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Bank of Zhengzhou Co., Ltd.*

鄭州銀行股份有限公司*

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

(H Shares Stock Code: 6196)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2022

The board of directors (the “**Board**”) of Bank of Zhengzhou Co., Ltd.* (the “**Bank**”) is pleased to announce the audited consolidated annual results (the “**Annual Results**”) of the Bank and its subsidiaries for the year ended December 31, 2022. This results announcement, containing the full text of the 2022 annual report of the Bank, complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of Annual Results. The Board and the audit committee of the Board have reviewed and confirmed the Annual Results.

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Bank (www.zzbank.cn). The printed version of the annual report for the year ended December 31, 2022 will be despatched to the shareholders of the Bank and will be available on the above websites in April 2023.

**The Board of Directors of
Bank of Zhengzhou Co., Ltd.***

Zhengzhou, Henan, the PRC
March 30, 2023

As at the date of this announcement, the Board comprises Mr. XIA Hua as executive director, Ms. WANG Dan, Mr. LIU Bingheng, Mr. JI Hongjun and Mr. WANG Shihao as non-executive directors, and Ms. LI Yanyan, Mr. LI Xiaojian, Mr. SONG Ke and Ms. LI Shuk Yin Edwina as independent non-executive directors.

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

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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 annual report and that there are no false representations, misleading statements or material omissions, and jointly and severally assume liability for the information hereof.

The full text and the summary of the 2022 annual report (the “**Report**”) were reviewed and approved at the Bank’s eighth meeting of the seventh session of the Board of Directors on 30 March 2023. 9 Directors were eligible to attend the meeting, 9 of whom attended in person. Several Supervisors of the Bank attended the meeting.

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., Queshan Zhengyin County Bank Co., Ltd. and Xinzheng Zhengyin County Bank Co., Ltd.

The Bank prepared the 2022 annual financial report in accordance with the Chinese Accounting Standards for Business Enterprises and International Financial Reporting Standards, which was audited by Ernst & Young Hua Ming LLP and Ernst & Young under the PRC and Hong Kong standards on auditing, respectively. The two firms issued an audit report and an independent auditor’s report respectively, which were both standard and unqualified.

Mr. ZHAO Fei, the president of the Bank and acting chairman of the Board of Directors, Mr. SUN Haigang, the person-in-charge of accounting of the Bank, 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 Board of the Bank recommended that 1 new Share for every 10 Shares shall be issued to the Ordinary Shareholders whose names appeared on the register of Shareholders of the Bank as at the dividend distribution registration date by way of capitalization issue, and that no cash dividend or bonus share shall be distributed or issued in 2022. The profit distribution plan will be proposed at the general meeting of the Bank for approval.

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 major risks to which the Bank was exposed in its operations and management and the corresponding measures adopted by the Bank are detailed in this Report. For further information, please refer to the relevant information in the sections headed “Risk Management” and “Outlook” in the chapter headed “Management Discussion and Analysis” of this Report.

DEFINITIONS

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 shares 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
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBIRC Henan Office”	China Banking and Insurance Regulatory Commission Henan Office
“Company Law”	Company Law of the People’s Republic of China
“Corporate Governance Code”	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 shares 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 March 2023, 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, which were redeemed in full by the Bank on 18 October 2022
“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 period from 1 January 2022 to 31 December 2022
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Securities Law”	Securities Law of the People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)” or “Ordinary Share(s)”	the A Shares and the H Shares

DEFINITIONS

“Shareholder(s)” or “Ordinary Shareholder(s)”	holder(s) of the Ordinary Share(s)
“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”	Shenzhen Stock Exchange
“SZSE Listing Rules”	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange
“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)

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PRESIDENT'S STATEMENT

Time stops for no one and we waste none of the hours to develop. 2022 witnessed an extraordinary history. The 20th National Congress of the Communist Party of China, which was successfully convened during the year, directed the way for the advancement and development of the cause of the Party and the country. At this new starting point for the construction of a powerful country and the rejuvenation of the nation, Bank of Zhengzhou united as one to overcome difficulties and upheld the development concept of building a leading bank with high-quality development, thus marking its own unique milestone.

This year, we stood by each other in difficulties and understood better the value of companionship.

Facing complex, volatile internal and external situations, Bank of Zhengzhou firmly “guard our doors and protect our fellows”, and gained a deeper and indestructible friendship with customers, all walks of life, cadres and employees. Adhering to the customer-centered principle, we put ourselves in customers’ shoes and responded promptly to their urgent needs. The Bank introduced 18 long-term mechanisms and measures to provide financial services for small and micro enterprises as far as possible, and launched 12 measures to provide financial services for new citizens, thereby providing small and micro enterprises and individual businesses with policy support such as delayed repayment of principal and interest, and credit protection. We handled a total of 4,500 businesses regarding the delayed repayment of principal and interest for small and micro enterprises as well as individual businesses with an amount of RMB3.18 billion. By doing this, we supported the development and people’s livelihood in regions affected by the economic downturn.

This year, we took on the responsibility of development and threw in our lot with Henan Province.

As a local legal person bank, Bank of Zhengzhou has been rooted in Henan, especially Zhengzhou. We were duty-bound to promote the high-quality development of local economy and help people live a better life. Given the task to help stabilize the overall economy in the province, we issued the Implementation Opinions of the Bank of Zhengzhou on Stabilizing Economy, Promoting Growth and Maintaining Employment in no time. While thoroughly implementing the national, provincial and municipal policies and follow-up measures for stabilizing the economy, the Bank formulated 27 measures in eight aspects to stabilize the economy, and supported 85 provincial “Three in One Batch” projects, major projects and post-disaster reconstruction projects, making every effort to help stabilize the economy and promote development. In particular, since the launch of the provincial special action for ensuring the delivery of new properties, Bank of Zhengzhou took the initiative to implement the “16 Policies” of financial support for real estate, and launched the “Bank of Zhengzhou 22 Measures” to support the steady and healthy development of the real estate market. To ensure the delivery of new properties, we formulated a special marketing and credit extension plan, approved loans of RMB6.4 billion, and entered into strategic cooperation agreements with seven real estate enterprises. We strove to boost Henan’s economy with distinctive policy guidance and practical, concrete measures, and took actions to create a better future for Henan Province in the new era.

PRESIDENT'S STATEMENT

This year, we improved ourselves against the backdrop of reform, kept up with the time and moved forward confidently.

In 2022, making breakthroughs in the context of reform and metamorphosing in innovation were still must-choices for Bank of Zhengzhou to achieve high-quality development. We unswervingly implemented regulatory requirements, and proactively adjusted our structure for transformation. Turning our focus from the scale and speed of development, we reduced off-site businesses and high-cost deposits, and disposed of more non-performing assets to control risks and underpin the fundamentals. Furthermore, we actively adjusted our development strategies to stick to the “Five & Four Strategy” and promote digital transformation and development. In April 2022, Bank of Zhengzhou was identified by Henan Provincial Party Committee and Henan Provincial Government as the main financial entity for policy-oriented scientific and technological innovation. Adhering to the innovation-driven strategy and giving top priority to the policy-oriented scientific and innovative financial strategy, we strove to achieve commercialized and policy-oriented development in a coordinated manner, and established and improved the “six-in-one” mechanism. The Bank launched more than 10 specialized products including, among others, talent loan, R&D loan and intellectual property pledge loan. The aim was to support businesses from “sole proprietor to enterprise, small enterprise to enterprise above designated size (EADS), EADS to joint-stock company, joint-stock company to listing”, specialized and new enterprises, “little giant” enterprises and other innovative entities. By doing so, the Bank endeavored to become a first-class bank featuring policy-oriented science and innovation finance. As at the end of the Reporting Period, the Bank granted science and innovation loans to 2,640 enterprises with a balance of RMB24.1 billion. In the process of building Henan into a national highland of innovation, we not only set an example in financing sci-tech innovation, but also set a record of speed in supporting innovation-driven development. The Bank ranked 184th in the “Top 1,000 Global Banks in 2022”, 44th in the “Top 100 Chinese Banks in 2022”, 236th in the “Top 500 Global Banks with Brand Values” in 2022, and 11th among China’s city commercial banks in 2022 in the GYROSCOPE evaluation system in terms of steady development capability based on comprehensive evaluation results, indicating that our comprehensive competitiveness has significantly improved.

The road ahead is long but we will keep moving forward. In 2023, standing at the turning point of history and reform, we will make it the top priority to thoroughly pursue the spirit of the 20th National Congress of the Communist Party of China, firmly implement major national, provincial and municipal decisions and arrangements, and maintain strategic focus. With courage and determination, the Bank will embark on a new journey of high-quality development, and endeavor to shoulder greater responsibility in the development of local economy.

ZHAO Fei

President (Acting Chairman of the Board of Directors)

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. ZHAO Fei (Acting Chairman of the Board of Directors)
Authorized representatives:	Mr. XIA Hua, Dr. NGAI Wai Fung ⁽¹⁾
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 ⁽²⁾
Securities affairs representative and contact details:	Mr. CHEN Guang ⁽³⁾ 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 short names and codes:	A Shares: SZSE BANK OF ZHENGZHOU 002936 H Shares: Hong Kong Stock Exchange BANK OF ZHENGZHOU 6196
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 codes of the registered address and office address:	450018
Historical change of registered address:	The registered address of the Bank was changed from "55 Mianfang Road, Erqi District, Zhengzhou" to "Hezhong Zonghe Building, 1 Yousheng North Road, Zhengzhou" on 17 December 2000, and from "Hezhong Zonghe Building, 1 Yousheng North Road, Zhengzhou" to "22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou" on 28 December 2010.

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 annual report of A Shares: www.cninfo.com.cn Website for publishing the annual report of H Shares: www.hkexnews.hk
Place where the annual report can be obtained:	The General Office of the Board and principal place of business of the Bank
Domestic auditor:	Ernst & Young Hua Ming LLP
Address of domestic auditor:	Room 01-12, 17th Floor, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, the PRC
Undersigned accountants:	Mr. CHEN Sheng, Ms. CHEN Lijing
International auditor:	Ernst & Young (<i>Registered Public Interest Entity Auditor</i>)
Address of international auditor:	27th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
Undersigned accountant:	Mr. WU Zhiqiang
PRC legal advisor:	King & Wood Mallesons
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

Notes:

- On 21 March 2023, Mr. WANG Tianyu resigned as the executive Director and chairman of the Bank, and ceased to be the authorized representative of the Bank under Rule 3.05 of the Stock Exchange Listing Rules. Upon consideration and approval at the 2023 first extraordinary meeting of the seventh session of the Board, Dr. NGAI Wai Fung was appointed as the authorized representative of the Bank.
- 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.
- On 30 August 2022, upon consideration and approval at the sixth meeting of the seventh session of the Board of the Bank, Mr. CHEN Guang was appointed as the securities affairs representative of the Bank, and Mr. WANG Yongfeng ceased to be the securities affairs representative of the Bank.

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	2022	2021	Year-on-year increase/ decrease (%)	2020	2019	2018
Operating results						
Operating income ⁽¹⁾	15,225,843	14,810,905	2.80	14,579,669	13,440,214	11,133,655
Total profit	2,807,230	3,988,138	(29.61)	4,012,467	4,006,026	3,809,906
Net profit attributable to Shareholders of the Bank	2,422,304	3,226,192	(24.92)	3,167,567	3,285,122	3,058,831
Net cash flow used in operating activities	(31,350,017)	(42,619,059)	(26.44)	(11,179,309)	(7,850,803)	(25,819,469)
Calculated on a per Share basis (RMB/Share)						
Basic earnings per Share ⁽²⁾	0.17	0.33	(48.48)	0.36	0.43	0.47
Diluted earnings per Share ⁽²⁾	0.17	0.33	(48.48)	0.36	0.43	0.47
Scale indicators	As at the end of 2022	As at the end of 2021	Year-on-year increase/ Decrease (%)	As at the end of 2020	As at the end of 2019	As at the end of 2018
Total assets	591,513,618	574,979,662	2.88	547,813,444	500,478,127	466,142,418
Gross loans and advances to customers (excluding accrued interest)	330,921,097	289,027,668	14.49	237,959,190	195,911,665	159,572,792
Provision for impairment losses on loans and advances to customers ⁽³⁾	10,311,525	8,369,541	23.20	7,931,775	7,424,847	6,097,376
Total liabilities	538,888,382	515,568,122	4.52	501,841,523	460,586,505	428,278,919
Total deposits from customers (excluding accrued interest)	337,708,162	318,813,450	5.93	314,230,420	289,216,860	264,130,934
Share capital	8,265,538	8,265,538	-	7,514,125	5,921,932	5,921,932
Shareholders' equity	52,625,236	59,411,540	(11.42)	45,971,921	39,891,622	37,863,499
Including: equity attributable to Shareholders of the Bank	50,772,566	57,766,182	(12.11)	44,494,897	38,590,322	36,649,739
Net assets per Share attributable to Ordinary Shareholders of the Bank ⁽⁴⁾	4.93	4.83	2.07	4.88	4.72	4.87
Net capital base ⁽⁵⁾	55,291,681	63,166,634	(12.47)	52,679,369	46,215,496	45,958,462
Including: net tier-one capital ⁽⁵⁾	50,566,245	57,931,340	(12.71)	44,492,918	38,353,128	36,618,138
Total risk-weighted assets ⁽⁵⁾	434,769,547	421,013,820	3.27	409,505,750	381,759,225	349,504,822

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

Major financial indicators	2022	Year-on-year		2020	2019	2018
		2021	Change			
Capital adequacy ratio (%)						
Core tier-one capital adequacy ratio ⁽⁵⁾	9.29	9.49	(0.20)	8.92	7.98	8.22
Tier-one capital adequacy ratio ⁽⁵⁾	11.63	13.76	(2.13)	10.87	10.05	10.48
Capital adequacy ratio ⁽⁵⁾	12.72	15.00	(2.28)	12.86	12.11	13.15
Asset quality indicators (%)						
Non-performing loan ratio ⁽⁶⁾	1.88	1.85	0.03	2.08	2.37	2.47
Allowance to non-performing loans ⁽⁶⁾	165.73	156.58	9.15	160.44	159.85	154.84
Allowance to total loans ⁽⁶⁾	3.12	2.90	0.22	3.33	3.79	3.82
Ratio of loans with principal or interest overdue for more than 90 days to non-performing loans ⁽⁷⁾	90.50	82.97	7.53	96.11	89.52	95.36
Profitability indicators (%)						
Weighted average return on net assets ⁽²⁾	3.53	7.17	(3.64)	8.37	9.30	10.03
Return on total assets ⁽⁸⁾	0.45	0.61	(0.16)	0.63	0.70	0.69
Cost-to-income ratio ⁽⁹⁾	22.98	23.06	(0.08)	22.53	26.62	27.96
Net interest spread ⁽¹⁰⁾	2.18	2.24	(0.06)	2.46	2.29	1.77
Net interest margin ⁽¹¹⁾	2.27	2.31	(0.04)	2.40	2.16	1.70
Other financial indicators (%)						
Leverage ratio ⁽¹²⁾	7.69	8.72	(1.03)	6.63	6.34	6.79
Liquidity ratio ⁽¹²⁾	72.34	63.72	8.62	70.41	56.44	56.39
Liquidity coverage ratios ⁽¹²⁾	300.13	339.61	(39.48)	353.94	300.37	304.42
Loan-to-deposit ratio ⁽¹²⁾	97.99	90.66	7.33	82.63	72.33	66.06
Percentage of loans to the single largest customer ⁽¹²⁾	5.18	4.75	0.43	3.61	4.11	4.13
Percentage of loans to the top ten single customers ⁽¹²⁾	34.06	27.66	6.40	26.17	26.94	21.46
Percentage of credit granted to the single largest group customer ⁽¹²⁾	5.63	4.93	0.70	6.15	7.01	6.02
Normal loan migration ratio ⁽¹²⁾	1.33	4.58	(3.25)	4.68	3.43	8.81
Special mention loan migration ratio ⁽¹²⁾	16.92	48.26	(31.34)	33.16	28.96	55.14
Substandard loan migration ratio ⁽¹²⁾	25.19	1.35	23.84	68.76	97.76	76.71
Doubtful loan migration ratio ⁽¹²⁾	9.33	4.27	5.06	–	0.34	0.14

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

Notes:

1. Operating income includes net interest income, net fee and commission income, net gains arising from investments, net trading gains, other operating income, etc.
2. 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).

The Bank distributed the dividends on the Offshore Preference Shares and redeemed preference shares in October 2022, and paid interest on indefinite-term capital bonds in November 2022. In calculating basic earnings per Share, diluted earnings per Share and weighted average return on net assets, the distributed dividends of the Offshore Preference Shares and interest on indefinite-term capital bonds for the period have been deducted from the "net profit attributable to Ordinary Shareholders of the Bank", and the Offshore Preference Shares and indefinite-term capital bonds have been deducted from the "weighted average net assets".

3. 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.
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. The capital adequacy ratio and relevant data are calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) of the CBIRC and relevant requirements. The calculations are based on statutory financial statements of the Bank prepared under China Accounting Standards for Business Enterprises.
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 the 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 the gross loan and advance principal to customers (excluding accrued interest).
7. Ratio of loans with principal or interest overdue for more than 90 days to non-performing loans is calculated by total principal of loans with principal or interest overdue for more than 90 days (excluding accrued interest) divided by total principal of non-performing loans (excluding accrued interest).
8. Representing the percentage of net profit for the Reporting Period to the average balance of total assets at the beginning and the end of the period.
9. Calculated by dividing total operating expenses (excluding tax and surcharges) by operating income.
10. Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities based on daily average of the interest-earning assets and the interest-bearing liabilities.
11. Calculated by dividing net interest income by the daily average interest-earning assets based on daily average interest earning assets.

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

12. 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 audited data. Loan-to-deposit ratio was recalculated as per audited total loan principal divided by total deposit principal. Other indicators represented data reported to regulatory authorities. Loan migration ratio was based on the criteria of the parent of the Bank.

3 DIFFERENCES IN ACCOUNTING DATA UNDER DOMESTIC AND INTERNATIONAL ACCOUNTING STANDARDS

The Bank's net assets as at the end of the Reporting Period and the net profit during the Reporting Period as calculated in accordance with the Accounting Standards for Business Enterprises of the PRC is the same as that calculated in accordance with International Financial Reporting Standards.

4 MAJOR FINANCIAL INDICATORS BY QUARTER

Unit: RMB'000

Item	Fourth quarter of 2022	Third quarter of 2022	Second quarter of 2022	First quarter of 2022
Operating income	3,402,986	4,258,469	4,144,492	3,419,896
Net profit attributable to Shareholders of the Bank	(981,141)	872,379	1,364,640	1,166,426
Net cash flow used in operating activities	(8,606,263)	(4,614,560)	1,331,341	(19,460,535)

Note: There is no substantial difference between the aforesaid financial indicators or their sum and those disclosed in the quarterly reports and interim report of the Bank.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

1 REVIEW OF THE ECONOMIC ENVIRONMENT AND INDUSTRY

In 2022, faced with a complex and harsh development environment both domestically and internationally, China's economy withstood the pressure and continued to grow, achieving greater results in high-quality development. Firstly, the economy in general maintained a recovery trend. In 2022, China's gross domestic product (GDP) reached RMB121,020.7 billion, representing an increase of 3.0% over the previous year at constant prices. Specifically, the primary, secondary and tertiary sectors recorded a year-on-year growth of 4.1%, 3.8% and 2.3%, respectively. Secondly, industrial production was generally stable, and new drivers continued to grow. In 2022, the production of China's industrial enterprises above designated size recovered steadily, with the added value increasing by 3.6% year-on-year. The high-tech and equipment manufacturing sectors outperformed with a growth of 7.4% and 5.6% in added value, 3.8 and 2.0 percentage points higher than that of industrial enterprises above designated size, respectively. New energy and new emerging products grew rapidly. The output of new energy vehicles, mobile communication base station equipment, and industrial control computers and systems increased by 97.5%, 16.3% and 15.0%, respectively. Thirdly, the service sector recovered steadily, with the modern service sector growing well. In 2022, the added value of the service sector was RMB63,869.8 billion, representing an increase of 2.3% over the previous year. The added value of the service sector accounted for 52.8% of GDP and contributed 41.8% of the economic growth and 1.3 percentage points of GDP growth. The added value of information transmission, software and information technology services and financial services increased by 9.1% and 5.6% from the previous year respectively, which together boosted the added value of the service sector by 1.5 percentage points as a strong support for the recovery of the service sector. Fourth, the fixed-asset investment (FAI) expanded steadily with investment in high-tech industries growing well. In 2022, China's FAI (excluding rural households) reached RMB57,213.8 billion, representing an increase of 5.1% over the previous year. Investment in high-tech industries increased by 18.9%, 13.8 percentage points faster than the total investment. Fifth, the imports and exports of goods grew rapidly and the trade structure continued to improve. In 2022, the total imports and exports of goods amounted to RMB42,067.8 billion, representing an increase of 7.7% over the previous year. The imports and exports of general trade increased by 11.5%, accounting for 63.7% of the total imports and exports and 2.2 percentage points higher than the previous year. The imports and exports of private enterprises increased by 12.9%, accounting for 50.9% of the total imports and exports and up by 2.3 percentage points from the previous year. Sixth, the recovery of the consumer market slowed down slightly, while new forms of consumption maintained sound development. In 2022, as the consumer market was notably disrupted by economic downturn, the total retail sales of consumer goods decreased by 0.2% year-on-year to RMB43,973.3 billion. The online retail sales of physical goods increased by 6.2% over the previous year, accounting for 27.2% of the total retail sales of consumer goods and up by 2.7 percentage points from the previous year, which indicated that new consumption patterns developed solidly. Seventh, residents' income growth was largely in line with economic growth. In 2022, the per capita disposable income of residents in China was RMB36,883, representing a year-on-year growth of 5.0% in nominal terms and 2.9% in real terms after deducting price factors, which was largely in line with the economic growth. The income gaps between urban and rural residents and between regions continued to narrow.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

In 2022, Henan Province made efforts to seek progress while maintaining stability, and enabled the economy to improve in quality amid stability. Firstly, the economy was recovering. In 2022, the province's GDP reached RMB6,134,505 million, a year-on-year increase of 3.1%, 0.1 percentage point higher than the national average, and the main indicators such as the added value of industrial enterprises above designated size and fixed-asset investment were higher than the national averages. Secondly, innovation remained a robust driver. In 2022, the province's investment in innovation increased significantly, with new industries and new products growing well, particularly digital consumption and digital industries. The annual expenditure on science and technology in the province's general public budget expenditure increased by 24.9%, 16.1 percentage points higher than that of general public budget expenditure; enterprises in high-tech manufacturing and strategic emerging industries above designated size registered a growth of 12.3% and 8.0% in added value, 7.2 and 2.9 percentage points higher than that of industrial enterprises above designated size; In the whole year, the annual retail sales of goods realized by enterprises above designated size through public networks increased year-on-year by 15.7%, 15.6 percentage points higher than that of the total retail sales of consumer goods. Thirdly, coordinated development was gaining momentum. In 2022, the province's industrial structure and demand structure continued to improve. The annual added value of strategic emerging industries and high-tech manufacturing industries in the province accounted for 25.9% and 12.9% of industrial enterprises above designated size, up by 1.9 and 0.9 percentage points year-on-year; industrial investment accounted for 35.8% of the province's total investment, up by 5.3 percentage points year-on-year. Fourth, green and low-carbon development was solidly promoted. The annual added value of energy conservation and environmental protection enterprises above designated size in the province increased by 9.4%, and the power outputs of wind energy, solar energy and biomass increased by 16.2%, 51.7% and 42.8%, respectively. Fifth, opening up was continuously expanding. In 2022, the province's trade volume of goods increased with a more balanced structure of foreign trade, and foreign trade entities flourished. The annual total import and export value of the province was RMB852.41 billion, representing a year-on-year increase of 4.4% and ranking ninth in the country; the percentages of imports and exports through general trade and bonded logistics increased by 1.8 and 0.4 percentage points, respectively; there were 10,740 foreign trade enterprises with actual imports and exports in the province, up by 6.6% year on year. Sixth, people's livelihood continued to improve. In 2022, the province's consumer prices rose moderately under a strong safety net of basic living, while investment in weak areas of people's livelihood grew rapidly. For the year, the province's CPI rose by 1.5% year-on-year, 0.5 percentage points lower than the national average; The outputs of natural gas, power generation and raw coal from industrial enterprises above designated size increased by 30.8%, 8.8% and 4.2%, respectively; investments in water conservancy management and health and social services increased by 34.4% and 43.5%, respectively.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

In 2022, given unexpected domestic and foreign factors, the People's Bank of China stepped up the implementation of a prudent monetary policy and solidly implemented a series of policies and measures to stabilize the economy, enabling the financial system to run smoothly and providing stronger and higher-quality support for the real economy. In 2022, total stock of social financing amounted to RMB344.21 trillion, representing a year-on-year increase of 9.6%, while increments of social financing amounted to RMB32.01 trillion, up by RMB668.90 billion from last year. The balance of broad money (M2) was RMB266.43 trillion, representing a year-on-year increase of 11.8%, and the growth rate was 0.6 percentage point lower than that as at the end of the previous month, and 2.8 percentage points higher than the same period last year. The balance of RMB and foreign currency loans reached RMB219.1 trillion, representing a year-on-year increase of 10.4%, of which the balance of RMB loans was RMB213.99 trillion, increased by 11.1% year-on-year or RMB21.31 trillion, which is RMB1.36 trillion more than the increased amount of the last year. The balance of RMB and foreign currency deposits reached RMB264.45 trillion, representing a year-on-year increase of 10.8%, of which the balance of RMB deposits was RMB258.5 trillion, increasing by 11.3% year-on-year or RMB26.26 trillion, which is RMB6.59 trillion more than the increased amount of the last year. In the interbank RMB market, a total of RMB1,798.2 trillion was traded through interbank lending, spot trading and repo. The weighted average interest rates of interbank lending and pledged repo were 1.26% and 1.41%, respectively, which were 0.76 and 0.68 percentage point lower than those for the same period last year.

In 2022, China's banking institutions achieved steady growth against multiple pressures while supporting the development of the real economy. The total assets of China's commercial banks grew steadily, with the local and foreign currency assets of banking institutions amounting to RMB379.4 trillion, up by 10.0% year on year; The quality of assets stabilized and improved. The balance of non-performing loans was RMB3.8 trillion, and the non-performing loan ratio was 1.71%, down by 0.09 percentage point year-on-year. The industry maintained stable profits with recovering profitability, and recorded a total net profit of RMB2.3 trillion, up by 5.4% year on year; the overall risk resilience was sufficient, with a capital adequacy ratio of 15.17% and a provision coverage ratio of 205.85%; support for key areas and weak links of the real economy continued to increase. The balance of medium and long-term loans to the manufacturing industry, the balance of loans to small and medium-sized technology enterprises, the balance of inclusive loans to small and micro enterprises, and the balance of loans to "specialized, sophisticated, unique and novel" enterprises increased by 36.7%, 24.3%, 24% and 23.8% year-on-year, 25.6, 13.2, 12.9 and 12.7 percentage points higher than that of all loans. The overall financing cost of the real economy was significantly reduced. In 2022, the weighted average interest rate of new corporate loans was 4.17%, 34 basis points lower than the previous year. 2023 is the first year to fully implement the spirit of the 20th CPC National Congress. Despite the domestic and international uncertainties in development trends, the long-term positive fundamentals of China's economy will remain unchanged. China's banking institutions should seize opportunities to speed up improving strengths and making up for weaknesses, strengthen corporate governance, consolidate the foundation for development, enhance risk prevention capabilities, step up support for key areas and weak links of the economy, and accelerate the shift to high-quality development.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

2 BUSINESS REVIEW

2.1 Primary Business

Bank of Zhengzhou is a regional joint stock commercial bank established in November 1996. The Bank 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 listed on both the A-share and H-share markets. In April 2022, Zhengzhou Bank was approved by the Henan Provincial Party Committee and the Provincial Government as the principal operator of policy-based technological innovation finance in Henan Province. With the strategic vision of becoming a “value-leading bank with high-quality development”, Zhengzhou Bank adheres to the path of characteristic and differentiated development, establishes the positioning with three characteristic businesses of “commercial and logistics bank, an SME financial service expert, and a boutique bank for residents”, actively develops “Four New Types of Finance” for retail banking (namely technological innovation finance, small and micro enterprise finance, rural finance and citizen finance), and coordinates the “Four New Types of Finance” for retail banking and the “Five Clouds” commercial finance for corporate banking, concentrating the resources of the entire Bank to implement the “Five & Four” Strategy.

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 funds 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.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

2.2 Operational Performance

Major business indicators remained stable. As at the end of the Reporting Period, the Bank had total assets of RMB591,514 million, representing an increase of 2.88% from the end of the previous year; total deposits from customers of RMB337,708 million, representing an increase of 5.93% from the end of the previous year; and gross loans and advances to customers of RMB330,921 million, representing an increase of 14.49% from the end of the previous year. During the Reporting Period, the Bank recorded an operating income of RMB15,226 million, representing a year-on-year increase of 2.80%; a pre-provision operating profit of RMB11,467 million, representing a year-on-year increase of 1.92%; a net profit of RMB2,600 million, representing a year-on-year decrease of 23.48%; a net interest margin of 2.27% and a cost-to-income ratio of 22.98%. The Bank's capital adequacy ratio, NPL ratio and allowance to NPL ratio were 12.72%, 1.88% and 165.73% respectively, major regulatory indicators meeting the regulatory requirements.

Fulfilled the responsibility to serve the real economy. The Bank implemented the policies and follow-up measures adopted by the state and Henan Province to stabilize the economy, and introduced 27 financial service measures in 8 areas. Specifically, the Bank carried out the special campaign of "attracting investment into Henan" and issued 26 debt financing instruments with a total amount of RMB15,454 million; deferred 4,500 payments of principal and interest due from small and micro enterprises and sole proprietorships, with RMB3.2 billion of outstanding loans; visited and surveyed more than 1,100 enterprises under the "10,000 people helping 10,000 enterprises" and "President visiting enterprises" initiatives, and saw the balance of loans to such enterprises increase by RMB30.4 billion; supported a total of 85 "Three in One Batch" projects, major projects and post-disaster reconstruction projects, with the balance of loans to such projects increasing by RMB2.4 billion compared with the end of last year. In an effort to fully support the campaign of "ensuring home delivery", the Bank promptly set up a task force to undertake projects in a coordinated manner, approved RMB6.4 billion in loans for projects, and signed strategic cooperation agreements with 7 real estate companies, thereby shouldering the burden of promoting the stable and healthy development of the real estate market.

Promoted the "Five & Four Strategy" to create new horizons. In April 2022, the Bank was designated as the principal operator of policy-based technological innovation finance by Henan Provincial Party Committee and Provincial Government. The Bank developed a "six-special" mechanism, innovated service models, focused on the financing needs of innovative businesses to launch 10 exclusive products including Talent Loan, R&D Loan and Intellectual Property Pledge Loan, and issued technological innovation loans to 2,640 customers with the balance of such loans reaching RMB24.1 billion, thus contributing to building China as an innovative power. In terms of small and micro enterprise finance, the Bank promoted the "Partnership Project" Plan and reached all 272 key small and micro enterprise parks in the province, with the balance of loans to enterprises in such parks increasing by RMB8.8 billion. In terms of rural finance, the Bank facilitated the construction of beautiful countryside by serving over 100,000 rural residents and sole proprietorships, with the balance of agriculture-related loans amounting to RMB80,871 million. In terms of citizen finance, the Bank, with a focus on people's livelihood, issued 270,000 third-generation social security cards, launched "12 measures" for financial services for new citizens, and delivered "last mile" services to citizens. In terms of "Five Clouds", the Bank upgraded related financial services and helped ensure smooth logistics flows by resolving temporary financial distress for 82 logistics companies and more than 2,000 freight drivers.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

2.3 Analysis of Core Competitiveness

Clear strategic objectives and distinctive business characteristics. With the strategic vision of building a “value-leading bank with high-quality development”, the Bank adheres to the path of characteristic and differentiated development and the unique positioning as “a commerce and logistics bank, an SME financial service expert, and a boutique bank for residents”. The Bank closely follows the major decisions and arrangements of the government, actively develops “Four New Types of Finance”, and has combined “Four New Types of Finance” and “Five Clouds” to form the “Five & Four Strategy”, with a view to providing new drivers for the Bank’s high-quality development. In addition, the Bank firmly embraces the digital economy, grasps opportunities from the “Digital China” strategy, and makes full use of financial technology to comprehensively promote digital transformation and provide better, more convenient and efficient financial services for the real economy.

Leveraging regional advantages to build a “commerce and logistics bank”. Against the backdrop of promoting domestic and international dual circulation, 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 under the guideline of building a commerce and logistics bank. Based on its transaction banking business, the Bank integrates the commerce flow, information flow, cash flow and logistics, strives to optimize the “Five Clouds” online service platforms and integrate system functions, and promotes the integration of “supply chain finance + logistics finance + commercial finance”, ushering in a new stage of commercial and logistics finance development and creating a platform-based financial eco-system.

Practicing social responsibility and becoming an “SME financial service expert”. The Bank unswervingly follows the “digital, online and intelligent” development path, and fulfils the vision of becoming a comprehensive financial service expert for small and medium-sized enterprises with “high quality + refinement”. By enhancing the small and micro finance model, the Bank reverts to the nature of small and micro credit business. With building popular products as the core purpose, the Bank accelerates innovation of small and micro products; establishes a cultural system for small and micro credit risks and builds an intelligent risk control system backed by big data platforms to manage and control risks throughout the entire process; prudently implements credit-loan joint operations and proactively establishes sound strategic cooperation mechanism with Internet technology giants to maximize synergies and jointly build a new inclusive finance ecosystem; enhances the integrated financial services that combine “financing + financial intelligence” and fully supports the construction of Zhongyuan Science and Technology City; and joins hands with small and micro enterprise parks and the enterprises therein to implement the “Partnership Project Plan” and provide them with a full range of integrated financial service solution.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Developing inclusive finance to build a “boutique bank for residents”. As a local financial institution, the Bank adheres to the customer-centred principle and constantly diversifies and upgrades comprehensive financial services catering to citizens’ basic necessities, so as to meet the financial needs of customers in all aspects. To implement the national requirements for strengthening financial services for new citizens, the Bank, leveraging its advantages in citizen finance, has set up a leading group and formulated “12 Measures” for financial services for new citizens to provide differentiated financial services for new citizens and continuously improve service efficiency and customer experience, in a drive to build a “boutique bank for residents” well trusted by the public with the mission of “providing heart-warming financial services for better life”. The Bank extends modern financial services to rural areas by setting up “rural service sites+”, building a comprehensive management platform for rural business and developing a rural revitalization version of mobile banking app 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.

Focusing on the strategy of policy-based technological innovation finance and creating a role model of “finance supporting technology”. The Bank gets deeply involved in the technological innovation efforts in Henan, develops policy-based technological innovation finance as its primary strategy, and fully plays the role as a provider of policy-based financial services for technological innovation through a special leading group, a dedicated department, a professional team, exclusive products, special policies and special collaboration. In an effort to become a first-class bank specialized in policy-based technological innovation finance, the Bank strives to explore an effective model for the coordinated development of commercial finance and policy-based finance, focuses on supporting enterprises meeting “sole proprietor to enterprise, small enterprise to enterprise above designated size (EADS), EADS to joint-stock company, joint-stock company to listing” conditions, “specialized, sophisticated, unique and novel” enterprises, “little giants” and other innovative businesses, and provides “heart-warming financial services” to promote technological innovation finance as a strong driver and empower technology innovation enterprises in the province to grow larger and stronger.

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Developing innovative thinking to accelerate innovation output. The Bank values financial innovation and actively creates an institutional atmosphere suitable for innovation. To this end, the Bank has the chief information officer serving as the director of innovative business, optimizes the innovation system by overhauling the overall innovation process, and establishes an efficient and clear innovation management mechanism and an innovation assessment and reward mechanism with equal rights and responsibilities to stimulate the innovation passion 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 to accelerate innovation output, and builds a two-wheeled innovation model driven by “agile innovation & steady innovation”; intensifies external cooperation, and leverages fintech including big data and artificial intelligence 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.

Establishing an awareness of talent nurturing and emphasizing personnel training. The Bank was active in recruiting and attracting high-calibre talent from the fields of investment banking, risk management, credit review and human resources. The Bank carries out the management trainee plan to recruit graduates from key universities. The Bank also builds a “talent database” to improve the personnel structure, formulates comprehensive training programs and improves the training system, upgrades online learning platforms and carries out capability enhancement training for employees of all levels to improve the capacity building of talent echelons, so as to lay a solid human resource foundation for future high-quality development.

Creating a corporate culture and adhering to the corporate vision. With “Zhengzhou Bank Cares”, the Bank revamps and upgrades its corporate culture from “Ding Culture” to “Care Culture”, which represents the common ideal and pursuit, and serves as the spiritual and action guidance, of everyone at Zhengzhou Bank. The Bank upholds the core values of “fearfulness, professionalism, inquisitiveness, altruism and responsibility”, the principle of “providing people-oriented, customer-centred and heart-warming financial services”, and the mission of “providing heart-warming financial services for better life”. These values are deeply embedded in the daily behaviour of employees and throughout the entire process of creating value for customers. With caring services, the Bank keeps improving customer experience and motivating its employees and strives to be a bank that cares about its customers. The “Care Culture” will guide the Bank to focus on the strategic vision of becoming a “value-leading bank with high-quality development”, serve to enhance people’s livelihood with characteristic products, help improve the local economic development with concrete actions, and contribute to the high-quality development of Henan Province.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

2.4 Major Awards

In January 2022, the Bank was awarded the title of “Excellent Underwriter of Financial Bonds in 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.;

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

In March 2022, the Bank was granted the “Best Potential Award for Outstanding Underwriter & Market Maker of Financial Bonds” by Agricultural Development Bank of China;

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

In June 2022, the Bank was granted the “Promising Wealth Management Bank of the Year” award by Pystandard;

In July 2022, the Bank received the “Henan Socially Responsible Enterprise of the Year” award jointly issued by Henan Daily, State-owned Assets Supervision and Administration Commission of Henan Provincial People’s Government, Henan Provincial Financial Supervision and Administration, and Henan Provincial Department of Industry and Information Technology;

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

In August 2022, the Bank was awarded the title of “Excellent Organization for Data Quality of Credit Information System in 2021” by the Credit Reference Centre of the People’s Bank of China;

In November 2022, the Bank was awarded the title of “Top 100 Enterprises in Henan Province in 2022” by Henan Enterprise Confederation and Henan Entrepreneur Association;

In December 2022, the Bank received the “2022 Pioneer Award for Serving Regional Economy” from Zhengzhou Daily.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3 FINANCIAL STATEMENTS ANALYSIS

3.1 Income Statement Analysis

During the Reporting Period, facing the downturn in the regional macroeconomic situation and the real estate industry, the Bank continuously strengthened forward-looking management and control of risks, accelerated the disposal of non-performing assets, formulated plans for risk resolution and disposal, and increased the provision for non-performing assets, which resulted in a decrease in net profit compared to the same period last year. During the Reporting Period, the Bank recorded operating income of RMB15,226 million, representing a year-on-year increase of 2.80%; net profit of RMB2,600 million, representing a year-on-year decrease of 23.48%; and net profit attributable to Shareholders of the Bank of RMB2,422 million, representing a year-on-year decrease of 24.92%. Major items of and Changes in the Bank's income statement are set out as follows:

Unit: RMB'000

Item	For the year ended 31 December			
	2022	2021	Change	Rate of Change (%)
Net interest income	12,253,838	11,948,871	304,967	2.55
Non-interest income	2,972,005	2,862,034	109,971	3.84
Operating income	15,225,843	14,810,905	414,938	2.80
Less: Operating expenses	3,656,641	3,566,573	90,068	2.53
Less: Credit impairment losses	8,659,958	7,263,030	1,396,928	19.23
Operating profit	2,909,244	3,981,302	(1,072,058)	(26.93)
Share of (losses)/profits of associates	(102,014)	6,836	(108,850)	(1,592.31)
Profit before taxation	2,807,230	3,988,138	(1,180,908)	(29.61)
Less: Income tax expense	207,282	590,182	(382,900)	(64.88)
Net profit	2,599,948	3,397,956	(798,008)	(23.48)
Including: Shareholders of the Bank	2,422,304	3,226,192	(803,888)	(24.92)
Non-controlling interests	177,644	171,764	5,880	3.42

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

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

During the Reporting Period, the Bank recorded net interest income of RMB12,254 million, representing a year-on-year increase of RMB305 million or 2.55% and accounting for 80.48% of the operating income. Specifically, business scale adjustments resulted in an increase of RMB923 million in net interest income and changes in yield or cost rate resulted in a decrease of RMB618 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 from these assets, 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 year ended 31 December					
	Average balance ⁽⁶⁾	2022 Interest income/expense	Average yield/interest rate (%)	Average balance ⁽⁶⁾	2021 Interest income/expense	Average yield/interest rate (%)
Interest-earning assets						
Loans and advances to customers	315,310,921	16,320,802	5.18	265,701,378	14,521,637	5.47
Investment securities and other financial assets ⁽¹⁾	147,638,186	6,047,455	4.10	183,660,685	8,453,447	4.60
Deposits with central bank	22,865,423	311,531	1.36	24,735,330	353,887	1.43
Amounts due from banks and other financial institutions ⁽²⁾	22,938,327	318,232	1.39	15,322,073	182,347	1.19
Lease receivables	30,562,711	2,059,142	6.74	27,883,484	2,053,764	7.37
Total interest-earning assets	539,315,568	25,057,162	4.65	517,302,950	25,565,082	4.94
Interest-bearing liabilities						
Deposits from customers	325,506,578	7,718,855	2.37	311,894,897	7,754,470	2.49
Amounts due to banks and other financial institutions ⁽³⁾	80,565,323	2,162,195	2.68	77,232,650	2,429,113	3.15
Debt securities issued	90,114,091	2,372,248	2.63	90,123,696	2,743,371	3.04
Due to central bank	21,255,186	550,026	2.59	25,161,516	689,257	2.74
Total interest-bearing liabilities	517,441,178	12,803,324	2.47	504,412,759	13,616,211	2.70
Net interest income		12,253,838			11,948,871	
Net interest spread ⁽⁴⁾			2.18			2.24
Net interest margin ⁽⁵⁾			2.27			2.31

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: RMB'000

Item	For the year ended 31 December		
	2022 vs. 2021		Net increase/ (decrease) ⁽³⁾
	Increase/(decrease) due to Volume ⁽¹⁾	Rate ⁽²⁾	
Interest-earning assets			
Loans and advances to customers	2,711,359	(912,194)	1,799,165
Investments securities and other financial assets	(1,658,027)	(747,965)	(2,405,992)
Deposits with central bank	(26,753)	(15,603)	(42,356)
Amounts due from banks and other financial institutions	110,288	25,597	135,885
Lease receivables	197,339	(191,961)	5,378
Changes in interest income	1,334,206	(1,842,126)	(507,920)
Interest-bearing liabilities			
Deposits from customers	338,419	(374,034)	(35,615)
Amounts due to banks and other financial institutions	180,131	(447,049)	(266,918)
Debt securities issued	(292)	(370,831)	(371,123)
Due to central bank	(107,007)	(32,224)	(139,231)
Change in interest expenses	411,251	(1,224,138)	(812,887)

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 interest income/(expenses) for the Reporting Period minus 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 2.18%, representing a decrease of 0.06 percentage point as compared to the same period of the previous year, while the Bank's net interest margin amounted to 2.27%, representing a decrease of 0.04 percentage point as compared to the same period of the previous year. The main reason for the decrease in net interest spread and net interest margin was the Bank proactively responded to state policies to support the real economy through multiple measures, thus resulting in a year-on-year decrease in average yield of interest-earning assets.

3.1.2 Interest Income

During the Reporting Period, the Bank achieved interest income of RMB25,057 million, representing a year-on-year decrease of RMB508 million or 1.99%, mainly due to the simultaneous decrease in the size of financial investments and the rate of return.

Interest income from loans

During the Reporting Period, the Bank steadily promoted credit granting. The average balance of loans and advances to customers increased by RMB49,610 million as compared to the same period of the previous year. Interest income from loans amounted to RMB16,321 million, representing an increase of RMB1,799 million or 12.39% 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 for the Reporting Period:

Unit: RMB'000

Item	For the year ended 31 December					
	Average balance	2022 Interest income	Average yield (%)	Average balance	2021 Interest income	Average yield (%)
Corporate loans	219,417,779	12,092,944	5.51	179,615,925	10,429,441	5.81
Personal loans	81,313,572	3,878,779	4.77	72,416,464	3,698,192	5.11
Discounted bills	14,579,570	349,079	2.39	13,668,989	394,004	2.88
Gross loans and advances to customers	315,310,921	16,320,802	5.18	265,701,378	14,521,637	5.47

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Interest income from investment securities and other financial assets

During the Reporting Period, interest income from investment securities and other financial assets of the Bank amounted to RMB6,047 million, representing a year-on-year decrease of RMB2,406 million or 28.46%, which was principally attributable to the decrease in both the size and average yield of investment securities and other financial assets.

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 amounted to RMB318 million, representing an increase of RMB136 million or 74.52% as compared to the same period of the previous year, which was primarily attributable to the simultaneous increase in the size of such assets and the rate of return.

Interest income from lease receivables

During the Reporting Period, the Bank's interest income from lease receivables increased by RMB5 million or 0.26% to RMB2,059 million as compared to the same period of the previous year, which was primarily attributable to the increase in the size 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 decreased by RMB813 million or 5.97% to RMB12,803 million as compared to the same period of the previous year, which was affected by comprehensive factors including the scale of liabilities and interests.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Interest expense on deposits from customers

During the Reporting Period, the Bank's interest expense on deposits from customers amounted to RMB7,719 million, representing a year-on-year decrease of RMB36 million or 0.46%, and accounted for 60.29% of all interest expenses. The decrease was mainly due to fluctuations in market interest rates and the Bank's enhancement of its liability structure and improvement in cost management.

Unit: RMB'000

Item	For the year ended 31 December					
	Average balance	2022 Interest expenses	Average cost rate (%)	Average balance	2021 Interest expenses	Average cost rate (%)
Corporate deposits						
Demand	83,546,439	701,441	0.84	73,246,326	493,342	0.67
Time	76,410,703	2,450,797	3.21	97,038,226	3,331,315	3.43
Subtotal	159,957,142	3,152,238	1.97	170,284,552	3,824,657	2.25
Personal deposits						
Demand	31,854,375	209,292	0.66	25,743,650	237,625	0.92
Time	97,459,533	3,767,372	3.87	83,767,501	3,199,835	3.82
Subtotal	129,313,908	3,976,664	3.08	109,511,151	3,437,460	3.14
Others	36,235,528	589,953	1.63	32,099,194	492,353	1.53
Total deposits from customers	325,506,578	7,718,855	2.37	311,894,897	7,754,470	2.49

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB2,162 million, representing a year-on-year decrease of RMB267 million or 10.99%, which was primarily attributable to the decrease in the 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 RMB2,372 million, representing a decrease of RMB371 million or 13.53%, as compared to the previous year, which was primarily attributable to the decrease in the interest rate of interbank deposits issued during the Reporting Period.

Interest expense arising from amounts due to central bank

During the Reporting Period, interest expense arising from amounts due to central bank amounted to RMB550 million, representing a decrease of RMB139 million or 20.20% as compared to the previous year, which was primarily attributable to the decrease in medium-term lending facilities and special refinancing during the Reporting Period as compared to the same period of the previous year.

3.1.4 Non-interest Income

During the Reporting Period, the Bank achieved non-interest income of RMB2,972 million, representing an increase of RMB110 million or 3.84% as compared to the same period of the previous year and accounted for 19.52% of the operating income. Such income includes net fee and commission income of RMB791 million, representing a decrease of RMB451 million as compared to the same period of the previous year. The Bank recorded other non-interest income of RMB2,181 million, representing an increase of RMB561 million as compared to the same period of the previous year.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Net fee and commission income

Unit: RMB'000

Item	For the year ended 31 December			
	2022	2021	Change	Rate of change (%)
Fee and commission income				
Agency and custody services fees	507,546	894,586	(387,040)	(43.26)
Underwriting and advisory fees	161,495	234,955	(73,460)	(31.27)
Acceptance and guarantee services fees	111,322	127,846	(16,524)	(12.92)
Bank card services fees	115,614	115,465	149	0.13
Others	41,731	35,927	5,804	16.15
Subtotal	937,708	1,408,779	(471,071)	(33.44)
Fee and commission expense	(146,805)	(167,195)	20,390	(12.20)
Net fee and commission income	790,903	1,241,584	(450,681)	(36.30)

During the Reporting Period, the Bank made steady progress in the transformation and upgrade of its intermediary business. The net fee and commission income amounted to RMB791 million, representing a decrease of RMB451 million or 36.30% as compared to the same period of the previous year, which was primarily attributable to the combined effects of the Bank's proactive response to the regulatory policy on fees and charges reduction as well as a decrease in the scale of the agency and custody business during the Reporting Period.

Other non-interest income

Unit: RMB'000

Item	For the year ended 31 December			
	2022	2021	Change	Rate of change (%)
Net trading gains	1,458,524	687,874	770,650	112.03
Net gains arising from investment	575,053	870,283	(295,230)	(33.92)
Other operating income	147,525	62,293	85,232	136.82
Total	2,181,102	1,620,450	560,652	34.60

During the Reporting Period, other non-interest income amounted to RMB2,181 million, representing an increase of RMB561 million or 34.60% as compared to the same period of the previous year, which was primarily because the fluctuated exchange rate between US dollar and RMB resulting in a relatively large amount of gains or losses on the translation of foreign currency assets.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.1.5 Operating Expenses

During the Reporting Period, the operating expenses of the Bank were RMB3,657 million, representing an increase of RMB90 million or 2.53% as compared to the same period of the previous year. Operating expenses for the current period were basically similar as compared to that of the same period of last year, mainly due to the Bank's active efforts to strengthen financial management, reduce costs and increase efficiency, and optimize the allocation of various resources.

Unit: RMB'000

Item	For the year ended 31 December			
	2022	2021	Change	Rate of change (%)
Staff costs	2,177,645	2,106,357	71,288	3.38
Depreciation and amortization	468,042	454,021	14,021	3.09
Rental and property management expenses	113,367	110,183	3,184	2.89
Office expenses	61,932	62,056	(124)	(0.20)
Tax and surcharges	157,846	151,258	6,588	4.36
Others	677,809	682,698	(4,889)	(0.72)
Total operating expenses	3,656,641	3,566,573	90,068	2.53

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

Unit: RMB'000

Item	For the year ended 31 December			
	2022	2021	Change	Rate of change (%)
Salaries, bonuses and allowances	1,504,375	1,444,005	60,370	4.18
Social insurance and annuity	334,886	312,774	22,112	7.07
Supplementary retirement benefits	14,210	31,516	(17,306)	(54.91)
Staff welfare	90,821	88,489	2,332	2.64
Housing allowances	125,241	119,093	6,148	5.16
Others	108,112	110,480	(2,368)	(2.14)
Total	2,177,645	2,106,357	71,288	3.38

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.1.6 Credit Impairment Losses

During the Reporting Period, the Bank's credit impairment losses increased by RMB1,397 million or 19.23% to RMB8,660 million as compared with the previous year. This is mainly due to the fact that the Bank strengthened the forward-looking management and control of risks and increased the provision for non-performing assets.

Unit: RMB'000

Item	For the year ended 31 December			
	2022	2021	Change	Rate of change (%)
Impairment losses on loans and advances to customers	6,650,995	3,718,286	2,932,709	78.87
Impairment losses on financial investments at amortized cost	1,153,260	3,067,114	(1,913,854)	(62.40)
Impairment losses on lease receivables	453,943	352,086	101,857	28.93
Impairment losses on off-balance sheet credit commitments	(137,649)	(2,570)	(135,079)	5,255.99
Impairment losses on financial investments at fair value through other comprehensive income	(8,723)	(94,227)	85,504	(90.74)
Others ^(Note)	548,132	222,341	325,791	146.53
Total provision for credit impairment losses	8,659,958	7,263,030	1,396,928	19.23

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 and interest receivables.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.1.7 Income Tax Expense

During the Reporting Period, the Bank's income tax expense amounted to RMB207 million, representing a decrease of RMB383 million or 64.88% as compared to the same period of the previous year. During the Reporting Period, the Bank's effective tax rate was 7.38%, 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 year ended 31 December			
	2022	2021	Change	Rate of change (%)
Current tax	1,175,575	946,424	229,151	24.21
Deferred tax	(968,293)	(356,242)	(612,051)	171.81
Total income tax expense	207,282	590,182	(382,900)	(64.88)

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 RMB591,514 million, representing an increase of RMB16,534 million or 2.88% 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) and breakdowns of the components of the Bank's total assets are as follows:

Unit: RMB'000

Item	As at 31 December 2022		As at 31 December 2021		Change	
	Amount	% of total (%)	Amount	% of total (%)	Amount	% of Total (%)
Assets						
Cash and deposits						
with central bank	26,487,450	4.48	33,433,058	5.81	(6,945,608)	(1.33)
Deposits with banks and other financial institutions	1,922,266	0.32	2,919,058	0.51	(996,792)	(0.19)
Placements with banks and other financial institutions	2,410,452	0.41	4,182,213	0.73	(1,771,761)	(0.32)
Derivative financial assets	—	—	173,981	0.03	(173,981)	(0.03)
Financial assets held under resale agreements	12,386,501	2.09	14,228,603	2.47	(1,842,102)	(0.38)
Loans and advances to customers	322,207,034	54.47	282,399,091	49.11	39,807,943	5.36
Lease receivables	30,633,447	5.18	28,224,856	4.91	2,408,591	0.27
Financial investments						
– Financial investments at fair value through profit or loss	44,441,710	7.51	41,109,728	7.15	3,331,982	0.36
– Financial investments at fair value through other comprehensive income	17,150,060	2.90	17,311,509	3.01	(161,449)	(0.11)
– Financial investments at amortized cost	121,679,176	20.57	139,328,387	24.23	(17,649,211)	(3.66)
Investments in associates	273,881	0.05	407,086	0.07	(133,205)	(0.02)
Property and equipment	3,049,807	0.52	2,874,435	0.50	175,372	0.02
Deferred tax assets	4,880,568	0.83	3,900,289	0.68	980,279	0.15
Other assets	3,991,266	0.67	4,487,368	0.79	(496,102)	(0.12)
Total assets	591,513,618	100.00	574,979,662	100.00	16,533,956	—

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Loans and advances to customers

As at the end of the Reporting Period, the Bank's total loans and advances to customers amounted to RMB330,921 million, representing an increase of RMB41,893 million or 14.49% as compared with the end of the previous year. The Bank's loans and advances to customers are 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 31 December 2022		As at 31 December 2021	
	Amount	% of total (%)	Amount	% of total (%)
Corporate loans ⁽¹⁾	232,762,479	70.34	199,784,576	69.13
Personal loans	81,316,327	24.57	76,138,099	26.34
Discounted bills	16,842,291	5.09	13,104,993	4.53
Gross loans and advances to customers	330,921,097	100.00	289,027,668	100.00
Add: Accrued interest	1,594,573		1,439,787	
Less: Provision for impairment losses ⁽²⁾	10,308,636		8,068,364	
Book value of loans and advances to customers	322,207,034		282,399,091	

Notes:

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

(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 RMB232,762 million, accounted for 70.34% of the Bank's total loans and advances to customers and representing an increase of RMB32,978 million or 16.51% from the end of the previous year. During the Reporting Period, the Bank closely focused on the three features of its positioning as "finance for commerce and logistics, finance for small and micro enterprises and finance for citizens", thereby achieving steady growth in corporate loans.

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

Unit: RMB'000

Item	As at 31 December 2022		As at 31 December 2021	
	Amount	% of total (%)	Amount	% of total (%)
Unsecured loans	53,689,230	23.06	41,672,338	20.86
Guaranteed loans	130,382,438	56.02	106,221,079	53.17
Loans secured by tangible assets other than monetary assets	30,372,238	13.05	35,270,336	17.65
Loans secured by intangible assets or monetary assets	18,318,573	7.87	16,620,823	8.32
Total corporate loan principal	232,762,479	100.00	199,784,576	100.00

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

(2) Personal loans

As at the end of the Reporting Period, the Bank's total personal loans amounted to RMB81,316 million, accounting for 24.57% of the Bank's total loans and advances to customers and representing an increase of RMB5,178 million or 6.80% from the end of the previous year, of which, total personal business loans was RMB33,478 million, representing an increase of 19.66% from the end of the previous year; total personal residential mortgage loans was RMB37,743 million, representing a decrease of 7.59% from the end of the previous year, which was mainly due to the decreasing personal residential mortgage loans affected by the overall real estate economy; and total personal consumption loans was RMB7,038 million, representing an increase of 66.66% from the end of the previous year, which was mainly due to the surge in the Bank's preferential loan business. The following table sets forth a breakdown of the Bank's personal loans by product type:

Unit: RMB'000

Item	As at 31 December 2022		As at 31 December 2021	
	Amount	% of total (%)	Amount	% of total (%)
Personal business loans	33,478,008	41.17	27,976,927	36.74
Personal residential mortgage loans	37,743,240	46.42	40,841,865	53.64
Personal consumption loans	7,037,730	8.65	4,222,797	5.55
Credit card loans	3,057,349	3.76	3,096,510	4.07
Total personal loan principal	81,316,327	100.00	76,138,099	100.00

(3) Discounted bills

As at the end of the Reporting Period, the Bank's discounted bills amounted to RMB16,842 million, representing an increase of RMB3,737 million or 28.52% 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.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Investments in securities and other financial assets

As at the end of the Reporting Period, the Bank's total investments in securities and other financial assets amounted to RMB185,059 million, representing a decrease of RMB15,378 million or 7.67% from the end of the previous year. Details are set out as follows:

Unit: RMB'000

Item	As at 31 December 2022		As at 31 December 2021	
	Amount	% of total (%)	Amount	% of total (%)
Financial investments at amortized cost	123,665,511	66.83	142,202,178	70.95
Financial investments at fair value through other comprehensive income	16,951,438	9.16	17,124,485	8.54
Financial investments at fair value through profit or loss	44,441,710	24.01	41,109,728	20.51
Total investment securities and other financial assets	185,058,659	100.00	200,436,391	100.00
Add: Accrued interest	2,289,324		1,869,618	
Less: Provision for impairment losses ^(Note)	4,077,037		4,556,385	
Book value of investment securities and other financial assets	183,270,946		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 investments in securities are 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 31 December 2022		As at 31 December 2021	
	Amount	% of total (%)	Amount	% of total (%)
Debt securities investments				
Government bonds	56,960,628	30.94	48,182,773	24.11
Debt securities issued by policy banks	34,820,599	18.92	37,847,706	18.94
Debt securities issued by banks and other financial institutions	5,536,762	3.01	1,887,894	0.94
Debt securities issued by corporate issuers	4,563,609	2.48	4,353,801	2.18
Subtotal	101,881,598	55.35	92,272,174	46.17
Investment products under trust schemes	38,816,875	21.09	50,856,881	25.45
Investment products managed by securities companies	35,163,657	19.10	40,889,534	20.46
Others ^(Note)	8,208,466	4.46	15,850,025	7.92
Total debt instruments	184,070,596	100.00	199,868,614	100.00
Equity instruments	988,063		567,777	
Total investments securities and other financial assets	185,058,659		200,436,391	

Note: Others consist of debt financing schemes.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth a breakdown of the top ten financial bonds held by the Bank in terms of the nominal value balance 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	—
2	2016 Financial bonds	2,490,000	3.33	2026/01/06	—
3	2020 Financial bonds	2,440,000	3.09	2030/06/18	—
4	2020 Financial bonds	2,220,000	3.07	2030/03/10	—
5	2016 Financial bonds	2,200,000	3.24	2023/02/25	—
6	2016 Financial bonds	1,900,000	3.32	2023/01/06	—
7	2020 Financial bonds	1,870,000	3.79	2030/10/26	—
8	2019 Financial bonds	1,360,000	3.45	2029/09/20	—
9	2022 Financial bonds	1,350,000	2.77	2032/10/24	—
10	2019 Financial bonds	1,170,000	3.74	2029/07/12	—

Derivative financial instruments

During the Reporting Period, there were changes in the exchange rate between US dollar and RMB, the Bank used forward foreign exchange contracts to rationally manage its foreign exchange exposure.

Unit: RMB'000

Derivative financial instruments	As at 31 December 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
Non-deliverable forwards	1,392,920	—	(100,456)	6,248,186	173,981	—
Total	1,392,920	—	(100,456)	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 RMB538,888 million, representing an increase of RMB23,320 million or 4.52% from the end of the previous year, which was mainly due to the increase in liabilities including deposits from customers, debt securities issued and financial assets sold under repurchase agreements.

Unit: RMB'000

Item	As at 31 December 2022		As at 31 December 2021		Change	
	Amount	% of total (%)	Amount	% of total (%)	Amount	% of total (%)
Due to central bank	20,105,825	3.73	22,785,695	4.42	(2,679,870)	(0.69)
Deposits from banks and other financial institutions	29,541,040	5.48	37,666,420	7.31	(8,125,380)	(1.83)
Placements from banks and other financial institutions	29,548,795	5.48	27,636,976	5.36	1,911,819	0.12
Financial assets sold under repurchase agreements	19,098,195	3.54	12,371,414	2.40	6,726,781	1.14
Deposits from customers	341,797,766	63.43	321,574,215	62.37	20,223,551	1.06
Tax payable	557,405	0.10	359,712	0.07	197,693	0.03
Debt securities issued	94,992,906	17.63	90,076,717	17.47	4,916,189	0.16
Other liabilities	3,246,450	0.61	3,096,973	0.60	149,477	0.01
Total	538,888,382	100.00	515,568,122	100.00	23,320,260	-

Note: Other liabilities primarily consist of items in the process of clearance and settlement, staff costs payable and estimated liabilities.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Deposits from customers

As at the end of the Reporting Period, the Bank's gross deposits from customers amounted to RMB337,708 million, representing an increase of RMB18,895 million or 5.93% 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 31 December 2022		As at 31 December 2021	
	Amount	% of total (%)	Amount	% of total (%)
Corporate deposits				
Demand	84,238,516	24.94	88,226,614	27.67
Time	74,836,500	22.16	75,143,583	23.57
Subtotal	159,075,016	47.10	163,370,197	51.24
Personal deposits				
Demand	36,396,552	10.78	36,268,084	11.38
Time	104,666,313	30.99	85,412,343	26.79
Subtotal	141,062,865	41.77	121,680,427	38.17
Other deposits	37,570,281	11.13	33,762,826	10.59
Gross deposits from customers	337,708,162	100.00	318,813,450	100.00
Add: Accrued interest	4,089,604		2,760,765	
Total deposits from customers	341,797,766		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 reached RMB52,625 million, representing a decrease of RMB6,786 million or 11.42% from the end of the previous year. The total equity attributable to Shareholders of the Bank reached RMB50,773 million, representing a decrease of RMB6,994 million or 12.11% from the end of the previous year. The decrease in Shareholders' equity was mainly due to the Bank's distribution of dividends on Offshore Preference Shares and indefinite-term capital bonds and redemption of preference shares during the Reporting Period. For details, please refer to the announcements dated 31 August 2022, 15 September 2022 and 20 October 2022 published by the Bank on CNINFO and the announcements dated 31 August 2022, 15 September 2022 and 19 October 2022 published by the Bank on the website of the Hong Kong Stock Exchange.

Unit: RMB'000

Item	As at 31 December 2022		As at 31 December 2021	
	Amount	% of total (%)	Amount	% of total (%)
Shareholders' equity				
Share capital	8,265,538	15.71	8,265,538	13.91
Capital reserve	6,811,655	12.94	7,452,490	12.54
Surplus reserve	3,505,562	6.66	3,281,678	5.52
General reserve	7,767,704	14.76	7,481,353	12.59
Fair value reserve	(126,163)	(0.24)	(173,457)	(0.29)
Remeasurement of net defined benefit liability	(68,635)	(0.13)	(69,255)	(0.12)
Retained earnings	14,618,050	27.78	13,703,472	23.07
Other equity instruments	9,998,855	19.00	17,824,363	30.00
Total equity attributable to Shareholders of the Bank	50,772,566	96.48	57,766,182	97.22
Non-controlling interests	1,852,670	3.52	1,645,358	2.78
Total Shareholders' equity	52,625,236	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 31 December 2022	As at 31 December 2021
Credit commitments		
Bank acceptances	80,492,970	79,719,509
Letters of credit	7,898,683	13,759,386
Guarantees	1,045,264	2,620,966
Unused credit card commitments	5,740,253	4,749,329
Loan commitments	696,099	2,448,363
Total	95,873,269	103,297,553

In addition, as at the end of the Reporting Period, there was no material litigation in which the Bank or any of its subsidiaries is a defendant. As at the date of this Report, the Bank had no significant contingent liabilities. Details of off-balance sheet commitments are disclosed in "Credit commitments" of Commitments and contingent liabilities in Note 40 to the financial statements of the chapter headed "Independent Auditor's Report" of this Report.

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

Details of pledged assets of the Bank are disclosed in "Pledged assets" of Commitments and contingent liabilities in Note 40 of the chapter headed "Independent Auditor's Report" of this Report.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3 Loan Quality Analysis

During the Reporting Period, the Bank continuously strengthened credit risk management and accelerated the disposal of non-performing assets, keeping the overall quality of loans under control. As at the end of the Reporting Period, the balance of NPL amounted to RMB6,221 million, and the NPL ratio was 1.88%, up by 0.03 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 31 December 2022		As at 31 December 2021	
	Amount	% of total (%)	Amount	% of total (%)
Normal	318,041,852	96.11	277,294,011	95.94
Special mention	6,657,470	2.01	6,388,575	2.21
Substandard	4,706,514	1.42	4,593,529	1.59
Doubtful	1,336,681	0.40	711,808	0.25
Loss	178,580	0.06	39,745	0.01
Total loans and advances to customers	330,921,097	100.00	289,027,668	100.00
NPLs and NPL ratio^(Note)	6,221,775	1.88	5,345,082	1.85

Note: NPL ratio is calculated by dividing total NPL principal (excluding accrued interest) by total loan and advanced principal to customers (excluding accrued interest).

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: RMB'000

Item	As at 31 December 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	62,010,088	18.74	1,350,389	2.18	60,613,512	20.98	879,837	1.45
Medium and long-term loans	170,752,391	51.60	2,850,516	1.67	139,171,064	48.15	2,831,200	2.03
Subtotal	232,762,479	70.34	4,200,905	1.80	199,784,576	69.13	3,711,037	1.86
Discounted bills	16,842,291	5.09	-	-	13,104,993	4.53	-	-
Personal loans								
Personal business loans	33,478,008	10.11	1,131,942	3.38	27,976,927	9.68	968,167	3.46
Personal residential mortgage loans	37,743,240	11.41	622,760	1.65	40,841,865	14.13	391,266	0.96
Personal consumption loans	7,037,730	2.13	202,344	2.88	4,222,797	1.46	210,850	4.99
Credit card loans	3,057,349	0.92	63,824	2.09	3,096,510	1.07	63,762	2.06
Subtotal	81,316,327	24.57	2,020,870	2.49	76,138,099	26.34	1,634,045	2.15
Total	330,921,097	100.00	6,221,775	1.88	289,027,668	100.00	5,345,082	1.85

During the Reporting Period, the Bank adhered to main operation line of 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 1.80%, down by 0.06 percentage point from the end of the previous year; the NPL ratio of personal loans was 2.49%, up by 0.34 percentage point from the end of the previous year.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3.3 Classification of Loans and Non-Performing Loans by Industry

Unit: RMB'000

Item	As at 31 December 2022				As at 31 December 2021			
	Amount	% of total (%)	NPL amount	NPL ratio (%)	Amount	% of total (%)	NPL amount	NPL ratio (%)
Wholesale and retail	42,745,773	12.92	1,074,433	2.51	31,741,472	10.98	1,323,147	4.17
Manufacturing	17,083,735	5.16	720,438	4.22	14,765,860	5.11	527,151	3.57
Construction	19,312,773	5.84	449,170	2.33	20,018,268	6.93	172,618	0.86
Real estate	32,880,776	9.94	1,334,922	4.06	34,438,375	11.92	1,193,938	3.47
Leasing and commercial services	50,077,579	15.13	17,218	0.03	33,694,931	11.64	210,026	0.62
Water, environment and public facility management	43,469,733	13.14	6,276	0.01	40,052,714	13.86	4,800	0.01
Agriculture, forestry, animal husbandry and fishery	2,794,692	0.84	205,313	7.35	3,253,187	1.13	118,565	3.64
Transportation, storage and postal services	5,704,680	1.72	86,152	1.51	6,664,013	2.31	13,950	0.21
Production and supply of electricity, heat, gas and water	2,796,526	0.85	280	0.01	2,048,934	0.71	-	-
Accommodation and catering	1,341,304	0.41	149,333	11.13	1,387,905	0.48	119,795	8.63
Mining	2,655,116	0.80	4,000	0.15	2,032,243	0.70	4,000	0.20
Culture, sports and entertainment	1,884,035	0.57	108,014	5.73	1,576,940	0.55	19,650	1.25
Others	10,015,757	3.02	45,356	0.45	8,109,734	2.81	3,397	0.04
Total corporate loans	232,762,479	70.34	4,200,905	1.80	199,784,576	69.13	3,711,037	1.86
Total personal loans	81,316,327	24.57	2,020,870	2.49	76,138,099	26.34	1,634,045	2.15
Discounted bills	16,842,291	5.09	-	-	13,104,993	4.53	-	-
Total	330,921,097	100.00	6,221,775	1.88	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 the real estate, wholesale and retail, and manufacturing industry, with NPL ratios of 4.06%, 2.51% and 4.22%, respectively.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3.4 Classification of Loans and Non-Performing Loans by Collateral

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

Unit: RMB'000

Item	As at 31 December 2022				As at 31 December 2021			
	Amount	% of total (%)	NPL amount	NPL ratio (%)	Amount	% of total (%)	NPL amount	NPL ratio (%)
Unsecured loans	61,617,398	18.62	380,480	0.62	47,398,227	16.40	273,518	0.58
Guaranteed loans	133,810,471	40.43	1,756,403	1.31	109,016,175	37.72	1,869,783	1.72
Loans secured by tangible assets other than monetary assets	97,978,701	29.61	4,057,015	4.14	101,095,217	34.98	2,738,972	2.71
Loans secured by intangible assets or monetary assets	37,514,527	11.34	27,877	0.07	31,518,049	10.90	462,809	1.47
Total	330,921,097	100.00	6,221,775	1.88	289,027,668	100.00	5,345,082	1.85

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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), all of which were classified as normal.

Unit: RMB'000

Item	Industry	As at 31 December 2022		
		Principal Balance	% of total loans (%)	% of net capital (%)
Borrower A	Water, environment and public facility management	2,866,471	0.87	5.18
Borrower B	Leasing and commercial services	2,499,000	0.76	4.52
Borrower C	Leasing and commercial services	2,106,500	0.64	3.81
Borrower D	Construction	2,017,154	0.61	3.65
Borrower E	Real estate	1,795,000	0.54	3.25
Borrower F	Water, environment and public facility management	1,699,745	0.51	3.07
Borrower G	Leasing and commercial services	1,630,081	0.49	2.95
Borrower H	Water, environment and public facility management	1,445,100	0.44	2.61
Borrower I	Real estate	1,440,500	0.44	2.61
Borrower J	Real estate	1,335,230	0.40	2.41
Total		18,834,781	5.70	34.06

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3.3.6 Overdue Loans

Unit: RMB'000

Item	As at 31 December 2022		As at 31 December 2021	
	Amount	% of total (%)	Amount	% of total (%)
Current loans	321,081,891	97.03	280,677,370	97.11
Loans past due for ^(Note)				
3 months (inclusive) or less	4,208,634	1.27	3,915,550	1.35
3 months to 1 year (inclusive)	2,620,352	0.79	1,751,401	0.61
More than 1 year	3,010,220	0.91	2,683,347	0.93
Subtotal	9,839,206	2.97	8,350,298	2.89
Gross loans	330,921,097	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 RMB9,839 million, representing an increase of RMB1,489 million or 17.83% as compared with the end of the previous year. Overdue loans accounted for 2.97% of the total loans, increased by 0.08 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 book value of the Bank's repossessed assets was RMB30 million and no impairment provision was made.

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

During the Reporting Period, the Bank made a total reserve for losses on loans of RMB6,834 million, with RMB6,718 million provided for loans and advances to customers measured at amortized cost, and RMB116 million for loans and advances to customers measured at fair value through other comprehensive income. RMB5,108 million of non-performing loans was written off and disposed, and RMB216 million of written-off loans was recovered. As at the end of the Reporting Period, the balance of the Bank's provision for losses on loans was RMB10,312 million, of which the balance of impairment losses on loans and advances to customers measured at amortized cost was RMB10,309 million and the balance of the impairment losses on loans and advances to customers measured at fair value through other comprehensive income was RMB3.0 million. Changes in provision for impairment losses on loans and advances to customers measured at amortized cost are set out as follows:

Unit: RMB'000

Item	For the year ended 31 December	
	2022	2021
Opening balance	8,068,364	7,755,623
Increase in the period	6,717,971	3,593,261
Write-offs and disposals for the period	(4,693,576)	(3,669,923)
Recovery of written-off loans	215,877	389,403
Closing balance	10,308,636	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	For the year ended 31 December	
	2022	2021
Opening balance	301,177	176,152
Provision for the period	115,957	125,025
Write-offs and disposals for the period	(414,245)	—
Closing balance	2,889	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 RMB31,350 million, where the cash inflow was RMB50,463 million, representing a decrease of RMB2,073 million from the same period of the previous year, mainly due to a decrease in the net increment of deposits from banks and other financial institutions; and the cash outflow was RMB81,813 million, representing a decrease of RMB13,342 million from the same period of the previous year, mainly due to a decrease in net increment of loans and advances to customers.

During the Reporting Period, the Bank's net cash inflow from investing activities was RMB27,511 million, where the cash inflow was RMB125,352 million, representing a decrease of RMB115,012 million from the same period of the previous year, mainly due to a decrease in cash inflow received from the recovery of investments; the cash outflow was RMB97,841 million, representing a decrease of RMB101,568 million from the same period of the previous year, mainly due to a decrease in cash outflow for investment payments.

During the Reporting Period, the Bank's net cash outflow from financing activities was RMB7,071 million, where the cash inflow was RMB131,040 million, representing a decrease of RMB12,081 million from the same period of the previous year, mainly due to a decrease in cash inflows received from the issuance of bonds; the cash outflow was RMB138,112 million, representing a decrease of RMB1,447 million from the same period of the previous year, mainly due to a decrease in cash outflows for the repayment of the principal of the bonds due.

Unit: RMB'000

Item	For the year ended 31 December		
	2022	2021	Year-on-year change
Subtotal of cash inflows from operating activities	50,463,041	52,536,272	(2,073,231)
Subtotal of cash outflows from operating activities	(81,813,058)	(95,155,331)	13,342,273
Net cash flows used in operating activities	(31,350,017)	(42,619,059)	11,269,042
Subtotal of cash inflows from investing activities	125,351,979	240,364,456	(115,012,477)
Subtotal of cash outflows from investing activities	(97,840,901)	(199,408,830)	101,567,929
Net cash flows generated from investing activities	27,511,078	40,955,626	(13,444,548)
Subtotal of cash inflows from financing activities	131,040,039	143,120,969	(12,080,930)
Subtotal of cash outflows from financing activities	(138,111,669)	(139,558,470)	1,446,801
Net cash flows (used in)/generated from financing activities	(7,071,630)	3,562,499	(10,634,129)
Effect of exchange rate changes on cash and cash equivalents	13,567	(86,785)	100,352
Net (decrease)/increase in cash and cash equivalents	(10,897,002)	1,812,281	(12,709,283)

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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	2022		2021	
	Amount	% of total (%)	Amount	% of total (%)
Corporate banking business	9,650,620	63.39	8,500,975	57.40
Retail banking business	1,600,823	10.51	1,601,002	10.81
Treasury business	3,826,875	25.13	4,646,635	31.37
Others ^(Note)	147,525	0.97	62,293	0.42
Total operating income	15,225,843	100.00	14,810,905	100.00

Note: This segment consists primarily of equity investment and relevant income, and any other businesses that cannot constitute a reporting segment alone.

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 year

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 year

There are changes in the consolidation scope for the current period. Xinzheng Zhengyin County Bank, a previous associate, becomes a subsidiary of the Bank and is included into the consolidated statements.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.7 Assets and Liabilities at Fair Value

Unit: RMB'000

Item	Opening balance for the Reporting Period	Gains and losses from changes in fair value for the Reporting Period	Accumulated changes in fair value recognized in equity	Impairment accrued during the Reporting Period	Closing balance for the Reporting Period
Financial investments at fair value through profit or loss (excluding derivative financial assets)	41,109,728	274,153	–	–	44,441,710
Derivative financial assets	173,981	(173,981)	–	–	–
Financial investments at fair value through other comprehensive income	17,311,509	–	(216,172)	8,723	17,150,060
Subtotal of financial assets	58,595,218	100,172	(216,172)	8,723	61,591,770
Derivative financial liability	–	100,456	–	–	100,456
Total financial liability	–	100,456	–	–	100,456

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 year ended 31 December			Main reason analysis
	2022	2021	Change compared to the same period of the previous year (%)	
Net fee and commission income	790,903	1,241,584	(36.30)	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.
Net trading gains	1,458,524	687,874	112.03	Due to the fact that the financial assets at fair value through profit or loss was affected by the changes in the exchange rate between US dollar and RMB.
Net gains arising from investments	575,053	870,283	(33.92)	Due to the changes in the fair value of financial assets at fair value through profit or loss.
Other operating income	147,525	62,293	136.82	Due to an increase in government subsidies received during the Reporting Period as compared to the same period last year.
Share of profits of associates	(102,014)	6,836	(1,592.31)	Due to a decrease in the profits of associates during the Reporting Period compared with the same period last year.

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Unit: RMB'000

Item	As at 31 December 2022	As at 31 December 2021	Changes compared to the end of the previous year (%)	Main reason analysis
Deposits with banks and other financial institutions	1,922,266	2,919,058	(34.15)	Due to the fact that the Bank adjusted the structure of such assets after comprehensive consideration of asset and liability matching and market liquidity situation.
Placements with banks and other financial institutions	2,410,452	4,182,213	(42.36)	
Financial assets sold under repurchase agreements	19,098,195	12,371,414	54.37	
Derivative financial assets	–	173,981	(100.00)	Due to the impact of changes in the exchange rate between US dollar and RMB on the Bank's forward foreign exchange contracts.
Derivative financial liabilities	100,456	–	–	
Investment in associates	273,881	407,086	(32.72)	Due to the fact that Xinzheng Zhengyin County Bank, a previous associate, became a subsidiary of the Bank during the Reporting Period.
Tax payable	557,405	359,712	54.96	Due to an increase in tax payable during the Reporting Period.
Other equity instruments	9,998,855	17,824,363	(43.90)	Due to the redemption of Offshore Preference Shares during the Reporting Period.

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4 INVESTMENT ANALYSIS

4.1 Overview

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

Unit: RMB'000

Item	As at 31 December 2022	As at 31 December 2021	The Bank's share of the interest in 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
Xinzheng Zhengyin County Bank ⁽¹⁾	53,960	17,280	51.00
Zhongmu Zhengyin County Bank ⁽²⁾	208,000	208,000	18.53
Yanling Zhengyin County Bank	34,950	34,950	49.58
China UnionPay Co., Ltd.	8,000	8,000	0.27
Funds Clearing Centre for City Commercial Banks	400	400	1.29
Total	1,495,930	1,459,250	

Notes:

1. In July 2022, upon consideration and approval at the 2022 extraordinary general meeting of Xinzheng Zhengyin County Bank and the 7th extraordinary meeting in 2022 of the seventh session of the Board of the Bank, and upon approval by the CBIRC Henan Office, Xinzheng Zhengyin County Bank issued 36.68 million additional shares to the Bank. The number of shares held by the Bank increased from 17.28 million shares to 53.96 million shares, and the percentage of shareholding increased from 25.00% to 51.00%.
2. In March 2023, upon consideration and approval at the 2021 third extraordinary general meeting of Zhongmu Zhengyin County Bank and the 12th meeting of the sixth session of the Board of the Bank, and upon approval by the CBIRC Henan Office and State-owned Assets Supervision and Administration Commission of Zhengzhou Municipal People's Government, the Bank acquired the equity from 78 shareholders of Zhongmu Zhengyin County Bank. The number of shares held by the Bank increased from 208.00 million shares to 555.87 million shares, and the percentage of shareholding increased from 18.53% to 49.51%.

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

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4.2 Significant Equity Investments Made During the Reporting Period

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

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. The Bank did not retain any unused proceeds from past periods for use in the Reporting Period.

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 China 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 RMB32,762 million, net assets of RMB3,429 million, and total financial leasing of RMB31,288 million. During the Reporting Period, it recorded operating income of RMB1,065 million, operating profit of RMB463 million, and net profit of RMB348 million.

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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 China 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).

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 China 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).

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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 China 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).

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 China 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).

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Xinzheng Zhengyin County Bank

As at the end of the Reporting Period, the Bank held 51.00% equity interest in Xinzheng Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB105.8 million. Xinzheng Zhengyin County Bank was established in China 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; (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).

4.5.2 Operations of Investee Companies

As at the end of the Reporting Period, the Bank held 18.53% and 49.58% equity interest in Zhongmu Zhengyin County Bank and Yanling Zhengyin County Bank, respectively. Zhengyin county banks have always committed to serving “agriculture, farmers and rural areas” and supporting rural and small enterprises. They adhere to the prudent business philosophy, continuously enhance compliance awareness, and gradually improve the ability to prevent risks. They return to their original functions, take root in the rural areas, and strive to connect the “last mile” of rural financial services, contributing more from Zhengyin banks to the comprehensive promotion of rural revitalization.

4.5.3 Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures During the Reporting Period

During the Reporting Period, the Bank had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

4.5.4 Management and Control of Subsidiaries During the Reporting Period

As the principal promoter, the Bank proactively performed its duties as a substantial shareholder in accordance with regulatory requirements and participated in or attended important meetings of subsidiaries to safeguard the interests of the Bank and Shareholders. The Bank continuously improved its management mechanism over subsidiaries, further identified the key points of management and control of subsidiaries, and comprehensively strengthened the support, coordination, management and supervision of subsidiaries. In addition, it provided subsidiaries with guidance and assistance in terms of corporate governance, technological support, business innovation and cooperation, brand promotion, culture construction, and talent training using its management experience and resource advantages as the principal promoter.

During the Reporting Period, Xinzheng Zhengyin County Bank issued 36.68 million additional shares to the Bank. The number of shares held by the Bank increased from 17.28 million shares to 53.96 million shares, and the percentage of shareholding increased from 25.00% to 51.00%. This event had no material impact on the operating results of the Bank.

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 of the chapter headed “Independent Auditor’s Report” of 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) comprehensively 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 mitigating 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 needs of the Bank for future development strategies, 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 in accordance with changes in regulatory requirements, development situations, 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, ensure that the target capital level is commensurate with the business development strategy, risk appetite, risk management capability, and external operating environment, balance short-term and long-term capital needs, and consider the long-term sustainability of various sources of capital replenishment.

Based on the requirements of external regulatory authorities and internal risk management, 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 risks 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 the stress test 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 Ratio 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 31 December 2022	As at 31 December 2021
Core tier-one capital		
Share capital	8,265,538	8,265,538
Valid portion of capital reserve	6,811,655	7,452,490
Fair value reserve	(126,163)	(173,457)
Remeasurement of net defined benefit liability	(68,635)	(69,255)
Surplus reserve	3,505,562	3,281,678
General reserve	7,767,704	7,481,353
Retained earnings	14,618,050	13,703,472
Valid portion of minority interests	1,437,897	1,192,294
Total core tier-one capital	42,211,608	41,134,113
Core tier-one capital deductions	(1,828,257)	(1,184,947)
Net core tier-one capital	40,383,351	39,949,166
Additional tier-one capital		
Additional tier-one capital instruments and related premium	9,998,855	17,824,363
Valid portion of minority interests	184,039	157,811
Net tier-one capital	50,566,245	57,931,340
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	—	2,000,000
Surplus provision for loan impairment	4,343,627	2,916,530
Valid portion of minority interests	381,809	318,764
Net tier-two capital	4,725,436	5,235,294
Net capital base	55,291,681	63,166,634
Total risk-weighted assets	434,769,547	421,013,820
Core tier-one capital adequacy ratio (%)	9.29	9.49
Tier-one capital adequacy ratio (%)	11.63	13.76
Capital adequacy ratio (%)	12.72	15.00

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

5.2 Leverage Ratio Analysis

Unit: RMB'000

Item	31 December 2022	30 September 2022	30 June 2022	31 March 2022
Net tier-one capital	53,412,155	63,249,653	62,035,237	60,807,166
Balance of on/off-balance sheet assets after adjustment	694,826,669	696,935,859	689,343,458	681,162,861
Leverage ratio (%)	7.69	9.08	9.00	8.93

Note: Indicators related to leverage ratio as at the end of the Reporting Period, the end of the third quarter of 2022, the end of the first half of 2022 and the end of the first quarter of 2022 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)》 issued by the CBIRC, which are consistent with the data reported to the regulatory authorities. For details, please refer to the column headed “Financial Summary” under Investors Relation on the Bank’s website.

6 BUSINESS OPERATION

6.1 Corporate Banking Business

6.1.1 Corporate Deposits

During the Reporting Period, under the strategic vision of building a “value-leading bank with high-quality development”, the Bank, with a focus on customer operations, optimized various services for customers such as financing, investment, transaction settlement and treasury management, promoted the application of payment settlement, treasury management and other products, and stepped up the promotion and use of scenario-based products such as migrant workers’ salary escrow and housing pre-sale escrow. While increasing low-cost corporate deposits, the Bank continued to optimize the structure of corporate deposits and achieved a sustained decline in the interest cost of corporate deposits.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

6.1.2 Corporate Loans

During the Reporting Period, the Bank proactively implemented the government and financial regulators' series policies to stabilize the economy, took concrete actions to stabilize the economy, promote growth and support employment, and fulfilled the mission of serving the local and real economy by helping enterprises overcome difficulties and resume work and production and increasing support for small and medium-sized enterprises. With a high sense of political responsibility and historical mission, the Bank provided financial support for the special campaign of "ensuring home delivery", thus facilitating the implementation of the policy of financial support for the stable and healthy development of the real estate market. As the principal operator of policy-based technological innovation finance in Henan Province, the Bank constantly innovated institutional setup, mechanism construction, product system and other aspects, and continued to step up financial support for technological innovation enterprises. In addition, the Bank supported the construction of key projects including major projects, "Three in One Batch" projects, and post-disaster reconstruction projects; further carried 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 RMB249,605 million, representing an increase of 17.25% from the end of the previous year.

6.1.3 Corporate Customers

During the Reporting Period, the Bank advanced customer development in an orderly and efficient manner, and continued to expand the customer base and optimize customer structure. For new customer acquisition, the Bank focused on promoting account opening service for newly registered companies, and gained over 20,000 new accounts during the Reporting Period. In terms of tapping existing customers, the Bank improved the percentage of active customers through technology empowerment and process management. As to credit customers, the Bank continued to strengthen cooperation with strategic customers, while improving the number and quality of medium-sized customers and optimizing the structure of credit customers through targeted marketing activities, such as marketing to "specialized, sophisticated, unique and novel" enterprises, to "small and micro enterprise parks" and for "technological innovation finance".

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6.1.4 Institutional Business

During the Reporting Period, the Bank maintained a rapid growth in institutional deposits, deepened its relationship with the government, and pioneered a number of services in the industry. Specifically, the Bank built the “Provincial Skilled Talent Management Service Information System” with Henan Provincial Department of Human Resources and Social Security, became the first financial institution to introduce non-tax electronic payment notes in cooperation with Henan Provincial Department of Finance, and collaborated with Henan Provincial Department of Education and Zhengzhou Municipal Bureau of Education to first launch online escrow service for funds of off-campus training institutions in the province. As at end of the Reporting Period, the balance of institutional deposits of the Bank was RMB69,165 million, representing an increase of RMB10,024 million from the end of the previous year.

6.2 Retail Banking Business

6.2.1 Personal Deposits

The Bank has always assumed its “duty to safeguard our homeland”, upheld the corporate philosophy of “establishing trust with honesty and achieving long-term success with virtue”, and focused on its strategic vision of becoming a “leading bank with high-quality development”, vigorously enforcing its featured positioning in building a “boutique bank for residents”. With individual customers as its main business focus, the Bank constantly improved service systems to enhance basic customer base; innovated and upgraded products to expand key customer base; strengthened wealth management, increased customer stickiness, and continuously enhanced its deposit structure. As at the end of the Reporting Period, the Bank’s total balance of personal deposits amounted to RMB141,063 million, representing an increase of 15.93% from the end of the previous year.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

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, developed lightweight offline business processes and diverse online products, and offered preferential interest rate, loan term and other favourable conditions 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 their sense of acquisition, happiness and security, and launched the “Home Mortgage Product for New Citizens” and “New Citizen Loan”; introduced new functions such as automated approval and online mortgage discharge for the personal mortgage product Housing E-finance (房e融) to improve service efficiency; developed the personal credit product “Preferential Business Loan” (惠商贷) to provide efficient and convenient online loans for small and micro business owners and sole proprietorships; and launched personal loan products on the “Zhenghaorong” (郑好融) platform to expand service coverage. As at the end of the Reporting Period, the Bank’s personal loans amounted to RMB81,316 million, representing an increase of 6.80% 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 local trade union membership cards, Year of the Tiger cards and Shangding New Citizen cards, with the number of newly issued cards increasing steadily. As of the end of the Reporting Period, the Bank had issued a total of 7,411,900 debit cards (including electronic accounts), representing an increase of 258,700 cards from the end of the previous year.

In terms of credit cards, the Bank continued to make efforts in various aspects, including customer development, risk control, digital transformation, product innovation, construction of consumption scenarios, etc. During the Reporting Period, the Bank officially launched civil service card (CSC) business at the village level, establishing a full-spectrum CSC product system from provincial, municipal and district (county) budget units to the town and village level. In an effort to accelerate product innovation, the Bank issued Love & Family Credit Card, Rural Revitalization Xiangxiang (乡村振兴乡香) Credit Card, hi Platinum Co-branded Card (Night Market Edition), Dream Chasing Youth Card (Campus Edition), JD Co-branded Credit Card, Splendid Henan Series Nanyang Urban Theme Credit Card, and Wishes Series Comprehensive Consumption Card. As of the end of the Reporting Period, the Bank had issued a total of 631,300 Shangding credit cards. The percentage of online transactions continued to increase, with online credit card spending during the Reporting Period reaching RMB3.5 billion, an increase of 25.49% over the previous year. During the Reporting Period, the Bank recorded RMB176 million in credit card operating income (cumulative operating income: RMB918 million).

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

6.3 Treasury Business

6.3.1 Money Market Transactions

In 2022, the People's Bank of China adhered to the general principle of "prioritizing stability with self-initiative", and continued to implement a prudent monetary policy and intensify cross-cycle and counter-cyclical adjustments, maintaining a generally reasonable and sufficient liquidity environment. According to its business plan and market conditions, the Bank dynamically optimized the debt maturity structure, continuously improved its ability to analyse the money market, enhanced its sensitivity to changes in market sentiment, increased its ability to predict market fluctuations, and maintained stable liquidity. 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 RMB16,719 million, accounting for 2.82% of the Bank's total assets; and the balance of deposits from banks and other financial institutions and financial assets sold under repurchase agreements was RMB78,188 million, accounting for 14.51% of the Bank's total liabilities.

6.3.2 Investment in Securities and Other Financial Assets

During the Reporting Period, the Bank paid close attention to the changes in international dynamics, changes in the domestic and international economic environment and regulatory policies, strengthened the study and trend analysis on the money market, bond market, and the domestic and international macroeconomic environment, promptly adjusted the investment direction and business development strategies, and seized appropriate business opportunities, so as to make steady investment while keeping risks under control. As at the end of the Reporting Period, the Bank's total investment in bonds, trust products, investment products managed by securities companies and other securities financial assets amounted to RMB185,059 million, down by 7.67% from the end of the previous year. Among them, the Bank's total investment in bonds was RMB101,882 million, representing a year-on-year increase of 10.41%; and the total investment in trust products and investment products managed by securities companies was RMB73,981 million, representing a year-on-year decrease of 19.36%.

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6.3.3 Investment Banking Business

During the Reporting Period, the Bank's lead underwriting business for non-financial corporate debt financing instruments developed well. The Bank acted as lead underwriter for 26 debt financing instruments issued by 16 enterprises, with a total issuance amount of RMB15,454 million. The Bank's issuance business of non-financial corporate debt financing instruments reached a new level, as evident by the fact that it ranked among the top in Henan Province in terms of the number of enterprises served, the number of instruments issued and the underwriting market share. The Bank's new products for scientific innovation finance, i.e. "Stock Option Loan" and "Listing Loan", were well recognized in the market. During the Reporting Period, the Bank granted RMB999 million of credit facilities to 31 enterprises, with a view to facilitating the healthy development of "specialized, sophisticated, unique and novel" enterprises and technology SMEs in Henan Province. In addition, the Bank actively strengthened the connection and cooperation with other investment banks, and channelled external funds through matchmaking to maintain and deeply tap existing large and medium sized clients. During the Reporting Period, the Bank completed 93 matchmaking transactions with a total amount of RMB16,026 million.

6.3.4 Wealth Management Business

During the Reporting Period, based on the diverse needs of customers and its advantages in "fixed income+" investment research, 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 issued a total of 21 wealth management products, raising RMB57,549 million in total. As at the end of the Reporting Period, the Bank had 80 outstanding wealth management products with a total AUM of RMB45,731 million, down by 4.67% from the beginning of the year. As at the end of the Reporting Period, the balance of net-worth wealth management products was RMB45,731 million (representing 100% of the total), including RMB10.46 billion in cash management net-worth products, RMB26.63 billion in regular open-end net-worth products, and RMB8,641 million in closed-end net-worth products.

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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. Based on 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.

Cloud Trading

“Cloud Trading” integrates group cash management, cross-bank treasury management, bank-enterprise direct link and other treasury management products to provide customers with “tailor-made” integrated financial solutions through online channels such as corporate online banking and corporate mobile banking, so as to fully meet customers’ capital management needs. During the Reporting Period, based on customer needs, the Bank continuously optimized products, upgraded the system and enriched the product mix to improve customer experience. For corporate e-channels, the Bank launched exclusive products for small business customers such as “E-purchase Loan” (e 採貸), “E-tax Financing” (e 稅融) and “Technology Innovation E-loan” (科創 e 貸), added such payment and settlement products as Periodic Payment and Easy Collection (易回款), and continued to optimize the functions of key products. As of the end of the Reporting Period, the Bank had signed up a total of 77,000 customers for corporate e-channels; its group cash management platform had provided treasury management solutions for over 900 large and medium-sized enterprises and public institutions; its bank-enterprise direct link had connected with nearly 170 large and medium-sized group customers. During the Reporting Period, the Bank signed up approximately 59,000 corporate online banking customers, and handled 5.15 million transactions with a total amount of RMB1.54 trillion.

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Cloud Financing

The “Cloud Financing” platform is an open online supply chain financing platform powered by innovative financial technologies such as e-signature, big data application and Internet technology. Through customization or standardization, it offers a full range of online supply chain financing products, including factoring, letter of credit, commercial bill and prepayment financing, to efficiently satisfy the quick financing needs of upstream and downstream customers of key enterprises, thus serving the supply chain ecosystem. During the Reporting Period, the Bank successfully launched the first innovative product “Yidingtong” (醫鼎通), issued the first offshore bond backed by a standby letter of credit and the first cross-border non-financing letter of guarantee, and introduced the “Zhenghaofu” (鄭好付) service for enterprises with frequent small payments. The Cloud Financing platform had helped approximately 1,000 upstream and downstream customers raise a total of RMB21.5 billion.

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 upgrade of the Cloud Business 2.0 system with more flexible offerings and system functions. With increasingly modular, component-oriented, plug-in-based, role-based and multi-tenant services, the Cloud Business platform had handled its first interbank transaction, and had helped over 2,100 upstream partners of key enterprises raise over RMB7.8 billion in total.

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. Focusing on “Cloud Logistics”, the Bank leveraged the advantages of its logistics finance team to promote the upgrading of logistics scenario-based financial products such as freight payment agency and smart acquiring, organized list-based marketing to logistics customers, and comprehensively strengthened the financial support for transport and logistics players such as road transport operators, logistics companies and individual drivers through collaboration between the head office and branches, and between corporate and retail banking. By doing so, the Bank helped maintain the stable operation of the logistics industry and ensure smooth logistics flows. As of the end of the Reporting Period, 2.68 million payments had been made under the D+0 payment agency service, representing a total amount of RMB3.8 billion.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Cloud Service

The “Cloud Service” platform provides customers with value-added and customized financial and non-financial services based on the WeChat Public Account named “Zhengzhou Bank Trade Finance” (鄭州銀行商貿金融). During the Reporting Period, the Bank successfully obtained the qualification as a bank to handle salary deposits for migrant workers from the Department of Human Resources and Social Security of Henan Province, and completed the connection with the electronic letter of guarantee (L/G) systems of Henan Province and Zhengzhou Public Resources Trading Centres and the connection with the housing pre-sale escrow systems of five cities including Zhengzhou, Puyang and Pingdingshan. A total of over 330 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, based on its unique positioning in “small and micro finance”, the Bank increased credit granting to better support small and micro enterprises, and improved the quality and efficiency of serving small and micro enterprises. Specifically, the Bank learned about the financing needs of small and micro enterprises through online bank-enterprise meetings and offline visits, and provided deferred principal and interest service for small and micro enterprises with temporary difficulties, in a drive to step up support for small and micro enterprises; refined and enriched small and micro finance products, particularly for “five major customer groups”, developed and launched the online credit product “Preferential Business Loan”, and continued to improve customer experience; fully leveraged technology to support business development, developed and optimized approval and risk control models, enriched external data, and dug into internal data; connected with external platforms, and launched financial products such as “E-purchase Loan” and “Entrepreneurship and Innovation Loan” (雙創貸) on the “Zhenghaorong” platform, allowing more small and micro enterprises to benefit from financial services. As at the end of the Reporting Period, the balance of the Bank’s outstanding loans to small and micro enterprises (exclusive of discounts) each with a credit facility of not more than RMB10 million (inclusive) amounted to RMB44,292 million, representing an increase of 13.72% from the end of the previous year, which is 0.88 percentage point higher than the growth rate of all loans of the Bank. The number of small and micro enterprises receiving inclusive loans with loan balance stood at 66,756, representing an increase of 1,325 from the end of the previous year, marking the successful achievement of the regulatory goals of “two increases and two controls”. During the year, the Bank issued in aggregate inclusive loans of RMB29,799 million to small and micro enterprises at an average interest rate of 5.68%.

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6.4.3 Financial Services for Residents

During the Reporting Period, with a vision to build a boutique bank for residents in citizen finance, the Bank upheld the customer-centred principle, developed characteristic services, delivered excellent customer experience, and enriched the “Wonderful House” (奇妙屋) brand. Firstly, the Bank expanded application scenarios by going deep into thousands of communities, reaching tens of thousands of merchants, and building smart scenarios in various forms. Secondly, the Bank expanded channels in various forms, introduced an online special offer channel and the merchant MGM campaign, enriched benefits discount activities, and created a convenient card use environment, making the Bank’s offerings ubiquitous. During the Reporting Period, in terms of citizen finance, the Bank facilitated over 1 million transactions under money-off offers, signed up 30,000 merchants, and recorded an increase of more than RMB200 million in personal financial assets. Thirdly, the social security card business achieved good results. During the Reporting Period, the Bank issued 269,000 social security cards, expanded the retail customer base, launched the “Applet for Social Security Card Replacement Appointment” to help develop credit card customers online, and strengthened cooperation with Zhengzhou Citizen Card Co., Ltd. to create use scenarios in various aspects and enhance customer experience.

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6.4.4 Technological Innovation Finance Business

During the Reporting Period, the Bank thoroughly implemented the strategic initiatives of the Henan Provincial Party Committee and Provincial Government, particularly the “Two Guarantees” and the “Ten Strategies”, seized opportunities as a provider of policy-based financial services for technological innovation in the province to continuously optimize the mechanism of running such services, and focused on supporting technology SMEs, high-tech enterprises, “specialized, sophisticated, unique and novel” enterprises, “little giant” enterprises, unicorn companies, gazelle companies, as well as key enterprises meeting “sole proprietor to enterprise, small enterprise to EADS, EADS to joint-stock company, or listing” conditions, to accelerate the high-quality development of the Bank. The Bank set up a special task force, a technological innovation finance division, a sub-branch dedicated to technological innovation and a number of specialized teams and established the “three specializations and five separate operations” (三專五單獨) mechanism to promote the development of policy-based financial services for technological innovation in all respects; innovated in the credit pre-approval management model and delivered notices of credit pre-approval to white-listed enterprises, in an effort to increase the accuracy, coverage and availability of financial support; enriched the portfolio of technological innovation financial products by launching the innovative “R&D Loan”, introducing exclusive products such as “Intellectual Property Pledge Loan”, “Stock Option Loan” and “Listing Loan”, and developing the online product “Technology Innovation E-loan”, with a view to building a service system covering the whole life cycle of innovative businesses; established a special approval mechanism and assigned an approval team to comprehensively improve service quality and efficiency; collaborated with the provincial and municipal governments to promote the implementation of related policies; integrated talents, technology, capital, information and other innovative elements to develop a technological innovation finance ecosystem and enable the accelerated growth of technology SMEs, with an aim to initially build a technological innovation finance brand with the Bank’s own characteristics.

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, 166 sub-branches and one special entity. Meanwhile, the Bank enhanced the layout of its self-service equipment outlets, established a network of 165 internal and 28 external self-service equipment outlets, forming proper area coverage and providing convenient 24-hour services.

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6.5.2 Electronic Banking

Personal channel

For mobile banking, the Bank continued to 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 Finance” strategy through channel construction. The Bank constantly enriched non-financial scenarios, including introducing electronic social security cards and upgrading the way of making social security contributions; diagnosed pain points involved in frequently used basic functions such as transfer and first login and made improvements; upgraded the face recognition function and completed the transformation related to personal information protection to improve security and compliance. As at the end of the Reporting Period, the Bank had signed up 2,736,700 mobile banking customers, representing a year-on-year increase of 12%. The number of mobile banking transactions completed in the year reached 10.6 million, representing a total amount of RMB283.8 billion, up by 33% year-on-year.

The customer service center of the Bank innovates to create a new “digital intelligence” service ecosystem, continuously broadens the coverage of service and improves service capabilities. In addition to the 95097 hotline service, the center develops new service models such as “robot + human service” and “robot + remote video + SMS” via multiple channels to provide customers with remote services such as on-screen guidance online and identity verification. Driven by data, it continuously improves customer identification and optimizes customer service processes to achieve service standards, facilitate customer service, and effectively enhance customer experience. During the Reporting Period, the customer service center served 1,624,500 customers throughout the year, 550,000 of which were served through online channels and 90% of which were served by robots.

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Corporate channel

The Bank continuously refines the corporate e-channel service system through service upgrades. The Bank's corporate online banking services include account management, transfer management, cash management, supply chain finance, electronic billing, etc.; its corporate mobile banking services include account services, transfer services, investment and wealth management, loan services, etc. For corporate WeChat banking, the Bank uses the WeChat Public Account named "Bank of Zhengzhou Trade Finance" (鄭州銀行商貿金融) to provide financial information and various value-added services such as account management, electronic invoicing, bank-enterprise reconciliation, easy payment, etc. During the Reporting Period, the Bank launched exclusive products for small business customers such as "E-purchase Loan", "E-tax Financing" and "Technology Innovation E-loan", added payment and settlement products such as Periodic Payment and Easy Collection, and continued to enrich the product portfolio. As of the end of the Reporting Period, the Bank had signed up more than 77,000 corporate customers. During the Reporting Period, the Bank handled approximately 5.15 million transactions with a total amount of approximately RMB1.54 trillion through corporate e-channels.

7 RISK MANAGEMENT

During the Reporting Period, the Bank proactively adapted to internal and external environment changes and regulatory requirements, placed focus on the high-quality development philosophy, upheld prudent and sound development philosophy, further implemented the capital return and risk pricing concept, continuously optimized the comprehensive risk management system, continuously provided and improved a diverse range of risk management and control tools, established a sound compliance and risk management culture, and committed to balancing and effectively promoting risk management and business development together with value creation to assure that the Bank conducts its business operations in an ongoing and stable manner. The Bank is mainly exposed to the risks and has the control initiatives in the business operations as follows:

7.1 Credit Risk

Credit risk refers to the risk of loss caused by the failure by a debtor or counterparty to perform its 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. We have built a credit risk management framework covering all credit business processes, and formulated policies and procedures to identify, assess, measure, monitor, mitigate and control credit risks. For credit risk management, we mainly adopt the following measures:

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Firstly, we improved policy formulation and implementation mechanisms. In line with the Bank's development strategy, we extensively solicited opinions across the Bank to formulate annual risk appetite and investment strategies by fully taking into consideration macro policies, industry developments, and regulatory requirements. We also strengthened policy publicity and implementation, and unified the risk philosophy of the whole Bank. Secondly, we enhanced industry research capabilities. We strengthened research on industries and customer groups focusing on key industries such as manufacturing, logistics, healthcare and social work, which significantly improved our risk prediction and management capabilities. Thirdly, we optimized credit extension and authorization and sub-authorization schemes, and further regulated the credit decision-making mechanism.

As at the end of the Reporting Period, the Bank's single customer loan concentration was 5.18%, which met the requirement of not more than 10% as stipulated by the CBIRC; single group customer credit concentration was 5.63%, which met the requirement of not more than 15% as stipulated by the CBIRC; the balance of loans to the top ten customers was RMB18,835 million, and the loan concentration of the top ten customers was 34.06%; the balance of credit facilities to a single related party customer was RMB3,902 million, with a credit concentration of 7.55%; and the credit concentration of all related parties was 27.07%, which met the requirement of not more than 50% as 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 that the Bank is exposed to are mainly interest rate risk and exchange rate risk. The Bank's market risk management objective is to ensure that potential market losses are controlled at an acceptable level based on risk tolerance while striving to obtain maximum risk-adjusted returns. The Bank's market risk management covers the whole process of identifying, measuring and monitoring market risks. For market risk management, we mainly adopt the following measures:

Firstly, we continued to optimize the market risk management system. The Bank has established a hierarchical market risk management system which covers account bookkeeping, risk measurement, stress testing and special business risk management, and defines the functions of the Board, senior management and the three lines of defense. Secondly, we strengthened market risk limit management. The Bank enhanced the market risk limit system and developed an annual market risk limit plan, so as to consolidate the foundation for market risk management. Thirdly, we conducted risk monitoring on a daily basis. The Bank set up a market risk monitoring system covering monitoring objects, monitoring scope and monitoring indicators, achieved front – and mid-office information sharing on market dynamics, asset structure and limit implementation, and established an account book for market risk limit management to improve the quality and efficiency of risk monitoring. Fourthly, we implemented a market risk reporting mechanism. We established a special reporting and decision-making mechanism, established and regularly convened meetings of a professional committee on risk management of financial market business, regularly reviewed the operation of financial market business and market risks, and established a “daily-monthly-quarterly” reporting system to promote the reporting of risk information and prompt decision-making.

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7.3 Operational Risk

Operational risk refers to the risk of loss caused by imperfect or problematic internal procedures, personnel or information technology systems, and external events, mainly including internal and external frauds, employment system and workplace safety incidents, customers, products and business activities incidents, damage of tangible assets, information technology system incidents, execution, delivery and process management incidents. The Bank's operational risk management objective is to effectively manage operational risks by establishing a sound operational risk management framework so as to keep the losses of operational risk to a minimum. Main measures during the Reporting Period are as follows:

Firstly, we consolidated the foundation of the operational risk management system. We revised and issued the operational risk management measures, optimized the management regulations of the three major tools, clarified the content, frequency, timeliness, and reporting path of incident reports, added management requirements for affiliated institutions, and strengthened group-based operations. Secondly, we strengthened legal risk prevention. We comprehensively sorted out standard contracts, constantly carried out legal review of non-standard contracts, organized internal and external legal training, published special legal journals online, strengthened legal consultation, and deepened legal empowerment. Thirdly, we continued to carry out operational risk identification and assessment. We sorted out the corresponding processes of products, business and management activities, used the Risk Control Self-Assessment (RCSA) tool to identify the key operational risk events, risk event categories, and risk factors in the process steps, evaluated the inherent risk and the effectiveness of key control measures, and prevented risks in advance. Fourthly, we improved the risk management and control functions of the information system. We strengthened the construction of the off-site monitoring module of the GRC system, completed renovation of system early warning and related monitoring, optimized indicator settings, improved design of system task process, and strengthened technological support. Fifthly, we focused on employee conduct management. We continuously carried out rotation and exchanges of personnel in key positions, established and improved an employee conduct management model that prioritized prevention and combined punishment with education, and further promoted employee compliance training and corporate culture publicity, so as to cultivate the concept of compliant operations.

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. The objective of the Bank's liquidity risk management is to ensure sufficient fund positions to satisfy repayment obligations and capital requirements for business settlement. The Bank observes changes in liquidity closely, monitors the surplus and deficiency of funds on a real-time basis, sets the term structure in a rational manner, gradually enhances the allocation of assets and liabilities, achieves a balance in the asset-liability structure and steps up liquidity risk monitoring to assure liquidity is safe and under control. For liquidity risk management, we mainly adopt the following measures:

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Firstly, we stepped up daily liquidity management. We closely monitored the changes of macro and monetary policies as well as the source and use of funds, and arranged the financing term structure in a rational manner to ensure that the daily requirement of position settlement can be met. Secondly, we optimized the allocation of assets and liabilities, and strengthened the balanced management of assets and liabilities plans and liquidity risks. We focused on the structure of assets and liabilities and duration management to maintain a safe and reasonable level of maturity mismatch. Thirdly, we strengthened liquidity risk limits management. We improved the liquidity limits management systems, strengthened the alert on risk limit monitoring and timely adjusted the risk indicators according to the assets and liabilities plans in order to ensure the liquidity limit indicators operate within a safe level. Fourthly, we conducted stress tests and emergency liquidity drills. Stress tests are carried out on a regular basis to assess potential liquidity risk level and the results from the stress tests are applied to the assets and liabilities plans. Meanwhile, we conducted emergency liquidity drills after taking into account the results from stress tests to assess processes such as emergency responses, command coordination and emergency handling, so as to enhance emergency management and improve the ability to respond to risks.

As at the end of the Reporting Period, the Bank's liquidity ratio was 72.34%, which met the requirement of not less than 25% as stipulated by the CBIRC; its liquidity coverage rate was 300.13%, which met the requirement of not less than 100% as stipulated by the CBIRC; the net stable funding ratio was 120.68%, which met the requirement of not less than 100% as stipulated by the CBIRC. Overall, the Bank's key regulatory 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. The Bank attaches great importance to the management of information technology risks. Based on its own conditions and the external environment, the Bank identifies, measures, monitors, controls and reports information technology risks and continuously improves the relevant management mechanism to gradually achieve tiered management and differential handling of information technology risks. The Bank has in place a professional information technology risk management team and created an effective work arrangement where the "three lines of defense" comprising the Information Technology Department, Risk Management Department and Internal Audit Department jointly prevent and control information technology risks. During the Reporting Period, the Bank's information technology operated smoothly in general, and information technology risks were under control. For information technology risk management, we mainly adopted the following measures:

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Firstly, we renovated the information technology outsourcing risk management system of the Bank. We promptly carried out the internalization of external regulations and formulated the Measures for Information Technology Outsourcing Risk Management to provide a regulation basis for the management of information technology outsourcing risks. Secondly, we improved the effectiveness of information technology risk monitoring. The Bank continued to carry out information technology risk monitoring, scientifically optimized monitoring indicators, conducted risk research and judgment by combining collection and analysis of monitoring materials, personnel interviews, and utilization of online management systems, strengthened the basic data analysis of monitoring indicators, improved risk disclosure capabilities, and completed quarterly and annual information technology risk monitoring and analysis. Thirdly, we steadily carried out information technology risk assessment. Pursuant to regulatory requirements, the Bank independently carried out special risk assessments for information technology and “reviewed” issues found in risk assessments of the previous year, so as to scientifically explore the assessment content, study and predict a number of risks, build a risk assessment database, and communicate risk opinions and suggestions to evaluated departments. Fourthly, we improved our business continuity management capabilities. The Bank strengthened refined management of business continuity, enhanced emergency response capabilities, improved and regulated emergency response organizations, further improved internal control systems and contingency systems, and provided more solid resource support. As a result, steady progress was made in business continuity and emergency management efforts.

7.6 Reputational Risk

Reputational risk refers to the risk of negative comments of stakeholders, the public and the media about the Bank due to its operation and management, employees’ behaviour or external events which damage the Bank’s brand value and adversely affect its normal operation and even market and social stability. The Bank manages reputational risk on a forward-looking, compatible, full-covered and effective basis. It established whole-process management mechanisms comprising pre-assessment, risk monitoring, tiered response, reporting, assessment and accountability, and post-event evaluation to promote the normalization of joint prevention and control.

During the Reporting Period, the Bank diligently carried out work on the group reputation risk management, continued to improve its reputational risk management structure, further optimized the reputational risk prevention system covering complaints, reports, mediation and litigation. We focused on building a multi-dimensional brand promotion matrix, and enhanced active communication with stakeholders.

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7.7 Anti-Money Laundering Management

In strict compliance with the Anti-Money Laundering Law of the PRC 《中華人民共和國反洗錢法》 and other applicable regulations and regulatory documents promulgated by the People's Bank of China and with adherence to the “risk-based” work principle, we established a sound anti-money laundering institutional structure, improved the internal control and operating procedures for anti-money laundering, enhanced the business system for anti-money laundering, continued to carry out promotion and training programmes, and effectively performed various anti-money laundering obligations. In carrying out anti-money laundering, we mainly adopt the following measures:

Firstly, we established a sound governance structure for money laundering risks. We governed the responsibilities of the Board, the Board of Supervisors, senior management members, the anti-money laundering leading group, the member departments, branches, and affiliates, thus establishing a well-defined and efficient anti-money laundering work operation mechanism. Secondly, we strengthened the construction of the internal control system for anti-money laundering. We improved the internal control management system for anti-money laundering by having formulated 11 sets of special rules and regulations for anti-money laundering. Thirdly, we enhanced the functions of the anti-money laundering monitoring and reporting system, strengthened risk monitoring and early warning activities, upgraded the suspicious transaction monitoring function of the anti-money laundering monitoring and reporting system, optimized the blacklist data collection and warning function for money laundering and terrorist financing, and added the self-assessment function module for money laundering and terrorist financing risk. Fourthly, we stepped up our promotion on anti-money laundering. We continued with both thematic publicity and daily publicity by carrying out diversified publicity campaigns by means of anti-money laundering publicity display boards, distribution of promotional materials, official websites and official WeChat, LED screens and other channels to popularize anti-money laundering and anti-terrorism knowledge so as to raise public awareness and engagement in anti-money laundering activities. Fifthly, we raised employees' awareness and expertise on anti-money laundering. Based on the principle of “different objects, different methods, different levels and different contents”, we enhanced employees' overall awareness, knowledge and skills in respect of anti-money laundering through centralized training, replacing training with meetings, promoting learning by competition, etc.

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.

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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

For details, please refer to the 2022 Corporate Social Responsibility (Environmental, Social and Governance) Report published on the website of CNINFO (www.cninfo.com.cn) on 31 March 2023, the overseas regulatory announcement dated 31 March 2023 published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk), and the “Announcements and Circulars” under “Investor Relations” on the Bank’s website (www.zzbank.cn).

9.3 Consolidation of Poverty Alleviation Achievements and Rural Revitalization

The Bank practiced China’s rural revitalization strategy and continued to introduce financial services to the countryside. On the basis of building rural payment service sites for inclusive finance, the Bank vigorously issued Rural Revitalization Cards, implemented the initiative of “Disseminating Financial Knowledge in Rural Areas”, enriched the card use environment for rural residents and stimulated the vitality of the rural consumer market to build a rural financial service ecosystem, so as to improve the financial service experience of rural residents. The Bank earnestly implemented various policy requirements for rural revitalization and stepped up the efforts in issuing agriculture-related loans. Separate credit plans for agriculture-related loans and inclusive agriculture-related loans were made to ensure the adequacy of relevant credit resources. The “Rural Revitalization Loan” was launched to provide special credit financing for all kinds of new agricultural business entities, so as to help them grow bigger and stronger. As at the end of the Reporting Period, the balance of agriculture-related loans of the Bank was RMB80,871 million, representing an increase of RMB7,428 million or 10.11% from the end of the previous year. The balance of inclusive agriculture-related loans was RMB6,700 million, representing an increase of RMB874 million or 15.00% 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 and party building at the primary level; The Party Committee regularly heard reports from the village, visited and surveyed the village on schedule, organized joint study and construction activities of party members, and paid consolatory visits on New Year’s Day, Spring Festival and CPC Founding Day (July 1) every year. The task force stationed in the village worked with the two committees of the village to carry out anti-fraud publicity and monitoring during the flood season, and organize activities such as caring for those in need and traditional festival celebrations, so as to cultivate civilized rural customs and improve the happiness of villagers. The original task force has completed its three-year mission, and a new task force has been set up and assigned to the village.

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10 OUTLOOK

10.1 Industry Landscape and Trends

In 2022, China's economy faced triple pressures – shrinking demand, supply disruptions and weakening expectations, while suffering shocks from unexpected factors such as international geopolitical tensions. Faced with the complex and severe domestic and foreign situation, the CPC Central Committee with Comrade Xi Jinping at its core united and led the whole Party and people of all ethnic groups to go forward, and took multiple measures to effectively stabilize the overall economy. As a result, China's economy continued to grow against headwinds, showing strong resilience and great potential. Given uncertainties and risks, China's banking industry upheld the fundamental mission of serving the real economy to increase financial support for key areas and weak links of the economy and help enterprises tide over difficulties with credit resources tilted towards small and micro enterprises and sole proprietorships; promoted the development of green finance business and helped speed up the green and low-carbon transformation of economic entities; and continued to improve the availability of inclusive finance and support poverty alleviation and rural revitalization, thus contributing to China's socio-economic recovery and high-quality development. In 2022, the banking industry achieved good results in preventing and resolving financial risks, enabling such risks to be generally lower and controllable. The trend of ballooning financial assets being diverted away from the real economy was reversed; existing credit risks were mitigated; the policies to stabilize the real estate market including the 16-point rescue plan gradually showed results, as evident by the significant improvement in the financing environment of the real estate industry, particularly high-quality real estate companies; the ability of small and medium-sized financial institutions to resist risks continued to improve.

2023 is the first year to fully implement the spirit of the 20th CPC National Congress and a crucial year to carry out the 14th Five-Year Plan. With the introduction and implementation of the State Council's 33 measures to stabilize the economy and 19 follow-up policies, China's economy has stabilized and rebounded amid fluctuations, and its growth is expected to return to the potential growth rate. The economy is obviously recovering and improving. The 20th CPC National Congress has pointed out the direction and provided the basis for the banking industry to serve the high-quality development of the real economy, and the stabilization of the economy provides a good opportunity for the banking industry's shift to high-quality development. The banking industry should fully implement the spirit of the 20th CPC National Congress, give priority to serving the real economy, give full play to its role in supporting the high-quality development of the real economy and domestic demand, and further increase support for key areas and weak links such as small and micro enterprises, manufacturing enterprises, and technology innovation enterprises. There are still many uncertainties facing the economic development in 2023, such as the resilience of the housing market, the degree of consumption recovery, the magnitude of inflationary pressures, etc. As such, the banking industry should also take risk management seriously, carefully classify assets, and strengthen the disposal of non-performing assets to improve asset quality. The industry should emphasize and accelerate digital transformation, constantly improve the ability and quality of serving the real economy, and effectively prevent and resolve financial risks.

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10.2 Corporate Development Strategy

In 2023, under the leadership of the Board, the Bank will uphold the strategic vision of building a “leading bank with high-quality development” and continuously promote the “Five & Four Strategy”. First, the Bank will continue to improve the quality and efficiency of policy-oriented financial services for technological innovation, deepen cooperation with local government agencies and policy banks, continue to improve its professional organizational structure and characteristic services, and further promote the transformation of financial services, so as to contribute more to building China as an innovative power and building a modern Henan. Second, the Bank will strengthen customer base development. In an ongoing effort to consolidate the customer base, the Bank will increase the number and quality of retail customers, keep “balancing large and small customers and expanding medium-sized customers” for corporate banking, and deeply tap existing and new customers. Third, the Bank will continuously improve the risk prevention and control mechanism. To build strong lines of defense against risks, the Bank will continue to refine the internal control system, improve risk monitoring, identification and prevention and control, strengthen risk screening, intensify the disposal of non-performing assets, reinforce post-loan management and coordination between the head office and branches, and endeavour to complete various reform and risk reduction tasks.

10.3 Operating Plan

In 2023, the Bank will follow the guidance of Xi Jinping’s Thought on Socialism with Chinese Characteristics for a New Era, fully implement the spirit of the 20th National Congress of the CPC and the central, provincial and municipal economic work conferences, with the guidance of the high-quality development guiding ideology, carry out the “Five & Four Strategy”, capitalize on the building of the customer base, advance digital transformation, serve the real economy, and endeavor to open a new chapter of high-quality development.

The Bank unswervingly promotes transformation and development. Under the guidance of the high-quality development thought, the Bank will focus on its strategic vision of becoming a “leading bank with high-quality development”, and make solid progress in business restructuring. The Bank will further implement digital transformation and capital-light transformation, strengthen the integration of technology and business, and conduct research in “Five & Four Strategy”, digital transformation, key industries, customer base building, risk prevention and control, and management improvement and other key areas, to stimulate new momentum for innovation. The Bank resolutely completes the objective of reducing old loans and controlling new loans, gives equal importance to business development on one hand and to non-performing disposal on the other, safeguards the bottom line of risk prevention and control, ensures sound operation, and promotes transformation and development.

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The Bank continuously enhances governance management capabilities. We resolutely implemented the spirit of the 20th Party Congress, coordinated efforts to improve corporate governance, deeply integrated Party building with corporate governance, and ensured that the responsibilities of the “board of directors, board of supervisors, general meetings, and management” were clear and fulfilled. To strengthen shareholder equity management, we launched the “Innovation and Enhancement Year of Work Standards” for the Supervisory Board, which aimed to promote capital replenishment work and optimize the management mechanism of affiliated institutions. We deepened the results of the three-year reform for SOE and conducted strategic mid-term adjustment. We launched the “Self-discipline and Compliance Promotion Year” campaign, promoted the “2023 Compliance Risk Management Plan,” and advanced the construction of a finance culture of integrity. We established a comprehensive evaluation system for cadres, improved team management of different lines, and strengthened team and capacity building.

The Bank deeply implements the “Five & Four Strategy”. The policy-driven technological innovation finance business gradually optimized the operation mechanism, further expanded product offerings, and established a technological innovation ecosystem service system, to make greater contributions to the construction of a national innovation hub. The small and micro enterprise finance business strengthened effective coordination with small and micro business, rural finance, and citizen finance and established a “one-stop + one park + N enterprises” service model to improve the quality and efficiency of services. The rural finance business expanded the service scope, developed a plan to improve services for rural customers, expanded the benefits for rural customers, and built a good market reputation. The citizen finance business continued to optimize service scenarios and enhanced the contribution of retail customers through characteristic benefits activities, precision marketing, and merchant revisits. The “Five Clouds” commercial and trade finance business enriched system functions, optimized scenario-based loan products, improved customer experience, and increased market share of the business.

The Bank unwaveringly serves the real economy. We continuously elevated our political position, resolutely implemented major decisions and plans of the province and the city, and implemented the 8 major aspects and 27 measures of the Bank to stabilize the overall economy. We provided full support for the stable and healthy development of the real estate industry, implemented the “guaranteed delivery of completed properties” special campaign, and actively promoted the implementation of the Bank’s “22 action measures” The Bank provided more policy benefits to sci-tech startups, advanced manufacturing companies, private enterprises, and enterprises in the “Three in One Batch” and “two lists”, injecting more financial vitality for the stable and healthy development of the regional economy.

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10.4 Potential Risks

In 2023, global demand and output may continue to shrink, and the Fed will continue to raise rates and reduce its balance sheet. The shortage of US dollars in the offshore market may have an impact on international settlement and cross-border flows of bank credit, and the global economy is facing the risk of recession. In early 2023, China's economy still faces some downward pressure, but is expected to return to the potential growth rate thanks to growth-stabilizing measures and a low base last year. Consumption is expected to rebound substantially in 2023. Driven by the supportive policies for the housing market including targeted interest rate reduction, the impact of property investment and housing-related consumption on economic growth is expected to turn from negative to positive. With industrial revitalization policies aligned in a pro-growth fashion, China's industrial production will continue to recover and play a cornerstone role in stabilizing the economy. As the external environment is evolving with rising risks, the uncertainty of foreign trade will increase. Henan Province will give priority to the recovery and expansion of consumption, activate the housing market, carry out "Three in One Batch" projects, promote breakthroughs in major projects, and implement tax and fee reduction and other supportive policies to help enterprises tide over difficulties, and made efforts in ensuring home delivery, people's livelihood and stability. As such, the province's economy is expected to stabilize and recover in 2023.

The Bank will pay close attention to macro policies, economic and financial developments, and extreme weather, continuously evaluate their impacts on the business, and take strong countermeasures to ensure the stability of its financial position and operating results. Meanwhile, the Bank will continue to monitor the industries and enterprises greatly affected by economic downturn, strengthen risk prevention and control in key areas, maintain high-quality development, innovation-driven development, organic development and differentiated development, constantly optimize the asset-liability structure, and balance size, profitability and risk.

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 31 December 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	-	-	-	-209,840,758	-209,840,758	344,097,605	4.16
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	-	-	-	-5,961,478	-5,961,478	155,447,605	1.88
Including: Shares held by domestic legal persons	132,357,482	1.60	-	-	-	-1,812,531	-1,812,531	130,544,951	1.58
Shares held by domestic natural persons	29,051,601	0.35	-	-	-	-4,148,947	-4,148,947	24,902,654	0.30
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	-	-	-	209,840,758	209,840,758	7,921,439,994	95.84
1. Ordinary Shares denominated in RMB	5,874,819,236	71.08	-	-	-	209,840,758	209,840,758	6,084,659,994	73.62
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 shares	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, the Bank did not conduct any Share repurchase.

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

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1.2 Description of Changes in Ordinary Shares

Changes in Ordinary Shares were mainly due to (1) in May 2022, the non-publicly issued Shares subscribed by Bridge Trust Co., Ltd. (百瑞信託有限責任公司) were lifted from trading moratorium and listed for circulation; (2) In September 2022, for certain Shares issued prior to the initial public offering of A Shares of the Bank without completing the procedures for equity custody confirmation, such procedures were completed and the Shares were listed for circulation; (3) In September 2022, some of the Shares held by then Directors, Supervisors and senior managers holding Shares in the Bank and natural persons holding more than 50,000 internal employee shares before the initial public offering of A Shares of the Bank were lifted from trading moratorium and listed for circulation.

1.3 The Impact of Changes in Ordinary Shares on Financial Indicators Such as Earnings per Share and Net Assets per Share in the Previous Year and the Latest Period

During the Reporting Period, there were no changes in the total number of Ordinary Shares of the Bank. The changes were shown in "1.1 Table of Changes in Ordinary Shares" of this chapter had no impact on financial indicators such as earnings per share and net assets per share in the previous year and the latest period.

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1.4 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	Increase in the number of Shares subject to trading moratorium during the Reporting Period	Number of Shares lifted from trading moratorium during the Reporting Period	Number of Shares subject to trading moratorium at the end of the Reporting Period	Reasons for 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. (百瑞信託有限責任公司)	203,879,280	–	203,879,280	–	Share subscription from non-public issuance	27 May 2022
2 legal persons shareholders including Henan Electric Power and Materials Co., Ltd. (河南電力物資有限公司) and 8 natural persons shareholders including TAO Xiulan (陶秀蘭)	1,812,531	–	1,812,531	–	Initial public offering	19 September 2022
311 natural persons shareholders who held more than 50,000 internal employee shares before the initial public offering of A Shares	28,188,756	–	4,228,153 ⁽¹⁾	23,960,603	Initial public offering	–
Directors, supervisors and senior managers of the Bank (including directors, supervisors and senior managers before the initial public offering of A Shares)	350,473	–	52,567 ⁽¹⁾	297,906	Initial public offering	–
	512,372	131,773 ⁽²⁾	–	644,145	Lockup shares of senior management	–
Shareholders whose Shares were still subject to trading moratorium period (excluding the above Shareholders)	20,544,951	–	–	20,544,951	Initial public offering	–
Total	553,938,363	131,773	209,972,531	344,097,605		

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Note:

1. On 19 September 2022, 4,280,720 A Shares held by 311 natural persons shareholders who held more than 50,000 internal employee shares before the initial public offering of A Shares and 8 natural persons shareholders who were directors, supervisors and senior management before the initial public offering of A Shares were lifted from trading moratorium and listed for circulation on 19 September 2022.
2. During the Reporting Period, pursuant to the plan to stabilize the share price of A Shares formulated by the Bank in July 2021, some supervisors and senior management increased their holdings of A Shares. The locking and unlocking of the increased shares held by them shall be carried out in accordance with the requirements of the No. 1 Self-discipline and Regulation Guideline for Listed Companies of 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》.
3. The minor differences in the last digits are caused by rounding.

2 ISSUANCE AND LISTING OF SECURITIES

2.1 Issuance of Securities (Excluding Preference Shares) during the Reporting Period

During the Reporting Period, the Bank had neither newly issued ordinary shares and preference shares nor corporate bonds which were publicly issued and listed on any stock exchanges.

For details of the 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.

2.2 Description of Changes in the Total Number of Ordinary Shares and the Composition of Shareholders, and Changes in the Structure of Corporate Assets and Liabilities

During the Reporting Period, there were no changes in the total number of Ordinary Shares of the Bank. For the changes in the composition of Shareholders, please refer to “1.1 Table of Changes in Ordinary Shares” of this chapter. For the changes in the structure of assets and liabilities of the Bank, please refer to “3 Financial Statements Analysis” in the chapter headed “Management Discussion and Analysis” of this Report.

2.3 Existing Internal Employee Shares

The existing internal employee Shares are mainly, among others, acquired by shareholders of the original urban credit cooperatives and the joint urban credit cooperative through taking part in the establishment of the Bank in 1996, and through succession. As at the end of the Reporting Period, certain Shares of the Bank were lifted from trading moratorium and listed for circulation. To date, the date of issuance, offering price and shareholdings after the circulation of the internal employee Shares could not be accurately verified.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

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 are set out as follow:

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	
		Class of Shares	Number
HKSCC Nominees Limited	1,836,588,724	H Shares	1,836,588,724
Zhengzhou Finance Bureau (鄭州市財政局)	597,496,646	A Shares	597,496,646
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	364,172,891	A Shares	364,172,891
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 Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	240,846,233	A Shares	240,846,233
Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司)	155,162,928	A Shares	155,162,928
Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)	137,852,321	A Shares	137,852,321
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:

1. The data above is obtained from the register of Shareholders of the Bank as at 31 December 2022.
2. The Shares held by HKSCC Nominees Limited are held by it in the capacity of agent and represents 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 Ordinary Shareholders not subject to trading moratorium carried out any agreed buy-back transactions.

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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, details of which are set out as follows:

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⁾	1,350,282,905	21.00	16.34
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	A Shares	Long	Beneficial owner	552,822,891	8.60	6.69
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⁾	552,822,891	8.60	6.69
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)	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 (朱志暉)	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	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	201,710,506	10.98	2.44
Bao Xin International Group Limited	H Shares	Long	Interest of controlled corporation ⁽⁷⁾	201,710,506	10.98	2.44
Tinmark Development Limited	H Shares	Long	Interest of controlled corporation ⁽⁷⁾	201,710,506	10.98	2.44
True Benefit Global Limited	H Shares	Long	Interest of controlled corporation ⁽⁷⁾	201,710,506	10.98	2.44
LUO Yiping (羅一平)	H Shares	Long	Interest of controlled corporation ⁽⁷⁾	201,710,506	10.98	2.44
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 ⁽⁸⁾	156,090,000	8.50	1.89

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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 (%)
WEI Lidong (尉立東)	H Shares	Long	Interest of controlled corporation ⁽⁹⁾	156,090,000	8.50	1.89
Hong Kong Xingrui International Investment Co., Ltd. (香港興瑞國際投資有限公司)	H Shares	Long	Beneficial owner	121,061,710	6.59	1.46
Henan Zhenyiyuan Industrial Co., Ltd. (河南臻益遠實業有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁹⁾	121,061,710	6.59	1.46
Zhengzhou Xingqian Trading Co., Ltd. (鄭州興謙商貿有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁹⁾	121,061,710	6.59	1.46
CHEN Xingming (陳星明)	H Shares	Long	Interest of controlled corporation ⁽⁹⁾	121,061,710	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 ⁽¹⁰⁾	121,000,000	6.59	1.46
Goncious I Limited	H Shares	Long	Beneficial owner ⁽¹¹⁾	115,501,859	6.29	1.40
	H Shares	Short	Beneficial owner ⁽¹¹⁾	115,501,859	6.29	1.40

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, and the capitalization issue plans completed in June 2020 and December 2021, respectively.

Notes:

- These 1,350,282,905 Shares are directly or indirectly held by Zhengzhou Finance Bureau, including 597,496,646 Shares directly held by Zhengzhou Finance Bureau, 552,822,891 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). Non-executive Directors Ms. WANG Dan (王丹) and Mr. LIU Bingheng (劉炳恒) work for Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. and serve as a director of the Financial Operation Centre of Zhengzhou Investment Holdings Co., Ltd., respectively.

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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), while SPIC Industry-Finance Holding Co., Ltd. (國家電投集團產融控股股份有限公司) 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) 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 of the Bank who resigned in October 2022, is the chairman of Bridge Trust Co., Ltd. (百瑞信託有限責任公司).
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 (朱志輝) and his spouse Ms. WANG Linhui (王林輝), respectively. By virtue of the SFO, Mr. ZHU Zhihui 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, a Supervisor, 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 a total of 326,292,751 H Shares (short position) of the Bank through certain of its wholly-owned subsidiaries. These 326,292,751 H Shares (short position) involve derivatives in the classes below:

326,292,751 H Shares (short position)	– Settled in cash (curb trading)
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 Yunnan 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 201,710,506 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 True Benefit Global Limited. True Benefit Global Limited is wholly-owned by Mr. LUO Yiping (羅一平). By virtue of the SFO, Bao Xin International Group Limited, Tinmark Development Limited, True Benefit Global Limited and Mr. LUO Yiping (羅一平) are deemed to be interested in the Shares held by Bao Xin Development Limited.

After the Reporting Period, the percentage of interest in Shares held by Bao Xin Development Limited, Bao Xin International Group Limited, Tinmark Development Limited, True Benefit Global Limited and Mr. LUO Yiping (羅一平) have decreased.
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).

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9. Hong Kong Xingrui International Investment Co., Ltd. (香港興瑞國際投資有限公司) is wholly-owned by Henan Zhenyiyuan Industrial Co., Ltd. (河南臻益遠實業有限公司), which is owned as to 99% and 1% by Zhengzhou Xingqian Trading Co., Ltd. (鄭州興謙商貿有限公司) and Mr. CHEN Xingming (陳星明) respectively. Zhengzhou Xingqian Trading Co., Ltd. (鄭州興謙商貿有限公司) is held as to 98% by Mr. CHEN Xingming (陳星明) and 2% by Mr. LI Jie (李傑). By virtue of the SFO, Henan Zhenyiyuan Industrial Co., Ltd. (河南臻益遠實業有限公司), Zhengzhou Xingqian Trading Co., Ltd. (鄭州興謙商貿有限公司) and Mr. CHEN Xingming (陳星明) are all deemed to be interested in the Shares held by Hong Kong Xingrui International Investment Co., Ltd. (香港興瑞國際投資有限公司).
10. 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 (鄭州鄭東新區管理委員會).
11. 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 trading)
115,501,859 H Shares (short position)	– Settled in cash (off-exchange 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.

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.

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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 Shareholders with 5% or More Shareholding in the Bank

Zhengzhou Finance Bureau: Unified Social Credit Code is 11410100005252522X; the person in charge is Mr. Geng Yongjun (耿勇軍). 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 752,786,259 A Shares. These Shares in total accounted for 1,350,282,905 A Shares, representing 16.34% of the total issued Ordinary Shares of the Bank. Ms. WANG Dan, a non-executive Director, works for Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd., which is controlled 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 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. held 552,822,891 A Shares, accounting for 6.69% 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 Holding Co., Ltd. (鄭州投資控股有限公司). The controlling shareholder of Zhengzhou Investment Holdings Co., Ltd. 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 beneficial owner of Zhengzhou Investment Holdings Co., Ltd. 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:

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. held 350,846,233 A Shares, accounting for 4.24% of the total issued Ordinary Shares of the Bank. Mr. ZHU Zhihui, a Supervisor of the Bank, is the legal representative, executive director and general manager of Henan Guoyuan Trade Co., Ltd. The controlling shareholder and de facto controller of Henan Guoyuan Trade Co., Ltd. is Mr. ZHU Zhihui. 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 beneficial owner of Henan Guoyuan Trade Co., Ltd. is itself.

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. CAO Weidong (曹衛東); the main business scope covers the trusting of funds, movable property, immovable property, negotiable securities, other property or property rights; and engaged in the 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. 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 of the Bank, is the vice president of Zhongyuan Trust Co., Ltd. The controlling shareholder of Zhongyuan Trust Co., Ltd. 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 beneficial owner of Zhongyuan Trust Co., Ltd. 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, 1,726,263,508 Ordinary Shares of the Bank (accounting for 20.89% of the total issued Ordinary Shares) were subject to pledges and 159,277,318 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.

CHAPTER IV PREFERENCE SHARES

1 ISSUANCE AND LISTING OF OFFSHORE PREFERENCE SHARES

During the past three years immediately preceding the end of the Reporting Period, the Bank did not issue any new preference Shares.

2 PROFIT DISTRIBUTION OF OFFSHORE PREFERENCE SHARES

The dividend on the Offshore Preference Shares is paid in cash on an annual basis. After receiving the dividends at the prescribed dividend rate, the shareholders of preference shares shall not be entitled to any distribution of residual profits of the Bank together with the Ordinary Shareholders. The Bank shall have the right to cancel dividends in whole or in part and this will not constitute an event of default. Any amount of dividends not paid to the shareholders of preference shares in full by the Bank will not be accumulated to the following dividend period. During the Reporting Period, the Bank did not adjust or change its profit distribution policy for preference shares.

During the Reporting Period, as considered and approved at the meeting of the Board of the Bank held on 30 August 2022, the Bank distributed the dividends on the Offshore Preference Shares pursuant to the terms of the Offshore Preference Shares. The total dividends on the Offshore Preference Shares distributed by the Bank amounted to US\$72,783,333.33, of which US\$65,505,000 was paid to the holders of Offshore Preference Shares at a coupon dividend rate of 5.50%, and US\$7,278,333.33 was withheld as the income tax. Relevant taxes were covered by the Bank. For details, please refer to the announcements dated 31 August 2022 published by the Bank on the websites of CNINFO and the Hong Kong Stock Exchange. On 18 October 2022, the Bank completed the dividend payment of Offshore Preference Shares. Such dividend distribution of Offshore Preference Shares is in compliance with the dividend distribution conditions and relevant procedures.

3 REPURCHASE OR CONVERSION OF OFFSHORE PREFERENCE SHARES

On 18 October 2017, the Bank issued a total of 59,550,000 non-cumulative perpetual Offshore Preference Shares in the amount of USD1,191 million through a private offering in the overseas market. The Offshore Preference Shares were listed on the Hong Kong Stock Exchange. On 30 August 2022, the Bank held the sixth meeting of the seventh session of the Board, at which the Proposal on Redemption of Overseas Preference Shares of Bank of Zhengzhou Co., Ltd. was considered and approved, granting permission to exercise the redemption right for all Overseas Preference Shares. In September 2022, the Bank received a reply letter from the CBIRC Henan Office, granting approval for the redemption of the Offshore Preference Shares by the Bank. Pursuant to the terms and conditions of the Offshore Preference Shares, the Bank redeemed and cancelled 59,550,000 Offshore Preference Shares on 18 October 2022 in whole. The aggregate redemption price of Offshore Preference Shares was US\$1,256,505,000 (being the sum of the aggregate liquidation preference of the Offshore Preference Shares in the amount of US\$1,191,000,000 and the dividends on Offshore Preference Shares in the amount of US\$65,505,000). Subsequent to the redemption and cancellation of the Offshore Preference Shares, the Bank does not have any issued Offshore Preference Shares. Therefore, there were no Shareholders of Offshore Preference Shares as at the end of the Reporting Period. For details, please refer to the announcements dated 31 August 2022, 15 September 2022 and 20 October 2022 published by the Bank on the website of CNINFO and announcements dated 31 August 2022, 15 September 2022 and 19 October 2022 published on the Hong Kong Stock Exchange.

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

CHAPTER IV PREFERENCE SHARES

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

During the Reporting Period, and between the end of the Reporting Period and the end of the month prior to the publication date of this Report, no voting rights of the Offshore Preference Shares were resumed or exercised.

5 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 such shares 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 held as at the beginning of the Reporting Period (Shares)	Share option	Number of granted Shares subject to trading moratorium (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)	Other increase and decrease (Shares)	Number of Shares held as at the end of the Reporting Period (Shares)
XIA Hua (夏華)	M	August 1967	Vice Chairman and Executive Director	In office	2020.7.2-2024.6.16	A Shares	51,150	-	-	-	-	-	51,150
			Secretary to the Board	In office	2021.8.27 to present								
WANG Dan (王丹)	F	January 1978	Non-executive Director	In office	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	-	-	-	-	-	-	-	-
Ji Hongjun (姬宏俊)	M	June 1963	Non-executive Director	In office	2012.7.12-2024.6.16	A Shares	1,870	-	-	-	-	-	1,870
WANG Shihao (王世豪)	M	April 1950	Non-executive Director	In office	2018.7.5-2024.6.16	A Shares	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 1982	Independent non-executive Director	In office	2021.12.20-2024.6.16	-	-	-	-	-	-	-	-
WU Ge (吳革)	M	May 1967	Independent non-executive Director	Resigned	2015.9.8-2022.1.19	-	-	-	-	-	-	-	-
SHEN Xueqing (申學清)	M	July 1965	President	Resigned	2012.4.5-2022.9.13	A Shares	55,000	-	-	-	-	-	55,000
			Executive Director	Resigned	2012.7.12-2022.9.13								
SU Xiaojun (蘇小軍)	M	April 1973	Non-executive Director	Resigned	2021.11.9-2022.10.28	-	-	-	-	-	-	-	-
WANG Tianyu (王天宇)	M	March 1966	Chairman	Resigned	2011.3.9-2023.3.21	A Shares	63,143	-	-	-	-	-	63,143
			Executive Director	Resigned	2005.12.16-2023.3.21								

Note: The starting dates of the term of office represent the dates on which the relevant qualifications are approved by the banking regulatory authority.

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 held as at the beginning of the Reporting Period			Number of Shares granted subject to trading moratorium			Increase in the number of Shares held during the Reporting Period			Decrease in the number of Shares held Other increase and decrease		Number of Shares held as at the end of the Reporting Period
							Period (Shares)	Share option		Period (Shares)			Period (Shares)			Period (Shares)		Period (Shares)
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
ZHAO Lijuan (趙麗娟)	F	September 1962	Chairlady of the Board of Supervisors	Resigned	2016.6.17-2023.3.21	A Shares	58,850	-	-	-	-	-	-	-	-	-	-	58,850
			Employee Supervisor	Resigned	2018.6.15-2023.3.21													

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

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							Decrease in the number of Shares held Other increase and decrease			Number of Shares held as at the end of the Reporting Period	
							Period	Share option	moratorium	Period	Period	Period	Period	Period	Period	Period	Period	Period
ZHAO Fei (趙飛)	M	March 1975	President	In office	2022.11.23 to present	-	-	-	-	-	-	-	-	-	-	-	-	-
XIA Hua (夏華)	M	August 1967	Secretary to the Board	In office	2021.8.27 to present	A Shares	51,150	-	-	-	-	-	-	-	-	-	51,150	-
FU Chunqiao (傅春喬)	M	October 1973	Vice President	In office	2019.3.29 to present	A Shares	36,000	-	-	12,200	-	-	-	-	-	-	48,200	-
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	-
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 Jiujing (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	-
SHEN Xueqing (申學清)	M	July 1965	President	Resigned	2012.4.5-2022.9.13	A Shares	55,000	-	-	-	-	-	-	-	-	-	55,000	-

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 starting dates of the term of office of the secretary to the Board is the date on which 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 the fact that Mr. FU Chunqiao and Mr. JIANG Tao continued to increase their holdings of A Shares in January 2022 according to the plan to stabilize the share price of A Shares formulated by the Bank in July 2021.

The table above discloses the Shares directly held by the Directors, Supervisors and senior management of the Bank. For the interests and short positions that the Directors, Supervisors and chief executive have in the Bank under the SFO and in accordance with the Stock Exchange Listing Rules, please refer to the chapter headed "Report of the Board of Directors" of this Report.

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	19 January 2022	
WU Ge (吳革)	Independent non-executive Director	Resigned	19 January 2022	Resignation after the conclusion of term office
SHEN Xueqing (申學清)	President and Executive Director	Resigned	13 September 2022	Resignation after reaching the retirement age
SU Xiaojun (蘇小軍)	Non-executive Director	Resigned	28 October 2022	Resignation due to work adjustment
WANG Tianyu (王天宇)	Chairman and Executive Director	Resigned	21 March 2023	Resignation due to his intention to take on new position in accordance with the relevant work requirements for management personnel of financial corporations and the working arrangement of the organization
ZHAO Lijuan (趙麗娟)	Chairlady of the Board of Supervisors and Employee Supervisor	Resigned	21 March 2023	Resignation after reaching the retirement age
ZHAO Fei (趙飛)	President	Appointed	23 November 2022	
SUN Runhua (孫潤華)	Vice President	Appointed	20 May 2022	

The Directors of the Bank hold office for a term of three years and can 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 13 September 2022, Mr. SHEN Xueqing resigned as the president and an executive Director of the Bank as he had reached the retirement age. After consideration and approval by the Board, Mr. ZHAO Fei was appointed as the president of the Bank. His qualification as the president was approved by CBIRC Henan Office on 23 November 2022. The Board also resolved to nominate Mr. ZHAO Fei as a candidate for the executive Director of the seventh session of the Board, and proposed the same to the general meeting for approval. Upon consideration and approval by the general meeting, Mr. ZHAO Fei's qualification as a Director shall also be submitted to CBIRC Henan Office for approval, and his term of office shall be from the date of approval of his qualification as a Director to the expiration of the term of the seventh session of the Board. For details, please refer to the announcements dated 14 September 2022 and 25 November 2022 and the circular dated 21 March 2023 published by the Bank on the websites of CNINFO and Hong Kong Stock Exchange.

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

On 28 October 2022, Mr. SU Xiaojun resigned as a non-executive Director of the Bank due to work adjustment. After consideration and approval by the Board, Mr. LUO Jing was nominated as a candidate for the non-executive Director of the seventh session of the Board, which was subject to the consideration and approval by the general meeting. His qualification as a Director shall also be submitted to CBIRC Henan Office for approval, and his term of office shall be from the date of approval of his qualification as a Director to the expiration of the term of the seventh session of the Board. For details, please refer to the announcement dated 31 October 2022 published by the Bank on the website of CNINFO and the announcement dated 30 October 2022 published by the Bank on the website of Hong Kong Stock Exchange.

On 21 March 2023, Mr. WANG Tianyu resigned as an executive Director and chairman of the Bank as he intends to take on new position in accordance with the relevant work requirements for management personnel of financial corporations and the working arrangement of the organization. The Board considered and approved to elect Mr. ZHAO Fei to perform the duties of chairman on an interim basis until a new chairman/chairlady is elected and his/her qualifications are approved by the regulatory authority. For details, please refer to the announcement dated 22 March 2023 published by the Bank on the websites of CNINFO and Hong Kong Stock Exchange.

On 21 March 2023, Ms. ZHAO Lijuan resigned as the chairlady of the Board of Supervisors and an employee Supervisor of the Bank after reaching the retirement age. Upon consideration and approval by the Board of Supervisors, Ms. CHEN Xinxu, an employee Supervisor, was elected as the interim convener of the seventh session of the Board of Supervisors, responsible for convening and presiding over the meetings of the same. Her term of office commences from the date of approval at the meeting of the Board of Supervisors and ends on the date of election of the new chairman/chairlady of the Board of Supervisors. For details, please refer to the announcement dated 22 March 2023 published by the Bank on the websites of CNINFO and Hong Kong Stock Exchange.

On 28 April 2022, after consideration and approval by the Board, Mr. SUN Runhua was appointed 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 INFORMATION OF DIRECTORS AND SUPERVISORS DURING AND AFTER THE REPORTING PERIOD

Mr. SONG Ke, an independent non-executive Director, has been serving as the deputy director of the Academic Affairs Office of Renmin University of China since July 2022. Ms. LI Shuk Yin Edwina has been serving 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, and an external supervisor of PICC Property and Casualty Company Limited (listed on the Hong Kong Stock Exchange, stock code: 02328) since January 2023.

Mr. ZHU Zhihui, a Shareholder Supervisor, ceased to be the chairman of Huida Holdings Co., Ltd. (暉達控股有限公司) since March 2023. Mr. MA Baojun, an external Supervisor, has been serving 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 POSITIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4.1 Biographies of Current Directors, Supervisors and Senior Management

Directors

Mr. XIA Hua holds a bachelor of engineering in applied electronic technology from the Beijing Agricultural Engineering University (北京農業工程大學) (Beijing, China) and an MBA degree for senior management personnel from the China Europe International Business School (中歐國際工商管理學院) (Shanghai, China). He is an economist.

Mr. XIA has served as an executive Director and vice chairman of the Bank since July 2020 and secretary to the Board of the Bank since August 2021. He is responsible for the internal audit office of the Board, and assists Mr. ZHAO Fei in managing the office of the Board, the remuneration and assessment office of the Board and the strategic development department of the Board. In addition, he has served as the chairman of Jiuding Financial Leasing Company since December 2019. Mr. XIA joined the Bank in December 2011 and served as vice president of the Bank. Prior to joining the Bank, Mr. XIA had served in the People's Bank of China as principal staff member of the rural cooperative finance management department of the Henan office, principal staff member of the cooperation department of the Zhengzhou regulatory office of the Jinan office, and principal staff member of the agricultural banks regulatory department, and served in the CBRC Henan Office as principal staff member and deputy chief of the state-owned banking regulatory No. 1 department and deputy chief and regulatory researcher of the city commercial banks regulatory department.

Ms. WANG Dan holds a bachelor of management in accounting from Henan Institute of Science and Technology (河南科技學院) (Henan, China). She is an intermediate accountant.

Ms. WANG has served as a non-executive Director of the Bank since November 2021. She has served as the chairlady of the board of supervisors of Tus S&T Service (Henan) Co., Ltd. (啟迪科技服務(河南)有限公司) since August 2020 and served in Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司) since May 2021. Ms. WANG had served as deputy director of the Zhengzhou Government Procurement Center of Zhengzhou Finance Bureau and director of the fund management division of the Zhengzhou Investment and Financing Decision Management Committee Office (Zhengzhou Investment and Financing Decision Service Center).

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

Mr. LIU Bingheng graduated from Zhengzhou University of Light Industry (鄭州輕工業學院) (Henan, China) majoring in financial accounting. He is an accountant.

Mr. LIU has served as a non-executive Director of the Bank since November 2021. He has served as the director of the financial operation center of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) since October 2015. Mr. LIU had served as deputy general manager and chief financial officer of Henan Baihe International Highway Technology Co., Ltd. (河南百和國際公路科技有限公司) and chief financial officer of China Electronics Technology Information Industry Co., Ltd. (中電科信息產業有限公司).

Mr. JI Hongjun graduated from the CCP Henan Provincial Committee Party School (中共河南省委黨校) (Henan, China), majoring in economics (evening college). He holds a completion certificate of the post-graduate course for further studies in finance (金融學專業研究生課程進修班) from the Business School of Wuhan University (Hubei, China) and an MBA degree from the Asia International Open University (Macau) (Macau, China). He is a financial planner.

Mr. JI has served as a non-executive Director of the Bank since July 2012. He has successively served as deputy general manager and vice president of Zhongyuan Trust Co., Ltd. (中原信託有限公司) since September 2003, director of Great Wall Fund Management Co., Ltd. (長城基金管理有限公司) since December 2008 and director of Henan Asset Management Company Limited (河南資產管理有限公司) since August 2017. Mr. JI had served as principal staff member of the financial department of Henan Province Planning Economy Commission, principal staff member of the foreign economy department, deputy chief of the senior officer department, deputy chief of the fixed asset investment department and deputy chief of the finance department of the Henan Province Planning Commission, deputy chief of the No. 1 credit loan section of the Henan Branch of the China Development Bank (國家開發銀行河南省分行), and non-executive director of Bank of China Travel Services Jiaozuo Co., Ltd. (焦作中旅銀行股份有限公司).

Mr. WANG Shihao graduated from Fudan University (Shanghai, China), majoring in financial management cadre. He holds an MBA degree from the Arizona State University (U.S.). He is a senior economist.

Mr. WANG has served as a non-executive Director of the Bank since July 2018. He has served as a part-time professor of the Shanghai National Accounting Institute since July 2010, a part-time professor of the Overseas Education College of Shanghai Jiao Tong University since January 2011, a part-time professor of the College of Business of Shanghai University of Finance and Economics since May 2013, an independent director of Bank of Lanzhou Co., Ltd. since June 2016, and an independent director of Shanghai Shinovation Capital Corporation Co., Ltd. (上海城創投資管理股份有限公司) since January 2019. Mr. WANG had served as director and legal representative of Shanghai City Credit Cooperatives (上海市城市信用合作社聯社), executive director and vice president of Bank of Shanghai, legal representative of the Funds Clearing Centre for City Commercial Banks, special expert for decision consulting of the Shanghai People's Government (上海市人民政府決策諮詢特聘專家), independent director of Huishang Bank Corporation Limited, a visiting professor (Year 2012-2014) of the School of Economics of Fudan University and an independent non-executive Director of the Bank.

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

Ms. LI Yanyan holds a bachelor's degree from Henan University (Henan, China), a master's degree in economics from Fudan University (Shanghai, China) and a doctorate degree in economics from Nanjing University (Jiangsu, China). She is a professor.

Ms. LI has served as an independent non-executive Director of the Bank since July 2018. She has served as a professor of Zhengzhou University since May 2008, and director and editor-in-chief of the school newspaper editorial department of Zhengzhou University since January 2015. Ms. LI had served as a teacher in the social science department of Xinxiang Medical College (新鄉醫學院), a teacher in the College of Economics of Henan University and a teacher and deputy dean of the Business School of Zhengzhou University. She carried out her post-doctoral research work at Chinese Academy of Social Sciences (Beijing, China).

Mr. LI Xiaojian holds a bachelor of science in geography from Henan Normal University (河南師範大學) (now renamed as Henan University (河南大學)) (Henan, China) and a doctor of economics in economic geography from Nankai University (南開大學) (Tianjin, China). He is a professor.

Mr. LI has served as an independent non-executive Director of the Bank since December 2021. He has served as an external supervisor of Zhongyuan Bank Co., Ltd. (listed on the Hong Kong Stock Exchange, stock code: 01216) since December 2014. Mr. LI had served as the vice principal of Henan University, the principal of Henan College of Finance and the principal of Henan University of Economics and Law. In addition, Mr. LI was granted the special allowance from the State Council in 1997, accredited as a National Young and Middle-aged Expert with Outstanding Contributions (國家有突出貢獻中青年專家) in 1998 and granted the title of "Accomplished Entrepreneurs among the New Generation of Overseas Chinese (新橋成功創業人士)" by All-China Federation of Returned Overseas Chinese (中華全國歸國華僑聯合會) in 2003.

Mr. SONG Ke holds a bachelor of economics in finance and a doctor of economics in finance from Renmin University of China (Beijing, China).

Mr. SONG has served as an independent non-executive Director of the Bank since January 2022. He has served as a lecturer in the Faculty of Monetary Finance of the School of Finance of Renmin University of China (中國人民大學財政金融學院貨幣金融系) since September 2015, a council director and deputy director of the International Monetary Institute of Renmin University of China (中國人民大學國際貨幣研究所) since January 2014, an independent non-executive director of Bank of Guizhou Co., Ltd. (貴州銀行股份有限公司) (listed on the Hong Kong Stock Exchange, stock code: 06199) since August 2018, the deputy director of the Academic Affairs Office of Renmin University of China since July 2022, and the deputy party secretary of the School of Finance of Renmin University of China (中國人民大學財政金融學院) from April 2019 to July 2022. In addition, Mr. SONG had served as league secretary general of the School of Finance and a post-doctoral researcher of the School of Statistics of Renmin University of China, deputy commissioner of the Banking Commission of the Guizhou People's Government Finance Office (貴州省政府金融辦銀行處) and an external Supervisor of the Bank.

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Ms. LI Shuk Yin Edwina holds an honours bachelor of arts in accounting from University of Exeter (UK), a postgraduate diploma in enterprise risk management from HKU School of Professional and Continuing Education and a master's degree in risk management from Glasgow Caledonian University (UK). She is a fellow of the Institute of Chartered Accountants in England and Wales and a fellow of the Hong Kong Institute of Certified Public Accountants.

Ms. LI has served as an independent non-executive Director of the Bank since December 2021. She has served as an independent non-executive director of China CITIC Bank International Limited since September 2018, a director of Elite Beam Limited since February 2017, an independent non-executive director of China Everbright Environment Group Limited (listed on the Hong Kong Stock Exchange, stock code: 00257) since May 2022, and an external supervisor of PICC Property and Casualty Company Limited (listed on the Hong Kong Stock Exchange, stock code: 02328) since January 2023. Ms. LI had served as the partner in charge of audit of the China financial services business of KPMG. Ms. LI has extensive experience in accounting, capital market, market entrance, regulatory compliance related internal control and risk management in Hong Kong and China.

Supervisors

Mr. ZHU Zhihui graduated from CCP Henan Provincial Committee Party School (中共河南省委黨校) (Henan, China), majoring in economic management (correspondence education), and obtained a completion certificate in business strategy advanced program (經營方略高級研修班) from Peking University (Beijing, China).

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Mr. ZHU has served as a Shareholder Supervisor of the Bank since June 2015. He has served as the chairman of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) since December 2005, the chairman of Zhengzhou Huida Real Estate Development Co., Ltd. (鄭州暉達房地產開發有限公司) since November 2011, and the chairman of Huida Holdings Limited (暉達控股有限公司) from January 2015 to March 2023. Previously, Mr. ZHU had served as deputy general manager of Henan Province Light Industry Economic Technology Import and Export Co., Ltd. (河南省輕工經濟技術進出口公司), general manager of Zhengzhou Huida Real Estate Development Co., Ltd. (鄭州暉達房地產開發有限公司), chairman of Zhengzhou Huida Industry (Group) Co., Ltd. (鄭州暉達實業(集團)有限公司) and chairman of Henan Huida Jiarui Property Co., Ltd. (河南暉達嘉睿置業有限公司).

Mr. MA Baojun holds a bachelor's degree in arts from South-Central University for Nationalities (中南民族學院) (Hubei, China) and a master's degree in business administration from the National University of Singapore (Singapore). He is a senior economist.

Mr. MA has served as an external Supervisor of the Bank since January 2018. He has served as the chairman and general manager of Henan Songshan Technology and Innovation Fund Management Co., Ltd. (河南嵩山科技創新基金管理有限公司) since December 2016, a supervisor of Zhaoqing Baoxin Investment Company Limited (肇慶市寶鑫投資有限公司) since June 2010, a director of Tak Yau Limited since June 2017, a director of Central China Innovation (Henan) Industrial Research Institute Co., Ltd. (中原創新(河南)產業研究院有限公司) since July 2020, an executive director of Deyou (Hainan) Trade Co., Ltd. (德祐(海南)貿易有限公司) since September 2020, an executive director and general manager of Deyou (Hainan) Investment Co., Ltd. (德祐(海南)投資有限公司) since February 2021, chairman and general manager of Beijing Muse Financial Service Asset Management Co., Ltd. (北京繆斯金服資產管理有限公司) since May 2021, a director of Yuanyin Holdings Limited (原銀控股有限公司) since December 2021, and a non-executive director and chairman of Sheng Yuan Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 00851) since May 2022. In addition, Mr. MA had served as deputy director of the Zhengzhou Finance Bureau office, deputy general manager and general manager of Zhengzhou Trust Investment Company (鄭州信託投資公司), the chairman of the board of directors of Bridge Trust Investment Company Limited (百瑞信託投資有限責任公司), a member of the Party Committee of SPIC Capital Holding Co., Ltd. (國家電投資本控股有限公司), the chairman of the board of directors of Central China Airport Industry Fund Management Co., Ltd. (中原航空港產業投資基金管理有限公司), the chairman of the board of directors of Henan Jianye Holdings Development Co., Ltd. (河南建業控股發展有限公司) and a director of Henan Houpu Jianye Fund Management Co., Ltd. (河南厚樸建業基金管理有限公司).

Mr. XU Changsheng holds a bachelor's degree in economics from Nanjing University (Jiangsu, China), and a master's degree and a doctor's degree in economics from Wuhan University (Hubei, China).

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Mr. XU has served as an external Supervisor of the Bank since June 2021. He has been teaching in Huazhong University of Science and Technology School of Economics since July 1987, serving as a professor since September 1997. Mr. XU has been serving as a committee member of China Foreign Economics Research Association (中華外國經濟學研究會) since January 1995 and concurrently as the vice president of Economy Development Society (發展經濟學分會) since September 2007, a director of China Association of Productivity Science (中國生產力學會) since January 1998, and a director of the China Institute of Private Sector (中國民營經濟研究會) since January 2014. Mr. XU served as the dean of Huazhong University of Science and Technology School of Economics.

Mr. LI Huaibin holds a bachelor of engineering in food engineering from Zhengzhou Institute of Food Science (鄭州糧食學院) (currently known as the Henan University of Technology (河南工業大學)) (Henan, China) and a master's degree in finance from Zhongnan University of Economics and Law (Hubei, China). He is an economist.

Mr. LI has served as an employee Supervisor of the Bank since June 2018 and the president of the Nongye Road East sub-branch of the Bank since September 2018. He joined the Bank in July 1997 and had served as the chief of the corporate banking department, the president of the Executive District sub-branch, the president of the Eastern District sub-branch, the president of the Xingyang sub-branch and the president of the Shangqiu branch of the Bank. Prior to joining the Bank, Mr. LI had served as a sales manager of the sales department of Zhengzhou Grain Machinery Co., Ltd. (鄭州糧機股份有限公司).

Ms. CHEN Xinxu graduated from Kaifeng University (Henan, China), majoring in financial accounting, and The Open University of China (中央廣播電視大學), majoring in finance. She is an assistant accountant.

Ms. CHEN has served as an employee Supervisor of the Bank since June 2021 and the chief officer of the business department of the head office of the Bank since May 2021. Since March 2023, Ms. CHEN Xinxu has been the interim convener of the seventh session of the Board of Supervisors, responsible for convening and presiding over the meetings of the same. Her term of office commences from the date of approval at the meeting of the Board of Supervisors and ends on the date of election of the new chairman/chairlady of the Board of Supervisors. She joined the Bank in August 1996 and served as the head of the marketing and business department, deputy general manager of the credit approval department, and president of the Zhengtong Road sub-branch of the Bank.

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Senior Management

Mr. ZHAO Fei graduated from Zhengzhou University (Henan, China), majoring in economics. He is an economist.

Mr. ZHAO has served as the President of the Bank since November 2022. Since March 2023, he has been serving as the acting chairman of the Board of Directors, primarily responsible for managing operations of the Bank, the office of the Board, the risk management office of the Board, the remuneration and assessment office of the Board, the strategic development department of the Board, the human resources department and the general office. Prior to that, Mr. ZHAO had served as the president of the Nanle County Sub-branch, the deputy director of the risk management department, the investment department and the deputy director of the poverty alleviation business department of the Henan Branch, the secretary of the Party branch and president of the Jiyuan Sub-branch, and the secretary of the Party committee and president of the Pingdingshan Branch at the Agricultural Development Bank of China in Henan Province.

For the biography of **Mr. XIA Hua**, please see the section headed “Directors” of this chapter.

Mr. FU Chunqiao graduated from Henan Institute of Finance and Economics (河南財經學院) (Henan, China), majoring in money and banking. He holds a master of law in law from Zhengzhou University (Henan, China). He is an intermediate economist.

Mr. FU has served as a vice president of the Bank since March 2019. He is responsible for the credit approval department, the credit management department and the risk management department. Mr. FU joined the Bank in August 1996, and had served as deputy manager and deputy general manager of the planning and asset department, deputy general manager and general manager of the asset operation department, director of the Office of the Board and the secretary to the Board of the Bank.

Mr. GUO Zhibin graduated from Zhengzhou University (Henan, China), majoring in finance, and Henan University (Henan, China) with the completion of the national economics postgraduate course program (國民經濟學專業研究生課程進修班). He holds a master’s degree in business administration from the Asia International Open University (Macau) (Macau, China), and an EMBA degree from the Guanghua School of Management of Peking University (北京大學光華管理學院) (Beijing, China). He is an economist.

Mr. GUO has served as vice president of the Bank since December 2015, responsible for the administrative management department, the financial market department and the asset management department of the Bank. Mr. GUO joined the Bank in December 2010. He had served as assistant to the president of the Bank and the chairman of Xinzheng Zhengyin County Bank. Prior to joining the Bank, Mr. GUO had served as the manager of the general office and deputy general manager of Henan Yutai Mall Co., Ltd. (河南豫泰商廈有限公司), vice president of the Hongzhuan Road sub-branch of the Zhengzhou branch, deputy general manager of corporate business No. 2 department of the Zhengzhou branch, and the general manager of the asset security department of the Zhengzhou branch at Everbright Bank Co., Ltd. (光大銀行股份有限公司), and president of the Huanghe Road sub-branch of the Zhengzhou branch at Industrial Bank Co., Ltd. (興業銀行股份有限公司).

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Mr. SUN Haigang holds a bachelor of arts in marketing (advertising) and a master of economics in political economy from Henan University (Henan, China) and a doctor of economics in industrial economics from Shanghai University of Finance and Economics (Shanghai, China). He is a senior economist.

Mr. SUN has served as a vice president of the Bank since February 2018. He is responsible for the asset and liability management department, the financial department, the information technology department, the channel management department and the equity investment management department. Mr. SUN joined the Bank in October 2009 and served as an assistant to the president of the Bank and the general manager of the strategic development department of the Board, and an assistant to the president of the Bank and the president of the Luoyang branch. Prior to joining the Bank, Mr. SUN had worked at Baoshan Iron & Steel Co., Ltd. (寶山鋼鐵股份有限公司).

Mr. SUN Runhua graduated from Guangzhou College of Finance (廣州金融專科學校) (Guangzhou, China), majoring in international finance, and holds a master of business administration from Tsinghua University. He is an economist.

Mr. SUN has served as the vice president of the Bank since May 2022, responsible for the security department and the institutional business department of the Bank. Prior to that, Mr. SUN had served in the People's Bank of China as a deputy principal staff member of the Zhengzhou regulatory office of Jinan Office, served in the CBIRC as chief of the office secretary department and chief of the general department of Henan Office, deputy director and a party member of Jiaozuo Sub-Office, office deputy director and deputy chief of the statistical information department of Henan Office, director of the Jiyuan regulatory office, director and the party secretary of the Puyang regulatory bureau, and director of the case inspection department of Henan Office.

Mr. LI Lei graduated from the Party School of the Central Committee of the Communist Party of China (Beijing, China), majoring in foreign economics, and TEDA College, Nankai University (南開大學泰達學院) (Tianjin, China), majoring in finance. He is an assistant accountant.

Mr. LI has served as an assistant to the president of the Bank since November 2017. He is responsible for the retail business department, the credit card department and the financial department of small business of the Bank. Mr. LI joined the Bank in September 1996, and had served as deputy manager of the asset security department and the credit department, deputy general manager of the risk management department, deputy general manager of the credit approval department of the head office, president of the Zidong sub-branch, president of the Baolongcheng sub-branch, president of the Xinzheng sub-branch, general manager of the corporate business department of the head office, president of the Xinxiang branch and president of the Luoyang branch. Prior to joining the Bank, Mr. LI had worked at Zhengzhou Urban Credit Cooperatives.

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Mr. ZHANG Houlin holds a bachelor of economics in accounting from the Zhengzhou Shengda University of Economics, Business & Management (鄭州大學升達經貿學院) (Henan, China), and a master's degree in senior executive business administration from Nankai University (Tianjin, China). He is an accountant.

Mr. ZHANG has served as an assistant to the president of the Bank since November 2017. He is responsible for the operations of the corporate business department, institutional business department, transaction banking department, investment banking department, financial institute and office of the postdoctoral research workstation of the Bank. Mr. ZHANG joined the Bank in August 1999, and served as president of the Longhai East Road sub-branch, president of the Dengfeng sub-branch, president of the Anyang branch and president of the Nanyang branch.

Ms. LI Hong graduated from Henan Sports School (河南省體育運動學校) (Henan, China) majoring in physical education, Zhengzhou Workers' University (鄭州市職工大學) (Henan, China) majoring in computer accounting, China Central Radio and Television University (中央廣播電視大學) majoring in law, and Nankai University (Tianjin, China) with a master's degree in senior executive business administration. She is an assistant accountant.

Ms. LI has served as an assistant to the president of the Bank since March 2019 and chairlady of the labor union of the Bank since May 2021. She is responsible for the affairs of the operation management department, the compliance department and the labor union of the Bank. Ms. LI joined the Bank in August 1996 and had served as president of Xijiancai sub-branch, president of Jinyicheng sub-branch, and president of the Zhongyuan Road sub-branch. Prior to joining the Bank, Ms. LI had served at the Longhai Urban Credit Cooperatives in Zhengzhou.

Mr. LIU Jiuqing graduated from Henan Business College (河南商業高等專科學校) (now merged into Henan University of Animal Husbandry & Economy (河南牧業經濟學院), Henan, China), majoring in public relations and secretarial work, and Nankai University (Tianjin, China), majoring in finance. He is a junior economist.

Mr. LIU has served as an assistant to the president of the Bank since March 2019. He is responsible for the asset security department of the Bank. Mr. LIU joined the Bank in May 2012 and had served successively as director of the No. 3 market development department, general manager of the trade finance department and director of the No. 3 market development department, and general manager of the trade finance department of the Bank. Prior to joining the Bank, Mr. LIU had served as deputy manager and manager of the corporate department, assistant to the president, and vice president of Huanghe Road sub-branch of Zhengzhou Branch of Guangfa Bank.

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Mr. JIANG Tao holds a bachelor of engineering in computer science and application from Zhengzhou University (鄭州大學) (Henan, China) and a master's degree in computer engineering from PLA Information Engineering University (中國人民解放軍信息工程大學) (Henan, China). He is a senior programmer.

Mr. JIANG has served as chief information officer of the Bank since December 2015, general manager of the information technology department of the Bank since April 2005 and the director of innovative business of the Bank since March 2020. Mr. JIANG joined the Bank in August 1996, and served as chief of the post-supervision and development department and chief and deputy general manager of the science and technology development department.

Ms. WANG Yanli graduated from Zhongzhou University (中州大學) with a major in household appliances. She holds a master's degree in business administration from Kunming University of Science and Technology (昆明理工大學). She is a senior accountant and a senior economist.

Ms. WANG has served as the chief risk officer of the Bank since February 2018 and the general manager of Zhengzhou management department since April 2021. She is primarily responsible for the operations of Zhengzhou management department. Ms. WANG joined the Bank in August 1996, and had successively served as vice president of the Jinhai Avenue sub-branch, president of the Jinhai Avenue sub-branch, president of the Dashiqiao sub-branch, director of the business department of the head office, general manager of the risk management department, general manager of the credit approval department, chief risk management officer and general manager of the risk management department of the Bank. Prior to joining the Bank, Ms. WANG worked at the North Electric Power Section of Zhengzhou Railway Bureau (鄭州鐵路局北電務段) and Zhengzhou Urban Credit Cooperatives.

Ms. WANG Zhaoqi graduated from Renmin University of China with a major in business administration. She is a senior accountant and a senior auditor.

Ms. WANG has served as the chief auditor of the Bank since March 2018. She is primarily responsible for internal auditing. Ms. WANG joined the Bank in August 1996 and served as vice general manager of the audit and supervision department, vice general manager (presiding) of the post-supervision department, general manager of the post-supervision department, general manager of the audit department, director of the internal audit office of the Board, general manager of the former accounting and settlement department and general manager of the operations management department. Prior to joining the Bank, Ms. WANG had worked at Zhengzhou Urban Credit Union (鄭州市城市信用聯社) and Zhengzhou Construction Urban Credit Cooperative (鄭州市建設城市信用社).

For further information on the current Directors, Supervisors and senior management, please also refer to the section headed "1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR DIRECT SHAREHOLDINGS" of this chapter. For the positions of each Director in each special committee of the Board of the Bank, please also refer to the section headed "5 THE SPECIAL COMMITTEES OF THE BOARD" in the chapter headed "CORPORATE GOVERNANCE" of this Report.

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

Joint Company Secretaries

Mr. XIA Hua, one of the joint company secretaries of the Bank, was appointed on 27 August 2021. Please see the section headed “Directors” of this chapter for his biography.

Dr. NGAI Wai Fung holds an honours bachelor’s degree in law from University of Wolverhampton (U.K.), a master’s degree in business administration from Andrews University (U.S.), a master’s degree in corporate finance from Hong Kong Polytechnic University, and a doctoral degree in finance from Shanghai University of Finance and Economics. He is a fellow of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries), a fellow of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators), a member of The Hong Kong Institute of Certified Public Accountants, a fellow of The Association of Chartered Certified Accountants in the United Kingdom, and a member of The Chartered Institute of Arbitrators.

Dr. NGAI, one of the joint company secretaries of the Bank, was appointed in February 2022. Dr. NGAI is a director and the group chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited.

4.2 Positions of Current Directors, Supervisors and Senior Management Held in Shareholder Units

Name of the Incumbent	Name of Shareholder Unit	Position Held in Shareholder Unit	Term of Office	Remuneration Allowance from Shareholder Unit
LIU Bingheng (劉炳恆)	Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	Director of the financial operation center	Since October 2015	Yes
JI Hongjun (姬宏俊)	Zhongyuan Trust Co., Ltd. (中原信託有限公司)	Deputy president	Since September 2003	Yes
ZHU Zhihui (朱志暉)	Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Chairman	Since December 2005	No

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4.3 Positions of Current Directors, Supervisors and Senior Management Held in Other Units (Excluding Shareholder Units)

Name of the Incumbent	Name of Other Unit	Position Held in Other Unit	Term of Office	Remuneration Allowance from Other Unit
XIA Hua (夏華)	Jiuding Financial Leasing Company	Chairman	Since December 2019	No
WANG Dan (王丹)	Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司)	Proposed member of the senior management	Since May 2021	No
WANG Dan (王丹)	Tus S&T Service (Henan) Co., Ltd. (啟迪科技服務(河南)有限公司)	Chairlady of the board of supervisors	Since August 2020	Yes
Ji Hongjun (姬宏俊)	Great Wall Fund Management Co., Ltd. (長城基金管理有限公司)	Director	Since December 2008	Yes
Ji Hongjun (姬宏俊)	Henan Asset Management Company Limited (河南資產管理有限公司)	Director	Since August 2017	No
WANG Shihao (王世豪)	Shanghai National Accounting Institute	Part-time professor	Since July 2010	No
WANG Shihao (王世豪)	Shanghai Jiao Tong University	Part-time professor of the Overseas Education College	Since January 2011	No
WANG Shihao (王世豪)	Shanghai University of Finance and Economics	Part-time professor of College of Business	Since May 2013	No
WANG Shihao (王世豪)	Bank of Lanzhou Co., Ltd.	Independent director	Since June 2016	Yes
WANG Shihao (王世豪)	Shanghai Shinovation Capital Corporation Co., Ltd. (上海城創投資管理股份有限公司)	Independent director	Since January 2019	Yes
LI Yanyan (李燕燕)	Zhengzhou University	Professor	Since May 2008	Yes
		Director and editor-in-chief of the school newspaper editorial department	Since January 2015	Yes
LI Xiaojian (李小建)	Zhongyuan Bank Co., Ltd.	External Supervisor	Since December 2014	Yes
SONG Ke (宋科)	Renmin University of China	Council director and deputy director of the International Monetary Institute	Since January 2014	No
		Lecturer of the Faculty of Monetary Finance of the School of Finance	Since September 2015	Yes
		Deputy director of the Academic Affairs Office	Since July 2022	No
		Deputy party secretary of School of Finance	From April 2019 to July 2022	No

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Name of the Incumbent	Name of Other Unit	Position Held in Other Unit	Term of Office	Remuneration Allowance from Other Unit
SONG Ke (宋科)	Bank of Guizhou Co., Ltd.	Independent non-executive director	Since August 2018	Yes
LI Shuk Yin Edwina (李淑賢)	China CITIC Bank International Limited	Independent non-executive director	Since September 2018	Yes
LI Shuk Yin Edwina (李淑賢)	Elite Beam Limited	Director	Since February 2017	No
LI Shuk Yin Edwina (李淑賢)	China Everbright Environment Group Limited	Independent non-executive director	Since May 2022	Yes
LI Shuk Yin Edwina (李淑賢)	PICC Property and Casualty Company Limited	External Supervisor	Since January 2023	Yes
ZHU Zhihui (朱志暉)	Zhengzhou Huida Real Estate Development Co., Ltd. (鄭州暉達房地產開發有限公司)	Chairman	Since November 2011	No
ZHU Zhihui (朱志暉)	Huida Holdings Limited (暉達控股有限公司)	Chairman	From January 2015 to March 2023	No
MA Baojun (馬寶軍)	Zhaoqing Baoxin Investment Company Limited (肇慶市寶鑫投資有限公司)	Supervisor	Since June 2010	No
MA Baojun (馬寶軍)	Henan Songshan Technology and Innovation Fund Management Co., Ltd. (河南嵩山科技創新基金管理有限公司)	Chairman and general manager	Since December 2016	Yes
MA Baojun (馬寶軍)	Tak Yau Limited	Director	Since June 2017	No
MA Baojun (馬寶軍)	Central China Innovation (Henan) Industrial Research Institute Co., Ltd. (中原創新(河南)產業研究院有限公司)	Director	Since July 2020	No
MA Baojun (馬寶軍)	Deyou (Hainan) Trade Co., Ltd. (德祐(海南)貿易有限公司)	Executive director	Since September 2020	No
MA Baojun (馬寶軍)	Deyou (Hainan) Investment Co., Ltd. (德祐(海南)投資有限公司)	Executive director and general manager	Since February 2021	No
MA Baojun (馬寶軍)	Beijing Muse Financial Service Asset Management Co., Ltd. (北京繆斯金服資產管理有限公司)	Chairman and general manager	Since May 2021	No
MA Baojun (馬寶軍)	Yuanyin Holdings Limited (原銀控股有限公司)	Director	Since December 2021	No
MA Baojun (馬寶軍)	Sheng Yuan Holdings Limited	Non-executive director and chairman	Since May 2022	No
XU Changsheng (徐長生)	Huazhong University of Science and Technology School of Economics	Lecturer	Since July 1987	Yes
XU Changsheng (徐長生)	China Foreign Economics Research Association (中華外國經濟學研究會)	Professor	Since September 1997	No
XU Changsheng (徐長生)		Committee member	Since January 1995	No
XU Changsheng (徐長生)		Vice president of the Economy Development Society	Since September 2007	No
XU Changsheng (徐長生)	China Association of Productivity Science (中國生產力學會)	Director	Since January 1998	No
XU Changsheng (徐長生)	China Institute of Private Sector (中國民營經濟研究會)	Director	Since January 2014	No

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

4.4 Penalties Imposed by Securities Regulatory Authorities on Directors, Supervisors and Senior Management Who Currently Hold Positions or Resigned During the Reporting Period in the Past Three Years

The Directors, Supervisors and senior management of the Bank who currently hold positions or resigned during the Reporting Period did not have any punishments by the securities regulatory authorities in the past three years.

5 REMUNERATION POLICY AND ANNUAL REMUNERATION FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

5.1 Remuneration Policy

5.1.1 *The Decision-making Process*

The Bank's general meeting decides on the remuneration of Directors and Supervisors, considers and approves the remuneration measures for Directors and Supervisors, and authorizes the Remuneration and Assessment Committee of the Board to formulate the remuneration plan for the relevant Directors and Supervisors and carry out performance appraisal for final determination of remuneration. The Board of the Bank determines the remuneration of the senior management personnel, considers and approves the remuneration measures for senior management personnel, and authorizes the Remuneration and Assessment Committee of the Board to formulate the remuneration plan of relevant senior management personnel and carry out performance appraisal for final determination of remuneration.

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

5.1.2 Determination Basis

According to the guidelines from regulatory authorities, the Administrative Measures on Remuneration and Performance for Directors and Supervisors at Governance Level (《治理層董監事薪酬績效管理辦法》), the Administrative Measures on Remuneration and Performance for Senior Management at Operation Level (《經營層高管薪酬績效管理辦法》), and Administrative Measures on the Deferred Payment of Performance-based Remuneration (《績效薪酬延期支付管理辦法》), the Bank formulated the remuneration assessment plan for the chairman of the Board, the vice chairman of the Board, the chairman of the Board of Supervisors, other executive Directors, and senior management personnel based on the principles of balance between power and responsibility, combination of incentive with restriction, keeping remuneration in line with risk and responsibilities, and equal emphasis on short-term and long-term objectives. The assessment covers four areas: operating results, risk management, internal control compliance, and duty performance, which reflects protection of the interests of depositors and investors and ensure that the Bank's short-term interests align with its long-term interests. The Bank determines the total annual remuneration of the chairman of the Board, the vice chairman of the Board, the chairman of the Board of Supervisors, other executive Directors, and senior management personnel based on their annual assessment results.

The Bank remunerates non-executive Directors and independent non-executive Directors according to the payment plan for allowances of the non-executive Directors and remuneration of independent non-executive Directors, and remunerates the Shareholder Supervisors and external Supervisors based on the payment plan for allowances of Shareholder Supervisors and remuneration of external Supervisors. The remuneration standard of other Supervisors is implemented in accordance with relevant measures of the Bank.

5.1.3 Actual Payments

The Bank pays the basic salaries of the chairman of the Board, the vice chairman of the Board, the chairman of the Board of Supervisors and the senior management according to the remuneration management system, and pays the performance salaries according to the annual performance assessment. As the chairman of the Board, the full-time deputy party secretary and the director of discipline inspection and supervision division (assigned by the Municipal Commission for Discipline Inspection and Supervision to the Bank) are municipal government officials, only the basic salary portion are paid to them preliminarily. The actual salary will be calculated after the superior department determines the new salary evaluation plan and standard, and the difference will be paid or refunded as the case may be. Other Directors and Supervisors are paid monthly according to the allowance standards.

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5.2 Remuneration for Directors, Supervisors and Senior Management

Unit: RMB'000

Name	Position	Status	Total remuneration from the Bank (before tax) during the Reporting Period	Whether obtained remuneration from the related parties of the Bank
XIA Hua	Vice chairman, Executive Director and Secretary to the Board	In office	1,621.99	No
WANG Dan	Non-executive Director	In office	-	Yes
LIU Bingheng	Non-executive Director	In office	-	Yes
JI Hongjun	Non-executive Director	In office	-	Yes
WANG Shihao	Non-executive Director	In office	192.00	Yes
LI Yanyan	Independent Non-executive Director	In office	87.50	No
LI Xiaojian	Independent Non-executive Director	In office	210.00	Yes
SONG Ke	Independent Non-executive Director	In office	200.55	Yes
LI Shuk Yin Edwina	Independent Non-executive Director	In office	210.00	Yes
ZHU Zhihui	Shareholder Supervisor	In office	60.00	Yes
MA Baojun	External Supervisor	In office	180.00	Yes
XU Changsheng	External Supervisor	In office	180.00	No
LI Huaibin	Employee Supervisor	In office	1,508.52	No
CHEN Xinxiu	Employee Supervisor	In office	1,223.18	No
ZHAO Fei	President	In office	570.34	No
FU Chunqiao	Vice President	In office	1,533.00	No
GUO Zhibin	Vice President	In office	1,533.00	No
SUN Haigang	Vice President	In office	1,533.00	No
SUN Runhua	Vice President	In office	1,149.75	No
LI Lei	Assistant to President	In office	1,446.50	No
ZHANG Houlin	Assistant to President	In office	1,446.50	No
LI Hong	Assistant to President	In office	1,446.50	No
LIU Jiuqing	Assistant to President	In office	1,446.50	No
JIANG Tao	Chief Information Officer	In office	1,446.50	No
WANG Yanli	Chief Risk Officer	In office	1,523.91	No

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Name	Position	Status	Total remuneration from the Bank (before tax) during the Reporting Period	Whether obtained remuneration from the related parties of the Bank
WANG Zhaoqi	Chief Auditor	In office	1,103.23	No
WANG Tianyu	Chairman and Executive Director	Resigned	984.00	No
SHEN Xueqing	President and Executive Director	Resigned	1,140.67	No
SU Xiaojun	Non-executive Director	Resigned	–	Yes
WU Ge	Independent Non-executive Director	Resigned	17.50	Yes
ZHAO Lijuan	Chairlady of the Board of Supervisors and Employee Supervisor	Resigned	1,621.99	No
Total	–	–	25,616.63	–

5.3 Share Incentives Granted to Directors, Supervisors and Senior Management During the Reporting Period

There is no share option scheme in place for the Bank. During the Reporting Period, the Directors, Supervisors and senior management personnel of the Bank neither held any options nor were granted restricted share units or any forms of share incentives.

6 STAFF

6.1 Composition

As at the end of the Reporting Period, the following table sets out the composition of employees of the Bank:

	Number
Number of in-service employees of the Bank	5,331
Number of in-service employees of the subsidiaries	557
Total number of in-service employees	5,888
Total number of employees receiving remuneration during the period	5,888
Number of resigned and retired employees with costs borne	1,135

Note: The number of employees excludes dispatched employees.

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By department/function

Job category	Number of employees	Percentage (%)
Corporate banking	802	13.62
Retail banking	1,675	28.45
Risk management, internal audit and legal compliance	539	9.15
Finance and accounting	1,440	24.46
I.T.	291	4.94
Business management and support	1,141	19.38
Total	5,888	100.00

By age

Age group	Number of employees	Percentage (%)
30 or below	1,474	25.03
31 – 40	3,443	58.48
41 – 50	646	10.97
Over 50	325	5.52
Total	5,888	100.00

By level of education

Highest level of education	Number of employees	Percentage (%)
Master's degree or above	1,151	19.55
Bachelor's degree	4,270	72.52
Associate degree	421	7.15
Others	46	0.78
Total	5,888	100.00

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

By gender

Gender	Number of employees	Percentage (%)
Male	2,759	46.86
Female	3,129	53.14
Total	5,888	100.00

6.2 Employee Diversity

The Bank attaches importance to employee diversity, treats employees of different gender, party, religion, nationality and race equally, and fully ensures that employees enjoy equal rights in recruitment, post adjustment, training and promotion. We appreciate and encourage differences in the workplace and create a professional, inclusive and diversified working environment. The Bank has a balanced structure of male and female employees. The Bank will continue to maintain a basically balanced male-to-female ratio to achieve the goal of gender diversity.

6.3 Staff Training Plan

The Bank further advances the implementation of the “Five & Four Strategy” and focuses on facilitating transformation and advancing the construction of a learning organization, and improves the comprehensive ability and innovation ability of cadres and employees throughout the Bank, providing strong talent support for long-term development. During the Reporting Period, the Bank continued to advance the cadres’ political skills and comprehensive ability training, and carried out the training for middle and senior cadres on political literacy, legal compliance awareness, interpretation of strategies, and other areas with the guidance of bank-wide development strategies and business development and based on the leadership framework; stepped up the effort to nurture talents of all levels and improved all employees’ capability to undertake the duties of their positions; focused on training on middle management in reserve and new employees hired through on-campus recruitment, staff reserves training, and rotational training on operations and risks business lines; strengthened the construction of internal trainer team, and adopted the way of combining competition and training to develop internal trainer training; and facilitate level appraisals of professional qualifications. During the Reporting Period, the training center of the headquarters successfully obtained the corporate qualification of occupational grade accreditation in Henan Province, becoming the only bank training center to obtain such qualification in Henan Province. The Bank further upgraded its learning platform, “Ding College (鼎學苑)”, optimized various functions, and added special courses.

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

6.4 Remuneration Policy for Staff

The Bank adheres to the principles of “fairness, competition and incentivization” in formulating its remuneration policy. In other words, the remuneration policy shall be able to reflect external fairness, internal fairness and individual fairness of salary; it shall be conducive to enhancing our market competitiveness and attractiveness to talented people. When adjusting its remuneration structure, the Bank makes corresponding adjustments for positions whose remunerations are far below the market level based on the results of a market salary survey. The remuneration policy shall also be able to make our salary more incentivised, namely to motivate our employees by incorporating floating wages and performance-linked bonus and other incentive components into our salary packages, and to provide employees at different positions with equal promotion opportunities by designing different promotion channels. In accordance with regulatory requirements and business management needs, the Bank has established mechanisms related to deferred payment of salary and recourse and deduction of bonus and salary, so as to improve the salary-based incentive and restraint mechanism and mitigate various business and management risks. The Bank makes social insurance contributions and housing provident fund contributions and provides other employee benefit packages for employees in accordance with applicable laws, rules and regulations of the PRC, and establishes a corporate annuity system and a supplementary medical fund to improve the pension payment and medical security of employees. For details, please refer to Note 30 in the chapter headed “Independent Auditor’s Report” of this Report.

6.5 Labor Outsourcing

As at the end of the Reporting Period, the Bank had 388 dispatched employees. The positions assigned to dispatched employees were mainly auxiliary positions such as integrated tellers, lobby managers, voucher scanning personnel, file input personnel and drivers. The Bank’s unified management systems on vacation, induction, training, etc., also apply to the dispatched employees. The salaries of the dispatched employees were determined based on their performance assessment results. The Bank assesses the dispatched employees regularly and transfers the dispatched employees to official staff in proportion based on merit.

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

7 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:

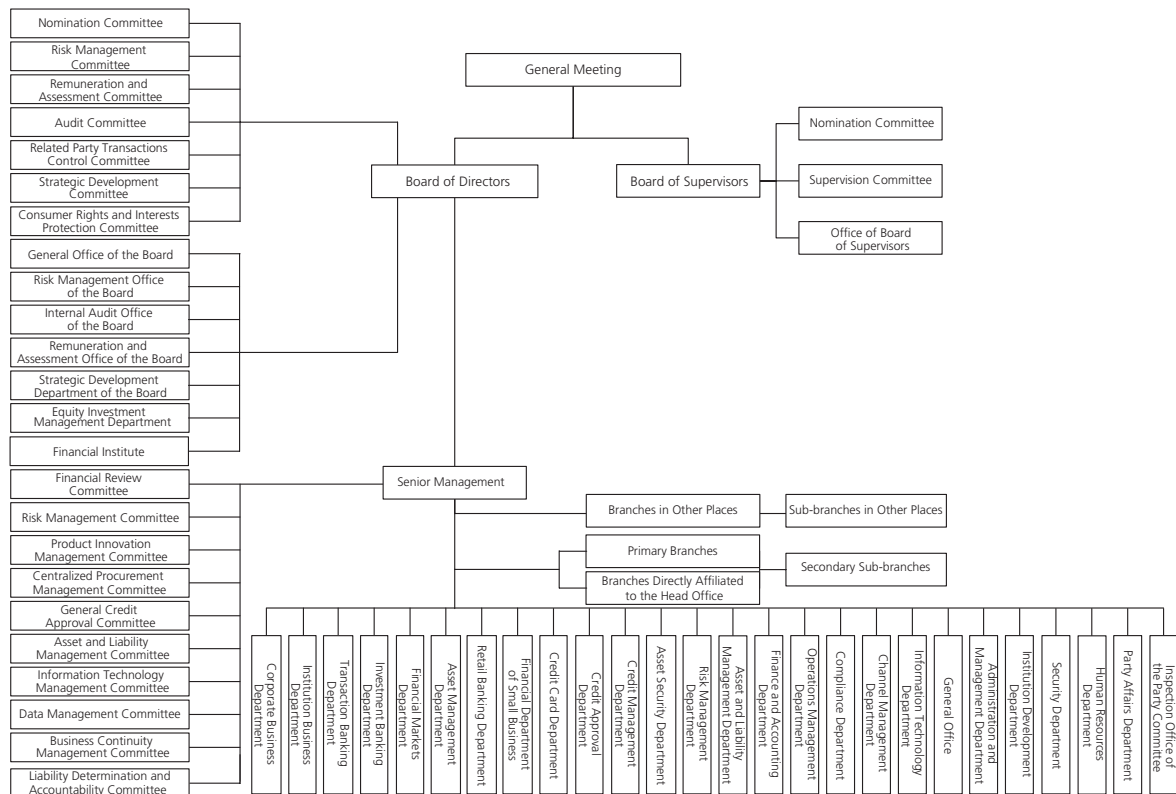
Region	Name of institutions	Business address (China)	Number of its affiliated institutions	Number of employees	Asset size (RMB' 000)
Zhengzhou, Henan	Headquarters	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province	116 branch institutions in district of Zhengzhou for conducting external business and 65 institutions in other prefectural-level cities in Henan for conducting external business	5,331	558,298,741
Zhengzhou, Henan	Branch institutions in Zhengzhou for conducting external businesses directly managed by the headquarters	–	99 institutions for conducting external business	3,717	442,798,613
Zhengzhou, Henan	Small Business Financial Service Centre	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	17 institutions for conducting external business	354	6,600,540
Nanyang, Henan	Nanyang branch	The junction of Zhongjing Road and Fanli Road, Wancheng District, Nanyang City, Henan Province	10 institutions for conducting external business	168	8,213,055
Xinxiang, Henan	Xinxiang branch	No. 278, Xiangyang Road, Xinxiang City, Henan Province	7 institutions for conducting external business	127	8,195,302
Luoyang, Henan	Luoyang branch	Room 101, 201 and 301, Building 1, No. 210 Kaiyuan Avenue, Luolong District, Luoyang City, Henan Province	8 institutions for conducting external business	132	16,209,085
Anyang, Henan	Anyang branch	Yiwu International Business & Trade Mansion, the junction of Zhonghua Road and Delong Street, Andong New District, Anyang City, Henan Province	7 institutions for conducting external business	106	9,157,071
Shangqiu, Henan	Shangqiu branch	Xinfa Building (新發大廈), the northeast of the junction of Fushang Avenue and Songcheng Road, Demonstration District, Shangqiu City, Henan Province	7 institutions for conducting external business	122	7,466,525
Xuchang, Henan	Xuchang branch	Juncheng International Building (亨通君成國際大廈), the southwest of the junction of Liancheng Avenue and Weiwen Road, Weidu District, Xuchang City, Henan Province	4 institutions for conducting external business	85	11,236,707

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Region	Name of institutions	Business address (China)	Number of its affiliated institutions	Number of employees	Asset size (RMB' 000)
Luohe, Henan	Luohe branch	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	3 institutions for conducting external business	64	5,460,189
Xinyang, Henan	Xinyang branch	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	5 institutions for conducting external business	101	6,571,161
Puyang, Henan	Puyang branch	The northwest of junction of Renmin Road and Kaizhou Road, Hualong District, Puyang City, Henan Province	3 institutions for conducting external business	76	6,010,234
Pingdingshan, Henan	Pingdingshan branch	The southeast of junction of Kaiyuan Road and Qinggong Road, Zhanhe District, Pingdingshan City, Henan Province	2 institutions for conducting external business	62	8,498,371
Zhumadian, Henan	Zhumadian branch	The southwest of junction of Huaihe Avenue and Tianzhongshan Avenue, Zhumadian City, Henan Province	2 institutions for conducting external business	54	4,947,536
Kaifeng, Henan	Kaifeng branch	The southeast of junction of Jinming Avenue and Hanxing Road, Kaifeng City, Henan Province	4 institutions for conducting external business	75	7,798,852
Zhoukou, Henan	Zhoukou branch	The southeast of junction of Traffic Avenue and Bayi Avenue, Zhoukou City, Henan Province	2 institutions for conducting external business	49	5,768,441
Hebi, Henan	Hebi branch	The northeast of junction of Qishui Avenue and Zihuai Lane, Qibin District, Hebi City, Henan Province	1 institution for conducting external business	39	3,367,059

CHAPTER VI CORPORATE GOVERNANCE

1 COMPANY STRUCTURE DIAGRAM



2 OVERVIEW OF CORPORATE GOVERNANCE

The Bank has established a relatively 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 enhance its corporate governance structure, various systems of corporate governance and corporate governance standards in strict accordance 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, the Self-regulatory Guidelines for the Companies Listed on the Shenzhen Stock Exchange No. 1 – Standardized Operation of the Companies Listed on the Main Board, the Stock Exchange Listing Rules, 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 and the Company Law and relevant provisions of the CSRC; the Bank did not receive relevant documents on rectifying the administrative supervision measures from the regulatory department within a time limit. Meanwhile, the Bank strictly abided by the code provisions set out in Part 2 of the Corporate Governance Code stipulated in Appendix 14 to the Stock Exchange Listing Rules and the provisions relating to inside information disclosure. Except as 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 2 of the Corporate Governance Code during the Reporting Period.

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During the Reporting Period, the Bank improved the corporate governance system and revised the Articles of Association, Rules of Procedure of Board of Supervisors and Measures on Investor Relations Management in light of the actual situation; ensured the capability of the Board and the Board of Supervisors to perform their duties, nominated candidates for executive and non-executive directors, and adjusted the members and chairman of the special committees of the Board; rationalized the use and replenishment of capital, redeemed Tier 2 capital bonds and Offshore Preference Shares, and issued green financial bonds and ordinary financial bonds. The Bank disclosed information in a true, accurate, complete and timely manner in accordance with laws, regulations, the Articles of Association and the Bank's information disclosure measures, and ensures that all Shareholders have equal access to such information. The Bank attaches great importance to the management of inside information, strictly controls the scope of personnel having access to inside information, and registers the list of personnel knowing the Bank's inside information in a timely manner. No person with knowledge of inside information has been found to illegally use inside information to trade in the Bank's Shares.

The Bank will continue to review and strengthen corporate governance in order to ensure consistent compliance with the regulatory provisions and the SZSE Listing Rules and the Stock Exchange Listing Rules and meet the higher expectations of Shareholders and investors.

The Bank's Independence from Shareholders Holding More Than 5% of the Bank's Shares in Terms of Operations, Staff, Assets, Institutional Structure and Finance

During the Reporting Period, the Bank did not have any controlling Shareholder.

- (I) Operations: The Bank operates independently from Shareholders holding more than 5% of the Bank's Shares.
- (II) Staff: The Bank operates independently in terms of staff and salary management.
- (III) Assets: The Bank has independent places of business and supporting facilities.
- (IV) Structure: The Bank has a sound institutional structure through which the Board, the Board of Supervisors and various functional departments operate independently with clear powers and functions and have no subordinate relations with the functional departments of corporate Shareholders holding more than 5% of the Bank's Shares.
- (V) Finance: The Bank sets up the independent finance department and audit department equipped with special financial and audit personnel, and established an independent accounting system and financial management system.

Horizontal Competition

The Bank does not have controlling Shareholders or horizontal competition with controlling Shareholders, the de facto controllers and other companies controlled by them.

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3 GENERAL MEETINGS

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

During the Reporting Period, the Bank held 1 annual general meeting, the particulars of which are as follows:

On 10 June 2022, the Bank held the 2021 AGM in Zhengzhou, Henan. In the meeting, 15 resolutions regarding the Work Report of the Board for 2021, the Work Report of the Board of Supervisors for 2021, Financial Accounts for 2021, 2021 Annual Report, Profit Distribution Proposal for 2021, and Financial Budget Plan for 2022.

The convening of the above general meetings, the notices, the holding and voting procedures were 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 preference shares whose voting rights were resumed requested to convene extraordinary general meetings, convened and presided over the general meetings, or submitted provisional proposals for general meetings.

CHAPTER VI CORPORATE GOVERNANCE

4 BOARD OF DIRECTORS

4.1 Responsibilities of the Board of Directors

As the decision-making body of the Bank, the Board of Directors is accountable to the general meeting and responsible for implementing the resolutions of the general meeting. The Board of Directors mainly exercises the following powers and rights: convening general meetings and implementing the resolutions approved at general meetings; deciding on the business development strategies, business plans and investment proposals of the Bank; formulating annual budgets, final accounts, profit distribution plans and loss recovery plans of the Bank; formulating proposals on the increase or reduction of the Bank's registered capital and the issue of bonds and other securities and the listing of the Bank; formulating proposals on material acquisitions by the Bank, repurchase of the Shares or merger, division, dissolution or change of the corporate form; deciding on external investment, acquisition and disposal of assets, pledge of assets, external guarantee, entrustment of wealth management and other matters of the Bank within the scope of authority granted by the general meetings; examining and approving the related party transactions which require approval by the Board of Directors as stipulated by the laws, administrative regulations, departmental rules, regulatory documents and regulations of securities regulatory authorities of the locality where the Bank's stocks are listed; deciding on the establishment of the Bank's internal management departments; appointing or removing the Bank's president and secretary to the Board of Directors, deciding to appoint or removing the Bank's senior management personnel including the vice presidents, assistants to the president and chief financial officer of the Bank in accordance with the recommendations of the president, and determining their remunerations, rewards and punishment; formulating the basic management systems of the Bank, deciding on the policies on risk management, internal control and compliance policy of the Bank; formulating amendment proposals on amendments to the Articles of Association, the rules of procedures of general meetings and Board meetings; proposing the appointment, dismissal or discontinuance of appointment of accounting firms at the general meeting; supervising the performance of the senior management, receiving the president's work report and examining the president's work; managing the information disclosure of the Bank and taking ultimate responsibility for the completeness and accuracy of the Bank's accounting and financial reporting systems; reviewing any material capital expenditure, contract and commitment which exceeds the expenditure limit for senior management set by the Board of Directors; and other powers and rights stipulated by laws, administrative regulations, departmental rules or the Articles of Association, and those conferred by the general meetings.

As the administrative body of the Board of Directors, the office of the Board is responsible for the preparation of general meetings and the meetings of the Board of Directors and special committees of the Board of Directors, information disclosure, investor relations management and other daily affairs.

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4.2 Operating Model of the Board of Directors

The Board of Directors holds at least 4 regular meetings every year and convenes extraordinary meetings when necessary. Meetings of the Board of Directors are held in the form of physical meetings or by way of telecommunication. The notices of regular Board meetings and the materials of the meeting should be sent to each Director within the specified period in accordance with the related corporate governance requirements under the regulatory provisions and the SZSE Listing Rules and the Stock Exchange Listing Rules and the Articles of Association. The detailed minutes of the meetings of the Board of Directors will be provided to all attending Directors for their review subsequent to the meetings, and shall be signed by all Directors for confirmation after proposing amendments. A good communication and reporting mechanism has been established among the Board of Directors, the Directors and senior management of the Bank. Senior management provides sufficient information for the Board and its special committees to make decisions. All Directors may seek independent professional advice with the cost borne by the Bank. The president of the Bank regularly reports to the Board and is subject to its supervision. Relevant members of senior management are invited to participate in meetings of the Board and its special committees from time to time to provide explanations or answers to inquiries. At the meetings of the Board of Directors, all Directors can present their opinions freely, and decisions on important matters should only be made after a detailed discussion. Directors with material interest or conflict in relevant proposals shall refrain from voting. Independent non-executive Directors who, together with their close associates, have no material interest in the transaction should attend the relevant Board meetings.

4.3 Members of the Board of Directors and the Board Diversity Policy

The Bank believes that the diversity of the members of the Board of Directors can improve the performance of the Bank. In designing the Board's composition, Board diversity has been considered from a number of aspects, including (but not limited to) gender, qualifications, regional and industry experience, skills, knowledge and educational background, so as to ensure that the Board possesses diverse and balanced talents, skills, experience, and backgrounds. All appointments of the Board members are determined based on both capability and integrity, and candidates will be considered against objective criteria, with due regard given to the benefits of diversity to the Board.

The Nomination Committee of the Board will review and assess this policy as and when appropriate to ensure its effectiveness, and consider the structuring, size and composition of the Board on an annual basis as well as set the following measurable objectives, to ensure the effective implementation of this policy:

The Board should ensure that there is no gender limitation in selecting Directors;

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At least one-third, and no less than 3 in total, of the Board members are independent non-executive Directors;

Board members should possess knowledge and skills in different areas;

At least 1 member of the Board of Directors has a professional in finance or accounting.

The Board will maintain a proper balance in the composition of male and female members with due regards to the expectations of stakeholders and with reference to international and local recommended best practices. The Board also strives to ensure that an appropriate proportion of the Directors possess direct experience in the core markets of the Bank and its subsidiaries as well as different ethnic backgrounds, and that such composition reflects the Group's strategy. The Nomination Committee of the Board of Directors will discuss any amendments or amendments that may need to be made, and then submit these proposed amendments to the Board of Directors for approval. The selection of candidates for Directors by the Nomination Committee will be based on a series of diverse fields and with reference to the Bank's business model and specific needs. For the nomination policy as well as procedures for selection of Directors, please refer to the paragraph headed "Nomination Policy and Procedures for Selection of Directors" in this chapter.

As at the Latest Practicable Date, the Board comprised a total of 9 Directors, of which 1 was an executive Director namely Mr. XIA Hua (vice chairman); 4 were non-executive Directors, namely Ms. WANG Dan, Mr. LIU Bingheng, Mr. JI Hongjun and Mr. WANG Shihao; and 4 were independent non-executive Directors, namely Ms. LI Yanyan, Mr. LI Xiaojian, Mr. SONG Ke and Ms. LI Shuk Yin Edwina, including:

6 males and 3 females;

2 Directors aged under 50, 4 Directors aged 50 to 59, and 3 Directors aged 60 or above; and

2 Directors specialising in banking, 3 Directors specialising in investment and trust fund, 3 Directors specialising in teaching and research, 1 Director specialising in accounting.

Accordingly, the Board considers its members have generally achieved diversity in different aspects and they can provide the Board with independent and diverse opinions, which will promote the balanced development of the Board.

For details of each Director's term of office and changes of Directors during and after the Reporting Period as well as the overall diversity of the Bank's employees, please refer to the chapter headed "Directors, Supervisors, Senior Management, Staff and Institutions" of this Report.

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In addition, leveraging the above methods, the Bank reviewed the structure, size and composition of the Board, and implemented effective nomination policies to select and appoint Directors who represent different ages, backgrounds, professions and functions, so as to ensure that the Board of the Bank can provide independent judgments and perspectives. In 2022, all Directors of the Bank devoted themselves to their duties, brought diverse and independent perspectives to the Board, and contributed to the efficient development of the Bank. During the year, the Board achieved and effectively maintained independence.

4.4 Chairman and President

During the Reporting Period, the roles and duties of the chairman of the Board of Directors and the president are taken up by different individuals. There is a clear division of responsibilities in compliance with the requirements and recommendations of regulatory provisions and the SZSE Listing Rules and the Stock Exchange Listing Rules.

During the Reporting Period, Mr. WANG Tianyu as the chairman of the Board of Directors, is mainly in charge of chairing general meetings, convening and chairing meetings of the Board of Directors; supervising and reviewing the implementation of resolutions of the Board of Directors; signing share certificates, bonds and other marketable securities of the Bank; signing important documents of the Board of Directors and other documents required to be signed by the legal representative of the Bank; exercising the duties and powers of the legal representative; ensuring that appropriate steps are taken to maintain effective contact with Shareholders and that Shareholders' opinions are conveyed to the Board; and promoting Directors (especially non-executive Directors) to make contributions to the Board, and ensuring a constructive relationship between executive Directors and non-executive Directors. In March 2023 subsequent to the Reporting Period, Mr. WANG Tianyu resigned as an executive Director and chairman of the seventh session of the Board of the Bank as he intends to take on new position in accordance with the relevant work requirements for management personnel of financial corporations and the working arrangement of the organization. The Board considered and approved to elect Mr. ZHAO Fei to perform the duties of chairman on an interim basis until a new chairman/chairlady is elected and his/her qualifications are approved by the regulatory authority.

As at the Latest Practicable Date, Mr. ZHAO Fei as the president of the Bank, is mainly in charge of managing operations of the Bank, arranging the implementation of the resolutions of the meetings of the Board of Directors and reporting the work to the Board of Directors; submitting annual business plans and investment proposals to the Board of Directors and arranging the implementation upon approval by the Board of Directors; and drafting proposals on the establishment of the internal management departments, basic management systems and specific regulations of the Bank.

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4.5 Responsibilities of Directors

During the Reporting Period, all Directors carefully, earnestly and diligently attended relevant meetings as specified and required by relevant laws and regulations and the Articles of Association, exercised their rights regarding the operation of the Board and resolutions of the meeting of the Board, and duly considered and voted on its resolutions and actively offered responsible suggestions and advice, which facilitated the Bank's sound and sustainable development and perfectly completed the tasks and objectives of the Board. While duly exercising their rights as Directors, they were performing their corresponding obligations to fully protect various rights of Shareholders and investors. Directors acknowledge their responsibilities for preparing the financial statements of the Bank for the year ended 31 December 2022.

The Board of Supervisors conducted evaluation of the performance of duties of the Directors during the Reporting Period and reported the results of the evaluation to the general meeting.

4.6 Independence and Performance of Duties of Independent Non-executive Directors

4.6.1 Confirmation of the Independence for Independent Non-executive Directors

The Bank shall have no less than three independent non-executive Directors who shall account for no less than one-third of all Directors. The Bank has formulated the Management Measures for Independent Directors 《獨立董事管理辦法》, which specifies the rights of independent non-executive Directors. We provide the requisites for independent non-executive Directors to effectively perform their duties by keeping them informed of relevant information and bearing the reasonable costs of engaging intermediaries. At the annual general meeting, each independent non-executive Director shall report on his/her work to ensure that the Board can obtain independent views and opinions.

At present, the Board consists of 4 independent non-executive Directors who possess qualification of independency, the number and percentage of independent non-executive Directors satisfy the relevant requirements of the regulatory provisions and the SZSE Listing Rules and the Stock Exchange Listing Rules. None of the independent non-executive Directors are involved in any conflict which would bring their independence into question as described in Rule 3.13 of the Stock Exchange Listing Rules. The Bank had already received the letters of annual confirmation on independence submitted by each independent non-executive Director as required by the Stock Exchange Listing Rules, and the Board believes that all independent non-executive Directors are independent and in compliance with the relevant guidelines stipulated by Rule 3.13 of the Stock Exchange Listing Rules.

The independent non-executive Directors neither have any business or financial interests in the Bank nor hold any management position in the Bank. All the incumbent independent non-executive Directors were elected for a term of three years. They may continue to serve for three years after the expiration of the term, provided that the total consecutive terms must not exceed six years.

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The independent non-executive Directors account for the majority of seats in and serve as chairman of the Related Party Transactions Control Committee, Audit Committee, Nomination Committee and Remuneration and Assessment Committee of the Board.

4.6.2 Performance of Duties of Independent Non-executive Directors

During the Reporting Period, the Bank's independent non-executive Directors performed their duties diligently and faithfully with a responsible attitude towards the Bank and investors, and the duties performed were in strict compliance with the Company Law, the Securities Law, the Self-regulatory Guidelines for the Companies Listed on the Shenzhen Stock Exchange No. 1 – Standardized Operation of the Companies Listed on the Main Board, the SZSE Listing Rules, the Stock Exchange Listing Rules and other laws and regulations as well as the Articles of Association, the Working Rules for Independent Directors (獨立董事工作制度) and other relevant requirements. They actively attended Board meetings, general meetings and meetings of relevant committees, conducted on-site inspections of the Bank to more understanding about the Bank's operations, internal control mechanism and the implementation of resolutions of the Board meetings, and expressed independent opinions on the profit distribution, internal control, related party transactions, nomination of candidates for Directors and other matters of the Bank, earnestly safeguarding the rights and interests of Shareholders, especially those of the public Shareholders. As at the Latest Practicable Date, the Bank has four independent non-executive Directors, at least one of whom has appropriate accounting or financial management expertise. This is in line with Rules 3.10 and 3.10A of the Stock Exchange Listing Rules.

During the Reporting Period, the Bank's independent non-executive Directors expressed independent opinions on relevant issues considered by the Board. During Board meetings and inspections of the Bank, they put forward an array of opinions and suggestions, all of which were adopted or responded to by the Bank.

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Time of disclosure	Subject matter	Type of opinion
22 March 2022	Independent Opinions on Related Party Transactions	Agree
31 March 2022	Independent Opinions on the Bank's Profit Distribution Proposal for 2021, Internal Control Self-assessment Report for 2021, the Special Report on Related Party Transactions in 2021 and the Estimated Amount of Daily Related Party Transactions in 2022; Independent Opinions and Special Description on the Occupation of Funds by Controlling Shareholders and other Related Parties and External Guarantees; Independent Opinions on Remuneration for Directors, Supervisors and Senior Management	Agree
29 April 2022	Independent Opinions on Appointment of SUN Runhua as the Bank's Vice President, 2021 Performance Appraisal Results of Executive Directors and Senior Management Personnel and 2022 Performance Appraisal Scheme for Executive Directors and Senior Management Personnel	Agree
7 July 2022	Independent Opinions on Related Party Transactions	Agree
31 August 2022	Independent Opinions and Special Description on External Guarantees and the Occupation of Funds by Controlling Shareholders and Other Related Parties; Independent Opinions on the Distribution of Offshore Preference Shares Dividends	Agree
14 September 2022	Independent Opinions on Appointment of President and Nomination of Candidates for Executive Directors of the Seventh Session of the Board	Agree
31 October 2022	Independent Opinions on Nomination of Candidates for Non-executive Directors of the Seventh Session of the Board	Agree
22 December 2022	Independent Opinions on Estimated Amount of Daily Related Party Transactions in 2023	Agree

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4.7 Performance of Duties by Directors

4.7.1 Meetings Convened by the Board

During the Reporting Period, the Bank held 14 meetings of the Board, eight of which were held by means of communication. At the meetings, 69 major resolutions including Consent to the Candidates for Chairmen of the Special Committees of the Board, Annual Work Report of the Board, Final Accounts Report, Profit Distribution Proposal and Estimated Amount of Daily Related Party Transactions were considered and approved.

Number and session	Date of convening	Date of disclosure	Resolutions of the meeting
The 2022 first extraordinary meeting of the seventh session of the Board	19 January 2022	20 January 2022	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank
The 2022 second extraordinary meeting of the seventh session of the Board	17 February 2022	18 February 2022	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank
The 2022 third extraordinary meeting of the seventh session of the Board	28 February 2022	1 March 2022	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank
The 2022 fourth extraordinary meeting of the seventh session of the Board	21 March 2022	22 March 2022	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank
The fourth meeting of the seventh session of the Board	30 March 2022	31 March 2022	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank
The fifth meeting of the seventh session of the Board	28 April 2022	29 April 2022	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank
The 2022 fifth extraordinary meeting of the seventh session of the Board	20 May 2022	21 May 2022	Please refer to the announcement published on the website of CNINFO by the Bank
		23 May 2022	Please refer to the announcement published on the website of Hong Kong Stock Exchange by the Bank
The 2022 sixth extraordinary meeting of the seventh session of the Board	6 July 2022	7 July 2022	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank
The 2022 seventh extraordinary meeting of the seventh session of the Board	18 July 2022	19 July 2022	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank
The sixth meeting of the seventh session of the Board	30 August 2022	31 August 2022	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank

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Number and session	Date of convening	Date of disclosure	Resolutions of the meeting
The 2022 eighth extraordinary meeting of the seventh session of the Board	13 September 2022	14 September 2022	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank
The seventh meeting of the seventh session of the Board	28 October 2022	31 October 2022	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank
The 2022 ninth extraordinary meeting of the seventh session of the Board	15 November 2022	16 November 2022	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank
The 2022 tenth extraordinary meeting of the seventh session of the Board	21 December 2022	22 December 2022	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank

4.7.2 Directors' Attendance of Meetings

			Required attendance for Board meetings	Attendance for Board meetings in person	Attendance for Board meetings by telecommunication	Number of attendance for Board meetings by proxy	Times of absence for Board meetings	Failure to attend meetings in person for 2 consecutive times
Director		Attendance of general meeting(s)						
Executive Directors	XIA Hua (Vice Chairman)	1	14	6	8	–	–	No
	SHEN Xueqing ⁽¹⁾	1	10	3	6	1	–	No
	WANG Tianyu ⁽²⁾	1	14	6	8	–	–	No
Non-executive Directors	WANG Dan	1	14	6	8	–	–	No
	LIU Bingheng	1	14	6	8	–	–	No
	JI Hongjun	1	14	5	8	1	–	No
	WANG Shihao	1	14	6	8	–	–	No
	SU Xiaojun ⁽³⁾	1	11	5	6	–	–	No
Independent Non-executive Directors	LI Yanyan	1	14	6	8	–	–	No
	LI Xiaojian	1	14	6	8	–	–	No
	SONG Ke ⁽⁴⁾	1	13	6	7	–	–	No
	LI Shuk Yin Edwina	1	14	6	8	–	–	No
	WU Ge ⁽⁴⁾	–	1	–	1	–	–	–

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Notes:

1. In September 2022, Mr. SHEN Xueqing resigned from his position. During the Reporting Period, he should attend 10 Board meetings.
2. In March 2023, Mr. WANG Tianyu resigned.
3. In October 2022, Mr. SU Xiaojun resigned from his position. During the Reporting Period, he should attend 11 Board meetings.
4. In January 2022, the qualification of Mr. SONG Ke as a Director was approved, and he began to perform his duties. Mr. WU Ge resigned. During the Reporting Period, Mr. SONG Ke should attend 13 Board meetings and Mr. WU Ge should attend 1 Board meeting.

During the Reporting Period, the chairman of the Board held meeting(s) with independent non-executive Directors without the presence of other Directors.

4.7.3 Circumstances in Which Directors Raise Objections to Relevant Matters

During the Reporting Period, the Directors did not raise objections to relevant matters of the Bank.

4.7.4 Other Explanations of Directors Performing Their Duties

During the Reporting Period, all recommendations to the Bank were accepted by Directors.

5 THE SPECIAL COMMITTEES OF THE BOARD OF DIRECTORS

5.1 Strategic Development Committee

As at the Latest Practicable Date, the Strategic Development Committee of the Bank currently consists of 1 executive Director (Mr. XIA Hua) and 2 non-executive Directors (Ms. WANG Dan and Mr. WANG Shihao).

The Strategic Development Committee is mainly responsible for researching the Bank's long-term development strategy and significant investment decisions, setting business and management objectives and long-term development strategy for the Bank, making recommendations for the Bank's significant investment decisions, supervising and checking the implementation of annual business plans and investment plans, communicating regularly with the senior management and heads of departments in relation to the operations and risks of the Bank, providing advice and suggestions, and other matters under the authority granted by the Board.

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Convening of Meetings

During the Reporting Period, the Strategic Development Committee of the Bank held 5 meetings, the particulars of which are as follows:

Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The second meeting of the Strategic Development Committee of the seventh session of the Board	15 March 2022	Considered and approved the Resolution on Amendment to 2021-2025 Strategic Development Plan	–	–	–
The third meeting of the Strategic Development Committee of the seventh session of the Board	13 April 2022	Considered and approved the Resolution on 2021 Annual Work Report of the Strategic Development Committee of the Board	–	–	–
The fourth meeting of the Strategic Development Committee of the seventh session of the Board	13 July 2022	Considered and approved the Resolution on the Increase in Shareholding in Xinzheng Zhengyin County Bank (新鄭鄭銀村鎮銀行)	–	–	–
The fifth meeting of the Strategic Development Committee of the seventh session of the Board	19 July 2022	Considered and approved the Resolution on the Limit and Amount of the Capital Increase of Xinzheng Zhengyin County Bank (新鄭鄭銀村鎮銀行)	–	–	–
The sixth meeting of the Strategic Development Committee of the seventh session of the Board	18 August 2022	Considered and approved the Resolution on the Progress of the Increase in Shareholding in Xinzheng Zhengyin County Bank (新鄭鄭銀村鎮銀行)	–	–	–

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Directors' Attendance at the Meetings of the Strategic Development Committee

Director	Required attendance	Actual attendance
XIA Hua	5	5
WANG Dan	—	—
WANG Shihao	—	—
WANG Tianyu	5	5
SHEN Xueqing	5	5

Notes:

- On 13 September 2022, Mr. SHEN Xueqing ceased to serve as the Director of the Bank and held relevant positions in the special committees of the Board. During the Reporting Period, he should attend 5 meetings of the Strategic Development Committee of the Board; Mr. WANG Shihao was appointed as a member of the Strategic Development Committee of the Board on the same day, and did not attend any meeting of the Strategic Development Committee of the Board during the Reporting Period.
- On 21 March 2023, Mr. WANG Tianyu ceased to hold the positions as a Director and a member of the Board committees of the Bank, and Ms. WANG Dan was appointed as a member of the Strategic Development Committee of the Board.

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5.2 Risk Management Committee

The Risk Management Committee of the Bank consists of 2 non-executive Directors (Mr. JI Hongjun and Mr. WANG Shihao) and 1 independent non-executive Director (Ms. LI Yanyan). The chairman of Risk Management Committee is Mr. WANG Shihao, a non-executive Director.

The Risk Management Committee is mainly responsible for controlling, managing, monitoring and assessing risks of the Bank, reviewing risk control principles, objectives and policies of the Bank and reporting them to the Board of Directors for consideration and approval; reviewing risk management measures of the Bank; examining and supervising the risk management work carried out by the senior management in all aspects; conducting surveys and evaluations on risk policies, management status and risk tolerance levels of the Bank on a regular basis and reporting to the Board of Directors; providing recommendations on improving risk management and internal control of the Bank; and formulating authorization management plan for the Bank and reporting to the Board of Directors and general meetings for consideration and approval.

Convening of Meetings

During the Reporting Period, the Risk Management Committee of the Bank held 7 meetings, the particulars of which are as follows:

Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The sixth meeting of the Risk Management Committee of the seventh session of the Board	28 March 2022	Considered and approved the Resolution on the Amendment to the Authorization Proposal of the Board, 2021 Annual Report on the Implementation of Risk Preference, 2022 Annual Statement on Risk Preference, 2021 Annual Work Report of the Risk Management Committee of the Board, 2021 Annual Report on Case Prevention, 2021 Annual Report on Compliance Management, 2021 Annual Report on Overall Risk Management, 2021 Annual Risk Assessment Report and 2021 Annual Report of Anti-money Laundering	-	-	-

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Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The seventh meeting of the Risk Management Committee of the seventh session of the Board	22 April 2022	Considered and approved the Resolution on the Wholesale Transfer of Non-performing Assets of the Bank's Corporate Customers	–	–	–
The eighth meeting of the Risk Management Committee of the seventh session of the Board	9 June 2022	Considered and approved the Report on the Implementation of Risk Preferences in the First Quarter of 2022	–	–	–
The ninth meeting of the Risk Management Committee of the seventh session of the Board	28 June 2022	Considered and approved the Resolution on Disposal of Non-performing Assets	–	–	–
The tenth meeting of the Risk Management Committee of the seventh session of the Board	16 August 2022	Considered and approved the Full Risk Report of Subsidiaries in the First Half of 2022, and Resolution on Renewal of the Bank's Recovery Plan	–	–	–
The eleventh meeting of the Risk Management Committee of the seventh session of the Board	22 September 2022	Considered and approved the Comprehensive Risk Management Report for the First Half of 2022, Report on the Implementation of Risk Preferences in the First Half of 2022, and Resolution on the Wholesale Transfer of Non-performing Assets of the Bank's Corporate Customers	–	–	–
The twelfth meeting of the Risk Management Committee of the seventh session of the Board	19 December 2022	Considered and approved the Report on the Implementation of Risk Preferences in the Third Quarter of 2022, and Resolution on the Wholesale Transfer of Non-performing Assets of the Bank's Corporate Customers	–	–	–

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Directors' Attendance at the Meetings of the Risk Management Committee

Director	Required attendance	Actual attendance
WANG Shihao	7	7
JI Hongjun	7	7
LI Yanyan	7	7

5.3 Related Party Transactions Control Committee

The Related Party Transactions Control Committee of the Bank consists of 1 non-executive Director (Mr. JI Hongjun) and 2 independent non-executive Directors (Ms. LI Yanyan and Mr. SONG Ke). The chairman of Related Party Transactions Control Committee is Mr. SONG Ke, an independent non-executive Director.

The Related Party Transactions Control Committee is mainly responsible for the management, review and approval of related party transactions, focusing on the compliance, fairness and necessity of related party transactions and controlling the risk of related party transactions; formulating rules and management framework relating to related party transactions and submitting the same to the Board of Directors for approval; reviewing related party transactions subject to the approval of the Board of Directors and general meetings and other matters.

Convening of Meetings

During the Reporting Period, the Related Party Transactions Control Committee of the Bank held 6 meetings, the particulars of which are as follows:

Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The second meeting of the Related Party Transactions Control Committee of the seventh session of the Board	15 February 2022	Considered and approved the Resolution on the Election of Mr. SONG Ke as Chairman of the Related Party Transactions Control Committee of the seventh session of the Board	–	–	–
The third meeting of the Related Party Transactions Control Committee of the seventh session of the Board	18 March 2022	Considered and approved the Resolution on the Increase in Estimated Amount of Daily Related Party Transactions in 2021	–	–	–

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Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The fourth meeting of the Related Party Transactions Control Committee of the seventh session of the Board	28 March 2022	Considered and approved 2021 Annual Work Report of the Related Party Transactions Control Committee of the Board, the Special Report on Related Party Transactions in 2021, and Resolution on Estimated Amount of Daily Related Party Transactions in 2022	–	–	–
The fifth meeting of the Related Party Transactions Control Committee of the seventh session of the Board	28 June 2022	Considered and approved the Resolution on the Increase in Estimated Amount of Daily Related Party Transactions in 2022, Resolution on Reviewing the List of Related Parties, and Resolution on Amendment to the Measures for Related Party Transactions Management (《關聯交易管理辦法》)	–	–	–
The sixth meeting of the Related Party Transactions Control Committee of the seventh session of the Board	16 August 2022	Considered and approved the Resolution on Related Party Transactions Involved in Granting Credit to State Power Investment Corporation and the Report on Related Party Transactions in the First Half of 2022	–	–	–
The seventh meeting of the Related Party Transactions Control Committee of the seventh session of the Board	16 December 2022	Considered and approved the Resolution on the Bank's Estimated Amount of Daily Related Party Transactions in 2023	–	–	–

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Directors' Attendance at the Meetings of the Related Party Transactions Control Committee

Director	Required attendance	Actual attendance
SONG Ke	6	6
JI Hongjun	1	1
LI Yanyan	6	6
SU Xiaojun	5	5

Note: On 28 October 2022, Mr. SU Xiaojun ceased to serve as the Director of the Bank or held relevant positions in the special committees of the Board. During the Reporting Period, he should attend 5 meetings of the Related Party Transactions Control Committee of the Board. On the same day, Mr. JI Hongjun was appointed as a member of the Related Party Transactions Control Committee of the Board. During the Reporting Period, he should attend 1 meeting of the Related Party Transactions Control Committee of the Board.

5.4 Audit Committee

The Audit Committee of the Bank consists of 1 non-executive Director (Mr. LIU Bingheng) and 2 independent non-executive Directors (Ms. LI Shuk Yin Edwina and Mr. LI Xiaojian). The chairman of the Audit Committee is Ms. LI Shuk Yin Edwina, an independent non-executive Director. This is in line with Rule 3.21 of the Stock Exchange Listing Rules.

The Audit Committee is mainly responsible for reviewing the risks and compliance status, internal control management system, accounting policies, auditing basic management system, financial reporting procedures and financial position of the Bank, auditing the financial information of the Bank, making judgment on audited financial report and submitting it to the Board for consideration; making recommendations on the appointment and change of external audit firm, coordinating the communications between internal audit department and external auditors; taking charge of the Bank's annual audit and overseeing the senior management to rectify the issues raised in the audit and implement audit recommendations; reviewing, evaluating and reporting to the Board of Directors on the internal audit on a regular basis.

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Convening of Meetings

During the Reporting Period, the Audit Committee of the Bank held 4 meetings, the particulars of which are as follows:

Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The fourth meeting of the Audit Committee of the seventh session of the Board	23 March 2022	Considered and approved 2021 Annual Financial Statements (International Standards, Domestic Standards), 2021 Internal Control Audit Report, Special Description on the Occupation of Non-operating Capital and Other Related Capital in 2021, 2021 Annual Report (A Shares, H Shares), Judgment Report on Information Quality of 2021 Annual Financial Statements, 2021 Internal Control and Self-evaluation Report, 2021 Internal Audit Work Report, 2021 Internal Audit Work Quality and Self-evaluation Report and 2021 Work Report of the Audit Committee of the Board	-	-	-
The fifth meeting of the Audit Committee of the seventh session of the Board	22 April 2022	Considered and approved the Financial Statements for the Three Months Ended 31 March 2022 (Domestic Standards, International Standards), and the First Quarterly Report of 2022 (A Shares, H Shares)	-	-	-
The sixth meeting of the Audit Committee of the seventh session of the Board	23 August 2022	Considered and approved 2022 Interim Report (A Shares, H Shares)	-	-	-
The seventh meeting of the Audit Committee of the seventh session of the Board	21 October 2022	Considered and approved the Third Quarterly Report of 2022 (A Shares, H Shares)	-	-	-

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Directors' Attendance at the Meetings of the Audit Committee

Director	Required attendance	Actual attendance
LI Shuk Yin Edwina	4	4
LIU Bingheng	4	4
LI Xiaojian	4	4

5.5 Nomination Committee

The Nomination Committee of the Bank consists of 1 non-executive Director (Ms. WANG Dan) and 2 independent non-executive Directors (Mr. LI Xiaojian and Mr. SONG Ke). The chairman of the Nomination Committee is Mr. LI Xiaojian, an independent non-executive Director.

The Nomination Committee is responsible for reviewing the structure, size and composition (including skills, knowledge, experience, diversity and independence) of the Board and the management every year, and advising the Board on proposed changes to the Board based on the strategy of the Bank; developing the criteria and procedures for selecting Directors and senior management personnel, and formulating or revising the Board diversity policy; searching for qualified candidates for Directors and submitting nominations to the Board; assessing the independence of independent non-executive Directors; conducting preliminary review of the qualifications of candidates for Directors and senior management personnel, and making recommendations to the Board; and widely searching for qualified candidates for Directors and senior management.

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Convening of Meetings

During the Reporting Period, the Nomination Committee of the Bank held 4 meetings, the particulars of which are as follows:

Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The third meeting of the Nomination Committee of the seventh session of the Board	14 April 2022	Considered and approved the 2021 Work Report of the Nomination Committee of the Board	-	-	-
The fourth meeting of the Nomination Committee of the seventh session of the Board	17 May 2022	Considered and approved the Resolution on the Nomination of SUN Runhua as the Bank's Vice President	-	-	-
The fifth meeting of the Nomination Committee of the seventh session of the Board	5 September 2022	Considered and approved the Resolution on the Creation of a New Role of Director of Technological Innovation Finance and the Nomination of Chen Tongsheng for the Role	-	-	-
The sixth meeting of the Nomination Committee of the seventh session of the Board	11 October 2022	Considered and approved the Resolution on the Nomination of Mr. LUO Jing as a Candidate for Director	-	-	-

Directors' Attendance at the Meetings of the Nomination Committee

Director	Required attendance	Actual attendance
LI Xiaojian	4	4
WANG Dan	4	4
SONG Ke	4	4

Nomination Policy and Procedures for Selection of Directors

In order to ensure a balance of skills, experience and diversity of perspectives in the Board of Directors appropriate to the Bank's business, the Nomination Committee of the Board of Directors recommends nominations of Directors to the Board of Directors in accordance with the principles of the Board diversity policy and the Bank's nomination policy. The main criteria and principles of the Bank's nomination policy include: (1) reviewing the structure, size and composition (including skills, knowledge, experience and diversity) of the Board of Directors and the management every year according to the operations and management situation, asset scale and equity structure of the Bank, and providing suggestions to the Board in relation to possible changes of the Board

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of Directors based on the strategy of the Bank; (2) formulating the criteria and procedures for selecting Directors and members of senior management, and providing suggestions to the Board; formulating or revising the Board diversity policy and developing the diversity of the Board of Directors in the process of personnel selection, taking into account, among other things, gender, age, culture, perspective, educational background and professional experience; (3) searching for qualified candidates for Directors and proposing nominations to the Board of Directors after due consideration of the Board diversity policy of the Bank, the requirements for being a Director of the Bank under the Articles of Association of the Bank, the Stock Exchange Listing Rules and applicable laws and regulations, as well as the contributions that relevant candidates can make to the Board of Directors in terms of qualifications, skills, experience, independence and gender diversity; (4) assessing the independence of independent non-executive Directors according to the factors set out in Rule 3.13 of the Stock Exchange Listing Rules and any other factors as may be considered appropriate by the Nomination Committee or the Board of Directors; where a proposed independent non-executive Director is proposed to serve as a director of five (or more) listed companies, whether he/she can devote enough time to the Board of Directors will be assessed.

The main procedures for selection of Directors of the Bank are as follows: (1) The general office of the Board and the Nomination Committee of the Board of Directors actively communicate with relevant departments of the Bank to study the Bank's demand for appointment and re-election of Directors and senior management personnel and prepare relevant written documents; (2) the Nomination Committee of the Board of Directors may extensively search for candidates for Directors and senior management personnel within the Bank and its controlled (associate) companies and talent market; (3) the Nomination Committee of the Board of Directors, after due consideration of relevant requirements, including but not limited to the nomination policy and the Board diversity policy, identifies persons who are eligible to become Board members, and assess the independence of independent non-executive Directors as appropriate; the Nomination Committee of the Board of Directors collects and understands information on the candidates including their occupations, educational background, professional titles, detailed working experience, and full-time and part-time job experience, and formulates relevant written materials; (4) the Nomination Committee solicits the nominees' written consent to their nominations, otherwise they may not be put on the list of candidates for Directors, general manager and other senior management personnel; (5) the Nomination Committee convenes meetings to review the qualifications of proposed candidates according to the job qualifications required for Directors, general manager and other senior management personnel; (6) the Nomination Committee makes recommendations and submit relevant materials to the Board of Directors on candidates for Directors and senior management personnel within a reasonable time prior to the election and re-election of Directors and appointment of senior management personnel; and (7) the Nomination Committee follows up other matters according to the decisions and feedback of the Board of Directors.

The Directors (including non-executive Directors) of the Bank shall hold office for a term of three years, upon expiration of which, they may offer themselves for re-election.

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5.6 Remuneration and Assessment Committee

The Remuneration and Assessment Committee of the Bank consists of 1 non-executive Director (Mr. WANG Shihao) and 2 independent non-executive Directors (Ms. LI Yanyan and Ms. LI Shuk Yin Edwina). The chairman of the Remuneration and Assessment Committee is Ms. Li Yanyan, an independent non-executive Director.

The Remuneration and Assessment Committee is mainly responsible for reviewing the remuneration management system and policies of the Bank, studying the criteria for appraising Directors and senior management personnel, and conducting the appraisal and making proposals; making proposals to the Board in respect of the remuneration policies and structures for Directors and senior management of the Bank and the formulated remuneration policies with a view to establishing a set of formal and transparent procedures, supervising and modifying the implementation of the Bank's remuneration policies; making recommendations to the Board on the remuneration packages of individual executive Directors and senior management; reviewing the duties performed by Directors (including executive Directors) and senior management and conducting annual performance appraisal on them; reviewing and approving any share scheme (if any) of the Bank under the Stock Exchange Listing Rules.

Convening of Meetings

During the Reporting Period, the Remuneration and Assessment Committee of the Bank held 1 meeting, the particulars of which are as follows:

Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The third meeting of the Remuneration and Assessment Committee of the seventh session of the Board	14 April 2022	Considered and approved 2021 Work Report of the Remuneration and Assessment Committee of the Board, Resolution on 2021 Performance Appraisal Results on Executive Directors and Senior Management Personnel and Resolution on 2022 Performance Appraisal Results on Executive Directors and Senior Management Personnel	-	-	-

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Directors' Attendance at the Meetings of the Remuneration and Assessment Committee

Director	Required attendance	Actual attendance
LI Yanyan	1	1
WANG Shihao	1	1
LI Shuk Yin Edwina	1	1

5.7 Consumer Rights Protection Committee

As at the Latest Practicable Date, the Consumer Rights Protection Committee of the Bank consists of 1 executive Director (Mr. XIA Hua) and 2 non-executive Directors (Mr. JI Hongjun and Mr. WANG Shihao). The chairman of Consumer Rights Protection Committee is Mr. WANG Shihao, a non-executive Director.

The Consumer Rights Protection Committee is mainly responsible for formulating the Bank's development goals, strategies and plans for the protection of consumer rights, deploying and coordinating for the protection of consumer rights and conducting research on major issues concerning consumer rights protection, regularly communicating with the senior management and heads of departments about consumer rights protection of the Bank and giving comments and suggestions, supervising and inspecting the implementation of the annual work plan, and other matters under the authority granted by the Board of Directors.

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Convening of Meetings

During the Reporting Period, the Consumer Rights Protection Committee of the Bank held 3 meetings, the particulars of which are as follows:

Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The third meeting of the Consumer Rights Protection Committee of the seventh session of the Board	21 March 2022	Considered and approved 2021 Self-evaluation Report on the Protection of Consumer Rights and Interests, 2021 Complaint Analysis Report, 2022 Plan for Publicity and Education of Financial Knowledge, 2021 Work Report of the Consumer Rights Protection Committee, Consumer Rights Protection 2021 Work Summary and 2022 Work Plan	-	-	-
The fourth meeting of the Consumer Rights Protection Committee of the seventh session of the Board	20 September 2022	Considered and approved the Election of Chairman of the Consumer Rights Protection Committee of the Seventh Session of the Board, the Implementation Rules for the Responsibility System for Letters and Visits, Certain Issues on Consumer Protection Regulation and Evaluation in 2021 and 2022 Consumer Protection Work Report	-	-	-
The fifth meeting of the Consumer Rights Protection Committee of the seventh session of the Board	18 October 2022	Considered and approved Report on the Regulation, Evaluation and Rectification of Consumer Rights Protection in 2021	-	-	-

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Directors' Attendance at the Meetings of the Consumer Rights Protection Committee

Director	Required attendance	Actual attendance
WANG Shihao	2	2
XIA Hua	3	3
JI Hongjun	–	–
WANG Tianyu	3	3
SHEN Xueqing	1	1

Notes:

- On 13 September 2022, Mr. SHEN Xueqing ceased to serve as the Director of the Bank or held relevant positions in the special committees of the Board. During the Reporting Period, he should attend 1 meeting of the Consumer Rights Protection Committee of the Board. On 13 September 2023, Mr. WANG Shihao was appointed as a member of the Consumer Rights Protection Committee of the Board. On 28 October 2022, he was appointed as the chairman of the Consumer Rights Protection Committee of the Board. During the Reporting Period, he should attend 2 meetings.
- On 21 March 2023, Mr. WANG Tianyu ceased to hold the positions as a Director and a member of the Board committees of the Bank. During the Reporting Period, he should attend three meetings of the Consumer Rights Protection Committee of the Board. On the same day, Mr. JI Hongjun was appointed as a member of the Consumer Rights Protection Committee of the Board.

6 CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for establishing sound corporate governance practices and procedures of the Bank. During the Reporting Period, the Board performed the following duties within its terms of reference: formulating and reviewing the Bank's corporate governance policies and practices; reviewing and monitoring the training and continuous professional development of Directors, Supervisors and senior management; reviewing and monitoring the Bank's policies and practices in respect of compliance with laws and regulatory requirements; formulating, reviewing and monitoring the codes of conduct for Directors, Supervisors and employees; and reviewing compliance with the Corporate Governance Code and the disclosure in the Corporate Governance Report.

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7 BOARD OF SUPERVISORS

7.1 Responsibilities of the Board of Supervisors

The Board of Supervisors, as the supervisory body of the Bank, aims to protect the legitimate rights of the Bank, Shareholders, staff, depositors and other stakeholders. It is accountable to the general meeting. The duties of the Board of Supervisors include: to review the Bank's financial reports prepared by the Board of Directors and express comments thereon in writing; to supervise the performance and due diligence of the Board of Directors, senior management and its members; to question the Directors, the Board of Directors and senior management; to conduct exit audits towards the Directors and senior management personnel, if necessary; to require the Directors and senior management personnel to rectify their acts which are detrimental to the interests of the Bank; to examine and supervise the Bank's financial activities; to supervise and audit the business decision making, risk management and internal control of the Bank, if necessary; to propose dismissal or initiate legal proceedings against the Directors and senior management personnel who violate laws, administrative regulations, the Articles of Association or resolutions of the general meeting; to propose the convening of extraordinary general meetings and extraordinary Board meetings, convene and preside over the general meeting in the event that the Board of Directors has failed to undertake its duty as stipulated by the Company Law to convene and preside over the general meeting, and propose resolutions to a general meeting; to verify financial information such as financial reports, business reports and profit distribution plans to be proposed at the general meeting by the Board of Directors; to make arrangements for remuneration (or allowance) for the Supervisors; and to exercise other powers and rights conferred by applicable laws, administrative regulations, departmental rules, regulatory documents and the Articles of Association or those granted by the general meeting.

The Board of Supervisors has established an office as its administrative body, responsible for the preparation of meetings of the Board of Supervisors and its special committees and routine affairs.

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7.2 Operating Model of the Board of Supervisors

This includes convening regular meetings of the Board of Supervisors, attending general meetings, attending the Board meetings and certain meetings of its special committees, attending the relevant meetings of the senior management, reviewing various documents and materials from the senior management, receiving the work report and project report of the senior management, evaluating the annual performance of Directors and the senior management, facilitating communications among the Directors and the senior management, conducting exit audits of the executive Directors and the senior management as required, conducting investigation and research on branch institutions, carrying out a variety of special investigations, etc. Through the above work, the Board of Supervisors monitors and evaluates the Bank's operation and management, risk management and internal control, as well as the performance of duties of Directors and the senior management personnel. During the Reporting Period, the Board of Supervisors performed its duties diligently, supervised the legal compliance of performance of duties by Directors and the senior management. They also performed exits audit on the executive Directors and the senior management personnel as required. They reviewed and supervised the financial activities, risk management and internal control of the Bank, and investigated any abnormal operating activities. During the Reporting Period, the Board of Supervisors supervised the 2021 annual performance of the board of directors of the Bank, Directors, the senior management and its members and Supervisors, and gave feedback to the Board of Directors and the senior management.

7.3 Members of the Board of Supervisors

As at the Latest Practicable Date, the Board of Supervisors consisted of a total of 5 Supervisors, including 2 employee representative Supervisors: Mr. LI Huaibin (李懷斌) and Ms. CHEN Xinxiu (陳新秀); 1 Shareholder representative Supervisor: Mr. ZHU Zhihui (朱志暉); and 2 external Supervisors: Mr. MA Baojun (馬寶軍) and Mr. XU Changsheng (徐長生). The composition of the Board of Supervisors is reasonable, and is sufficiently professional and independent to ensure the effective performance of its supervisory role.

For details of the Supervisors and changes of Supervisors, please refer to the chapter headed "Directors, Supervisors, Senior Management, Staff and Institutions" of this Report.

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7.4 Particulars of Meetings of the Board of Supervisors and Supervisor's Attendance

Convening of Meetings

During the Reporting Period, the Bank held a total of 4 Board of Supervisors meetings to consider and approved 21 major resolutions including the Annual Work Report of the Board of Supervisors, the Annual Work Report of the Special Committees of the Board of Supervisors, the Profit Distribution Proposal, Distribution of Offshore Preference Shares Dividends and other matters.

Number and session of meeting	Date of convening	Date of disclosure	Resolutions of the meeting
The fourth meeting of the seventh session of the Board of Supervisors	30 March 2022	31 March 2022	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank
The fifth meeting of the seventh session of the Board of Supervisors	28 April 2022	29 April 2022	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank
The sixth meeting of the seventh session of the Board of Supervisors	30 August 2022	31 August 2022	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank
The seventh meeting of the seventh session of the Board of Supervisors	28 October 2022	31 October 2022	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank

Attendance at the General Meetings

During the Reporting Period, all Supervisors attended the 2021 annual general meeting of the Bank and supervised the legal compliance of the procedures of meetings and the voting process on-site.

Attendance at the Meetings of the Board of Supervisors

Supervisor		Required attendance	Attendance in person	Attendance by proxy
Employee Supervisors	LI Huaibin	4	4	—
	CHEN Xinxiu	4	4	—
	ZHAO Lijuan	4	4	—
Shareholder Supervisor	ZHU Zhihui	4	4	—
External Supervisors	MA Baojun	4	4	—
	XU Changsheng	4	4	—

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Attendance at the Meetings of the Board and the Senior Management

During the Reporting Period, the Board of Supervisors sent representatives to attend on-site meetings of the Board of Directors and supervised legal compliance of the meetings and procedures of voting as well as the attendance, speech and voting of Directors. The Board of Supervisors also sent representatives to attend the relevant meetings of the senior management and supervised the execution of resolutions of the Board of Directors by the senior management and the business conducted by the senior management according to the Articles of Association and the approval by the Board of Directors.

7.5 Special Committees of the Board of Supervisors

Special Committees of the Board of Supervisors	Chairman	Members
Nomination Committee	MA Baojun	ZHU Zhihui, CHEN Xinxiu
Supervision Committee	XU Changsheng	ZHU Zhihui, LI Huaibin

The Nomination Committee of the Board of Supervisors

Primary duties of the Nomination Committee of the Board of Supervisors include: formulating the selection procedures and standards of Supervisors, preliminarily reviewing the qualifications of candidates for supervisors and making recommendations to the Board of Supervisors; supervising the process of election and appointment of Directors; conducting overall assessment on the performance of duties by the Directors, Supervisors and senior management personnel and submitting reports to the Board of Supervisors; supervising whether the remuneration management system and policies of the Bank and the remuneration proposal for its senior management members are scientific and reasonable; and any other matters under the authority granted by the Board of Supervisors.

During the Reporting Period, the Nomination Committee of the Board of Supervisors held a total of 3 meetings to consider and approve a number of resolutions including 2021 Work Report of the Nomination Committee of the Board of Supervisors, the Board of Supervisors' 2021 Assessment Report on the Duties Performed by the Board and Its Members, Board of Supervisors and Its Members and Senior Management and Its Members.

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Supervision Committee of the Board of Supervisors

The primary duties of the Supervision Committee of the Board of Supervisors are formulating plans for supervision of financial activities of the Bank and implementing relevant inspections; supervising the Board of Directors to establish and adhere to prudent business philosophy and value standards and formulating development strategies that align with the actual situations of the Bank; monitoring and reviewing the business decision making, risk management and internal control of the Bank; and any other matters under the authority granted by the Board of Supervisors. The Supervision Committee of the Board of Supervisors may conduct investigation on special affairs of the Bank, and the results of the investigation will be reported to both the Board of Supervisors and the Board of Directors.

During the Reporting Period, the Supervision Committee of the Board of Supervisors held a total of 1 meeting, considered and approved a number of resolutions including 2021 Work Report of the Supervision Committee of the Board of Supervisors, and 2021 Annual Report and Its Summary of the Bank.

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8 MANAGEMENT

8.1 Duties and Powers

The management, as the executive body of the Bank, is responsible to the Board of Directors and subject to the supervision of the Board of Supervisors. The division of authority and powers between the management and the Board is determined in accordance with the Articles of Association and other corporate governance documents.

The Bank has 1 president and several vice presidents and assistants to the president, all of them are appointed or removed by the Board. The president is responsible to the Board. Approved and delegated by the Board of Directors, the president of the Bank exercises the following powers and rights: to take charge of the operations management of the Bank, arrange the implementation of the resolutions of the meetings of the Board of Directors and report the work to the Board of Directors; to submit annual business plans and investment proposals to the Board of Directors and arrange the implementation upon approval by the Board of Directors; to draft proposals on the establishment of the internal management departments and basic management systems of the Bank; to formulate specific regulations of the Bank; to propose to the Board of Directors to appoint or dismiss the vice presidents, assistants to the President, financial officers and other senior management personnel; to decide to appoint or dismiss persons in charge of the internal departments and branches of the Bank other than those to be appointed or dismissed by the Board of Directors, and determine their salaries, benefits, reward and punishment according to the remuneration reward and punishment scheme set up by the Board of Directors; to approve senior management members and persons in charge of internal departments and branches to conduct operational activities; to decide on the appointment and dismissal of the Bank's staff, and on matters relating to wages, benefits, reward and punishment; to adopt emergency measures when any material emergency occurs in the Bank and report them to the banking regulatory and administrative authorities under the State Council, the Board of Directors and the Board of Supervisors immediately; and to exercise other powers and rights conferred by applicable laws, administrative regulations, departmental rules, regulatory documents, regulations of the relevant regulatory authorities and the Articles of Association as well as those granted by the Board of Directors.

8.2 Appraisal and Incentives

The Board of Directors determines the remuneration of senior management personnel of the Bank, deliberates and approves the remuneration packages for senior management personnel, and approves the Remuneration and Assessment Committee of the Board to formulate remuneration packages for senior management personnel and carry out performance appraisal for final determination of remuneration. The Bank determines the total annual remuneration of each senior management member based on the annual appraisal results on senior management in accordance with the relevant provisions of the Measures for Compensation and Performance Management of Senior Management Personnel.

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9 JOINT COMPANY SECRETARIES AND AUTHORIZED REPRESENTATIVES

On 28 February 2022, due to job reallocation, Ms. LEUNG Wing Han Sharon resigned 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. 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 Hua is assisted by Dr. NGAI Wai Fung and the Bank does 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. As such, both Mr. XIA Hua and Dr. NGAI Wai Fung are the joint company secretaries of the Bank. Dr. NGAI Wai Fung's primary contact person at the Bank is Mr. XIA Hua, another joint company secretary. Both Mr. XIA Hua and Dr. NGAI Wai Fung had received not less than 15 hours of relevant professional training during the Reporting Period in accordance with Rule 3.29 of the Stock Exchange Listing Rules.

On 21 March 2023, Mr. WANG Tianyu ceased to be the authorized representative of the Bank under Rule 3.05 of the Stock Exchange Listing Rules. Upon consideration and approval at the 2023 first extraordinary meeting of the seventh session of the Board of the Bank, Dr. NGAI Wai Fung was appointed as the authorized representative of the Bank and ceased to be an alternate to authorized representative. For details, please refer to the announcement dated 22 March 2023 published by the Bank on the websites of CNINFO and the Hong Kong Stock Exchange.

10 SHAREHOLDERS' RIGHTS

10.1 Convening of General Meetings

Pursuant to the Articles of Association and the Rules of Procedure of General Meetings, an extraordinary general meeting should be convened within two months upon request in writing by Shareholders holding individually or collectively 10% (inclusive) or more of the voting shares of the Bank (the **"Requesting Shareholders"**).

General meetings should be convened by the Board. If the Board of Directors is unable to or unwilling to undertake its duties in convening a general meeting and the Board of Supervisors does not convene a general meeting, Shareholders individually or collectively holding more than 10% (inclusive) of the Bank's total voting Shares for more than 90 consecutive days (the **"Convening Shareholders"**) may convene and preside over the meeting on a unilateral basis.

Any proposal to the Board of Directors for the convening of a general meeting should be made in writing. The Board of Directors should, in accordance with the laws, administrative regulations and the Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of the meeting within 10 days after receiving such proposal.

In the event that the Board of Directors agrees to convene relevant meetings, the notice of relevant meetings should be issued within 5 days after the passing of the relevant resolution at the meeting of the Board of Directors. Any changes to the original proposal made in the notice require prior approval of the Shareholders concerned.

If the Board of Directors does not agree to convene such meetings or does not furnish any reply within 10 days after receiving such proposal, Requesting Shareholders have the right to propose to the Board of Supervisors for the convening of such meetings, provided that such proposal is made in writing.

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In the event that the Board of Supervisors agrees to convene relevant meetings, the notice of relevant meetings should be issued within 5 days after receiving such request. Any changes to the original proposal made in the notice require prior approval of the Shareholders concerned.

Failure of the Board of Supervisors to issue the notice of meeting within the required period is deemed a failure of the Board of Supervisors to convene and preside over it, and Convening Shareholders may convene and preside over the meeting on a unilateral basis.

10.2 Putting Forward Proposals at General Meetings

Shareholders individually or collectively holding 3% (inclusive) or more of the total outstanding voting shares (the **"Proposing Shareholders"**) have the right to put forward proposals in writing to the Bank. The Proposing Shareholders may submit provisional proposals in writing to the convener 10 days before the general meeting is convened. The convener should issue a supplementary notice of the general meeting within 2 days after receiving the provisional proposals.

10.3 Convening of Extraordinary Board Meeting

The chairman of the Board should convene and preside over an extraordinary board meeting within 10 days upon receipt of the proposal from Shareholders representing more than one tenth (inclusive) voting rights.

10.4 Making Inquiries to the Board

Shareholders are entitled to supervise the business activities of the Bank and make recommendations or inquiries.

Shareholders are entitled to access relevant information in accordance with the laws, administrative regulations, departmental rules, regulatory documents, relevant regulations of the securities regulatory authorities of the places where the Shares of the Bank are listed, and the Articles of Association, including:

1. obtaining a copy of the Articles of Association upon payment of the costs thereof;
2. inspecting, free of charge, and photocopying, after paying a reasonable fee, the following documents:
 - (1) all parts of the register of Shareholders;
 - (2) personal information of Directors, Supervisors, the president and other senior management personnel of the Bank;
 - (3) the Bank's share capital;
 - (4) a report showing the total nominal value, quantity, highest and lowest prices of each class of Shares repurchased by the Bank since the previous fiscal year and all costs paid by the Bank in this regard;

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- (5) minutes of general meetings;
- (6) special resolutions of the Bank;
- (7) the latest audited financial statements, and reports of the Board of Directors, auditors and the Board of Supervisors; and
- (8) a copy of the latest annual return filed with the PRC company register department or other competent authorities.

A Shareholder who requests to inspect any such information or obtain relevant data should provide written documentation to the Bank certifying the class and number of Shares held by him/her in the Bank. After verifying the identity of the Shareholder, the Bank should provide the Shareholder with the relevant information as requested.

11 COMMUNICATION WITH SHAREHOLDERS

Investor Relations

The Bank's Measures on Investor Relations Management aims to further standardize and strengthen the effective communication between the Bank and both existing and potential investors, enhance investors' understanding and recognition of the Bank, and standardize the Bank's investor relations management. Thus, we are able to refine our governance, enhance our investment value, and effectively protect the legitimate rights and interests of investors, especially minority investors. The Bank attaches importance to communication with Shareholders, actively responds to Shareholders' advice and recommendations, arranges special personnel to answer calls from investors and timely responds to questions raised by investors through the EasyIR platform. Meanwhile, the Bank communicates with investors and responds to investors' concerns through various channels including general meetings and results presentation conferences. Therefore, upon annual review, the management is of the view that the Measures on Investor Relations Management of the Bank can be effectively implemented.

For enquiries to the Board, convening a general meeting or submitting a resolution to the general meeting according to the preceding paragraph or expressing opinions on matters affecting the Bank, investors may contact:

The general office of Board of Directors of Bank of Zhengzhou Co., Ltd.

Address: 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan, PRC

Tel: +86-371-67009199 Fax: +86-371-67009898

Email: ir@zzbank.cn

Information Disclosure

The Board of Directors and senior management of the Bank place great importance on information disclosure. They rely on good corporate governance and sound internal control to ensure that investors have access to information in a timely and accurate manner.

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In accordance with the Administrative Measures for Information Disclosure of Listed Companies 《上市公司信息披露管理办法》, the Measures for Information Disclosure of Commercial Banks 《商業銀行信息披露辦法》, the SZSE Listing Rules and the Stock Exchange Listing Rules, the Bank performs its information disclosure obligation in accordance with the law and ensures the truthfulness, accuracy and completeness of the information disclosed. During the Reporting Period, the Bank published periodic reports and interim announcements on the websites of Hong Kong Stock Exchange, CNINFO (cninfo.com.cn) (巨潮資訊網), China Securities Journal 《中國證券報》, Shanghai Securities News 《上海證券報》, Securities Times 《證券時報》 and Securities Daily 《證券日報》 timely. Meanwhile, the full texts of the Bank's periodic reports and temporary announcements are available on the website of the Bank, and the annual reports and interim reports are available for inspection by investors and stakeholders in the general office of the Board of Directors and main outlets of the Bank.

12 FINANCIAL, BUSINESS AND FAMILY RELATIONSHIP AMONG DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT PERSONNEL

The Directors, Supervisors and senior management personnel (including the chairman and the president) of the Bank do not have any relationship, including financial, business, family and other material relationships.

13 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 to the Stock Exchange Listing Rules as the code governing securities transactions by Directors and Supervisors and relevant employees. After having made specific enquiries to all Directors and Supervisors, all Directors and Supervisors confirmed that they had complied with the above code during the Reporting Period.

The Bank is not aware of any Director, Supervisor and senior management personnel violating the restrictive share trading requirements under regulatory documents, including the Self-regulatory Guidelines for the Companies Listed on the Shenzhen Stock Exchange No. 1 – Standardized Operation of the Companies Listed on the Main Board, during the Reporting Period.

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14 TRAINING AND RESEARCH OF DIRECTORS AND SUPERVISORS DURING THE REPORTING PERIOD

Training and Research of Directors

All Directors of the Bank are able to undertake their responsibilities, perform their duties, study relevant regulations and books in respect of the regulated operation, information disclosure, and investor relations of listed companies, and learn the latest regulatory policies and related systems, so as to improve compliance awareness and ability to perform duties. During the Reporting Period, all Directors of the Bank participated in training organized by the Henan Association for Public Companies on risk warning under the new delisting regulations, on work guidelines on investor relations management for listed companies and on norms and requirements for directors of listed companies to perform their duties and responsibilities, as well as training organized by the China Association for Public Companies on the norms for directors, supervisors and senior management of listed companies to perform their duties and on compliant transactions. Mr. XIA Hua, an executive Director, also participated in the thematic training for directors and supervisors organized by the Hong Kong Chartered Governance Institute, while Ms. LI Shuk Yin Edwina, an independent non-executive Director, participated in the training on regulatory updates organized by another company in which she served, as well as forums and seminars on financial reporting, directors' performance of duties, cyber security, and other matters organized by an accounting firm.

Training and Research of Supervisors

Each Supervisor of the Bank studied in depth the regulatory policies at home and abroad and the responsibilities and obligations of directors, supervisors, and senior management personnel to improve their overall quality and ability to perform their duties. During the Reporting Period, all Supervisors of the Bank received trainings on risk warnings under new delisting rules and guidelines for managing investor relations of listed companies organized by Henan Association for Public Companies, as well as trainings on standards for performance of duties and compliance trading of directors, supervisors and senior management of listed companies organized by China Association for Public Companies. Some Supervisors visited the affiliated institutions and branches to conduct researches, so as to deeply understand the operation and management status and development trend of the Bank.

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15 EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

Pursuant to the provisions on the rotation of accounting firms of state-owned financial enterprises set out in the Administration Measures for the Appointment of Accounting Firms by State-owned Financial Enterprises (Caijin [2020] No. 6) issued by the Ministry of Finance, KPMG Huazhen LLP and KPMG, the former accounting firms of the Bank, have resigned. As considered and approved at the 2021 AGM held on 10 June 2022, the Bank appointed Ernst & Young Hua Ming LLP and Ernst & Young as its domestic and overseas auditors, respectively, for a term until the 2022 annual general meeting of the Bank. In 2022, the certified public accountants who signed the auditor's report of the financial statements, which was prepared in accordance with the Accounting Standards for Business Enterprises of the PRC by the Bank, were Mr. CHEN Sheng and Ms. CHEN Lijing; the certified public accountant who signed the auditor's report of the financial statements, which was prepared in accordance with the IFRS by the Bank, was Andy Ng. This was the first year Ernst & Young Hua Ming LLP and Ernst & Young provided audit services for the Bank.

During the Reporting Period, the Bank paid a total of RMB4.59 million as remuneration to Ernst & Young Hua Ming LLP and Ernst & Young for their review of the Bank's interim financial statements and audit of the Bank's annual financial statements, and paid internal control audit fees for 2022 of RMB0.5 million to Ernst & Young Hua Ming LLP. Ernst & Young Hua Ming LLP's and Ernst & Young's responsibility statements on the financial reports were set out in the auditor's reports of the A Share and H Share annual reports, respectively. The Board and the Audit Committee of the Board agreed on the selection and appointment of the external auditors of the Bank without any disagreement.

16 RISK MANAGEMENT AND INTERNAL CONTROL

16.1 Procedures for Identification, Assessment and Management of Material Risks

In order to handle major emergencies in the Bank in a timely and proper manner, effectively prevent and resolve risks, and maintain financial order and social stability, the Bank continuously enhanced its risk management system, strengthened its risk management policies and system construction, and improved the operational mechanisms of the risk management committee of the Board and the risk management committee of the senior management to play their roles in the decision-making on major risks and internal control matters, while improving the comprehensive assessment system on risk management of the branches. The Bank has formulated the Administrative Measure for the Reporting of Major Emergencies 《重大突發事件報告管理辦法》, which provide that major emergencies should be classified by nature and business type and be reported, filed and managed by different departments accordingly in a timely, accurate, true and comprehensive manner.

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16.2 Risk Management Responsibility of the Board

The Board of Directors is well aware of its responsibility for implementing risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable but not absolute guarantee against material misstatements or losses. In accordance with relevant laws and regulations including the Comprehensive Risk Management Guidelines for Financial Institutions in the Banking Industry 《銀行業金融機構全面風險管理指引》, the Guidelines for Internal Control of Commercial Banks 《商業銀行內部控制指引》, and code provisions D.2.1 and D.2.2 set out in Part 2 of the Corporate Governance Code, the Board has formulated the Basic Rules for Comprehensive Risk Management, the Measures for Risk Appetite Management, the Measures for Management of Risk Limits, and has established and implemented risk management and internal control systems. The Board is also responsible for timely reviewing the effectiveness of such measures and systems, reviewing risk control principles, objectives and policies of the Bank, determining the acceptable risk exposure, ensuring that the senior management takes necessary risk control measures, and supervising the senior management's monitoring and assessment of the adequacy and effectiveness of the risk management and internal control systems. The Bank reviews the effectiveness of the risk management and internal control systems of the Bank and its subsidiaries at least once a year. During the Reporting Period, the Bank has reviewed (i) risk management and internal control systems, which covered all material controls, including financial, operational and compliance controls; and (ii) the adequacy of resources, staff qualifications and experience, training programmes and budget of the Bank's accounting, internal audit, financial reporting functions, as well as those relating to the Bank's ESG performance and reporting. In its annual review, the Board has considered: (i) the changes in the nature and extent of significant risks (including ESG risks) since the last annual review, and the Bank's ability to respond to changes in its business and the external environment; (ii) the scope and quality of management's ongoing monitoring of risks (including ESG risks) and of the internal control systems, and the work of its internal audit function and other assurance providers; (iii) the extent and frequency of communication of monitoring results to the Board which enables it to assess control of the Bank and the effectiveness of risk management; (iv) significant control failings or weaknesses that have been identified during the Reporting Period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Bank's financial performance or condition; and (v) the effectiveness of the Bank's processes for financial reporting and compliance with the Stock Exchange Listing Rules. Besides, the Bank also revised the Risk Preference Management Measures, the Risk Quota Management Measures and the Working Rules for the Senior Management of the Risk Management Committee, further enhanced the risk governance structure and institutional responsibilities, and specified the tolerance threshold, transmission mechanism and reporting path of risk preference. During the Reporting Period, regular reports on risk management and internal control have been continuously reviewed, and the Risk Management Committee has reported major issues to the Board in a timely manner. Through real-time communication and handling during the year, the Board believes that (i) the risk management and internal control systems developed and implemented by the Bank were adequate and effective; and (ii) the resources, staff qualifications and experience, training programmes and budget of the Bank's accounting, internal audit, financial reporting functions, as well as those relating to the Bank's ESG performance and reporting were adequate and sufficient.

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16.3 Characteristics of the Risk Management System

The Bank has continuously established comprehensive risk management systems, improved comprehensive risk management policies and procedures, ensured the implementation of policies, conducted self-assessment of comprehensive risk management systems, and enhanced self-discipline mechanisms. We combine qualitative and quantitative methods to identify, measure, evaluate, monitor, report, control or mitigate various risks including but not limited to credit risk, market risk, liquidity risk, operational risk, reputation risk, information technology risk and major ESG-related risk, while carefully evaluating the interrelated impact between various risks. The Bank's risk management system comprises the following elements: risk management framework, risk appetite and risk limits, risk management policies and procedures, management information system, internal control and audit systems, etc.

16.4 Development and Implementation of Internal Control

During the Reporting Period, the Bank focused on improving the effectiveness of internal control and took various measures to strengthen the daily management of internal control and compliance, improve the control in key areas and build up internal control and compliance culture in an ongoing manner. Firstly, the Bank strengthened the system sorting and modification, process sorting and optimization, and risk identification and evaluation to strengthen legal audit and compliance review and to facilitate the internalization of laws, regulations, regulatory policies and other external regulations. Secondly, the Bank continued to carry out contract text sorting to enhance the ability to control legal and compliance risks at source. Thirdly, it formulated annual compliance risk, case prevention and control and compliance inspection plans and facilitated their implementation, completed annual delegation of authority, and coordinated internal control and compliance at all levels. Fourthly, it constantly improved the internal control compliance and operational risk management system, optimized the monitoring of authorized operation, and strengthened the technology-enabled internal control and compliance. Fifthly, it carried out a series of activities for the cultivation of compliance culture, raised the awareness of internal control and compliance among all staff, organized the signing of various responsibility letters and undertaking letters, carried out speech activity themed "Compliance in my heart" and a month-long promotion themed "Compliance is around me", and conducted legal, compliance and case prevention training by business line and level.

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16.5 Internal Control Assessment

Assessment of effectiveness

16.5.1 Particulars of Major Internal Control Defects Discovered During the Reporting Period

During the Reporting Period, the Bank found no major defects on internal control.

16.5.2 Self-assessment Report on Internal Control

Date of full-text disclosure of internal control assessment report	31 March 2023
Websites for full-text disclosure of internal control assessment report	CNINFO (www.cninfo.com.cn) Website of the Bank (www.zzbk.cn)
The proportion of the total assets of entities covered by the assessment in the total assets in the consolidated financial statements of the Bank	
	100.00%
The proportion of the operating income of entities covered by the assessment in the operating income in the consolidated financial statements of the Bank	
	100.00%

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Defect recognition criteria

Category	Financial reports	Non-financial reports
Qualitative criteria	Qualitative criteria for identifying a material weakness: a deficiency, or a combination of deficiencies, in internal control of financial reporting, such that there is a reasonable possibility that a material misstatement of financial statements will not be prevented or detected and corrected on a timely basis. Signs of material weaknesses include but are not limited to: directors, supervisors or senior management personnel commit fraud or other malpractice; there are material misstatements in the published financial statements; material or significant weaknesses in internal control of financial reporting have not been rectified; the supervision over internal control of financial reporting is ineffective.	Qualitative criteria for identifying a material weakness: a deficiency or a combination of deficiencies that has a material negative impact on legal compliance, asset safety, improvement of operating efficiency and effectiveness, achievement of development strategies and other internal control objectives. Signs of material weaknesses include but are not limited to: material decision-making mistakes; serious violations of national laws and regulations and consequent severe penalties; frequent and extensive negative news in the media; overall ineffective control systems for important business activities.
	Qualitative criteria for identifying a significant weakness: a deficiency, or a combination of deficiencies, in internal control of financial reporting, such that there is a reasonable possibility that a misstatement of financial statements, which is not material but important enough to merit attention by the Board of Directors and the management, will not be prevented or detected and corrected on a timely basis. Signs of important weaknesses include but are not limited to: failure to select and apply accounting policies in accordance with generally accepted accounting standards, no anti-fraud procedures and control measures have been established; for the accounting treatment of unconventional or special transactions, the corresponding control mechanisms have yet to be established or implemented and there is a lack of remedial control measures; there are one or more deficiencies in the control of the financial reporting process at the end of each reporting period and there is no reasonable assurance that financial statements will be prepared in a true and complete manner.	Qualitative criteria for identifying a significant weakness: a deficiency or a combination of deficiencies that has a significant negative impact on legal compliance, asset safety, improvement of operating efficiency and effectiveness, achievement of development strategies and other internal control objectives. Signs of important weaknesses include but are not limited to: significant decision-making mistakes; serious losses arising from violation of internal rules and regulations; negative news in the media with limited impact; significant mistakes in the design and control of systems for important business activities.
		Qualitative criteria for identifying a general weakness: any other weakness in internal control over non-financial reporting activities that does not constitute a material or significant weakness.
	Qualitative criteria for identifying a general weakness: any other weakness in internal control of financial reporting that does not constitute a material or significant weakness.	

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Defect recognition criteria

Category	Financial reports	Non-financial reports
Quantitative criteria	Quantitative criteria for identifying a material weakness: the amount of misstatement in the financial statements that may be caused by the underlying internal control weakness meets the condition that the amount of misstatement $\geq 5\%$ of the total profit before tax in the consolidated income statement for the current year. Quantitative criteria for identifying a significant weakness: the amount of misstatement in the financial statements that may be caused by the underlying internal control weakness meets the condition that 0.25% of the total profit before tax in the consolidated income statement for the current year $\leq$ amount of misstatement $< 5\%$ of the total profit before tax in the consolidated income statement for the current year. Quantitative criteria for identifying a general weakness: the amount of misstatement in the financial statements that may be caused by the underlying internal control weakness meets the condition that the amount of misstatement $< 0.25\%$ of the total profit before tax in the consolidated income statement for the current year.	Quantitative criteria for identifying a material weakness: the direct property loss that may be caused by the underlying internal control weakness meets the condition that the direct property loss $\geq 5\%$ of the total profit before tax in the consolidated income statement for the current year. Quantitative criteria for identifying a significant weakness: the direct property loss that may be caused by the underlying internal control weakness meets the condition that 0.25% of the total profit before tax in the consolidated income statement for the current year $\leq$ direct property loss $< 5\%$ of the total profit before tax in the consolidated income statement for the current year. Quantitative criteria for identifying a general weakness: the direct property loss that may be caused by the underlying internal control weakness meets the condition that the direct property loss $< 0.25\%$ of the total profit before tax in the consolidated income statement for the current year.
Number of major defects in financial reports	0	
Number of major defects in non-financial reports	0	
Number of important defects in financial reports	0	
Number of important defects in non-financial reports	0	

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16.6 Audit Report on Internal Control

Review opinions in the audit report on internal control

Ernst & Young Hua Ming LLP is of the view that as at 31 December 2022, Zhengzhou Bank had maintained effective internal control over its financial reporting in all material aspects in accordance with the Basic Rules for Internal Control of Enterprises and other relevant regulations.

Disclosure of the audit report on internal control	Disclosed

Date of full-text disclosure of the audit report on internal control	31 March 2023

Websites for full-text disclosure of the audit report on internal control	CNINFO (www.cninfo.com.cn) Website of the Bank (www.zzbank.cn)

Type of opinion in the audit report on internal control	Standard unqualified opinion

Whether there are major defects in non-financial reports	No

The audit report on internal control issued by the accounting firm is consistent with the self-assessment report of the Board.

17 INTERNAL AUDIT

Pursuant to the requirements of the Guidelines for Internal Audit of Commercial Banks 《商業銀行內部審計指引》 and the Guidelines for 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 where the internal audit office as the executive body of the internal audit of the Bank is subordinate to the Board and works under the specific guidance of the Audit Committee of the Board. In accordance with regulatory requirements and relevant rules and regulations, the internal audit office conscientiously performs its duties, timely submits audit results to the senior management, and regularly reports to the Board of Directors and the Board of Supervisors on the audit work.

Adhering to the principles of independence, objectivity and significance, the internal audit department of the Bank formulates the master plan and annual work plan for internal audit of the Bank, arranges the audit of the Bank's business activities, operations and economic responsibilities of key personnel during their term of service, inspects, assesses, supervises and improves the Bank's business operations, risk management, internal control compliance, and corporate governance effects, and makes improvement suggestions to the management.

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During the Reporting Period, the internal audit department of the Bank adhered to the principle of risk-based auditing, actively adjusted to the needs for risk management situation, continuously strengthened audit supervision, followed up the correction of identified audit problems, improved the training and subsequent education of internal audit personnel, constantly enhanced their professional competence, and improved the quality and efficiency of internal audit.

18 SELF-INSPECTION AND RECTIFICATION OF PROBLEMS IN THE SPECIAL ACTION ON GOVERNANCE OF LISTED COMPANIES

The Bank found no problems in the self-inspection of problems under the special action on governance of listed companies.

19 INSIDE INFORMATION MANAGEMENT

The Board is responsible for disclosing information of the Bank, which includes enacting standard procedures and methods in relation thereto and reviewing information to be disclosed, and it also assumes liabilities for the truthfulness, accuracy and completeness of the information disclosed. The information disclosure of the Bank is subject to the supervision of regulators and the Board of Supervisors. The chairman of the Board is the primary person responsible for implementing the management measures for information disclosure, while the secretary to the Board is in charge of its execution and the general office of the Board deals with the daily work thereof.

The Bank enacted the Management System for Information Disclosure Affairs 《信息披露事務管理制度》 and Insider Information and Insider Registration Management System 《內幕信息及知情人登記管理制度》 based on domestic and overseas laws, regulations and other regulatory documents such as the Company Law, the Securities Law, Measures for Information Disclosure of Commercial Banks 《商業銀行信息披露辦法》, and the SZSE Listing Rules and the Stock Exchange Listing Rules, in order to ensure confidentiality of the Bank's inside information, safeguard the fairness in information disclosure and protect the legal rights of investors.

The Bank makes information disclosure and manages inside information in strict compliance with the regulatory requirements and specifies the principles, contents, management and procedures for information disclosure in the Management System for Information Disclosure Affairs, which also provides for the coverage, insider limits and registration, and the security management of inside information as well as punishment for divulging inside information, etc.

During the Reporting Period, the Bank not only stringently complied with the regulatory requirements of domestic and overseas regulators, but also intensified its management rules and enhanced the security measures of its inside information as well as disclosing relevant information timely according to requirements. There was no incident of breaching the confidentiality of inside information.

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20 AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, according to the Company Law, the Commercial Bank Law of the People's Republic of China, the Corporate Governance Standards for Banking and Insurance Institutions, the Work Guidelines on the Board of Supervisors of Commercial Banks and other relevant laws, regulations and supervision provisions, and based on the actual condition of the Bank, the Bank amended the Articles of Association. The amendments were considered and approved at the 2021 AGM, and have yet to be approved by the banking supervision department. For details of the amendments, please refer to the Bank's announcements dated 31 March 2022, 29 April 2022, and 11 June 2022 published on the website of CNINFO and the Bank's 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.

In addition, pursuant to the Guidelines on the Articles of Association of Listed Companies 《上市公司章程指引》, the Corporate Governance Standards for Banking and Insurance Institutions 《銀行保險機構公司治理準則》, the latest requirements on the level of core shareholder protection set out in Appendix III to the Stock Exchange Listing Rules, and other relevant laws, regulations and regulatory provisions, and based on the actual situation of the Bank, it is proposed that the relevant provisions of the Articles of Association be amended. Such amendments have been approved by the Board but are still pending approval by Shareholders through a special resolution. For details of the amendments, please refer to the announcement dated 31 March 2023 published on the websites of CNINFO and the Hong Kong Stock Exchange by the Bank.

21 PROTECTION OF CONSUMER RIGHTS

During the Reporting Period, the Bank conscientiously implemented the requirements of regulatory authorities such as the CBIRC and the PBOC and fully leveraged the coordination mechanism of various departments and actively carried out the protection of consumer rights.

Consumer protection was enhanced for the protection of the legitimate rights and interests of consumers. During the Reporting Period, the Bank sent the key staff involved in the protection of consumer rights and interests to attend special online training courses for the protection of consumer rights and interests, had front-line staff attended various training sessions related to the protection of consumer rights and interests in the Bank, and enhanced the professional competence and handling capabilities of staff involved in the protection of consumer rights and interests. Meanwhile, the Bank handled various petition and complaint cases efficiently in accordance with the relevant rules and regulations for petitions and complaints, thus having effectively protected the legitimate rights and interests of consumers of the Bank.

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Publicity and education of financial knowledge were strengthened to raise consumers' awareness of financial security. During the Reporting Period, the Bank rolled out a number of publicity campaigns such as prevention of phone fraud, prevention of illegal fundraising, promotion on Consumer Rights Day, financial knowledge promotion month and two other financial knowledge promotional events. Various publicity materials about financial knowledge were shown on WeChat public account, official TikTok account and on LED screens at our branches, and an array of publicity campaigns were staged on campus, in the community and at the construction site by a number of branches. The Bank worked in liaison with local media and community offices to increase the effectiveness of publicity campaigns so as to foster and promote relevant financial knowledge among general financial consumers, with emphasis placed on guiding consumers to raising their literacy of finance, their awareness of risk prevention and their capability to protect themselves.

22 WHISTLE-BLOWING AND ANTI-CORRUPTION POLICIES

The Bank designated certain departments to establish an internal whistle-blowing mechanism, investigate and deal with Party members and cadres' violations of Party and government discipline, employees' violations of laws and regulations and abnormal behaviors, case clues, etc., protecting whistle-blowers. We formulated the Provisions on Further Standardizing Internal Real-Name Reporting 《關於進一步規範內部實名舉報工作的有關規定》 to promote the Bank's case prevention and control and anti-corruption and protect the legitimate rights and interests of whistle-blowers.

The Bank strictly implemented anti-corruption requirements and abided by the Regulations of the Communist Party of China on Disciplinary Measures 《中國共產黨紀律處分條例》, the Supervision Law of the People's Republic of China 《中華人民共和國監察法》 and other laws and regulations. The Bank has reformed its discipline inspection and supervision system. Zhengzhou Municipal Commission for Discipline Inspection and Supervision has set up a discipline inspection and supervision team in the Bank under its direct leadership and uniform management. During the Reporting Period, the Bank took the initiative to carry out anti-corruption work and daily training and education, so as to prevent corruption and improve the integrity awareness of cadres and employees.

The Bank has formulated the Administrative Measures for Bank Employees 《行員管理辦法》, which stipulates that employees are not allowed to exploit their power for personal gains or engage in power-money deals.

CHAPTER VII REPORT OF THE BOARD OF DIRECTORS

1 PRINCIPAL BUSINESS AND BUSINESS REVIEW

The Bank is primarily engaged in the PRC banking and related financial services, including corporate banking, retail banking, treasury operation and other businesses.

Disclosure of major activities during the Reporting Period as required by section 390 of, and further discussion and analysis of the business review as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including the key risks and uncertainties faced by the Group, the possible future development plan of the Group's business and the Bank's compliance with laws and regulations, are set out in the sections headed "Corporate Information and Major Financial Indicators", "Management Discussion and Analysis", "Significant Events" and "Report of the Board of Supervisors" of this Report. Such discussions form an integral part of this "Report of the Board of Directors".

2 PROFIT DISTRIBUTION

2.1 Formulation, Implementation or Adjustment of Profit Distribution Policy for Ordinary Shares

According to the current Articles of Association, the Bank shall give preference to cash dividend distribution with reference to the continuous profitability, compliance with regulatory requirements, and the normal operation and long-term development of the Bank. The Bank shall not distribute profits to holders of Ordinary Shares until it has paid the agreed dividends to holders of the Preference Shares in full. Subject to the conditions for dividend distribution as stipulated by laws and regulations, the cumulative profits available for distribution in terms of cash dividends in the last three years shall be no less than 30% of the annual average distributable profits achieved by the Bank in the last three years. If the Bank meets the cash dividend condition but has not made a cash dividend plan, or if the Bank's cumulative profits available for distribution in terms of cash dividends in the last three years is less than 30% of the annual average distributable profits realized by the Bank in the last three years, the Board of Directors shall make special explanations on the specific reasons for not paying cash dividends, the exact use of retained earnings of the company and the expected investment income and so on, then submit them to the general meeting for deliberation after the independent non-executive Directors express their opinions, and disclose them through media designated by the Bank. The Bank shall provide Shareholders with an online voting system to vote. Where the Bank is to adjust its profit distribution policy, the Board shall make a special discussion on that, elaborate on the reasons for the adjustment, formulate a written demonstration report and submit it to the general meeting for approval after it is reviewed by the independent non-executive Directors. The adoption of the underlying resolution is subject to affirmative votes representing at least two-thirds of the voting rights held by the Shareholders present at the general meeting. The Bank shall make internet voting accessible to Shareholders.

The Bank formulated and implemented the cash dividend policy in accordance with the requirements of laws and regulations and the Articles of Association, taking into account the Bank's actual situation and regulatory requirements. The decision-making procedures and mechanisms are well-established, in which the independent non-executive Directors have performed their duties and roles in good faith. Minority Shareholders have been given the opportunity to fully express their opinions and demands, and their legitimate rights and interests have been fully protected. During the Reporting Period, no adjustments or changes were made in cash dividend policy.

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2.2 Profit Distribution and Capitalization Issue

The Bank's 2021 Profit Distribution Plan: After being considered and approved by the 2021 AGM, the Bank will not distribute cash dividends, and will not issue bonus Shares or new Shares by way of capitalization issue.

The Bank's 2022 Profit Distribution and Capitalization Issue Proposal:

Number of bonus shares for every 10 Shares (Shares)	–
Dividends for every 10 Shares (RMB) (tax inclusive)	–
Number of new Shares issued by way of capitalization for every 10 Shares (Shares)	1
Basis of share capital in distribution proposal (Shares)	8,265,537,599
Amount of cash dividends (RMB'000) (tax inclusive)	–
Amount of cash dividends paid by other means (e.g. share repurchase) (RMB'000)	–
Total cash dividends (including those paid by other means) (RMB'000)	–
Distributable profits (RMB'000)	14,618,050
Total cash dividends (including those paid by other means) as a percentage of total profit distribution (%)	–

Cash dividends

For details, please refer to "Section XVI Dividend Distribution Policy" in the "Letter of Intent for Initial Public Offering of A Shares" disclosed by the Bank on the website of CNINFO (www.cninfo.com.cn) on 30 August 2018.

Particulars of the profit distribution and capitalization issue plan

In 2022, net profit attributable to the parent company under the consolidated financial statements of the Bank audited by Ernst & Young Hua Ming LLP amounted to RMB2,422,304 thousand. In accordance with the requirements of the existing Accounting Standards for Business Enterprises and the Articles of Association, the audited net profit attributable to the parent company of the Bank amounted to RMB2,238,836 thousand; after deducting dividends on Offshore Preference Shares distributed in October 2022 amounting to RMB517,491 thousand and interests on indefinite-term capital bonds paid in November 2022 amounting to RMB480,000 thousand, the profit of the year available for distribution to Ordinary Shareholders amounted to RMB1,241,345 thousand. As at the end of 2022, the parent company of the Bank had a balance of capital reserve of RMB6,811,713 thousand, including a share premium of RMB6,747,098 thousand. The proposed 2022 plan for profit distribution and capitalization issue is as follows:

1. 10% of the net profit, equivalent to RMB223,884 thousand, will be appropriated as statutory surplus reserve.
2. RMB256,000 thousand will be appropriated as general risk reserve.

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3. No cash dividends will be distributed this year, and 1 new Share for every 10 Shares shall be issued to the Ordinary Shareholders whose names appeared on the register of Shareholders as at the dividend distribution registration date by way of capitalization issue. Based on a total of 8,265,537,599 Ordinary Shares of the Bank as of 31 December 2022, 826,553,759 Shares in aggregate will be issued by way of capitalization, after which, the Bank's paid-in capital (share capital) will increase from RMB8,265,537,599 to RMB9,092,091,358.
4. The remaining undistributed profit will be carried forward to next year.

The Bank did not recommend to distribute any cash dividends in 2022 mainly due to the following factors: Firstly, facing a complex, volatile macroeconomic situation, the Bank actively implemented a package of policies and requirements of the government and financial regulatory authorities to stabilize the economy, and earnestly fulfilled its social responsibilities as a local financial institution. We supported enterprises' resumption of production and increased assistance to small and medium-sized enterprises. By lowering interest rates, reducing fees, and postponing repayment of loan principal and interest, the Bank continuously supported the real economy and thus its profitability was affected to some extent. Secondly, with the increasing downward pressure on the economy in recent years, the Bank continuously strengthened forward-looking management and control of risks, accelerated the disposal of non-performing assets, formulated risk resolution and disposal plans, increased the provision for non-performing assets, and followed regulatory guidance. The retained undistributed profits will further enhance the Bank's risk resilience and ensure the stable operation of the Bank. Thirdly, given that the requirements under the capital regulatory policies have become increasingly stringent for commercial banks, replenishing capital through internal capital became increasingly important for small and medium banks to ensure capital adequacy, especially for core tier-one capital adequacy level. The retained undistributed profits will be used to replenish the Bank's core tier-one capital, which can help raise the Bank's capital adequacy level to support the Bank's strategic transformation and sustainable development in the long run, thereby safeguarding the long-term interests of investors.

The proposal will be submitted to the general meeting of the Bank for deliberation.

For details of the profit distribution of Offshore Preference Shares, please refer to the chapter headed "Issuance of Preference Shares" of this Report.

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2.3 Dividend Tax

The tax implications of profit distribution of the Bank are as follows:

Distribution of Cash Dividends

A Shareholders

For individual Shareholders, according to the provisions of the Circular on Issues Concerning the Implementation of Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2012] No. 85) 《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) and the Circular on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101) 《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)) issued by the MOF, the State Administration of Taxation and the CSRC, where an individual acquires the shares of a listed company from public offering of the company or from the stock market, for a holding period of not more than one month (inclusive), the dividends and bonuses paid on such shares shall be included into his taxable income in full amount; for a holding period of more than one month but not more than one year (inclusive), 50% of the dividends and bonuses paid on such shares shall be included into his taxable income; for a holding period of more than one year, the dividends and bonuses paid on such shares are temporarily exempted from individual income tax. The above income is subject to a uniform 20% tax rate for individual income tax. For Shareholders being securities investment funds, their dividend income shall also be subject to the above provisions.

For Shareholders being resident enterprises, according to the provisions of paragraph (2) of Article 26 of the Corporate Income Tax Law of the People's Republic of China 《中華人民共和國企業所得稅法》(the "Corporate Income Tax Law"), dividends, bonuses and other equity investment income between eligible resident enterprises are tax-free income. According to the provisions of Article 83 of the Regulations on the Implementation of the Corporate Income Tax Law of the People's Republic of China 《中華人民共和國企業所得稅法實施條例》, the "dividends, bonuses and other equity investment income between eligible resident enterprises" as mentioned in the provisions of paragraph (2) of Article 26 of the Corporate Income Tax Law refer to investment return received from a resident enterprise's direct investment in other resident enterprises, excluding the investment income obtained by continuously holding shares publicly issued and listed by resident enterprises for less than 12 months.

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For non-resident enterprise Shareholders, according to the provisions of the Corporate Income Tax Law and the Regulations on the Implementation of the Corporate Income Tax Law of the People's Republic of China, the dividend income obtained by non-resident enterprises shall be taxed at a reduced rate of 10%.

For Qualified Foreign Institutional Investors (QFII), according to the Circular of the State Administration of Taxation on Issues Concerning the Withholding and Payment of Corporate Income Tax on Dividends, Bonus and Interest Paid by PRC Resident Enterprises to QFIIs (Guo Shui Han [2009] No. 47) 《國家稅務總局關於中國居民企業向 QFII 支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函[2009]47 號)), listed companies shall withhold and remit corporate income tax for QFIIs at a rate of 10%. QFII Shareholders who wish to enjoy tax treaty (arrangement) benefits may apply to the competent tax authority for tax benefits in accordance with the relevant provisions of the tax treaty, and the competent tax authority shall follow such provisions after verification thereof. Where tax refund is involved, an application for tax refund may be made to the competent tax authority in a timely manner after dividends and bonuses are obtained.

H Shareholders

For overseas non-resident enterprise Shareholders, pursuant to the applicable provisions of the Corporate Income Tax Law and its implementing regulations, the Notice of the State Administration of Taxation on Issues Concerning the Withholding of Enterprise Income Tax on Dividends Paid by PRC Resident Enterprises to Offshore Non-resident Enterprise Holders of H Shares (Guo Shui Han [2008] No. 897) 《國家稅務總局關於中國居民企業向境外 H 股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897 號)), and the letter "Tax Arrangements of Enterprises in Mainland China on Dividend Issuance to Hong Kong Residents" issued by the Hong Kong Stock Exchange, the Bank shall withhold and remit corporate income tax at a rate of 10% when distributing final dividends to non-resident enterprise holders of H Shares (including H Shares registered in the name of HKSCC Nominees Limited).

For overseas non-resident individual Shareholders, pursuant to the applicable provisions of the Individual Income Tax Law of the People's Republic of China 《中華人民共和國個人所得稅法》 and its implementing regulations as well as the Notice of the State Administration of Taxation on Issues Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) 《國家稅務總局關於國稅發[1993]045 號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348 號)), the overseas resident individual Shareholders of a domestic non-foreign-invested enterprise which issued stocks in Hong Kong are entitled to relevant preferential tax treatments in accordance with the tax treaties entered into by and between the countries they are from and China as well as the taxation arrangement between Mainland China and Hong Kong (Macao). An individual income tax shall be withheld at a preferential tax rate of 10% generally for dividends paid to overseas resident individual Shareholders by the domestic non-foreign-invested enterprise which issued stocks in Hong Kong, unless otherwise required by the regulations of relevant tax laws and tax conventions.

Generally, the Bank will withhold and remit individual income tax for H Shareholders in accordance with the above arrangements, but if the tax authorities require otherwise, the Bank will follow their requirements.

CHAPTER VII REPORT OF THE BOARD OF DIRECTORS

For tax issues concerning Shenzhen-Hong Kong Stock Connect, the provisions of the Circular on Taxation Policies Concerning the Pilot Program of a Mechanism for Mutual Stock Market Access Between Shenzhen and Hong Kong (Cai Shui [2016] No. 127) issued by the MOF, the State Administration of Taxation and the CSRC shall apply.

Capitalization Issue

Pursuant to the Notice of State Administration of Taxation in Relation to the Capitalisation of Capital Reserve and the Levy of Individual Income Tax Regarding the Distribution of Bonus Shares of Joint-Stock Enterprises (Guo Shui Fa [1997] No. 198) 《國家稅務總局關於股份制企業轉增股本和派發紅股徵免個人所得稅的通知》(國稅發[1997]198 號)), the increase of share capital of joint-stock enterprises by way of capitalization issue does not belong to the distribution of dividends and bonuses. The shares obtained by individuals from the capitalization issue are not treated as individual income, and are exempted from individual income tax. As a result, there will be no levy of PRC taxation in respect of the issue of new shares under the capitalization issue and no relevant taxation will be withheld and paid.

Dealings in the new H Shares will be subject to the payment of stamp duty, the Hong Kong Stock Exchange trading fee, transaction levy, or any other applicable fees and charges in Hong Kong.

Distribution of Dividends on Offshore Preference Shares

Pursuant to the PRC tax laws and regulations, the Bank is required to withhold and remit corporate income tax at a rate of 10% when distributing dividends on Offshore Preference Shares to overseas non-resident enterprise Shareholders. Pursuant to the regulations of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends on Offshore Preference Shares paid by the Bank.

Shareholders are recommended to consult their tax advisers regarding the PRC, Hong Kong and other tax implications arising from their holding and disposal of H Shares and Offshore Preference Shares of the Bank. The Bank will not take any responsibility for any taxation impact or liability of H Shareholders.

The Bank completed the redemption of all Offshore Preference Shares in October 2022, and it need not distribute any dividends on Offshore Preference Shares in the future.

3 SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDERS

For details of the share capital and substantial Shareholders of the Bank, please refer to the chapter headed “Changes in Share Capital and Information on Shareholders” of this Report.

4 ISSUANCE OF DEBT SECURITIES

For details of the issuance of debt securities of the Bank, please refer to the paragraph headed “Issuance and Repurchase of Bonds” in the chapter headed “Significant Events” of this Report.

CHAPTER VII REPORT OF THE BOARD OF DIRECTORS

5 USE OF PROCEEDS

During the Reporting Period, the Bank did not issue any equity securities and had no proceeds from issuing equity securities retained from previous financial years. For details of the use of proceeds of the Bank, please refer to the chapter headed “Management Discussion and Analysis” of this Report.

6 RESERVES

Details of movements in the reserves of the Bank for the Reporting Period are set out in the consolidated statement of changes in Shareholders’ equity. The total reserves available for profit distribution as at the end of the Reporting Period was RMB14,618 million.

7 PROPERTIES AND EQUIPMENT

Details of movements in properties and equipment of the Bank are set out in Note 7 to the financial statements in the chapter headed “Independent Auditor’s Report” of this Report.

8 CONNECTED TRANSACTIONS

In the ordinary and usual course of business, the Bank offers commercial banking services and products to the public in China, including certain connected persons of the Bank such as the Shareholders, Directors, Supervisors, president and/or their respective associates. Pursuant to the Stock Exchange Listing Rules, such transactions, being conducted on normal commercial terms in the ordinary and usual course of the business of the Bank, shall be exempt from the reporting, annual review, disclosure and independent Shareholders’ approval requirements under Chapter 14A of the Stock Exchange Listing Rules. The Bank has reviewed all its connected transactions and acknowledged that it had complied with the requirements under Chapter 14A of the Stock Exchange Listing Rules.

The definition of connected persons under Chapter 14A of the Stock Exchange Listing Rules is different from the definition of related parties under International Accounting Standard, and its interpretations by the International Accounting Standards Board. Some of the Bank’s related party transactions also constitute connected transactions or continuing connected transactions as defined under the Stock Exchange Listing Rules, but none of them constitutes non-exempt, discloseable and connected transactions under the Stock Exchange Listing Rules.

9 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details regarding the Directors, Supervisors and senior management of the Bank are set out in the chapter headed “Directors, Supervisors, Senior Management, Staff and Institutions” of this Report, and constitute a part of this “Report of the Board of Directors”.

10 INTERESTS OF DIRECTORS AND SUPERVISORS IN BUSINESS IN COMPETITION WITH THE BANK

None of the Directors or Supervisors of the Bank holds any interest in any business which competes or is likely to compete, whether directly or indirectly, with that of the Bank.

CHAPTER VII REPORT OF THE BOARD OF DIRECTORS

11 REMUNERATION OF THE DIRECTORS AND SUPERVISORS, AND RETIREMENT BENEFITS

Details of the remuneration of the Directors and Supervisors are set out in the chapter headed “Directors, Supervisors, Senior Management, Staff and Institutions” of this Report. Retirement benefits offered by the Bank to employees are set out in Note 30 to the financial statements in the chapter headed “Independent Auditor’s Report” of this Report. Details of the remuneration of the top five highest-paid individuals are set out in Note 8 to the financial statements in the chapter headed “Independent Auditor’s Report” of this Report.

12 SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

During the Reporting Period, none of the Directors or Supervisors entered into a service contract with the Bank which was not determined by the Bank within one year without payment of compensation (other than statutory compensation).

13 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 officer 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 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 to the Stock Exchange Listing Rules were 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 (%)
XIA Hua	Director	A Shares	Beneficial owner	51,150	0.00080	0.00062
JI Hongjun	Director	A Shares	Beneficial owner	1,870	0.00003	0.00002
WANG Shihao	Director	A Shares	Beneficial owner	22,000	0.00034	0.00027
ZHU Zhihui ⁽¹⁾	Supervisor	A Shares	Interest of controlled corporation ⁽¹⁾	350,846,233	5.45745	4.24469
LI Huaibin	Supervisor	A Shares	Beneficial owner	54,200	0.00084	0.00066
CHEN Xinxiu	Supervisor	A Shares	Beneficial owner	47,300	0.00074	0.00057
WANG Tianyu ⁽²⁾	Director	A Shares	Beneficial owner	63,143	0.00098	0.00076
ZHAO Lijuan ⁽³⁾	Supervisor	A Shares	Beneficial owner	58,850	0.00092	0.00071

CHAPTER VII REPORT OF THE BOARD OF DIRECTORS

Notes:

1. 350,846,233 A Shares 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. (河南國原貿易有限公司).
2. On 21 March 2023, Mr. WANG Tianyu resigned as an executive Director and the chairman of the Bank.
3. On 21 March 2023, Ms. ZHAO Lijuan resigned as the chairlady of the Board of Supervisors and an employee Supervisor of the Bank.

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

14 MATERIAL INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Reporting Period, neither the Bank nor any of its subsidiaries entered into any significant transaction, arrangement or contract in which the Directors or Supervisors or entity connected with the Directors or Supervisors directly or indirectly had a material interest.

15 ARRANGEMENT FOR THE BANK'S ADVANCE TO ENTITIES

During the Reporting Period, the Bank did not provide any advance to entity that shall be disclosed under Rule 13.13 of the Stock Exchange Listing Rules.

16 ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period was the Bank or any of its subsidiaries a party to any arrangement to enable the Directors and/or Supervisors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

CHAPTER VII REPORT OF THE BOARD OF DIRECTORS

17 MANAGEMENT CONTRACTS

No management or administration contract in relation to all or substantial parts of the business of the Bank was entered into during the Reporting Period.

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

During the Reporting Period, the Bank redeemed all Offshore Preference Shares on 18 October 2022. For details, please refer to the section headed "Preference Shares" of this Report. Other than that, the Bank and its subsidiaries had not purchased, sold or redeemed any listed securities or redeemable securities of the Bank.

19 CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

As at the end of the Reporting Period, the Bank and its subsidiaries had not issued or granted any convertible securities, options, warrants or other similar rights, and there had been no exercise of conversion or subscription rights over the convertible securities, options, warrants or other similar rights issued or granted by the Bank and its subsidiaries at any time.

20 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 a controlling Shareholder or de facto controller, nor has it entered into any loan agreement with covenants relating to specific performance of the controlling Shareholder or breached the terms of any loan agreement.

21 PRE-EMPTIVE RIGHTS

During the Reporting Period, no provisions under the Articles of Association or relevant provisions of the PRC laws and regulations granted pre-emptive rights regarding the Bank.

22 DONATIONS

During the Reporting Period, the Bank made charitable and other donations in an aggregate sum of approximately RMB1,105,000.

CHAPTER VII REPORT OF THE BOARD OF DIRECTORS

23 EQUITY-LINKED AGREEMENTS

During the Reporting Period, other than the Offshore Preference Shares, the Bank neither had nor entered into any equity-linked agreements. There were no trigger events in which the Offshore Preference Shares need to be coercively converted into H Shares, and all Offshore Preference Shares were redeemed in October 2022.

24 RELATIONS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Bank takes effective measures to safeguard the legitimate rights and interests of its employees, striving to establish a harmonious and stable employment relationship. The Bank enters into labor contracts with its employees in accordance with the relevant laws, and continuously improves the relevant labor employment system and employee security system. By conscientiously implementing the national policies and regulations on salary and welfare, the Bank has developed the “Administrative Measures on Salary and Welfare”, under which it paid employees full salaries on time, contributed various social insurance and housing provident fund in time and built a multi-level pension and medical security system. Assuming the responsibility of protecting the vital interests of employees, the Bank establishes a care-giving relief fund, regularly arranges for employees to receive health check-ups, and purchases mutual insurance for accidental injury and critical illness insurance for employees. The Bank also keeps helping employees to enhance their value through enhancing position system for smooth career development path and providing them with a wide range of professional training.

The Bank always prioritizes services and takes “providing heartfelt financial services” as the distinctive cultural label of Bank of Zhengzhou. In creating value for customers, the Bank serves with compassion and constantly enhances customer experience with heartfelt services, adhering to providing quality services. To protect consumer rights, the Bank integrated the concept and requirements of consumer protection into its systems and established a consumer rights protection system involving consumer services, information privacy, education on financial knowledge, and customer complaints handling. The Bank pays attention to communication with customers. It keeps in touch with customers through letters, telephone, fax, direct visits, the internet and other forms of communication channels, provides customers with round-the-clock telephone banking services in China through the unified customer service telephone line, and offers online customer service to provide customers with intelligent online services.

Adhering to the principles of openness, fairness and impartiality, the Bank selects suppliers by means of bidding and other similar forms and maintains good communication and cooperation with various suppliers.

CHAPTER VII REPORT OF THE BOARD OF DIRECTORS

25 PUBLIC FLOAT

As at the Latest Practicable Date, according to the data publicly available to the Bank and the Directors have been aware of, the Bank has complied with the public float requirements under the Stock Exchange Listing Rules.

26 CORPORATE GOVERNANCE

The Bank is committed to maintaining a high standard of corporate governance. During the Reporting Period, the Bank strictly abided by the code provisions set out in Part 2 of the Corporate Governance Code in Appendix 14 to the Stock Exchange Listing Rules and the relevant provisions on disclosure of inside information. Details of corporate governance of the Bank are set out in the chapter headed “Corporate Governance” of this Report.

27 MAJOR DEPOSITORS AND BORROWERS

The Bank is not dependent on a single major depositor/borrower. As at the end of the Reporting Period, the deposits balance of the five largest depositors and loan balance of the five largest borrowers of the Bank represented no more than 30% of the total deposits balance, gross loans and advances of the Bank. The Directors of the Bank and their close associates or any Shareholder which to the knowledge of the Directors own more than 5% of the number of issued Shares do not have any interest in the above five largest depositors/borrowers.

28 PERMITTED INDEMNITY PROVISION

According to code provision C.1.8 of the Corporate Governance Code, the Bank shall maintain appropriate insurance to cover the potential litigation initiated against the Directors. According to the Articles of Association, unless Directors, Supervisors and senior management personnel are proved to have failed to perform their duties honestly or in good faith, the Bank shall, to the fullest extent permitted by laws and administrative regulations or to the extent not prohibited by laws and administrative regulations, assume civil liabilities incurred by Directors, Supervisors and senior management personnel during their performance of duties. The Bank has purchased appropriate liability insurance for the Directors and provided them with an indemnity for liabilities incurred during the operations of the Bank for the Reporting Period.

CHAPTER VII REPORT OF THE BOARD OF DIRECTORS

29 OTHER MATTERS

As far as the Board is aware, the Bank has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Bank in all material respects. In the meantime, the Bank is committed to the long-term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Bank endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. For details and reports that meet the requirements of Appendix 27 to the Stock Exchange Listing Rules, please refer to the 2022 Corporate Social Responsibility (Environmental, Social and Governance) Report published on the website of CNINFO (www.cninfo.com.cn) on 31 March 2023, the overseas regulatory announcement dated 31 March 2023 published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk), and the “Announcements and Circulars” under “Investor Relations” on the Bank’s website (www.zzbank.cn).

During the Reporting Period, the Bank was not aware of any Shareholders having waived or agreed to any arrangement to waive dividends.

During the Reporting Period, the Directors of the Bank did not waive or agreed to waive relevant remuneration arrangement.

During the Reporting Period, the Bank had not pledged any significant assets.

During the Reporting Period, the Bank had no controlling Shareholder or de facto controller. As a result, the Bank did not have any controlling Shareholder pledging the Bank’s shares to secure the Bank’s debts or to secure guarantees or other support of the Bank’s obligations.

As at the Latest Practicable Date, save as disclosed in this Report, there were no other significant subsequent events of the Bank requiring disclosure.

**Bank of Zhengzhou Co., Ltd.
Board of Directors**

30 March 2023

CHAPTER VIII REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors of the Bank was dedicated to performing its duties diligently based on its responsibility to the Shareholders and employees in accordance with the Company Law, Commercial Banks Law, the Articles of Association and the requirements of the rules and regulations to the Board of Supervisors, and formed a relatively complete supervisory system covering the supervision over meetings, strategies, financial affairs, and performance assessment, which was a positive driving force for steady business development, enhancement of risk control and improvement of the corporate governance structure of the Bank.

1 MAJOR WORK OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors attended all the meetings and activities of the “Three Boards and one Management” of the Bank. The Board of Supervisors convened four meetings in total and nomination committee and supervision committee of the Board of Supervisors convened three meetings and one meeting respectively to consider 21 resolutions concerning business operation, internal control, social responsibility and performance assessment of the Directors and the Supervisors and review 37 reports concerning data governance, green finance, consolidation management, related party transactions and risk management. Members of the Board of Supervisors attended the general meetings and were present at all the on-site meetings of the Board, and supervised the compliance with laws and regulations in relation to the convening of the general meetings and Board meetings, voting procedures, and the Directors’ attendance, opinions expressed and voting at the general meetings and Board meetings. Members of the Board of Supervisors attended and presented at various meetings and activities to obtain information on the operations management of the Bank in all aspects in a timely manner, thereby substantially consolidating their supervision functions. The Board of Supervisors had no objection to the supervisory affairs during the Reporting Period.

As at the Latest Practicable Date, the seventh session of the Board of Supervisors consists of five Supervisors (two employee Supervisors, one Shareholder Supervisor and two external Supervisors). Each of the supervisory committee and the nomination committee has three members, respectively, and is chaired by an external Supervisor, thus satisfying the regulatory requirements of the composition and proportion of members of the Board of Supervisors.

During the Reporting Period, the external Supervisors actively acquainted themselves with the operations management of the Bank, and gave opinions or suggestions on significant matters by attending meetings of the Board of Supervisors, convening special committee meetings of the Board of Supervisors and being present at the Board meetings. During the adjournment of the Board of Directors and the Board of Supervisors, the external Supervisors were able to review various documents and reports of the Bank and exchange opinions with the Board of Directors and management on any problems found in a timely manner, playing an active role in performing the supervisory duties of the Board of Supervisors.

CHAPTER VIII REPORT OF THE BOARD OF SUPERVISORS

2 INDEPENDENT OPINIONS ON RELEVANT MATTERS

Performance of Duties by the Board of Directors and Senior Management and Its Members

The Board of Supervisors completed the 2021 report of performance assessment of the Board of Directors, senior management and its members as required and reported the performance assessment results to the general meetings and regulatory authorities. The Board of Supervisors was of the view that the Board of Directors and senior management performed their duties according to the Company Law, Commercial Banks Law and the Articles of Association and gave full play to their strategic leadership functions to facilitate the Bank to achieve quality development. The senior management continued to improve their capability of implementing strategic decisions, established and finalized various measures, ensuring the smooth completion of various jobs throughout the year. The Board of Supervisors will conduct the 2022 annual assessment on the performance of duties by the Board, senior management and its members as required, and report the assessment results to the general meeting and regulatory departments.

Compliance with Laws and Regulations in Operations

During the Reporting Period, the operating activities of the Bank complied with the requirements of the Company Law, Commercial Banks Law and the Articles of Association, and the decision-making process was legitimate and effective. The Directors and senior management were honest, trustworthy, diligent and conscientious. No acts in violation of laws and regulations and the Articles of Association or detrimental to the interests of the Bank and Shareholders were found in the performance of duties by the Directors and senior management of the Bank during the year.

Truthfulness of Financial Report

Upon careful review of the 2022 annual report of the Bank by all Supervisors in a practical and responsible manner to all Shareholders, the Board of Supervisors was of the view that procedures for the preparation of the 2022 annual report by the Board complied with the laws, administrative regulations and requirements of the CSRC; the contents of the report truthfully, accurately and completely reflected the actual situation of the Bank; and there were no false representations, misleading statements or material omissions contained therein.

Related Party Transactions

During the Reporting Period, the Board of Supervisors supervised the related party transactions, and considered that the prices of the related party transactions of the Bank were fair and reasonable and no acts detrimental to the interests of the Bank and Shareholders were found by the Board of Supervisors.

CHAPTER VIII REPORT OF THE BOARD OF SUPERVISORS

Internal Control

The Board of Supervisors considered that the Bank had established a relatively comprehensive corporate governance structure, formulated relatively complete management systems relating to corporate governance and internal control, and was capable of improving the foregoing in accordance with the actual situation of the Bank and regulatory requirements. The internal control system of the Bank had been carried out smoothly, complied with the relevant standard requirements of laws and regulations on the management of corporate internal control systems, and completely, truthfully and objectively reflected the establishment and operation of the internal control system of the Bank. The Board of Supervisors reviewed the 2022 Internal Control Self-Assessment Report of the Bank and had no objection to its contents.

Implementation of Resolutions of General Meetings

During the Reporting Period, the Board of Supervisors supervised the implementation of the resolutions of general meetings, and considered that the Board was capable of earnestly implementing the relevant resolutions of general meetings and did not take any action detrimental to the interests of Shareholders.

Profit Distribution and Capitalization Issue Proposal

The Board of Supervisors reviewed the 2022 Profit Distribution and Capitalization Issue Proposal of the Bank, and considered that the proposal complied with the relevant requirements of laws and regulations with due regards to factors such as the prevailing economic development and financial regulatory situation, and that it was in the long-term interests of the Bank and Shareholders as a whole and beneficial to the sustainable and sound development of the Bank.

Dividend Distribution Plan for Preference Shares

During the Reporting Period, the dividend distribution plan for preference shares of the Bank complied with the relevant requirements of laws, regulations, the Articles of Association and the issuance terms or provisions of preference shares.

Information Disclosure Matters

During the Reporting Period, the Board of Supervisors oversaw the information disclosure matters of the Bank and was of the opinion that: the Bank had established a sound system for the management of information disclosure matters and had fulfilled its information disclosure duties in compliance with the provisions of relevant laws and regulations and regulatory requirements. The contents of disclosure are truthful, accurate and complete without any false representation, misleading statement or material omission.

CHAPTER VIII REPORT OF THE BOARD OF SUPERVISORS

Save as disclosed above, the Board of Supervisors had no objection to other supervisory affairs during the Reporting Period.

Bank of Zhengzhou Co., Ltd.

Board of Supervisors

30 March 2023

CHAPTER IX SIGNIFICANT EVENTS

1 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 shall have the 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.

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 in an amount of RMB5 billion on 19 August 2021. 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 2021 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.

The Bank issued 2022 first tranche of green financial bonds (Bonds code: 2220064), whose book-building was recorded in the national interbank bond market on 15 September 2022, in an amount of RMB3 billion, for a term of 3 years. The coupon rate is 2.65%. The raised proceeds were used for the green projects specified in the Green Bond Endorsed Project Catalogue 2021 in accordance with the applicable laws as approved by relevant regulatory authorities.

The Bank has completed the issuance of its 2022 first tranche of financial bonds (Bonds code: 2220082) in the national interbank bond market on 1 December 2022, in an amount of RMB5 billion, with a fixed rate for a term of 3 years and a coupon rate of 2.95%.

CHAPTER IX SIGNIFICANT EVENTS

2 PERFORMANCE OF UNDERTAKINGS

2.1 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	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. 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).	19 September 2018	Refer to the details of the undertakings	During the course of performance

CHAPTER IX SIGNIFICANT EVENTS

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, Supervisors and senior management personnel of the Bank	Undertaking on shares with selling restrictions	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. 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.	19 September 2018	Refer to the details of the undertakings	During the course of performance
Undertakings made in initial public offering of A Shares	Directors, senior management personnel of the Bank	Undertaking on shares with selling restrictions	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. 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.	19 September 2018	Refer to the details of the undertakings	During the course of performance

CHAPTER IX SIGNIFICANT EVENTS

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	Individuals of the Bank holding more than 50,000 internal staff Shares	Undertaking on shares with selling restrictions	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. 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.	19 September 2018	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	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. 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.	19 September 2018	Refer to the details of the undertakings	During the course of performance

CHAPTER IX SIGNIFICANT EVENTS

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.	27 November 2020	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.	27 November 2020	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.	27 November 2020	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			

2.2 Existence of the Profit Forecast about Assets or Projects, and the Reporting Period Was Still in the Profit Forecast Period, the Bank's Explanation on the Profit of Assets or Projects Reaching the Goal and the Reasons

There was no existence of the profit forecast about assets or projects nor the Reporting Period was still in the forecast period for the Bank.

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3 SIGNIFICANT RELATED PARTY TRANSACTIONS

In accordance with relevant provisions under 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, the SZSE Listing Rules, the Accounting Standards for Business Enterprises, and other laws, administrative rules, departmental regulations, and regulatory documents, the Bank amends and optimizes the information disclosure under the Administrative Measures for Related Party Transactions 《關聯交易管理辦法》, which consolidates the foundation of the related party transactions system. In the meantime, the Bank continued to strengthen the management of the list of the related parties, imposed strict approval procedures on related party transactions, continuously enhanced the information and intelligence levels of managing related parties and related party transactions, and prudently carried out related party transactions to effectively prevent related party transaction risks. During the Reporting Period, related party transactions between the Bank and its related parties are conducted in the ordinary course of its business with terms and prices agreed in accordance with the fair and market-oriented principles and as well as on conditions no better than non-related party transactions of the same type. Such related party transactions had no significant impact on the operation results and financial conditions of the Bank and the indicators on the control of related party transactions were in compliance with the related regulations of regulatory authorities.

3.1 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	Principal business	Change(s) during the Reporting Period
Zhengzhou Finance Bureau (鄭州市財政局)	Shareholder	N/A	Government department	N/A	N/A	Nil
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	Shareholder	Zhengzhou, Henan	Company with limited liability	RMB3.525 billion	Investment and management of state-owned assets, real estate development and sale; house leasing.	Nil

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3.2 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, related party transactions are defined as follows:

“Significant related party transactions” shall refer to transactions between the Bank and a single related party that severally amount to 1% or more of the net capital of the Bank at the end of the previous quarter or collectively 5% 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 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.

3.3 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.

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3.3.1 Related party transactions of general associated corporation credit grant type

Unit: RMB'000

Number	Related client	Estimated quota on recurring related party transactions for 2022	Total credit granted as at the end of 2022	Related legal persons	Credit granted as at the end of 2022	Business line
1	Zhengzhou Construction Investment Group Co., Ltd. (鄭州市建設投資集團有限公司) and its associated corporations	3,700,000	3,010,200	Zhengzhou Construction Investment Group Co., Ltd. (鄭州市建設投資集團有限公司) Zhengzhou Songyue Highway Development Co., Ltd. (鄭州嵩岳公路開發有限公司) Zhengzhou Highway Engineering Company (鄭州市公路工程公司) Zhengzhou Road and Bridge Construction Investment Group Co., Ltd. (鄭州路橋建設投資集團有限公司)	493,000 606,600 352,100 1,558,500	Loan business Loan business and investment business Loan business and bill business Loan business and bill business
2	Zhengzhou Transportation Construction Investment Co., Ltd. (鄭州交通建設投資有限公司) and its associated corporations	800,000	113,674	Zhengzhou Trading Dikun Industrial Co., Ltd. (鄭州交投地坤實業有限公司)	113,674	Investment business
3	Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) and its associated corporations	500,000	279,257	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) Henan Zhongyu Road and Bridge Engineering Co., Ltd. (河南中豫路橋工程有限公司)	144,110 125,147 10,000	Bill business Loan business and bill business Loan business

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Number	Related client	Estimated quota on recurring related party transactions for 2022	Total credit granted as at the end of 2022	Related legal persons	Credit granted as at the end of 2022	Business line
4	Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業 投資有限公司) and its associated corporations	3,500,000	2,097,480	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) Henan Digital Town Development and Construction Co., Ltd. (河南數字小鎮 開發建設有限公司) Zhengzhou State-owned Holding Xicheng Construction Co., Ltd. (鄭州國控西城 建設有限公司)	800,000 810,000 239,980 247,500	Investment business Investment business Loan business Loan business
5	Henan Investment Group Co., Ltd. (河南投資集 團有限公司) and its associated corporations	3,200,000	948,153	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) Henan Tou Wisdom Energy Co., Ltd. (河 南省投智慧能源有限公司) Dahe Smart Logistics (Henan) Co., Ltd. (大河智運物流(河南)有限公司) Dahe International Trading Co., Ltd. (大 河國際貿易有限公司)	600,000 234,000 10,000 4,400 99,753	Loan business Investment business Loan business Loan business Loan business

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Number	Related client	Estimated quota on recurring related party transactions for 2022	Total credit granted as at the end of 2022	Related legal persons	Credit granted as at the end of 2022	Business line
6	Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) and its associated corporations	3,300,000	2,935,480	Henan Huida Construction Investment Co., Ltd. (河南輝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 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. (鄭州輝達實業發展有限公司) Zhengzhou Yingshou Trading Co., Ltd. (鄭州盈首商貿有限公司) Henan Xincheng Real Estate Co., Ltd. (河南新城置業有限公司)	977,810 145,600 270,000 524,000 189,500 50,000 8,000 497,470 148,000 125,100	Loan business Loan business Loan business Loan business Loan business Loan business Loan business Loan business Loan business Loan business
7	Henan Asset Management Company Limited (河南資產管理有限公司) and its associated corporations	3,000,000	1,299,000	Henan Asset Management Company Limited (河南資產管理有限公司)	1,299,000	Loan business

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3.3.2 Credit-grant-type Related Transactions among Financial Banks

Unit: RMB'000

Number	Related client	Estimated quota on recurring related party transactions for 2022	Total credit granted as at the end of 2022	Related legal persons	Credit granted as at the end of 2022	Business line
1	Zhongyuan Trust Co., Ltd. (中原信託有限公司) and its related corporations	500,000	/	Zhongyuan Trust Co., Ltd. (中原信託有限公司)	/	/
2	Bridge Trust Co., Ltd. (百瑞信託有限責任公司) and its related corporations	1,500,000	1,500,000	Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	1,500,000	Interbank general credit, revolving throughout the validity period of the credit
3	Central China Securities Co., Ltd. (中原證券股份有限公司) and its related corporations	500,000	/	Central China Securities Co., Ltd. (中原證券股份有限公司)	/	/
4	Bank of Lanzhou Co., Ltd. (蘭州銀行股份有限公司)	2,000,000	1,000,000	Bank of Lanzhou Co., Ltd. (蘭州銀行股份有限公司)	1,000,000	Interbank general credit, revolving throughout the validity period of the credit
5	Zhongyuan Bank Co., Ltd. (中原銀行股份有限公司)	3,000,000	3,000,000	Zhongyuan Bank Co., Ltd. (中原銀行股份有限公司)	3,000,000	Interbank general credit, revolving throughout the validity period of the credit
6	Jiuding Financial Leasing Company (九鼎金融租賃公司)	5,000,000	5,000,000	Jiuding Financial Leasing Company (九鼎金融租賃公司)	5,000,000	Interbank general credit, revolving throughout the validity period of the credit
7	Fugou Zhengyin County Bank (扶溝鄭銀村鎮銀行)	500,000	500,000	Fugou Zhengyin County Bank (扶溝鄭銀村鎮銀行)	500,000	Interbank general credit, revolving throughout the validity period of the credit
8	Xinmi Zhengyin County Bank (新密鄭銀村鎮銀行)	800,000	700,000	Xinmi Zhengyin County Bank (新密鄭銀村鎮銀行)	700,000	Interbank general credit, revolving throughout the validity period of the credit

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Number	Related client	Estimated quota on recurring related party transactions for 2022	Total credit granted as at the end of 2022	Related legal persons	Credit granted as at the end of 2022	Business line
9	Xunxian Zhengyin County Bank (浚縣鄭銀村鎮銀行)	800,000	500,000	Xunxian Zhengyin County Bank (浚縣鄭銀村鎮銀行)	500,000	Interbank general credit, revolving throughout the validity period of the credit
10	Queshan Zhengyin County Bank (確山鄭銀村鎮銀行)	500,000	500,000	Queshan Zhengyin County Bank (確山鄭銀村鎮銀行)	500,000	Interbank general credit, revolving throughout the validity period of the credit
11	Zhongmu Zhengyin County Bank (中牟鄭銀村鎮銀行)	1,400,000	500,000	Zhongmu Zhengyin County Bank (中牟鄭銀村鎮銀行)	500,000	Interbank general credit, revolving throughout the validity period of the credit
12	Yanling Zhengyin County Bank (鄆陵鄭銀村鎮銀行)	800,000	800,000	Yanling Zhengyin County Bank (鄆陵鄭銀村鎮銀行)	800,000	Interbank general credit, revolving throughout the validity period of the credit
13	Xinzheng Zhengyin County Bank (新鄭鄭銀村鎮銀行)	1,400,000	1,200,000	Xinzheng Zhengyin County Bank (新鄭鄭銀村鎮銀行)	1,200,000	Interbank general credit, revolving throughout the validity period of the credit

3.3.3 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 RMB90,580,000, 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.

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3.3.4 Other Related Party Transactions

During the Reporting Period, there was no asset trading business between the Bank and Henan Asset Management Company Limited (河南資產管理有限公司); a total of service transaction amount such as trust custody and supervision fees of RMB3,000 was provided to Bridge Trust Co., Ltd. (百瑞信託有限責任公司); a total of service transaction amount such as trust custody and supervision fees of RMB100,860,000 was provided to Zhongyuan Trust Co., Ltd. (中原信託有限公司). The largest single transaction of financial market transactions with open market price such as spot bond trading and pledge-style repo with 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) and Central China Securities Co., Ltd. (中原證券股份有限公司) amounted to RMB900 million, RMB997.5 million and RMB195.05 million respectively. There were no financial market transactions with open market price such as spot bond trading and pledge-style repo with Zhongyuan Trust Co., Ltd. (中原信託有限公司), Bridge Trust Co., Ltd. (百瑞信託有限責任公司), Great Wall Fund Management Co., Ltd. (長城基金管理有限公司), and Jiuding Financial Leasing Company (九鼎金融租賃公司). None of the above transactions exceeded the estimated quota on recurring related party transactions for 2022.

4 SIGNIFICANT CONTRACTS AND INFORMATION ON THEIR PERFORMANCE

4.1 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 PBOC and the CBIRC.

4.2 Entrustment, Contracting and Leasing Matters

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

4.3 Entrust Others to Manage Cash Assets

4.3.1 Entrusted wealth management

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

4.3.2 Entrusted Loans

During the Reporting Period, the Bank had no entrusted loans beyond its normal business scope.

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4.4 Material Contracts in Day-to-day Operations

During the Reporting Period, save as disclosed in this Report and other announcements and circulars of the Bank, the Bank did not have other material contracts in day-to-day operations that are required to be disclosed.

4.5 Other Significant Contracts

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

5 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.

6 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. In August 2022, Zhengzhou Intermediate People's Court of Henan Province lawfully prescribed the change of Henan Branch of China Great Wall Asset Management Co., Ltd. (中國長城資產管理股份有限公司) to the execution applicant. 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. Zhengzhou Intermediate People's Court of Henan Province was assigned to commence a court session for hearing. As at the end of the Reporting Period, no retrial judgment has been received. 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.

In August 2022, the Bank published an announcement in relation to litigation and arbitration against the Bank in which the Bank acted as the plaintiff with the principal amount involved over RMB50.0 million within 12 consecutive months. 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.

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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, save as the above litigations, the amount of other pending litigations and arbitrations in which the Bank acted as the plaintiff or the applicant was RMB1,217 million; while the total amount of the pending litigation and arbitration of the Bank acting as the defendant or the respondent was RMB3 million. These litigation and arbitration matters are not expected to have material adverse impacts on the financial position and operating results of the Bank.

7 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.

8 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.

9 ILLEGAL PROVISION OF EXTERNAL GUARANTEE

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

10 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 Shareholder and other related parties for non-operating purposes.

CHAPTER IX SIGNIFICANT EVENTS

11 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 relevant regulatory authorities. During the Reporting Period, the Bank meticulously implemented relevant regulations, and there were no other discloseable matters in relation to material guarantee businesses except for the financial guarantee business within the scope of business approved by relevant regulatory authorities.

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

12 IMPLEMENTATIONS OF SHARE INCENTIVE SCHEME, EMPLOYEE SHARE OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVE MEASURES

During the Reporting Period, the Bank did not implement any form of share incentive scheme, employee share ownership scheme, share scheme under Chapter 17 of the Stock Exchange Listing Rules or other employee incentive measures.

13 SUSPENSION IN TRADING OR DELISTING UPON DISCLOSURE OF THIS REPORT

The Bank is not exposed to any risk of suspension in trading or delisting upon disclosure of this Report.

14 MATTERS RELATED TO BANKRUPTCY AND RESTRUCTURING

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

15 AUDIT REVIEW

The financial statements for the year ended 31 December 2022 were prepared by the Bank according to the Accounting Standards for Business Enterprises of the PRC/International Financial Reporting Standards and were audited by Ernst & Young Hua Ming LLP/Ernst & Young, respectively, which issued a standard unqualified audit report/independent auditor's report. The Report has been reviewed by the Audit Committee of the Board and the Board of Directors of the Bank.

16 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.

17 SIGNIFICANT EVENTS OF THE BANK'S SUBSIDIARIES

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

CHAPTER X INDEPENDENT AUDITOR'S REPORT

To the shareholders of Bank of Zhengzhou Co., Ltd.

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

OPINION

We have audited the consolidated financial statements of Bank of Zhengzhou Co., Ltd. (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

CHAPTER X INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<i>Expected credit losses for loans and advances to customers, lease receivables and financial investments measured at amortised cost</i>	
The Group uses a number of judgements and assumptions in the measurement of expected credit losses, for example: - Whether there is significant increase in credit risk – Criteria for determining whether significant increase in credit risk has occurred are highly judgemental, and may have a significant impact on expected credit losses for loans and advances to customers (“loans”), lease receivables and financial investments measured at amortised cost with longer outstanding maturities; - Models and parameters – Complex models, numerous inputs and parameters are used to measure expected credit losses, involving plenty of management judgements and assumptions; - Forward-looking information – Macroeconomic forecasts are developed, and impacts on expected credit losses are considered for probability weighted multiple economic scenarios;	We evaluated and tested the effectiveness of design and implementation of key internal controls related to expected credit losses for loans, lease receivables and financial investments at amortised cost, including relevant data quality and information systems. We adopted a risk-based sampling approach in our review procedures for loans, lease receivables and financial investments at amortised cost. We assessed the debtors’ repayment capacity and evaluated the Group’s segmentation for loans, lease receivables and financial investments at amortised cost, taking into consideration post-lending/investment investigation reports, debtors’ financial information, collateral valuation reports and other available information. With the support of internal credit risk modelling experts, we evaluated and tested the expected credit loss model, key parameters, management’s major judgements and related assumptions, mainly focusing on the following aspects:

CHAPTER X INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<i>Expected credit losses for loans and advances to customers, lease receivables and financial investments measured at amortised cost</i>	
- Whether financial assets are credit-impaired - The determination of credit impairment requires consideration of multiple factors, and measurement of expected credit losses depends on estimates of future cash flows.	- Expected credit loss model: - Taking into account macroeconomic changes, we assessed the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, risk exposure, and whether there was significant increase in credit risk; - We assessed the reasonableness of the forward-looking information that management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumption and the weights of multiple macroeconomic scenarios; and - We assessed the reasonableness of management's determination of credit impairment. For credit-impaired loans, lease receivables and financial investments at amortised cost, we analysed the reasonableness of management's estimated future cash flows, including the amount, timing and probability, especially the recoverable cash flows from collateral.

CHAPTER X INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<i>Expected credit losses for loans and advances to customers, lease receivables and financial investments measured at amortised cost</i>	
Since the measurement of expected credit losses of loans, lease receivables and financial investments at amortised cost involves many significant judgements and assumptions, and in view of the significance of the amount (as at 31 December 2022, gross loans, lease receivables and financial investments at amortised cost amounted to RMB489.87 billion, representing 82.82% of total assets, and impairment allowance for loans, lease receivables and financial investments at amortised cost amounted to RMB15,351 million), we consider expected credit losses for loans, lease receivables and financial investments at amortised cost a key audit matter. Relevant disclosures are included in Note II 5, Note II 23, Note IV 16, Note IV 17, Note IV 18 and Note IV 38(a) to the consolidated financial statements.	2. Design and operating effectiveness of key controls: - We evaluated and tested the data and processes used to determine expected credit losses, including business data of loans, lease receivables and financial investments at amortised cost, internal credit rating data, macroeconomic statistics, as well as the computational logic, data inputs and system interfaces of the system; and - We evaluated and tested key controls over the expected credit loss model, including approval of model changes, ongoing monitoring model performance, model validation and parameter calibration. We evaluated the appropriateness of the Bank regarding the disclosures related to credit risk exposures and expected credit losses.

CHAPTER X INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<i>Valuation of financial instruments</i>	
The Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques usually involve subjective judgement and assumptions. With different valuation techniques and assumptions applied, the valuation results can vary significantly. As at 31 December 2022, the book value of financial assets measured at fair value amounted to RMB88.74 billion, representing 15.00% of total assets. Financial instruments which required either direct or indirect inputs, hence categorised within Level 2 of the fair value hierarchy, represented 82.90% of the total financial assets measured at fair value; and financial instruments which required significant unobservable inputs, hence categorised within Level 3 of the fair value hierarchy, represented 16.27% of the total financial assets measured at fair value. Due to the significance of financial instruments measured at fair value, and the uncertainty in valuation, we considered this as a key audit matter. Relevant disclosures are included in Note II 5, Note II 23, Note IV 16, Note IV 17, Note IV 26 and Note IV 39 to the consolidated financial statements.	We assessed and tested the design and operating effectiveness of key controls related to the valuation of financial instruments. We evaluated the valuation techniques, inputs and assumptions used by the Group through comparison with the valuation techniques commonly used in the markets, validation of observable inputs using external market data, and comparison with valuation outcomes obtained from various pricing sources. For financial instruments whose valuations were calculated using significant unobservable inputs, as in the case of investments in unlisted equity and certain debt investments, we involved our valuation specialists to assess the valuation model for such financial instruments, performed independent valuations on selected samples and compared the valuation results with those of the Group. We evaluated the appropriateness of the Bank regarding the disclosures related to the fair value of financial instruments.

CHAPTER X INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<i>Consolidation assessment of and disclosures regarding structured entities</i>	
The Group holds interests in various structured entities, including wealth management products, funds, trust plans, asset management plans, and asset-backed securities, in conducting businesses such as financial investments, asset management, and credit asset transfers. The Group needs to comprehensively consider the power it possesses, its exposure to variable returns, and the link between the power and the returns to determine whether it has control over such structured entities, and therefore whether it should include them in the scope of consolidation. The assessment of the Group's control over structured entities involves significant judgements on factors such as the purpose and design of structured entities, its ability to direct relevant activities, direct and indirect beneficial interests and returns, performance fee, benefits received or losses incurred from providing credit enhance or liquidity support. Comprehensive analysis of these factors and concluding on whether the Group has control involve significant management judgements and estimates. In view of the materiality and the complexity of management judgements, we consider the consolidation assessment of and disclosures regarding structured entities a key audit matter. Relevant disclosures are included in Note II 23, and Note IV 41 to the consolidated financial statements.	We evaluated and tested the design and operating effectiveness of the key internal controls related to the Group's assessment of whether it controls a structured entity. We assessed the Group's analysis and conclusions on whether it controlled the structured entities based on the Group's analysis on its power over the structured entities, and the magnitude and variability of variable returns from its involvement with the structured entities. We also assessed whether the Group had obligation to ultimately bear the risk of the structured entities by reviewing relevant term sheets, and whether the Group has provided liquidity support or credit enhancement to the structured entities. We evaluated the appropriateness of the Bank regarding the disclosures related to the unconsolidated structured entities.

CHAPTER X INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Bank are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Bank either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

CHAPTER X INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

CHAPTER X INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Chi Keung.

Ernst & Young

Certified Public Accountants

Hong Kong

30 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

(In RMB thousands, unless otherwise stated)

	Note IV	2022	2021
Interest income		25,057,162	25,565,082
Interest expense		(12,803,324)	(13,616,211)
Net interest income	1	12,253,838	11,948,871
Fee and commission income		937,708	1,408,779
Fee and commission expense		(146,805)	(167,195)
Net fee and commission income	2	790,903	1,241,584
Net trading gains	3	1,458,524	687,874
Net gains arising from investments	4	575,053	870,283
Other operating income	5	147,525	62,293
Operating income		15,225,843	14,810,905
Operating expenses	6	(3,656,641)	(3,566,573)
Credit impairment losses	9	(8,659,958)	(7,263,030)
Operating profit		2,909,244	3,981,302
Share of (losses)/profits of associates		(102,014)	6,836
Profit before taxation		2,807,230	3,988,138
Income tax expense	10	(207,282)	(590,182)
Profit for the year		2,599,948	3,397,956
Net profit attributable to:			
Equity shareholders of the Bank		2,422,304	3,226,192
Non-controlling interests		177,644	171,764
		2,599,948	3,397,956

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022
(In RMB thousands, unless otherwise stated)

	Note IV	2022	2021
Other comprehensive income:	32		
Other comprehensive income net of tax attributable to equity shareholders of the Bank			
Items that may be reclassified subsequently to profit or loss			
– Change in fair value/credit losses from debt investments measured at fair value through other comprehensive income		850	524,749
Items that will not be reclassified subsequently to profit or loss			
– Changes in fair value from investments in equity instruments designated at fair value through other comprehensive income		46,444	–
– Remeasurement of net defined benefit liability		620	(8,302)
Non-controlling interests		–	–
Other comprehensive income net of tax		47,914	516,447
Total comprehensive income		2,647,862	3,914,403
Total comprehensive income attributable to:			
Equity shareholders of the Bank		2,470,218	3,742,639
Non-controlling interests		177,644	171,764
		2,647,862	3,914,403
Basic and diluted earnings per share (in RMB)	11	0.17	0.33

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

Consolidated Statement of Financial Position

As at 31 December 2022

(In RMB thousands, unless otherwise stated)

	Note IV	31 December 2022	31 December 2021
Assets			
Cash and deposits with Central Bank	12	26,487,450	33,433,058
Deposits with banks and other financial institutions	13	1,922,266	2,919,058
Placements with banks and other financial institutions	14	2,410,452	4,182,213
Financial assets held under resale agreements	15	12,386,501	14,228,603
Loans and advances to customers	16	322,207,034	282,399,091
Financial investments:			
Financial investments at fair value through other comprehensive income	17	17,150,060	17,311,509
Financial investments measured at amortised cost	17	121,679,176	139,328,387
Financial investments at fair value through profit or loss	17	44,441,710	41,109,728
Derivative financial assets	26	–	173,981
Lease receivables	18	30,633,447	28,224,856
Interests in associates	19	273,881	407,086
Property and equipment	20	3,049,807	2,874,435
Deferred tax assets	21	4,880,568	3,900,289
Other assets	22	3,991,266	4,487,368
Total assets		591,513,618	574,979,662
Liabilities			
Due to Central Bank	23	20,105,825	22,785,695
Deposits from banks and other financial institutions	24	29,541,040	37,666,420
Placements from banks and other financial institutions	25	29,548,795	27,636,976
Financial assets sold under repurchase agreements	27	19,098,195	12,371,414
Derivative financial liabilities	26	100,456	–
Deposits from customers	28	341,797,766	321,574,215
Tax payable		557,405	359,712
Debt securities issued	29	94,992,906	90,076,717
Other liabilities	30	3,145,994	3,096,973
Total liabilities		538,888,382	515,568,122

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

Consolidated Statement of Financial Position

As at 31 December 2022 (continued)
(In RMB thousands, unless otherwise stated)

	Note IV	31 December 2022	31 December 2021
Equity			
Share capital	31	8,265,538	8,265,538
Other equity instruments			
Including: Preference shares	34	—	7,825,508
Perpetual debts	34	9,998,855	9,998,855
Capital reserve	32	6,811,655	7,452,490
Surplus reserve	32	3,505,562	3,281,678
General reserve	32	7,767,704	7,481,353
Fair value reserve	32	(126,163)	(173,457)
Remeasurement of net defined benefit liability	32	(68,635)	(69,255)
Retained earnings	33	14,618,050	13,703,472
Total equity attributable to equity shareholders of the Bank		50,772,566	57,766,182
Non-controlling interests		1,852,670	1,645,358
Total equity		52,625,236	59,411,540
Total liabilities and equity		591,513,618	574,979,662

Approved and authorised for issue by the board of directors on 30 March 2023.

Zhao Fei

President (Acting Chairman
of the Board of Directors)

Sun Haigang

Person in Charge of
Accounting Affairs

Gao Chenxin

Head of Accounting
Department

Bank of Zhengzhou Co., Ltd

(Company Chop)

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

(In RMB thousands, unless otherwise stated)

Note I/V	Attributable to equity shareholders of the Bank									
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value of net defined benefit liability	Retained earnings	Sub-total	Non-controlling interests	Total equity
Balance at 1 January 2022	8,265,538	17,824,363	7,452,490	3,281,678	7,481,353	(173,457)	(69,255)	57,766,182	1,645,358	59,411,540
Profit for the year	-	-	-	-	-	-	-	2,422,304	177,644	2,599,948
Other comprehensive income	-	-	-	-	-	47,294	620	-	-	47,914
Total comprehensive income	-	-	-	-	-	47,294	620	2,422,304	177,644	2,647,862
Capital invested by share holders:										
– Redemption of preference shares	-	(7,825,508)	(640,835)	-	-	-	-	(8,466,343)	-	(8,466,343)
– Acquisition of a subsidiary	-	-	-	-	-	-	-	-	34,568	34,568
Appropriation of profit:										
– Appropriation to surplus reserve	-	-	-	223,884	-	-	-	(223,884)	-	-
– Appropriation to general reserve	-	-	-	-	286,351	-	-	(286,351)	-	-
– Cash dividends on ordinary shares	-	-	-	-	-	-	-	-	(4,900)	(4,900)
– Cash dividends on preference shares	-	-	-	-	-	-	-	(517,491)	-	(517,491)
– Cash dividends on perpetual debts	-	-	-	-	-	-	-	(480,000)	-	(480,000)
Sub-total	-	(7,825,508)	(640,835)	223,884	286,351	47,294	620	914,578	207,312	(6,786,304)
Balance at 31 December 2022	8,265,538	9,998,855	6,811,655	3,505,562	7,767,704	(126,163)	(68,635)	50,772,566	1,852,670	52,625,236

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022 (continued)

(In RMB thousands, unless otherwise stated)

Attributable to equity shareholders of the Bank											
Note 1/	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Sub-total	Non-controlling interests	Total equity
Balance at 1 January 2021	7,514,125	7,825,508	8,203,903	2,976,573	7,078,451	(698,206)	(60,953)	11,655,496	44,494,897	1,477,024	45,971,921
Profit for the year	-	-	-	-	-	-	-	3,226,192	3,226,192	171,764	3,397,956
Other comprehensive income	32(d)(e)	-	-	-	-	524,749	(8,302)	-	516,447	-	516,447
Total comprehensive income	-	-	-	-	-	524,749	(8,302)	3,226,192	3,742,639	171,764	3,914,403
Capital invested by shareholders:											
– Issuance of perpetual debits	34	-	9,998,855	-	-	-	-	-	9,998,855	-	9,998,855
Appropriation of profit:											
– Appropriation to surplus reserve	32(b)	-	-	-	305,105	-	-	(305,105)	-	-	-
– Appropriation to general reserve	32(c)	-	-	-	-	402,902	-	(402,902)	-	-	-
– Cash dividends on ordinary shares	33	-	-	-	-	-	-	-	-	(3,430)	(3,430)
– Cash dividends on preference shares	33	-	-	-	-	-	-	(470,209)	(470,209)	-	(470,209)
Capital reserve converted into share capital	31	751,413	-	(751,413)	-	-	-	-	-	-	-
Sub-total		751,413	9,998,855	(751,413)	305,105	402,902	524,749	(8,302)	13,271,285	168,334	13,439,619
Balance at 31 December 2021		8,265,538	17,824,363	7,452,490	3,281,678	7,481,353	(173,457)	(69,255)	57,766,182	1,645,358	59,411,540

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

Consolidated Cash Flow Statement

For the year ended 31 December 2022

(In RMB thousands, unless otherwise stated)

	2022	2021
Cash flows from operating activities		
Profit before tax	2,807,230	3,988,138
<i>Adjustments for:</i>		
Credit impairment losses	8,659,958	7,263,030
Depreciation and amortisation	468,042	454,021
Unrealised foreign exchange (gains)/losses	(672,553)	451,257
Net losses from disposal of long-term assets	3,897	1,122
Net trading losses/(gains) of financial investments at fair value through profit or loss	139,144	(574,103)
Net gains arising from investments	(575,053)	(870,283)
Share of profits of associates	102,014	(6,836)
Interest expense on debt securities issued	2,372,248	2,743,371
Interest income on financial investments	(6,047,455)	(8,453,447)
	7,257,472	4,996,270
<i>Changes in operating assets</i>		
Net (increase)/decrease in deposits with Central Bank	(25,892)	3,764,987
Net increase in deposits and placements with banks and other financial institutions	(1,049,091)	(550,662)
Net (increase)/decrease in financial investments at fair value through profit or loss	(6,798,131)	680,710
Net increase in loans and advances to customers	(43,692,638)	(54,387,425)
Net decrease/(increase) in financial assets held under resale agreements	1,840,610	(5,642,374)
Net increase in lease receivables	(2,898,853)	(5,990,586)
Net decrease/(increase) in other operating assets	63,740	(904,974)
	(52,560,255)	(63,030,324)
<i>Changes in operating liabilities</i>		
Net decrease in amounts due to Central Bank	(2,676,675)	(3,149,149)
Net (decrease)/increase in deposits and placements from banks and other financial institutions	(7,189,727)	24,346,942
Net increase/(decrease) in financial assets sold under repurchase agreements	6,728,995	(8,933,329)
Net increase in deposits from customers	16,951,631	4,583,030
Income tax paid	(945,612)	(1,324,671)
Net increase/(decrease) in other operating liabilities	1,084,154	(107,828)
	13,952,766	15,414,995
Net cash flows generated from operating activities	(31,350,017)	(42,619,059)

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

Consolidated Cash Flow Statement

For the year ended 31 December 2022 (continued)

(In RMB thousands, unless otherwise stated)

	Note	2022	2021
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		118,049,760	227,764,109
Proceeds from disposal of property and equipment and other assets		3,928	1,749
Payments on acquisition of investments		(97,099,411)	(198,711,536)
Return on investments		7,013,859	12,598,598
Payments on acquisition of property and equipment and other assets		(741,490)	(697,294)
Cash flows from other investing activities		284,432	–
Net cash flows generated from investing activities		27,511,078	40,955,626
Cash flows from financing activities			
Proceeds received from issuance of perpetual debts		–	9,998,855
Proceeds received from debt securities issued		131,040,039	133,122,114
Repayment of debt securities issued		(126,044,973)	(136,215,573)
Interest paid on debt securities issued		(2,451,125)	(2,737,253)
Dividends paid		(1,002,834)	(474,892)
Repayment of interest on preference shares issued		(8,466,343)	–
Cash flows used in other financing activities		(146,394)	(130,752)
Net cash flows generated from financing activities		(7,071,630)	3,562,499
Net (decrease)/increase in cash and cash equivalents		(10,910,569)	1,899,066
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		13,567	(86,785)
Cash and cash equivalents as at 31 December	35(a)	10,515,331	21,412,333
Net cash flows generated from operating activities include:			
Interest received		19,910,800	18,551,961
Interest paid		9,348,349	(10,164,027)

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(In RMB thousands, unless otherwise stated)

I BACKGROUND INFORMATION

Bank of Zhengzhou Co., Ltd. (the “Bank”), 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 licence No. B1036H241010001 from the former China Banking Regulatory Commission (“the former CBRC”), and obtained its business licence 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-share was 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, medium and long-term lending; domestic and international settlement; bill acceptance and discounting; issuing financial bonds; acting as an agent for issuance, honoring 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 a collection and payment agent and an insurance agent; 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 Bank’s principal subsidiaries included in the scope of consolidation, refer to note IV 19 to the consolidated financial statements.

These financial statements have been approved by the board of directors on 30 March 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(In RMB thousands, unless otherwise stated)

II PRINCIPAL ACCOUNTING POLICIES

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”). In addition, the consolidated financial statements comply with the disclosure requirements of the Hong Kong Companies Ordinance.

Financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments), as well as financial assets at fair value through other comprehensive income are measured at their fair values in the consolidated financial statements. Other accounting items are measured at their historical costs. Impairment is recognised if there is objective evidence of impairment of assets.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note III.

As a financial institution established in the PRC and listed on the Shenzhen Stock Exchange, the Group also prepared its consolidated financial statements for the reporting period in accordance with the “Accounting Standards for Business Enterprises – Basic Standard” issued by the Ministry of Finance of the People’s Republic of China (the “MOF”), additional specific accounting standards, the Application Guide and Interpretations of Accounting Standards and other relevant regulations (collectively known as the “PRC GAAP”), as well as the relevant regulations issued by the China Securities Regulatory Commission (“CSRC”) in relation to the disclosure of financial statements and notes of listed companies. There is no difference in the net profit for the year or total equity as at the end of the year between the Group’s consolidated financial statements prepared under IFRSs and those prepared under PRC GAAP.

1.1 Amended standards and interpretations effective in 2022

On 1 January 2022, the Group applied the following new standards and amendments.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRS Standards 2018-2020 Cycle	

The adoption of the above amendments does not have a significant impact on the Group’s consolidated financial statements.

Except for those described above, the significant accounting policies adopted by the Group for the annual financial statements are consistent with those applied in the preparation of the Group’s annual financial statements for the year ended 31 December 2021.

Notes to the Consolidated Financial Statements

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(In RMB thousands, unless otherwise stated)

II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1 Basis of preparation (Continued)

1.2 Amended standards that are not yet effective and have not been early adopted by the Group in 2022

		Effective for annual periods beginning on or after
IFRS 17 and Amendments	<i>Insurance Contracts</i>	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to IFRS 16	<i>Lease liability in a sale and leaseback</i>	1 January 2024
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date has been deferred indefinitely

As a consequence of the amendments to IFRS 17 issued in June 2020, the effective date of IFRS 17 was deferred to 1 January 2023, and IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023.

The amendments to IAS 1 replace the requirement to disclose “significant” accounting policies with a requirement to disclose “material” accounting policies. Guidance and illustrative examples are added in the Practice Statement 2 to assist in the application of the materiality concept when making judgements about accounting policy disclosures.

Amendments to IAS 8, introduces a new definition of “accounting estimates”. Accounting estimates are defined as “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
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II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1 Basis of preparation (Continued)

1.2 *Amended standards that are not yet effective and have not been early adopted by the Group in 2022 (Continued)*

Amendments to IAS 12 introduce an exception to the initial recognition exemption in IAS 12 for deferred tax assets and deferred tax liabilities, and clarify the accounting treatment method of deferred income tax for right-of-use assets and lease liabilities, and decommissioning obligations.

The IASB has amended IFRS 16 to specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognise any amount of the gain or loss that relates to the right of use retained. The amendments do not change the accounting for leases unrelated to sale and leaseback transactions.

The IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: what is meant by a right to defer settlement; that a right to defer must exist at the end of the reporting period; that classification is unaffected by the likelihood that an entity will exercise its deferral right; and that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The narrow-scope amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a “business” (as defined in IFRS 3 “Business Combinations”).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor’s investments in the associate or joint venture. The amendments apply prospectively.

The Group anticipates that the adoption of the new amended standards will not have a significant impact on the Group’s consolidated financial statements.

Notes to the Consolidated Financial Statements

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II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2 Consolidation

2.1 Subsidiaries

Subsidiaries are all entities (including corporates, divided parts of associates, and structured entities controlled by corporates) over which the Group has control. That is the Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible and rights arising from other contractual arrangements are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. If changes in facts and circumstances result in changes in elements involved in the definition of control, the Group will re-evaluate whether it still has control over subsidiaries.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

If the Group acquires a subsidiary through a merger of companies under common control, the difference between the book value of the net assets acquired by the merging parties and the book value of the merger consideration paid (or the total par value of shares issued) is adjusted to capital surplus; if capital surplus is not sufficient to offset the difference, retained earnings are adjusted.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Bank's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments, but does not include acquisition-related costs, which are expensed as incurred. The dividends or profits declared to distribute by the invested entity shall be recognised by the Bank as the current investment income of subsidiaries.

Notes to the Consolidated Financial Statements

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II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2 Consolidation (Continued)

2.2 Joint Ventures

Joint ventures exist where the Group has a contractual arrangement with one or more parties to undertake economic activities which are subject to joint control.

Investments in joint ventures are initially recognised at cost and are accounted for using the equity method of accounting. The Group's "Investments in associates and joint ventures" includes goodwill.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group assesses at each financial reporting date whether there is indication that investments in joint ventures are impaired. Once there is any indication of impairment, the impairment assessment is carried out. Impairment losses are recognised for the amounts by which the carrying amounts of investments in joint ventures exceed their recoverable amounts. The recoverable amounts are the higher of the fair value of investments in associates and joint ventures less costs to sell and value in use.

3 Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits readily available for payment. Cash equivalents are investments held by the Group with short maturities, high liquidity, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Notes to the Consolidated Financial Statements

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(In RMB thousands, unless otherwise stated)

II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

4 Foreign currency translation

The Group translates foreign currency transactions into its functional currency.

Foreign currency transactions are, on initial recognition, translated into the functional currency using the spot exchange rates at the dates of the transactions. At each financial reporting date, monetary items denominated in foreign currencies are translated using the spot exchange rates at that date. All the resulting exchange differences are recognised to profit or loss, except for those relating to foreign currency borrowings specifically for acquisition and construction of assets qualified for capitalisation, which are capitalised in accordance with the principle of capitalisation of borrowing costs. Non-monetary items denominated in foreign currencies that are measured at historical cost shall still be translated into functional currency using the spot exchange rates at the transaction dates, while the amounts denominated in the functional currencies do not change. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; the resulting exchange differences are recognised in profit or loss, or in other comprehensive income for the period.

Cash flows arising from foreign currency transactions are translated using the spot exchange rates at the dates on which the transactions take place. The effect of exchange rate changes on cash is separately presented in the statement of cash flows.

5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Recognition and de-recognition of financial instruments

The Group shall recognise a financial asset or a financial liability in its statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets (or a part of a financial asset or group of financial assets) are derecognised when the financial assets meet one of the following conditions:

- (1) The contractual rights to the cash flows from the financial asset expire; or
- (2) The contractual rights to the cash flows from the financial asset are transferred, or the Group undertake the obligation to pay the cash flows collected to a third party in full and on time under the “pass-through agreement” and the Group (a) transfers substantially all the risks and rewards of ownership of the financial assets or (b) where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

Notes to the Consolidated Financial Statements

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II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (Continued)

Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged or cancelled, or expires. If an existing financial liability is replaced by another financial liability with substantially different terms by the same creditor, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted as the de-recognition of the original liability and the recognition of a new liability, and the resulting difference is recognised in profit or loss for the current period.

The Group recognises and de-recognises financial assets on the trading day when trading financial assets in a conventional way. Trading financial assets in a conventional way refers to collecting or delivering financial assets within the time limit prescribed by laws or common practices in accordance with contract provisions. The trading day refers to the date on which the Group undertakes to buy or sell financial assets.

Classification and measurement of financial assets

The Group classifies financial assets as at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Only if when the Group changes the business model for managing financial assets, the Group shall reclassify the affected financial assets.

Financial assets are measured at fair value on initial recognition. However, if the accounts receivable or bills receivable arising from sales of goods or provision of services do not include significant financing components or does not take financing components less than one year into account, they shall be initially recognised at the transaction price.

For financial assets at fair value through profit or loss, transaction costs are directly recognised in profit or loss. For other financial assets, transaction costs are recognised in the initial measurement.

The subsequent measurement of financial assets depends on the classification:

Debt instrument investment measured at amortised cost

A financial asset shall be measured at amortised cost if both of the following conditions are met:

the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income is recognised using the effective interest method for such financial assets. The gains or losses from derecognition, amendments or impairment on such financial assets are recognised in profit or loss.

Notes to the Consolidated Financial Statements

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(In RMB thousands, unless otherwise stated)

II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (Continued)

Classification and measurement of financial assets (Continued)

Debt instruments investment at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A gain or loss on a financial asset measured at the fair value through other comprehensive income should be recognised in other comprehensive income, except for interests calculated using effective interest method, impairment losses and foreign exchange gains and losses. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to profit or loss.

Equity instruments investment at fair value through other comprehensive income

The Group has irrevocably designated equity instruments that are not held for trading as financial assets at fair value through other comprehensive income. Only relevant dividend income (excluding dividend income explicitly recovered as part of investment cost) is recognised in profit or loss, and subsequent changes in fair value are recognised in other comprehensive income without provision for impairment. When financial assets are derecognised, the accumulated gains or losses previously recognised in other comprehensive income shall be reclassified to retained earnings under equity.

Financial assets at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. Such financial assets that the Group holds are subsequently measured at fair value. Gains or losses on such financial assets are recognised in profit or loss.

Notes to the Consolidated Financial Statements

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II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (Continued)

Classification and measurement of financial liabilities

The Group classifies financial liabilities as at fair value through profit or loss and other financial liabilities at amortised cost at initial recognition. For financial liabilities at fair value through profit or loss, transaction costs are directly recognised in profit or loss. For other financial liabilities at amortised cost, transaction costs are recognised in the initial measurement.

The subsequent measurement of financial liabilities depends on the classification:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivative financial instruments) and financial liabilities designated at fair value through profit or loss at initial recognition. Financial liabilities held for trading (including derivative financial instruments) are subsequently measured at the fair value. A gain or loss on such financial liability is recognised in profit or loss. Financial liabilities designated at fair value through profit or loss are subsequently measured at the fair value. A gain or loss on such financial liability is recognised in profit or loss, except that the changes in the fair value of the financial liability arising from changes in the Group's own credit risk should be recognised in other comprehensive income. If the recognition of the impact arising from changes in the own credit risk of financial liabilities in other comprehensive income will create or enlarge the accounting mismatch in profit or loss, the Group shall recognise the entire gain or loss of the financial liabilities (including the impact of changes in its own credit risk) in profit or loss.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

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(In RMB thousands, unless otherwise stated)

II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (Continued)

Impairment of financial instruments

The Group evaluates and confirms relevant impairment allowance for financial assets measured at amortised cost, debt instrument investments at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts based on ECL.

For the above financial assets, loan commitments and financial guarantee contracts, the Group assesses whether its credit risk has increased significantly since the initial recognition at the end of each reporting period. If the credit risk has not increased significantly since the initial recognition, it is at the first stage, and the Group measures the loss provision based on the amount of expected credit loss throughout the next 12 months and calculates interest income based on book balance and effective interest rate; if the credit risk has increased significantly since the initial recognition but credit loss has not occurred, it is at the second stage, and the Group measures loss provision based on the amount of expected credit losses throughout the entire duration of the life and calculates interest income based on book balance and effective interest rate; if credit loss has occurred since the initial recognition, it is at the third stage, and the Group measures loss provision based on the amount of expected credit losses throughout the entire duration of the life and calculates the interest income based on the amortised cost and the effective interest rate.

Please refer to Note V 38 for the Group's criteria for determining significant increase in credit risk, definition of financial assets that have been credit-impaired, and assumption for measurement of expected credit loss.

The factors reflected in the Group's approach to measuring expected credit losses of financial instruments include the weighted average amount of unbiased probabilities, the time value of money determined by evaluating a series of possible outcomes, as well as reasonable and substantiated information about past events, current conditions and projections of future economic conditions that is available at the financial reporting date without undue additional cost or effort.

When the Group no longer reasonably expects to be able to fully or partially recover the contractual cash flows of financial assets, the Group directly writes down the carrying amount of the financial assets.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a current legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements

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II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (Continued)

Financial guarantee contracts

Financial guarantee contracts are those contracts that require a payment to be made by the issuer to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are measured at fair value at initial recognition. For financial guarantee contracts which are not designated as at fair value through profit or loss, they are subsequently measured at the higher of the expenditure determined by the ECL model that is required to settle any financial obligation arising at the financial reporting date, and the value initially recognised less the accumulated amortisation recognised in accordance with the guidance for revenue recognition.

Derivative financial instruments

The Group uses derivative financial instruments, for example, to hedge exchange-rate risks through foreign exchange forward contracts, which are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Changes in the fair value of these derivatives are recognised in profit or loss unless it is related to hedge accounting.

Transfer of financial assets

If the Group has transferred substantially all the risks and rewards of ownership of financial assets to the transferee, it shall de-recognise the financial assets; if it retains substantially all the risks and rewards of ownership of financial assets, it shall not de-recognise the financial assets.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of financial assets, it shall deal with the following situations separately: if it abandons its control over the financial assets, it should de-recognise the financial assets and recognise the assets and liabilities that arose; if it does not abandon its control over the financial assets, it shall recognise the relevant financial assets in accordance with the extent to which it continues to be involved in the transferred financial assets, and relevant liabilities are recognised accordingly.

If the Group continues to be involved in the transferred financial assets by providing a financial guarantee, the assets that arose from the continued involvement shall be determined at the lower of the book value of the financial assets and the amount of the financial guarantee. The amount of the financial guarantee refers to the maximum amount that will be required to be repaid among the consideration received.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(In RMB thousands, unless otherwise stated)

II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

6 Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are not reported as purchases of the assets but as receivables and are carried in the statement of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statement of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

The difference between purchase and sale price is recognised as “Interest expense” or “Interest income” in the statement of profit or loss over the life of the agreements using the effective interest method.

7 Property, plant and equipment

Property, plant and equipment are recognised only when the economic benefits associated with the assets will probably flow to the Group and the cost of the assets can be measured reliably. Subsequent expenditures incurred for property, plant and equipment that meet the recognition criteria shall be included in its cost, and the carrying amount of the component of the property, plant and equipment that is replaced shall be de-recognised. Otherwise, such expenditures shall be recognised in profit or loss for the period during which they are incurred.

Property, plant and equipment are initially measured at cost. The cost of purchased property, plant and equipment comprise the purchase price, relevant taxes and any directly attributable costs for bringing the assets to expected working condition.

Notes to the Consolidated Financial Statements

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II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

7 Property, plant and equipment (Continued)

Premises, electronic equipment and others

Property, plant and equipment are depreciated using the straight-line method. The estimated useful lives, residual values and depreciation rates of each class of property, plant and equipment are as follows:

	Estimated useful lives (years)	Estimated rate of residual value (%)	Depreciation rate (%)
Premises	20-50	5	1.90-4.75
Electronic equipment	3-5	5	19.00-31.67
Vehicles	5	5	19.00
Office equipment and others	5-10	5	9.50-19.00

Construction in progress

The cost of construction in progress is determined according to the actual costs incurred for the construction, including all necessary construction costs incurred during the construction period, and other relevant expenses.

Construction in progress is transferred to property, plant and equipment when the asset is ready for its intended use.

8 Right-of-use assets

At the commencement date of the lease, the Group recognises its right to use the lease assets over the lease term as the right-of-use asset and initially measures it at cost. The cost of right-of-use assets includes: the amount of initial measurement of the lease liability; any lease payments made at or before the commencement date of the lease less any lease incentives received; the initial direct expenses incurred by the lessee; and an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms of the lease. If the Group re-measures the lease liabilities due to the changes in lease payments, the book value of the right-of-use assets shall be adjusted accordingly. The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset and the lease term.

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II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

9 Intangible assets

An intangible asset is recognised only when the economic benefits associated with the assets will probably flow to the Group and the cost of the assets can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination which is not under common control and with a fair value that can be measured reliably are recognised separately as intangible assets and measured at fair value.

The useful life of an intangible asset is determined according to the period over which it is estimated to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life if the period over which the asset is estimated to generate economic benefits for the Group is uncertain.

The estimated useful lives of intangible assets are as follows:

	Estimated useful lives (years)
Software	5-10

10 Impairment of non-financial assets

The Group determines the impairment of assets other than deferred income tax assets, and financial assets using the following methods: The Group assesses whether there is any indication that an asset may be impaired at the end of the reporting period. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs test for impairment; and the Group tests intangible assets that have not yet reached a serviceable condition for impairment at least at the end of each year, regardless of whether there is an indication of impairment.

The recoverable amount of an asset is determined according to the higher of the net amount of its fair value less disposal costs and the present value of the expected future cash flows of the asset. The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or an asset group is less than its carrying amount, the group wrote down its carrying amount to the recoverable amount. The amount of write-down is recognised in profit or loss for the current period, and a provision for impairment loss of the asset is recognised accordingly.

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

Notes to the Consolidated Financial Statements

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II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

11 Employee benefits

Employee benefits refer to all forms of considerations or compensations given by the Group in exchange for services rendered by employees or for the termination of employment. Employee benefits include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits. The benefits provided by the Group to the spouses, children and dependents of employees as well as families and other beneficiaries of deceased employees are also classified as employee benefits.

Short-term employee benefits

In the accounting period in which services are rendered by employees, the actual amount of short-term benefits incurred is recognised as liabilities and charged to profit or loss for the current period or cost of underlying assets.

Post-employment benefits-defined contribution plans

The employees of the Group participate in (i) the pension insurance and unemployment insurance scheme administered by the local government and (ii) enterprise annuity, and the corresponding expenses are included in the costs of underlying assets or recognised in profit or loss for the current period when incurred.

Post-employment benefits – defined benefit plan

The Group sets benefit plans as supplementary retirement benefits, including early retirement plans and supplementary retirement plans. The plan requires payment of fees to independently managed funds. No capital has been injected into the plan. The benefits cost under the defined benefit plan is calculated using the projected accumulative benefit unit method.

The items to be remeasured as a result of the defined benefit pension plan, which include actuarial gains or losses, movements arising from assets cap (net of amounts included in net interest of liabilities in the defined benefit plan) and return on plan assets (net of amounts included in net interest of liabilities in the defined benefit plan), are all immediately recognised in the statement of financial position, and are included in shareholders' equity through other comprehensive income during the period in which they are incurred. They will not be reversed to profit or loss in subsequent periods.

The past service costs are recognised as expenses for the current period when the defined benefit plan is modified or when the Group recognises relevant restructuring costs or termination benefits, whichever occurs earlier.

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II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

11 Employee benefits (Continued)

Post-employment benefits – defined benefit plan (Continued)

Net interest is calculated by multiplying net liabilities or net assets of the defined benefit plan by the discount rate. The Group recognises changes in net liabilities of the defined benefit plan under administrative expense and finance expenses in the income statement. Service costs include current service cost, past service cost and gains or losses on settlement; net interest includes interest income on plan assets, interest expenses on plan obligations and interest arising from assets cap.

Termination benefits

If the Group provides termination benefits to employees, the employee benefits liabilities arising from termination benefits are recognised in profit or loss for the current period at the earlier of the following dates: when the Group cannot unilaterally withdraw the offer of these termination benefits as a result of termination of employment plan or downsizing proposal, and when the Group recognises restructuring costs involving the payment of termination benefits

12 Lease liabilities

On the commencement date of the lease term, the Group recognises the present value of the outstanding lease payments as lease liabilities, except for short-term leases and low-value asset leases. The amount of lease payment includes the amount of fixed payment and substantial fixed payment after deducting the lease incentive, the amount of variable lease payment depending on the index or ratio, the amount expected to be paid according to the guarantee residual value, and the exercise price of the purchase option or the payment amount to exercise the lease termination option, provided that the Group reasonably determines that the option will be exercised or the lease term reflects that the Group will exercise the lease termination option.

In calculating the present value of the lease payments, the Group uses the implicit interest rate in the lease as the discount rate; if the implicit interest rate of the lease cannot be determined, the lessee's incremental borrowing rate is used as the discount rate. The Group calculates the interest expense of the lease liabilities for each period of the lease term based on the fixed periodic interest rate and recognises it in profit or loss for the current period, unless otherwise stipulated to be recognised in related asset costs. The variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss when incurred, unless otherwise stipulated to be recognised in related asset costs.

After the commencement date of the lease term, the Group increases the carrying amount of the lease liability while recognising the interest, and decreases the carrying amount of the lease liability while paying the lease payment. If either (i) the substantially fixed payment amount changes; (ii) the expected amount payable of the guarantee residual value changes; (iii) the index or ratio used to determine the lease payment amount changes; or (iv) the assessment results or actual exercise of the purchase option, renewal option or termination option changes, the Group re-measures the lease liabilities based on the present value of the changed lease payments.

Notes to the Consolidated Financial Statements

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II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

13 Accrued liabilities

In addition to contingent consideration and contingent liability assumed in a business combination not under the same control, the Group recognises a contingent obligation as an accrued liability when all of the following conditions are satisfied:

- the obligation is a present obligation of the Group;
- it is probable that the performance of the obligation will result in an outflow of economic benefits from the Group;
- the amount of the obligation can be measured reliably.

Contingent liabilities are initially measured at the best estimate of the expenditure required to settle the related present obligation, with comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of accrued liabilities is reviewed at the end of each reporting period. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.

Financial guarantee contracts that are subsequently measured with expected credit losses are listed in accrued liabilities.

14 Other equity instruments

The preference shares issued by the Group do not include the contractual obligations to pay cash or other financial assets to other parties, or exchange financial assets or financial liabilities with other parties under potential adverse conditions. Meanwhile, these preferred shares are non-derivative financial instruments that must be settled with their own equity instruments in the future, but do not include the contractual obligation to deliver a variable number of their own equity instruments for settlement. The preference shares issued by the Group are equity instruments. The transaction costs such as handling fees and commissions incurred in issuing the preference shares are deducted from the equity. The interest on preference shares is recognised as profit distribution at the time of declaration.

The perpetual bonds issued by the Group do not include the contractual obligations to pay cash or other financial assets to other parties, or exchange financial assets or financial liabilities with other parties under potential adverse conditions. In addition, there are no terms and arrangement that the bonds must or will alternatively be settled in the Group's own equity instruments. The perpetual bonds issued by the Group are equity instruments. The handling fees, the transaction costs and commissions incurred in issuing the perpetual bonds are deducted from the equity. The interest on perpetual bond is recognised as profit distribution at the time of declaration.

Notes to the Consolidated Financial Statements

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(In RMB thousands, unless otherwise stated)

II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

15 Deferred income tax

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(In RMB thousands, unless otherwise stated)

II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

15 Deferred income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset when the following conditions are satisfied: a legally enforceable right exists to set off current tax assets against current tax liabilities; the deferred taxes relate to the same taxable entity and the same taxation authority, or the involved taxable entities are intended to settle the current income tax assets and current income tax liabilities on a net basis or to simultaneously acquire assets and repay debts during each future period in which significant amounts of deferred income tax assets and deferred income tax liabilities are expected to be reversed.

16 Leases

On the contract start date, the Group assesses whether the contract is a lease or contains a lease. If one party in the contract transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is a lease or contains a lease.

As lessee

The Group recognises the right-of-use assets and lease liabilities except for short-term leases and low-value asset leases.

Short-term leases and low-value asset leases

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease; and a lease for which the value of the individual underlying asset is less than RMB40 thousand at inception as a lease of a low-value asset. If the Group subleases or expects to sublease the lease assets, the original lease is not recognised as a low-value asset lease. The Group chooses not to recognise the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and the rent is amortised on a straight-line basis in each period of the lease term and included in the statement of profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(In RMB thousands, unless otherwise stated)

II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

16 Leases (Continued)

As lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

As lessor under finance lease

When the Group is a lessor under finance leases, at the commencement date of the lease, the Group recognises finance lease receivable and derecognises finance lease assets. In the initial measurement of the finance lease receivable, the Group recognises the net investment of the lease as the book value. The net investment in a lease is the sum of the unguaranteed residual value and the present value of the unreceived minimum lease payment receivable at the commencement date, which is discounted by the interest rate implicit in the lease, including initial direct costs. The Group calculates and recognises the interest income in each period during the lease term using the constant periodic rate of interest. Variable lease payments that are not measured as part of the net investment in the lease are recognised in profit or loss as incurred.

As lessor under operating lease

Rental income under an operating lease is recognised through profit or loss using the straight-line method for each period of the lease term. Variable lease payments not included in the measurement of the net investment in the lease are recognised in profit or loss as incurred. Initial direct costs are capitalised and amortised over the lease term on the same basis as rental income is recognised, and are charged to profit or loss.

Sale and leaseback transactions

As lessee

If the asset transfer under a sale and leaseback transaction belongs to sale, the Group, as a lessee, measures the right-of-use assets created by the sale and leaseback based on the portion of carrying amount of the original assets related to right of use obtained upon leaseback, and only recognise relevant profit or loss for the right transferred to the lessor. If the asset transfer under a sale and leaseback transaction does not belong to sale, the Group, as a lessee, will continue to recognise the transferred assets while recognise a financial liability equal to the transfer income.

17 Profit distribution

The cash dividends of the Group are recognised as liabilities after being approved at the shareholders' general meeting.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(In RMB thousands, unless otherwise stated)

II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

18 Fair value measurement

Fair value refers to the price that market participants can receive or pay to transfer an asset in an orderly transaction on the measurement date.

For the assets and liabilities measured or disclosed at fair value in the statement of financial position, the level of fair value is determined according to the lowest level input value that is significant to the measurement of fair value as a whole: Level 1 inputs – unadjusted quoted prices unadjusted in active markets for identical assets or liabilities at the measurement date; Level 2 inputs – the observable inputs, either directly or indirectly, of the relevant assets or liabilities other than Level 1 inputs; and Level 3 inputs – unobservable inputs of the relevant assets or liabilities.

At each financial reporting date, the Group reassesses the assets and liabilities recognised in the statement of financial position that are continuously measured at fair value to determine whether there is a conversion between the fair value measurement levels.

19 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system, and the operating results of the segments are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance. Any segments which do not comply with the reporting of segments by division of quantities are reported at consolidation level.

20 Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding ("entrusted funds") to the Group, and the Group grants loans to third parties ("entrusted loans") under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amounts. No provision for impairment loss is made for entrusted loans.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
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II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

21 Income recognition

Interest income

Interest income is calculated using the effective interest rate. The effective interest refers to the interest rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. If the Group's estimate of future income changes, the book value of financial assets may also be adjusted accordingly. Since the adjusted book value is calculated according to the original effective interest rate, the change is also recorded in interest income.

For the purchased or originated credit-impaired financial assets, the Group calculates the interest income according to the amortised cost of the financial assets and the effective interest rate after credit adjustment since the initial recognition by the Group. The effective interest rate after credit adjustment refers to the estimated future cash flows of the acquired or originated financial assets with credit impairment in the expected duration, which is converted into the interest rate of amortised cost of the financial assets.

For the financial assets acquired or originated without any credit impairment, but incurred credit impairment in the subsequent period, the Group calculates the interest income in accordance with the amortised cost and the effective interest rate of the financial assets.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income is accrued in accordance with the terms and conditions of the service agreement. For other service fee and commission income, they are recognised when the transactions are completed.

Dividend income

Dividends are recognised when the right to receive the dividends is established.

Other income

Other income is recognised on an accrual basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(In RMB thousands, unless otherwise stated)

II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

21 Income recognition (Continued)

Interest expense

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

Other expense

Other expenses are recognised on an accrual basis.

22 Related parties

If the Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, these parties are considered to be related parties. Related parties may be individuals or enterprises. If the enterprises are only under common control from the State with the Group and have no other related party relationships, they are not regarded as related parties.

23 Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgements that may have significant effect on the amounts recognised in the financial statements:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

23 Critical accounting estimates and judgements (Continued)

Judgments (Continued)

Business model

The classification of financial assets at initial recognition is dependent on the Group's business model for managing financial assets. Factors considered by the Group in judging the business model include the method that the enterprise evaluate and report the performance of financial assets to key management members, risks affecting the results of financial assets and the method for managing such risks, as well as the form of remuneration received by related management of the businesses. In assessing whether the business model is aimed at receiving contract cash flows, the Group is required to analyse and exercise judgement in respect of the reasons, timing, frequency and values of any disposals prior to maturity.

Characteristics of contract cash flows

The classification of financial assets at initial recognition is dependent on the characteristics of the contract cash flows of the types of financial assets. Judgement is required to determine whether the contract cash flows represent principals and interest payments in relation to principal amounts based on outstanding principal amounts only, including judgement of whether it is significantly different from the benchmark cash flow when assessing modifications to the time value of currencies, and judgement of whether the fair value of early repayment features is minimal where the financial assets include such early repayment features.

Judgement in assessing control over structured entities

For the structured entities involved in the Group's daily business, the Group needs to analyse and judge whether there is control over these structured entities to determine whether they shall be consolidated. When determining whether the Group has control over the structured entity, the Group takes into account the power arising from rights it directly owns or indirectly owns through subsidiaries (including controlled structured entities), variable returns, and the link between power and returns.

The Group gets variable returns from structured entities, including decision makers' remuneration (such as management fees and performance-related fees), as well as other benefits (such as direct investment income, remuneration and possible losses for providing credit enhancement or liquidity support, and variable returns from transactions with structured entities). When assessing whether the Group controls a structured entity, the Group not only considers applicable legal or regulations, and the essence of contractual agreements, but also considers other circumstances that may lead to the Group's ultimate bearing of the losses of the structured entity.

The Group reassesses whether to control the structured entity if changes in relevant facts and circumstances lead to changes in the relevant elements involved in the definition of control.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
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II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

23 Critical accounting estimates and judgements (Continued)

Uncertainty of estimation

The following are the key assumptions about the future and other key sources of estimation uncertainty on the financial reporting date, which may lead to significant adjustment of the carrying amount of assets and liabilities in the future accounting period.

Impairment of financial instruments

The Group uses expected credit losses model to assess the impairment of financial instruments. The application of expected credit losses model requires significant judgement and estimation, taking into account all reasonable and reliable information, including forward-looking information. When making such judgement and estimation, the Group deduces the expected changes in the debtor's credit risk based on the historical repayment data together with factors such as economic policy, macroeconomic indicators and industry risk. Differences in estimates may affect the impairment provision, and the impairment provision may not be equal to the actual amount of impairment losses in the future.

Impairment of non-current assets other than financial assets

The Group assesses whether there is any indication of impairment for all non-current assets other than financial assets at the end of the reporting period. Intangible assets with indefinite useful lives are tested for impairment annually and at other times when such indication exists. Other non-current assets other than financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable. Where the carrying amount of an asset or asset group is higher than its recoverable amount (i.e., the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from it), it is indicated that such asset or asset group is impaired. The fair value less costs to sell is determined with reference to the price in sales agreement or observable market price in arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset or asset group. Estimating the present value of the expected future cash flows requires the management to make an estimation of the expected future cash flows from an asset or asset group and also choose a suitable discount rate in order to calculate the present value of those future cash flows.

Fair value of unlisted equities

The fair values of unlisted equity investments are estimated using comparable firm approach. It contains uncertainty as it requires the Group to determine comparable listed equities, market ratios, liquidity discounts, etc.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
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II PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

23 Critical accounting estimates and judgements (Continued)

Uncertainty of estimation (Continued)

Fair value of financial instruments

For financial instruments lacking active market, the Group uses valuation method to determine their fair value. The valuation method includes referring to the transaction price determined by the fair transaction between economic entities with complete information and willing to buy and sell in the market, referring to the fair value of another similar financial instrument in the market, or using the discounted cash flow analysis and option pricing model to estimate. The valuation method utilizes market information to the maximum extent. However, when market information is unavailable, the management will estimate the credit risk, market fluctuation and correlation of the Group and its counterparties. Changes in these relevant assumptions will affect the fair value of financial instruments.

Deferred tax assets

If there is likely to be enough taxable income to offset the deductible loss, the Group recognises deferred income tax assets for all unused deductible losses. This requires the management to use considerable judgements to estimate the time and amount of taxable income in the future, combined with tax planning strategies, to determine the amount of deferred income tax assets that should be recognised.

III TAXATION

The Group's main applicable taxes and tax rates are as follows:

- (a) Value-added tax: charged at 3% to 13% on taxable added value.
- (b) City construction tax: calculated as 1% to 7% of VAT.
- (c) Education surcharge: calculated as 3% of VAT.
- (d) Local education surcharge: calculated as 2% of VAT.
- (e) Income tax: calculated on taxable income at an income tax rate of 25% that is applicable to the Bank and its subsidiaries.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Net interest income

	2022	2021
Interest income arising from		
Deposits with Central Bank	311,531	353,887
Deposits and placements with banks and other financial institutions	104,702	37,395
Loans and advances to customers		
– Corporate loans and advances	12,092,944	10,429,441
– Personal loans and advances	3,878,779	3,698,192
– Discounted bills	349,079	394,004
Financial assets held under resale agreements	213,530	144,952
Financial investments	6,047,455	8,453,447
Lease receivables	2,059,142	2,053,764
Sub-total	25,057,162	25,565,082
Interest expense arising from		
Amounts due to Central Bank	(550,026)	(689,257)
Deposits and placements from banks and other financial institutions	(1,929,366)	(2,024,783)
Deposits from customers	(7,718,855)	(7,754,470)
Financial assets sold under repurchase agreements	(232,829)	(404,330)
Debt securities issued	(2,372,248)	(2,743,371)
Sub-total	(12,803,324)	(13,616,211)
Net interest income	12,253,838	11,948,871

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 Net fee and commission income

	2022	2021
Fee and commission income		
Agency and custody service fees	507,546	894,586
Underwriting and advisory fees	161,495	234,955
Acceptance and guarantee service fees	111,322	127,846
Bank card service fees	115,614	115,465
Others	41,731	35,927
Sub-total	937,708	1,408,779
Fee and commission expense	(146,805)	(167,195)
Net fee and commission income	790,903	1,241,584

3 Net trading gains

	Note	2022	2021
Net gains from debt securities and investment funds	(a)	395,152	572,478
Net foreign exchange gains	(b)	1,063,372	115,396
Total		1,458,524	687,874

(a) Net gains from debt securities and funds include gains arising from the 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 spot foreign currency, 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.

4 Net gains arising from investments

	2022	2021
Net gains from other debt instruments	685,222	804,653
Net gains/(losses) from debt securities	(110,169)	65,630
Total	575,053	870,283

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Other operating income

	2022	2021
Rental income	2,049	5,536
Government grants	120,343	39,434
Net gains/(losses) on disposal of property and equipment	133	(1,122)
Others	25,000	18,445
Total	147,525	62,293

6 Operating expenses

	Note	2022	2021
Staff costs			
– Salaries, bonuses and allowances		1,504,375	1,444,005
– Social insurance and annuity		334,886	312,774
– Supplementary retirement benefits		14,210	31,516
– Staff welfare		90,821	88,489
– Housing allowances		125,241	119,093
– Others		108,112	110,480
Sub-total		2,177,645	2,106,357
Depreciation and amortisation			
– Depreciation of right-of-use assets		144,465	140,882
– Others		323,577	313,139
Rental and property management expenses		113,367	110,183
Office expenses		61,932	62,056
Tax and surcharges		157,846	151,258
Interest expense of lease liabilities		12,813	14,884
Other general and administrative expenses	(1)	664,996	667,814
Total		3,656,641	3,566,573

(1) Auditor's remuneration was RMB5.09 million for the year ended 31 December 2022 (2021: RMB5.65 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 Directors' and supervisors' emoluments

Directors' and supervisors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

		Year ended 31 December 2022				
				Discretionary	Social insurance and welfare plans, housing allowance, etc.	Total emoluments before tax
Name	Note	Fees	Salaries	bonus		
Executive directors						
Wang Tianyu	(1)	–	910	–	74	984
Shen Xueqing	(1)	–	540	549	51	1,140
Xia Hua		–	764	781	77	1,622
Non-executive directors						
Ji Hongjun		–	–	–	–	–
Wang Shihao		192	–	–	–	192
Wang Dan	(2)	–	–	–	–	–
Liu Bingheng	(2)	–	–	–	–	–
Su Xiaojun	(2)	–	–	–	–	–
Independent non-executive directors						
Li Yanyan		88	–	–	–	88
Song Ke	(3)	201	–	–	–	201
Li Xiaojian	(3)	210	–	–	–	210
Li Shuk Yin Edwina	(3)	210	–	–	–	210
Wu Ge	(3)	18	–	–	–	18
Supervisors						
Zhao Lijuan		–	767	781	74	1,622
Ma Baojun		180	–	–	–	180
Zhu Zhihui		60	–	–	–	60
Li Huaibin		–	519	912	77	1,508
Chen Xinxiu	(4)	–	434	712	77	1,223
Xu Changsheng	(4)	180	–	–	–	180
Total		1,339	3,934	3,735	430	9,438

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 Directors' and supervisors' emoluments (Continued)

Directors' and supervisors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows: (Continued)

Year ended 31 December 2021						
Name	Note	Fees	Salaries	Discretionary bonus	Social insurance and welfare plans, housing allowance, etc.	Total
Executive directors						
Wang Tianyu	(1)	–	909	–	75	984
Shen Xueqing	(1)	–	810	824	78	1,712
Xia Hua		–	764	781	77	1,622
Non-executive directors						
Fan Yutao	(2)	–	–	–	–	–
Zhang Jingguo	(2)	21	–	–	–	21
Liang Songwei	(2)	–	–	–	–	–
Ji Hongjun		3	–	–	–	3
Wang Shihao		–	51	132	–	183
Wang Dan	(2)	–	–	–	–	–
Liu Bingheng	(2)	–	–	–	–	–
Su Xiaojun	(2)	–	–	–	–	–
Independent non-executive directors						
Xie Taifeng	(3)	195	–	–	–	195
Wu Ge	(3)	195	–	–	–	195
Chan Mei Bo Mabel	(3)	195	–	–	–	195
Li Yanyan		–	–	–	–	–
Song Ke	(3)	–	–	–	–	–
Li Xiaojian	(3)	–	–	–	–	–
Li Shuk Yin Edwina	(3)	–	–	–	–	–
Supervisors						
Zhao Lijuan		–	768	781	73	1,622
Song Ke		88	–	–	–	88
Ma Baojun		163	–	–	–	163
Zhu Zhihui		48	–	–	–	48
Cheng Jie	(4)	–	186	948	38	1,172
Li Huaibin		–	511	1,204	77	1,792
Chen Xinxiu	(4)	–	311	856	38	1,205
Xu Changsheng	(4)	90	–	–	–	90
Total		998	4,310	5,526	456	11,290

Notes to the Consolidated Financial Statements

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(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 Directors' and supervisors' emoluments (Continued)

- (1) On 21 March 2023, the executive director and chairman of the Bank, Mr. Wang Tianyu, resigned due to work adjustment. On 13 September 2022, the executive director of the Bank, Mr. Shen Xueqing, resigned due to reaching the retirement age.
- (2) On 28 October 2022, Mr. Su Xiaojun, the independent non-executive director of the Bank, resigned due to work adjustment. On 17 June 2021, Ms. Wang Dan, Mr. Liu Bingheng and Mr. Su Xiaojun were elected as non-executive directors of the Bank at the 2020 annual general meeting of the Bank. On 8 November 2021, Ms. Wang Dan's qualification was approved by the Henan Regulatory Bureau of the China Banking and Insurance Regulatory Commission. On 9 November 2021, the qualifications of Mr. Liu Bingheng and Mr. Su Xiaojun were approved by the Henan Regulatory Bureau of the China Banking and Insurance Regulatory Commission. On 17 June 2021, Mr. Fan Yutao, Mr. Zhang Jingguo and Mr. Liang Songwei ceased to serve as non-executive directors of the Bank.
- (3) On 19 January 2022, Mr. Song Ke's qualification was approved by the Henan Regulatory Bureau of the China Banking and Insurance Regulatory Commission, and Mr. Wu Ge ceased to serve as an independent non-executive director of the Bank. On 17 June 2021, Mr. Song Ke, Mr. Li Xiaojian and Ms. Li Shuxian were elected as independent non-executive directors of the Bank at the 2020 annual general meeting of the Bank. On 20 December 2021, the qualifications of Mr. Li Xiaojian and Ms. Li Shuxian were approved by the Henan Regulatory Bureau of the China Banking and Insurance Regulatory Commission. Mr. Xie Taifeng and Ms. Chen Meibao ceased to serve as independent non-executive directors of the Bank.
- (4) In 2022, there was no appointment, dismissal or change of the Bank's supervisors. On 25 May 2021, Ms. Chen Xinxiu was elected as the employee supervisor of the Bank at the second plenary meeting of the third session of the Trade Union Committee of the Bank. On 17 June 2021, Mr. Xu Changsheng was elected as the external supervisor of the Bank at the 2020 annual general meeting of the Bank. On the same day, Ms. Cheng Jie no longer served as the employee supervisor of the Bank, and Mr. Song Ke no longer served as the external supervisor of the Bank.

During the year, there was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration (2021: Nil).

During the year, no emolument was paid by the Group to any of the directors or supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office (2021: Nil).

The total compensation packages (including discretionary bonus) for executive directors and supervisors for the year ended 31 December 2022 have not yet been finalised in accordance with the regulations of PRC relevant authorities. The amount of the compensation not provided is not expected to have any significant impact on the Group's consolidated financial statements for the year ended 31 December 2022.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8 Individuals with highest emoluments

The five individuals with highest emoluments include 1 director, 3 supervisors (whose emoluments are disclosed in Note 7) and 3 senior executives (2021: 2 directors and 2 supervisors and 3 senior executives) of the Group. The emoluments of the rest of the top five executives are listed below (the total remuneration of the three senior executives with equal emoluments are disclosed as follows):

	2022	2021
Salaries and other emoluments	2,154	2,154
Discretionary bonuses	2,214	2,214
Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	231	231
Total	4,599	4,599

The individuals' emoluments before individual income tax is within the following band:

	2022	2021
RMB1,500,001 – 2,000,000	3	3

9 Credit impairment losses

	2022	2021
Loans and advances to customers measured at amortised cost	6,535,038	3,593,261
Loans and advances to customers measured at fair value through other comprehensive income	115,957	125,025
Financial investments measured at amortised cost	1,153,260	3,067,114
Financial investments at fair value through other comprehensive income	(8,723)	(94,227)
Lease receivables	453,943	352,086
Financial assets held under resale agreements	2,608	228
Placements with banks and other financial institutions	509	(365)
Deposits with banks and other financial institutions	232	89
Off-balance sheet credit commitments	(137,649)	(2,570)
Others	544,783	222,389
Total	8,659,958	7,263,030

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Income tax expense

(a) *Income tax for the year:*

	2022	2021
Current tax	1,175,575	946,424
Deferred tax	(968,293)	(356,242)
Total	207,282	590,182

(b) *Reconciliations between income tax and accounting profit are as follows:*

	Note	2022	2021
Profit before tax		2,807,230	3,988,138
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		701,808	997,035
Non-deductible expenses		30,256	23,781
Tax effect of non-taxable income and deduction of interest expense	(1)	(533,300)	(428,188)
Deductible temporary difference for unrecognised deferred tax assets		9,231	1,438
Adjustment for prior years		(713)	(970)
Recognition of deductible temporary difference for previously unrecognised deferred tax assets		—	(2,914)
Income tax		207,282	590,182

- (1) Tax effect of non-taxable income and deduction of interest expense mainly includes interest income from central and local government bonds which is exempted from corporate income tax in accordance with the tax law and interest expense from perpetual bonds issued by the Bank.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 Basic and diluted earnings per share

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

	Note	2022	2021
Earnings:			
Net profit attributable to equity shareholders of the Bank		2,422,304	3,226,192
Less: Profit for the year attributable to other equity instrument holders of the Bank		(997,491)	(470,209)
Profit for the year attributable to ordinary shareholders of the Bank		1,424,813	2,755,983
Shares:			
Weighted average number of ordinary shares (in thousand shares)	(a)	8,265,538	8,265,538
Basic and diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB)		0.17	0.33

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

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

	2022	2021
Number of ordinary shares as at 1 January	8,265,538	7,514,125
Increase in weighted average number of ordinary shares	—	751,413
Weighted average number of ordinary shares	8,265,538	8,265,538

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12 Cash and deposits with Central Bank

	Note	31 December 2022	31 December 2021
Cash on hand		1,089,526	894,278
Deposits with Central Bank			
– Statutory deposit reserves	(a)	17,952,476	17,858,400
– Surplus deposit reserves	(b)	7,005,009	14,271,762
– Fiscal deposits		431,809	398,488
Sub-total		26,478,820	33,422,928
Interest accrued		8,630	10,130
Total		26,487,450	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 reporting period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December 2022	31 December 2021
Reserve ratio for RMB deposits	5.25%	6.00%
Reserve ratio for foreign currency deposits	6.00%	9.00%

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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13 Deposits with banks and other financial institutions

Analysed by type and location of counterparty

	31 December 2022	31 December 2021
Deposits in mainland China		
– Banks	1,444,091	2,704,287
– Other financial institutions	301,573	–
Sub-total	1,745,664	2,704,287
Deposits outside mainland China		
– Banks	174,887	210,212
Sub-total	1,920,551	2,914,499
Interest accrued	2,661	5,264
Less: Provision for impairment losses	(946)	(705)
Total	1,922,266	2,919,058

14 Placements with banks and other financial institutions

	31 December 2022	31 December 2021
Placements in mainland China		
– Banks	–	4,182,457
– Other financial institutions	2,400,000	–
Sub-total	2,400,000	4,182,457
Interest accrued	11,585	380
Less: Provision for impairment losses	(1,133)	(624)
Total	2,410,452	4,182,213

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 Financial assets held under resale agreements

(a) *Analysed by type and location of counterparty*

	31 December 2022	31 December 2021
In mainland China		
– Banks	5,925,135	7,800,000
– Other financial institutions	6,460,938	6,426,683
Total	12,386,073	14,226,683
Interest accrued	3,374	2,258
Less: Provision for impairment losses	(2,946)	(338)
Total	12,386,501	14,228,603

(b) *Analysed by type of collateral*

	31 December 2022	31 December 2021
Debt securities	12,386,073	14,226,683
Interest accrued	3,374	2,258
Less: Provision for impairment losses	(2,946)	(338)
Total	12,386,501	14,228,603

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers

(a) *Analysed by nature*

	31 December 2022	31 December 2021
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	222,456,812	193,607,804
Personal loans and advances		
– Personal business loans	33,478,008	27,976,927
– Residential mortgage	37,743,240	40,841,865
– Personal consumption loans	7,037,730	4,222,797
– Credit card	3,057,349	3,096,510
Sub-total	81,316,327	76,138,099
Total amount of loans and advances to customers measured at amortised cost	303,773,139	269,745,903
Loans and advances to customers measured at fair value through other comprehensive income		
– Forfeiting	10,305,667	6,176,772
– Discounted bills	16,842,291	13,104,993
Sub-total	27,147,958	19,281,765
Gross loans and advances to customers	330,921,097	289,027,668
Interest accrued	1,594,573	1,439,787
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(10,308,636)	(8,068,364)
Net loans and advances to customers	322,207,034	282,399,091

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (Continued)

(b) *Analysed by economic sector*

	31 December 2022		
	Amount	Percentage	Loans and advances secured by collateral
Leasing and commercial services	50,077,579	15.13%	5,551,609
Water, environment and public facility management	43,469,733	13.14%	2,990,452
Wholesale and retail	42,745,773	12.92%	12,866,110
Real estate	32,880,776	9.94%	12,759,826
Construction	19,312,773	5.84%	4,494,539
Manufacturing	17,083,735	5.16%	3,359,008
Transportation, storage and postal services	5,704,680	1.72%	1,730,422
Production and supply of electric and heating power, gas and water	2,796,526	0.85%	265,431
Agriculture, forestry, animal husbandry and fishery	2,794,692	0.84%	695,352
Mining	2,655,116	0.80%	124,500
Culture, sports and entertainment	1,884,035	0.57%	1,177,484
Accommodation and catering	1,341,304	0.41%	816,225
Others	10,015,757	3.02%	1,859,853
Sub-total of corporate loans and advances	232,762,479	70.34%	48,690,811
Personal loans and advances	81,316,327	24.57%	69,960,127
Discounted bills	16,842,291	5.09%	16,842,291
Gross loans and advances to customers	330,921,097	100.00%	135,493,229

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (Continued)

(c) *Analysed by type of collateral*

	31 December 2022	31 December 2021
Unsecured loans	61,617,398	47,398,227
Guaranteed loans	133,810,471	109,016,175
Loans secured by mortgages	97,978,701	101,095,217
Pledged loans	37,514,527	31,518,049
Gross loans and advances to customers	330,921,097	289,027,668
Interest accrued	1,594,573	1,439,787
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(10,308,636)	(8,068,364)
Net loans and advances to customers	322,207,034	282,399,091

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (Continued)

(d) Overdue loans analysed by overdue period

	31 December 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	243,204	217,256	175,750	7,958	644,168
Guaranteed loans	2,389,244	568,984	647,873	373,042	3,979,143
Loans secured by mortgages	1,529,029	1,814,831	1,404,061	327,204	5,075,125
Pledged loans	47,157	19,281	70,354	3,978	140,770
Total	4,208,634	2,620,352	2,298,038	712,182	9,839,206
As a percentage of gross loans and advances to customers	1.27%	0.79%	0.69%	0.22%	2.97%

	31 December 2021				
	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	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%

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (Continued)

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

	31 December 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Total loans and advances to customers measured at amortised cost	284,013,582	10,937,984	8,821,573	303,773,139
Interest accrued	1,275,127	255,469	63,977	1,594,573
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(3,284,478)	(2,206,004)	(4,818,154)	(10,308,636)
Carrying amount of loans and advances to customers measured at amortised cost	282,004,231	8,987,449	4,067,396	295,059,076
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	27,147,958	–	–	27,147,958
Total carrying amount of loans and advances to customers	309,152,189	8,987,449	4,067,396	322,207,034

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (Continued)

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

	31 December 2021			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	
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

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (Continued)

(f) Movements of provision for impairment losses

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

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	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	137,846	(132,677)	(5,169)	–
– to Stage 2	(83,344)	90,575	(7,231)	–
– to Stage 3	(93,924)	(232,262)	326,186	–
Increase/(decrease) for the year	(141,362)	961,301	5,898,032	6,717,971
Write-offs and disposals	–	–	(4,693,576)	(4,693,576)
Recoveries of loans previously written off	–	–	215,877	215,877
As at 31 December 2022	3,284,478	2,206,004	4,818,154	10,308,636

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	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	–
Increase 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

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (Continued)

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

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

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at 1 January 2022	8,677	–	292,500	301,177
Increase/(decrease) for the year	(5,788)	–	121,745	115,957
Disposals	–	–	(414,245)	(414,245)
As at 31 December 2022	2,889	–	–	2,889

	31 December 2021			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2021	13,652	–	162,500	176,152
Increase/(decrease) for the year	(4,975)	–	130,000	125,025
As at 31 December 2021	8,677	–	292,500	301,177

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (Continued)

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

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

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at 1 January 2022	255,290,534	7,334,453	7,120,916	269,745,903
Business combination involving enterprises not under common control	1,794,565	410,155	441,992	2,646,712
Transferred:				
– to Stage 1	643,886	(628,844)	(15,042)	–
– to Stage 2	(5,397,255)	5,417,422	(20,167)	–
– to Stage 3	(4,841,566)	(1,348,507)	6,190,073	–
Increase/(decrease) for the year	36,523,418	(246,695)	284,739	36,561,462
Write-offs and disposals	–	–	(5,180,938)	(5,180,938)
As at 31 December 2022	284,013,582	10,937,984	8,821,573	303,773,139

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	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

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (Continued)

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

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

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at 1 January 2022	18,924,265	–	357,500	19,281,765
Increase for the year	8,223,693	–	–	8,223,693
Disposals	–	–	(357,500)	(357,500)
As at 31 December 2022	27,147,958	–	–	27,147,958

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

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Financial investments

	Note	31 December 2022	31 December 2021
Financial investments at fair value through profit or loss	(a)	44,441,710	41,109,728
Financial investments at fair value through other comprehensive income	(b)	17,150,060	17,311,509
Financial investments measured at amortised cost	(c)	121,679,176	139,328,387
Total		183,270,946	197,749,624

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

	Note	31 December 2022	31 December 2021
Debt securities			
– Debt securities held for trading purpose	(1)	14,972,478	10,932,882
Investment funds and other investments			
– Investment funds held for trading purpose		14,366,427	11,147,503
– Other financial investments at fair value through profit or loss	(2)	15,102,805	19,029,343
Total		44,441,710	41,109,728

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Financial investments (Continued)

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

(1) Debt securities held for trading purpose

	31 December 2022	31 December 2021
Mainland China		
– Government	10,792,486	5,941,697
– Policy banks	2,552,736	4,735,299
– Banks and other financial institutions	1,411,431	199,041
– Corporate	215,825	56,845
Total	14,972,478	10,932,882
Analysed into		
– debt securities listed outside Hong Kong	5,969,024	1,106,304
– debt securities unlisted	9,003,454	9,826,578
Total	14,972,478	10,932,882

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

	31 December 2022	31 December 2021
Other financial investments at fair value through profit or loss		
– Investment management products managed by securities companies	5,115,778	5,434,628
– Investment management products under trust scheme	6,882,696	6,938,568
– Others	3,104,331	6,656,147
Total	15,102,805	19,029,343

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Financial investments (Continued)

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

	31 December 2022	31 December 2021
Debt securities		
– Government	11,008,635	13,887,333
– Policy banks	3,571,111	2,588,965
– Banks and other financial institutions	1,875,331	–
– Corporate	426,035	639,787
Sub-total	16,881,112	17,116,085
Interest accrued	198,622	187,024
Sub-total	17,079,734	17,303,109
Equity instruments	70,326	8,400
Total	17,150,060	17,311,509
Debt securities by category		
– Listed outside Hong Kong	5,352,707	3,178,783
– Unlisted	11,528,405	13,937,302
Sub-total	16,881,112	17,116,085
Interest accrued	198,622	187,024
	17,079,734	17,303,109
Equity instrument investment by category		
– Unlisted	70,326	8,400

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Financial investments (Continued)

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

- (1) Movements of provision for impairment of debt securities measured at fair value through other comprehensive income during the period:

	31 December 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit-impaired	Total Total
As at 1 January 2022	608	75,529	–	76,137
Transferred:				
– to Stage 3	–	(75,529)	75,529	–
Increase/(decrease) for the year	186	–	(8,909)	(8,723)
As at 31 December 2022	794	–	66,620	67,414

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

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Financial investments (Continued)

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

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

	31 December 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at 1 January 2022	16,868,157	247,928	-	17,116,085
Transferred:				
- to Stage 3	-	(247,928)	247,928	-
Decrease for the year	(228,333)	-	(6,640)	(234,973)
As at 31 December 2022	16,639,824	-	241,288	16,881,112

	31 December 2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
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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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Financial investments (Continued)

(c) *Financial investments measured at amortised cost:*

	Note	31 December 2022	31 December 2021
Debt securities	(1)	70,028,008	64,223,207
Investment management products under the trust scheme		31,934,179	43,918,313
Investment management products managed by securities companies		15,681,452	24,307,403
Other beneficial right transaction plans		—	60,000
Others		6,021,872	9,693,255
Sub-total		53,637,503	77,978,971
Interest accrued		2,090,702	1,682,594
Less: Provision for impairment losses	(2)	(4,077,037)	(4,556,385)
Total		121,679,176	139,328,387

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Financial investments (Continued)

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

(1) Debt securities:

	31 December 2022	31 December 2021
Debt securities		
– Government	35,159,507	28,353,743
– Policy banks	28,696,752	30,523,442
– Banks and other financial institutions	2,250,000	1,688,853
– Corporate	3,921,749	3,657,169
Sub-total	70,028,008	64,223,207
Interest accrued	1,146,047	1,178,119
Total	71,174,055	65,401,326
Analysed into		
– debt securities listed outside Hong Kong	22,728,683	14,699,710
– debt securities unlisted	47,299,325	49,523,497
Sub-total	70,028,008	64,223,207
Interest accrued	1,146,047	1,178,119
Total	71,174,055	65,401,326

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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:

	31 December 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at 1 January 2022	425,701	335,640	3,795,044	4,556,385
Transferred:				
– to Stage 2	(2,907)	2,907	–	–
– to Stage 3	(5,117)	(288,762)	293,879	–
Increase/(decrease) for the year	148,905	(5,598)	1,009,953	1,153,260
Write-offs and disposals	–	–	(1,632,608)	(1,632,608)
As at 31 December 2022	566,582	44,187	3,466,268	4,077,037

	31 December 2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit-impaired	Total
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	–
Increase/(decrease) 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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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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:

	31 December 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at 1 January 2022	127,183,481	2,306,708	12,711,989	142,202,178
Transferred:				
– to Stage 2	(388,640)	388,640	–	–
– to Stage 3	(525,352)	(1,772,708)	2,298,060	–
Decrease for the year	(15,771,296)	(481,994)	(10,484)	(16,263,774)
Write-offs and disposals	–	–	(2,272,893)	(2,272,893)
As at 31 December 2022	110,498,193	440,646	12,726,672	123,665,511

	31 December 2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit-impaired	Total
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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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Lease receivables

	31 December 2022	31 December 2021
Minimum Lease Receipts	35,461,294	32,899,650
Less: Unearned finance lease income	(4,173,700)	(4,152,483)
Present value of lease receivables	31,287,594	28,747,167
Interest accrued	308,699	301,288
Less: Provision for impairment losses	(962,846)	(823,599)
Total	30,633,447	28,224,856

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Lease receivables (Continued)

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

	31 December 2022		
	Minimum lease receivables	Unearned finance lease income	Present value of lease receivables
Less than 1 year	15,068,173	(2,398,786)	12,669,387
1 year to 2 years	12,057,822	(1,193,531)	10,864,291
2 years to 3 years	6,141,808	(425,236)	5,716,572
3 years to 5 years	2,103,807	(151,892)	1,951,915
More than 5 years	89,684	(4,255)	85,429
Total	35,461,294	(4,173,700)	31,287,594

	31 December 2021		
	Minimum lease receivables	Unearned finance lease income	Present value of lease receivables
Less than 1 year	11,711,506	(1,905,222)	9,806,284
1 year to 2 years	9,102,285	(1,096,055)	8,006,230
2 years to 3 years	6,834,325	(507,489)	6,326,836
3 years to 5 years	2,690,085	(183,292)	2,506,793
More than 5 years	2,561,449	(460,425)	2,101,024
Total	32,899,650	(4,152,483)	28,747,167

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Lease receivables (Continued)

(b) Movements of provision for impairment losses:

	31 December 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit – impaired	Total
As at 1 January 2022	336,954	138,723	347,922	823,599
Transferred:				
– to Stage 1	24,179	(24,179)	–	–
– to Stage 2	(6,734)	6,734	–	–
– to Stage 3	–	(78,734)	78,734	–
Increase for the year	99,721	60,314	293,908	453,943
Write-offs	–	–	(363,806)	(363,806)
Recovery of write-offs	–	–	49,110	49,110
As at 31 December 2022	454,120	102,858	405,868	962,846

	31 December 2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit – impaired	Total
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	–
Increase/(decrease) 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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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Lease receivables (Continued)

(c) *Movements of present value of lease receivables*

	31 December 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit – impaired	Total
As at 1 January 2022	26,907,112	987,785	852,270	28,747,167
Transferred:				
– to Stage 1	171,384	(171,384)	–	–
– to Stage 2	(551,958)	551,958	–	–
– to Stage 3	–	(558,080)	558,080	–
Increase/(decrease) for the year	3,205,701	(132,976)	(168,492)	2,904,233
Write-offs	–	–	(363,806)	(363,806)
As at 31 December 2022	29,732,239	677,303	878,052	31,287,594

	31 December 2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit – impaired	Total
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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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 Investments in subsidiaries and interests in associates

(a) Investments in subsidiaries

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

Name	Percentage of equity interest		Voting rights 2022 %	Paid-in capital 2022	Amount invested by the Bank	Place of incorporation/ registration	Principal activity
	2022 %	2021 %					
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
Xinzheng Zhengyin County Bank Co., Ltd.	51.00	25.00	51.00	69,120	59,801	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. Xinzheng Zhengyin County Bank Co., Ltd. was incorporated on 12 July 2010. These six subsidiaries have no material non-controlling interest to the Group.

In July 2022, the Bank made an additional investment of 28.61 million in Xinzheng Zhengyin County Bank Co., Ltd., and its percentage of shareholding became 51.00%, converting Xinzheng Zhengyin County Bank Co., Ltd. from an associate to a subsidiary.

Based on the timing of relevant authority approval, investment and the transition of net assets and control over business decisions of Xinzheng Zhengyin Rural Bank Co., Ltd., the Bank took 31 July 2022 as the purchase date. On the purchase date, the total assets, total liabilities and net assets of Xinzheng Zhengyin Rural Bank Co., Ltd. were 3,241 million, 3,170 million and 71 million. The identifiable assets and liabilities of Xinzheng Zhengyin Rural Bank Co., Ltd. were mainly financial instruments, and the difference between their fair value and book value was not significant.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 Investments in subsidiaries and interests in associates (Continued)

(b) Interests in associates

	31 December 2022	31 December 2021
Interests in associates	273,881	407,086
Total	273,881	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 price are not available:

Name	Note	Percentage of equity/voting right		Place of incorporation/registration	Business sector
		2022	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.		N/A	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:

	31 December 2022	31 December 2021
Aggregate carrying amount of the individually immaterial associates in the consolidated statements of financial position of the Group	273,881	407,086
Aggregate amounts of the Group's share of results of the associates for the year		
– Profit from continuing operations	(102,014)	6,836
– Other comprehensive income	–	–
– Total comprehensive income	(102,014)	6,836

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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
Business combination involving enterprises not under common control	17,059	2,387	2,463	2,038	–	23,947
Additions	1,672	50,674	–	17,062	255,900	325,308
Disposals	–	(15,313)	(795)	(5,884)	–	(21,992)
As at 31 December 2022	2,528,891	832,846	14,306	253,913	877,896	4,507,852
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	(84,823)	(63,582)	(3,021)	(21,242)	–	(172,668)
Disposals	–	14,541	755	5,481	–	20,777
As at 31 December 2022	(549,109)	(669,860)	(11,449)	(223,623)	–	(1,454,041)
Impairment						
As at 1 January 2021,						
31 December 2021 and						
31 December 2022	(1,355)	(1,893)	–	(756)	–	(4,004)
Net book value						
As at 31 December 2022	1,978,427	161,093	2,857	29,534	877,896	3,049,807
As at 31 December 2021	2,044,519	172,386	3,455	32,079	621,996	2,874,435

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 Property and equipment (Continued)

The carrying amount of premises without title deeds as at 31 December 2022 was RMB207 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.

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

	31 December 2022	31 December 2021
Held in mainland China		
– Medium-term leases (10 to 50 years)	1,978,017	2,042,084
– Short-term leases (less than 10 years)	410	2,435
Total	1,978,427	2,044,519

21 Deferred tax assets

(a) *Analysed by nature*

	31 December 2022		31 December 2021	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Allowance for impairment losses	19,019,136	4,754,784	14,777,796	3,694,449
Accrued staff costs	155,756	38,939	127,236	31,809
Fair value changes in financial instruments	322,004	80,501	489,828	122,457
Provisions	70,951	17,738	208,600	52,150
Others	(45,575)	(11,394)	(2,304)	(576)
Net deferred income tax assets	19,522,272	4,880,568	15,601,156	3,900,289

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21 Deferred tax assets (Continued)

(b) Analysed by movement

	At 31 December 2021	Recognised in profit or loss	Recognised in other comprehensive income	Others	At 31 December 2022
Allowance for impairment losses	3,694,449	955,831	76,753	27,751	4,754,784
Accrued staff costs	31,809	7,130	-	-	38,939
Fair value changes in financial instruments	122,457	50,562	(92,518)	-	80,501
Provisions	52,150	(34,412)	-	-	17,738
Others	(576)	(10,818)	-	-	(11,394)
Net deferred income tax assets	3,900,289	968,293	(15,765)	27,751	4,880,568

	At 31 December 2020	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	23,668	8,141	-	31,809
Fair value changes in financial instruments	224,648	65,026	(167,217)	122,457
Provisions	52,793	(643)	-	52,150
Others	2,973	(3,549)	-	(576)
Net deferred income tax assets	3,718,962	348,544	(167,217)	3,900,289

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22 Other assets

	Note	31 December 2022	31 December 2021
Interest receivables	(a)	994,557	1,120,897
Other receivables		1,111,375	1,085,037
Intangible assets	(b)	788,710	777,861
Continuously involved assets	(d)	588,853	588,853
Right-of-use assets	(c)	625,778	723,004
Leasehold improvements		91,390	93,565
Prepayments		329,934	52,269
Others		30,093	68,204
Sub-total		4,560,690	4,509,690
Less: Allowance for impairment losses		(569,424)	(22,322)
Total		3,991,266	4,487,368

(a) Interest receivables

	31 December 2022	31 December 2021
Interest receivables arising from:		
– Investments	787,771	956,381
– Loans and advances to customers	165,087	34,851
– Others	41,699	129,665
Sub-total	994,557	1,120,897
Less: Allowance for impairment losses	(456,398)	(19,397)
Total	538,159	1,101,500

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

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22 Other assets (Continued)

(b) Intangible assets

	2022	2021
Cost		
As at 1 January	1,107,648	935,608
Business combination involving enterprises not under common control	5,432	–
Additions	118,540	198,233
Decrease	–	(26,193)
As at 31 December	1,231,620	1,107,648
Accumulated amortisation		
As at 1 January	(329,787)	(260,947)
Additions	(113,123)	(93,825)
Decrease	–	24,985
As at 31 December	(442,910)	(329,787)
Net book value		
As at 1 January	777,861	674,661
As at 31 December	788,710	777,861

Intangible assets of the Group mainly represent computer software.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22 Other assets (Continued)

(c) Right-of-use assets

	Premises	Land use rights	Vehicles	Other equipment	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	68,110	–	2,340	3,804	74,254
Disposals	(147,694)	(5,614)	(1,454)	(3,984)	(158,746)
As at 31 December 2022	553,982	370,216	10,611	2,138	936,947
Accumulated depreciation					
As at 1 January 2021	(175,895)	(36,340)	(4,629)	(1,295)	(218,159)
Additions	(133,353)	(7,121)	(3,275)	(4,254)	(148,003)
Disposals	58,195	–	4,290	5,242	67,727
As at 31 December 2021	(251,053)	(43,461)	(3,614)	(307)	(298,435)
Additions	(136,643)	(7,121)	(3,305)	(4,517)	(151,586)
Disposals	130,563	3,040	1,265	3,984	138,852
As at 31 December 2022	(257,133)	(47,542)	(5,654)	(840)	(311,169)
Allowance for impairment losses					
As at 1 January 2021	–	(145)	–	–	(145)
As at 31 December 2021 and 1 January 2022	–	(145)	–	–	(145)
As at 31 December 2022	–	(145)	–	–	(145)
Net book value					
As at 31 December 2022	296,849	322,529	4,957	1,298	625,633
As at 31 December 2021	382,513	332,224	6,111	2,011	722,859

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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, among which, the total face value of the "priority asset-backed security" was RMB2,910 million, and the total face value of the "secondary asset-backed security" was RMB589 million.

The Bank neither transferred nor retained substantially all the risks (mainly include 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 31 December 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

	31 December 2022	31 December 2021
Due to Central Bank	19,907,436	22,583,201
Interest accrued	198,389	202,494
Total	20,105,825	22,785,695

Amounts due to Central Bank mainly include Medium-term Lending Facility and Reload for Supporting Small Businesses.

24 Deposits from banks and other financial institutions

	31 December 2022	31 December 2021
In mainland China		
– Banks	13,383,074	19,309,231
– Other financial institutions	16,020,813	18,075,911
Sub-total	29,403,887	37,385,142
Interest accrued	137,153	281,278
Total	29,541,040	37,666,420

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25 Placements from banks and other financial institutions

	31 December 2022	31 December 2021
In mainland China		
– Banks	24,754,450	23,436,963
– Other financial institutions	4,040,000	3,350,000
Sub-total	28,794,450	26,786,963
Outside mainland China		
– Banks	500,000	500,000
Interest accrued	254,345	350,013
Total	29,548,795	27,636,976

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:

	31 December 2022		
	Notional amount	Fair value (assets)	Fair value (liabilities)
Non-deliverable forwards	1,392,920	–	(100,456)
Total	1,392,920	–	(100,456)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26 Derivative financial instruments (Continued)

	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	–

27 Financial assets sold under repurchase agreements

(a) *Analysed by type and location of counterparty*

	31 December 2022	31 December 2021
In mainland China		
– PBOC	7,238,584	2,150,000
– Banks	11,653,676	10,212,765
– Other financial institutions	199,500	–
Sub-total	19,091,760	12,362,765
Interest accrued	6,435	8,649
Total	19,098,195	12,371,414

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27 Financial assets sold under repurchase agreements (Continued)

(b) *Analysed by type of collateral*

	31 December 2022	31 December 2021
Debt securities	17,819,984	9,841,300
Bills	1,271,776	2,521,465
Sub-total	19,091,760	12,362,765
Interest accrued	6,435	8,649
Total	19,098,195	12,371,414

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28 Deposits from customers

	31 December 2022	31 December 2021
Demand deposits		
– Corporate deposits	84,238,516	88,226,614
– Personal deposits	36,396,552	36,268,084
Sub-total	120,635,068	124,494,698
Time deposits		
– Corporate deposits	74,836,500	75,143,583
– Personal deposits	104,666,313	85,412,343
Sub-total	179,502,813	160,555,926
Pledged deposits		
– Acceptances	30,091,444	23,636,461
– Letters of guarantees	413,678	590,796
– Letters of credit	4,194,688	7,547,305
– Others	1,372,908	1,590,935
Sub-total	36,072,718	33,365,497
Others	1,497,563	397,329
Sub-total	1,497,563	397,329
Interest accrued	4,089,604	2,760,765
Total	341,797,766	321,574,215

Deposits from customers are measured at amortised cost.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29 Debt securities issued

	Note	31 December 2022	31 December 2021
Financial bonds	(a)	14,397,271	8,397,422
Tier-two capital bonds	(b)	—	1,999,595
Interbank deposits		80,497,196	79,502,626
Sub-total		94,894,467	89,899,643
Interest accrued		98,439	177,074
Total		94,992,906	90,076,717

(a) Financial bonds

Fixed rate financial bond 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 green financial bond of RMB3.0 billion with a term of three years was issued in September 2022. The coupon rate is 2.65% per annum.

Fixed rate financial bond of RMB5.0 billion with a term of three years was issued in November 2022. The coupon rate is 2.95% per annum.

Fixed rate financial bond 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.

(b) Tier-two capital bonds

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

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Other liabilities

	Note	31 December 2022	31 December 2021
Accrued staff costs	(a)	1,082,105	908,965
Finance lease payable		266,280	405,583
Dormant accounts		39,748	44,922
Payment and collection clearance accounts		158,672	54,258
Dividend payable		26,633	27,076
Expected credit losses of credit commitment	(b)	70,951	208,600
Lease liabilities	(c)	279,903	369,216
Continuously involved liabilities	24(d)	588,853	588,853
Others		632,849	489,500
Total		3,145,994	3,096,973

(a) Accrued staff costs

	Note	31 December 2022	31 December 2021
Salary, bonuses and allowances payable		881,078	708,394
Social insurance and annuity payable		223	223
Housing allowances payable		119	97
Labour union fees and education fees of staff and workers		4,182	3,015
Supplementary retirement benefits payable	(1)	194,626	196,079
Other short-term salary payable		1,877	1,157
Total		1,082,105	908,965

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 agreed 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 Group has not forfeited any retirement benefit scheme contributions (i.e., contributions which are processed by the employer on behalf of the employee after the employee has withdrawn from the scheme before the relevant contributions become his/her own). At 31 December 2022, there are no forfeited contributions under the Group's retirement benefit plans which can be used to deduct contributions payable for future years.

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 accessed using projected unit credit method by qualified staff (a member of society of Actuaries in China) of an external independent actuary, namely Towers Watson Management Consulting (Shenzhen) Co., Ltd. The signed actuaries are North American Actuary (FSA) and Chinese Actuary (FCAA).

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

	31 December 2022	31 December 2021
Present value of early retirement plan	11,592	14,930
Present value of supplementary retirement plan	183,034	181,149
Total	194,626	196,079

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Other liabilities (Continued)

(a) Accrued staff costs (Continued)

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

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

	2022	2021
As at 1 January	196,079	171,708
Benefits paid during the year	(15,043)	(15,447)
Defined benefit cost recognised in profit or loss	14,210	31,516
Defined benefit cost recognised in other comprehensive income	(620)	8,302
As at 31 December	194,626	196,079

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

Early retirement plan	31 December 2022	31 December 2021
Discount rate	2.50%	2.50%
Retired age		
– Male	60	60
– Female	55	55
Annual increase rate of internal salary	6.00%	6.00%

Supplementary retirement plan	31 December 2022	31 December 2021
Discount rate	3.00%	3.00%
Retired age		
– Male	60	60
– Female	55	55

Death rate for age 20 to 105	31 December 2022	31 December 2021
– Male	0.0248%-100%	0.0248%-100%
– Female	0.012%-100%	0.012%-100%

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Other liabilities (Continued)

(b) Expected credit losses of credit commitment

As at 31 December 2022, movements of expected credit losses of credit commitment during the year are as follows:

	31 December 2022			
	Stage 1 12-month 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	509	(68)	(441)	–
– to Stage 2	(36)	36	–	–
– to Stage 3	(48)	(36)	84	–
Increase/(decrease) for the year	(125,945)	196	(11,900)	(137,649)
As at 31 December 2022	68,796	305	1,850	70,951

	31 December 2021			
	Stage 1 12-month 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	–
Increase/(decrease) 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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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Other liabilities (Continued)

(c) Lease liabilities

The undiscounted maturity analysis of lease liabilities:

	31 December 2022	31 December 2021
Within one year (inclusive)	105,315	119,983
Between one year and two years (inclusive)	80,601	93,786
Between two years and three years (inclusive)	57,301	76,873
Between three years and five years (inclusive)	56,517	104,051
More than five years	8,453	24,323
Total undiscounted lease liabilities	308,187	419,016
Carrying amount of lease liabilities	279,903	369,216

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 Share capital

Authorised and issued share capital

	31 December 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 by executing of an 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. Immediately following the H-share offering, 18 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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 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 was 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 was 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-shares listed in Mainland China including the right to receive all dividends and distributions declared or made.

32 Reserves

(a) Capital reserve

	31 December 2022	31 December 2021
Share premium	6,747,040	7,387,875
Others	64,615	64,615
Total	6,811,655	7,452,490

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Reserves (Continued)

(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 as on an annual basis 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. In 2022, the Bank appropriated statutory surplus reserve of approximately RMB224 million (In 2021: RMB305 million).

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

(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. In 2022, the bank set aside a general reserve of approximately RMB256 million (In 2021: RMB273 million).

(d) Fair value reserve

	2022	2021
As at 1 January	(173,457)	(698,206)
Change in fair value/credit losses recognised in other comprehensive income	(84,918)	304,388
Transfer to profit or loss upon disposal	86,051	395,277
Less: Deferred income tax	(283)	(174,916)
Sub-total	850	524,749

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Reserves (Continued)

(d) Fair value reserve (Continued)

	2022	2021
Change in fair value of equity instruments recognised in other comprehensive income	61,926	—
Less: Deferred income tax	(15,482)	—
Sub-total	46,444	—
As at 31 December	(126,163)	(173,457)

(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.

	2022	2021
As at 1 January	(69,255)	(60,953)
Remeasurement of net defined benefit liability	620	(8,302)
Less: Deferred income tax	—	—
Sub-total	620	(8,302)
As at 31 December	(68,635)	(69,255)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Reserves (Continued)

(f) Movements in components of equity

The reconciliation between 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 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
	Note									
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 year		-	-	-	-	-	-	-	2,238,836	2,238,836
Other comprehensive income		-	-	-	-	-	47,294	620	-	47,914
Total comprehensive income		-	-	-	-	-	47,294	620	2,238,836	2,286,750
Capital invested and reduced by shareholders:										
- Redemption of preference shares	34	-	(7,825,508)	(640,835)	-	-	-	-	-	(8,466,343)
Appropriation of profit:										
- Appropriation to surplus reserve	32(b)	-	-	-	223,884	-	-	-	(223,884)	-
- Appropriation to general reserve	32(c)	-	-	-	-	256,000	-	-	(256,000)	-
- Cash dividend on preference shares	33	-	-	-	-	-	-	-	(517,491)	(517,491)
- Interest on perpetual debts	33	-	-	-	-	-	-	-	(480,000)	(480,000)
Sub-total		-	(7,825,508)	(640,835)	223,884	256,000	47,294	620	761,461	(7,177,084)
Balance at 31 December 2022		8,265,538	9,998,855	6,811,713	3,505,562	7,500,200	(126,163)	(68,635)	14,191,117	50,078,187

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Reserves (Continued)

(f) Movements in components of equity (Continued)

The reconciliation between 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 year are set out below: (Continued)

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
	Note									
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
Total comprehensive income		-	-	-	-	-	524,749	(8,302)	3,051,047	3,567,494
Capital invested and reduced by shareholders:										
- Issuance of perpetual debts	34	-	9,998,855	-	-	-	-	-	-	9,998,855
Appropriation of profit:										
- Appropriation to surplus reserve	32(b)	-	-	-	305,105	-	-	-	(305,105)	-
- Appropriation to general reserve	32(c)	-	-	-	-	273,000	-	-	(273,000)	-
- Cash dividend on preference shares	33	-	-	-	-	-	-	-	(470,209)	(470,209)
Capital reserve converted into share capital	31	751,413	-	(751,413)	-	-	-	-	-	-
Sub-total		751,413	9,998,855	(751,413)	305,105	273,000	524,749	(8,302)	2,002,733	13,096,140
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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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33 Profit distribution

(a) Dividends for ordinary shares

In accordance with the resolution of the Bank's board of directors meeting held on 30 March 2023, one new Share for every 10 Shares shall be issued to the Ordinary Shareholders whose names appeared on the register of Shareholders as at the dividend distribution registration date by way of capitalization issue, and no cash dividend or bonus share shall be distributed or issued.

The profit appropriation resolution mentioned above has yet to be approved by the Bank's shareholders.

(b) Dividends for preference shares

As per the resolution and authorisation of the shareholders' general meeting, at the meeting of its Board of Directors on 30 August 2022 held by the Bank, the Proposal on Distribution of Dividends for Preference Shares was reviewed and approved, permitting the Bank to distribute the dividends on the Bank's offshore preference shares on 18 October 2022.

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 (tax included), aggregating to RMB517.49 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 for 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 for offshore preference shares.

(c) Dividends for Perpetual Bond

The Bank distributed a dividend of 480 million to the perpetual bond holders In November 2022.

Retained earnings

As of 31 December 2022, retained earnings of the Group included the statutory surplus reserve of RMB86 million appropriated by the subsidiaries and attributable to the Bank (31 December 2021: RMB62 million).

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34 Other equity instruments

Financial instrument outstanding	Date issued	Classification	Dividend yield ratio/ Interest rate	Issue price	Quantity	In original currency million	In RMB million	Maturity	Conversion conditions
Undated additional tier 1 capital bonds ⁽²⁾	2021/11/11	Equity	4.80%	RMB100	100,000,000	10,000	10,000	None	None
Less: Issuing cost						(2)			
Total						9,998			

Financial instrument outstanding	Date issued	Classification	Dividend yield ratio/ Interest rate	Issue price	Quantity	In original currency million	In RMB million	Maturity	Conversion conditions
Offshore preference shares ⁽¹⁾	2017/10/18	Equity	5.50%	USD20/ share	59,550,000	1,191	7,860	None	Mandatory conversion trigger events
Less: Issuing cost							(34)		
Book value							7,826		
Undated additional tier 1 capital bonds ⁽²⁾	2021/11/11	Equity	4.80%	RMB100	100,000,000	10,000	10,000	None	None
Less: Issuing cost							(2)		
Book value							9,998		
Total							17,824		

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34 Other equity instruments (Continued)

Main clause

(a) Offshore preference shares

(1) Dividend

The rate of the offshore preference shares are fixed for a certain period after issuance, and reset 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 regulatory requirements. The offshore preference shareholders shall rank in priority to the ordinary shareholders in terms of dividend distribution.

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 shareholders' 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 annual 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 in the annual 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 by the Bank of all or part of the dividends on the offshore preference shares, 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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34 Other equity instruments (Continued)

Main clause (Continued)

(a) Offshore preference shares (Continued)

(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 on the same conditions. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances.

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 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 a public sector injection of capital 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 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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34 Other equity instruments (Continued)

Main clause (Continued)

(a) Offshore preference shares (Continued)

(6) Redemption of preference shares

Pursuant to the terms and conditions of the Offshore Preference Shares, and a reply letter from the CBIRC Henan Office approving the redemption of the Offshore Preference Shares by the Bank, the Bank redeemed the Offshore Preference Shares on 18 October 2022 in whole. The aggregate redemption price of the Offshore Preference Shares was USD1,256.51 million (being the sum of the aggregate liquidation preference of the Offshore Preference Shares in the amount of USD1,191 million and the dividends on Offshore Preference Shares in the amount of USD65.51 million).

(b) 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 Bonds"). 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.

(2) Conditional redemption

The duration of the Perpetual Bonds is the same as the continuing operation of the Bank. 5 years after the issuance date of the Perpetual Bonds, the Bank shall have the right to redeem the Perpetual Bonds 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 Bonds, in the event that the Perpetual Bonds 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 Bonds fully instead of partly.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34 Other equity instruments (Continued)

Main clause (Continued)

(b) Undated additional tier 1 capital bonds (Continued)

(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 prior to the Bonds; and shall rank 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 a public sector injection of capital 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. However, the Bank shall not make any distribution to ordinary shareholders until its decision to resume the distribution payments in whole to the holders of the Bonds is made.

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

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35 Notes to consolidated cash flow statement

(a) *Cash and cash equivalents comprise:*

	31 December 2022	31 December 2021
Cash on hand	1,089,526	894,278
Surplus deposit reserves with Central Bank	7,005,009	14,271,762
Deposits with banks and other financial institutions with original maturity of three months or less	1,920,796	2,414,499
Placements with banks and other financial institutions with original maturity of three months or less	500,000	3,831,794
Total	10,515,331	21,412,333

36 Related party relationships and transactions

(a) *Relationship of related parties*

(i) *Major shareholders*

Major shareholders include shareholders of the Bank with shareholding of 5% or above.

Shareholding in the Bank:

	31 December 2022	31 December 2021
Zhengzhou Finance Bureau	7.23%	7.23%
Zhengzhou Investment Holdings Co., Ltd.	6.69%	5.44%

Notes to the Consolidated Financial Statements

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Related party relationships and transactions (Continued)

(a) Relationship of related parties (Continued)

(ii) Subsidiaries and associates of the Bank

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

(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 (and their subsidiaries) 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; 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 and advances to customers and deposits, 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

	31 December 2022	31 December 2021
Balances at the end of the year:		
Financial investments measured at amortised cost	811,560	895,199
Deposits from customers	1,450,795	989,916
Other liabilities	64,285	63,686

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Related party relationships and transactions (Continued)

(b) Related party transactions and balances (Continued)

(i) Transactions with major shareholders (Continued)

	2022	2021
Transactions during the year:		
Interest income	49,400	30,368
Interest expense	30,685	30,824

(ii) Transactions with subsidiaries

	31 December 2022	31 December 2021
Balances at the end of the year:		
Deposits/placements with banks and other financial institutions	3,258,252	–
Deposits from banks and other financial institutions	1,205,175	1,747,962
Guarantee for subsidiaries	297,700	125,090
	2022	2021
Transactions during the year:		
Interest income	31,557	790
Interest expense	46,550	28,918

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

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For the year ended 31 December 2022
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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Related party relationships and transactions (Continued)

(b) Related party transactions and balances (Continued)

(iii) Transactions with associates

	31 December 2022	31 December 2021
Balances at the end of the year:		
Deposits/placements with banks and other financial institutions	944	301,574
Deposits from banks and other financial institutions	470,818	1,383,084
	2022	2021
Transactions during the year:		
Interest income	7	857
Interest expense	24,710	34,547

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Related party relationships and transactions (Continued)

(b) Related party transactions and balances (Continued)

(iv) Transactions with other major related parties

	31 December 2022	31 December 2021
Balances at the end of the year:		
Loans and advances to customers	13,666,338	11,641,681
Financial investments measured at amortised cost	2,051,876	5,636,791
Financial investments at fair value through profit or loss	342,205	511,742
Financial investments at fair value through other comprehensive income	410,417	118,837
Deposits from customers	3,249,613	3,446,587
Deposits from banks and other financial institutions	148,289	39,651
Bank acceptances	1,509,282	3,183,420
Unused credit card commitments	57,165	64,827
	2022	2021
Transactions during the year:		
Interest income	651,741	763,324
Interest expense	67,643	138,653
Fee and commission income	100,860	345,367

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Related party relationships and transactions (Continued)

(c) Key management personnel

(i) Transactions with key management personnel

	31 December 2022	31 December 2021
Balances at the end of the year:		
Loans and advances to customers	—	4,035
Deposits from customers	10,497	25,971
Unused credit card commitments	11,120	10,503

	2022	2021
Transactions during the year:		
Interest income	27	201
Interest expense	807	1,302

(ii) Key management personnel remuneration

	2022	2021
Salaries and other emoluments	12,732	12,048
Discretionary bonuses	23,865	22,792
Social insurance and welfare plans, housing allowance, etc.	1,261	1,247
Total	37,858	36,087

The remuneration of key management personnel of the Bank in 2022 has been reviewed by the Party Committee of the Bank, approved by the Remuneration and Appraisal Committee of the Board of Directors, and approved by the Board of Directors (2021: the same).

No post-employment benefits, termination benefits or other long-term benefits were provided to key management personnel for the year ended 31 December 2022 (31 December 2021: the same).

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For the year ended 31 December 2022
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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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:

	31 December 2022	31 December 2021
Aggregate amount of relevant loans outstanding as at the year end	—	4,035
Maximum aggregate amount of relevant loans outstanding during the year	—	4,035

There was no amount due but unpaid, nor any impairment provision made against the principal or interest on these loans at 31 December 2022 (2021: Nil).

37 Segment reporting

(a) Business segment

The Group manages its business by business line. 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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 management of the Group's overall liquidity position, including issuance of debts.

Others

These represent equity investments and related income and any other businesses which do not 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 and expense earned from 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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37 Segment reporting (Continued)

(a) Business segment (Continued)

Others (Continued)

	Year ended 31 December 2022				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	10,160,801	839,739	1,253,298	–	12,253,838
Internal net interest (expense)/income	(875,340)	678,290	197,050	–	–
Net interest income	9,285,461	1,518,029	1,450,348	–	12,253,838
Net fee and commission income	322,483	82,794	385,626	–	790,903
Net trading gains	42,676	–	1,415,848	–	1,458,524
Net gains arising from investments	–	–	575,053	–	575,053
Other operating income	–	–	–	147,525	147,525
Operating income	9,650,620	1,600,823	3,826,875	147,525	15,225,843
Operating expenses	(2,218,838)	(592,855)	(813,526)	(31,422)	(3,656,641)
Credit impairment losses	(6,808,437)	(178,513)	(1,555,958)	(117,050)	(8,659,958)
Operating profit	623,345	829,455	1,457,391	(947)	2,909,244
Share of profits of associates	–	–	–	(102,014)	(102,014)
Profit before taxation	623,345	829,455	1,457,391	(102,961)	2,807,230
Other segment information					
– Depreciation and amortisation	175,556	257,910	34,576	–	468,042
– Capital expenditure	449,759	119,747	170,993	991	741,490

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37 Segment reporting (Continued)

(a) *Business segment (Continued)*

Others (Continued)

	Year ended 31 December 2022				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	288,829,923	94,431,801	202,126,994	1,244,332	586,633,050
Deferred tax assets					4,880,568
Total assets					591,513,618
Segment liabilities/total liabilities	199,597,448	143,896,016	193,730,016	1,664,902	538,888,382
Credit commitments	90,133,016	5,740,253	–	–	95,873,269

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37 Segment reporting (Continued)

(a) Business segment (Continued)

Others (Continued)

	Year ended 31 December 2021				Total
	Corporate banking	Retail banking	Treasury business	Others	
Operating income					
External net interest income	8,248,130	957,468	2,743,273	–	11,948,871
Internal net interest (expense)/income	(139,538)	568,897	(429,359)	–	–
Net interest income	8,108,592	1,526,365	2,313,914	–	11,948,871
Net fee and commission income	315,617	74,637	851,330	–	1,241,584
Net trading gains	76,766	–	611,108	–	687,874
Net gains arising from investments	–	–	870,283	–	870,283
Other operating income	–	–	–	62,293	62,293
Operating income	8,500,975	1,601,002	4,646,635	62,293	14,810,905
Operating expenses	(1,968,799)	(595,457)	(977,245)	(25,072)	(3,566,573)
Credit impairment losses	(3,949,946)	(245,419)	(3,067,665)	–	(7,263,030)
Operating profit	2,582,230	760,126	601,725	37,221	3,981,302
Share of profits of associates	–	–	–	6,836	6,836
Profit before taxation	2,582,230	760,126	601,725	44,057	3,988,138
Other segment information					
– Depreciation and amortisation	180,693	232,734	40,594	–	454,021
– Capital expenditure	325,673	98,425	167,030	1,786	592,914

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37 Segment reporting (Continued)

(a) Business segment (Continued)

Others (Continued)

	Year ended 31 December 2021				
	Corporate banking	Retail banking	Treasury business	Others	Total
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	98,548,224	4,749,329	–	–	103,297,553

(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.

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 for 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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

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 functions 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 adherence 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 and regularly assesses the Group’s risk position and risk management strategies, 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 Market Department carry out credit businesses and investment portfolio business according to the Group’s risk management policies and procedures. The Group adopts a loan risk classification approach to manage its loan portfolio risk.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (Continued)

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.

Measurement of ECL

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

The Group measures loss provision of 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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (Continued)

(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 meets one or more of the following criteria:

- The credit spread increasing 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 in 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 being 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 the management for the appropriateness.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (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 assets are more than 90 days past due.

(2) Qualitative criterion

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

- the borrower being in the grace period for a long time
- the death of the borrower
- the borrower’s bankruptcy
- the borrower breaching (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 making concessions due to the economic or contracts about financial difficulties faced by the borrower, which the creditor will not make under any other circumstances
- becoming 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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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (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. 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 calculation for each month are then discounted to the end of the reporting period 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 empirical analysis.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (Continued)

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

The relevant parameters for the measurement of expected credit losses include PD, LGD, and EAD. According to the requirements of the new financial instrument standards, the Group has established PD, LGD, and EAD models by considering quantitative analysis and forward-looking information of historical statistical data (such as counterparty ratings, guarantee methods, collateral types, and repayment methods).

- In respect of the loans with instalment repayments and bullet repayment, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on prediction of over-limit repayment and prepayments/refinancing made by the borrower.
- In respect of the products of revolving credit agreement, 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 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 are different.
- 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 the assumptions related to the calculation of expected credit losses, including the changes in PD and collateral under different time limits.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (Continued)

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

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 IV 40(a).

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For the year ended 31 December 2022
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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (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:

	31 December 2022	31 December 2021
Gross balance of loans and advances that are assessed for 12-month ECL		
– Overdue but not credit-impaired	1,618,222	1,040,647
– Neither overdue nor credit-impaired	309,543,318	273,174,152
Sub-total	311,161,540	274,214,799
Gross balance of loans and advances that are not credit-impaired and assessed for lifetime ECL		
– Overdue but not credit-impaired	1,698,022	1,988,924
– Neither overdue nor credit-impaired	9,239,962	5,345,529
Sub-total	10,937,984	7,334,453
Gross balance of credit-impaired loans and advances that are assessed for lifetime ECL		
– Overdue and credit-impaired	6,522,962	5,320,727
– Not overdue but credit-impaired	2,298,611	2,157,689
Sub-total	8,821,573	7,478,416
Interest accrued	1,594,573	1,439,787
Less: Provision for impairment losses	(10,308,636)	(8,068,364)
Net loans and advances to customers	322,207,034	282,399,091

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For the year ended 31 December 2022

(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (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:

	31 December 2022	31 December 2021
Corporate loans and advances	240,503,476	204,500,708
Personal loans and advances	78,279,804	74,018,973
Total gross balance	318,783,280	278,519,681

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For the year ended 31 December 2022
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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (Continued)

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

(2) Loans and advances to customers (Continued)

(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.

	31 December 2022		
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	Total
Corporate loans and advances	1,432,210	1,195,145	2,627,355
Personal loans and advances	429,638	259,251	688,889
Total gross balance	1,861,848	1,454,396	3,316,244

	31 December 2021		
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	Total
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

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (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)

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

	31 December 2022	31 December 2021
Fair value of collateral held against loans and advances overdue but not credit-impaired	2,446,861	2,366,534

The above collateral mainly included land, buildings, machinery and equipment. 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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (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:

	31 December 2022	31 December 2021
Gross balance		
Corporate loans and advances	6,473,939	5,759,011
Personal loans and advances	2,347,634	1,719,405
Sub-total	8,821,573	7,478,416
Interest accrued		
Corporate loans and advances	63,378	156,189
Personal loans and advances	599	259
Sub-total	63,977	156,448
Provision for impairment losses		
Corporate loans and advances	(3,846,908)	(2,292,142)
Personal loans and advances	(971,246)	(791,893)
Sub-total	(4,818,154)	(3,084,035)
Net balance		
Corporate loans and advances	2,690,409	3,623,058
Personal loans and advances	1,376,987	927,771
Total	4,067,396	4,550,829
Fair value of collateral held against credit-impaired loans and advances	13,266,300	10,655,126

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (Continued)

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

(2) Loans and advances to customers (Continued)

(iv) Credit-impaired loans (Continued)

The above collateral mainly included land, buildings, machinery and equipment. 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.

(3) Amounts due from banks and other financial institutions

The Group adopts an internal credit rating approach in managing the credit risk of amounts due from banks and other financial institutions. The distribution according to the credit rating of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

	31 December 2022	31 December 2021
Carrying amount		
– Grade A to AAA	7,483,953	14,558,643
– Unrated	9,235,266	6,771,231
Total	16,719,219	21,329,874

As at 31 December 2022, amounts due from banks and other financial institutions of the Group were neither overdue nor credit-impaired (31 December 2021: the same).

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For the year ended 31 December 2022
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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (Continued)

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

(4) Debt securities investments

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held. The ratings are obtained from major rating agencies such as Wind. The gross balance amounts of debt securities investments analysed by rating as at the end of the reporting period/year are as follows:

	31 December 2022						
	Unrated	AAA	AA+	AA	AA-	Below A+	Total
Debt securities							
– Government	57,494,747	–	–	–	–	–	57,494,747
– Policy banks	35,509,038	–	–	–	–	–	35,509,038
– Banks and other financial institutions	–	4,468,624	693,055	200,327	–	200,875	5,562,881
– Corporate	213,277	1,021,824	1,308,976	1,637,138	–	478,387	4,659,602
Total	93,217,062	5,490,448	2,002,031	1,837,465	–	679,262	103,226,268

	31 December 2021						
	Unrated	AAA	AA+	AA	AA-	Below A+	Total
Debt securities							
– Government	48,655,235	–	–	–	–	–	48,655,235
– Policy banks	38,590,239	–	–	–	–	–	38,590,239
– Banks and other financial institutions	–	1,505,950	–	–	196,069	200,875	1,902,894
– Corporate	210,030	622,228	638,639	1,253,960	654,784	1,109,308	4,488,949
Total	87,455,504	2,128,178	638,639	1,253,960	850,853	1,310,183	93,637,317

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (Continued)

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

(5) Financial investments measured at amortised cost

The Group

	31 December 2022	31 December 2021
Balance of financial investments measured at amortised cost that are assessed for 12-month ECL		
– Neither overdue nor credit-impaired	110,498,193	127,183,480
Less: Provision for impairment losses	(566,582)	(425,701)
Sub-total	109,931,611	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	381,646	–
– Neither overdue nor credit-impaired	59,000	2,306,708
Less: Provision for impairment losses	(44,187)	(335,640)
Sub-total	396,459	1,971,068
Balance of credit-impaired financial investments measured at amortised cost that are assessed for lifetime ECL		
– Overdue and credit-impaired	12,726,672	12,711,990
Less: Provision for impairment losses	(3,466,268)	(3,795,044)
Sub-total	9,260,404	8,916,946
Interest accrued	2,090,702	1,682,594
Total	121,679,176	139,328,387
Fair value of collateral held against credit-impaired financial investments that are measured at amortised cost	15,663,253	16,576,684

The above collateral mainly included land, buildings, machinery and equipment. 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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (Continued)

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

(6) Looking-forward Information

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, PPE investment, CPI, etc.

The Group conducts sensitivity analysis on the core economic indicators used in forward-looking measurement. As at 31 December 2022, when the predicted value of the core economic indicators in the main scenarios increase or decrease by 10%, the Group expected the respective decrease or increase in ECL will not exceed 5%.

The Group also provide other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. Among them, the “central” scenario is defined as the most likely scenario in the future and serves as a basis for comparison with other scenarios. “Upside” scenarios and “downside” scenarios are better and worse than the “central” scenarios and are likely to happen. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECLs should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted Lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weightings (as opposed to weighting the inputs). As at 31 December 2022, the weights assigned to various macro scenarios were: “central” 60%, “upside” 20%, and “downside” 20%.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (Continued)

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

(6) Looking-forward Information (Continued)

The multi-scenario weight is based on the principle of the benchmark scenario and supplemented by other scenarios. According to the sensitivity analysis, when the weight of the “upside” scenario increases by 10% and the weight of the “central” scenario decreases by 10%, or the weight of the “downside” scenario increases by 10% and the weight of the “central” scenario decreases by 10%, the Group expected the respective decrease or increase in ECL will not exceed 5%.

The impact of these economic indicators on the PD and the LGD is various for different business types. The Group mainly applies external data, supplemented by internal expert judgement to determine the relationship between these economic indicators and the PD, and LGD through regression analysis.

The Group regularly updates the forecast value of macroeconomic indicators, and measures a probability weighted 12-month ECL (Stage 1), or a probability weighted Lifetime ECL (Stages 2 and 3).

(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 policies, determining the acceptable level of market risk and authorising the Risk Management Committee to supervise the market risk management conducted by the 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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(b) Market risk (Continued)

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.

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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(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 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 assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and 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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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 which is earlier:

	31 December 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	26,487,450	1,530,418	24,957,032	—	—	—
Deposits/placements with banks and other financial institutions	4,332,718	14,246	3,019,010	1,299,462	—	—
Financial assets held under resale agreements	12,386,501	3,374	12,285,762	97,365	—	—
Loans and advances to customers (note (1))	322,207,034	1,594,573	61,746,383	147,073,816	101,925,565	9,866,697
Investments (note (2))	183,544,827	3,568,192	31,424,534	40,358,075	69,853,826	38,340,200
Lease receivables (note (1))	30,633,447	308,699	3,282,015	8,938,746	18,019,889	84,098
Others	1,520,817	1,520,817	—	—	—	—
Total assets	581,112,794	8,540,319	136,714,736	197,767,464	189,799,280	48,290,995
Liabilities						
Due to Central Bank	20,105,825	386,138	5,282,694	14,436,993	—	—
Deposits/placements from banks and other financial institutions	59,089,835	391,498	22,166,399	36,061,938	470,000	—
Financial assets sold under repurchase agreements	19,098,195	6,435	18,948,227	143,533	—	—
Deposits from customers	341,797,766	5,494,991	194,388,722	76,241,283	65,672,116	654
Debt securities issued	94,992,906	98,439	35,647,091	46,249,409	12,997,967	—
Others	993,607	993,607	—	—	—	—
Total liabilities	536,078,134	7,371,108	276,433,133	173,133,156	79,140,083	654
Asset-liability gap	45,034,660	1,169,211	(139,718,397)	24,634,308	110,659,197	48,290,341

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 (note (1))	282,399,091	1,439,787	47,881,575	130,532,150	95,944,936	6,600,643
Investments (note (2))	198,156,710	2,250,978	42,099,932	34,394,581	79,458,351	39,952,868
Lease receivables (note (1))	28,224,856	301,288	25,745,610	1,923,890	–	254,068
Others	2,173,830	2,173,830	–	–	–	–
Total assets	565,717,419	7,670,992	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	938,836	938,836	–	–	–	–
Total liabilities	513,050,273	5,548,237	224,378,186	174,301,564	106,822,637	1,999,649
Asset-liability gap	52,667,146	2,122,755	(55,693,211)	(7,150,978)	68,580,650	44,807,930

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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, overdue amounts (net of allowance for impairment losses) of RMB6,119 million (31 December 2021: RMB5,685 million) are included in the category "Within three months (inclusive)" as at 31 December 2022. For the Group's lease receivables, overdue amounts (net of allowance for impairment losses) of RMB295 million (31 December 2021: RMB1,269 million) are included in the category "Within three months (inclusive)" as at 31 December 2022.
- (2) As at 31 December 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 interests in associates. Overdue amounts (net of allowance for impairment losses) of RMB7,494 million (31 December 2021: RMB7,422 million) are included in the category "Within three months (inclusive)" as at 31 December 2022.

(ii) Interest rate sensitivity analysis

	31 December 2022 (Decrease)/ increase	31 December 2021 (Decrease)/ increase
Changes in net interest income		
Up 100 bps parallel shift in yield curves	(1,060,789)	(457,923)
Down 100 bps parallel shift in yield curves	1,060,789	457,923
	31 December 2022 (Decrease)/ Increase	31 December 2021 (Decrease)/ Increase
Changes in equity		
Up 100 bps parallel shift in yield curves	(1,597,533)	(1,124,968)
Down 100 bps parallel shift in yield curves	1,638,978	1,175,777

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis

The sensitivity analysis above is based on a static interest risk exposure profile of assets and liabilities. This analysis measures only 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 the 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.

(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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(b) Market risk (Continued)

(2) Currency risk (Continued)

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

	31 December 2022			
	USD		Others	Total
	RMB	(RMB Equivalent)	(RMB Equivalent)	(RMB Equivalent)
Assets				
Cash and deposits with Central Bank	26,481,997	1,792	3,661	26,487,450
Deposits/placements with banks and other financial institutions	4,151,727	133,120	47,871	4,332,718
Financial assets held under resale agreements	12,386,501	–	–	12,386,501
Loans and advances to customers	322,164,335	42,699	–	322,207,034
Investments (note(i))	180,653,149	2,891,678	–	183,544,827
Lease receivables	30,633,447	–	–	30,633,447
Others	1,520,110	707	–	1,520,817
Total assets	577,991,266	3,069,996	51,532	581,112,794
Liabilities				
Due to Central Bank	20,105,825	–	–	20,105,825
Deposits/placements from banks and other financial institutions	58,486,514	603,321	–	59,089,835
Financial assets sold under repurchase agreements	18,819,611	278,584	–	19,098,195
Deposits from customers	341,606,478	187,203	4,085	341,797,766
Debt securities issued	94,992,906	–	–	94,992,906
Others	993,523	84	–	993,607
Total liabilities	535,004,857	1,069,192	4,085	536,078,134
Net position	42,986,409	2,000,804	47,447	45,034,660
Off-balance sheet credit commitments	95,416,183	426,907	30,179	95,873,269

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 (note (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 interests in associates.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(b) Market risk (Continued)

(2) Currency risk (Continued)

	31 December 2022 Increase/ (decrease)	31 December 2021 Increase/ (decrease)
Change in profit after taxation and equity		
Up 100 bps change of foreign exchange rate	15,362	79,361
Down 100 bps change of foreign exchange rate	(15,362)	(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 point fluctuation in the foreign currency exchange rates against RMB based on the closing rate of reporting date;
- The exchange rates against RMB for the United States 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 maturity; 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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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 organisations 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 organisations for liquidity risk management. Senior management is responsible for organisations, and 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, guiding various business departments to manage liquidity risk on a daily basis, regularly carrying out risk analysis and reporting to the senior management;
- The Board of Supervisors and the Internal Audit Office under the Board are the supervisory organisations 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.

These deposits from customers are widely diversified in terms of types and durations and represent a major source of funds.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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:

	31 December 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	18,384,285	8,094,535	8,630	-	-	-	26,487,450
Deposits/placements with banks and other financial institutions	-	1,908,160	1,119,890	1,304,668	-	-	4,332,718
Financial assets held under resale agreements	-	-	12,289,064	97,437	-	-	12,386,501
Loans and advances to customers	5,628,967	1,813,062	44,815,542	108,820,655	112,035,269	49,093,539	322,207,034
Investments (note (i))	9,188,420	2,790,642	21,140,458	40,736,183	70,949,193	38,739,931	183,544,827
Lease receivables	626,624	-	3,273,293	8,860,592	17,788,840	84,098	30,633,447
Others	549,196	2,563	886,712	8,788	54,175	19,383	1,520,817
Total assets	34,377,492	14,608,962	83,533,589	159,828,323	200,827,477	87,936,951	581,112,794
Liabilities							
Due to Central Bank	-	-	5,540,214	14,565,611	-	-	20,105,825
Deposits/placements from banks and other financial institutions	-	2,959,539	19,420,413	36,231,437	478,446	-	59,089,835
Financial assets sold under repurchase agreements	-	-	18,954,007	144,188	-	-	19,098,195
Deposits from customers	-	122,729,700	74,230,754	77,377,729	67,458,896	687	341,797,766
Debt securities issued	-	-	35,647,091	46,347,848	12,997,967	-	94,992,906
Others	-	292,884	208,613	123,451	368,659	-	993,607
Total liabilities	-	125,982,123	154,001,092	174,790,264	81,303,968	687	536,078,134
Long/(short) position	34,377,492	(111,373,161)	(70,467,503)	(14,961,941)	119,523,509	87,936,264	45,034,660

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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	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	2,579,848	386,368	40,956,940	77,188,697	107,879,437	53,407,801	282,399,091
Investments (note (i))	7,881,673	–	21,539,677	44,237,411	83,845,801	40,652,148	198,156,710
Lease receivables	1,465,023	177,255	2,928,494	6,591,751	16,892,040	170,293	28,224,856
Others	1,101,500	712	1,043,940	9,329	14,845	3,504	2,173,830
Total assets	31,284,933	18,037,469	85,200,731	128,328,417	208,632,123	94,233,746	565,717,419
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	–	187,145	85,829	152,962	512,900	–	938,836
Total liabilities	–	130,516,591	97,789,892	175,408,604	107,335,537	1,999,649	513,050,273
Long/(short) position	31,284,933	(112,479,122)	(12,589,161)	(47,080,187)	101,296,586	92,234,097	52,667,146

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 interests 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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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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:

	31 December 2022						
	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	20,105,825	20,379,292	-	5,550,890	14,828,402	-	-
Deposits/placements from banks and other financial institutions	59,089,835	59,349,861	2,959,539	19,483,125	36,421,423	485,774	-
Financial assets sold under repurchase agreements	19,098,195	19,103,083	-	18,958,098	144,985	-	-
Deposits from customers	341,797,766	350,214,392	122,729,700	75,476,174	78,651,369	73,356,313	836
Debt securities issued	94,992,906	96,615,800	-	35,760,000	47,243,800	13,612,000	-
Others	993,607	993,607	292,884	208,613	123,451	368,659	-
Total	536,078,134	546,656,035	125,982,123	155,436,900	177,413,430	87,822,746	836

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(c) Liquidity risk (Continued)

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

	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
Others	938,836	938,836	187,145	85,829	152,962	512,900	–
Total	513,050,273	525,828,142	130,576,257	96,437,000	178,701,339	118,017,676	2,095,870

(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:

	31 December 2022						
	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	100,456	91,371	–	91,371	–	–	–

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

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 impact 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 risk product and early risk alert on each aspect of business; making business risk assessment in time; carrying out centralised risk management on major business controlling unit 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 defence” 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 defence, the Compliance Department and the Risk Management Department act as the second line of defence and the Internal Audit Office acts as the third line of defence;
- establishing a compulsory leave and rotation policies to staff in key position or important process;
- establishing an expertise grade appraisal system for all employees, and selecting qualified employees through strict qualification examination and professional evaluation in accordance with the expertise and skills required by the various positions; and
- establishing a mechanism for emergency management and business continuity.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 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 levels 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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(e) Capital management (Continued)

The Group calculates the capital adequacy ratios as at 31 December 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(試行)》 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	31 December 2022	31 December 2021
Total core tier-one capital			
– Share capital		8,265,538	8,265,538
– Valid portion of capital reserve		6,811,655	7,452,490
– Fair value reserve		(126,163)	(173,457)
– Remeasurement of net defined benefit liability		(68,635)	(69,255)
– Surplus reserve		3,505,562	3,281,678
– General reserve		7,767,704	7,481,353
– Retained earnings		14,618,050	13,703,472
– Valid portion of minority interests		1,437,897	1,192,294
Core tier-one capital		42,211,608	41,134,113
Core tier-one capital deductions		(1,828,257)	(1,184,947)
Net core tier-one capital		40,383,351	39,949,166
Additional tier-one capital			
– Additional tier-one capital instruments and related premium		9,998,855	17,824,363
– Valid portion of non-controlling interests		184,039	157,811
Net tier-one capital		50,566,245	57,931,340

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(e) Capital management (Continued)

	Note	31 December 2022	31 December 2021
Tier two capital			
– Qualifying portions of tier-two capital instruments issued		–	2,000,000
– Surplus provision for loan impairment		4,343,627	2,916,530
– Valid portion of non-controlling interests		381,809	318,764
Net tier-two capital		4,725,436	5,235,294
Net capital base		55,291,681	63,166,634
Total risk weighted assets	(1)	434,769,547	421,013,820
Core tier-one capital adequacy ratio		9.29%	9.49%
Tier-one capital adequacy ratio		11.63%	13.76%
Capital adequacy ratio		12.72%	15.00%

(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 31 December 2022 and 31 December 2021.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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, specified the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.

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

(1) *Debt securities investments and equity investments*

Regarding the fair values of debt securities investments, the Bank performs valuation by referring to prices from valuation service providers or on the basis of discounted cash flows models. Valuation parameters include market interest rates, expected future default rates, prepayment rates and market liquidity. The fair values of RMB bonds are mainly determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd.. The fair values of unlisted equity investments are estimated using comparable firm approach, after adjustment for the specific circumstances of the issuers.

(2) *Receivables and other non-derivative financial assets*

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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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:

	31 December 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	–	14,972,478	–	14,972,478
– Investment funds	–	14,366,427	–	14,366,427
– Equity investments	736,844	–	180,893	917,737
– Other financial investments at fair value through profit or loss	–	–	14,185,068	14,185,068
Financial investments at fair value through other comprehensive income				
– Debt instruments	–	17,079,734	–	17,079,734
– Equity investments	–	–	70,326	70,326
Loans and advances to customers measured at fair value through other comprehensive income				
– Corporate loans and advances	–	27,147,958	–	27,147,958
Total	736,844	73,566,597	14,436,287	88,739,728
Liabilities measured at fair value on a recurring basis				
Derivative financial liabilities	–	100,456	–	100,456
Total	–	100,456	–	100,456

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Fair value (Continued)

(b) Financial instruments recorded at fair value (Continued)

	31 December 2021			
	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	–	10,932,882	–	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	–	17,116,085	–	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	559,377	58,652,216	18,478,366	77,689,959
Liabilities measured at fair value on a recurring basis				
Derivative financial liabilities	–	–	–	–
Total	–	–	–	–

During the year, there were no transfers between Level 1 and Level 2, or between level 2 and Level 3 (2021: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Fair value (Continued)

(c) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balances of level 3 financial assets and liabilities which are recorded at fair value and the movement during the year:

	1 January 2022	Total effects of profit and loss during the year	Total effects of other comprehensive income during the year	Acquisition	Sale/ Settlement	Transferred from Level 2 to Level 3	31 December 2022	Profit attributable to the change in unrealised gains and 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	18,469,966	(63,141)	–	6,329,394	(10,551,151)	–	14,185,068	(1,833)
– Equity investments	–	–	–	180,893	–	–	180,893	–
Financial investments at fair value through other comprehensive income								
– Equity investments	8,400	–	61,926	–	–	–	70,326	–
Total	18,478,366	(63,141)	61,926	6,510,287	(10,551,151)	–	14,436,287	(1,833)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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	Acquisition	Sale/ settlement	Transferred from Level 2 to Level 3	31 December 2021	Profit attributable to the change in unrealised gains and 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	–	9,931,005	(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	–	9,931,005	(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 were recognised in the line item “net gains arising from investments” on the face of the consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Fair value (Continued)

(d) Fair value of financial assets and liabilities not carried at fair value

	31 December 2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost					
– Debt securities	71,123,274	71,343,128	–	71,343,128	–
Total	71,123,274	71,343,128	–	71,343,128	–
Financial liabilities					
Debt securities issued					
– Financial bonds	14,495,710	14,466,845	–	14,466,845	–
– Tier-two capital bonds	–	–	–	–	–
– Interbank deposits	80,497,196	80,493,305	–	80,493,305	–
Total	94,992,906	94,960,150	–	94,960,150	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Fair value (Continued)

(d) Fair value of financial assets and liabilities not carried at fair value (Continued)

	31 December 2021				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost					
– Debt securities	65,168,187	65,739,364	29,386,294	36,353,070	–
Total	65,168,187	65,739,364	29,386,294	36,353,070	–
Financial liabilities					
Debt securities issued					
– Financial bonds	8,502,293	8,556,863	–	8,556,863	–
– Tier-two capital bonds	2,071,798	2,162,928	–	2,162,928	–
– Interbank deposits	79,502,626	79,548,978	–	79,548,978	–
Total	90,076,717	90,268,769	–	90,268,769	–

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 values of financial investments measured at amortised cost are estimated based on future cash flows expected to be received which are discounted at current market rates. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Fair value (Continued)

(d) Fair value of financial assets and liabilities not carried at fair value (Continued)

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 for which their carrying amounts are the reasonable approximations of their 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 Consolidated Financial Statements

For the year ended 31 December 2022
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Commitments and contingent liabilities

(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.

	31 December 2022	31 December 2021
Bank acceptances	80,492,970	79,719,509
Letters of credit	7,898,683	13,759,386
Guarantees	1,045,264	2,620,966
Unused credit card commitments	5,740,253	4,749,329
Loan commitments	696,099	2,448,363
Total	95,873,269	103,297,553

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 is not representative of expected future cash outflows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Commitments and contingent liabilities (Continued)

(b) Credit risk-weighted amount

	31 December 2022	31 December 2021
Credit risk-weighted amount of contingent liabilities and commitments	10,063,831	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.

(c) Capital commitments

As at 31 December 2022 and 31 December 2021, the authorised capital commitments of the Group are as follows:

	31 December 2022	31 December 2021
Contracted but not paid for	206,513	154,061
Approved but not contracted for	30,859	87,308
Total	237,372	241,369

(d) Outstanding litigations and disputes

As at 31 December 2022, there are no outstanding legal proceedings that have a significant impact on the financial statements against the Group (31 December 2021: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Commitments and contingent liabilities (Continued)

(e) Pledged assets

	31 December 2022	31 December 2021
Debt securities	39,234,526	32,708,272
Total	39,234,526	32,708,272

Some of the Group's assets are pledged as collateral under repurchase agreements.

41 Structured entities

(a) Consolidated structured entities

The consolidated structured entities are wealth management products and asset-backed securities. The Group considers whether there is control over the structured entity as the sponsor of the wealth management products and asset-backed securities, and judges whether it needs to be included in the merger based on the decision-making scope, the power held, the remuneration for providing management services and the variable income risk exposure faced. In 2022, the Group did not provide financial support to the consolidated structured entities (2021: Nil).

(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 fund, trust scheme, 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 financed through the issue of notes to investors.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 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:

	31 December 2022	
	Carrying amount	Maximum exposure
Financial investments		
– Financial investments at fair value through profit or loss	26,364,901	26,364,901
– Financial investments measured at amortised cost	49,611,247	49,611,247
Interest receivables	944,655	944,655
Total	76,920,803	76,920,803

	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 receivables	956,381	956,381
Total	89,124,746	89,124,746

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 amounts of the assets held by the Group and the related interest receivables 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 year ended 31 December 2022 amounted to RMB4,207 million (2021: RMB5,153 million).

- (2) *Structured entities sponsored by the Group which the Group does not consolidate but holds interests in*

The types of unstructured entities sponsored by the Group include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to earning 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.

As at 31 December 2022, the amount of non-principal-guaranteed wealth management products which are sponsored by the Group but are not consolidated into was RMB45,731 million (31 December 2021: RMB47,973 million).

For the year ended 31 December 2022, the Group recognised net commission income from the non-principal-guaranteed wealth management products with the amount of RMB235 million through provision of asset management services (2021: RMB248 million). The Group expected that the variable return would be insignificant to the structured entities.

For the year ended 31 December 2022, the Group did not provide financial support to the unconsolidated structured entities (2021: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 31 December 2022, the balance of entrusted loans of the Group was RMB20,153 million (31 December 2021: RMB15,643 million).

43 Events after the reporting period

In March 2023, upon consideration and approval at the 2021 third extraordinary general meeting of Zhongmu Zhengyin County Bank and the 12th meeting of the sixth session of the Board of the Bank, and upon approval by the CBIRC Henan Office and SASAC of Zhengzhou, the Bank acquired the equity of 78 shareholders of Zhongmu Zhengyin County Bank. The number of shares held by the Bank increased from 208.00 million shares to 555.87 million shares, and the shareholding percentage increased from 18.53% to 49.51%.

According to the resolution of the Board of Directors on 30 March 2023, the 2022 Profit Distribution Plan of the Bank is as follows:

- 1) Appropriate the statutory surplus reserve of about RMB224 million at 10% of the net profit in 2022;
- 2) Set aside a general reserve of about RMB256 million based on the difference with 1.5% of the ending balance of its gross risk-bearing assets, pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the Ministry of Finance.
- 3) One new Share for every 10 Shares shall be issued to the Ordinary Shareholders whose names appeared on the register of Shareholders as at the dividend distribution registration date by way of capitalization issue, and no cash dividend or bonus share shall be distributed or issued. The profit distribution plan will be proposed at the general meeting of the Bank for approval.

In addition to the above matters, the Group has no other significant events after the reporting period to be disclosed.

44 Comparative figures

Certain comparative figures have been reclassified to conform with the presentation requirements of the financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45 Company-level statement of financial position

	31 December 2022	31 December 2021
Assets		
Cash and deposits with Central Bank	26,061,723	33,142,477
Deposits with banks and other financial institutions	2,320,673	1,796,802
Placements with banks and other financial institutions	4,717,578	4,182,213
Financial assets held under resale agreements	12,386,501	14,228,603
Loans and advances to customers	316,991,177	280,079,869
Financial investments:		
Financial investments at fair value through profit or loss	43,610,817	40,509,728
Financial investments at fair value through other comprehensive income	17,150,060	17,311,509
Financial investments measured at amortised cost	121,679,176	139,328,387
Derivative financial assets	–	173,981
Interests in associates and subsidiaries	1,506,676	1,607,739
Property and equipment	2,950,147	2,781,932
Deferred tax assets	4,570,082	3,667,052
Other assets	3,502,880	4,256,360
Total assets	557,447,490	543,066,652
Liabilities		
Due to Central Bank	19,903,889	22,534,998
Deposits from banks and other financial institutions	30,743,841	39,378,724
Placements from banks and other financial institutions	4,706,132	2,702,350
Derivative financial liabilities	100,456	–
Financial assets sold under repurchase agreements	19,098,195	12,371,414
Deposits from customers	336,350,641	317,365,543
Tax payable	384,670	254,945
Debt securities issued	93,587,482	88,671,919
Other liabilities	2,493,997	2,531,488
Total liabilities	507,369,303	485,811,381

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45 Company-level statement of financial position (continued)

	31 December 2022	31 December 2021
Equity		
Share capital	8,265,538	8,265,538
Other financial instruments		
Include: Preference shares	—	7,825,508
Perpetual debts	9,998,855	9,998,855
Capital reserve	6,811,713	7,452,548
Surplus reserve	3,505,562	3,281,678
General reserve	7,500,200	7,244,200
Fair value reserve	(126,163)	(173,457)
Remeasurement of net defined benefit liability	(68,635)	(69,255)
Retained earnings	14,191,117	13,429,656
Total equity	50,078,187	57,255,271
Total liabilities and equity	557,447,490	543,066,652

Approved and authorised for issue by the board of directors on 30 March 2023.

Zhao Fei

President (Acting Chairman of the Board of Directors)

Sun Haigang

Person in Charge of Accounting Affairs

Gao Chenxin

Head of Accounting Department

Bank of Zhengzhou Co., Ltd

(Company Chop)

Unaudited Supplementary Financial Information

For the year ended 31 December 2022

(In RMB thousands, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purpose only.

1 CURRENCY CONCENTRATIONS

	31 December 2022			
	United States Dollars (RMB equivalent)	Hong Kong Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	3,069,996	30,828	20,704	3,121,528
Spot liabilities	(1,069,192)	(62)	(4,023)	(1,073,277)
Net position	2,000,804	30,766	16,681	2,048,251

	31 December 2021			
	United States Dollars (RMB equivalent)	Hong Kong 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 period.

Unaudited Supplementary Financial Information

For the year ended 31 December 2022
(In RMB thousands, unless otherwise stated)

2 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within 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.

After all risk transfers of a country or geographical area taking into account, it is reported when the claims constitute 10% or more of the aggregate amount of international claims. 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.

	31 December 2022			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding mainland China	2,487,512	—	—	2,487,512
Europe	6,723	—	—	6,723
North America	113,232	—	—	113,232
Total	2,607,467	—	—	2,607,467

	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