic non-state-owned legal person	A Shares	4.24	350,846,233	-	110,000,000	240,846,233	Pledged	240,295,000
Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)	Domestic non-state-owned legal person	A Shares	3.84	317,020,000	-	-	317,020,000	Pledged	317,020,000
Zhongyuan Trust Co., Ltd. (中原信託有限公司)	State-owned legal person	A Shares	3.50	289,706,030	-	-	289,706,030	-	-
Henan Chendong Industry Co., Ltd. (河南農東實業有限公司)	Domestic non-state-owned legal person	A Shares	3.31	273,460,000	-	-	273,460,000	Pledged	136,729,997
Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)	Domestic non-state-owned legal person	A Shares	2.31	190,727,068	-111,773,152	-	190,727,068	Pledged	151,250,000
Henan Shengrun Holding Group Co., Ltd. (河南盛潤控股集團有限公司)	Domestic non-state-owned legal person	A Shares	1.46	121,000,000	-	-	121,000,000	Pledged Frozen	121,000,000 121,000,000
Strategic investors or ordinary legal persons becoming top 10 Shareholders by way of placing of new Shares (if any)		None							
Description of related party relationships or concerted actions of the above Shareholders	Zhengzhou Finance Bureau wholly owns Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), which in turn wholly owns Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司). The Bank is not aware of any related party relationship among the above other Shareholders or whether they are parties acting in concert under the Administrative Measures on the Acquisition of Listed Companies (《上市公司收購管理辦法》).								
Description of entrusting/being entrusted voting rights or waiving voting rights of the above Shareholders	Henan Investment Group Co., Ltd. (河南投資集團有限公司) entered into the Voting Rights Entrustment Agreement with Zhongyuan Trust Co., Ltd. (中原信託有限公司) and entrusted the voting rights represented by the 98,746,133 A Shares (number of Shares before the Bank implemented the capitalization issuance in December 2021) held by Henan Investment Group Co., Ltd. (河南投資集團有限公司) to Zhongyuan Trust Co., Ltd. (中原信託有限公司).								
Special description of the special accounts for repurchase held by the top 10 Shareholders	None								
Description of the top 10 Ordinary Shareholders participating in margin financing and securities lending business (if any)	Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司) holds 171,697,068 A Shares through ordinary securities account and 19,030,000 A Shares through the customer credit transaction guaranteed securities account of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司), holding a total of 190,727,068 A Shares.								

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

The following table sets out the direct shareholdings of the top 10 ordinary Shareholders not subject to trading moratorium of the Bank as at the end of the Reporting Period:

Unit: Shares

Name of Shareholder	Number of Ordinary Shares held not subject to trading moratorium at the end of the Reporting Period	Type of Shares	
		Type of Shares	Number
HKSCC Nominees Limited (香港中央結算(代理人)有限公司)	1,836,582,674	H Shares	1,836,582,674
Zhengzhou Finance Bureau (鄭州市財政局)	597,496,646	A Shares	597,496,646
Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	350,846,279	A Shares	350,846,279
Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)	317,020,000	A Shares	317,020,000
Zhongyuan Trust Co., Ltd. (中原信託有限公司)	289,706,030	A Shares	289,706,030
Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司)	273,460,000	A Shares	273,460,000
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	261,160,819	A Shares	261,160,819
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	240,846,233	A Shares	240,846,233
Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)	190,727,068	A Shares	190,727,068
Henan Shengrun Holding Group Co., Ltd. (河南盛潤控股集團有限公司)	121,000,000	A Shares	121,000,000
Description of related party relationships or concerted actions among the top 10 Ordinary Shareholders not subject to trading moratorium, and between the top 10 Ordinary Shareholders not subject to trading moratorium and the top 10 Ordinary Shareholders	Please refer to the line headed "Description of related party relationships or concerted actions of the above Shareholders" in the table of the direct shareholdings of the top 10 Ordinary Shareholders.		

Notes:

- The above data is sourced from the register of members of the Bank as at 30 June 2022.
- The Shares held by HKSCC Nominees Limited are held by it in the capacity of an agent and represent the aggregate number of H Shares held by all institutional and individual investors registered in HKSCC Nominees Limited as at the end of the Reporting Period.

During the Reporting Period, none of the top 10 Ordinary Shareholders and the top 10 Shareholders of Ordinary Shares not subject to trading moratorium carried out any agreed buy-back transactions.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

4 INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS

Based on the knowledge of the Directors, Supervisors and chief executive of the Bank, as at the end of the Reporting Period, the following persons, other than Directors, Supervisors and chief executive of the Bank, had, or were deemed or taken to have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Bank under section 336 of the SFO:

Name of substantial Shareholder	Class of Shares	Long/Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued Ordinary Shares (%)
Zhengzhou Finance Bureau (鄭州市財政局)	A Shares	Long	Beneficial owner and interest of controlled corporation ⁽¹⁾	1,247,270,833	19.40	15.09
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	A Shares	Long	Beneficial owner	449,810,819	7.00	5.44
Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司)	A Shares	Long	Interest of controlled corporation ⁽¹⁾	449,810,819	7.00	5.44
Henan Investment Group Co., Ltd. (河南投資集團有限公司)	A Shares	Long	Beneficial owner and interest of controlled corporation ⁽²⁾	398,326,776	6.20	4.82
Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	A Shares	Long	Beneficial owner	350,846,279	5.46	4.24
SPIC Capital Holding Co., Ltd. (國家電投集團資本控股有限公司)	A Shares	Long	Interest of controlled corporation ⁽³⁾	350,846,279	5.46	4.24
SPIC Industry-Finance Holding Co., Ltd. (國家電投集團產融控股股份有限公司) (formerly known as "SPIC Dongfang New Energy Corp." (國家電投集團東方新能源股份有限公司))	A Shares	Long	Interest of controlled corporation ⁽³⁾	350,846,279	5.46	4.24
State Power Investment Corporation Limited (國家電力投資集團有限公司)	A Shares	Long	Interest of controlled corporation ⁽³⁾	350,846,279	5.46	4.24
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	A Shares	Long	Beneficial owner	350,846,233	5.46	4.24
ZHU Zhihui (朱志輝)	A Shares	Long	Interest of controlled corporation ⁽⁴⁾	350,846,233	5.46	4.24
China Goldjoy Securities Limited (中國金洋證券有限公司)	H Shares	Long	Custodian	456,380,540	24.85	5.52
CITIC Securities Company Limited	H Shares	Long	Interest of controlled corporation ⁽⁵⁾	402,884,921	21.93	4.87
	H Shares	Short	Interest of controlled corporation ⁽⁵⁾	326,292,751	17.76	3.95
Yunnan International Holding Group Limited	H Shares	Long	Beneficial owner	275,108,774	14.98	3.33
Yunnan Energy Investment (HK) Co., Limited	H Shares	Long	Interest of controlled corporation ⁽⁶⁾	275,108,774	14.98	3.33
Yunnan Provincial Energy Investment Group Co., Ltd.	H Shares	Long	Interest of controlled corporation ⁽⁶⁾	275,108,774	14.98	3.33
Bao Xin Development Limited	H Shares	Long	Beneficial owner	235,233,506	12.81	2.85
Bao Xin International Group Limited	H Shares	Long	Interest of controlled corporation ⁽⁷⁾	235,233,506	12.81	2.85
Tinmark Development Limited	H Shares	Long	Beneficial owner and interest of controlled corporation ⁽⁷⁾	236,542,726	12.88	2.86
YAO Jianhui (姚建輝)	H Shares	Long	Interest of controlled corporation ⁽⁷⁾	236,542,726	12.88	2.86

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Name of substantial Shareholder	Class of Shares	Long/Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued Ordinary Shares (%)
Beijing Shang Finance Management Co. Ltd. (北京尚融資本管理有限公司)	H Shares	Long	Interest of controlled corporation [®]	156,090,000	8.50	1.89
WEI Lidong (尉立東)	H Shares	Long	Interest of controlled corporation [®]	156,090,000	8.50	1.89
Goncius I Limited	H Shares	Long	Beneficial owner [®]	115,501,859	6.29	1.40
	H Shares	Short	Beneficial owner [®]	115,501,859	6.29	1.40
Hong Kong Xingrui International Investment Co., Ltd. (香港興瑞國際投資有限公司)	H Shares	Long	Beneficial owner	121,000,000	6.59	1.46
Zhengzhou Airport Zone Xingrui Industrial Group Co., Ltd. (鄭州航空港區興瑞實業集團有限公司), formerly known as Zhengzhou Airport Zone Xingrui Industrial Co., Ltd. (鄭州航空港區興瑞實業有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	121,000,000	6.59	1.46
Zhengzhou Airport Xinggang Investment Group Co., Ltd. (鄭州航空港興港投資集團有限公司), formerly known as Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Xinggang Investment and Development Co., Limited (鄭州新鄭綜合保稅區(鄭州航空港區)興港投資發展有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	121,000,000	6.59	1.46
Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Ltd. (深圳前海瑞茂通供應鏈平台服務有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	121,000,000	6.59	1.46
Jiangsu Jinhe Electricity and Fuel Co., Ltd. (江蘇晉和電力燃料有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	121,000,000	6.59	1.46
Ruimaotong Supply Chain Management Co., Ltd. (瑞茂通供應鏈管理股份有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	121,000,000	6.59	1.46
Zhengzhou Ruimaotong Supply Chain Management Co., Ltd. (鄭州瑞茂通供應鏈有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	121,000,000	6.59	1.46
Zhengzhou Zhongrui Industrial Group Co., Ltd. (鄭州中瑞實業集團有限公司), formerly known as Henan Zhongrui Investment Co., Ltd. (河南中瑞投資有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	121,000,000	6.59	1.46
Henan Zhongrui Holding Co., Ltd. (河南中瑞控股有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	121,000,000	6.59	1.46
Zhengzhou Ruichang Enterprise Management Consulting Co., Ltd. (鄭州瑞昌企業管理諮詢有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	121,000,000	6.59	1.46
WAN Yongxing (萬永興)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	121,000,000	6.59	1.46
Zhengzhou Zhengdong New District Construction, Development & Investment Co., Ltd. (鄭州市鄭東新區建設開發投資總公司)	H Shares	Long	Beneficial owner ⁽¹¹⁾	121,000,000	6.59	1.46
Huarong International Financial Holdings Limited	H Shares	Long	Beneficial owner ⁽¹²⁾	90,957,714	4.95	1.10
China Huarong Asset Management Co., Ltd.	H Shares	Long	Interest of controlled corporation ⁽¹²⁾	90,957,714	4.95	1.10

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

As far as the Bank is aware, the above number of Shares represents the respective Shareholders' interests and short positions as at the end of the Reporting Period, but the relevant number of Shares and information may be different from the summary of DI Forms submitted to the Hong Kong Stock Exchange by relevant Shareholders. This is mainly because the Bank made the calculation based on public information disclosed such as summary of DI Forms and the register of members of the Bank as well as the issuance of one Share for every 10 Shares to the Shareholders in accordance with the Capitalization Issue plan which was completed in June 2020 and December 2021, respectively.

Notes:

1. These 1,247,270,833 Shares are directly or indirectly held by Zhengzhou Finance Bureau, including 597,496,646 Shares directly held by Zhengzhou Finance Bureau (鄭州市財政局), 449,810,819 Shares held by Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), 78,963,368 Shares held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), 60,500,000 Shares held by Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and 60,500,000 Shares held by Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司). Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) is wholly-owned by Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), which is in turn wholly-owned by Zhengzhou Finance Bureau (鄭州市財政局). Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) are directly or indirectly wholly-owned by Zhengzhou Finance Bureau. By virtue of the SFO, Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司) is deemed to be interested in the Shares held by Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), while Zhengzhou Finance Bureau is deemed to be interested in the Shares held by Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司). Ms. WANG Dan (王丹) and Mr. LIU Bingheng (劉炳恒), non-executive Directors, works in Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司) and serves as a director of the financial operation center of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) respectively.
2. These 398,326,776 Shares are directly or indirectly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司), including 108,620,746 Shares directly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司) and 289,706,030 Shares held through Zhongyuan Trust Co., Ltd. (中原信託有限公司). Zhongyuan Trust Co., Ltd. (中原信託有限公司) is held as to 58.97% by Henan Investment Group Co., Ltd. (河南投資集團有限公司). By virtue of the SFO, Henan Investment Group Co., Ltd. (河南投資集團有限公司) is deemed to be interested in the Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司). Mr. JI Hongjun (姬宏俊), a non-executive Director, is a vice president of Zhongyuan Trust Co., Ltd. (中原信託有限公司).
3. Bridge Trust Co., Ltd. (百瑞信託有限責任公司) is owned as to 50.24% by SPIC Capital Holdings Co., Ltd. (國家電投集團資本控股有限公司), which is in turn wholly-owned by SPIC Industry-Finance Holding Co., Ltd. (國家電投集團產融控股股份有限公司) (formerly known as "SPIC Dongfang New Energy Corp." (國家電投集團東方新能源股份有限公司)), while SPIC Industry-Finance Holding Co., Ltd. (國家電投集團產融控股股份有限公司) (formerly known as "SPIC Dongfang New Energy Corp." (國家電投集團東方新能源股份有限公司)) is owned as to 53.25% by State Power Investment Corporation Limited (國家電力投資集團有限公司). By virtue of the SFO, SPIC Capital Holdings Co., Ltd. (國家電投集團資本控股有限公司), SPIC Industry-Finance Holding Co., Ltd. (國家電投集團產融控股股份有限公司) (formerly known as "SPIC Dongfang New Energy Corp." (國家電投集團東方新能源股份有限公司)) and State Power Investment Corporation Limited (國家電力投資集團有限公司) are deemed to be interested in the Shares held by Bridge Trust Co., Ltd. (百瑞信託有限責任公司). Mr. SU Xiaojun (蘇小軍), a non-executive Director, is the deputy party secretary and executive director of Bridge Trust Co., Ltd. (百瑞信託有限責任公司).

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

4. Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) is owned as to 90% and 10% by Mr. ZHU Zhihui (朱志暉) and his spouse Ms. WANG Linhui (王林輝), respectively. By virtue of the SFO, Mr. ZHU Zhihui (朱志暉) is deemed to be interested in the Shares held by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司). Mr. ZHU Zhihui (朱志暉), a Supervisor of the Bank, is the legal representative, executive director and general manager of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司).
5. CITIC Securities Company Limited held 402,884,921 H Shares (long position) and 326,292,751 H Shares (short position) of the Bank in aggregate through certain of its wholly-owned subsidiaries. These 402,884,921 H Shares (long position) and 326,292,751 H Shares (short position) involve derivatives in the classes below:
- | | |
|--|---|
| 352,352,858 H Shares (long position) | – Convertible instruments (on-exchange transaction) |
| 50,532,063 H Shares (long position) and
326,292,751 H Shares (short position) | – Settled in cash (curb trading) |

After the Reporting Period, the percentage of shareholding held by CITIC Securities Company Limited decreased.

6. These 275,108,774 Shares are directly held by Yunnan International Holding Group Limited, which is owned as to 40% by Yunnan Energy Investment (HK) Co., Limited, while Yunan Energy Investment (HK) Co., Limited is wholly-owned by Yunnan Provincial Energy Investment Group Co., Ltd. By virtue of the SFO, Yunnan Energy Investment (HK) Co., Limited and Yunnan Provincial Energy Investment Group Co., Ltd. are deemed to be interested in the Shares held by Yunnan International Holding Group Limited.
7. These 235,233,506 Shares are directly held by Bao Xin Development Limited, which is wholly-owned by Bao Xin International Group Limited, while Bao Xin International Group Limited is wholly-owned by Tinmark Development Limited, which is wholly-owned by Mr. YAO Jianhui (姚建輝). By virtue of the SFO, Bao Xin International Group Limited, Tinmark Development Limited and Mr. YAO Jianhui are deemed to be interested in the Shares held by Bao Xin Development Limited.

These 1,309,220 Shares are directly held by Tinmark Development Limited, which is wholly-owned by Mr. YAO Jianhui (姚建輝). By virtue of the SFO, Mr. YAO Jianhui (姚建輝) is deemed to be interested in the Shares held by Tinmark Development Limited. Therefore, Tinmark Development Limited and Mr. YAO Jianhui (姚建輝) are deemed to be interested in a total of 236,542,726 Shares.

8. Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司) is owned as to 99.90% by Mr. WEI Lidong (尉立東) and Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司) holds a total of 156,090,000 Shares through certain subsidiaries. By virtue of the SFO, Mr. WEI Lidong (尉立東) is deemed to be interested in the Shares held by Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司).
9. These 115,501,859 H Shares (long position) and 115,501,859 H Shares (short position) held by Goncius I Limited involve derivatives in the classes below:
- | | |
|---------------------------------------|---|
| 115,501,859 H Shares (long position) | – Convertible instruments (on-exchange transaction) |
| 115,501,859 H Shares (short position) | – Settled in cash (curb trading) |

As the relevant interests involve derivatives, the information disclosed has not taken into account the capitalization issue plans completed in June 2020 and December 2021 respectively by the Bank.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

10. Hong Kong Xingrui International Investment Co., Ltd. (香港興瑞國際投資有限公司) (“**Hong Kong Xingrui**”) is wholly-owned by Zhengzhou Airport Zone Xingrui Industrial Group Co., Ltd. (鄭州航空港區興瑞實業集團有限公司), formerly known as Zhengzhou Airport Zone Xingrui Industrial Co., Ltd. (鄭州航空港區興瑞實業有限公司) (“**Xingrui Industrial**”), being a state-owned company under the Zhengzhou Airport Zone Economic Integrated Experimental Zone (Zhengzhou Xinzheng Integrated Free Trade Zone) Management Committee (鄭州航空港經濟綜合實驗區(鄭州新鄭綜合保稅區)管理委員會), formerly known as Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Management Committee (鄭州新鄭綜合保稅區(鄭州航空港區)管理委員會). Xingrui Industrial is owned as to 51% and 49% by Zhengzhou Airport Xinggang Investment Holdings Co., Ltd. (鄭州航空港興港投資集團有限公司) (formerly known as: Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Xinggang Investment and Development Co., Ltd. (鄭州新鄭綜合保稅區(鄭州航空港區)興港投資發展有限公司)) (“**Zhengzhou Xinggang**”), and Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Ltd. (深圳前海瑞茂通供應鏈平台服務有限公司) (“**Ruimaotong**”). Ruimaotong is wholly-owned by Jiangsu Jinhe Electricity and Fuel Co., Ltd. (江蘇晉和電力燃料有限公司) (“**Jiangsu Jinhe**”), which is in turn wholly-owned by a company (being listed on the Shanghai Stock Exchange) under Ruimaotong Supply Chain Management Co., Ltd. (瑞茂通供應鏈管理股份有限公司) (“**Ruimaotong Supply Chain Management**”). Ruimaotong Supply Chain Management is owned as to 57.65% by Zhengzhou Ruimaotong Supply Chain Management Co., Ltd. (鄭州瑞茂通供應鏈有限公司) (“**Zhengzhou Ruimaotong**”), which is wholly-owned by Zhengzhou Zhongrui Industrial Group Co., Ltd. (鄭州中瑞實業集團有限公司) (formerly known as Henan Zhongrui Investment Co., Ltd. (河南中瑞投資有限公司)) (“**Zhengzhou Zhongrui**”). Zhengzhou Zhongrui is owned as to 90% by Henan Zhongrui Holding Co., Ltd. (河南中瑞控股有限公司) (“**Henan Zhongrui Holding**”), while Henan Zhongrui Holding is wholly-owned by Zhengzhou Ruichang Enterprise Management Consulting Co., Ltd. (鄭州瑞昌企業管理諮詢有限公司) (“**Zhengzhou Ruichang**”), which is owned as to 70% by Mr. WAN Yongxing (萬永興). By virtue of the SFO, each of Xingrui Industrial, Zhengzhou Xinggang, Ruimaotong, Jiangsu Jinhe, Ruimaotong Supply Chain Management, Zhengzhou Ruimaotong, Zhengzhou Zhongrui, Henan Zhongrui Holding, Zhengzhou Ruichang and Mr. WAN Yongxing (萬永興) are deemed to be interested in the Shares held by Hong Kong Xingrui.
11. Zhengzhou Zhengdong New District Construction Development Investment Co., Ltd. (鄭州市鄭東新區建設開發投資總公司) was established by the Zhengzhou Zhengdong New District Management Committee (鄭州市鄭東新區管理委員會).
12. Huarong International Financial Holdings Limited is owned as to 51% by Camellia Pacific Investment Holding Limited, which is wholly-owned by China Huarong International Holdings Limited. China Huarong International Holdings Limited is owned as to 88.10% and 11.90% by Huarong Real Estate Co., Ltd. (華融置業有限責任公司) and Huarong Zhiyuan Investment & Management Co., Ltd., respectively, while Huarong Real Estate Co., Ltd. (華融置業有限責任公司) and Huarong Zhiyuan Investment & Management Co., Ltd. are both wholly-owned by China Huarong Asset Management Co., Ltd. By virtue of the SFO, China Huarong Asset Management Co., Ltd. is deemed to be interested in the Shares held by Huarong International Financial Holdings Limited. Furthermore, such 90,957,714 H Shares (long position) involve derivatives in the class below:

90,957,714 H Shares (long position) – Others (on-exchange transaction)

As the relevant interests involve derivatives, the information disclosed has not taken into account the capitalization issue plan completed by the Bank in June 2020 and December 2021, respectively.

Save as disclosed above, as at the end of the Reporting Period, the Bank is not aware of any other person (other than the Directors, Supervisors and the chief executive of the Bank) having any interests or short positions in the Shares or underlying shares as recorded in the register required to be kept by the Bank pursuant to section 336 of the SFO.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

5 INFORMATION ON CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

As at the end of the Reporting Period, the Bank did not have any controlling Shareholders or de facto controllers.

6 SUBSTANTIAL SHAREHOLDERS

6.1 Holders with 5% or More Shareholding in the Bank

Zhengzhou Finance Bureau: Unified Social Credit Code is 11410100005252522X; the person in charge is Mr. ZHAO Xinmin (趙新民). As at the end of the Reporting Period, Zhengzhou Finance Bureau directly held 597,496,646 A Shares, accounting for 7.23% of the total issued Ordinary Shares of the Bank. In addition, Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) which are directly or indirectly wholly-owned by Zhengzhou Finance Bureau hold a total of 649,774,187 A Shares. These Shares in total accounted for 1,247,270,833 A Shares and 15.09% of the total issued Ordinary Shares of the Bank. Ms. WANG Dan (王丹), a non-executive Director, works in Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), a company held by Zhengzhou Finance Bureau. The related parties of Zhengzhou Finance Bureau include Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), and Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司). The ultimate beneficiary of Zhengzhou Finance Bureau is itself.

Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司): incorporated on 25 October 2005; the registered capital is RMB3,525 million; the Unified Social Credit Code is 91410100780545414U; the legal representative is Mr. LIANG Songwei (梁嵩巍); the main business scope covers investment and management of state-owned assets, real estate development and sales as well as house leasing. As at the end of the Reporting Period, Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) held 449,810,819 A Shares, accounting for 5.44% of the total issued Ordinary Shares of the Bank. Mr. LIU Bingheng (劉炳恒), a non-executive Director, is a director of the financial operation center of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司). The controlling shareholder of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) is Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), and the de facto controller is Zhengzhou Finance Bureau. Related parties include Zhengzhou State-owned Holding Xicheng Construction Co., Ltd. (鄭州國控西城建設有限公司), Zhengzhou National Investment Real Estate Co., Ltd. (鄭州國投置業有限公司) and Zhengzhou Industry Development Guidance Fund Co., Ltd. (鄭州市產業發展引導基金有限公司), etc. The ultimate beneficiary of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) is itself.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

6.2 Other Substantial Shareholders

According to the requirement of the Provisional Measures on the Management of the Equity of Commercial Banks 《商業銀行股權管理暫行辦法》 issued by CBIRC, information on other substantial Shareholders of the Bank as at the end of the Reporting Period is as below:

Bridge Trust Co., Ltd. (百瑞信託有限責任公司): incorporated on 16 October 2002; the registered capital is RMB4 billion; the Unified Social Credit Code is 9141010041604690XK; the legal representative is Mr. ZHAO Changli (趙長利); the main business scope covers capital, movable property, real estate, securities, other property or property rights trust, and the engagement in investment fund business as the initiator of investment fund or fund management company. As at the end of the Reporting Period, Bridge Trust Co., Ltd. (百瑞信託有限責任公司) held 350,846,279 A Shares, accounting for 4.24% of the total issued Ordinary Shares of the Bank. Mr. SU Xiaojun (蘇小軍), a non-executive Director, is the deputy party secretary and an executive director of Bridge Trust Co., Ltd. (百瑞信託有限責任公司), whose controlling shareholder is SPIC Capital Holdings Co., Ltd. (國家電投集團資本控股有限公司), whose de facto controller is State Power Investment Corporation Limited (國家電力投資集團有限公司), and whose related parties include SPIC Capital Holding Co., Ltd. (國家電投集團資本控股有限公司) and State Power Investment Corporation Limited (國家電力投資集團有限公司). The ultimate beneficial owner of Bridge Trust Co., Ltd. is itself.

Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司): incorporated on 5 December 2005; the registered capital is RMB200 million; the Unified Social Credit Code is 91410100783405337J; the legal representative is Mr. ZHU Zhihui (朱志暉); the main business scope covers the sales of building and decorative materials, mechanical and electrical products (excluding automobiles), hardware and electrical equipment etc.; house leasing; wholesale and retail as well as prepackaged food. As at the end of the Reporting Period, Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) held 350,846,233 A Shares, accounting for 4.24% of the total issued Ordinary Shares of the Bank. Mr. ZHU Zhihui (朱志暉), a Supervisor of the Bank, is the legal representative, executive director and general manager of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司). The controlling shareholder and de facto controller of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) is Mr. ZHU Zhihui (朱志暉). Related parties include Zhengzhou Huida Industrial Development Co., Ltd. (鄭州暉達實業發展有限公司), Henan Huida Construction & Investment Co., Ltd. (河南暉達建設投資有限公司) and Huida Holdings Co., Ltd. (暉達控股有限公司), etc. The ultimate beneficiary of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) is itself.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Zhongyuan Trust Co., Ltd. (中原信託有限公司): incorporated on 27 November 2002; the registered capital is RMB4 billion; the Unified Social Credit Code is 91410000169953018F; the legal representative is Mr. ZHAO Weihua (趙衛華); the main business scope covers the trusting of funds, movable property, immovable property, negotiable securities, other property or property rights; and engaging in investment fund business, etc. as an investment fund or a sponsor of a fund management company. As at the end of the Reporting Period, Zhongyuan Trust Co., Ltd. (中原信託有限公司) held 289,706,030 A Shares, accounting for 3.50% of the total issued Ordinary Shares of the Bank. Mr. Ji Hongjun (姬宏俊), a non-executive Director, is a vice president of Zhongyuan Trust Co., Ltd. (中原信託有限公司). The controlling shareholder of Zhongyuan Trust Co., Ltd. (中原信託有限公司) is Henan Investment Group Co., Ltd. (河南投資集團有限公司), and the de facto controller is Henan Provincial Department of Finance (河南省財政廳). Related parties include Henan Investment Group Co., Ltd. (河南投資集團有限公司), Henan Zhongyuan Expressway Co., Ltd. (河南中原高速公路股份有限公司) and Great Wall Fund Management Co., Ltd. (長城基金管理有限公司). The ultimate beneficiary of Zhongyuan Trust Co., Ltd. (中原信託有限公司) is itself.

7 RESTRICTIONS ON REDUCTION OF SHAREHOLDINGS OF CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLERS, PARTIES TO RESTRUCTURING OR OTHER ENTITIES WITH UNDERTAKINGS

During the Reporting Period, the Bank had no cases involving restrictions on reduction of shareholdings of controlling Shareholders, de facto controllers, parties to restructuring or other entities with undertakings.

8 PLEDGE AND FREEZING OF SHARES OF THE BANK

As at the end of the Reporting Period, to the knowledge of the Bank, 1,922,213,507 Ordinary Shares of the Bank (accounting for 23.26% of the total issued Ordinary Shares) were subject to pledges and 159,351,696 Ordinary Shares were subject to freezing. No Shares were subject to judicial auction during the Reporting Period. The Bank has no controlling Shareholders and therefore, there is no pledging of Shares of the Bank by controlling Shareholders.

9 PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OR REDEEMABLE SECURITIES OF THE BANK

During the Reporting Period, none of the Bank and its subsidiaries had purchased, sold or redeemed any listed securities or redeemable securities of the Bank. For details about the issuance and redemption of bonds, please refer to "Issuance and Repurchase of Bonds" in the section headed "Significant Events" of this Report.

CHAPTER IV PREFERENCE SHARES

1 ISSUANCE AND LISTING OF OFFSHORE PREFERENCE SHARES

The Bank issued non-cumulative perpetual Offshore Preference Shares in the amount of USD1,191 million at a dividend rate of 5.50% on 18 October 2017 through a private offering in the overseas market. The Offshore Preference Shares (abbreviation of preference shares: ZZBNK 17USDPREF; stock code: 04613) were listed on the Hong Kong Stock Exchange on 19 October 2017 with a nominal value of RMB100 per share at an offering price of USD20 per share. The total number of shares issued was 59,550,000, all of which were issued and fully paid in US dollars.

Based on the Renminbi central parity rate against the US dollar published by the China Foreign Exchange Trade System on 18 October 2017, the gross proceeds from the offering of the Offshore Preference Shares were approximately RMB7,860 million. Pursuant to applicable laws and regulations and approvals from the CBIRC, the CSRC and other relevant regulatory authorities, the proceeds raised from the Offshore Preference Shares issuance, after deduction of the issuance expenses, have been fully used to replenish the additional tier-one capital of the Bank, which is consistent with the specific use disclosed earlier.

For the issuance terms and relevant details of the Offshore Preference Shares, please refer to the relevant announcements and circulars of the Bank published on the websites of the Hong Kong Stock Exchange and the Bank.

On 30 August 2022, the Bank held the sixth meeting of the seventh session of the Board, at which the redemption of Offshore Preference Shares was considered and approved, pending approval of the Chinese banking regulatory authority and completion of relevant procedures with other regulatory authorities and stock exchanges. For details, please refer to the announcement dated 31 August 2022 published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange.

CHAPTER IV PREFERENCE SHARES

2 NUMBER OF SHAREHOLDERS OF OFFSHORE PREFERENCE SHARES AND PARTICULARS OF SHAREHOLDING

As at the end of the Reporting Period, the total number of shareholders (or nominees) of Offshore Preference Shares of the Bank was one.

The following table sets out shareholdings of the top 10 shareholders (or nominees) of Offshore Preference Shares of the Bank as at the end of the Reporting Period:

Unit: shares

Name of shareholder	Type of shareholder	Shareholding percentage ⁽³⁾ (%)	Number of shares held as at the end of the Reporting Period	Changes over the Reporting Period	Shares pledged or frozen Status of shares	Number
The Bank of New York Depository (Nominees) Limited	Overseas legal person	100	59,550,000	–	Unknown	Unknown
Description of different requirements on other terms of preference shares held other than dividend distribution and residual property distribution		None				
Description of the related party relationships or concerted actions among top 10 shareholders of preference shares and between top 10 shareholders of preference shares and top 10 ordinary Shareholders		The Bank is not aware of any related party relationship between the above shareholders of preference shares and the top 10 ordinary Shareholders or whether they are parties acting in concert under the Administrative Measures on the Acquisition of Listed Companies (《上市公司收購管理辦法》).				

Notes:

- The above data is sourced from the register of the shareholders of Offshore Preference Shares of the Bank as at 30 June 2022.
- The above Offshore Preference Shares were issued through a private offering, and information of nominees of the allottees was recorded on the register of shareholders of preference shares.
- “Shareholding percentage” refers to the percentage of Offshore Preference Shares held by shareholders of preference shares in the total issued Offshore Preference Shares.

CHAPTER IV PREFERENCE SHARES

3 PROFIT DISTRIBUTION OF OFFSHORE PREFERENCE SHARES

During the Reporting Period, the Bank did not distribute any profit of Offshore Preference Shares.

4 REPURCHASE OR CONVERSION OF OFFSHORE PREFERENCE SHARES

During the Reporting Period, there was no repurchase or conversion of the Offshore Preference Shares of the Bank.

5 RESUMPTION AND EXERCISE OF VOTING RIGHTS OF OFFSHORE PREFERENCE SHARES DURING THE REPORTING PERIOD

During the Reporting Period, no voting rights of the Offshore Preference Shares were resumed or exercised.

6 ACCOUNTING POLICIES ADOPTED FOR OFFSHORE PREFERENCE SHARES AND REASONS

In accordance with Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments and Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments promulgated by the MOF, as well as International Financial Reporting Standards No. 9 – Financial Instruments and International Accounting Standards No. 32 – Financial Instruments: Presentation, the provisions of the issued and existing Offshore Preference Shares conform to the requirements as equity instruments, and will be calculated as equity instruments.

CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR DIRECT SHAREHOLDINGS

Directors

Name	Gender	Date of birth	Position	Status	Term of office	Class of Shares	Number of Shares			Number of restricted Shares			
							held as at the beginning of the Reporting Period	Increase in the number of Shares held during the Reporting Period	Decrease in the number of Shares held during the Reporting Period	Number of Shares held as at the end of the Reporting Period	Shares granted as at the beginning of the Reporting Period	Number of restricted Shares granted during the Reporting Period	Number of restricted Shares granted as at the end of the Reporting Period
WANG Tianyu (王天宇)	M	March 1966	Chairman Executive Director	In office	2011.3.9-2024.6.16 2005.12.16-2024.6.16	A Share	63,143	-	-	63,143	-	-	-
SHEN Xueqing (申學清)	M	July 1965	President Executive Director	In office	2012.4.5 to present 2012.7.12-2024.6.16	A Share	55,000	-	-	55,000	-	-	-
XIA Hua (夏華)	M	August 1967	Vice Chairman and Executive Director	In office	2020.7.2-2024.6.16	A Share	51,150	-	-	51,150	-	-	-
WANG Dan (王丹)	F	January 1978	Secretary to the Board Non-executive Director	In office	2021.8.27 to present 2021.11.8-2024.6.16	-	-	-	-	-	-	-	-
LIU Bingheng (劉炳恒)	M	September 1969	Non-executive Director	In office	2021.11.9-2024.6.16	-	-	-	-	-	-	-	-
SU Xiaojun (蘇小軍)	M	April 1973	Non-executive Director	In office	2021.11.9-2024.6.16	-	-	-	-	-	-	-	-
JI Hongjun (姬宏俊)	M	June 1963	Non-executive Director	In office	2012.7.12-2024.6.16	A Share	1,870	-	-	1,870	-	-	-
WANG Shihao (王世豪)	M	April 1950	Non-executive Director	In office	2018.7.5-2024.6.16	A Share	22,000	-	-	22,000	-	-	-
LI Yanyan (李燕燕)	F	January 1968	Independent non-executive Director	In office	2018.7.5-2024.6.16	-	-	-	-	-	-	-	-
LI Xiaojian (李小建)	M	August 1954	Independent non-executive Director	In office	2021.12.20-2024.6.16	-	-	-	-	-	-	-	-
SONG Ke (宋科)	M	April 1982	Independent non-executive Director	In office	2022.1.19-2024.6.16	-	-	-	-	-	-	-	-
LI Shuk Yin Edwina (李淑賢)	F	December 1962	Independent non-executive Director	In office	2021.12.20-2024.6.16	-	-	-	-	-	-	-	-
WU Ge (吳革)	M	May 1967	Independent non-executive Director	Retired	2015.9.8-2022.1.19	-	-	-	-	-	-	-	-

Notes:

- The starting dates of the term of office represent the dates on which the relevant qualifications are approved by the banking regulatory authority.
- On 19 January 2022, the qualification of Mr. SONG Ke as an independent non-executive Director was approved, and Mr. WU Ge ceased to be an independent non-executive Director of the Bank.

CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Supervisors

Name	Gender	Date of birth	Position	Status	Term of office	Class of Shares	Number of Shares						
							as at the beginning of the Reporting Period	Increase in the number of Shares held during the Reporting Period	Decrease in the number of Shares held during the Reporting Period	Number of Shares held as at the end of the Reporting Period	Number of restricted Shares granted as at the beginning of the Reporting Period	Number of restricted Shares granted during the Reporting Period	Number of restricted Shares granted as at the end of the Reporting Period
ZHAO Lijuan (趙麗娟)	F	September 1962	Chairwoman of the Board of Supervisors	In office	2016.6.17-2024.6.16	A Shares	58,850	-	-	58,850	-	-	-
ZHU Zhihui (朱志輝)	M	August 1969	Shareholder Supervisor	In office	2015.6.18-2024.6.16	-	-	-	-	-	-	-	-
MA Baojun (馬寶軍)	M	March 1963	External Supervisor	In office	2018.1.19-2024.1.18	-	-	-	-	-	-	-	-
XU Changsheng (徐長生)	M	October 1963	External Supervisor	In office	2021.6.17-2024.6.16	-	-	-	-	-	-	-	-
LI Huaibin (李懷斌)	M	September 1969	Employee Supervisor	In office	2018.6.15-2024.6.16	A Shares	22,000	32,200	-	54,200	-	-	-
CHEN Xinxiu (陳新秀)	F	June 1973	Employee Supervisor	In office	2021.6.17-2024.6.16	A Shares	47,300	-	-	47,300	-	-	-

Note: The increase or decrease in the number of Shares during the Reporting Period is due to that the Bank formulated the plan to stabilize the share price of A Shares in July 2021 and Mr. LI Huaibin increased his holdings of A Shares in January 2022 voluntarily.

CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Senior Management

Name	Gender	Date of birth	Position	Status	Term of office	Class of Shares	Number of Shares						
							held as at the beginning of the Reporting Period (Shares)	Increase in the number of Shares held during the Reporting Period (Shares)	Decrease in the number of Shares held during the Reporting Period (Shares)	Number of Shares held as at the end of the Reporting Period (Shares)	Number of restricted Shares granted as at the beginning of the Reporting Period (Shares)	Number of restricted Shares granted during the Reporting Period (Shares)	Number of restricted Shares granted as at the end of the Reporting Period (Shares)
SHEN Xueqing (申學清)	M	July 1965	President	In office	2012.4.5 to present	A Shares	55,000	-	-	55,000	-	-	-
XIA Hua (夏華)	M	August 1967	Secretary to the Board	In office	2021.8.27 to present	A Shares	51,150	-	-	51,150	-	-	-
GUO Zhibin (郭志彬)	M	October 1968	Vice President	In office	2015.12.30 to present	A Shares	93,558	-	-	93,558	-	-	-
SUN Haigang (孫海剛)	M	August 1977	Vice President	In office	2018.2.28 to present	A Shares	47,700	-	-	47,700	-	-	-
FU Chungqiao (傅春喬)	M	October 1973	Vice President	In office	2019.3.29 to present	A Shares	36,000	12,200	-	48,200	-	-	-
SUN Runhua (孫潤華)	M	May 1972	Vice President	In office	2022.5.20 to present	-	-	-	-	-	-	-	-
LI Lei (李磊)	M	August 1973	Assistant to President	In office	2017.11.21 to present	A Shares	135,826	-	-	135,826	-	-	-
ZHANG Houlin (張厚林)	M	June 1976	Assistant to President	In office	2017.11.21 to present	A Shares	42,020	-	-	42,020	-	-	-
LI Hong (李紅)	F	February 1973	Assistant to President	In office	2019.3.29 to present	A Shares	78,563	-	-	78,563	-	-	-
LIU Jiuqing (劉久慶)	M	March 1978	Assistant to President	In office	2019.3.29 to present	A Shares	49,500	-	-	49,500	-	-	-
JIANG Tao (姜濤)	M	April 1972	Chief Information Officer	In office	2015.12.31 to present	A Shares	24,250	19,100	-	43,350	-	-	-
WANG Yanli (王艷麗)	F	October 1970	Chief Risk Officer	In office	2018.2.12 to present	A Shares	174,533	-	-	174,533	-	-	-
WANG Zhaoqi (王兆琪)	F	November 1967	Chief Auditor	In office	2018.3.8 to present	A Shares	123,947	-	-	123,947	-	-	-

Notes:

- The starting dates of the term of office represent the dates on which the relevant qualifications are approved by the banking regulatory authority (the term of office of the secretary to the Board begins on the date when the appointment is considered and approved at the Board meeting).
- The increase or decrease in the number of Shares during the Reporting Period is due to that the Bank formulated the plan to stabilize the share price of A Shares in July 2021 and Mr. FU Chungqiao and Mr. JIANG Tao continued to increase their holdings of A Shares in January 2022.

CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

2 CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Type	Date	Reason
SONG Ke (宋科)	Independent Non-executive Director	Elected	2022.1.19	
SUN Runhua (孫潤華)	Vice President	Appointed	2022.5.20	
WU Ge (吳革)	Independent Non-executive Director	Retired	2022.1.19	Retired due to term expiration

During the reporting period, the Bank did not have situations where Directors or Supervisors resigned or senior management officers were fired during their term of office.

The Directors hold office for a term of three years and may stand for re-election upon expiration. In June 2021, the term of office of the sixth session of the Board expired. A total of 12 Directors were re-elected or elected into the seventh session of the Board at the 2020 AGM, among which, Mr. SONG Ke was elected as an independent non-executive Director. On 19 January 2022, the qualification of Mr. SONG Ke was approved by CBIRC Henan Office, and Mr. WU Ge ceased to be an independent non-executive Director. For details, please refer to the announcements dated 17 May 2021, 18 June 2021 and 10 February 2022 published by the Bank on the website of CNINFO and the announcements dated 17 May 2021, 17 June 2021 and 10 February 2022 and the circular dated 17 May 2021 published by the Bank on the website of Hong Kong Stock Exchange.

On 28 April 2022, the Board considered and approved the appointment of Mr. SUN Runhua as the vice president of the Bank. On 20 May 2022, his qualification was approved by CBIRC Henan Office. For details, please refer to the announcements dated 29 April 2022 and 24 May 2022 published by the Bank on the website of CNINFO and the announcements dated 29 April 2022 and 24 May 2022 published by the Bank on the website of Hong Kong Stock Exchange.

3 CHANGES IN THE INFORMATION OF DIRECTORS AND SUPERVISORS DURING AND AFTER THE REPORTING PERIOD

Mr. SONG Ke, an independent non-executive Director, has served as the deputy director of the Academic Affairs Office of Renmin University of China since July 2022. Ms. LI Shuk Yin Edwina has served as an independent non-executive director of China Everbright Environment Group Limited (listed on the Hong Kong Stock Exchange, stock code: 00257) since May 2022.

Mr. SU Xiaojun, a non-executive Director, has ceased to serve as the general manager of Bridge Trust Co., Ltd. (百瑞信託有限責任公司) since August 2022.

Mr. MA Baojun, an external Supervisor, has served as a non-executive director and chairman of Sheng Yuan Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 00851) since May 2022.

CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

4 JOINT COMPANY SECRETARY

On 28 February 2022, due to job reallocation, Ms. LEUNG Wing Han Sharon has tendered her resignation as the joint company secretary and an alternate to authorized representative of the Bank. On the same day, upon consideration and approval by the Board, the Bank appointed Dr. NGAI Wai Fung as the joint company secretary and an alternate to authorized representative of the Bank. Dr. NGAI Wai Fung's main contact person at the Bank is Mr. XIA Hua, another joint company secretary. In addition, the Bank has applied to the Hong Kong Stock Exchange and has been granted by the Hong Kong Stock Exchange a new waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Stock Exchange Listing Rules from 28 February 2022 to 26 August 2024, on the conditions that, among others, Mr. XIA will be assisted by Dr. NGAI and the Bank will not materially breach the Stock Exchange Listing Rules during the new waiver period. For details, please refer to the announcement dated 28 February 2022 published by the Bank on the website of the Hong Kong Stock Exchange.

5 SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Bank has adopted a code of conduct on terms no less exacting than the required standards in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Stock Exchange Listing Rules as its code of conduct governing securities transactions conducted by the Directors, Supervisors and relevant employees of the Bank. After having made inquiries to all Directors and Supervisors, they confirmed that they had complied with the above code during the Reporting Period. The Bank is not aware of any breach of the code by any relevant employee.

Save as disclosed in this Report and other announcement of the Banks, the Bank is not aware of any breach of the restrictive share trading requirements under the No. 1 Self-discipline and Regulation Guideline for Listed Companies on Shenzhen Stock Exchange – Standard Operation of Listed Companies on the Main Board (深圳證券交易所上市公司自律監管指引第1號-主板上市公司規範運作) and other regulatory documents by any Director, Supervisor or senior management personnel.

CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

6 INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the end of the Reporting Period, the interests of Directors, Supervisors and chief executive of the Bank in the Shares, underlying Shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO of Hong Kong or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 of the Stock Exchange Listing Rules are set out as follows:

Name	Position	Class of Shares	Nature	Number of Shares held directly or indirectly (Shares) (Long position)	Percentage of the relevant class of Shares in issue (%)	Percentage of all Ordinary Shares in issue (%)
WANG Tianyu	Director	A Share	Beneficial owner	63,143	0.00098	0.00076
SHEN Xueqing	Director, president	A Share	Beneficial owner	55,000	0.00086	0.00067
XIA Hua	Director	A Share	Beneficial owner	51,150	0.00080	0.00062
JI Hongjun	Director	A Share	Beneficial owner	1,870	0.00003	0.00002
WANG Shihao	Director	A Share	Beneficial owner	22,000	0.00034	0.00027
ZHAO Lijuan	Supervisor	A Share	Beneficial owner	58,850	0.00092	0.00071
ZHU Zhihui	Supervisor	A Share	Interest of controlled corporation ^(Note)	350,846,233	5.45745	4.24469
LI Huaibin	Supervisor	A Share	Beneficial owner	54,200	0.00084	0.00066
CHEN Xinxiu	Supervisor	A Share	Beneficial owner	47,300	0.00074	0.00057

Note: 350,846,233 A Shares of the Bank are held directly by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司), which is owned as to 90% and 10% by Mr. ZHU Zhihui, a Supervisor of the Bank, and his spouse, Ms. WANG Linhui, respectively. By virtue of the SFO, Mr. ZHU Zhihui is deemed to be interested in the Shares held by Henan Guoyuan Trade Co., Ltd.

Save as disclosed above, none of the Directors, Supervisors or chief executive of the Bank held any interests or short positions in any Shares, underlying Shares and debentures of the Bank or its associated corporations as at the end of the Reporting Period.

CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

7 STAFF

7.1 Composition

As at the end of the Reporting Period, the Bank had 5,163 employees, and its subsidiaries had 411 employees. The Group had a total of 5,574 employees.

By department/function

Job category	Number of employees	Percentage
Corporate banking	744	13.35%
Retail banking	1,659	29.76%
Risk management, internal audit and legal compliance	499	8.95%
Finance and accounting	1,396	25.05%
Information technology	280	5.02%
Business management and support	996	17.87%
Total	5,574	100.00%

By age

Age group	Number of employees	Percentage
30 and below	1,493	26.78%
31-40	3,180	57.05%
41-50	617	11.07%
Above 50	284	5.10%
Total	5,574	100.00%

By level of education

Highest level of education	Number of employees	Percentage
Master's degree or above	1,062	19.05%
Bachelor's degree	4,054	72.73%
Non-degree tertiary	413	7.41%
Others	45	0.81%
Others	5,574	100.00%

CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

7.2 Staff Training Plan

Based on the annual development strategy, the Bank vigorously implemented the “Five & Four Strategy”, focused on structural adjustment, promoted transformation, developed a comprehensive training plan, and improved the training system, so as to provide strong talent and system support to complete the Bank’s various tasks with high quality. During the Reporting Period, the Bank successfully obtained the enterprise occupation grade qualification of Henan Province, and completed the first batch of highly skilled workers accreditation. The Bank carried out capacity enhancement training for personnel at all levels and improved the capacity building of talent echelon; focused on capacity improvement training for cadres of the middle level and above, reserve cadres, and continued to improve the comprehensive quality of cadres with the “Four New Types of Finance” strategy as the starting point; carried out special training on “new ideas of disaster prevention, reduction and relief” for all staff and “improving the ability to handle emergencies” for cadres above the supervisor level, further unified the thinking on disaster response and handling, strengthened the safety development concept, and continuously enhanced risk awareness and bottom-line thinking; organized and carried out the 2022 training plan and micro-class competition activities for internal trainers, and built a high-level and professional teaching team with super competence and distinctive characteristics; upgraded the online learning platform, Dingxueyuan (鼎學苑), to improve its functional modules and launch the function of “courses recommended by supervisors”; conducted professional training for corporate, retail, operation and other teams to improve their professional ability, and laid a sound talent foundation for the business development of the whole bank.

7.3 Remuneration Policy for Staff

The Bank adheres to the principles of “fairness, competition and motivation” in formulating its remuneration policy. In other words, the remuneration policy reflects external, internal and individual fairness of salary; and it is conducive to enhancing our market competitiveness and attractiveness to talents. When adjusting its remuneration structure, the Bank will make corresponding measures for positions with remunerations far below the market level based on surveys on market salary levels; it will also make the salary a better incentive in motivating our employees by incorporating floating wages and performance-based bonus and other incentive components into our salary packages. The Bank provides employees at different positions with equal promotion opportunities by designing different promotion channels. The Bank makes social insurance contributions and housing provident fund contributions, provides other employee benefit packages, and establishes an enterprise annuity system and a supplementary medical care fund to improve employees’ pension benefits and medical security, in accordance with applicable laws, rules and regulations of the PRC. For details, please refer to Note 30 to the financial statements in the chapter headed “Independent Auditor’s Review Report” of this Report.

CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

8 BASIC INFORMATION OF INSTITUTIONS UNDER THE BANK

The following table sets out the branches and sub-branches of the Bank as at the end of the Reporting Period:

Region	Name of branch	Business address (China)	Number of institutions under the Bank	Number of employees	Asset size (RMB'000)
Zhengzhou, Henan	Headquarters	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province	In charge of 116 branch institutions in districts of Zhengzhou for conducting external business and 61 institutions in other prefectural-level cities in Henan for conducting external business	5,163	550,591,803
Zhengzhou, Henan	Branch institutions in districts of Zhengzhou for conducting external business directly managed by the headquarters	–	99 institutions for conducting external business	3,633	438,897,392
Zhengzhou, Henan	Small Business Financial Service Center	Room 102, 1-2/F and Room 301-309, 3/F, 4A, North of Longhu Zhonghuan South Road and East of Jiuru Road, Zhengdong New District, Zhengzhou City, Henan Province	In charge of 17 institutions for conducting external business	328	6,549,392
Nanyang, Henan	Nanyang	The junction of Zhongjing Road and Fanli Road, Wancheng District, Nanyang City, Henan Province	In charge of 10 institutions for conducting external business	157	8,536,349
Xinxiang, Henan	Xinxiang	No. 278, Xiangyang Road, Xinxiang City, Henan Province	In charge of 7 institutions for conducting external business	122	8,149,678

CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

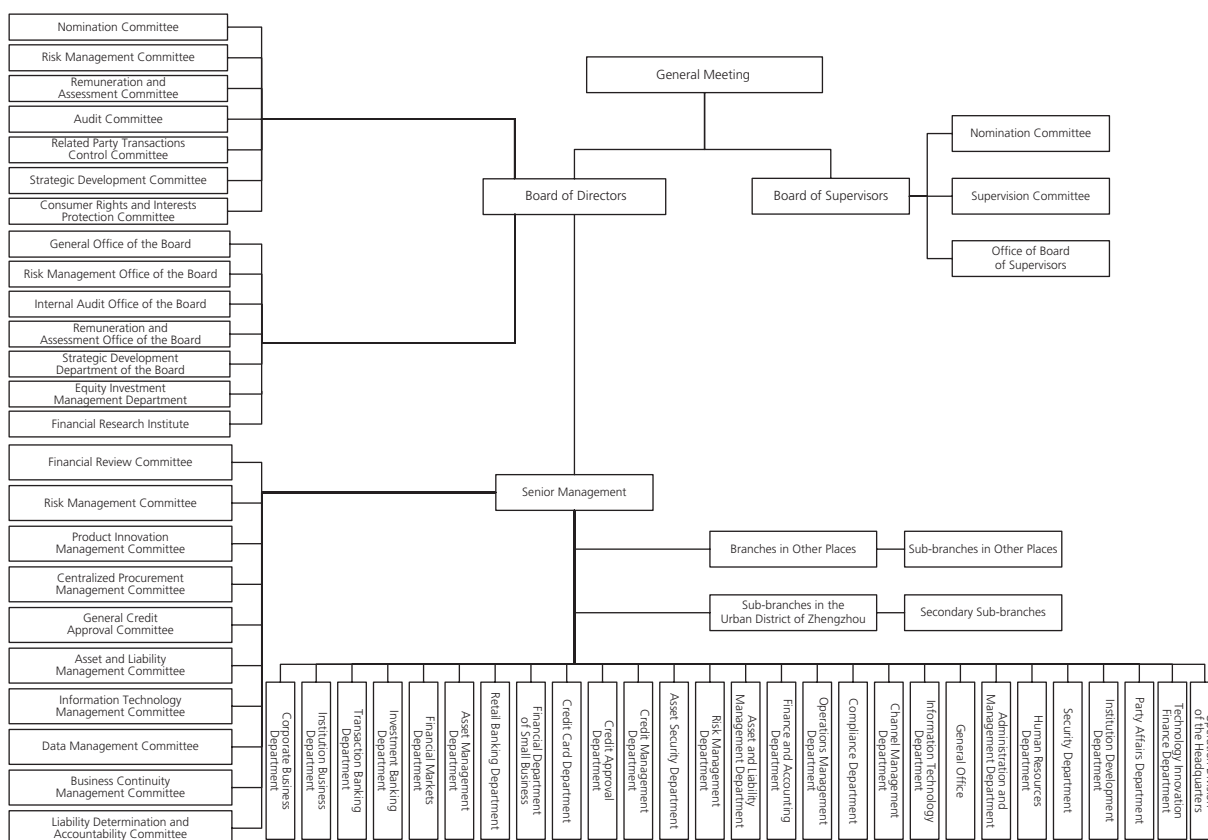
Region	Name of branch	Business address (China)	Number of institutions under the Bank	Number of employees	Asset size (RMB'000)
Luoyang, Henan	Luoyang	Longan Building (隆安大廈), the junction of Guanlin Road and Houzaimen Street, Luolong District, Luoyang City, Henan Province	In charge of 7 institutions for conducting external business	124	15,267,456
Anyang, Henan	Anyang	Yiwu International Business & Trade Mansion, the junction of Zhonghua Road and Delong Street, Andong New District, Anyang City, Henan Province	In charge of 7 institutions for conducting external business	99	9,898,174
Shangqiu, Henan	Shangqiu	Floor A2B, Siji Harbour, Wenhua Road North and Zhongzhou Road East, Liangyuan District, Shangqiu City, Henan Province	In charge of 7 institutions for conducting external business	119	7,187,369
Xuchang, Henan	Xuchang	Juncheng International Building (亨通君成國際大廈), the southwest junction of Liancheng Avenue and Weiwen Road, Weidu District, Xuchang City, Henan Province	In charge of 4 institutions for conducting external business	84	9,476,560
Luohe, Henan	Luohe	Floor 1-5, Changjian International (昌建國際), the junction of Songshan West Branch Road and Mudanjiang Road, Yancheng District, Luohe City, Henan Province	In charge of 3 institutions for conducting external business	61	5,379,900
Xinyang, Henan	Xinyang	Floor 1-2, Zhongle Baihua Mansion (中樂百花公館), the junction of Xinqi Avenue and Xinba Street, Yangshan New District, Xinyang City, Henan Province	In charge of 5 institutions for conducting external business	95	6,869,622

CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Region	Name of branch	Business address (China)	Number of institutions under the Bank	Number of employees	Asset size (RMB'000)
Puyang, Henan	Puyang	The northwest of junction of Renmin Road and Kaizhou Road, Hualong District, Puyang City, Henan Province	In charge of 3 institutions for conducting external business	77	5,651,605
Pingdingshan, Henan	Pingdingshan	The southeast of junction of Kaiyuan Road and Qinggong Road, Zhanhe District, Pingdingshan City, Henan Province	In charge of 2 institutions for conducting external business	59	7,323,235
Zhumadian, Henan	Zhumadian	The southwest of junction of Huaihe Avenue and Tianzhongshan Avenue, Zhumadian City, Henan Province	In charge of 2 institutions for conducting external business	55	5,580,215
Kaifeng, Henan	Kaifeng	The southeast of junction of Jinming Avenue and Hanxing Road, Kaifeng City, Henan Province	In charge of 2 institutions for conducting external business	68	6,476,605
Zhoukou, Henan	Zhoukou	The southeast of junction of Jiaotong Avenue and Bayi Avenue, Zhoukou City, Henan Province	In charge of 1 institution for conducting external business	46	6,011,401
Hebi, Henan	Hebi	The northeast of junction of Qishui Avenue and Zihuai Lane, Qibin District, Hebi City, Henan Province	In charge of 1 institution for conducting external business	36	3,336,850

CHAPTER VI CORPORATE GOVERNANCE

1 COMPANY STRUCTURE DIAGRAM



Note: During the Reporting Period, the fourth meeting of the seventh session of the Board considered and approved the proposal to establish the Technology Innovation Finance Department.

2 OVERVIEW OF CORPORATE GOVERNANCE

The Bank has established a sound corporate governance structure, including the general meeting, the Board, the Board of Supervisors, and senior management, to regulate operation, specify duties and maintain effective balance, so as to fully protect and safeguard the legitimate rights and interests of domestic and international Shareholders and other stakeholders. During the Reporting Period, the Bank continued to optimize its corporate governance structure, improved various systems of corporate governance, and enhanced corporate governance level, in strict compliance with the requirements of the Company Law, the Securities Law, the Corporate Governance Guidelines for Listed Companies issued by the CSRC, the SZSE Listing Rules, No. 1 Self-discipline and Regulation Guideline for Listed Companies on Shenzhen Stock Exchange – Standard Operation of Listed Companies on the Main Board, and the Corporate Governance Code together with the Bank’s corporate governance practice. As at the end of the Reporting Period, there was no significant inconsistency between the Bank’s actual corporate governance practice and the requirements of the Company Law and relevant provisions of the CSRC, nor did the Bank receive relevant documents on administrative or regulatory measures from the regulatory authorities requiring rectification within a time limit. Meanwhile, the Bank strictly abided by the code provisions of Part II of the Corporate Governance Code and the Stock Exchange Listing Rules relating to inside information disclosure. Other than those disclosed in this Report and other announcements of the Bank, the Directors are not aware of any information indicating that the Bank had not complied with the code provisions set out in Part II of the Corporate Governance Code during the Reporting Period.

3 CONVENING OF GENERAL MEETING

Session and type of meeting	Investor participation ratio	Date of convening	Date of disclosure	Meeting resolution
2021 AGM	60.37%	10 June 2022	11 June 2022 10 June 2022	Please refer to the announcement published by the Bank on CNINFO Please refer to the announcement published by the Bank on the website of Hong Kong Stock Exchange

During the Reporting Period, the Bank held one annual general meeting, the particulars of which are as follows:

On 10 June 2022, the Bank held the 2021 AGM in Zhengzhou, Henan Province. At the meeting, 15 resolutions regarding, among other things, 2021 Board of Directors work report, 2021 Board of Supervisors work report, 2021 annual financial statements, 2021 annual report and its summary, 2021 profit distribution proposal, and 2022 financial budget were considered and approved.

The convening, notices, holding and voting procedures of the above general meeting was in line with the relevant provisions of the relevant laws and regulations and the Articles of Association.

During the Reporting Period, the Bank did not have any situation in which the shareholders of Offshore Preference Shares whose voting rights were resumed requested to convene extraordinary general meetings, convene and chair general meetings, or submit provisional proposals for general meetings.

4 MEETINGS HELD BY THE BOARD OF DIRECTORS AND ITS SPECIAL COMMITTEES

During the Reporting Period, the Board held seven meetings, at which 44 resolutions were considered and approved. The special committees of the Board held 16 meetings in total, at which 45 resolutions were considered and approved. In particular, the strategic development committee held two meetings, at which two resolutions were considered and approved; the risk management committee held four meetings, at which 12 resolutions were considered and approved; the related party transactions control committee held four meetings, at which eight resolutions were considered and approved; the audit committee held two meetings, at which 12 resolutions were considered and approved; the nomination committee held two meetings, at which three resolutions were considered and approved; the remuneration and assessment committee held one meeting, at which three resolutions were considered and approved; and the consumer rights and interests protection committee held one meeting, at which five resolutions were considered and approved.

CHAPTER VI CORPORATE GOVERNANCE

5 MEETINGS HELD BY THE BOARD OF SUPERVISORS AND ITS SPECIAL COMMITTEES

During the Reporting Period, the Board of Supervisors held a total of two meetings, at which 14 resolutions were considered and approved. The nomination committee of the Board of Supervisors held two meetings at which six resolutions were considered and approved; the supervision committee of the Board of Supervisors held one meeting at which two resolutions were considered and approved.

6 AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, the Bank, based on its actual conditions, amended certain provisions in the Articles of Association in compliance with the Company Law, the Commercial Bank Law of the People's Republic of China (《中華人民共和國商業銀行法》), the Code of Corporate Governance for Banking and Insurance Institutions (《銀行保險機構公司治理準則》), and the Work Guidelines for the Board of Supervisors of Commercial Banks (《商業銀行監事會工作指引》) as well as other relevant laws and regulations and supervision requirements. The amendments were considered and approved at the 2021 AGM, subject to the approval from banking regulatory authorities. For details about the amendments, please refer to the announcements dated 31 March 2022, 29 April 2022 and 11 June 2022 published by the Bank on the website of CNINFO and the announcements dated 31 March 2022, 29 April 2022 and 10 June 2022 and the circular dated 29 April 2022 published on the website of the Hong Kong Stock Exchange.

7 INTERNAL CONTROL AND INTERNAL AUDIT

Internal Control

During the Reporting Period, the Bank continued to strengthen internal control compliance management, focused on improving internal control in key areas, adhered to the cultivation of internal control compliance culture, and constantly enhanced the effectiveness of internal control. Firstly, the Bank carried out system sorting and revision, compliance review, process sorting and optimization, and risk identification and assessment, and promoted internal control compliance requirements to be embedded in the process; secondly, the Bank carried out legal review and contract sorting, strengthened legal support, and improved the internal control level of legal risk; thirdly, the Bank formulated annual compliance risk, case prevention and control and compliance inspection plans, completed annual authorization, and coordinated and promoted internal control compliance tasks; fourthly, the Bank continuously improved the internal control compliance and operational risk management system, optimized operation monitoring authorization, and broadened the channels for risk information discovery; fifthly, the Bank carried out a series of compliance culture cultivation activities, organized the signing of various responsibility letters and commitment letters, held the keynote speech activity themed "Compliance in My Heart", conducted legal and compliance training in different lines and at different levels, and improved the internal control compliance awareness of all staff.

Internal Audit

In accordance with the requirements of the Guidelines on Internal Audit of Commercial Banks 《商業銀行內部審計指引》 and Guidelines on Internal Control of Commercial Banks 《商業銀行內部控制指引》, the Bank has established an independent and vertical internal audit management system. The internal audit department of the Bank is subordinated to the Board of Directors and works under the specific guidance of the audit committee of the Board of Directors. Adhering to the principles of independence, objectivity and significance, the internal audit department conscientiously performs its duties, regularly reports to the Board of Directors and the Board of Supervisors on the progress of the audit work, and timely submits audit reports and informs the senior management in accordance with regulatory requirements and relevant system requirements. It establishes the overall planning and annual work plan for internal audit of the Bank, and makes arrangements for and implements the audit of the Bank's various business activities, operation status and financial obligations of key staff members during their tenure of service; inspects and evaluates internal and external regulations and rules and suggests improvements to the management.

CHAPTER VII SIGNIFICANT EVENTS

1 PROFIT DISTRIBUTION AND CAPITALISATION ISSUE DURING THE REPORTING PERIOD

As considered and approved at the 2021 AGM, the Bank neither distributed cash dividends and bonus shares nor implemented Capitalization Issue in 2021.

The Bank has no plan to distribute cash dividends and bonus shares or implement capitalization issue for the first half of 2022.

2 ISSUANCE AND REPURCHASE OF BONDS

The Bank issued the tier II capital bonds (Bonds code: 1720014), whose date of value was 31 March 2017, in an amount of RMB2 billion in the national interbank bond market on 30 March 2017, with a fixed rate for a term of 10 years. The Bank has issuer redemption right at the end of the fifth year and the coupon rate is 4.80%. The Bank had fully redeemed the bonds on 31 March 2022. For details, please refer to the announcement dated 1 April 2022 published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange.

The Bank issued the 2019 first tranche of green financial bonds (Bonds code: 1920043), whose book-building was recorded in the national interbank bond market, in an amount of RMB2 billion on 3 June 2019, for a maturity term of three years and a coupon rate of 3.70%. The proceeds from the issuance of the bonds were specially used for green industry projects as defined in the List of Projects Supported by Green Financial Bonds 《綠色金融債券支持項目目錄》 formulated by the Green Finance Committee of China Society of Finance & Banking. The bonds were fully cashed on 5 June 2022.

Jiuding Financial Leasing Company, a subsidiary of the Bank, issued the financial bonds (Bonds code: 2022047), whose date of value was 24 November 2020, in an aggregate amount of RMB1.4 billion in the national interbank bond market on 20 November 2020, with a fixed rate for a term of 3 years and a coupon rate of 4.20%.

The Bank issued the 2021 innovative and entrepreneurial financial bonds (Bonds code: 2120070), whose book-building was recorded in the national interbank bond market on 19 August 2021, in an amount of RMB5 billion. The bonds are fixed rate bonds with a term of three years and a coupon rate of 3.16%. The proceeds from the issuance of the bonds will be specifically used for credit extension in the fields of innovation and entrepreneurship.

The Bank issued indefinite-term capital bonds (Bonds code: 2120100), whose book-building was recorded in the national interbank bond market between 11 November 2021 and 12 November 2021, in an amount of RMB10 billion. The coupon rate is 4.80% for the first 5 years subject to adjustment on a 5-year basis. The Bank shall have conditional redemption option of the issuer on each value date of the 5th year and beyond.

CHAPTER VII SIGNIFICANT EVENTS

3 UNDERTAKINGS FULLY PERFORMED BY THE BANK'S DE FACTO CONTROLLER, SHAREHOLDERS, RELATED PARTIES, PURCHASERS AND THE BANK DURING THE REPORTING PERIOD AND UNDERTAKINGS NOT FULLY PERFORMED AS AT THE END OF THE REPORTING PERIOD

Undertaking	Undertaking party	Undertaking type	Details of the undertaking	Date of undertakings	Term of undertakings	Performance
Undertakings made in initial public offering of A Shares	Zhengzhou Finance Bureau (鄭州市財政局)	Undertaking on shares with selling restrictions	<p>Within 36 months since the date of the initial public offering of the Bank's A Shares on the SZSE, Zhengzhou Finance Bureau shall not transfer or entrust others to manage the issued Shares of the Bank held by it before this round of issue, and shall not allow the Bank to repurchase such Shares; if the closing price of the Shares issued in this round by the Bank is lower than the issue price for 20 consecutive trading days within six months, or the closing price is lower than the issue price as at the end of the six-month period upon the listing, the lockup period for the Bank's Shares held by Zhengzhou Finance Bureau shall be automatically extended by six months.</p> <p>If it intends to reduce its shareholdings within two years after the expiry of the share lockup period, the annual reduced shareholdings shall be no more than 5% of the number of shares held by it; if it intends to reduce its shareholdings two years after the expiry of the share lockup period, the number of reduced shareholdings will be announced three trading days before it reduces its shareholding, the selling price shall be no less than the issue price of the initial public offering of the Bank's A Shares (if there is any dividend distribution, bonus issue of shares, capitalization of capital reserve, share placing, share subdivision and other ex-rights and ex-dividend events of the Bank's shares, the selling price will be adjusted accordingly by ex-rights and ex-dividend).</p>	2018-09-19	Refer to the details of the undertakings	During the course of performance
Undertakings made in initial public offering of A Shares	Directors, Supervisors and senior management personnel of the Bank	Undertaking on shares with selling restrictions	<p>Within 36 months since the date of the initial public offering of the Bank's A Shares on the SZSE, they shall not transfer or entrust others to manage the issued Shares of the Bank held by them before this round of issue, and shall not allow the Bank to repurchase such Shares.</p> <p>After the expiry of the lockup period, they shall transfer no more than 15% of the total number of the Shares held by them annually during the term of office, and no more than 50% of the total number of the Shares held by them within five years, they shall not repurchase in six months after selling their shares or resell in six months after purchasing Shares; they shall not transfer the Shares of the Bank held by them within six months after they leave office.</p>	2018-09-19	Refer to the details of the undertakings	During the course of performance

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Undertaking	Undertaking party	Undertaking type	Details of the undertaking	Date of undertakings	Term of undertakings	Performance
Undertakings made in initial public offering of A Shares	Directors, senior management personnel of the Bank	Undertaking on shares with selling restrictions	<p>If the closing price of the A Shares of the initial public offering of the Bank on the SZSE is lower than the issue price for 20 consecutive trading days within six months, or the closing price is lower than the issue price as at the end of the six-month period upon the listing, the lockup period for the Bank's Shares held by them shall be automatically extended by six months. During the extended lockup period, they shall not transfer or entrust others to manage the issued Shares of the Bank held by them before this round of issue, and shall not allow the Bank to repurchase such Shares.</p> <p>If the Shares are reduced within two years after the expiry of the lockup period, the selling price shall be no less than the issue price of the initial public offering of the Bank's A Shares.</p>	2018-09-19	Refer to the details of the undertakings	During the course of performance
Undertakings made in initial public offering of A Shares	Individuals of the Bank holding more than 50,000 internal staff Shares	Undertaking on shares with selling restrictions	<p>Within three years since the listing date of the Bank on the SZSE, they shall not transfer the Shares of the Bank of Zhengzhou held by them.</p> <p>After the expiry of the above three-year Shares transfer lockup period, they shall transfer no more than 15% of the total number of the Shares held by them annually, and no more than 50% of the total number of the Shares held by them within five years.</p>	2018-09-19	Refer to the details of the undertakings	During the course of performance
Undertakings made in initial public offering of A Shares	Zhengzhou Finance Bureau (鄭州市財政局)	Undertakings on avoiding horizontal competition	<p>During the period for being a major Shareholder of the Bank, its subsidiary enterprises (including wholly-owned, controlled subsidiaries and effectively-controlled enterprises) will not engage in, directly or indirectly, any forms of business activities that will compete or likely to compete with the Bank's principal business. Zhengzhou Finance Bureau will supervise its subsidiary enterprises in accordance with this undertaking and exercise necessary rights to ensure them to comply with this undertaking.</p> <p>Zhengzhou Finance Bureau will strictly comply with the relevant laws and regulations of the CSRC and the stock exchanges where the Bank's Shares are listed and the requirements of company management policies such as the Article of Association and management policies on related party transactions of the Bank, exercise the Shareholder's rights and perform the Shareholder's obligations as equally as other Shareholders, and neither seek unfair interest by use of the position of major Shareholder, nor impair the legal interests of the Bank and other Shareholders.</p>	2018-09-19	Refer to the details of the undertakings	During the course of performance

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Undertaking	Undertaking party	Undertaking type	Details of the undertaking	Date of undertakings	Term of undertakings	Performance
Undertakings made in non-public offering of A Shares	Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	Undertaking on shares with selling restrictions	It shall not transfer Shares under non-public issuance of the Bank within 60 months since the date of the listing thereof.	2020-11-27	Refer to the details of the undertakings	During the course of performance
Undertakings made in non-public offering of A Shares	Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	Undertaking on shares with selling restrictions	It shall not transfer Shares under non-public issuance of the Bank within 18 months since the date of the listing thereof.	2020-11-27	Refer to the details of the undertakings	Completion of performance
Undertakings made in non-public offering of A Shares	Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Undertaking on shares with selling restrictions	It shall not transfer Shares under non-public issuance of the Bank within 60 months since the date of the listing thereof.	2020-11-27	Refer to the details of the undertakings	During the course of performance
Whether the undertakings are performed on time			Yes			
If the undertakings are not performed when overdue, explanations on reasons and working plans for the next step shall be stated in detail			Not applicable			

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4 SIGNIFICANT RELATED PARTY TRANSACTIONS

According to the relevant requirements of laws, administrative regulations, departmental rules and normative documents stipulated by CBIRC, CSRC, SZSE and Hong Kong Stock Exchange, the Bank constantly improves and revises the Administrative Measures for Related Party Transactions (《關聯交易管理辦法》), continuously optimizes the management mechanism of related party transactions, prudently carries out related party transactions, effectively prevents the risks of related party transactions, constantly improves the informatization and intelligence level of related parties and related party transactions management, and strengthens the management ability of big data. During the Reporting Period, related party transactions between the Bank and its related parties were regular business within normal operation range, which were fair and just to both parties. The transaction terms and pricing level complied with general market principles, and did not cause significant impact on the normal business activities and financial position of the Bank; the Bank would not be dependent on or controlled by related parties due to such transactions. All control indicators of related parties were in compliance with relevant regulations of regulatory authorities.

4.1 Related Shareholders Directly or Indirectly Holding 5% or more of the Shares of the Bank

Name of the related party	Relationship with the related party	Place of registration	Organization type	Registered capital	Legal representative	Principal business
Zhengzhou Finance Bureau (鄭州市財政局)	Shareholder	N/A	Government department	N/A	N/A	N/A
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	Shareholder	Zhengzhou, Henan	Company with limited liability	RMB3,525 million	LIANG Songwei (梁嵩巍)	Investment and operation of state-owned asset; development and sales of real estate; house leasing.

4.2 Significant Related Party Transactions

According to the relevant provisions of the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions (《銀行保險機構關聯交易管理辦法》) of CBIRC and the Administrative Measures for Related Party Transactions (《關聯交易管理辦法》) of the Bank, significant related party transactions and general related party transactions are defined as follows:

“Significant related party transactions” shall refer to transactions between the Bank and a single related party that amount to 1% or more of the net capital of the Bank at the end of the previous quarter or 5% in aggregate or more of the net capital of the Bank at the end of the previous quarter. After the aggregate amount of transactions between the Bank and a single related party reaches the aforementioned standard, the subsequent related party transactions shall be re-designated as significant related party transactions for each aggregate amount of more than 1% of the net capital at the end of the previous quarter. “General related party transactions” shall refer to other related party transactions other than significant related party transactions. For the specific calculation method, please refer to the Administrative Measures for Related Party Transactions (《關聯交易管理辦法》) published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange on 7 July 2022.

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4.3 Related Party Transactions

During the Reporting Period, the Bank strictly complied with regulatory requirements of CBIRC, CSRC and SZSE, and executed recurring operation related party transactions with related parties, within the estimated quota on recurring related party transactions approved by the general meeting. Details of the transactions are shown in the table below. Other than the following transactions, the Bank did not have other significant related party transactions that meet the above requirements.

4.3.1 Related party transactions of corporation credit grant type

Unit: RMB'000

No.	Related client	Estimated quota on recurring related party transactions	Actual total credit granted	Related legal persons	Actual credit granted
1	Zhengzhou Construction Investment Group Co., Ltd. (鄭州市建設投資集團有限公司) and its related parties	3,700,000.00	3,591,600.00	Zhengzhou Construction Investment Group Co., Ltd. (鄭州市建設投資集團有限公司) Zhengzhou Road and Bridge Construction Investment Group Co., Ltd. (鄭州路橋建設投資集團有限公司) Zhengzhou Highway Engineering Company (鄭州市公路工程公司) Zhengzhou Songyue Highway Development Co., Ltd. (鄭州嵩岳公路開發有限公司)	690,000.00 1,660,500.00 582,100.00 659,000.00

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No.	Related client	Estimated quota on recurring related party transactions	Actual total credit granted	Related legal persons	Actual credit granted
2	Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) and its related parties	500,000.00	440,000.00	Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) Henan Kanghui Cement Products Co., Ltd. (河南康輝水泥製品有限公司)	238,000.00 202,000.00
3	Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司) and its related parties	3,500,000.00	2,409,000.00	Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司) Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) Zhengzhou State-owned Holding Xicheng Construction Co., Ltd. (鄭州國控西城建設有限公司) Henan Digital Town Development and Construction Co., Ltd. (河南數字小鎮開發建設有限公司)	890,000.00 855,000.00 264,000.00 400,000.00
4	Henan Investment Group Co., Ltd. (河南投資集團有限公司) and its related parties	3,200,000.00	1,302,000.00	Henan Investment Group Co., Ltd. (河南投資集團有限公司) Henan Yicheng Holdings Co., Ltd. (河南頤城控股有限公司) Dahe International Trading Co., Ltd. (大河國際貿易有限公司) Dahe Smart Logistics (Henan) Co., Ltd. (大河智運物流(河南)有限公司) Henan Tou Wisdom Energy Co., Ltd. (河南省投智慧能源有限公司)	985,000.00 247,000.00 50,000.00 10,000.00 10,000.00

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No.	Related client	Estimated quota on recurring related party transactions	Actual total credit granted	Related legal persons	Actual credit granted
5	Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) and its related parties	3,300,000.00	2,975,887.56	Henan Huida Construction Investment Co., Ltd. (河南暉達建設投資有限公司) Henan Jianyuan Decoration Engineering Co., Ltd. (河南建苑裝飾工程有限公司) Henan Kairui Real Estate Co., Ltd. (河南凱睿置業有限公司) Henan Xincheng Real Estate Co., Ltd. (河南新城置業有限公司) Henan Yingshuo Construction Engineering Co., Ltd. (河南盈碩建築工程有限公司) Likard (Zhengzhou) Hotel Management Co., Ltd. (麗卡德(鄭州)酒店管理有限公司) Xinxiang City Zhongkai Real Estate Co., Ltd. (新鄉市中開置業有限公司) Zhengzhou Danshuo Trading Co., Ltd. (鄭州丹碩貿易有限公司) Zhengzhou Huida Industrial Development Co., Ltd. (鄭州暉達實業發展有限公司) Zhengzhou Yingshou Trading Co., Ltd. (鄭州盈首商貿有限公司)	1,016,110.00 146,000.00 270,000.00 126,000.00 524,000.00 189,800.00 50,000.00 8,000.00 497,477.56 148,500.00
6	Henan Asset Management Company Limited (河南資產管理有限公司) and its related parties	3,000,000.00	2,500,000.00	Henan Asset Management Company Limited (河南資產管理有限公司)	2,500,000.00
7	Bridge Trust Co., Ltd. (百瑞信託有限責任公司) and its related parties	1,500,000.00	1,500,000.00	Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	1,500,000.00
8	Bank of Lanzhou Co., Ltd. (蘭州銀行股份有限公司)	2,000,000.00	1,000,000.00	Bank of Lanzhou Co., Ltd. (蘭州銀行股份有限公司)	1,000,000.00
9	Zhongyuan Bank Co., Ltd. (中原銀行股份有限公司)	3,000,000.00	3,000,000.00	Zhongyuan Bank Co., Ltd. (中原銀行股份有限公司)	3,000,000.00

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4.3.2 Credit-grant-type Related Transactions of Subsidiaries

Unit: RMB'000

No.	Related client	Estimated quota on recurring related party transactions	Actual credit granted
1	Jiuding Financial Leasing Company	5,000,000.00	4,500,000.00
2	Fugou Zhengyin County Bank	400,000.00	400,000.00
3	Xinmi Zhengyin County Bank	400,000.00	400,000.00
4	Xunxian Zhengyin County Bank	400,000.00	400,000.00
5	Queshan Zhengyin County Bank	400,000.00	400,000.00
6	Zhongmu Zhengyin County Bank	400,000.00	400,000.00
7	Yanling Zhengyin County Bank	400,000.00	400,000.00
8	Xinzheng Zhengyin County Bank	400,000.00	400,000.00

4.3.3 Credit-grant-type Related Transactions of Natural Persons

As at the end of the Reporting Period, the credit balance of natural person related parties in the Bank was RMB94,347,500, which did not exceed the limit of RMB300 million for the aggregate quota of natural person related parties under estimated quota on recurring related party transactions for 2022.

4.3.4 Other Related Party Transactions

A total amount of service-related transactions including trust custody and supervision fees of RMB51,377,800 was provided to Zhongyuan Trust Co., Ltd (中原信託有限公司) by the Bank. The largest single transaction of bonds traded in cash and pledged repurchase, which are financial market transactions at public market prices, conducted between the Bank and each of the Bank of Lanzhou Co., Ltd. (蘭州銀行股份有限公司), Zhongyuan Bank Co., Ltd. (中原銀行股份有限公司), Central China Securities Co., Ltd. (中原證券股份有限公司) amounted to RMB900 million, RMB997.5 million, and RMB200 million, respectively. None of the above transactions exceeded the estimated quota on recurring related party transactions for 2022.

5 SIGNIFICANT CONTRACTS AND INFORMATION ON THEIR PERFORMANCE

5.1 Entrustment, Contracting and Leasing Matters

During the Reporting Period, the Bank had no significant contracts on significant entrustment, contracting and leasing matters.

5.2 Significant Guarantees

During the Reporting Period, the Bank did not have any material guarantee that needed to be disclosed save for the financial guarantees within the business scope as approved by the People's Bank of China and the CBIRC.

5.3 Entrusted Wealth Management

During the Reporting Period, there was no event in respect of entrusted wealth management beyond the Bank's normal business.

5.4 Other Significant Contracts

During the Reporting Period, the Bank had no other significant contractual matters required to be disclosed, other than those disclosed in this Report, other announcements and circulars of the Bank.

6 LOAN AGREEMENTS OR FINANCIAL ASSISTANCE OF THE BANK

During the Reporting Period, the Bank did not provide any of its affiliated companies with any financial assistance or guarantees required to be disclosed under Rule 13.16 of the Stock Exchange Listing Rules. The Bank does not have controlling Shareholders or de facto controllers, nor has it entered into any loan agreements with covenants relating to specific performance of the controlling Shareholders of the Bank or breached the terms of any loan agreements.

7 SIGNIFICANT ACQUISITION, DISPOSAL OR ABSORPTION OF ASSETS AND EQUITY

During the Reporting Period, the Bank had no significant acquisition, disposal or absorption of assets and equity.

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8 SIGNIFICANT LITIGATION AND ARBITRATION

The Bank's Jinshui East Road Sub-branch filed a lawsuit with Zhengzhou Intermediate People's Court of Henan Province in August 2020 over a financial loan contract dispute with Zhengzhou Sino-Crystal Diamond Co., Ltd. (鄭州華晶金剛石股份有限公司) and other parties. The court formally accepted the case and commenced a court session for hearing it. The judgment of the first instance was received in September 2020. As the defendant did not appeal within the statutory time limit, the judgment of the first instance came into force. Zhengzhou Intermediate People's Court of Henan Province lawfully prescribed the termination of the enforcement procedures and ruled that the defendant shall be obliged to continue to perform the debts. The Bank has disposed of qualified non-performing loans including such claim involved by way of batch transfers. For details, please refer to the announcements dated 11 August 2020, 21 September 2020 and 26 January 2022 published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange.

The Bank's Minzhu Road Sub-branch filed a lawsuit with Zhengzhou Intermediate People's Court of Henan Province in August 2021 over a financial loan contract dispute with Henan Changkun Real Estate Co., Ltd. (河南長坤置業有限公司) and other parties. The court formally accepted the case. The Bank's Minzhu Road Sub-branch received the judgment of the first instance in April 2022, then appealed to Higher People's Court of Henan Province in May 2022 and received the judgment of the second instance in July 2022. For details, please refer to the announcements of the Bank dated 31 August 2021, 29 April 2022 and 29 July 2022 published on CNINFO and the website of the Hong Kong Stock Exchange.

The Bank was involved in certain litigation and arbitration matters arising from its ordinary course of business due to the recovery of borrowings and other reasons. As at the end of the Reporting Period, the amount of other pending litigations and arbitrations in which the Bank acted as the plaintiff or the applicant was RMB3,135 million; while the total amount of the pending litigation and arbitration of the Bank acting as the defendant or the respondent was RMB9 million. These litigation and arbitration matters are not expected to have material adverse impacts on the financial position and operating results.

In August 2022, the Bank published an announcement in relation to litigation and arbitration to enhance the transparency of information disclosure. For details, please refer to the announcement dated 20 August 2022 published by the Bank on CNINFO and the announcement dated 22 August 2022 published on the website of the Hong Kong Stock Exchange.

9 OTHER SIGNIFICANT SOCIAL SECURITY ISSUES

During the Reporting Period, the Bank and its subsidiaries had no other significant social security issues.

10 MATTERS RELATED TO MEDIA SKEPTICISM

During the Reporting Period, the Bank had no matters related to widespread media skepticism.

11 PUNISHMENT AND REMEDIAL ACTIONS OF THE BANK AND THE DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OF THE BANK AND SHAREHOLDERS HOLDING MORE THAN 5% OF THE BANK'S SHARES

During the Reporting Period, to the best knowledge of the Bank, none of the Bank and its Directors, Supervisors, senior management and Shareholders holding more than 5% of its Shares was investigated by competent authorities, subject to compulsory measures, transferred to judicial authorities or investigated for criminal responsibility by judicial or discipline inspection departments, filed for investigation or subject to administrative punishment or administrative supervision measures by the CSRC, or subject to disciplinary measures by any stock exchange. The Bank was not subject to any punishment by other regulatory authorities which had a material impact on the Bank's operation.

12 INTEGRITY OF THE BANK AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

As at the end of the Reporting Period, the Bank had no controlling Shareholders or de facto controllers. During the Reporting Period, the Bank and its biggest Shareholder had no failure to execute an effective court judgment, or any large amount of due outstanding debts.

13 ILLEGAL PROVISION OF EXTERNAL GUARANTEE

During the Reporting Period, the Bank did not provide any external guarantee in violation of laws.

14 OCCUPATION OF CAPITAL BY THE CONTROLLING SHAREHOLDER AND OTHER RELATED PARTIES OF THE BANK FOR NON-OPERATING PURPOSES

There was no occupation of capital of the Bank by the controlling Shareholders and other related parties for non-operating purposes.

15 CAPITAL FLOWS WITH CONTROLLING SHAREHOLDERS AND THEIR RELATED PARTIES

During the Reporting Period, the Bank did not have any controlling Shareholders, and there were no capital flows with controlling Shareholders and their related parties.

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16 SPECIAL STATEMENT AND INDEPENDENT OPINION OF INDEPENDENT NON-EXECUTIVE DIRECTORS ON EXTERNAL GUARANTEES OF THE BANK AND CAPITAL OCCUPATION BY THE CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES OF THE BANK

Guarantee business is one of the regular banking businesses of the Bank, which is approved by the People's Bank of China and the CBIRC. The Bank attached great importance to the risk management of this business, strictly implemented relevant operation processes and approval procedures, and effectively controlled the risk of external guarantee business. During the Reporting Period, the Bank meticulously implemented the relevant requirements of Document Zhengjianfa [2003] No. 56 (證監發[2003]56 號文件) and had no unlawful guarantees.

As at the end of the Reporting Period, there was no capital occupation by the controlling Shareholders and other related parties of the Bank.

17 IMPLEMENTATIONS OF SHARE OPTION SCHEME, EMPLOYEE SHARE OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVE MEASURES

During the Reporting Period, the Bank did not implement any form of share option scheme, employee share ownership scheme or other employee incentive measures.

18 MATTERS RELATED TO BANKRUPTCY AND RESTRUCTURING

There was no matter related to bankruptcy or restructuring of the Bank during the Reporting Period.

19 APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Starting from 2022, the Bank needs to change its external auditors KPMG Huazhen LLP and KPMG. As considered and approved at the 2021 AGM, the Bank appointed Ernst & Young Hua Ming LLP and Ernst & Young as its domestic and international auditors for 2022, respectively, and they will hold office until the conclusion of the 2022 annual general meeting of the Bank.

20 AUDIT REVIEW

The financial statements for the six months ended 30 June 2022 were prepared by the Bank according to China Accounting Standards for Business Enterprises of the PRC and International Financial Reporting Standards, and were unaudited. Ernst & Young Hua Ming LLP and Ernst & Young had reviewed such financial statements, respectively. This Report has been reviewed by the audit committee of the Board and the Board.

CHAPTER VII SIGNIFICANT EVENTS

21 EXPLANATION ON OTHER SIGNIFICANT EVENTS

During the Reporting Period, the Bank had no other significant events, other than those disclosed in this Report, other announcements and circulars of the Bank.

22 SIGNIFICANT EVENTS OF THE BANK'S SUBSIDIARIES

During the Reporting Period, the Bank's subsidiaries had no significant events.

CHAPTER VIII Independent Auditor's Review Report

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CHAPTER VIII Independent Auditor's Review Report

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of Bank of Zhengzhou Co., Ltd.
(Established in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial information of Bank of Zhengzhou Co., Ltd. (the "Bank") and its subsidiaries (together, the "Group"), which comprises the interim condensed consolidated statement of financial position as at 30 June 2022 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting ("IAS 34") issued by the International Accounting Standards Board.

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

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants
Hong Kong

30 August 2022

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

	Note	For the six months ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
Interest income		12,711,575	12,615,025
Interest expense		(6,465,862)	(6,846,436)
Net interest income	3	6,245,713	5,768,589
Fee and commission income		512,708	794,144
Fee and commission expense		(93,402)	(71,428)
Net fee and commission income	4	419,306	722,716
Net trading gains	5	694,185	279,268
Net gains arising from investments	6	176,205	141,207
Other operating income	7	28,979	33,084
Operating income		7,564,388	6,944,864
Operating expenses	8	(1,362,293)	(1,379,839)
Credit impairment losses	9	(2,959,345)	(2,410,934)
Operating profit		3,242,750	3,154,091
Share of profits of associates	19	2,940	7,090
Profit before taxation		3,245,690	3,161,181
Income tax expense	10	(613,474)	(621,154)
Net profit for the period		2,632,216	2,540,027
Net profit attributable to:			
Equity shareholders of the Bank		2,531,066	2,453,871
Non-controlling interests		101,150	86,156
		2,632,216	2,540,027
Earnings per share attributable to the shareholders of the Bank (expressed in RMB per share)			
Basic and diluted	11	0.31	0.30

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022
(In RMB thousands, unless otherwise stated)

	Note	For the six months ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
Other comprehensive income	32		
Other comprehensive income, net of tax attributable to equity shareholders of the Bank		107,298	431,761
<i>Item that may be reclassified subsequently to profit or loss</i>			
– Changes in fair value/credit losses from debt investments measured at fair value through other comprehensive income		63,612	433,590
<i>Item that will not be reclassified subsequently to profit or loss</i>			
– Net income from investments in equity instruments designated as fair value through other comprehensive income		42,248	–
– Remeasurement of net defined benefit liability		1,438	(1,829)
Non-controlling interests		–	–
Other comprehensive income, net of tax		107,298	431,761
Total comprehensive income		2,739,514	2,971,788
Total comprehensive income attributable to:			
Equity shareholders of the Bank		2,638,364	2,885,632
Non-controlling interests		101,150	86,156
		2,739,514	2,971,788

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

Interim Condensed Consolidated Statement of Financial Position

30 June 2022

(In RMB thousands, unless otherwise stated)

	Note	30 June 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Cash and deposits with Central Bank	12	28,046,789	33,433,058
Deposits with banks and other financial institutions	13	3,140,947	2,919,058
Placements with banks and other financial institutions	14	4,324,687	4,182,213
Financial assets held under resale agreements	15	6,490,938	14,228,603
Loans and advances to customers	16	309,505,729	282,399,091
Financial investments:	17		
Financial investments at fair value through profit or loss		45,315,546	41,109,728
Financial investments at fair value through other comprehensive income		14,448,773	17,311,509
Financial investments measured at amortised cost		130,810,883	139,328,387
Derivative financial assets	26	–	173,981
Lease receivables	18	30,545,717	28,224,856
Interest in associates	19	410,026	407,086
Property and equipment	20	2,944,723	2,874,435
Deferred tax assets	21	4,657,444	3,900,289
Other assets	22	3,653,362	4,487,368
Total assets		584,295,564	574,979,662
LIABILITIES			
Due to Central Bank	23	21,609,804	22,785,695
Deposits from banks and other financial institutions	24	31,495,945	37,666,420
Placements from banks and other financial institutions	25	28,983,675	27,636,976
Financial assets sold under repurchase agreements	27	17,298,191	12,371,414
Derivative financial liabilities	26	74,600	–
Deposits from customers	28	327,616,719	321,574,215
Tax payable		1,320,331	359,712
Debt securities issued	29	90,522,112	90,076,717
Other liabilities	30	3,228,033	3,096,973
Total liabilities		522,149,410	515,568,122

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

Interim Condensed Consolidated Statement of Financial Position (Continued)

30 June 2022

(In RMB thousands, unless otherwise stated)

	Note	30 June 2022 (Unaudited)	31 December 2021 (Audited)
EQUITY			
Share capital	31	8,265,538	8,265,538
Other equity instruments	34		
preference shares		7,825,508	7,825,508
perpetual debts		9,998,855	9,998,855
Capital reserve	32	7,452,490	7,452,490
Surplus reserve	32	3,281,678	3,281,678
General reserve	32	7,484,458	7,481,353
Fair value reserve	32	(67,597)	(173,457)
Remeasurement of net defined benefit liability	32	(67,817)	(69,255)
Retained earnings	33	16,231,433	13,703,472
Total equity attributable to equity shareholders of the Bank		60,404,546	57,766,182
Non-controlling interests		1,741,608	1,645,358
Total equity		62,146,154	59,411,540
Total liabilities and equity		584,295,564	574,979,662

Wang Tianyu
Chairman of the
Board of Directors
Executive Director

Shen Xueqing
President
Executive Director

Sun Haigang
Person in Charge of Accounting Affairs

Gao Chenxin
Head of Accounting Department

(Company chop)

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

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

	Equity attributable to shareholders of the Bank							Total		
	Share capital Note 31	Other equity instruments Note 34	Capital reserve Note 32	Surplus reserve Note 32	General reserve Note 32	Fair value reserve Note 32	Remeasure- ment of net defined benefit liability Note 32		Retained earnings Note 33	Non- controlling interests
Balance at 1 January 2022 (audited)	8,265,538	17,824,363	7,452,490	3,281,678	7,481,353	(173,457)	(69,255)	13,703,472	1,645,358	59,411,540
Profit for the period	-	-	-	-	-	-	-	2,531,066	101,150	2,632,216
Other comprehensive income	-	-	-	-	-	105,860	1,438	-	-	107,298
Total comprehensive income	-	-	-	-	-	105,860	1,438	2,531,066	101,150	2,739,514
Appropriation of profit:										
- Cash dividends on ordinary shares	-	-	-	-	-	-	-	-	(4,900)	(4,900)
- Appropriation to general reserve	-	-	-	-	3,105	-	-	(3,105)	-	-
Balance at 30 June 2022 (unaudited)	8,265,538	17,824,363	7,452,490	3,281,678	7,484,458	(67,597)	(67,817)	16,231,433	1,741,608	62,146,154

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

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2022
(In RMB thousands, unless otherwise stated)

Equity attributable to shareholders of the Bank										
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Non-controlling interests	Total
	Note 31	Note 34	Note 32	Note 32	Note 32	Note 32	Note 32	Note 33		
Balance at 1 January 2021 (audited)	7,514,125	7,825,508	8,203,903	2,976,573	7,078,451	(698,206)	(60,953)	11,655,496	1,477,024	45,971,921
Profit for the year	-	-	-	-	-	-	-	2,453,871	86,156	2,540,027
Other comprehensive income	-	-	-	-	-	433,590	(1,829)	-	-	431,761
Total comprehensive income	-	-	-	-	-	433,590	(1,829)	2,453,871	86,156	2,971,788
Appropriation of profit:										
- Cash dividends on ordinary shares	-	-	-	-	-	-	-	-	(3,430)	(3,430)
Balance at 30 June 2021 (unaudited)	7,514,125	7,825,508	8,203,903	2,976,573	7,078,451	(264,616)	(62,782)	14,109,367	1,559,750	48,940,279

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

	For the six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Cash flows from operating activities		
Profit before tax	3,245,690	3,161,181
<i>Adjustments for:</i>		
Impairment losses on assets	2,959,345	2,410,934
Depreciation and amortisation	227,427	228,031
Unrealised foreign exchange (gains)/losses	(320,163)	436,366
Net losses from disposal of long-term assets	32	1,140
Net trading gains of financial investments at fair value through profit or loss	15,902	(80,024)
Net gains arising from investments	(176,205)	(626,578)
Share of profits of associates	(2,940)	(7,090)
Interest expense on debt securities issued	1,288,650	1,370,359
Interest income on financial investments	(3,192,031)	(4,513,275)
<i>Changes in operating assets:</i>		
Net increase in deposits with Central Bank	(132,281)	(490,099)
Net increase in deposits and placements with banks and other financial institutions	(1,851,184)	(80,000)
Net (increase)/decrease in financial investments at fair value through profit or loss	(2,450,470)	2,490,780
Net increase in loans and advances to customers	(28,408,284)	(31,260,720)
Net decrease in financial assets held under resale agreements	7,735,912	3,333,638
Net increase in lease receivables	(2,242,376)	(5,602,711)
Net decrease in other operating assets	813,102	18,623
<i>Changes in operating liabilities:</i>		
Net (decrease)/increase in amounts due to Central Bank	(1,203,025)	960,363
Net (decrease)/increase in deposits and placements from banks and other financial institutions	(4,676,127)	18,975,723
Net increase/(decrease) in financial assets sold under repurchase agreements	4,932,517	(4,957,994)
Net increase in deposits from customers	5,650,318	9,394,930
Net increase in other operating liabilities	64,709	59,734
Income tax paid	(407,712)	(787,118)
Net cash flows used in operating activities	(18,129,194)	(5,563,807)

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

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2022
(In RMB thousands, unless otherwise stated)

	Note	For the six months ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		67,629,481	100,005,254
Proceeds from disposal of property and equipment and other assets		833	2,917
Payments on acquisition of investments		(59,232,702)	(99,684,591)
Return on investments		3,713,444	5,248,404
Payments on acquisition of property and equipment and other assets		(211,880)	(216,525)
Net cash flows generated from investing activities		11,899,176	5,355,459
Cash flows from financing activities			
Proceeds received from debt securities issued		61,966,736	56,581,824
Repayment of debt securities issued		(61,537,221)	(60,504,211)
Interest paid on debt securities issued		(1,272,770)	(1,145,909)
Dividends paid		(4,900)	(3,430)
Cash flows from other financing activities		(51,119)	(61,725)
Net cash flows used in financing activities		(899,274)	(5,133,451)
Net decrease in cash and cash equivalents		(7,129,292)	(5,341,799)
Cash and cash equivalents as at 1 January		21,412,333	19,600,052
Effect of foreign exchange rate changes on cash and cash equivalents		107,507	(40,469)
Cash and cash equivalents as at 30 June	35(a)	14,390,548	14,217,784
Net cash flows generated from operating activities include:			
Interest received		8,657,488	8,389,118
Interest paid		(4,336,145)	(5,175,274)

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

1 GENERAL INFORMATION

Bank of Zhengzhou Co., Ltd., formerly known as City Commercial Bank of Zhengzhou Co., Ltd., is a joint-stock commercial bank established with the approval of the People's Bank of China (the "PBOC") in accordance with the notice of JiYinFu [2000] No. 64. The Bank changed its name to Bank of Zhengzhou Co., Ltd. in October 2009. The registered address is No.22 Business Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province. The Bank operates in Henan Province of the PRC.

The Bank obtained its financial institution license No. B1036H241010001 from the former China Banking Regulatory Commission ("the former CBRC"), and obtained its business license No. 410000100052554 from the State Administration for Industry and Commerce of the People's Republic of China (the "PRC"). The Bank is regulated by the China Banking Insurance Regulatory Commission (the "CBIRC") authorised by the State Council.

In December 2015, the Bank's H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 06196). In September 2018, the Bank's A-share was listed on the SME Board of the Shenzhen Stock Exchange (Stock code: 002936).

The principal activities of the Bank and its subsidiaries (collectively the "Group") include receiving deposits from the public; short-term, medium-term and long-term lending; domestic and international settlement; bill acceptance and discounting; issuing financial bonds; acting as an agent for issuance, honouring and underwriting of government bonds; purchase and sale of government bonds and financial bonds; interbank lending and borrowing; taking foreign currency deposits, providing foreign currency loans, foreign exchange remittances and foreign currency exchange services; bank card business; provision of letter of credit services and guarantees; acting as an agent for collection and payment as well as insurance; providing safe deposit box services; financial leasing and other business activities approved by the banking regulatory authority under the State Council (business activities subject to approval according to law may be carried out only after being approved by the competent authorities).

For the information of the subsidiaries of the Bank, refer to note 19 for more details.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022
(In RMB thousands, unless otherwise stated)

2 BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The principal accounting policies adopted in the preparation of the unaudited interim financial information are consistent with those used in the Group's annual financial statements for the year ended 31 December 2021 unless otherwise stated.

(a) Basis of presentation

The interim consolidated financial statements of the Group have been prepared in accordance with the International Accounting Standard 34 Interim Financial Reporting. The consolidated interim financial information should be read in conjunction with the audited financial statements for the year ended 31 December 2021.

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

(b) Significant accounting policies

The International Accounting Standards Board has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

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

In preparing the interim consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2021. Please refer to the financial statements for the year ended 31 December 2021 for details.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

3 NET INTEREST INCOME

	For the six months ended 30 June	
	2022	2021
Interest income arising from		
Deposits with Central Bank	154,270	181,803
Deposits and placements with banks and other financial institutions	38,698	17,984
Loans and advances to customers		
– Corporate loans and advances	6,093,856	4,916,020
– Personal loans and advances	1,918,345	1,790,878
– Discounted bills	174,618	201,845
Financial assets held under resale agreements	116,463	68,948
Financial investments	3,192,031	4,513,275
Lease receivables	1,023,294	924,272
Sub-total	12,711,575	12,615,025
Interest expense arising from		
Amounts due to Central Bank	(277,832)	(358,826)
Deposits and placements from banks and other financial institutions	(1,012,284)	(940,022)
Deposits from customers	(3,756,740)	(3,959,357)
Financial assets sold under repurchase agreements	(130,356)	(217,872)
Debt securities issued	(1,288,650)	(1,370,359)
Sub-total	(6,465,862)	(6,846,436)
Net interest income	6,245,713	5,768,589

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022
(In RMB thousands, unless otherwise stated)

4 NET FEE AND COMMISSION INCOME

	For the six months ended 30 June	
	2022	2021
Fee and commission income		
Agency and custody services fees	271,811	522,381
Underwriting and advisory fees	101,180	121,367
Acceptance and guarantee services fees	63,849	70,585
Bank card services fees	57,637	58,413
Others	18,231	21,398
Sub-total	512,708	794,144
Fee and commission expense		
Payment, settlement and agency fees	(23,819)	(34,539)
Bank card services fees	(32,801)	(22,163)
Others	(36,782)	(14,726)
Sub-total	(93,402)	(71,428)
Net fee and commission income	419,306	722,716

5 NET TRADING GAINS

	Note	For the six months ended 30 June	
		2022	2021
Net gains from debt securities and investment funds	(a)	181,084	222,962
Net foreign exchange gains	(b)	513,101	56,306
Total		694,185	279,268

(a) Net gains from debt securities and funds include gains arising from buying and selling of, net gains arising from and changes in the fair value of financial assets held for trading.

(b) Net foreign exchange gains mainly include gains from purchase and sale of foreign currency spot, net gains arising from and changes in the fair value of foreign currency derivatives, and translation of foreign currency monetary assets and liabilities into Renminbi.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

6 NET GAINS ARISING FROM INVESTMENTS

	For the six months ended 30 June	
	2022	2021
Net gains from debt securities	(72,533)	8,436
Net gains from other debt instruments	248,738	132,771
Total	176,205	141,207

7 OTHER OPERATING INCOME

	For the six months ended 30 June	
	2022	2021
Rental income	1,629	2,761
Government grants	21,580	26,707
Net losses on disposal of property and equipment	(32)	(1,140)
Others	5,802	4,756
Total	28,979	33,084

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022
(In RMB thousands, unless otherwise stated)

8 OPERATING EXPENSES

	For the six months ended 30 June	
	2022	2021
Staff costs		
– Salaries, bonuses and allowances	415,229	456,701
– Social insurance and annuity	167,138	147,128
– Supplementary retirement benefits	3,098	19,387
– Staff welfare	55,451	54,565
– Housing allowances	61,270	56,370
– Others	10,388	12,060
	712,574	746,211
Depreciation and amortisation	227,427	228,031
Rental and property management expenses	37,397	39,276
Office expenses	23,569	21,899
Tax and surcharges	78,028	77,771
Interest expense of lease liabilities	7,595	7,376
Other general and administrative expenses	275,703	259,275
Total	1,362,293	1,379,839

9 IMPAIRMENT LOSSES ON ASSETS

	For the six months ended 30 June	
	2022	2021
Loans and advances to customers measured at amortised cost	1,845,369	1,397,152
Loans and advances to customers measured at fair value through other comprehensive income	122,833	70,876
Financial investments measured at amortised cost	683,624	864,755
Financial investments at fair value through other comprehensive income	(4,213)	(92,285)
Lease receivables	210,027	169,247
Financial assets held under resale agreements	659	19
Placements with banks and other financial institutions	23	52
Deposits with banks and other financial institutions	476	138
Off-balance sheet credit commitments	4,237	980
Other impairment losses	96,310	–
Total	2,959,345	2,410,934

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

10 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2022	2021
Current tax	1,405,916	1,095,919
Deferred tax	(792,442)	(474,765)
Total	613,474	621,154

Reconciliations of income tax and accounting profit are as follows:

	For the six months ended 30 June	
	2022	2021
Profit before tax	3,245,690	3,161,181
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	811,423	790,295
Non-deductible expenses	15,668	16,880
Non-taxable income (Note(a))	(212,862)	(185,749)
Tax effect of unrecognised deductible temporary differences	702	698
Adjustment for prior years	(1,457)	(970)
Income tax expense	613,474	621,154

- (a) Non-taxable income consists of interest income from the PRC government bonds, municipal debts and share of profits of associates, which are exempted from income tax under the PRC tax regulations.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022
(In RMB thousands, unless otherwise stated)

11 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share of the Group is based on the following:

	For the six months ended 30 June	
	2022	2021
Earnings:		
Profit for the period attributable to ordinary shareholders of the Bank	2,531,066	2,453,871
Shares:		
Weighted average number of ordinary shares (in thousand shares)	8,265,538	8,265,538
Basic and diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB)	0.31	0.30

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the period.

(a) Weighted average number of ordinary shares (in thousand shares)

	For the six months ended 30 June	
	2022	2021
Number of ordinary shares as at 1 January	8,265,538	8,265,538
Increase in weighted average number of ordinary shares	–	–
Weighted average number of ordinary shares	8,265,538	8,265,538

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

12 CASH AND DEPOSITS WITH CENTRAL BANK

	30 June 2022	31 December 2021
Cash on hand	1,736,166	894,278
Deposits with Central Bank		
– Statutory deposit reserves (Note(a))	17,946,552	17,858,400
– Surplus deposit reserves (Note(b))	7,912,728	14,271,762
– Fiscal deposits	442,617	398,488
Sub-total	28,038,063	33,422,928
Interest accrued	8,726	10,130
Total	28,046,789	33,433,058

- (a) The Bank and its subsidiaries place statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of the relevant period/year, the statutory deposit reserve ratios applicable to the Bank were as follows:

	30 June 2022	31 December 2021
Reserve ratio for RMB deposits	5.5%	6.0%
Reserve ratio for foreign currency deposits	8.0%	9.0%

The statutory deposit reserves are not available for the Group's daily business.

The subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022
(In RMB thousands, unless otherwise stated)

13 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2022	31 December 2021
Deposits in Mainland China		
– Banks	2,494,045	2,704,287
– Other financial institutions	237,818	–
Deposits outside Mainland China		
– Banks	399,560	210,212
Sub-total	3,131,423	2,914,499
Interest accrued	10,705	5,264
Less: Provision for impairment losses	(1,181)	(705)
Total	3,140,947	2,919,058

At 30 June 2022, the Group's and the Bank's deposits with banks and other financial institutions were on Stage 1 (At 31 December 2021: on Stage 1).

14 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2022	31 December 2021
Placements in Mainland China		
– Banks	2,212,078	4,182,457
– Other financial institutions	2,100,000	–
Sub-total	4,312,078	4,182,457
Interest accrued	13,256	380
Less: Provision for impairment losses	(647)	(624)
Total	4,324,687	4,182,213

At 30 June 2022, the Group's and the Bank's placements with banks and other financial institutions were on Stage 1 (At 31 December 2021: on Stage 1).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

15 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	30 June 2022	31 December 2021
In Mainland China		
– Banks	399,250	7,800,000
– Other financial institutions	6,091,521	6,426,683
Sub-total	6,490,771	14,226,683
Interest accrued	1,164	2,258
Less: Provision for impairment losses	(997)	(338)
Total	6,490,938	14,228,603

(b) Analysed by type of collateral

	30 June 2022	31 December 2021
Debt securities	6,490,771	14,226,683
Interest accrued	1,164	2,258
Less: Provision for impairment losses	(997)	(338)
Total	6,490,938	14,228,603

At 30 June 2022, the Group's and the Bank's financial assets held under resale agreements were on Stage 1 (At 31 December 2021: on Stage 1).

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For the six months ended 30 June 2022
(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	30 June 2022	31 December 2021
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	214,371,758	193,607,804
Personal loans and advances		
– Residential mortgage	39,745,855	40,841,865
– Personal business loans	31,211,133	27,976,927
– Personal consumption loans	5,885,675	4,222,797
– Credit card	3,105,888	3,096,510
Sub-total	79,948,551	76,138,099
Total amount of loans and advances to customers measured at amortised cost	294,320,309	269,745,903
Loans and advances to customers measured at fair value through other comprehensive income		
Corporate loans and advances		
– Forfeiting	8,049,391	6,176,772
– Discounted bills	14,112,214	13,104,993
Sub-total	22,161,605	19,281,765
Gross loans and advances to customers	316,481,914	289,027,668
Interest accrued	1,644,559	1,439,787
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(8,620,744)	(8,068,364)
Net loans and advances to customers	309,505,729	282,399,091

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For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by economic sector

	30 June 2022		
	Amount	Percentage	Loans and advances secured by collateral
Leasing and commercial services	45,174,655	14.27%	5,948,552
Water, environment and public facility management	41,272,337	13.04%	2,904,949
Wholesale and retail	39,452,184	12.47%	11,971,888
Real estate	33,210,087	10.49%	14,542,916
Construction	21,409,878	6.76%	5,406,914
Manufacturing	16,119,425	5.09%	3,812,635
Transportation, storage and postal services	6,241,185	1.97%	2,060,885
Agriculture, forestry, animal husbandry and fishery	3,140,041	0.99%	735,672
Production and supply of electric and heating power, gas and water	2,304,599	0.73%	257,211
Mining	2,041,516	0.65%	99,500
Culture, sports and entertainment	1,928,105	0.61%	1,197,491
Accommodation and catering	1,649,311	0.52%	1,223,156
Others	8,477,826	2.69%	1,852,137
Sub-total of corporate loans and advances	222,421,149	70.28%	52,013,906
Personal loans and advances	79,948,551	25.26%	70,199,900
Discounted bills	14,112,214	4.46%	14,112,214
Gross loans and advances to customers	316,481,914	100.00%	136,326,020

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For the six months ended 30 June 2022
(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by economic sector (Continued)

	31 December 2021		Loans and advances secured by collateral
	Amount	Percentage	
Water, environment and public facility management	40,052,714	13.86%	3,287,862
Real estate	34,438,375	11.92%	16,282,210
Leasing and commercial services	33,694,931	11.64%	4,706,069
Wholesale and retail	31,741,472	10.98%	11,203,874
Construction	20,018,268	6.93%	4,996,489
Manufacturing	14,765,860	5.11%	3,873,380
Transportation, storage and postal services	6,664,013	2.31%	2,121,277
Agriculture, forestry, animal husbandry and fishery	3,253,187	1.13%	710,613
Production and supply of electric and heating power, gas and water	2,048,934	0.71%	328,303
Mining	2,032,243	0.70%	109,000
Culture, sports and entertainment	1,576,940	0.55%	1,148,906
Accommodation and catering	1,387,905	0.48%	1,228,965
Others	8,109,734	2.81%	1,894,210
Sub-total of corporate loans and advances	199,784,576	69.13%	51,891,158
Personal loans and advances	76,138,099	26.34%	67,617,115
Discounted bills	13,104,993	4.53%	13,104,993
Gross loans and advances to customers	289,027,668	100.00%	132,613,266

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For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Analysed by type of collateral

	30 June 2022	31 December 2021
Unsecured loans	56,811,414	47,398,227
Guaranteed loans	123,344,480	109,016,175
Loans secured by mortgages	102,161,165	101,095,217
Pledged loans	34,164,855	31,518,049
Gross loans and advances to customers	316,481,914	289,027,668
Interest accrued	1,644,559	1,439,787
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(8,620,744)	(8,068,364)
Net loans and advances to customers	309,505,729	282,399,091

(d) Overdue loans analysed by overdue period

	30 June 2022				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	495,310	592,459	119,125	8,054	1,214,948
Guaranteed loans	1,685,617	779,186	773,724	283,142	3,521,669
Loans secured by tangible assets other than monetary assets	2,183,991	1,792,383	885,141	250,507	5,112,022
Loans secured by intangible assets or monetary assets	54,523	40,700	5,749	3,978	104,950
Total	4,419,441	3,204,728	1,783,739	545,681	9,953,589
As a percentage of gross loans and advances to customers	1.40%	1.01%	0.56%	0.18%	3.15%

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For the six months ended 30 June 2022
(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) Overdue loans analysed by overdue period (Continued)

	31 December 2021				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	919,535	198,883	62,680	9,108	1,190,206
Guaranteed loans	1,146,000	717,102	751,020	293,302	2,907,424
Loans secured by mortgages	1,509,662	835,416	672,166	354,763	3,372,007
Pledged loans	340,353	–	512,205	28,103	880,661
Total	3,915,550	1,751,401	1,998,071	685,276	8,350,298
As a percentage of gross loans and advances to customers	1.35%	0.61%	0.69%	0.24%	2.89%

(e) Loans and advances and provision for impairment losses

	30 June 2022			Total
	Stage 1 Loans and advances that are assessed for 12-month ECL	Stage 2 Not credit-impaired loans and advances that are assessed for lifetime ECL	Stage 3 Credit-impaired loans and advances that are assessed for lifetime ECL	
Total loans and advances to customers measured at amortised cost	278,230,942	7,660,725	8,428,642	294,320,309
Interest accrued	1,366,122	103,661	174,776	1,644,559
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(3,700,250)	(1,245,376)	(3,675,118)	(8,620,744)
Carrying amount of loans and advances to customers measured at amortised cost (excluding accrued interest)	275,896,814	6,519,010	4,928,300	287,344,124
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	22,161,605	–	–	22,161,605
Total carrying amount of loans and advances to customers (excluding accrued interest)	298,058,419	6,519,010	4,928,300	309,505,729

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For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(e) Loans and advances and provision for impairment losses (Continued)

	31 December 2021			Total
	Stage 1 Loans and advances that are assessed for 12-month ECL	Stage 2 Not credit-impaired loans and advances that are assessed for lifetime ECL	Stage 3 Credit-impaired loans and advances that are assessed for lifetime ECL	
Total loans and advances to customers measured at amortised cost	255,290,534	7,334,453	7,120,916	269,745,903
Interest accrued	1,242,856	40,483	156,448	1,439,787
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(3,465,262)	(1,519,067)	(3,084,035)	(8,068,364)
Carrying amount of loans and advances to customers measured at amortised cost	253,068,128	5,855,869	4,193,329	263,117,326
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	18,924,265	-	357,500	19,281,765
Total carrying amount of loans and advances to customers	271,992,393	5,855,869	4,550,829	282,399,091

(f) Movements of provision for impairment losses

(1) Movements of provision for impairment losses on loans and advances to customers measured at amortised cost:

	30 June 2022			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	
As at 1 January 2022	3,465,262	1,519,067	3,084,035	8,068,364
Transferred:				
– to Stage 1	268	(268)	-	-
– to Stage 2	(31,878)	32,560	(682)	-
– to Stage 3	(21,784)	(230,460)	252,244	-
Charge/(reversal) for the period	288,382	(75,523)	1,632,510	1,845,369
Write-offs and disposals	-	-	(1,414,100)	(1,414,100)
Recoveries of loans previously written off	-	-	121,111	121,111
As at 30 June 2022	3,700,250	1,245,376	3,675,118	8,620,744

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(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses (Continued)

(1) *Movements of provision for impairment losses on loans and advances to customers measured at amortised cost: (Continued)*

	31 December 2021			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2021	3,223,667	1,351,623	3,180,333	7,755,623
Transferred:				
– to Stage 1	267,109	(255,794)	(11,315)	–
– to Stage 2	(69,684)	78,962	(9,278)	–
– to Stage 3	(42,532)	(179,557)	222,089	–
Charge for the year	86,702	523,833	2,982,726	3,593,261
Write-offs and disposals	–	–	(3,669,923)	(3,669,923)
Recoveries of loans previously written off	–	–	389,403	389,403
As at 31 December 2021	3,465,262	1,519,067	3,084,035	8,068,364

(2) *Movements of provision for impairment of loans and advances to customers measured at fair value through other comprehensive income:*

	30 June 2022			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2022	8,677	–	292,500	301,177
Transferred:				
– to Stage 1	–	–	–	–
– to Stage 2	–	–	–	–
– to Stage 3	–	–	–	–
Charge for the period	1,088	–	121,745	122,833
Write-offs and disposals	–	–	(414,245)	(414,245)
As at 30 June 2022	9,765	–	–	9,765

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(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses (Continued)

(2) *Movements of provision for impairment of loans and advances to customers measured at fair value through other comprehensive income: (Continued)*

	31 December 2021			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2021	13,652	–	162,500	176,152
Transferred:				
– to Stage 1	–	–	–	–
– to Stage 2	–	–	–	–
– to Stage 3	–	–	–	–
Charge/(reversal) for the year	(4,975)	–	130,000	125,025
As at 31 December 2021	8,677	–	292,500	301,177

(g) Movements of gross amount of loans and advances to customers

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

	30 June 2022			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2022	255,290,534	7,334,453	7,120,916	269,745,903
Transferred:				
– to Stage 1	1,333	(1,333)	–	–
– to Stage 2	(2,031,102)	2,033,052	(1,950)	–
– to Stage 3	(1,511,449)	(1,129,510)	2,640,959	–
Increase/(decrease) for the period	26,481,626	(575,937)	184,575	26,090,264
Write-offs and disposals	–	–	(1,515,858)	(1,515,858)
As at 30 June 2022	278,230,942	7,660,725	8,428,642	294,320,309

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16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(g) Movements of gross amount of loans and advances to customers (Continued)

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

	31 December 2021			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2021	206,720,645	6,001,378	6,254,878	218,976,901
Transferred:				
- to Stage 1	967,521	(938,721)	(28,800)	-
- to Stage 2	(3,522,954)	3,549,222	(26,268)	-
- to Stage 3	(2,579,630)	(1,097,416)	3,677,046	-
Increase/(decrease) for the year	53,704,952	(180,010)	1,402,252	54,927,194
Write-offs and disposals	-	-	(4,158,192)	(4,158,192)
As at 31 December 2021	255,290,534	7,334,453	7,120,916	269,745,903

(2) *Movements of gross amount of loans and advances to customers (excluding accrued interest) measured at fair value through other comprehensive income:*

	30 June 2022			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2022	18,924,265	-	357,500	19,281,765
Transferred:				
- to Stage 1	-	-	-	-
- to Stage 2	-	-	-	-
- to Stage 3	-	-	-	-
Increase for the period	3,237,340	-	-	3,237,340
Write-offs and disposals	-	-	(357,500)	(357,500)
As at 30 June 2022	22,161,605	-	-	22,161,605

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For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(g) Movements of gross amount of loans and advances to customers (Continued)

(2) Movements of gross amount of loans and advances to customers (excluding accrued interest) measured at fair value through other comprehensive income: (Continued)

	31 December 2021			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2021	18,494,789	-	487,500	18,982,289
Transferred:				
- to Stage 1	-	-	-	-
- to Stage 2	-	-	-	-
- to Stage 3	-	-	-	-
Increase/(decrease) for the year	429,476	-	(130,000)	299,476
As at 31 December 2021	18,924,265	-	357,500	19,281,765

17 FINANCIAL INVESTMENTS

	Note	30 June 2022	31 December 2021
Financial investments at fair value through profit or loss	(a)	45,315,546	41,109,728
Financial investments at fair value through other comprehensive income	(b)	14,448,773	17,311,509
Financial investments measured at amortised cost	(c)	130,810,883	139,328,387
Total		190,575,202	197,749,624

(a) Financial investments at fair value through profit or loss

	Note	30 June 2022	31 December 2021
Debt securities			
- Debt securities held for trading purpose	(1)	12,123,959	10,932,882
Investment funds and other investments			
- Investment funds held for trading purpose		12,477,549	11,147,503
- Other financial investments at fair value through profit or loss	(2)	20,714,038	19,029,343
Total		45,315,546	41,109,728

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17 FINANCIAL INVESTMENTS (CONTINUED)

(a) Financial investments at fair value through profit or loss (Continued)

(1) Debt securities held for trading purpose

	30 June 2022	31 December 2021
Mainland China		
– Government	8,334,934	5,941,697
– Policy banks	2,353,781	4,735,299
– Banks and other financial institutions	1,212,028	199,041
– Corporate	223,216	56,845
Total	12,123,959	10,932,882
Debt securities analysed into		
– Listed outside Hong Kong	8,385,091	5,998,542
– Unlisted	3,738,868	4,934,340
Total	12,123,959	10,932,882

(2) Other financial investments at fair value through profit or loss

	30 June 2022	31 December 2021
Other financial investments at fair value through profit or loss		
– Investment management products managed by securities companies	6,949,215	5,434,628
– Investment management products under trust schemes	6,890,465	6,938,568
– Others	6,874,358	6,656,147
Total	20,714,038	19,029,343

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(In RMB thousands, unless otherwise stated)

17 FINANCIAL INVESTMENTS (CONTINUED)

(b) Financial investments at fair value through other comprehensive income

	30 June 2022	31 December 2021
Debt instruments		
– Government	10,088,843	13,887,333
– Policy banks	3,211,485	2,588,965
– Banks and other financial institutions	239,580	–
– Corporate	626,527	639,787
Sub-total	14,166,435	17,116,085
Interest accrued	217,608	187,024
Total of debt instruments	14,384,043	17,303,109
Equity instruments	64,730	8,400
Total	14,448,773	17,311,509
Debt instrument investment by category		
– Listed outside Hong Kong	10,160,292	14,017,132
– Unlisted	4,006,143	3,098,953
Sub-total	14,166,435	17,116,085
Interest accrued	217,608	187,024
Total of debt instruments	14,384,043	17,303,109
Equity instrument investment by category		
– Unlisted	64,730	8,400
Total	14,448,773	17,311,509

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17 FINANCIAL INVESTMENTS (CONTINUED)

(b) Financial investments at fair value through other comprehensive income (Continued)

Movements of provision for impairment of financial investments measured at fair value through other comprehensive income during the period:

	30 June 2022			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2022	608	75,529	-	76,137
Transferred:				
- to Stage 1	-	-	-	-
- to Stage 2	-	-	-	-
- to Stage 3	-	(75,529)	75,529	-
Reversal for the period	(6)	-	(4,207)	(4,213)
As at 30 June 2022	602	-	71,322	71,924

	31 December 2021			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2021	170,364	-	-	170,364
Transferred:				
- to Stage 1	-	-	-	-
- to Stage 2	(243)	243	-	-
- to Stage 3	-	-	-	-
Charge/(reversal) for the year	(169,513)	75,286	-	(94,227)
As at 31 December 2021	608	75,529	-	76,137

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17 FINANCIAL INVESTMENTS (CONTINUED)

(b) Financial investments at fair value through other comprehensive income (Continued)

Movements of gross amount (excluding accrued interest) of financial investments measured at fair value through other comprehensive income during the period:

	30 June 2022			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2022	16,868,157	247,928	-	17,116,085
Transferred:				
- to Stage 3	-	(247,928)	247,928	-
Decrease for the period	(2,939,624)	-	(10,026)	(2,949,650)
As at 30 June 2022	13,928,533	-	237,902	14,166,435

	31 December 2021			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2021	21,682,816	-	-	21,682,816
Transferred:				
- to Stage 2	(247,928)	247,928	-	-
Decrease for the year	(4,566,731)	-	-	(4,566,731)
As at 31 December 2021	16,868,157	247,928	-	17,116,085

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17 FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial investments measured at amortised cost

	Note	30 June 2022	31 December 2021
Debt securities	(1)	70,405,912	64,223,207
Investment management products under the trust scheme		35,690,843	43,918,313
Investment management products managed by securities companies		19,132,890	24,307,403
Other beneficial right transaction plans		–	60,000
Others		7,457,772	9,693,255
Sub-total		62,281,505	77,978,971
Interest accrued		1,730,867	1,682,594
Less: Provision for impairment losses	(2)	(3,607,401)	(4,556,385)
Total		130,810,883	139,328,387

(1) Debt securities:

	30 June 2022	31 December 2021
Debt securities		
– Government	36,034,694	28,353,743
– Policy banks	29,083,011	30,523,442
– Banks and other financial institutions	1,688,853	1,688,853
– Corporate	3,599,354	3,657,169
Sub-total	70,405,912	64,223,207
Interest accrued	961,897	1,178,119
Total	71,367,809	65,401,326
Debt securities analysed into:		
– Listed outside Hong Kong	37,274,242	29,027,918
– Unlisted	33,131,670	35,195,289
Sub-total	70,405,912	64,223,207
Interest accrued	961,897	1,178,119
Total	71,367,809	65,401,326

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17 FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial investments measured at amortised cost (Continued)

(2) *Movements of provision for impairment of financial investments measured at amortised cost is as follows:*

	30 June 2022			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2022	425,701	335,640	3,795,044	4,556,385
Transferred:				
– to Stage 2	(6,082)	6,082	–	–
– to Stage 3	(2,784)	(110,258)	113,042	–
Charge for the period	46,367	36,382	600,875	683,624
Write-offs and disposals	–	–	(1,632,608)	(1,632,608)
As at 30 June 2022	463,202	267,846	2,876,353	3,607,401

	31 December 2021			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2021	781,360	355,976	2,744,272	3,881,608
Transferred:				
– to Stage 2	(61,120)	61,120	–	–
– to Stage 3	(8,872)	(178,086)	186,958	–
Charge/(reversal) for the year	(285,667)	96,630	3,256,151	3,067,114
Write-offs and disposals	–	–	(2,392,337)	(2,392,337)
As at 31 December 2021	425,701	335,640	3,795,044	4,556,385

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17 FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial investments measured at amortised cost (Continued)

(3) Movements of gross amount (excluding accrued interest) of financial investments measured at amortised cost:

	30 June 2022			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2022	127,183,481	2,306,708	12,711,989	142,202,178
Transferred:				
– to Stage 2	(873,300)	873,300	–	–
– to Stage 3	(196,713)	(756,000)	952,713	–
Decrease for the period	(6,726,364)	(485,000)	(30,504)	(7,241,868)
Write-offs and disposals	–	–	(2,272,893)	(2,272,893)
As at 30 June 2022	119,387,104	1,939,008	11,361,305	132,687,417

	31 December 2021			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2021	151,903,464	1,599,600	12,795,323	166,298,387
Transferred:				
– to Stage 2	(2,471,708)	2,471,708	–	–
– to Stage 3	(2,622,660)	(1,119,600)	3,742,260	–
Decrease for the year	(19,625,615)	(645,000)	(740,324)	(21,010,939)
Write-offs and disposals	–	–	(3,085,270)	(3,085,270)
As at 31 December 2021	127,183,481	2,306,708	12,711,989	142,202,178

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18 LEASE RECEIVABLES

	30 June 2022	31 December 2021
Sale and leaseback receivables	34,138,794	32,225,477
Finance lease receivables	1,181,090	674,173
Less: Unearned finance lease income	(4,356,237)	(4,152,483)
Present value of lease receivables	30,963,647	28,747,167
Interest accrued	385,800	301,288
Less: Provision for impairment losses	(803,730)	(823,599)
Total	30,545,717	28,224,856

(a) Lease receivables, unearned finance lease income and minimum lease receivables analysed by remaining period are listed as follows:

	30 June 2022			31 December 2021		
	Minimum lease receivables	Unearned finance lease income	Present value of lease receivables	Minimum lease receivables	Unearned finance lease income	Present value of lease receivables
Less than 1 year	13,603,752	(2,331,176)	11,272,576	11,711,506	(1,905,222)	9,806,284
1 year to 2 years	11,749,104	(1,220,563)	10,528,541	9,102,285	(1,096,055)	8,006,230
2 years to 3 years	6,649,353	(549,793)	6,099,560	6,834,325	(507,489)	6,326,836
3 years to 5 years	2,766,882	(196,297)	2,570,585	2,690,085	(183,292)	2,506,793
More than 5 years	550,793	(58,408)	492,385	2,561,449	(460,425)	2,101,024
Total	35,319,884	(4,356,237)	30,963,647	32,899,650	(4,152,483)	28,747,167

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18 LEASE RECEIVABLES (CONTINUED)

(b) Movements of provision for impairment losses

	30 June 2022			
	Stage 1	Stage 2	Stage 3	Total
	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
As at 1 January 2022	336,954	138,723	347,922	823,599
Transferred:				
– to Stage 1	-	-	-	-
– to Stage 2	(3,870)	3,870	-	-
– to Stage 3	-	-	-	-
Charge/(reversal) for the period	160,833	(6,586)	55,780	210,027
Write-offs	-	-	(229,896)	(229,896)
As at 30 June 2022	493,917	136,007	173,806	803,730

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
As at 1 January 2021	426,813	119,611	146,159	692,583
Transferred:				
– to Stage 1	69,471	(69,471)	-	-
– to Stage 2	(18,344)	18,344	-	-
– to Stage 3	(11,532)	-	11,532	-
Charge/(reversal) for the year	(129,454)	70,239	411,301	352,086
Write-offs	-	-	(221,070)	(221,070)
As at 31 December 2021	336,954	138,723	347,922	823,599

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18 LEASE RECEIVABLES (CONTINUED)

(c) Movements of present value of lease receivables

	30 June 2022			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2022	26,907,112	987,785	852,270	28,747,167
Transferred:				
- to Stage 1	-	-	-	-
- to Stage 2	(324,616)	324,616	-	-
- to Stage 3	-	-	-	-
Increase/(decrease) for the period	2,640,015	(141,015)	(52,623)	2,446,377
Write-offs	-	-	(229,897)	(229,897)
As at 30 June 2022	29,222,511	1,171,386	569,750	30,963,647

	31 December 2021			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2021	22,004,924	640,933	331,794	22,977,651
Transferred:				
- to Stage 1	363,550	(363,550)	-	-
- to Stage 2	(922,762)	922,762	-	-
- to Stage 3	(607,284)	-	607,284	-
Increase/(decrease) for the year	6,068,684	(212,360)	134,262	5,990,586
Write-offs	-	-	(221,070)	(221,070)
As at 31 December 2021	26,907,112	987,785	852,270	28,747,167

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19 INVESTMENT IN SUBSIDIARIES AND INTEREST IN ASSOCIATES

(a) Investment in subsidiaries

The Group's subsidiaries as at the end of the reporting period are as follows:

Name	Percentage of equity interest		Voting rights	Paid-in capital	Amount invested by the Bank	Place of incorporation registration	Principal activity
	30 June 2022	31 December 2021	30 June 2022	30 June 2022			
	%	%	%				
Fugou Zhengyin County Bank Co., Ltd.	50.20	50.20	50.20	60,000	30,120	China	Banking
Henan Jiuding Financial Leasing Co., Ltd.	51.00	51.00	51.00	2,000,000	1,020,000	China	Leasing
Xinmi Zhengyin County Bank Co., Ltd.	51.20	51.20	51.20	125,000	74,033	China	Banking
Xunxian Zhengyin County Bank Co., Ltd.	51.00	51.00	51.00	100,000	51,000	China	Banking
Queshan Zhengyin County Bank Co., Ltd.	51.00	51.00	51.00	50,000	25,500	China	Banking

Fugou Zhengyin County Bank Co., Ltd. was incorporated on 3 December 2015. Henan Jiuding Financial Leasing Co., Ltd. was incorporated on 23 March 2016. Xinmi Zhengyin County Bank Co., Ltd. has become a subsidiary of the Bank since 1 January 2017. Xunxian Zhengyin County Bank Co., Ltd. was incorporated on 6 November 2017. Queshan Zhengyin County Bank Co., Ltd. was incorporated on 14 November 2017. The five subsidiaries have no material non-controlling interest to the Group.

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19 INVESTMENT IN SUBSIDIARIES AND INTEREST IN ASSOCIATES (CONTINUED)

(b) Interest in associates

	30 June 2022	31 December 2021
Interest in associates	410,026	407,086
Total	410,026	407,086

The following list contains the Group's associates, all of which are individually immaterial to the Group and are unlisted corporate entities whose quoted market prices are not available:

Name	Note	Percentages of equity/voting rights%		Place of incorporation/ registration	Business sector
		30 June 2022	31 December 2021		
Zhongmu Zhengyin County Bank Co., Ltd.	(1)	18.53	18.53	China	Banking
Yanling Zhengyin County Bank Co., Ltd.		49.58	49.58	China	Banking
Xinzheng Zhengyin County Bank Co., Ltd.		25.00	25.00	China	Banking

(1) The Group has representation on the board of directors of Zhongmu Zhengyin County Bank Co., Ltd., and has significant influence over it.

The following table illustrates the aggregate information of the Group's associates that are not individually material:

	30 June 2022	31 December 2021
Aggregate carrying amount of the individually immaterial associates in the consolidated statements of financial position of the Group	410,026	407,086

	For the six months ended 30 June	
	2022	2021
Aggregate amounts of the Group's share of results of the associates		
– Profit from continuing operations	2,940	7,090
– Other comprehensive income	–	–
– Total comprehensive income	2,940	7,090

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20 PROPERTY AND EQUIPMENT

	Premises	Electronic equipment	Vehicles	Office equipment and others	Construction in progress	Total
Cost						
As at 1 January 2021	2,380,438	772,642	12,418	279,747	474,824	3,920,069
Additions	129,722	60,651	835	25,422	147,172	363,802
Disposals	-	(38,195)	(615)	(64,472)	-	(103,282)
As at 31 December 2021	2,510,160	795,098	12,638	240,697	621,996	4,180,589
Additions	1,671	20,314	-	4,796	124,942	151,723
Disposals	-	(10,232)	(795)	(4,549)	-	(15,576)
As at 30 June 2022	2,511,831	805,180	11,843	240,944	746,938	4,316,736
Accumulated depreciation						
As at 1 January 2021	(391,030)	(585,540)	(8,821)	(243,872)	-	(1,229,263)
Additions	(73,256)	(71,543)	(946)	(24,873)	-	(170,618)
Disposals	-	36,264	584	60,883	-	97,731
As at 31 December 2021	(464,286)	(620,819)	(9,183)	(207,862)	-	(1,302,150)
Additions	(38,355)	(31,321)	(478)	(10,416)	-	(80,570)
Disposals	-	9,720	755	4,236	-	14,711
As at 30 June 2022	(502,641)	(642,420)	(8,906)	(214,042)	-	(1,368,009)
Impairment						
As at 1 January 2021/ 31 December 2021/ 30 June 2022	(1,355)	(1,893)	-	(756)	-	(4,004)
Net book value						
As at 31 December 2021	2,044,519	172,386	3,455	32,079	621,996	2,874,435
As at 30 June 2022	2,007,835	160,867	2,937	26,146	746,938	2,944,723

The carrying amount of premises without title deeds as at 30 June 2022 was RMB212 million (31 December 2021: RMB223 million). The Group is still in the progress of applying for the outstanding title deeds for the above premises. The Group expected that there would be no significant cost in obtaining the title deeds.

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20 PROPERTY AND EQUIPMENT (CONTINUED)

The net book values of premises at the end of the reporting period are analysed by the remaining terms of the land leases as follows:

	30 June 2022	31 December 2021
Held in Mainland China		
– Medium-term leases (10 – 50 years)	2,005,537	2,042,084
– Short-term leases (less than 10 years)	2,298	2,435
Total	2,007,835	2,044,519

21 DEFERRED TAX ASSETS

(a) Analysed by nature

	30 June 2022		31 December 2021	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Allowance for impairment losses	17,786,572	4,446,643	14,777,796	3,694,449
Accrued staff costs	90,892	22,723	113,316	28,329
Fair value changes in financial instruments	511,396	127,849	489,828	122,457
Provisions	212,836	53,209	208,600	52,150
Others	28,080	7,020	11,616	2,904
Net deferred income tax assets	18,629,776	4,657,444	15,601,156	3,900,289

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21 DEFERRED TAX ASSETS (CONTINUED)

(b) Analysed by movement

	At 1 January 2022	Recognised in profit or loss	Recognised in other comprehensive income	At 30 June 2022
Allowance for impairment losses	3,694,449	678,288	73,906	4,446,643
Accrued staff costs	28,329	(5,606)	–	22,723
Fair value changes in financial instruments	122,457	114,585	(109,193)	127,849
Provisions	52,150	1,059	–	53,209
Others	2,904	4,116	–	7,020
Net deferred income tax assets	3,900,289	792,442	(35,287)	4,657,444

	At 1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2021
Allowance for impairment losses	3,414,880	279,569	–	3,694,449
Accrued staff costs	20,188	8,141	–	28,329
Fair value changes in financial instruments	224,648	65,026	(167,217)	122,457
Provisions	52,793	(643)	–	52,150
Others	6,453	(3,549)	–	2,904
Net deferred income tax assets	3,718,962	348,544	(167,217)	3,900,289

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22 OTHER ASSETS

	Note	30 June 2022	31 December 2021
Interest receivable	(a)	960,532	1,120,897
Other receivables		621,362	1,085,037
Intangible assets	(b)	737,497	777,859
Continuously involved assets	(d)	588,853	588,853
Right-of-use assets	(c)	697,418	723,006
Leasehold improvements		98,349	93,565
Prepayments		55,597	52,269
Others		12,386	68,204
Sub-total		3,771,994	4,509,690
Less: Allowance for impairment losses		(118,632)	(22,322)
Total		3,653,362	4,487,368

(a) Interest receivable

	30 June 2022	31 December 2021
Interest receivable arising from:		
– Investments	905,539	956,381
– Loans and advances to customers	53,401	34,851
– Others	1,592	129,665
Sub-total	960,532	1,120,897
Less: Allowance for impairment losses	(115,707)	(19,397)
Total	844,825	1,101,500

Interest receivable only includes interest that has been due for the relevant financial instruments but not yet received at the balance sheet date. Interest on financial instruments based on the effective interest method has been reflected in the balance of corresponding financial instruments.

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22 OTHER ASSETS (CONTINUED)

(b) Intangible assets

	For the six months ended 30 June 2022	For the year ended 31 December 2021
Cost		
As at 1 January	1,107,648	935,608
Additions	13,602	198,233
Decrease	–	(26,193)
As at 30 June/31 December	1,121,250	1,107,648
Accumulated amortisation		
As at 1 January	(329,789)	(260,948)
Additions	(53,964)	(93,826)
Decrease	–	24,985
As at 30 June/31 December	(383,753)	(329,789)
Net book value		
As at 1 January	777,859	674,660
Balance at the end of the period/year	737,497	777,859

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22 OTHER ASSETS (CONTINUED)

(c) Right-of-use assets

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

	Premises	Land use rights	Vehicles	Office equipment and others	Total
Cost					
As at 1 January 2021	552,963	375,830	8,571	5,531	942,895
Additions	138,798	–	5,444	2,029	146,271
Disposals	(58,195)	–	(4,290)	(5,242)	(67,727)
As at 31 December 2021	633,566	375,830	9,725	2,318	1,021,439
Additions	44,940	–	1,087	1,720	47,747
Disposals	(42,766)	–	(481)	–	(43,247)
As at 30 June 2022	635,740	375,830	10,331	4,038	1,025,939
Accumulated depreciation					
As at 1 January 2021	(175,895)	(36,339)	(4,629)	(1,295)	(218,158)
Additions	(133,353)	(7,120)	(3,275)	(4,254)	(148,002)
Disposals	58,195	–	4,290	5,242	67,727
As at 31 December 2021	(251,053)	(43,459)	(3,614)	(307)	(298,433)
Additions	(66,920)	(3,560)	(1,684)	(1,171)	(73,335)
Disposals	42,766	–	481	–	43,247
As at 30 June 2022	(275,207)	(47,019)	(4,817)	(1,478)	(328,521)
Allowance for impairment losses					
As at 1 January 2021	–	(145)	–	–	(145)
Additions	–	–	–	–	–
Disposals	–	–	–	–	–
As at 31 December 2021	–	(145)	–	–	(145)
Additions	–	–	–	–	–
Disposals	–	–	–	–	–
As at 30 June 2022	–	(145)	–	–	(145)
Net book value					
As at 31 December 2021	382,513	332,226	6,111	2,011	722,861
As at 30 June 2022	360,533	328,666	5,514	2,560	697,273

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22 OTHER ASSETS (CONTINUED)

(d) Continuously involved assets

In 2020, the Bank, as the initiator, entrusted part of the personal housing mortgage loans to Huaneng Guicheng Trust Co., Ltd., and established the first phase of Yuding's 2020 personal housing mortgage loan securitisation trust to issue asset-backed securities under the trust, among which, the total face value of "priority asset-backed security" is RMB2,910 million, and the total face value of "secondary asset-backed security" is RMB589 million.

During the period ended 30 June 2022, the Bank neither transferred nor retained substantially all the risks (mainly including the credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of the ownership and retained the control and has continuing involvement in these financial assets. As at 30 June 2022, the Bank continued to recognise the financial assets with a carrying amount of RMB589 million (31 December 2021 RMB589 million) based on its extent of continuing involvement in the assets, and recognised assets and liabilities with continuing involvement as other assets and other liabilities.

23 DUE TO CENTRAL BANK

	30 June 2022	31 December 2021
Due to Central Bank	21,380,176	22,583,201
Interest accrued	229,628	202,494
Total	21,609,804	22,785,695

Due to Central Bank mainly includes Medium-term Lending Facility and Reload for Supporting Small Businesses.

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24 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2022	31 December 2021
In Mainland China		
– Banks	15,645,952	19,309,231
– Other financial institutions	15,659,016	18,075,911
Sub-total	31,304,968	37,385,142
Interest accrued	190,977	281,278
Total	31,495,945	37,666,420

25 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2022	31 December 2021
In Mainland China		
– Banks	25,271,010	23,936,963
– Other financial institutions	2,920,000	3,350,000
Sub-total	28,191,010	27,286,963
Outside Mainland China		
– Banks	500,000	–
Interest accrued	292,665	350,013
Total	28,983,675	27,636,976

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26 DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivative contracts which are non-deliverable forwards.

The notional amount and fair value of unexpired derivative financial instruments held by the Group are set out in the following tables:

	30 June 2022		
	Notional amount	Fair value (assets)	Fair value (liabilities)
Non-deliverable forwards	2,483,218	–	(74,600)
Total	2,483,218	–	(74,600)

	31 December 2021		
	Notional amount	Fair value (assets)	Fair value (liabilities)
Non-deliverable forwards	6,248,186	173,981	–
Total	6,248,186	173,981	–

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27 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	30 June 2022	31 December 2021
In Mainland China		
– PBOC	2,860,000	2,150,000
– Banks	14,435,282	10,212,765
Sub-total	17,295,282	12,362,765
Interest accrued	2,909	8,649
Total	17,298,191	12,371,414

(b) Analysed by type of collateral

	30 June 2022	31 December 2021
Debt securities	15,157,550	9,841,300
Bills	2,137,732	2,521,465
Sub-total	17,295,282	12,362,765
Interest accrued	2,909	8,649
Total	17,298,191	12,371,414

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28 DEPOSITS FROM CUSTOMERS

	30 June 2022	31 December 2021
Demand deposits		
– Corporate deposits	79,976,658	88,226,614
– Personal deposits	33,102,522	36,268,084
Sub-total	113,079,180	124,494,698
Time deposits		
– Corporate deposits	76,369,164	75,143,583
– Personal deposits	96,115,327	85,412,343
Sub-total	172,484,491	160,555,926
Pledged deposits		
– Acceptances	28,344,799	23,636,461
– Letters of guarantees	510,761	590,796
– Letters of credit	6,954,349	7,547,305
– Others	2,095,721	1,590,935
Sub-total	37,905,630	33,365,497
Others	994,467	397,329
Sub-total	994,467	397,329
Interest accrued	3,152,951	2,760,765
Total	327,616,719	321,574,215

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29 DEBT SECURITIES ISSUED

	Note	30 June 2022	31 December 2021
Financial bonds	(a)	6,398,125	8,397,422
Tier-two capital bonds	(b)	–	1,999,595
Interbank deposits		83,953,651	79,502,626
Sub-total		90,351,776	89,899,643
Interest accrued		170,336	177,074
Total		90,522,112	90,076,717

(a) Financial bonds

Fixed rate financial bonds of RMB5.0 billion with a term of three years was issued in August 2021. The coupon rate is 3.16% per annum.

Fixed rate financial bonds of RMB1.4 billion with a term of three years was issued in November 2020 by Henan Jiuding Financial Leasing Co., Ltd. The coupon rate is 4.20% per annum.

Fixed rate green financial bonds of RMB2.0 billion with a term of three years was issued in June 2019. The coupon rate is 3.70% per annum. This bond matured in June 2022.

(b) Tier-two capital bonds

Fixed rate tier-two capital bonds of RMB2.0 billion with a term of ten years were issued in March 2017. The coupon rate is 4.80% per annum. This tier-two capital bond was called at par value in March 2022.

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30 OTHER LIABILITIES

	Note	30 June 2022	31 December 2021
Accrued staff costs	(a)	591,133	908,965
Finance lease payable		325,512	405,583
Dormant accounts		49,446	44,922
Payment and collection clearance		474,107	54,258
Dividend payable		27,076	27,076
Expected credit losses of credit commitments	(b)	212,837	208,600
Lease liabilities	(c)	353,316	369,216
Continuously involved liabilities	22(d)	588,853	588,853
Others		605,753	489,500
Total		3,228,033	3,096,973

(a) Accrued staff costs

	Note	30 June 2022	31 December 2021
Salaries, bonuses and allowances payable		354,885	708,394
Social insurance and annuity payable		36,176	223
Housing allowances payable		57	97
Labour union fee, staff and workers' education fee		8,656	3,015
Supplementary retirement benefits payable	(1)	191,359	196,079
Other short-term salary payable		–	1,157
Total		591,133	908,965

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30 OTHER LIABILITIES (CONTINUED)

(a) Accrued staff costs (Continued)

(1) Supplementary retirement benefits (“SRB”)

The supplementary retirement benefits of the Group include early retirement plan and supplementary retirement plan. The early retirement benefits payments are provided to employees who voluntarily agree to retire before the retirement age during the period from the date of early retirement to the statutory retirement date. The supplementary retirement plan is provided to the Group’s eligible employees.

The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period. The Group’s obligations in respect of the SRB were assessed using projected unit credit method by qualified staff (a member of society of Actuaries in China) of an external independent actuary, Towers Watson Management Consulting (Shenzhen) Co., Ltd. The signed actuaries are North American Actuary (FSA) and Chinese Actuary (FCAA).

At 30 June 2022, there are no forfeited contributions under the Group’s retirement benefit plans which can be used to deduct contributions payable for future years.

(i) The balances of supplementary retirement benefits of the Group are as follows:

	30 June 2022	31 December 2021
Present value of early retirement plan	12,480	14,930
Present value of supplementary retirement plan	178,879	181,149
Total	191,359	196,079

(ii) The movements of supplementary retirement benefits of the Group are as follows:

	30 June 2022	31 December 2021
As at 1 January	196,079	171,708
Benefits paid during the period/year	(6,380)	(15,447)
Defined benefit cost recognised in profit or loss	3,098	31,516
Defined benefit cost recognised in other comprehensive income	(1,438)	8,302
As at 30 June/31 December	191,359	196,079

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30 OTHER LIABILITIES (CONTINUED)

(a) Accrued staff costs (Continued)

(1) Supplementary retirement benefits ("SRB") (Continued)

(iii) Key actuarial assumptions of the Group are as follows:

	30 June 2022	31 December 2021
Early retirement plan		
Discount rate	2.50%	2.50%
Retirement age		
– Male	60	60
– Female	55	55
Annual increase rate of internal salary	6.00%	6.00%
Supplementary retirement plan		
Discount rate	3.00%	3.00%
Retirement age		
– Male	60	60
– Female	55	55
Death rate for people aged 20 – 105		
– Male	0.0248% – 100%	0.0248% – 100%
– Female	0.012% – 100%	0.012% – 100%

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30 OTHER LIABILITIES (CONTINUED)

(b) Expected credit losses of credit commitments

As at 30 June 2022 and 31 December 2021, movements of expected credit losses of credit commitments during the period/year are as follows:

	30 June 2022			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
As at 1 January 2022	194,316	177	14,107	208,600
Transferred:				
– to Stage 1	–	–	–	–
– to Stage 2	(17)	17	–	–
– to Stage 3	(81)	(60)	141	–
Charge/(reversal) for the period	7,179	541	(3,483)	4,237
As at 30 June 2022	201,397	675	10,765	212,837

	31 December 2021			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
As at 1 January 2021	195,496	589	15,085	211,170
Transferred:				
– to Stage 1	5,134	(512)	(4,622)	–
– to Stage 2	(3)	5	(2)	–
– to Stage 3	(3)	(57)	60	–
Charge/(reversal) for the year	(6,308)	152	3,586	(2,570)
As at 31 December 2021	194,316	177	14,107	208,600

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30 OTHER LIABILITIES (CONTINUED)

(c) Lease liabilities

The maturity analysis of lease liabilities – undiscounted analysis:

	30 June 2022	31 December 2021
Within one year (inclusive)	120,470	119,983
Between one year and two years (inclusive)	96,162	93,786
Between two years and three years (inclusive)	75,568	76,873
Between three years and five years (inclusive)	86,569	104,051
More than five years	17,648	24,323
Total undiscounted lease liabilities	396,417	419,016
Net book value	353,316	369,216

31 SHARE CAPITAL

Authorised and issued share capital

	30 June 2022	31 December 2021
Ordinary shares listed in Mainland China (A-share)	6,428,758	6,428,758
Ordinary shares listed in Hong Kong (H-share)	1,836,780	1,836,780
Total	8,265,538	8,265,538

In December 2015, the Bank issued 1,200 million H-shares with a par value of RMB1 at an offering price of HKD3.85 per share (the “H-share offering”). The premium arising from the H-share offering amounting to RMB2,562 million was recorded in capital reserve. Immediately following the H-share offering, 120 million ordinary shares in Mainland China shares held by the National Council and Social Security Fund were converted to H-shares pursuant to the relevant PRC regulations relating to the reduction of state-owned shares.

In January 2016, the Bank issued 180 million H-shares (H-shares’ over-allotment option) with a par value of RMB1 at an offering price of HKD3.85 per share. The premium arising from the offering amounting to RMB392 million was recorded in capital reserve.

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31 SHARE CAPITAL (CONTINUED)

Authorised and issued share capital (Continued)

In September 2018, the Bank issued 600 million A-shares with a par value of RMB1 at an offering price of RMB4.59 per share (the “A-share offering”). The premium arising from the A-share offering amounting to RMB2,109 million was recorded in capital reserve.

In June 2020, the Bank converted capital reserve to share capital on the basis of 1 share for every 10 shares offered to all shareholders, and the total number of shares increased by 592 million.

In November 2020, the Bank issued 1 billion A-shares with a par value of RMB1 at an offering price of RMB4.64 per share (the “non-public A-share offering”). The premium arising from the non-public A-share offering amounting to RMB3,632 million was recorded in capital reserve.

In December 2021, the Bank converted capital reserve to share capital on the basis of 1 share for every 10 shares offered to all shareholders, and the total number of shares increased by 751 million.

All the above H-shares have been listed on the Stock Exchange of Hong Kong Limited since 20 January 2016. The H-shares rank pari passu in all respects with the existing A-share listed in Mainland China including the right to receive all dividends and distributions declared or made.

32 RESERVES

(a) Capital reserve

	30 June 2022	31 December 2021
Share premium	7,387,875	7,387,875
Others	64,615	64,615
Total	7,452,490	7,452,490

(b) Surplus reserve

The surplus reserve at the end of the reporting period represented statutory surplus reserve fund and discretionary surplus reserve fund.

Pursuant to the Company Law of the PRC and the Article of Association of the Bank, the Bank is required to appropriate 10% of its net profit on an annual basis as determined under the PRC GAAP after making good prior year’s accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

The Bank may also appropriate discretionary surplus reserve fund in accordance with the resolution of the shareholders.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

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32 RESERVES (CONTINUED)

(c) General reserve

With effect from 1 July 2012, pursuant to the *Measures on Impairment Allowances for Financial Enterprises* (Cai Jin [2012] No. 20) issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis.

(d) Fair value reserve

	30 June 2022	31 December 2021
As at 1 January	(173,457)	(698,206)
Change in fair value/credit losses recognised in other comprehensive income	9,967	304,388
Transfer to profit or loss upon disposal	74,850	395,277
Less: Deferred income tax	(21,205)	(174,916)
Sub-total	63,612	524,749
Change in fair value of equity instruments recognised in other comprehensive income	56,330	-
Less: Deferred income tax	(14,082)	-
Sub-total	42,248	-
As at 30 June/31 December	(67,597)	(173,457)

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For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

32 RESERVES (CONTINUED)

(e) Remeasurement of net defined benefit liability

Remeasurement of net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

	30 June 2022	31 December 2021
As at 1 January	(69,255)	(60,953)
Remeasurement of net defined benefit liability	1,438	(8,302)
Less: Deferred income tax	-	-
Sub-total	1,438	(8,302)
As at 30 June/31 December	(67,817)	(69,255)

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32 RESERVES (CONTINUED)

(f) Movements in components of equity

The reconciliation of the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Bank's individual components of equity between the beginning and the end of the period/year are set out below:

The Bank

	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2022	8,265,538	17,824,363	7,452,548	3,281,678	7,244,200	(173,457)	(69,255)	13,429,656	57,255,271
Profit for the period	-	-	-	-	-	-	-	2,430,916	2,430,916
Other comprehensive income	-	-	-	-	-	105,860	1,438	-	107,298
Sub-total comprehensive income	-	-	-	-	-	105,860	1,438	2,430,916	2,538,214
Balance at 30 June 2022	8,265,538	17,824,363	7,452,548	3,281,678	7,244,200	(67,597)	(67,817)	15,860,572	59,793,485

Notes to the Unaudited Interim Condensed Consolidated Financial Information

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32 RESERVES (CONTINUED)

(f) Movements in components of equity (Continued)

The reconciliation of the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Bank's individual components of equity between the beginning and the end of the period/year are set out below: (Continued)

The Bank (Continued)

	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2021	7,514,125	7,825,508	8,203,961	2,976,573	6,971,200	(698,206)	(60,953)	11,426,923	44,159,131
Profit for the year	-	-	-	-	-	-	-	3,051,047	3,051,047
Other comprehensive income	-	-	-	-	-	524,749	(8,302)	-	516,447
Sub-total comprehensive income	-	-	-	-	-	524,749	(8,302)	3,051,047	3,567,494
Capital invested by shareholders:									
- Issuance of perpetual debts	-	9,998,855	-	-	-	-	-	-	9,998,855
Appropriation of profit:									
- Appropriation to surplus reserve	-	-	-	305,105	-	-	-	(305,105)	-
- Appropriation to general reserve	-	-	-	-	273,000	-	-	(273,000)	-
- Cash dividend on preference shares	-	-	-	-	-	-	-	(470,209)	(470,209)
Capital reserve converted into share capital	751,413	-	(751,413)	-	-	-	-	-	-
Balance at 31 December 2021	8,265,538	17,824,363	7,452,548	3,281,678	7,244,200	(173,457)	(69,255)	13,429,656	57,255,271

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33 PROFIT DISTRIBUTION

(a) Dividends for Ordinary Shares

In accordance with the resolution of the Bank's 2021 Annual General Meeting of Shareholders held on 10 June 2022, no cash dividends will be distributed for the year ended 31 December 2021, and no bonus shares or new shares will be issued by way of capitalisation issue.

(b) Dividends for Preference Shares

As per the resolution and authorisation of the General Meeting, the Bank reviewed and approved the Proposal on Distribution of Dividends for Preference Shares at the 2nd meeting of the seventh session of the Board of the Bank on 27 August 2021, permitting the Bank to distribute the dividends on the Bank's offshore preference shares on 18 October 2021.

Dividends on the Bank's offshore preference shares are paid annually in cash, and calculated based on the aggregate value of the offshore preference shares. Dividends on the preference shares are non-cumulative. Holders of preference shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution plan in the preference share issuance proposal, the Bank distributed a dividend of USD72.78 million, aggregating to RMB470 million at the rate on dividend declared date. In practice, the dividend was distributed in the currency of the preference share. According to relevant laws, when the Bank distributes dividends on preference shares, the enterprise income tax shall be withheld by the Bank at a rate of 10%. According to the requirements of the terms and conditions of the offshore preference shares, the Bank shall pay the relevant taxes, in addition to the dividends on offshore preference shares.

(c) Retained earnings

As at 30 June 2022, retained earnings of the Group included the statutory surplus reserve of RMB62 million appropriated by the subsidiaries and attributable to the Bank (31 December 2021: RMB62 million).

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34 OTHER EQUITY INSTRUMENTS

(a) Preference shares outstanding at the end of the period:

Financial instrument outstanding	Time issued	Classifications	Dividend yield ratio/ Interest rate	Issue price	Quantities	In original currency million	In RMB million	Maturity	Conversion conditions
Offshore preference shares	2017/10/18	Equity	5.50%	USD20/share	59,550,000	1,191,000	7,859,528	None	Mandatory conversion trigger events
Less: Issuing cost							(34,020)		
Book value							7,825,508		
Undated additional tier 1 capital bonds	2021/11/11	Equity	4.80%	RMB100	100,000,000	10,000,000	10,000,000	None	None
Less: Issuing cost							(1,145)		
Book value							9,998,855		
Total							17,824,363		

(b) Main clause

(i) Offshore preference shares

(1) Dividend

The rate is fixed for a certain period after issuance. Dividend resets every 5 years thereafter to the sum of the benchmark rate and the fixed spread. The fixed spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate.

The fixed spread will remain unchanged throughout the term of the preference shares. Dividends will be paid annually.

If the Bank has distributable after-tax profit after making up for previous years' losses and contributing to the statutory reserve and general reserve, the Bank may pay dividends to the offshore preference shareholders in accordance with the articles of association of the Bank, provided that the capital adequacy ratio of the Bank meets the regulatory requirements. The offshore preference shareholders shall be ranked in priority to the ordinary shareholders in terms of dividend distribution.

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34 OTHER EQUITY INSTRUMENTS (CONTINUED)

(b) Main clause (Continued)

(i) Offshore preference shares (Continued)

(1) Dividend (Continued)

Any declaration and payment of all of the dividends on the offshore preference shares by the Bank will be determined by the board in accordance with the authorisation given by the general meeting. Any cancellation of all or part of the dividends on the offshore preference shares shall be subject to the consideration and approval by the general meeting. If the Bank cancels all or part of the distribution of dividends on the offshore preference shares, the Bank shall not distribute any dividends to the ordinary shareholders from the next day following the resolution being approved at the general meeting until the resumption of payment of dividends in full.

(2) Dividend accumulation

The dividends on the offshore preference shares will be non-cumulative (namely, in the event of any cancellation of all or part of the dividends on the offshore preference shares by the Bank, any amount of dividends not paid to the offshore preference shareholders in full in the current period will not be accumulated to the following dividend periods).

(3) Distribution of residual profits

After receiving the dividends at the prescribed dividend rate, the offshore preference shareholders shall not be entitled to any distribution of residual profits of the Bank together with the ordinary shareholders.

(4) Mandatory conversion trigger events

Upon the occurrence of an additional tier 1 capital trigger event (namely, the core tier 1 capital adequacy ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert, without the approval of the offshore preference shareholders, all or part of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares in order to restore the core tier 1 capital adequacy ratio of the Bank to above 5.125%. In case of partial conversion, the offshore preference shares shall be converted ratably and under the same conditions. Upon the conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances.

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34 OTHER EQUITY INSTRUMENTS (CONTINUED)

(b) Main clause (Continued)

(i) Offshore preference shares (Continued)

(4) Mandatory conversion trigger events (Continued)

Upon the occurrence of a tier 2 capital trigger event, the Bank shall have the right to convert, without the approval of the offshore preference shareholders, all of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares. Upon the conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances. A tier 2 capital trigger event means the earlier of the following events: (1) the CBIRC having concluded that without a conversion or write-off of the Bank's capital, the Bank would become non-viable, and (2) the relevant authorities having concluded that without an injection of capital from a public sector or equivalent support, the Bank would become non-viable.

(5) Conditional redemption

From the fifth year following the date of issuance of the offshore preference shares, and being subject to obtaining the approval of the CBIRC or its affiliates and the compliance with the relevant requirements, the Bank shall have the right to redeem all or part of the offshore preference shares.

The redemption price of the offshore preference shares will be an amount equal to the issue price plus the amount of dividend declared but unpaid for the current period.

(ii) Undated additional tier 1 capital bonds

(1) Issuance

With the approvals by relevant regulatory authorities, the Bank issued undated additional tier 1 capital bonds with the amount of RMB10,000 million in the national interbank bond market on 11 November 2021 (hereinafter referred to as "Perpetual Bond"). Each Perpetual Bond has a par value of RMB100, and the annual coupon rate of the bonds for the first five years is 4.80%, resetting every 5 years. The rate is determined by a benchmark rate plus a fixed spread. The fixed spread is the difference between the distribution rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined during the duration period.

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34 OTHER EQUITY INSTRUMENTS (CONTINUED)

(b) Main clause (Continued)

(ii) *Undated additional tier 1 capital bonds (Continued)*

(2) *Conditional redemption*

The duration of the Perpetual Bond is consistent with the going concern duration of the Bank. 5 years later since the issuance date of the Perpetual Bond, the Bank shall have the right to redeem the Perpetual Bond in whole or in part on each distribution payment date (including the fifth distribution payment date since the issuance). Upon the issuance of the Perpetual Bond, in the event that the Perpetual Bond is not classified as other tier-one capital bonds due to unpredictable changes in regulations, the Bank shall have the right to redeem the Perpetual Bond fully but not partly.

(3) *The claims of the holders of the Bonds*

The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated indebtedness that ranks senior to the Bonds; and shall be ranked in priority to all classes of shares held by shareholders and will rank pari passu with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

(4) *Write-down clauses*

Upon the occurrence of the non survival trigger event, without the need for the consent of the holders of the Bonds, the Bank has the right to write down all or part of the aggregate amount of the Bonds then issued and outstanding. The non survival trigger event means the earlier of the following events: (1) the CBIRC having concluded that without a write-off of the Bank's capital, the Bank would become non-viable, and (2) the relevant authorities having concluded that without an injection of capital from a public sector or equivalent support, the Bank would become non-viable. The write-down is unrecoverable.

(5) *Distributions*

The distributions on the Perpetual bonds are non-cumulative. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and any such cancellation shall not constitute an event of default. The Bank may at its discretion use the proceeds from the cancelled distribution to meet other obligations as they fall due. But the Bank shall not make any distribution to ordinary shareholders before it decides to resume the distribution payments in whole to the holders of the Bonds.

The funds raised by the Bank from the above-mentioned Perpetual Bond will be approved by applicable laws and regulatory agencies to supplement other Tier 1 capital of the Bank.

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35 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Cash and cash equivalents comprise:

	30 June 2022	30 June 2021
Cash on hand	1,736,166	990,035
Surplus deposit reserves with Central Bank	7,912,728	6,601,810
Deposits with banks and other financial institutions with original maturity of three months or less	2,832,260	2,740,320
Placements with banks and other financial institutions with original maturity of three months or less	1,909,394	3,885,619
Total	14,390,548	14,217,784

36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) Major shareholders

Major shareholders include shareholders holding more than 5% shares of the Bank.

Shareholdings in the Bank:

	30 June 2022	31 December 2021
Zhengzhou Finance Bureau	7.23%	7.23%
Zhengzhou Investment Holdings Co., Ltd.	5.44%	5.44%

(ii) Subsidiaries and associates of the Bank

The detailed information of the Bank's subsidiaries and associates is set out in Note 19.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

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36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(a) Relationship of related parties (Continued)

(iii) Other related parties

Other related parties can be individuals or enterprises, which include members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; shareholders holding less than 5% shares of the Bank while having significant influence on the Bank's operation and management; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 36 (a)(i) or their controlling shareholders. Other related parties also include post-employment benefit plans of the Bank (Note 30(a)).

(b) Related party transactions and balances

Related party transactions of the Group mainly refer to loans, deposits and bank acceptances, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

(i) Transactions with major shareholders

	30 June 2022	31 December 2021
Balances at the end of the period/year:		
Financial investments measured at amortised cost	856,504	895,199
Deposits from customers	3,444,614	989,916
Other liabilities	64,285	63,686
	For the six months ended 30 June	
	2022	2021
Transactions during the period:		
Interest income	26,742	–
Interest expense	7,100	98

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For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances (Continued)

(ii) Transactions with subsidiaries

	30 June 2022	31 December 2021
Balances at the end of the period/year:		
Deposits/placements with banks and other financial institutions	160,000	–
Deposits from banks and other financial institutions	1,190,931	1,747,962
Guarantee for subsidiaries	206,100	125,090
	For the six months ended 30 June	
	2022	2021
Transactions during the period:		
Interest expense	17,068	2,809

The above balances and transactions with subsidiaries have been eliminated in full in the consolidated financial statements.

(iii) Transactions with associates

	30 June 2022	31 December 2021
Balances at the end of the period/year:		
Deposits/placements with banks and other financial institutions	950,941	301,574
Deposits from banks and other financial institutions	1,054,121	1,383,084
	For the six months ended 30 June	
	2022	2021
Transactions during the period:		
Interest expense	15,022	7,743

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For the six months ended 30 June 2022
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36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances (Continued)

(iv) Transactions with other major related parties

	30 June 2022	31 December 2021
Balances at the end of the period/year:		
Loans and advances to customers	8,945,396	11,641,681
Financial investments measured at amortised cost	5,532,073	5,636,791
Financial investments at fair value through profit or loss	674,559	511,742
Financial investments at fair value through other comprehensive income	124,986	118,837
Deposits from customers	3,755,387	3,446,587
Deposits from banks and other financial institutions	58,049	39,651
Bank acceptances	1,659,460	3,183,420
	For the six months ended 30 June	
	2022	2021
Transactions during the period:		
Interest income	227,147	209,976
Interest expense	33,422	50,204
Fee and commission income	51,378	100,565

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Key management personnel

(i) Transactions with key management personnel

	30 June 2022	31 December 2021
Balances at the end of the period/year:		
Loans and advances to customers	–	4,035
Deposits from customers	35,002	25,971
	30 June 2022	30 June 2021
Transactions during the period:		
Interest income	27	113
Interest expense	408	144

(ii) Key management personnel remuneration

	30 June 2022	30 June 2021
Salaries and other emoluments	6,445	5,966
Discretionary bonuses	13,032	12,938
Social insurance and welfare plans, housing allowances	634	644
Total	20,111	19,548

No post-employment benefits, termination benefits or other long-term benefits were provided to key management personnel for the period ended 30 June 2022 and 30 June 2021.

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For the six months ended 30 June 2022
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36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Key management personnel (Continued)

(iii) Loans to key officers

Loans and advances to directors, supervisors and officers of the Bank, which are disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap.622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap.32), are as follows:

	30 June 2022	31 December 2021
Aggregate amount of relevant loans outstanding as at the period/year end	–	4,035
Maximum aggregate amount of relevant loans outstanding during the period/year	–	4,035

There were no amounts due but unpaid, nor any impairment provisions made against the principal or interest on these loans at 30 June 2022 (31 December 2021: Nil).

37 SEGMENT REPORTING

(a) Business Segment

The Group manages its business by business lines. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade finance and deposit-taking activities, financial leasing, agency services, and remittance and settlement services.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

37 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit-taking activities, bank card business, personal wealth management services, remittance and settlement services, and collection and payment agency services.

Treasury business

This segment covers the Group's treasury business including interbank money market transactions, repurchase transactions and investments. The treasury segment also covers the management of the Group's overall liquidity position, including issuance of debts.

Others

These represent equity investments and related income and any other business which cannot form a single reportable segment.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

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

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, with the exception of deferred income tax assets. Segment income, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment, intangible assets and other long-term assets.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022
(In RMB thousands, unless otherwise stated)

37 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	Six months ended 30 June 2022				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	5,147,003	476,138	622,572	–	6,245,713
Internal net interest income/ (expense)	(1,516,292)	664,728	851,564	–	–
Net interest income	3,630,711	1,140,866	1,474,136	–	6,245,713
Net fee and commission income	170,941	42,952	205,413	–	419,306
Net trading gains	30,093	–	664,092	–	694,185
Net gains arising from investments	–	–	176,205	–	176,205
Other operating income	–	–	–	28,979	28,979
Operating income	3,831,745	1,183,818	2,519,846	28,979	7,564,388
Operating expenses	(672,141)	(311,662)	(371,375)	(7,115)	(1,362,293)
Impairment losses on assets	(2,051,242)	(131,787)	(776,316)	–	(2,959,345)
Operating profit	1,108,362	740,369	1,372,155	21,864	3,242,750
Share of profits of associates	–	–	–	2,940	2,940
Profit before taxation	1,108,362	740,369	1,372,155	24,804	3,245,690
Other segment information					
– Depreciation and amortisation	83,618	126,172	17,637	–	227,427
– Capital expenditure	101,913	48,876	60,463	628	211,880

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

37 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	30 June 2022				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	277,022,615	93,261,601	207,811,176	1,542,728	579,638,120
Deferred tax assets					4,657,444
Total assets					584,295,564
Segment liabilities/ Total liabilities	197,875,555	131,373,467	190,755,787	2,144,601	522,149,410
Credit commitments	95,132,568	5,335,993	-	-	100,468,561

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For the six months ended 30 June 2022
(In RMB thousands, unless otherwise stated)

37 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	Six months ended 30 June 2021				Total
	Corporate banking	Retail banking	Treasury business	Others	
Operating income					
External net interest income	3,619,465	424,847	1,724,277	–	5,768,589
Internal net interest income/ (expense)	115,997	554,067	(670,064)	–	–
Net interest income	3,735,462	978,914	1,054,213	–	5,768,589
Net fee and commission income	87,605	15,794	619,317	–	722,716
Net trading gains	–	–	279,268	–	279,268
Net gains arising from investments	–	–	141,207	–	141,207
Other operating income	–	–	–	33,084	33,084
Operating income	3,823,067	994,708	2,094,005	33,084	6,944,864
Operating expenses	(728,862)	(286,923)	(350,755)	(13,299)	(1,379,839)
Impairment losses on assets	(1,704,438)	66,183	(772,679)	–	(2,410,934)
Operating profit	1,389,767	773,968	970,571	19,785	3,154,091
Share of profits of associates	–	–	–	7,090	7,090
Profit before taxation	1,389,767	773,968	970,571	26,875	3,161,181
Other segment information					
– Depreciation and amortisation	120,545	47,168	58,132	2,186	228,031
– Capital expenditure	91,455	36,539	45,815	649	174,458

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(In RMB thousands, unless otherwise stated)

37 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	31 December 2021				Total
	Corporate banking	Retail banking	Treasury business	Others	
Segment assets	258,723,296	88,962,885	221,925,492	1,467,700	571,079,373
Deferred tax assets					3,900,289
Total assets					574,979,662
Segment liabilities/					
Total liabilities	199,852,654	123,287,430	190,792,005	1,636,033	515,568,122
Credit commitments	96,099,861	4,749,329	–	–	100,849,190

(b) Geographical information

Geographically, the Group mainly conducts its business in Henan Province of the PRC and majority of its customers and assets are located in Henan Province of the PRC.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

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38 RISK MANAGEMENT

The Group is primarily exposed to credit, interest rate, currency and liquidity risks from its use of financial instruments in the normal course of the Group's operations. This note mainly presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes of measuring and managing risks.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and minimise potential adverse effects.

The Board of Directors (the "Board") is the highest decision-making authority within the Group in terms of risk management and oversees the Group's risk management through the Risk Management Committee. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adhere to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Senior management is the highest execution level in the risk management structure and reports directly to the Risk Management Committee of the Board. Based on the risk management strategies determined by the Board, senior management is responsible for formulating and implementing risk management policies and systems, as well as supervising, identifying and controlling the risks that various businesses are exposed to.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and debt investment portfolios and guarantees granted.

Credit business

The Board is responsible for establishing the Group's risk management strategies and the overall risk tolerance level. The Board also monitors the Group's risk management process, regularly assesses the Group's risk position and risk management strategies, and ensures that credit risk in various businesses are properly identified, assessed, calculated and monitored. The Credit Management Department is responsible for credit risk management. Departments such as the Credit Approval Department, the Corporate Business Department, the Retail Banking Department, the Financial Department of Small Business, Investment Bank Department, and the Financial Markets Department, carry out credit businesses according to the Group's risk management policies and procedures. The Group adopts a loan risk classification approach to manage its loan portfolio risk.

Treasury Business

The Group's treasury business are exposed to the credit risk associated with the investment business and interbank business. The Group manages the credit risk exposures by setting up credit on its treasury business and interbank business. Credit risk exposure is closely monitored on a systematic, real-time basis. Credit risk limits are reviewed and updated regularly.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

38 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL

Based on whether there is a significant increase in credit risk and whether the asset has incurred credit impairment losses, the Group measures loss provision of different assets with 12-month ECL or lifetime ECL respectively.

The Group measures loss provision for the financial instruments that meet the following conditions according to the amount of expected credit losses within the next 12 months, and measures loss provision for other financial instruments in accordance with the amount of lifetime expected credit losses.

- The financial instruments that are determined to have low credit risk at the reporting date; or
- The financial instruments for which credit risk has not increased significantly since initial recognition.

(i) Significant increase in credit risk

When one or more quantitative, qualitative standards or upper limits are triggered, the Group assumes that credit risk on financial instruments has increased significantly.

If the borrower is listed in the watch list and one or more of the following criteria are met:

- The credit spread increases significantly
- Significant changes with an adverse effect that have taken place in the borrower's business, financial and economic status
- Application of a grace period or debt-restructuring
- Significant changes with an adverse effect on the borrower's business conditions
- Lower value of the collateral (for the collateral loans and pledged loans only)
- Early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of loans
- The borrower is more than 30 days past due.

The Group uses watch lists to monitor credit risk of financial instruments related to loans and treasury operations, and conducts regular assessments at the counterparty level. The standards used in determining whether credit risk increases significantly are regularly monitored and reviewed by management for the appropriateness.

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38 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(ii) Definition of “default” and “credit-impaired assets”

When a financial instrument meets one or more of the following conditions, the Group considers the financial asset to be in default, and the criteria are consistent with the definition of credit-impaired assets.

(1) Quantitative criterion

The financial asset is more than 90 days past due.

(2) Qualitative criterion

The borrower meets the criterion of “having difficulty in repayment”, which indicates that the borrower has significant financial difficulty, including:

- the borrower has been in the grace period for a long time
- the death of the borrower
- the borrower enters bankruptcy
- the borrower breaches (one or more) terms of the contract that the debtor shall be subject to
- the disappearance of an active market for the related financial asset because of financial difficulties faced by the borrower
- the creditor make concessions due to the financial difficulties faced by the borrower
- it becomes probable that the borrower will enter bankruptcy
- a higher discount was obtained during the acquisition of assets, and the assets has incurred credit loss when they are acquired

The above criteria apply to all financial instruments of the Group and they are consistent with the definition of “default” adopted by the internal management of credit risk.

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38 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

- PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan;
- EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan;
- LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties, methods and priority of recovering debts, and the availability of collateral or other credit support.

The Group determines the expected credit losses by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future months. The Group multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). By adopting this approach, the Group can calculate the expected credit losses for the future months. The results of the calculation for each month are then discounted to the balance sheet date and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime PD is deduced from using the maturity model or 12-month probability of default. The maturity model describes the development rule of the defaults of the asset portfolio over its lifetime. The model is developed based on historical observational data and applicable to all assets in the same portfolio with the same credit rating. The above method is supported by an empirical analysis.

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different according to different types of products.

- In respect of the loans with instalment repayments and bullet repayments, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on the prediction of over-limit repayment and prepayments/refinancing made by the borrower.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

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38 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

- In respect of the products of revolving credit agreements, the Group estimates the remaining withdrawal within the limits by using the balance of the loan after previous withdrawals and the “credit conversion factor”, so as to predict the exposure at default. Based on the Group’s analysis on recent default data, these assumptions vary based on the differences in product type and utilisation rate of the limits.
- The Group determines the 12-month LGD and lifetime LGD based on the factors that affect post-default recovery. LGD for different product types is different.
- As to loans classified as guarantees, the Group determines the LGD according to the types of collateral and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.
- As to fiduciary loans, the Group usually determines LGD in the product level due to the limited differences in recoverable amounts from different borrowers. The LGD is affected by the recovery strategies, which include the transfer plan and pricing of loans.
- Forward-looking economic information should be considered when determining the 12-month and lifetime PD, EAD and LGD. Forward-looking information that needs to be considered is different due to different product types.

The Group quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the values of collateral under the different time limits.

Both the assessment of the significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including GDP, industrial added value and CPI, etc.

There has been no significant changes in the valuation techniques and key assumptions during the reporting period.

(1) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the carrying amount of each type of financial assets as at the end of each of the reporting period. The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of each of the reporting period is disclosed in Note 40(a).

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38 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(2) Loans and advances to customers

(i) Loans and advances to customers were analysed as follows:

	30 June 2022	31 December 2021
Gross balance of loans and advances that are assessed for 12-month ECL		
– Overdue but not credit-impaired	2,734,806	1,040,647
– Neither overdue nor credit-impaired	297,657,741	273,174,152
Sub-total	300,392,547	274,214,799
Gross balance of loans and advances that are not credit-impaired and assessed for lifetime ECL		
– Overdue but not credit-impaired	1,250,081	1,988,924
– Neither overdue nor credit-impaired	6,410,644	5,345,529
Sub-total	7,660,725	7,334,453
Gross balance of credit-impaired loans and advances that are assessed for lifetime ECL		
– Overdue and credit-impaired	5,968,702	5,320,727
– Not overdue but credit-impaired	2,459,940	2,157,689
Sub-total	8,428,642	7,478,416
Interest accrued	1,644,559	1,439,787
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(8,620,744)	(8,068,364)
Net loans and advances to customers	309,505,729	282,399,091

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38 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(2) Loans and advances to customers (Continued)

(ii) Neither overdue nor credit-impaired

Credit risk of loans and advances to customers neither overdue nor credit-impaired was analysed as follows:

	30 June 2022	31 December 2021
Corporate loans and advances	226,629,179	204,500,708
Personal loans and advances	77,439,206	74,018,973
Total gross balance	304,068,385	278,519,681

(iii) Overdue but not credit-impaired

The following tables present the overdue analysis of each type of loans and advances to customers of the Group which were overdue but not credit-impaired.

	30 June 2022		Total
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	
Corporate loans and advances	2,582,953	801,303	3,384,256
Personal loans and advances	266,473	334,158	600,631
Total gross balance	2,849,426	1,135,461	3,984,887

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38 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(2) Loans and advances to customers (Continued)

(iii) Overdue but not credit-impaired (Continued)

	31 December 2021		Total
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	
Corporate loans and advances	2,024,073	605,777	2,629,850
Personal loans and advances	210,399	189,322	399,721
Total gross balance	2,234,472	795,099	3,029,571

Fair value of collateral held against loans and advances overdue but not credit-impaired was analysed as follows:

	30 June 2022	31 December 2021
Fair value of collateral held against loans and advances overdue but not credit-impaired	3,653,348	2,366,534

The above collateral mainly includes land, buildings, machinery and equipment, etc. The fair value of the collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

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38 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(2) Loans and advances to customers (Continued)

(iv) Credit-impaired loans

Credit-impaired loans were analysed as follows:

	30 June 2022	31 December 2021
Gross balance		
– Corporate loans and advances	6,519,928	5,759,011
– Personal loans and advances	1,908,714	1,719,405
Sub-total	8,428,642	7,478,416
Interest accrued		
– Corporate loans and advances	174,617	156,189
– Personal loans and advances	159	259
Sub-total	174,776	156,448
Provision for impairment losses		
– Corporate loans and advances	(2,828,064)	(2,292,142)
– Personal loans and advances	(847,054)	(791,893)
Sub-total	(3,675,118)	(3,084,035)
Net balance		
– Corporate loans and advances	3,866,481	3,623,058
– Personal loans and advances	1,061,819	927,771
Total	4,928,300	4,550,829
Fair value of collateral held against credit-impaired loans and advances	9,824,920	10,655,126

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022
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38 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(4) Financial investments measured at amortised cost

The Group

	30 June 2022	31 December 2021
Balance of financial investments measured at amortised cost that are assessed for 12-months ECL		
– Neither overdue nor credit-impaired	119,387,104	127,183,480
Less: Provision for impairment losses	(463,202)	(425,701)
Sub-total	118,923,902	126,757,779
Balance of not credit-impaired financial investments measured at amortised cost that are assessed for lifetime ECL		
– Overdue but not credit-impaired	119,700	–
– Neither overdue nor credit-impaired	1,819,308	2,306,708
Less: Provision for impairment losses	(267,846)	(335,640)
Sub-total	1,671,162	1,971,068
Balance of credit-impaired financial investments measured at amortised cost that are assessed for lifetime ECL		
– Overdue and credit-impaired	11,361,305	12,711,990
Less: Provision for impairment losses	(2,876,353)	(3,795,044)
Sub-total	8,484,952	8,916,946
Interest accrued	1,730,867	1,682,594
Total	130,810,883	139,328,387
Fair value of collateral held against credit-impaired financial investments that are measured at amortised cost	15,363,253	16,576,684

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38 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) *Notes to the parameters, assumptions and valuation techniques (Continued)*

(4) *Financial investments measured at amortised cost (Continued)*

The above collateral mainly includes land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, exchange rates, commodity prices, stock prices and other prices. The market risk management aims to manage and monitor market risk, control the potential losses associated with market risk within the acceptable limit and maximise the risk-adjusted income.

The Board is responsible for approving the market risk management strategies and policies, determining the acceptable level of market risk and authorising the Risk Management Committee to supervise the market risk management conducted by senior management. The Risk Management Department, the Financial Markets Department and the Asset and Liability Management Department are responsible for identifying, measuring, monitoring and reporting the market risk.

The Group employed sensitivity analysis, interest repricing gap analysis, foreign currency gap analysis, stress testing and effective duration analysis to measure and monitor the market risk.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

Interest repricing gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

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38 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

(1) Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

(i) Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

The Asset and Liability Management Department is responsible for identifying, measuring, monitoring and managing interest rate risk. The Group regularly performs assessments on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and a sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

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38 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

The following tables indicate the assets and liabilities analysis as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on whichever is earlier:

	30 June 2022					
	Total	Non-interest bearing	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with Central Bank	28,046,789	2,187,803	25,858,986	-	-	-
Deposits/placements with banks and other financial institutions	7,465,634	23,961	5,670,945	1,770,728	-	-
Financial assets held under resale agreements	6,490,938	1,164	6,382,825	106,949	-	-
Loans and advances to customers (1)	309,505,729	1,644,559	49,851,105	138,765,174	109,382,432	9,862,459
Investments (2)	190,985,228	2,922,469	34,482,137	37,743,188	74,941,888	40,895,546
Lease receivables (1)	30,545,717	385,800	27,336,143	2,463,841	38,970	320,963
Others	11,255,529	11,255,529	-	-	-	-
Total assets	584,295,564	18,421,285	149,582,141	180,849,880	184,363,290	51,078,968
Liabilities						
Due to Central Bank	21,609,804	690,490	5,041,782	15,877,532	-	-
Deposits/placements from banks and other financial institutions	60,479,620	483,642	26,559,808	33,036,170	400,000	-
Financial assets sold under repurchase agreements	17,298,191	2,909	17,295,282	-	-	-
Deposits from customers	327,616,719	3,527,932	142,057,724	84,984,821	97,046,175	67
Debt securities issued	90,522,112	170,336	29,463,315	54,490,336	6,398,125	-
Others	4,622,964	4,622,964	-	-	-	-
Total liabilities	522,149,410	9,498,273	220,417,911	188,388,859	103,844,300	67
Asset-liability gap	62,146,154	8,923,012	(70,835,770)	(7,538,979)	80,518,990	51,078,901

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38 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

	31 December 2021					
	Total	Non-interest bearing	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with Central Bank	33,433,058	1,497,208	31,935,850	-	-	-
Deposits/placements with banks and other financial institutions	7,101,271	5,643	6,795,663	299,965	-	-
Financial assets held under resale agreements	14,228,603	2,258	14,226,345	-	-	-
Loans and advances to customers (1)	282,399,091	1,439,787	47,881,575	130,532,150	95,944,936	6,600,643
Investments (2)	198,156,710	2,250,978	42,099,932	34,394,581	79,458,351	39,952,868
Lease receivables (1)	28,224,856	301,288	25,745,610	1,923,890	-	254,068
Others	11,436,073	11,436,073	-	-	-	-
Total assets	574,979,662	16,933,235	168,684,975	167,150,586	175,403,287	46,807,579
Liabilities						
Due to Central Bank	22,785,695	704,202	6,407,713	15,673,780	-	-
Deposits/placements from banks and other financial institutions	65,303,396	631,292	28,138,034	36,534,070	-	-
Financial assets sold under repurchase agreements	12,371,414	-	10,548,344	1,823,070	-	-
Deposits from customers	321,574,215	3,096,833	153,405,779	64,646,754	100,424,795	54
Debt securities issued	90,076,717	177,074	25,878,316	55,623,890	6,397,842	1,999,595
Others	3,456,685	3,456,685	-	-	-	-
Total liabilities	515,568,122	8,066,086	224,378,186	174,301,564	106,822,637	1,999,649
Asset-liability gap	59,411,540	8,867,149	(55,693,211)	(7,150,978)	68,580,650	44,807,930

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For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

38 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

- (1) For the Group's loans and advances to customers, the category "Within three months (inclusive)" as at 30 June 2022 includes overdue amounts (net of allowance for impairment losses) of RMB6,721 million (31 December 2021: RMB5,685 million). For the Group's lease receivables, the category "Within three months (inclusive)" as at 30 June 2022 includes overdue amounts (net of allowance for impairment losses) of RMB300 million (31 December 2021: RMB1,269 million).
- (2) As at 30 June 2022, investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments measured at amortised cost and interest in associates, the category "Within three months (inclusive)" as at 30 June 2022 includes overdue amounts (net of allowance for impairment losses) of RMB6,309 million (31 December 2021: RMB7,422 million).

(ii) Interest rate sensitivity analysis

	30 June 2022	31 December 2021
	(Decrease)/ increase	(Decrease)/ increase
Changes in net interest income		
Up 100 bps parallel shift in yield curves	(486,063)	(457,923)
Down 100 bps parallel shift in yield curves	486,063	457,923
Changes in equity		
Up 100 bps parallel shift in yield curves	(1,026,582)	(1,124,968)
Down 100 bps parallel shift in yield curves	1,057,208	1,175,777

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38 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

The sensitivity analysis above is based on a static interest risk exposure profile of assets and liabilities. This analysis only evaluates the impact of changes in interest rates within one year, showing how annualised net interest income and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The effect of equity is the effect of the assumed changes in interest rates on the Group's net interest income and other comprehensive income, calculated by revaluing financial investments at fair value through other comprehensive income and loans and advances to customers measured at fair value through other comprehensive income held at year end. The sensitivity analysis is based on the following assumptions:

- All assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature in the beginning of the respective periods;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio, all the position will be held and keep unchanged after matured; and
- The analysis does not take into account the effect of risk management measures taken by management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net interest income and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

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38 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(2) Currency risk

The Group's currency risk mainly arises from foreign currency investments and deposits from customers. The Group manages currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

The Group's currency exposures as at the end of the reporting period are as follows:

	30 June 2022			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with Central Bank	28,041,386	1,753	3,650	28,046,789
Deposits/placements with banks and other financial institutions	4,890,553	2,395,172	179,909	7,465,634
Financial assets held under resale agreements	6,490,938	-	-	6,490,938
Loans and advances to customers	309,292,508	213,221	-	309,505,729
Investments (i)	182,171,376	8,813,852	-	190,985,228
Lease receivables	30,545,717	-	-	30,545,717
Others	11,254,632	897	-	11,255,529
Total assets	572,687,110	11,424,895	183,559	584,295,564
Liabilities				
Due to Central Bank	21,609,804	-	-	21,609,804
Deposits/placements from banks and other financial institutions	60,479,620	-	-	60,479,620
Financial assets sold under repurchase agreements	17,298,191	-	-	17,298,191
Deposits from customers	327,598,768	17,846	105	327,616,719
Debt securities issued	90,323,389	198,723	-	90,522,112
Others	3,942,471	187,659	492,834	4,622,964
Total liabilities	521,252,243	404,228	492,939	522,149,410
Net position	51,434,867	11,020,667	(309,380)	62,146,154
Off-balance sheet credit commitments	98,928,268	1,540,293	-	100,468,561

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For the six months ended 30 June 2022
(In RMB thousands, unless otherwise stated)

38 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(2) Currency risk (Continued)

	31 December 2021			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with Central Bank	33,233,557	195,710	3,791	33,433,058
Deposits/placements with banks and other financial institutions	2,594,665	4,362,277	144,329	7,101,271
Financial assets held under resale agreements	14,228,603	–	–	14,228,603
Loans and advances to customers	282,159,921	239,170	–	282,399,091
Investments (i)	189,815,710	8,341,000	–	198,156,710
Lease receivables	28,224,856	–	–	28,224,856
Others	11,386,873	49,200	–	11,436,073
Total assets	561,644,185	13,187,357	148,120	574,979,662
Liabilities				
Due to Central Bank	22,785,695	–	–	22,785,695
Deposits/placements from banks and other financial institutions	65,144,003	159,393	–	65,303,396
Financial assets sold under repurchase agreements	12,371,414	–	–	12,371,414
Deposits from customers	319,638,585	1,935,517	113	321,574,215
Debt securities issued	90,076,717	–	–	90,076,717
Others	2,797,736	187,778	471,171	3,456,685
Total liabilities	512,814,150	2,282,688	471,284	515,568,122
Net position	48,830,035	10,904,669	(323,164)	59,411,540
Off-balance sheet credit commitments	97,664,379	3,184,811	–	100,849,190

- (i) Investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments measured at amortised cost and interest in associates.

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(In RMB thousands, unless otherwise stated)

38 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(2) Currency risk (Continued)

	30 June 2022	31 December 2021
	(Decrease)/ increase	(Decrease)/ increase
Change in profit after taxation and equity		
Up 100 bps change of foreign exchange rate	80,335	79,361
Down 100 bps change of foreign exchange rate	(80,335)	(79,361)

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions as set out below:

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB based on the closing rate of reporting date;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously;
- The foreign currency exposures calculated include spot and forward foreign exchange exposures, and all the position will be held and keep unchanged after matured; and
- The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the assumptions adopted, actual changes in the Group's net profit and equity resulting from the increase or decrease in foreign exchange rates may vary from the estimated results of this sensitivity analysis.

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38 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. This risk exists even if a bank's solvency remains strong.

The Group has implemented the centralised management of the Group-wide liquidity risk and established a liquidity risk management structure which mainly comprises decision-making organisation, execution organisation and supervision organisation. The responsibilities of them are as follows:

- The Board and its Risk Management Committee are the decision-making bodies for liquidity risk management that assume the ultimate responsibility for liquidity risk management and are responsible for formulating the guidelines and policies for liquidity risk management;
- Senior management and its Asset and Liability Management Committee, Asset and Liability Management Department and other relevant business departments are the executive bodies for liquidity risk management. Senior management is responsible for organisation and implementation of liquidity risk management; the Asset and Liability Management Department is responsible for implementing relevant liquidity risk management policies, monitoring various liquidity risk indicators, formulating, implementing and evaluating relevant systems, setting the Group-wide risk warning limits, guiding various business departments to manage liquidity risk on a daily basis, regularly carrying out risk analysis and reporting to senior management;
- The Board of Supervisors, the Internal Audit Office under the Board and the Legal Affairs and Compliance Department are the supervisory bodies for liquidity risk management and are responsible for supervising and evaluating the fulfilment of duties of the Board and senior management in liquidity risk management.

The Group manages liquidity risk by monitoring the maturities of the assets and liabilities, while actively monitoring multiple liquidity indicators, including liquidity ratio, reserve ratio, liquidity coverage ratio, net stable funding ratio and liquidity matching ratio, etc.

The Group also formulates a liquidity risk emergency plan to ensure sufficient liquidity under various market conditions.

A substantial portion of the Group's assets is funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a major source of funds.

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38 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(1) Maturity analysis

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period:

	30 June 2022						Total
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets							
Cash and deposits with Central Bank (ii)	18,389,169	9,648,895	8,725	-	-	-	28,046,789
Deposits/placements with banks and other financial institutions	-	1,881,794	4,070,298	1,513,542	-	-	7,465,634
Financial assets held under resale agreements	-	-	6,383,930	107,008	-	-	6,490,938
Loans and advances to customers (iii)	2,192,552	624,679	32,083,042	97,887,650	124,447,291	52,270,515	309,505,729
Investments (i)	6,960,021	12,763,671	15,904,884	38,175,993	75,894,701	41,285,958	190,985,228
Lease receivables (iv)	200,097	-	2,764,158	8,508,073	18,942,558	130,831	30,545,717
Others	9,482,247	33,251	597,044	155,276	273,428	714,283	11,255,529
Total assets	37,224,086	24,952,290	61,812,081	146,347,542	219,557,978	94,401,587	584,295,564
Liabilities							
Due to Central Bank	-	-	5,239,125	16,370,679	-	-	21,609,804
Deposits/placements from banks and other financial institutions	-	2,680,250	24,177,846	33,220,514	401,010	-	60,479,620
Financial assets sold under repurchase agreements	-	-	17,298,191	-	-	-	17,298,191
Deposits from customers	-	115,597,382	27,447,977	86,135,714	98,435,355	291	327,616,719
Debt securities issued	-	-	29,598,372	54,525,615	6,398,125	-	90,522,112
Others	-	671,850	1,566,099	611,626	1,167,686	605,703	4,622,964
Total liabilities	-	118,949,482	105,327,610	190,864,148	106,402,176	605,994	522,149,410
Net position	37,224,086	(93,997,192)	(43,515,529)	(44,516,606)	113,155,802	93,795,593	62,146,154

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38 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(1) Maturity analysis (Continued)

	31 December 2021						Total
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets							
Cash and deposits with Central Bank (ii)	18,256,889	15,166,040	10,129	-	-	-	33,433,058
Deposits/placements with banks and other financial institutions	-	2,307,094	4,492,948	301,229	-	-	7,101,271
Financial assets held under resale agreements	-	-	14,228,603	-	-	-	14,228,603
Loans and advances to customers (iii)	2,579,848	386,368	40,956,940	77,188,697	107,879,437	53,407,801	282,399,091
Investments (i)	7,881,673	-	21,539,677	44,237,411	83,845,801	40,652,148	198,156,710
Lease receivables (iv)	1,465,023	177,255	2,928,494	6,591,751	16,892,040	170,293	28,224,856
Others	8,058,790	1,109,674	1,109,492	166,944	213,299	777,874	11,436,073
Total assets	38,242,223	19,146,431	85,266,283	128,486,032	208,830,577	95,008,116	574,979,662
Liabilities							
Due to Central Bank	-	-	6,608,607	16,177,088	-	-	22,785,695
Deposits/placements from banks and other financial institutions	-	3,881,495	24,614,135	36,807,766	-	-	65,303,396
Financial assets sold under repurchase agreements	-	-	10,548,344	1,823,070	-	-	12,371,414
Deposits from customers	-	126,447,951	30,054,661	64,646,754	100,424,795	54	321,574,215
Debt securities issued	-	-	25,878,316	55,800,964	6,397,842	1,999,595	90,076,717
Others	-	456,796	1,210,940	386,081	1,256,656	146,212	3,456,685
Total liabilities	-	130,786,242	98,915,003	175,641,723	108,079,293	2,145,861	515,568,122
Net position	38,242,223	(111,639,811)	(13,648,720)	(47,155,691)	100,751,284	92,862,255	59,411,540

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38 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(1) Maturity analysis (Continued)

- (i) Investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments measured at amortised cost and interest in associates. The “indefinite” period amount represents the balance being credit-impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not credit-impaired is included in “repayable on demand”.
- (ii) For cash and deposits with Central Bank, the “indefinite” period amount represents statutory deposit reserves and fiscal deposits maintained with the PBOC. Equity investments are reported under indefinite period.
- (iii) For loans and advances to customers, the “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not impaired is included in “repayable on demand”.
- (iv) For lease receivables, the “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not impaired is included in “repayable on demand”.

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38 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(2) Analysis on contractual counted cash flows of financial liabilities

(i) The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities at the end of the reporting period:

	30 June 2022						
	Carrying amount at 30 June	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Non-derivative cash flows:							
Due to Central Bank	21,609,804	21,855,939	-	5,257,921	16,598,018	-	-
Deposits/placements from banks and other financial institutions	60,479,620	61,910,631	2,680,250	24,542,232	34,286,855	401,294	-
Financial assets sold under repurchase agreements	17,298,191	17,301,436	-	17,301,436	-	-	-
Deposits from customers	327,616,719	337,465,566	115,597,397	27,536,154	87,611,655	106,720,001	359
Debt securities issued	90,522,112	91,581,600	-	29,718,000	55,088,800	6,774,800	-
Total	517,526,446	530,115,172	118,277,647	104,355,743	193,585,328	113,896,095	359

	31 December 2021						
	Carrying amount at 31 December	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Non-derivative cash flows:							
Due to Central Bank	22,785,695	23,303,424	-	6,746,748	16,556,676	-	-
Deposits/placements from banks and other financial institutions	65,303,396	66,343,899	3,881,418	24,860,910	37,601,571	-	-
Financial assets sold under repurchase agreements	12,371,414	12,398,623	-	10,554,616	1,844,007	-	-
Deposits from customers	321,574,215	330,784,745	126,507,694	28,100,885	65,827,755	110,348,135	276
Debt securities issued	90,076,717	92,058,615	-	26,088,012	56,718,368	7,156,641	2,095,594
Total	512,111,437	524,889,306	130,389,112	96,351,171	178,548,377	117,504,776	2,095,870

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38 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(2) Analysis on contractual counted cash flows of financial liabilities (Continued)

(ii) The following tables provide an analysis of the contractual undiscounted cash flow of the derivative financial instruments at the end of the reporting period:

	30 June 2022						
	Carrying amount at 30 June	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Derivative cash flows:							
Derivative financial instruments settled on net basis	74,600	71,918	-	20,551	51,367	-	-

	31 December 2021						
	Carrying amount at 31 December	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Derivative cash flows:							
Derivative financial instruments settled on net basis	173,981	182,790	-	182,790	-	-	-

This analysis of financial liabilities by contractual undiscounted cash flow might vary from actual results.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022
(In RMB thousands, unless otherwise stated)

38 RISK MANAGEMENT (CONTINUED)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, personnel mistakes and information system failures, or impacts from other external events.

The Group has formulated operational risk management policies and procedures, aiming to identify, assess, monitor, control and mitigate the operational risk, and reduce losses associated with the operational risk.

The Group's measures to manage the operational risk mainly include:

- making use of risk alert system and paying attention to risky products and early risk alert on each aspect of business; making business risk assessments in time; carrying out centralised risk management on major business controlling units so as to reduce business operational risk;
- establishing a supervision system combining “on-site and off-site”, “regular and special”, “self and external” examinations, identifying, monitoring, collecting risk factors and risk signals in the course of business operations, using centralised operational risk management tools, supervising, analysing and reporting the sufficiency and effectiveness of operational risk management;
- the Compliance Department, the Risk Management Department and the Internal Audit Office constitute “three lines of defense” for operational risk management base on the separating responsibilities of the front, middle and the back offices. The Business and functional departments act as the first line of defense, the Compliance Department and the Risk Management Department act as the second line of defense and the Internal Audit Office acts as the third line of defense;
- establishing compulsory leave and rotation policies for staff in key position or important process;
- establishing an expertise grading appraisal system for all employees, and selecting qualified employees through strict qualification examinations and professional evaluations in accordance with the expertises and skills required by the various positions; and
- establishing a mechanism for emergency management and business continuity.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

38 RISK MANAGEMENT (CONTINUED)

(e) Capital management

The Group manages capital mainly through capital adequacy ratio and return on equity ratio. Capital adequacy ratio is at the core of the Group's capital management, reflecting the capacity of the Group for prudent operation and risk prevention. The return on equity ratio reflects the profitability of equity. The main objective of capital management is to maintain a balanced reasonable capital amount and structure in line with the business development and expected return on equity.

The Group follows the principles below with regard to capital management:

- monitor the level of asset quality based on the Group's business strategy and maintain adequate capital to support the implementation of the Group's strategic development plan and meet the regulatory requirements; and
- effectively identify, quantify, monitor, mitigate and control the major risks to which the Group is exposed, and maintain the appropriate level of capital after considering the Group's risk exposure and risk management needs.

The Group monitors the capital adequacy ratio periodically and adjusts the capital management plan when necessary to ensure the capital adequacy ratio meets both the regulatory requirements and business development needs.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022
(In RMB thousands, unless otherwise stated)

38 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

The Group calculates the capital adequacy ratios as at 30 June 2022 and 31 December 2021 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法) issued by the former CBRC in 2012 and relevant requirements promulgated by the CBIRC. The calculations based on statutory financial statements of the Group prepared under Accounting Standards for Business Enterprises are as follows:

	Note	30 June 2022	31 December 2021
Total core tier-one capital			
– Share capital		8,265,538	8,265,538
– Valid portion of capital reserve		7,452,490	7,452,490
– Fair value reserve		(67,597)	(173,457)
– Remeasurement of net defined benefit liability		(67,817)	(69,255)
– Surplus reserve		3,281,678	3,281,678
– General reserve		7,484,458	7,481,353
– Retained earnings		16,231,433	13,703,472
– Valid portion of minority interests		1,310,450	1,192,294
Core tier-one capital		43,890,633	41,134,113
Core tier-one capital deductions		(1,541,994)	(1,184,947)
Net core tier-one capital		42,348,639	39,949,166
Additional tier-one capital			
– Additional tier-one capital instruments and related premium		17,824,363	17,824,363
– Valid portion of minority interests		174,727	157,811
Net tier-one capital		60,347,729	57,931,340
Tier two capital			
– Qualifying portions of tier-two capital instruments issued		–	2,000,000
– Surplus provision for loan impairment		3,351,505	2,916,530
– Valid portion of minority interests		349,453	318,764
Net tier-two capital		3,700,958	5,235,294
Net capital base		64,048,687	63,166,634
Total risk weighted assets	(1)	449,086,949	421,013,820
Core tier-one capital adequacy ratio		9.43%	9.49%
Tier-one capital adequacy ratio		13.44%	13.76%
Capital adequacy ratio		14.26%	15.00%

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

38 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

- (1) Both the on-balance and off-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty as well as any eligible collateral or guarantees.
- (2) Pursuant to the Regulation Governing Capital of Commercial Banks (Provisional) 《商業銀行資本管理辦法(試行)》, the CBIRC requires that the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio for commercial banks shall not fall below 10.5%, 8.5% and 7.5% at 30 June 2022 and 31 December 2021.

39 FAIR VALUE

(a) Methods and assumptions for measurement of fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13 Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- | | |
|----------|---|
| Level 1: | Fair value measured using only Level 1 inputs i.e., unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date; |
| Level 2: | Fair value measured using Level 2 inputs i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and |
| Level 3: | Fair value measured using significant unobservable inputs |

The Group has established policies and internal controls with respect to the measurement of fair values, specifying the framework, methodologies and procedures of fair value measurement of financial instruments.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022
(In RMB thousands, unless otherwise stated)

39 FAIR VALUE (CONTINUED)

(a) Methods and assumptions for measurement of fair value (Continued)

The Group adopts the following methods and assumptions when evaluating fair values:

(1) *Debt securities investments*

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

(2) *Other debt investments*

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of each of the reporting period.

(3) *Debt securities issued and other non-derivative financial liabilities*

Fair values of debt securities issued are based on their quoted market prices at the end of each of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of each of the reporting period.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

39 FAIR VALUE (CONTINUED)

(b) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	30 June 2022			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis				
Financial investments at fair value through profit or loss				
– Debt securities	8,385,091	3,738,868	–	12,123,959
– Investment funds	–	12,477,549	–	12,477,549
– Equity investments	461,693	–	–	461,693
– Other financial investments at fair value through profit or loss	–	–	20,252,345	20,252,345
Financial investments at fair value through other comprehensive income (excluding accrued interest)				
– Debt instruments	10,160,292	4,006,143	–	14,166,435
– Equity investments	–	–	64,730	64,730
Loans and advances to customers measured at fair value through other comprehensive income				
– Corporate loans and advances	–	22,161,605	–	22,161,605
Total	19,007,076	42,384,165	20,317,075	81,708,316
Liabilities measured at fair value on a recurring basis				
Derivative financial liabilities	–	74,600	–	74,600
Total	–	74,600	–	74,600

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022
(In RMB thousands, unless otherwise stated)

39 FAIR VALUE (CONTINUED)

(b) Financial instruments recorded at fair value (Continued)

	31 December 2021			Total
	Level 1	Level 2	Level 3	
Assets measured at fair value on a recurring basis				
Financial investments at fair value through profit or loss				
– Debt securities	5,998,542	4,934,340	–	10,932,882
– Investment funds	–	11,147,503	–	11,147,503
– Equity investments	559,377	–	–	559,377
– Other financial investments at fair value through profit or loss	–	–	18,469,966	18,469,966
Financial investments at fair value through other comprehensive income (excluding accrued interest)				
– Debt instruments	14,017,132	3,098,953	–	17,116,085
– Equity investments	–	–	8,400	8,400
Loans and advances to customers measured at fair value through other comprehensive income				
– Corporate loans and advances	–	19,281,765	–	19,281,765
Derivative financial assets	–	173,981	–	173,981
Total	20,575,051	38,636,542	18,478,366	77,689,959

During the period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: Nil).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

39 FAIR VALUE (CONTINUED)

(c) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening balance and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the period/year:

	1 January 2022	Total effects of profit and loss during the period	Total effects of other comprehensive income during the period	Acquisition	Sales/ settlement	Transferred from Level 2 to Level 3	30 June 2022	Profit attributable to the change in unrealised losses relating to assets held at the end of the period
Financial assets:								
Financial investments at fair value through profit or loss								
– Other financial investments at fair value through profit or loss	18,469,966	363,989	-	6,394,742	(4,976,352)	-	20,252,345	142,575
Financial investments at fair value through other comprehensive income	8,400	-	56,330	-	-	-	64,730	-
– Equity investments								
Total	18,478,366	363,989	56,330	6,394,742	(4,976,352)	-	20,317,075	142,575

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022
(In RMB thousands, unless otherwise stated)

39 FAIR VALUE (CONTINUED)

(c) Movement in level 3 financial instruments measured at fair value (Continued)

	1 January 2021	Total effects of profit and loss during the year	Total effects of other comprehensive income during the year	Sales/ settlement	Transferred from Level 2 to Level 3	31 December 2021	Profit attributable to the change in unrealised losses relating to assets held at the end of the year
Financial assets:							
Financial investments at fair value through profit or loss							
– Other financial investments at fair value through profit or loss	23,170,085	314,068	–	(14,945,192)	–	18,469,966	(332,223)
Financial investments at fair value through other comprehensive income							
– Equity investments	8,400	–	–	–	–	8,400	–
Total	23,178,485	314,068	–	(14,945,192)	–	18,478,366	(332,223)

During the reporting period, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

During the reporting period, total gains recorded in profit or loss are recognised in the line item “interest income and net gains arising from investments” on the face of the consolidated statement of profit or loss and other comprehensive income.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022
(In RMB thousands, unless otherwise stated)

39 FAIR VALUE (CONTINUED)

(d) Fair value of financial assets and liabilities not carried at fair value (Continued)

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods are adopted to determine the fair values of these assets and liabilities.

The fair values of debt securities in financial investments measured at amortised cost and debt securities issued are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

Financial investments measured at amortised cost with the exception of debt securities are stated at amortised cost using the effective interest method. The fair value of financial investments measured at amortised cost are estimated based on future cash flows expected to be received which is discounted at current market rates. The majority of financial investments measured at amortised cost are repriced at least annually to the market rate. Accordingly, their carrying values approximate their fair values.

The above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Those financial instruments of which the carrying amounts are the reasonable approximations of the fair values because, for example, they are short-term in nature or repriced at current market rates frequently, are as follows:

Assets	Liabilities
Cash and deposits with Central Bank	Due to Central Bank
Deposits with banks and other financial institutions	Deposits from banks and other financial institutions
Placements with banks and other financial institutions	Placements from banks and other financial institutions
Financial assets held under resale agreements	Financial assets sold under repurchase agreements
Loans and advances to customers (measured at amortised cost)	Deposits from customers
Lease receivables	Other financial liabilities
Other financial assets	

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

40 COMMITMENTS AND CONTINGENCIES

(a) Credit commitments

The Group's credit commitments take the form of bank acceptances, unused credit card limits, letters of credit and letters of guarantees.

Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from its customers. The contractual amounts of unused credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

	30 June 2022	31 December 2021
Bank acceptances	79,786,837	79,719,509
Letters of credit	12,679,898	13,759,386
Guarantees	2,665,833	2,620,966
Unused credit card commitments	5,335,993	4,749,329
Total	100,468,561	100,849,190

The Group may be exposed to credit risk in all the above credit businesses. Management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above are not representative of expected future cash outflows.

(b) Credit risk-weighted amount

	30 June 2022	31 December 2021
Credit risk-weighted amount of contingent liabilities and commitments	10,847,357	10,923,395

The credit risk weighted amount represents the amount calculated with reference to the guidelines issued by the CBIRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights range from 0% to 150% for credit commitments.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022
(In RMB thousands, unless otherwise stated)

40 COMMITMENTS AND CONTINGENCIES (CONTINUED)

(c) Capital commitments

As at 30 June 2022 and 31 December 2021, the authorised capital commitments of the Group are as follows:

	30 June 2022	31 December 2021
Contracted but not paid for	126,926	154,061
Approved but not contracted for	15,686	87,308
Total	142,612	241,369

(d) Outstanding litigations and disputes

As at 30 June 2022, there are no outstanding legal proceedings that have a significant impact on the financial statements against the Group (31 December 2021: Nil).

(e) Pledged assets

	30 June 2022	31 December 2021
Debt securities	36,551,946	32,708,272
Total	36,551,946	32,708,272

Some of the Group's assets are pledged as collateral under repurchase agreements and due to Central Bank.

41 STRUCTURED ENTITIES

(a) Consolidated structured entities

The consolidated structured entities are asset-backed securities. The Group considers whether it has control over the structured entities as the sponsor of the asset-backed securities, and judges whether these structured entities should be consolidated based on the decision-making scope, the power held, the remuneration for providing management services and the variable income risk exposure faced. During the period ended 30 June 2022, the Group did not provide financial support to the consolidated structured entities (2021: Nil).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

41 STRUCTURED ENTITIES (CONTINUED)

(b) Unconsolidated structured entities

(1) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include investment management products under funds, trust schemes, investment management products managed by securities companies and wealth management products issued by financial institutions. The Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and finance through the issue of notes to investors.

The following tables set out an analysis of the carrying amounts of interests held by the Group in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	30 June 2022	
	Carrying amount	Maximum exposure
Financial investments		
– Financial investments at fair value through profit or loss	26,317,229	26,317,229
– Financial investments measured at amortised cost	62,281,505	62,281,505
Interest accrued	768,970	768,970
Total	89,367,704	89,367,704

	31 December 2021	
	Carrying amount	Maximum exposure
Financial investments		
– Financial investments at fair value through profit or loss	23,520,698	23,520,698
– Financial investments measured at amortised cost	64,647,667	64,647,667
Interest accrued	956,381	956,381
Total	89,124,746	89,124,746

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022
(In RMB thousands, unless otherwise stated)

41 STRUCTURED ENTITIES (CONTINUED)

(b) Unconsolidated structured entities (Continued)

(1) *Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)*

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amount of the assets held by the Group and the related interest receivable at the end of each of the reporting period.

The interest income, changes in fair value and investment gains arising from the above unconsolidated structured entities for the period ended 30 June 2022 amounted to RMB2,194 million (the six months ended 30 June 2021: RMB2,849 million).

(2) *Structured entities sponsored by the Group in which the Group does not consolidate but holds an interest.*

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes fees charged by providing management services.

During the period ended 30 June 2022, the Group recognised net commission income from the non-principal-guaranteed wealth management products with the amount of RMB121 million through provision of asset management services (the six months ended 30 June 2021: RMB109 million). The Group expected that the variable return would be insignificant as to the structured entities.

As at 30 June 2022, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB47,883 million (31 December 2021: RMB47,973 million).

During the period ended 30 June 2022, the Group did not provide financial support to the unconsolidated structured entities (2021: Nil).

42 FIDUCIARY ACTIVITIES

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

As at 30 June 2022, the balance of the entrusted loans of the Group is RMB176.11 million (31 December 2021: RMB15,643 million).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(In RMB thousands, unless otherwise stated)

43 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with the presentation and disclosures in the current period.

44 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	30 June 2022	31 December 2021
Assets		
Cash and deposits with Central Bank	27,721,194	33,142,477
Deposits with banks and other financial institutions	2,683,908	1,796,802
Placements with banks and other financial institutions	4,324,687	4,182,213
Financial assets held under resale agreements	6,490,938	14,228,603
Loans and advances to customers	307,004,460	280,079,869
Financial investments:		
Financial investments at fair value through profit or loss	44,685,546	40,509,728
Financial investments at fair value through other comprehensive income	14,448,773	17,311,509
Financial investments measured at amortised cost	130,810,883	139,328,387
Derivative financial assets	–	173,981
Interest in associates and subsidiaries	1,610,679	1,607,739
Property and equipment	2,854,107	2,781,932
Deferred tax assets	4,455,469	3,667,052
Other assets	3,501,159	4,256,360
Total assets	550,591,803	543,066,652
Liabilities		
Due to Central Bank	21,324,420	22,534,998
Deposits from banks and other financial institutions	32,677,491	39,378,724
Placements from banks and other financial institutions	2,416,541	2,702,350
Derivative financial liabilities	74,600	–
Financial assets sold under repurchase agreements	17,298,191	12,371,414
Deposits from customers	324,085,708	317,365,543
Tax payable	1,240,439	254,945
Debt securities issued	89,088,029	88,671,919
Other liabilities	2,592,899	2,531,488
Total liabilities	490,798,318	485,811,381

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022
(In RMB thousands, unless otherwise stated)

44 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	30 June 2022	31 December 2021
Equity		
Share capital	8,265,538	8,265,538
Other financial instruments		
preference shares	7,825,508	7,825,508
perpetual debts	9,998,855	9,998,855
Capital reserve	7,452,548	7,452,548
Surplus reserve	3,281,678	3,281,678
General reserve	7,244,200	7,244,200
Fair value reserve	(67,597)	(173,457)
Remeasurement of net defined benefit liability	(67,817)	(69,255)
Retained earnings	15,860,572	13,429,656
Total equity	59,793,485	57,255,271
Total liabilities and equity	550,591,803	543,066,652

Wang Tianyu
Chairman of the Board of Directors
Executive Director

Shen Xueqing
President
Executive Director

Sun Haigang
Person in Charge of Accounting Affairs

Gao Chenxin
Head of Accounting Department

(Company chop)

Unaudited Supplementary Financial Information

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

1 CURRENCY CONCENTRATIONS

	30 June 2022			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	11,424,895	31,188	152,371	11,608,454
Spot liabilities	(404,228)	(492,903)	(36)	(897,167)
2 Net position	11,020,667	(461,715)	152,335	10,711,287

	31 December 2021			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	13,187,357	28,006	120,114	13,335,477
Spot liabilities	(2,282,688)	(471,227)	(57)	(2,753,972)
Net position	10,904,669	(443,221)	120,057	10,581,505

The Group has no structural position at the reporting periods.

Unaudited Supplementary Financial Information

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

2 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations in Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, amounts due from banks and other financial institutions and debt investments.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are 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.

	30 June 2022			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	5,035,121	–	410,474	5,445,595
Total	5,035,121	–	410,474	5,445,595

	31 December 2021			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	4,694,072	–	390,017	5,084,089
Total	4,694,072	–	390,017	5,084,089