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**中原銀行股份有限公司\***  
**ZHONGYUAN BANK CO., LTD.\***

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

**(Stock Code of H Shares: 1216)**

**(Stock Code of Preference Shares: 4617)**

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

The board of directors (the “**Board**”) of Zhongyuan Bank 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 31 December 2022 which were prepared in accordance with the International Financial Reporting Standards. The Board and the audit committee of the Board have reviewed and confirmed the Annual Results.

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Bank ([www.zybank.com.cn](http://www.zybank.com.cn)). The annual report for the year ended 31 December 2022 will be despatched to the shareholders of the Bank and will be available on the above websites in due course.

By Order of the Board  
**Zhongyuan Bank Co., Ltd.\***  
**XU Nuojin**  
*Chairman*

Zhengzhou, the PRC  
31 March 2023

*As at the date of this announcement, the Board comprises Mr. XU Nuojin, Mr. WANG Jiong and Mr. LI Yulin as executive directors; Ms. ZHANG Qiuyun and Mr. MI Hongjun as non-executive directors; and Ms. PANG Hong, Mr. LI Hongchang, Mr. JIA Tingyu and Mr. CHAN Ngai Sang Kenny as independent non-executive directors.*

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

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# Chapter 1 Corporate Information

## 1. Basic Corporate Profile

### Legal Name of the Company

中原銀行股份有限公司<sup>1</sup> (abbreviated as 中原銀行)

### English Name of the Company

ZHONGYUAN BANK CO., LTD.<sup>1</sup> (abbreviated as ZYBANK)

### Registered Office

Zhongke Golden Tower, No. 23 Shangwu Waihuan Road, Zhengdong New District CBD, Zhengzhou, Henan Province, PRC

### Headquarters in China

Zhongke Golden Tower, No. 23 Shangwu Waihuan Road, Zhengdong New District CBD, Zhengzhou, Henan Province, PRC

### Principal Business Place in Hong Kong

40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong

### Board of Directors

#### Executive Directors<sup>2</sup>:

Mr. XU Nuojin (Chairman)  
Mr. WANG Jiong  
Mr. LI Yulin

#### Non-Executive Directors:

Ms. ZHANG Qiuyun  
Mr. MI Hongjun

<sup>1</sup> Zhongyuan Bank Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.

<sup>2</sup> Due to personal reasons, Mr. WEI Jie, an executive Director and the vice chairman of the Board, tendered his resignation to the Board on June 17, 2022, and resigned as an executive Director, the vice chairman of the Board, the member of the Strategy and Development Committee, the member of the Related Party Transactions Control Committee and the member of the Risk Management Committee of the Bank. For more details, please refer to the Bank's announcement dated June 17, 2022.

Due to work adjustments, Mr. WANG Jiong, an executive Director and the President, ceased to be the President of the Bank, but will continue to perform duties as an executive Director of the Bank, the chairman of Consumer Rights Protection Committee, the member of the Strategy and Development Committee, the member of Related Party Transactions Control Committee and the member of Risk Management Committee of the Bank. On August 30, 2022, the Bank convened the 43rd meeting of the second session of the Board, and elected Mr. WANG Jiong as the vice chairman of the Bank. For more details, please refer to the Bank's announcement dated August 30, 2022. The qualification of Mr. WANG Jiong as the vice chairman was approved by CBIRC Henan Office on January 18, 2023. For more details, please refer to the Bank's announcement dated January 20, 2023.

# Chapter 1 Corporate Information

## **Independent non-executive Directors:**

Ms. PANG Hong  
Mr. LI Hongchang  
Mr. JIA Tingyu  
Mr. CHAN Ngai Sang Kenny

## **Legal Representative**

Mr. XU Nuojin

## **Authorized Representatives**

Mr. JIA Tingyu  
Mr. ZHANG Ke

## **Joint Company Secretaries<sup>3</sup>**

Mr. ZHANG Ke  
Ms. CHAN Yin Wah

## **Unified Social Credit Code**

9141000031741675X6

## **Financial License Institution Number**

B0615H241010001

## **Auditors**

### **PRC Auditors**

KPMG Huazhen LLP  
8/F, KPMG Tower E2, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing, PRC

### **International Auditors**

KPMG (Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance)  
8/F, Prince's Building, 10 Chater Road, Central, Hong Kong

<sup>3</sup> On March 30, 2022, Ms. LEUNG Wing Han Sharon resigned as the joint company secretary of the Bank (the "Joint Company Secretary") and an alternate to authorized representative of the Bank (the "Alternate to Authorized Representative") under the Hong Kong Listing Rules; on the same date, Ms. CHAN Yin Wah has been appointed as a joint company secretary and an alternate to authorized representative. For details, please refer to the Bank's announcement dated March 30, 2022.



# Chapter 1 Corporate Information



## Legal Advisors as to PRC Laws

King & Wood Mallesons  
17-18/F, East Tower, World Financial Center, 1 Dongsanhuan Zhonglu, Chaoyang District,  
Beijing, PRC

## Legal Advisors as to Hong Kong Laws

Paul Hastings  
22/F, Bank of China Tower, 1 Garden Road, Hong Kong

## H Share Registrar

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

## Domestic Shares Trustee Agency

China Securities Depository and Clearing Corporation Limited  
Western Hall, 2/F, Shenzhen Stock Exchange Building, 2012 Shennan Avenue, Futian District,  
Shenzhen

## H Share Stock Code

1216

## Preference Share Stock Code

4617

## Investor's Enquiry

### Website Address:

<http://www.zybank.com.cn>

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(86) 0371-85517898

### Fax:

(86) 0371-85519888

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[dongshihui@zybank.com.cn](mailto:dongshihui@zybank.com.cn)



# Chapter 1 Corporate Information

## 2. Company Profile

Established on December 23, 2014, Zhongyuan Bank is a provincial corporate bank with institutions and outlets covering the whole Henan province. Zhongyuan Bank was listed on the Main Board of the Hong Kong Stock Exchange on July 19, 2017. On May 25, 2022, Bank of Luoyang, Bank of Pingdingshan and Bank of JZCTS were merged and absorbed into the Bank with the approval of the CBIRC. As of the end of the Reporting Period, the Bank's total assets amounted to RMB1,326.736 billion, ranking 8th among domestic city commercial banks. It operates 18 branches with over 700 outlets and 17 subsidiaries. Zhongyuan Bank was awarded “Ten Best City Commercial Banks of the Year (年度十佳城市商業銀行)”, “Top Ten Iron-horse Banks (鐵馬十佳銀行)”, “Best Listed Company (最佳上市公司)”, “Outstanding City Commercial Bank of the Year (年度卓越城商行)” and other honors. Zhongyuan Bank ranked 180th amongst the top 1,000 banks in the world by The Banker (UK) in 2022, and its social reputation and brand influence continued to improve.

Since its commencement of business, Zhongyuan Bank has always adhered to the positioning of “people’s own bank in Zhongyuan (中原人民自己的銀行)”, took “developing Zhongyuan Bank into a leading commercial bank” as a strategic development goal advocated by Henan Provincial Committee, and forged ahead towards the goal of “achieving one trillion yuan of total assets or more, relisting on A-shares market, building up our brand strengths and striving for a world-class bank, and building a century-old foundation (突破萬億、回歸 A 股、打響品牌, 爭創一流銀行、打造百年基業)”. Around the mission and visions of “developing better finance, serving better society, and building the most trusted bank for people in Zhongyuan (建設美好金融, 服務美好社會, 做中原人民最信賴的銀行)”, built a brand image of “Best Service, Best Pricing and Highest Efficiency (服務最好、定價最優、效率最高)” through the strategic path of “Internetization and Ruralization of Banking Services, Digital and Intelligent Future, Integrity and Innovation, Striving Forward (上網下鄉、數智未來, 守正創新、砥礪前行)” and our service tenet of “Considerate, Professional, Cooperative and Win-win (貼心、專業、合作、共贏)”. Zhongyuan Bank fully fulfilled the solemn commitment of “serving strategies, real economy, enterprises and the people (服務戰略、服務實體、服務企業、服務人民)” to make the corporate culture of “treating the Bank as family, doing our best, becoming the best of ourselves; being considerate to customers, creating value, becoming the best bank; being employee-oriented, fair and decent, becoming the best leader (視行如家、盡心盡力, 做最好的自己; 貼心客戶、創造價值, 做最好的銀行; 員工為本、公道正派, 做最好的領導)” deeply planted in central China, and made contributions to better development of Zhongyuan in the new era.



## Chapter 1 Corporate Information

### 3. Major Honors in 2022

On February 16, 2022, the Bank won the “Prize for Outstanding Contribution to UnionPay Credit Card Business (銀聯信用卡業務突出貢獻獎)”.

On February 16, 2022, the Bank won the “Outstanding Contribution Award for Cloud QuickPass Advertising (雲閃付推廣突出貢獻獎)”.

On May 27, 2022, the Bank was awarded the honorary title of “Top 100 Service Brands in China (中國服務品牌 100 強)” in China Customer Service Festival.

On June 27, 2022, the Bank won the “Glory Award (全場榮耀獎)”, the supreme award at the Fifth Digital Finance Innovation Competition (第五屆數字金融創新大賽).

On July 2, 2022, the Bank won the “2021 Henan Socially Responsible Enterprises Annual Leaders Award (2021 河南社會責任企業年度領軍人物獎)”.

On July 2, 2022, the Bank won the “2021 Henan Socially Responsible Enterprises Annual Enterprise Award (2021 河南社會責任企業年度企業獎)”.

On July 4, 2022, the Bank was included in the Top 1,000 World Banks 2022 by The Banker (UK), ranked the 180th in the world and the 34th among PRC banks on this list.

On August 24, 2022, the Bank won the “Wealth Management Award (財富管理獎)”, “Intelligent Risk Control Award (智能風控獎)” and “Scene Financial Innovation Award (場景金融創新獎)” in the selection of the Huaying Award of BDI Digital Index.

On December 2, 2022, the Bank won “the Gamma Award for Golden Bank Brand in 2022 (2022 年度金質銀行品牌天璣獎)”.

On December 19, 2022, the Bank won “2022 China Brand Innovation Case (2022 中國品牌創新案例)” by People’s Daily.

On December 20, 2022, the Bank won “2022 Evergreen Award for the Bank with Most High Quality Development Value (2022 年長青獎年度最具高質量發展價值銀行)”.



## Chapter 2 Financial Summary

For the year ended December 31,

	2022	2021	2022 vs 2021	2020	2019	2018
<i>(Expressed in millions of Renminbi, unless otherwise stated)</i>						
<b>Operating Results</b>			<b>Rate of Change (%)</b>			
Net interest income	<b>21,276.3</b>	16,693.0	27.5	16,565.0	15,707.7	13,744.2
Net fee and commission income	<b>1,783.1</b>	1,932.5	(7.7)	1,786.4	1,767.5	1,280.2
Operating income	<b>25,611.2</b>	19,282.8	32.8	19,427.8	19,021.8	16,783.6
Operating expenses	<b>(10,278.0)</b>	(7,143.5)	43.9	(7,118.6)	(7,486.3)	(6,957.5)
Impairment losses on assets	<b>(11,189.5)</b>	(7,640.2)	46.5	(7,848.6)	(7,148.3)	(6,851.5)
Profit before tax	<b>4,307.7</b>	4,598.4	(6.3)	4,449.0	4,360.6	2,974.6
Net profit	<b>3,825.1</b>	3,633.3	5.3	3,354.7	3,206.0	2,365.3
Net profit attributable to equity shareholders of the Bank	<b>3,650.2</b>	3,565.0	2.4	3,300.8	3,163.8	2,414.6
<b>Calculated on a per share basis (RMB)</b>			<b>Rate of Change (%)</b>			
Net assets per share attributable to equity shareholders of the Bank <sup>(1)</sup>	<b>2.07</b>	2.57	(19.5)	2.42	2.35	2.25
Earnings per share <sup>(2)</sup>	<b>0.10</b>	0.15	(33.3)	0.14	0.13	0.12
<b>Profitability Indicators (%)</b>			<b>Change</b>			
Return on average total assets <sup>(3)</sup>	<b>0.37</b>	0.48	(0.11)	0.46	0.48	0.41
Return on average equity <sup>(4)</sup>	<b>4.35</b>	5.99	(1.64)	5.70	5.52	5.43
Net interest spread <sup>(5)</sup>	<b>1.89</b>	2.13	(0.24)	2.36	2.58	2.81
Net interest margin <sup>(6)</sup>	<b>2.06</b>	2.31	(0.25)	2.48	2.67	2.83
Net fee and commission income to operating income	<b>6.96</b>	10.02	(3.06)	9.20	9.29	7.63
Cost-to-income ratio <sup>(7)</sup>	<b>39.05</b>	35.95	3.10	35.61	38.45	40.59

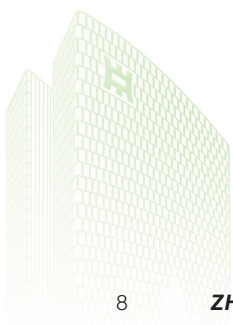




## Chapter 2 Financial Summary



	December 31, 2022	December 31, 2021	2022 vs 2021	December 31, 2020	December 31, 2019	December 31, 2018
<i>(Expressed in millions of Renminbi, except percentages, unless otherwise stated)</i>						
<b>Capital adequacy ratio indicators<sup>(9)</sup> (%)</b>			<b>Change</b>			
Calculated based on the Administrative Measures for the Capital of Commercial Banks						
Core Tier-one capital adequacy ratio	<b>7.98</b>	8.70	(0.72)	8.59	8.51	9.44
Tier-one capital adequacy ratio	<b>9.47</b>	10.39	(0.92)	10.35	10.31	11.49
Capital adequacy ratio	<b>11.83</b>	13.30	(1.47)	13.20	13.02	14.37
Total equity to total assets	<b>7.06</b>	8.12	(1.06)	7.84	8.15	8.97
<b>Asset quality indicators (%)</b>			<b>Change</b>			
Non-performing loans to total loans <sup>(9)</sup>	<b>1.93</b>	2.18	(0.25)	2.21	2.23	2.44
Allowance for loan impairment losses to non-performing loans <sup>(10)</sup>	<b>157.08</b>	153.49	3.59	153.31	151.77	156.11
Allowance for loan impairment losses to total loans <sup>(11)</sup>	<b>3.03</b>	3.35	(0.32)	3.39	3.39	3.81
<b>Other indicators (%)</b>						
Loan-to-deposit ratio	<b>82.69</b>	86.56	(3.87)	84.01	77.71	73.48
<b>Scale indicators</b>			<b>Rate of Change (%)</b>			
Total assets	<b>1,326,736.4</b>	768,233.3	72.7	757,482.5	709,885.0	620,444.3
Of which: Net loans and advances to customers	<b>666,892.4</b>	378,116.5	76.4	347,656.8	291,230.1	246,551.7
Total liabilities	<b>1,233,101.9</b>	705,853.7	74.7	698,127.2	652,054.0	564,766.5
Of which: deposits from customers	<b>845,257.2</b>	455,692.2	85.5	431,341.4	389,731.5	349,387.0
Share capital	<b>36,549.8</b>	20,075.0	82.1	20,075.0	20,075.0	20,075.0
Equity attributable to equity shareholders of the Bank	<b>89,228.4</b>	61,210.1	45.8	58,261.5	56,744.7	54,857.5
Non-controlling interests	<b>4,406.1</b>	1,169.5	276.8	1,093.8	1,086.3	820.3
Total equity	<b>93,634.5</b>	62,379.6	50.1	59,355.3	57,831.0	55,677.8



## Chapter 2 Financial Summary

### Notes:

- (1) Calculated by dividing equity attributable to equity holders of the parent company after deduction of other equity instruments at the end of the reporting period by the total number of ordinary shares at the end of the reporting period.
- (2) The ratio of net profit (net of dividends of preference shares distributed during the year) attributable to shareholders of the Bank to weighted average number of ordinary shares.
- (3) Represents net profit for the period as a percentage of average balance of total assets at the beginning and the end of the period.
- (4) Calculated based on the “Rules on the Preparation and Submission of Information Disclosed by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share” (Revision 2010) issued by the CSRC. Represents net profit attributable to shareholders of the Bank for the period as a percentage of weighted average balance of the equity attributable to shareholders of the Bank for the period.
- (5) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities, calculated based on daily average of the interest-earning assets and the interest-bearing liabilities.
- (6) Calculated by dividing net interest income by the average interest-earning assets, calculated based on the daily average balance of interest-earning assets.
- (7) Calculated by dividing operating expenses after deduction of taxes and surcharges by operating income.
- (8) The Administrative Measures for the Capital of Commercial Banks was issued on June 7, 2012 and came into effect on January 1, 2013 by replacing the Administrative Measures for Capital Adequacy Ratio of Commercial Banks.
- (9) Calculated by dividing total non-performing loans and advances to customers by gross loans and advances to customers. Gross loans and advances to customers are exclusive of accrued interest.
- (10) Calculated by dividing allowance for impairment losses on loans and advances to customers by total non-performing loans. Total allowance for impairment losses on loans and advances to customers included allowance for impairment losses on loans at amortized cost and allowance for impairment losses on loans at fair value through other comprehensive income.
- (11) Calculated by dividing allowance for impairment losses on loans and advances to customers by gross loans and advances to customers.



## Chapter 3 Chairman's Statement





## Chapter 3 Chairman's Statement

In 2022, the 20th National Congress of the Chinese Communist Party was successfully held, which established the ambitious blueprint for building China into a modern socialist country. In 2022, Zhongyuan Bank successfully completed the Merger by Absorption and embarked on a new voyage as a trillion-level ship.

This year, we witnessed the expedited progress of momentous changes unseen in a century. Standing up to an unprecedentedly complex, rigorous external environment, Zhongyuan Bank determined to set its sights on the Merger by Absorption, took on the responsibilities of reform and risk mitigation, carried on the stable development strategy, and kept on serving the real economy, under the wise leadership of the provincial party committee and provincial government and with the care and support from all walks of life. Therefore, Zhongyuan Bank has made many groundbreaking achievements and is making great strides towards the goal of “building a first-class city commercial bank” with confidence!

**We adhered to the guidance of Party building and achieved fruitful results upon reform and development.** In 2022, hewing to the guidance of XI Jinping Thought on Socialism with Chinese Characteristics for a New Era, we thoroughly implemented the decisions and plans of the provincial party committee and provincial government, better integrated the Party's leadership into corporate governance, improved the governance structure comprising Party Committee, Shareholders' general meeting, Board of Directors, Board of Supervisors and the senior management, with the leading role of the Party Committee in controlling the general direction, managing the overall situation, and promoting implementation (“把方向、管大局、促落實”) fulfilled, thereby continuously enhancing the efficiency of corporate governance. Holding to the working concept of seeking growth, realities and optimum through steady progress, we pressed ahead with our operations and management on all fronts, which was supported by various parties, ensuring a sound and solid start and registering good operating results. By the end of 2022, we achieved total assets of RMB1,326,736 million, operating income of RMB25,611 million and net profit of RMB3,825 million, with a non-performing loan ratio of 1.93%. The Company has experienced a significant increase in provision coverage and an overall strengthening of risk resilience. Zhongyuan Bank ranked 180th among the Top 1000 World Banks 2022 by The Banker (UK), up by 5 places from the previous year.

**Our success in Merger by Absorption provided a good example.** In 2022, under the firm leadership of the provincial party committee and the provincial government, we successfully completed Zhongyuan Bank's merger by absorbing Bank of Luoyang, Bank of Pingdingshan and Jiaozuo Bank of China Travel Service. We obtained the approval of the CBIRC on May 25, 2022 with the new Zhongyuan Bank inaugurated on May 27, and completed the system integration of four banks and launched the data concentration project on August 29; and on November 25, we passed the regulatory acceptance criteria and fulfilled the regulatory commitments comprehensively, which marked the official consummation of the Merger by Absorption. This great accomplishment has set many a record in the development history of domestic city commercial banks, as it is the greatest merger at scale, involving record-high number of entities, and despite the most complicated situation, it was achieved with the best effects through the most stable process and at the fastest speed. It also provides the “Henan solution” for the reform and risk mitigation of city commercial banks. This merger has made a remarkable dent in the development history of Henan's financial industry and the reform history of city commercial banks in China. Meanwhile, we completed the relocation of AB Leasing back to Henan province by leveraging the synergy between the Company and the Group, which established a successful example of cross-province relocation of a financial institution.



## Chapter 3 Chairman's Statement

**We assured our duties and missions and served the real economy.** In 2022, we strived to deliver financial services based on political tasks for the Chinese people by firmly establishing the concept of “finance for the people and favorable to the people”. We determined our vision of developing better finance, serving better society, and building the most trusted bank for people in central China (“建設美好金融·服務美好社會·做中原人民最信賴的銀行”), the three small strategic objectives of achieving one trillion yuan of total assets or more, relisting on A-shares market, and building up our brand strengths (“突破萬億·回歸A股·打響品牌”) and one major strategic objective of striving for a world-class bank and building a century-old foundation (“爭創一流銀行·打造百年基業”). Centering on the strategic priorities of serving the strategy, serving the entity, serving the enterprise and serving the people, we are committed to being the bank of the government, real economy, enterprises, and people in central China. In accordance with the “Ten Strategies” outlined by the provincial party committee, we have established specialized departments that engage in areas such as rural revitalization, small and micro business customers, scientific and technological innovation, carbon peaking and carbon neutrality, cultural tourism and healthcare. These departments and sub-branches are designed to facilitate our efforts in promoting rural revitalization, green finance, cultural tourism and cultural innovation, medical and healthcare, scientific and technological finance, and other key sectors. Building upon Henan's 90 measures to stabilize the economy, we strengthened efforts to help enterprises alleviate their difficulties and launched five RMB10 billion action plans based on the policy of “ensuring housing project delivery” and 16 financial measures. We sent positive messages to the market when real estate enterprises were suffering by approving a special credit line of RMB9.877 billion for “ensuring housing project delivery” on government platforms, with RMB5.505 billion of loans extended, ranking first among financial institutions in the province. We focus on Henan's key industries and industrial transformation and upgrading, as well as key projects such as new infrastructure and new urbanization initiatives and major projects (“兩新一重”) and ensuring medical treatment to the impoverished with major illnesses, contracted healthcare to the impoverished with chronic diseases, and guaranteed medical services for the impoverished with critical illnesses (“三個一批”). In addition, we implemented a three-year RMB300 billion special action plan to support Henan's high-quality development in all respects.

**We consolidated the foundation for growth and explored the new route to transformation and development.** In 2022, we coordinated the tasks of reform, development and stability and steadily advanced the comprehensive integration in aspects of culture, institution, personnel and system, to facilitate the work after the Merger by Absorption. We also cemented the foundation for business development by means of speeding up the transformation of philosophy, business, style and other areas, instituting the supporting reform of assessment mechanism, pricing mechanism, credit extension mechanism and internal control mechanism, and upgrading the asset structure to one that each of the government, enterprise groups, small and micro enterprises, and individuals accounts for a quarter. We reinforced the risk management on all fronts while holding fast to the risk control philosophies of risk control overrides chairman's instructions (“風控大於董事長”) and managing non-performing assets is a way to create profits (“控制不良就是創造利潤”); we strove to reduce existing loans and control new loans, during which we formed a new guideline to reduce existing loans and control new loans, i.e. revitalizing as the first solution with liquidation as the last resort (“盤活為主·清收為輔”). We forwarded the deep integration of technology and businesses, leveraging our advantages in data accumulation and risk control to build an all-round, integrated and workable strategy system for digital and intelligent transformation. By building up our talent team, we had a group of proactive, motivated and competent cadres in place. We continued to optimize our equity structure, strengthened the capital management, and maintained investor relations and good social image. Leveraging mainstream channels, we innovated publicity vehicles, and promoted the brand of Zhongyuan Bank in a comprehensive manner through Henan Spring Festival Gala, financial forum of Zhongyuan, football games and other means.



## Chapter 3 Chairman's Statement

Only on a mountain top can one see the surging river and feel the powerful wind. The year 2023 will see the commencement of the comprehensive implementation of the spirit of the 20th National Congress of the CPC and a new, crucial phase for the implementation of the 14th Five-Year Plan. On the new journey, we have full faith at full power. Embodying the spirit of the 20th National Congress of the CPC and the Central Economic Work Conference in all respects, Zhongyuan Bank will deeply execute the work plans of the 11th provincial Party congress and uphold the principle of seeking progress while maintaining stability. While fully, accurately and comprehensively implementing the new development philosophy, we will seize the strategic opportunity arising from the accelerated construction of a new development pattern and integrate into the big picture of economic and social development in depth. With the aim of “ensuring high-quality building of modernization and high-level realization of modernization”, we will serve the “Ten Strategies”, tenaciously contribute our financial strength to the auspicious start of modern Henan construction, and arduously pen a more glorious chapter in the Zhongyuan Bank's history in the new era.



**XU Nuojin**  
Chairman



## Chapter 4 President's Statement





## Chapter 4 President's Statement

2022 was a rather laborious and extraordinary year. Over this year, we gained the lean-in strength from the guiding principles of the 20th National Congress of the Communist Party of China (the "Party"), and under the Party's leadership, we rose to multiple impact of factors beyond expectations at home and abroad. Maintaining our firm political orientation, steadfast will to reform, and decisive manner to transform, we resolutely impelled the reform and restructuring and steadily implemented the "philosophy, business, digital and intelligent, and style transformation", which enabled Zhongyuan Bank to start its maiden voyage as a trillion-level financial aircraft carrier. As of the end of the Reporting Period, our total assets were RMB1,326.736 billion, representing an increase of RMB558.503 billion as compared to the beginning of the year. The balance of all types of loans (excluding accrued interest) amounted to RMB684.075 billion, representing an increase of RMB295.915 billion as compared with the beginning of the year. The balance of deposits (excluding accrued interest) amounted to RMB827.320 billion, representing an increase of RMB378.895 billion as compared with the beginning of the year. Our operating income and net profit achieved RMB25.611 billion and RMB3.825 billion, respectively. RMB2.857 billion was paid in taxes and we witnessed a sound development trend evidenced by stable business growth, gradually optimized structure and constantly improving efficiency.

Over the past year, we forged ahead in the reform direction guided by Henan provincial party committee and the provincial government, and in eight months, we pulled through with a ready mindset to fight till the end, hence merged by absorption of Bank of Luoyang, Bank of Pingdingshan and Jiaozuo Bank of China Travel Service. We successfully realized the aspiration of "achieving one trillion yuan of total assets or more", leapfrogging into the 8th place among the national city commercial banks. The Merger by Absorption was unprecedented in the development history of domestic city commercial banks, thanks to its large scale, short duration and steady process, which created a financial reform example satisfying the public, attracting industry-wide attention and making history. Unanimously praised by the communities, regulatory authorities and counterparts, the Merger by Absorption has left an indelible mark in the history of Chinese finance.

Over the past year, bearing in mind the "top priorities of China" and our original aspiration to serve the real economy, we were all out to spread the seed of hope across central China and let it grow. Compassing the major strategic decisions such as the rise of the central region of China, ecological protection and high-quality development of the Yellow River Basin, and the implementation of the "Ten Strategies" developed by Henan provincial party committee, we steadily carried out the special support initiative under the "Ten Strategies" by injecting RMB300 billion and the special credit support plan by injecting RMB100 billion to stabilize the overall economic condition of Henan province. We provided a total of RMB69.300 billion of new credit support to the "Ten Strategies" sectors to underpin the construction of 383 major projects by delivering credit supply of RMB47.300 billion. Ramping up efforts to bail out businesses in difficulty, we launched five action plans each worthing RMB10 billion based on the policy of ensuring timely deliveries of pre-sold homes and 16 financial measures. Cumulatively, we approved RMB9.877 billion of loans dedicated to ensuring timely deliveries of pre-sold homes under the programs of the government platforms and injected RMB5.505 billion, ranking first among financial institutions in Henan province. Over the past year, orienting our offerings to the needs of the people by providing fine and meticulous financial services, we were committed to becoming a helper in the life and work and a pillar of entrepreneurship and later life for people in central China. We have fully built a "four-in-one" service matrix of "physical outlets + Zhongyuan Bank Yidiantong (中原銀行一點通) + remote banking + inclusive financial service outlets", developed and launched all-in-one debit and credit card, and unveiled "Zhihuicun (智慧存)", an innovative quasi personal pension deposit product; Dingqibao No. 1 (定期寶1號) has been well-received by the market; our sales volume of products for high-net-worth individuals topped the regional market. We strived to meet customers' demand for wealth investment, and the number of the Bank's retail customers exceeded 31.9158 million. The business line of inclusive finance was introduced to launch featured credit products such as "Shangyi Loan (商易貸)", "Urban Youth Mortgage Loan (城市青年按揭貸)", "Loan to Enterprises that Apply Special, Sophisticated Techniques to Produce Unique and Novel



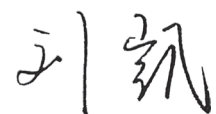


## Chapter 4 President's Statement

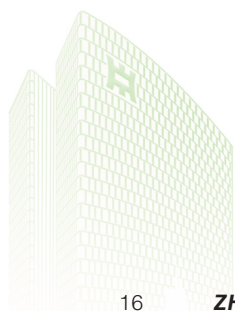
Products (專精特新貸)", and "Henan Farmer E Loan (豫農E貸)", so as to develop Zhongyuan Bank's inclusive service model aiming at "serving the households and the people by granting them each credit and credit limit" and expand the coverage of our financial services. As of the end of the Reporting Period, the balance of inclusive small and micro loans amounted to RMB76.197 billion and the balance of loans to agriculture sector was RMB148.040 billion. Over the past year, we formulated a new philosophy, created a new model and presented a new image. Through the transformation and reform from inside out, we have consolidated the foundation of development and reshaped the logic of development. Following the goal of building a "first-class city commercial bank", we comprehensively reinforced the customer-centered business philosophy, optimized the structure of assets, liabilities and income as well as the pricing assessment system, and sought the best balance between stability and progress, quantity and price. We expedited digital empowerment, strengthened the construction of data ecology, intensified the data application of four platforms connecting the Bank with governments, enterprises, businesses and individuals, and built the online service brand of "Zhongyuan Bank Yidiantong", leveraging the robotic financial technology to render delicate financial experience and consistently developing visionary financial data intelligence. As of the end of the Reporting Period, the number of users of "Zhongyuan Bank Yidiantong" reached 13.9671 million, representing an increase of 2.9401 million as compared to the beginning of the year. We buttressed intra-group coordination, proactively explored the comprehensively intensive management mode, augmented the human resources management, risk management and financial management of the subsidiaries, and successfully relocated AB Leasing back to Henan province, setting up a successful example of cross-province relocation of a financial institution.

Over the past year, we continued to place equal emphasis on business development and risk prevention and control, and we fortified comprehensive risk management and alertly guarded the lines of defense for risks with a "strong" sense of responsibility. We maintained prudent risk preference, reinforced the research on, judgment on and early warning against risks, upgraded the management and control of the market risks, credit risks and liquidity risks to effectively prevent the cross-transmission of external risks. We supervised the reduction of existing non-performing assets and the control of new ones as it matters to the survival of Zhongyuan Bank, as a result of which our existing non-performing loans consecutively declined and the new loans were of high quality. As of the end of the Reporting Period, the non-performing loan ratio across the Bank was 1.93%, representing a decrease of 0.25 percentage point as compared with the beginning of the year; the allowance coverage ratio was 157.08%, representing an increase of 3.59 percentage points as compared with the beginning of the year. In addition, we enhanced the internal control and compliance management while conducting system reinspection and optimization, internal and external inspection, and employee behavior management to further level up our internal governance system.

In 2023, with the mission and vision of "developing better finance, serving better society, and building the most trusted bank for people in central China ("建設美好金融, 服務美好社會, 做中原人民最信賴的銀行"), we will proceed to thoroughly implement the decisions and plans of Henan provincial party committee and the provincial government, seek progress while maintaining stability, consolidate stability with progress, keep on rooting in, cultivating, relying on, and serving central China ("紮根中原、深耕中原、依靠中原、服務中原"), press on creating "better life" with "better finance", and stride toward making Zhongyuan Bank a first-class bank and a century-old brand.



President  
**LIU Kai**





## Chapter 5 Management Discussion and Analysis

### 1. Past Economic and Financial Environment and Future Prospects

During the Reporting Period, global inflation remained historically high, and major developed economies proceeded with interest rate hikes and balance sheet reductions. Meanwhile, the momentum of the world economic recovery weakened, and global financial markets experienced significant volatility. Moving forward, geopolitical conflicts, energy shortages, and high inflation, particularly the contractionary effect of rapid interest rate hikes in developed economies, are likely to exert a greater downward pressure on the global economy.

During the Reporting Period, domestic employment and prices remained stable as a whole, accompanied by a continuous improvement in people's lives. The economy continued to grow, and the quality of development steadily improved, contributing to a harmonious and stable general economic and social landscape. Despite pressure, the national economy continued to rise, with a GDP of RMB121,020.7 billion, representing a year-on-year increase of 3.0% at constant price. Market sales remained basically stable, with total retail sales of consumer goods amounting to RMB43,973.3 billion, representing a year-on-year decrease of 0.2%. The import and export of goods grew at a faster pace, with a total import and export volume of RMB42,067.8 billion, representing a year-on-year increase of 7.7%. The consumer price index (CPI) increased moderately, with a year-on-year growth of 2.0%. The growth in resident income was generally simultaneous with the economic growth, with RMB36,883 of nationwide per capita disposable income of residents, representing an actual year-on-year increase of 2.9%. Looking ahead to the coming year, while the internal and external environment remains complex and challenging, China's economy will retain its positive long-term fundamentals featuring greater resilience, potential and vitality. As social development enters a new phase, production and life order are expected to accelerate their recovery and the endogenous momentum of economic growth will continue to accumulate and strengthen, leading to an overall improvement in China's economy.

During the Reporting Period, Henan province successfully weathered multiple challenges arising from the complex and volatile external environment, and its overall economy continued to recover and develop, with the key performance indicators surpassing the national average. Specifically, the GDP was RMB6,134,505 million, representing a year-on-year increase of 3.1%, which was 0.1 percentage point higher than the national average. The fixed asset investment increased by 6.7% year on year, higher than the national average by 1.6 percentage points. The total retail sales of consumer goods rose 0.1% year on year to RMB2,440,741 million. The CPI posted a moderate year-on-year growth of 1.5% across the province.

During the Reporting Period, the Central Bank ramped up the implementation of a prudent monetary policy, ensuring a reasonable growth of monetary credit. By leveraging the precise guidance of structural monetary policy tools, greater efforts were made to reduce real lending rates, providing strong support for economic recovery and stabilization. Total monetary credit recorded reasonable growth. The balance of broad money supply (M2) amounted to RMB266.4 trillion, representing a year-on-year increase of 11.8%. Greater credit support was offered to the real economy, with the balance of RMB and foreign currency loans of financial institutions reaching RMB219.1 trillion, representing a year-on-year increase of 10.4%. Public financing saw a steady growth, with the scale of existing public financing amounting to RMB344.21 trillion, representing a year-on-year increase of 9.6%. The RMB exchange rate showed bi-directional fluctuations and increased flexibility, but remained basically stable at an appropriate and balanced level, giving play to the role as an automatic stabilizer of macroeconomics and international payments. In the next step, to achieve effective and reasonable improvements in both quality and quantity, the Central Bank will fully leverage the potential of monetary credit policies, ensure the precision and effectiveness of its prudent monetary policy, make cross-cycle adjustments, maintain reasonable and sufficient liquidity, and foster financial support for the real economy.



## Chapter 5 Management Discussion and Analysis

### 2. Overall Operation Overview

During the Reporting Period, faced with the complex and severe economic situation and the arduous reform task, the Bank focused on the strategic goal of “Three Small Goals and One Big Goal (三小一大)”, practised the strategic direction of “serving strategies, real economy, enterprises and the people”, adhered to the business concept of “consideration, profession, cooperation and win-win results”, faced up to difficulties, deepened reform, accelerated transformation, made every effort to promote the Merger by Absorption, and achieved “improvement in stability, solid foundation and excellence amid stability” in all businesses while serving the economic and social development of the province. The Bank ranked 180th amongst the Top 1,000 World Banks 2022 released by The Banker (UK), five places higher than the previous year.

**Stable progress was made in business development with steadily improved operating results.** The Bank made every effort to promote reform and restructuring, and obtained regulatory approval for the Merger by Absorption of three banks. After restructuring, Zhongyuan Bank focused on the strategic goal of “striving for a world-class bank and building a century-old foundation”, vigorously promoted “Four Transformations” and comprehensively enhanced the effectiveness of serving the real economy, thereby maintaining a good development trend. Firstly, the assets exceeded RMB1 trillion and the structure of assets and liabilities was continuously optimized. As of December 31, 2022, the Bank’s total assets amounted to RMB1,326,736 million, representing an increase of RMB558,503 million or 72.7% as compared to the beginning of the year. The total loans (excluding accrued interest) amounted to RMB684,075 million, representing an increase of RMB295,915 million, or 76.2% as compared to the beginning of the year. The balance of deposits (excluding accrued interest) amounted to RMB827,320 million, representing an increase of RMB378,895 million or 84.5% as compared to the beginning of the year. The Bank constantly improved its initiative for asset and liability management, accelerated the implementation of business transformation, and continued to increase credit supply by focusing on “services in four areas”, strictly controlled the proportion of interbank liabilities, and continuously optimized the asset-liability structure. The total loans (excluding accrued interest) accounted for 51.6% of the total assets, representing an increase of 1.1 percentage points as compared with the beginning of the year. General deposits (excluding accrued interest) accounted for 67.1% of the total liabilities, representing an increase of 3.6 percentage points as compared with the beginning of the year. The interbank liabilities (including interbank deposits issued) accounted for 22.0% of the total liabilities, representing a decrease of 2.6 percentage points as compared with the beginning of the year. The coefficient on risk-weighted assets (RWA) was 70.2%, representing a decrease of 4.7 percentage points as compared with the beginning of the year. The “light capital” operating model began to show results. Secondly, business operations remained stable, with continuous improvement in profitability. The operating income was RMB25,611 million, representing a year-on-year increase of RMB6,328 million or 32.8%. The net profit was RMB3,825 million, representing a year-on-year increase of RMB192 million or 5.3%. Net non-interest income accounted for 16.9% of operating income, representing a year-on-year increase of 3.5 percentage points.





## Chapter 5 Management Discussion and Analysis

**We actively fulfilled our mission to serve the local economy.** The Bank adheres to its strategic orientation of rooting in, cultivating, relying on, and serving central China (“扎根中原、深耕中原、依靠中原、服務中原”). With a focus on “services in four areas”, the Bank vigorously executed the decisions and plans of the state and the provincial party committee and provincial government, offered reliable support to the real economy, promoted inclusive finance, and aided in the revitalization of rural areas. The Bank is committed to stabilizing the economy, providing assistance to businesses, and delivering exceptional services, while injecting financial vitality into Henan’s economic growth. Firstly, we advanced the implementation of the “Ten Strategies”. In order to support the “Ten Strategies” and stabilize the economy of Henan, we have designed a three-year RMB300 billion special credit support plan, as well as a RMB100 billion special credit support program. We have intensified collaboration between banks and governments, intensified efforts in extension of credit loans, and provided special bond services jointly with local governments, covering over 85% of counties, cities, and districts in the province. These measures have helped us maintain our leading position in the market in terms of service share. Secondly, we are committed to providing full support for major projects in the province. We offered professional and comprehensive financial services to key projects, key initiatives and key industries in the province. To date, we have supported the development of 383 major projects and provided loans of RMB47.3 billion. Thirdly, we strive to alleviate the difficulties faced by businesses. We have executed our implementation plan for the “10,000 people helping 10,000 enterprises” activities (“萬人助萬企”) and implemented five action plans each worthing RMB10 billion related to “ensuring timely deliveries of pre-sold homes” and 16 financial measures. We have also approved special loans on government platforms for “ensuring timely deliveries of pre-sold homes”. The amounts of loans approved and extended by us have ranked us as the top financial institution in the province, providing significant support for the continued operations of enterprises. Fourthly, we are dedicated to promoting inclusive finance. We have introduced the “Shangyi Loan” (商易貸) online, enhanced our intelligent risk control model for small and micro loans, streamlined our credit business processes, and improved loan approval efficiency. These measures have effectively enhanced the quality and efficiency of our inclusive small and micro financial services. Fifthly, we are committed to supporting rural revitalization. We have optimized our county and township network layout, vigorously implemented a project making loan origination accessible to all qualified residents in the villages where our loans were available, developed a special product for farmers called “Henan Farmer E Loan”(豫農 E 貸), established 7,246 inclusive financial service stations, and established credit relationships with a total of 5,981 villages, significantly expanding the coverage of financial services.



## Chapter 5 Management Discussion and Analysis

**We have made significant strides in enhancing our digital intelligence capabilities, driving business transformation and development.** The Bank has taken a comprehensive approach to promote digital intelligence transformation, leveraging big data to improve service efficiency, quality, and customer value, thus empowering business development. Firstly, we have formulated strategic plans. We have established a digital intelligence transformation leading group, developed the “1234+N” digital intelligence transformation strategic framework with “Yidiantong, Zhixiangsui” (一點通·智相隨) at its core, and defined the roadmap for digital intelligence transformation over the next three years. We have also established a comprehensive, integrated, and executable digital intelligence transformation system, making our transformation plan more transparent and actionable. Secondly, we are dedicated to product innovation. We have integrated scientific and technological resources with business needs, and independently developed a product lifecycle management platform. This has improved our product management mechanism and enabled the visualization of product shelf display. Thirdly, we are committed to enhancing customer service. We have established a four-in-one service matrix of “physical branch + Zhongyuan Bank Yidiantong + remote banking + inclusive financial service outlets”. This has enabled the transformation of our branch offices, created a bank-wide mobile unified portal, built a new “financial +” scenario ecological service system, and improved the overall customer experience. The number of customers using “Zhongyuan Bank Yidiantong” services reached 13.9671 million, which is an increase of 2.9401 million from the beginning of the year. Throughout the year, we distributed 46.34 million leads of retail big data use cases, with sales volume from retail customers covered by the use cases reaching RMB219.7 billion. Additionally, we completed the exploration of 89,000 marketing opportunities for enterprises above designated size and along-chain marketing scenarios, which resulted in more than 3,600 new corporate accounts being opened and a significant improvement in the online level of corporate business. Fourthly, we have focused on intelligent application and operation management. We have promoted the application of RPA, which covers various business processes such as account verification, audit inspection, and pre-lending investigation, resulting in savings of 793 person-months of labor costs. Additionally, we have utilized intelligent technologies such as OCR, NLP and process mining to optimize our credit operation process, which reduced the overall time efficiency by 20%.

**Asset quality improved amidst stability by comprehensively promoting risk management.** By maintaining a sound risk appetite, strengthening comprehensive risk management, and continuously promoting risk resolution, the Bank was able to effectively improve the quality of its assets. Firstly, we optimized our comprehensive risk management system. We have enhanced our comprehensive risk management system by establishing a system that covers risk monitoring for the entire category, institution and business. Furthermore, we have gradually optimized the comprehensive, all-employee and all-process risk management mechanism. Secondly, we aimed to enhance our digital risk control capabilities. To achieve this, we focused on strengthening the development of a digital-intelligent risk control center that integrates “data storage derivatives + model group construction management + credit system optimization management”. In addition, efforts were made to establish a unified variable derivative platform and an enterprise-level anti-fraud platform, improve the precision of the model group, and ensure unified management of credit system. These initiatives have empowered the high-quality business development. Thirdly, we diligently worked on the task of “reducing existing loans and controlling new loans”. We have firmly implemented the reform to mitigate risks and vigorously promoted the recovery and activation of non-performing assets through comprehensively using various means including cash recovery, litigation hold and transfer of debts. This has effectively curbed the momentum of asset deterioration and ensured stable asset quality. As of December 31, 2022, the non-performing loan ratio was 1.93%, representing a decrease of 0.25 percentage point as compared with the beginning of the year; the allowance coverage ratio was 157.08%, representing an increase of 3.59 percentage points as compared with the beginning of the year. Since the establishment of the Bank, the non-performing loan ratio of new loans has maintained an excellent level in the industry.

## Chapter 5 Management Discussion and Analysis

### 3. Analysis on Income Statement

For the year ended December 31, 2022, the Bank achieved operating income and net profit of RMB25,611 million and RMB3,825 million, representing a year-on-year increase of 32.8% and 5.3%.

	For the year ended December 31,			
	2022	2021	Change	Rate of change
	(in millions of RMB, except percentages)			
Interest income	43,614.0	31,868.4	11,745.6	36.9%
Interest expense	(22,337.7)	(15,175.4)	(7,162.3)	47.2%
<b>Net interest income</b>	<b>21,276.3</b>	16,693.0	4,583.3	27.5%
Fee and commission income	2,779.4	2,478.0	301.4	12.2%
Fee and commission expense	(996.3)	(545.5)	(450.8)	82.6%
<b>Net fee and commission income</b>	<b>1,783.1</b>	1,932.5	(149.4)	(7.7%)
Net trading gains	957.7	132.1	825.6	625.0%
Net gains arising from investment securities	1,449.4	468.0	981.4	209.7%
Other operating income <sup>(1)</sup>	144.7	57.2	87.5	153.0%
<b>Operating income</b>	<b>25,611.2</b>	19,282.8	6,328.4	32.8%
Operating expenses	(10,278.0)	(7,143.5)	(3,134.5)	43.9%
Impairment losses on assets	(11,189.5)	(7,640.2)	(3,549.3)	46.5%
Share of gains of joint ventures	164.0	99.3	64.7	65.2%
<b>Operating profit</b>	<b>4,307.7</b>	4,598.4	(290.7)	(6.3%)
<b>Profit before taxation</b>	<b>4,307.7</b>	4,598.4	(290.7)	(6.3%)
Income tax	(482.6)	(965.1)	482.5	(50.0%)
<b>Net profit</b>	<b>3,825.1</b>	3,633.3	191.8	5.3%
Net profit attributable to equity shareholders of the Bank	3,650.2	3,565.0	85.2	2.4%
Non-controlling interests	174.9	68.3	106.6	156.1%

Note:

- (1) Other operating income includes government subsidies, rental income, net gains arising from disposal of property and equipment and others.



## Chapter 5 Management Discussion and Analysis

### 3.1 Net interest income, net interest spread and net interest margin

For the year ended December 31, 2022, the Bank recorded net interest income of RMB21,276 million, representing an increase of RMB4,583 million or 27.5% as compared to last year. Particularly, a growth of net interest income of RMB8,557 million as compared to last year was attributable to the expansion of the Bank's business scale, and a decrease in net interest income of RMB3,974 million was attributable to the changes in yield or cost rate.

The following table sets forth the average balance of the Bank's interest-earning assets and interest-bearing liabilities, interest income or expense from these assets and liabilities, and the average yield of these interest-earning assets and the average cost rate of these interest-bearing liabilities for the years ended December 31, 2022 and 2021.

	For the year ended December 31,					
	2022			2021		
	Average balance	Interest income/expense	Average yield/cost <sup>(1)</sup>	Average balance	Interest income/expense	Average yield/cost <sup>(1)</sup>
(in millions of RMB, except percentages)						
<b>Interest-earning assets</b>						
Loans and advances to customers	564,287.2	28,536.5	5.06%	377,806.3	19,516.2	5.17%
Investment securities and other financial assets <sup>(2)</sup>	257,373.5	8,996.6	3.50%	210,339.5	7,780.4	3.70%
Lease receivables	67,780.5	3,387.0	5.00%	34,148.3	2,570.6	7.53%
Deposits with the Central Bank	50,638.5	665.4	1.31%	36,047.6	497.1	1.38%
Deposits with banks and other financial institutions	24,358.2	281.4	1.16%	12,468.6	116.6	0.94%
Financial assets held under resale agreements	21,402.5	387.8	1.81%	17,814.7	352.5	1.98%
Placements with banks and other financial institutions	48,646.5	1,359.3	2.79%	34,556.6	1,035.0	3.00%
<b>Total interest-earning assets</b>	<b>1,034,486.9</b>	<b>43,614.0</b>	<b>4.22%</b>	<b>723,181.6</b>	<b>31,868.4</b>	<b>4.41%</b>
<b>Interest-bearing liabilities</b>						
Deposits from customers	686,810.2	15,461.5	2.25%	430,528.5	8,387.8	1.95%
Financial assets sold under repurchase agreements	32,021.8	552.9	1.73%	28,602.0	718.9	2.51%
Placements from banks and other financial institutions	53,044.7	1,284.2	2.42%	33,778.7	1,026.5	3.04%
Borrowings from the Central Bank	51,588.4	1,253.0	2.43%	40,668.1	1,063.2	2.61%
Deposits from banks and other financial institutions	24,361.1	597.9	2.45%	54,119.1	1,552.0	2.87%
Debt securities issued <sup>(3)</sup>	110,540.7	3,188.2	2.88%	77,020.1	2,427.0	3.15%
<b>Total interest-bearing liabilities</b>	<b>958,366.9</b>	<b>22,337.7</b>	<b>2.33%</b>	<b>664,716.5</b>	<b>15,175.4</b>	<b>2.28%</b>
<b>Net interest income</b>		<b>21,276.3</b>			<b>16,693.0</b>	
<b>Net interest spread<sup>(4)</sup></b>			<b>1.89%</b>			<b>2.13%</b>
<b>Net interest margin<sup>(5)</sup></b>			<b>2.06%</b>			<b>2.31%</b>

## Chapter 5 Management Discussion and Analysis

Notes:

- (1) Calculated by dividing interest income/expense by average balance.
- (2) Such interest-earning assets consist of financial assets at amortized cost and financial assets at fair value through other comprehensive income.
- (3) Mainly consists of interbank deposits issued, financial bonds and tier-two capital bonds.
- (4) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities, and based on daily average interest-earning assets and interest-bearing liabilities.
- (5) Calculated by dividing net interest income by the average balance of total interest-earning assets, and based on daily average interest-earning assets.

The following table sets forth the changes in the Bank's interest income and interest expense due to changes in volume and rate for the periods indicated. Changes in volume are measured by changes in the average balances of the Bank's interest-earning assets and interest-bearing liabilities and changes in rate are measured by changes in the average rates of the Bank's interest-earning assets and interest-bearing liabilities. Effects of changes caused by both volume and rate have been allocated to changes in interest.

<b>For the year ended December 31, 2022 vs 2021</b>			
<b>Reasons for increase/(decrease)</b>			
	<b>Volume<sup>(1)</sup></b>	<b>Rate<sup>(2)</sup></b>	<b>Net increase/ (decrease)<sup>(3)</sup></b>
(in millions of RMB)			
<b>Interest-earning assets</b>			
Loans and advances to customers	9,633.0	(612.7)	9,020.3
Investment securities and other financial assets	1,739.8	(523.6)	1,216.2
Lease receivables	2,531.7	(1,715.3)	816.4
Deposits with the Central Bank	201.2	(32.9)	168.3
Deposits with banks and other financial institutions	111.2	53.6	164.8
Financial assets held under resale agreements	71.0	(35.7)	35.3
Placements with banks and other financial institutions	422.0	(97.7)	324.3
<b>Changes in interest income</b>	<b>14,709.9</b>	<b>(2,964.3)</b>	<b>11,745.6</b>
<b>Interest-bearing liabilities</b>			
Deposits from customers	4,993.0	2,080.7	7,073.7
Financial assets sold under repurchase agreements	86.0	(252.0)	(166.0)
Placements from banks and other financial institutions	585.5	(327.8)	257.7
Borrowings from the Central Bank	285.5	(95.7)	189.8
Deposits from banks and other financial institutions	(853.4)	(100.7)	(954.1)
Debt securities issued	1,056.3	(295.1)	761.2
<b>Changes in interest expense</b>	<b>6,152.9</b>	<b>1,009.4</b>	<b>7,162.3</b>





## Chapter 5 Management Discussion and Analysis

Notes:

- (1) Represents the average balance for the year minus the average balance for the previous year, multiplied by the average yield/cost for the previous year.
- (2) Represents the average yield/cost for the year minus the average yield/cost for the previous year, multiplied by the average balance for the year.
- (3) Represents interest income/expense for the year minus interest income/expense for the previous year.

### 3.2 Interest Income

For the year ended December 31, 2022, the Bank recorded an interest income of RMB43,614 million, representing an increase of RMB11,746 million or 36.9% as compared with the same period of last year, primarily attributable to the increase in the volume of loans and advances to customers.

#### 3.2.1 Interest income from loans and advances to customers

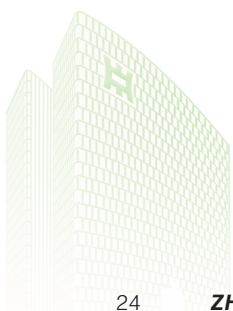
For the year ended December 31, 2022, the Bank's interest income from loans and advances to customers recorded RMB28,537 million, representing an increase of RMB9,020 million or 46.2% as compared with the same period of last year, primarily attributable to the Bank's increase in the average balance of loans and advances to customers.

The following table sets out, for the periods indicated, the average balance, interest income and average yield for each component of the Bank's loans and advances to customers.

	For the year ended December 31,					
	Average balance	2022 Interest income	Average yield	Average balance	2021 Interest income	Average yield
	(in millions of RMB, except percentages)					
Corporate loans	285,739.1	15,585.7	5.45%	158,023.0	8,375.2	5.30%
Discounted bills	59,436.3	1,100.1	1.85%	40,850.1	1,025.7	2.51%
Personal loans	219,111.8	11,850.7	5.41%	178,933.2	10,115.3	5.65%
<b>Total</b>	<b>564,287.2</b>	<b>28,536.5</b>	<b>5.06%</b>	377,806.3	19,516.2	5.17%

#### 3.2.2 Interest income from investment securities and other financial assets

For the year ended December 31, 2022, the Bank's interest income from investment securities and other financial assets increased by RMB1,216 million or 15.6% to RMB8,997 million as compared with the same period of last year, primarily attributable to the increase in the average balance of investment securities and other financial assets.





## Chapter 5 Management Discussion and Analysis

### **3.2.3 Interest income from lease receivables**

For the year ended December 31, 2022, the Bank's interest income from lease receivables was RMB3,387 million, representing an increase of RMB816 million or 31.8% as compared with the same period of last year, primarily attributable to the increased support of the Bank's subsidiaries, AB Leasing and BOL Financial Leasing for the real economy.

### **3.2.4 Interest income from deposits with the Central Bank**

For the year ended December 31, 2022, the Bank's interest income from deposits with the Central Bank increased by RMB168 million or 33.9% to RMB665 million as compared with the same period of last year, primarily attributable to the increase in the average balance of deposits with the Central Bank.

### **3.2.5 Interest income from deposits with banks and other financial institutions**

For the year ended December 31, 2022, the Bank's interest income from deposits with banks and other financial institutions increased by RMB165 million or 141.3% to RMB281 million as compared with the same period of last year, primarily attributable to the increase in the average balance of deposits with banks and other financial institutions.

### **3.2.6 Interest income from financial assets held under resale agreements**

For the year ended December 31, 2022, interest income from financial assets held under resale agreements increased by RMB35 million or 10.0% to RMB388 million as compared with the same period of last year, primarily due to an increase in the average balance of financial assets held under resale agreements.

### **3.2.7 Interest income from placements with banks and other financial institutions**

For the year ended December 31, 2022, interest income from placements with banks and other financial institutions increased by RMB324 million or 31.3% to RMB1,359 million as compared with the same period of last year, primarily due to an increase in the average balance of placements with banks and other financial institutions.



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### 3.3 Interest Expense

For the year ended December 31, 2022, the Bank's interest expense increased by RMB7,162 million or 47.2% to RMB22,338 million as compared with the same period of last year, primarily attributable to the increase in the volume of deposits from customers.

#### 3.3.1 Interest expense on deposits from customers

For the year ended December 31, 2022, the Bank's interest expense on deposits from customers increased by RMB7,074 million or 84.3% to RMB15,462 million as compared to the same period last year, primarily attributable to the increase in the average balance of deposits from customers of the Bank.

	For the year ended December 31,					
	2022			2021		
	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost
(in millions of RMB, except percentages)						
<b>Corporate deposits</b>						
Demand	137,268.3	1,240.4	0.90%	121,405.8	898.8	0.74%
Time	178,026.3	4,100.1	2.30%	99,828.8	2,160.8	2.16%
<b>Sub-total</b>	<b>315,294.6</b>	<b>5,340.5</b>	<b>1.69%</b>	<b>221,234.6</b>	<b>3,059.6</b>	<b>1.38%</b>
<b>Personal deposits</b>						
Demand	74,613.2	389.8	0.52%	53,814.0	218.7	0.41%
Time	296,902.4	9,731.2	3.28%	155,479.9	5,109.5	3.29%
<b>Sub-total</b>	<b>371,515.6</b>	<b>10,121.0</b>	<b>2.72%</b>	<b>209,293.9</b>	<b>5,328.2</b>	<b>2.55%</b>
<b>Total deposits from customers</b>	<b>686,810.2</b>	<b>15,461.5</b>	<b>2.25%</b>	<b>430,528.5</b>	<b>8,387.8</b>	<b>1.95%</b>

#### 3.3.2 Interest expense on debt securities issued

For the year ended December 31, 2022, the Bank's interest expense on debt securities issued increased by RMB761 million or 31.4% to RMB3,188 million as compared to the same period last year, primarily attributable to the increase in the average balance of debt securities issued.

#### 3.3.3 Interest expenses on placements from banks and other financial institutions

For the year ended December 31, 2022, the Bank's interest expenses on placements from banks and other financial institutions increased by RMB258 million or 25.1% to RMB1,284 million as compared to the same period last year, primarily attributable to the increase in the average balance of the placements from banks and other financial institutions.

#### 3.3.4 Net interest spread and net interest margin

The Bank's net interest spread decreased from 2.13% last year to 1.89% this year, while the Bank's net interest margin decreased from 2.31% for last year to 2.06% for the current year. The decreases in net interest spread and net interest margin were primarily attributable to (i) the decrease in the yield of investment and financing businesses as a result of the overall decline in market interest rates under the guide of more flexible and appropriate monetary policies; and (ii) the decline in loan yield due to the decline in the loan prime rate (LPR) and the implementation of the national profit-concession policies by the Bank.



## Chapter 5 Management Discussion and Analysis

### 3.4 Non-interest income

#### 3.4.1 Net fee and commission income

For the year ended December 31, 2022, the Bank's net fee and commission income decreased by RMB149 million or 7.7% to RMB1,783 million as compared to the same period last year.

	For the year ended December 31,			
	2022	2021	Change	Rate of change
	(in millions of RMB, except percentages)			
<b>Fee and commission income</b>				
Bank card service fees	715.6	523.6	192.0	36.7%
Settlement and clearing service fees	414.2	333.5	80.7	24.2%
Agency service income	136.3	136.9	(0.6)	(0.4%)
Underwriting service income	256.1	513.3	(257.2)	(50.1%)
Acceptance and guarantee service fees	88.6	128.4	(39.8)	(31.0%)
Advisory and consulting fees	196.2	181.9	14.3	7.9%
Custodial service fees	9.1	72.5	(63.4)	(87.4%)
Wealth management business fees	963.3	587.9	375.4	63.9%
<b>Sub-total</b>	<b>2,779.4</b>	<b>2,478.0</b>	<b>301.4</b>	<b>12.2%</b>
<b>Fee and commission expenses</b>	<b>(996.3)</b>	<b>(545.5)</b>	<b>(450.8)</b>	<b>82.6%</b>
<b>Net fee and commission income</b>	<b>1,783.1</b>	<b>1,932.5</b>	<b>(149.4)</b>	<b>(7.7%)</b>

For the year ended December 31, 2022, the Bank realized wealth management business fees of RMB963 million, representing an increase of RMB375 million or 63.9% as compared to the same period last year, primarily attributable to the Bank's continued improvement of product systems and customer service ability and increase in the size of issuance of wealth management products.

For the year ended December 31, 2022, the Bank realized bank card service fees income of RMB716 million, representing an increase of RMB192 million or 36.7% as compared to the same period last year, primarily because the Bank continued to develop its credit card business and constantly enriched its product system, leading to the rapid growth of the volume of consumption transaction and driving the growth of card issuers' fee income.

For the year ended December 31, 2022, the Bank realized settlement and clearing service fees of RMB414 million, representing an increase of RMB81 million or 24.2% as compared to the same period last year, primarily because the Bank continued to develop the payment and settlement business, widen the service channels, improve the service quality and efficiency, and increase the service fee income from letters of credit and factoring.

#### 3.4.2 Net trading gains

For the year ended December 31, 2022, the Bank's net trading gains were RMB958 million, representing an increase of RMB826 million as compared to the same period last year, primarily attributable to the large exchange rate fluctuations under the influence of global economy.



## Chapter 5 Management Discussion and Analysis

### 3.4.3 Net gains arising from investment securities

For the year ended December 31, 2022, the Bank's net gains arising from investment securities amounted to RMB1,449 million, representing an increase of RMB981 million as compared to the same period last year, primarily attributable to the increase in the investment gains on financial assets at fair value through profit or loss.

### 3.5 Operating expenses

For the year ended December 31, 2022, the Bank's operating expenses increased by RMB3,135 million or 43.9% to RMB10,278 million as compared to the same period last year, primarily attributable to the increase of various operating expenses as compared to the same period last year due to the transfer of all the businesses, personnel and outlets of the three banks to the Bank after the Merger by Absorption.

	For the year ended December 31,			
	2022	2021	Change	Rate of change
	(in millions of RMB, except percentages)			
<b>Staff costs</b>				
Salaries, bonuses and allowances	4,439.9	2,849.6	1,590.3	55.8%
Staff welfare	407.8	275.7	132.1	47.9%
Social insurance and annuity	851.2	562.8	288.4	51.2%
Housing fund	340.2	240.9	99.3	41.2%
Employee education expenses and labor union expenses	154.4	99.8	54.6	54.7%
Others <sup>(1)</sup>	74.2	228.9	(154.7)	(67.6%)
<b>Sub-total of staff costs</b>	<b>6,267.7</b>	4,257.7	2,010.0	47.2%
<b>Taxes and surcharges</b>	<b>277.8</b>	211.2	66.6	31.5%
<b>Depreciation and amortisation</b>	<b>1,428.1</b>	979.5	448.6	45.8%
<b>Other general and administrative expenses</b>	<b>2,304.4</b>	1,695.1	609.3	35.9%
<b>Total</b>	<b>10,278.0</b>	7,143.5	3,134.5	43.9%

Note:

(1) Primarily included dispatched labor fees.

For the year ended December 31, 2022, the Bank's staff costs increased by RMB2,010 million or 47.2% to RMB6,268 million as compared to the same period last year.

For the year ended December 31, 2022, depreciation and amortization expenses increased by RMB449 million or 45.8% to RMB1,428 million as compared to the same period last year.

For the year ended December 31, 2022, other general and administrative expenses increased by RMB609 million or 35.9% to RMB2,304 million as compared to the same period last year. Other general and administrative expenses primarily include interest expenses on lease liabilities, property management fees, office expenses, business marketing expenses and others.



## Chapter 5 Management Discussion and Analysis

### 3.6 Impairment losses

For the year ended December 31, 2022, the Bank's impairment losses increased by RMB3,549 million or 46.5% to RMB11,190 million as compared to the same period last year, primarily due to the efforts of the Bank to further enhance the disposal of non-performing assets and make provisions for non-performing assets, the continuous consolidation of the basis for making provisions and the improvement in the risk compensation capability of the Bank.

	For the year ended December 31,			
	2022	2021	Change	Rate of change
	(in millions of RMB, except percentages)			
Loans and advances to customers	7,291.1	4,347.7	2,943.4	67.7%
Investment securities and other financial assets <sup>(1)</sup>	2,372.3	1,489.7	882.6	59.2%
Lease receivables	670.4	501.4	169.0	33.7%
Other assets <sup>(2)</sup>	855.7	1,301.4	(445.7)	(34.2%)
<b>Total impairment losses</b>	<b>11,189.5</b>	<b>7,640.2</b>	<b>3,549.3</b>	<b>46.5%</b>

Notes:

- (1) The impairment losses on such assets include impairment losses on financial investments at amortized cost and financial investments at fair value through other comprehensive income.
- (2) The impairment losses on such assets mainly include impairment losses on deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, off-balance sheet credit asset, repossessed assets, fixed assets, interest receivables and other receivables.

### 3.7 Income tax expense

For the year ended December 31, 2022, the Bank's income tax expense decreased by RMB483 million to RMB483 million as compared to the same period last year, primarily attributable to the increase in the Bank's interest incomes from treasury bonds and other tax-free incomes.

	For the year ended December 31,			
	2022	2021	Change	Rate of change
	(in millions of RMB, except percentages)			
Current income tax	126.4	1,844.3	(1,717.9)	(93.1%)
Deferred income tax	324.1	(867.9)	1,192.0	(137.3%)
Prior year income tax adjustments	32.1	(11.3)	43.4	(384.1%)
<b>Total income tax expenses</b>	<b>482.6</b>	<b>965.1</b>	<b>(482.5)</b>	<b>(50.0%)</b>



# Chapter 5 Management Discussion and Analysis

## 4. Analysis on Key Items of Assets and Liabilities

### 4.1 Assets

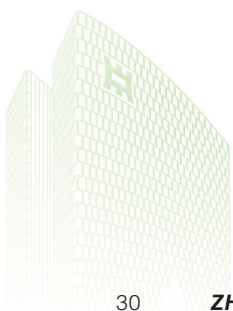
As of the end of Reporting Period, the Bank's total assets increased by RMB558,503 million or 72.7% to RMB1,326,736 million as compared to the end of last year. The principal components of the Bank's assets consist of (i) loans and advances to customers (net); and (ii) investment securities and other financial assets (net), representing 50.3% and 28.1% of the Bank's total assets as of December 31, 2022, respectively.

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

	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Gross loans and advances to customers	<b>687,563.1</b>	<b>51.8%</b>	390,647.1	50.8%
Allowance for impairment losses	<b>(20,670.7)</b>	<b>(1.5%)</b>	(12,530.6)	(1.6%)
Net loans and advances to customers	<b>666,892.4</b>	<b>50.3%</b>	378,116.5	49.2%
Lease receivables	<b>60,314.1</b>	<b>4.5%</b>	33,862.3	4.4%
Investment securities and other financial assets	<b>373,437.6</b>	<b>28.1%</b>	215,114.3	28.0%
Financial assets held under resale agreements	<b>65,217.6</b>	<b>4.9%</b>	11,794.4	1.5%
Cash and deposits with Central Bank	<b>77,587.9</b>	<b>5.8%</b>	63,641.6	8.3%
Deposits with banks and other financial institutions	<b>21,187.0</b>	<b>1.6%</b>	10,696.5	1.4%
Placements with banks and other financial institutions	<b>30,768.5</b>	<b>2.3%</b>	34,354.0	4.5%
Derivative financial assets	<b>93.3</b>	<b>0.0%</b>	31.5	0.0%
Interest in joint venture	<b>1,347.3</b>	<b>0.1%</b>	1,183.2	0.2%
Other assets <sup>(1)</sup>	<b>29,890.7</b>	<b>2.4%</b>	19,439.0	2.5%
<b>Total assets</b>	<b>1,326,736.4</b>	<b>100.0%</b>	768,233.3	100.0%

Note:

- (1) Primarily consist of properties and equipment, deferred income tax assets, goodwill and other assets.



## Chapter 5 Management Discussion and Analysis

### 4.1.1 Loans and advances to customers

As of the end of the Reporting Period, the Bank's gross loans and advances to customers (excluding accrued interest) increased by RMB295,915 million or 76.2% to RMB684,075 million as compared to the end of last year. The Bank's loans and advances to customers consist of corporate loans, personal loans and discounted bills.

The following table sets forth the distribution of the Bank's loans by business line as of the dates indicated.

	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Corporate loans	372,576.2	54.2%	173,651.4	44.5%
Personal loans	237,486.2	34.5%	184,113.0	47.1%
Discounted bills	74,012.3	10.8%	30,395.1	7.8%
<b>Sub-total</b>	<b>684,074.7</b>	<b>99.5%</b>	388,159.5	99.4%
Accrued interest	3,488.4	0.5%	2,487.6	0.6%
<b>Total loans and advances to customers</b>	<b>687,563.1</b>	<b>100.0%</b>	390,647.1	100.0%

#### (1) Corporate loans

As of December 31, 2022, the Bank's corporate loans increased by RMB198,925 million or 114.6% to RMB372,576 million as compared to the end of last year, representing 54.2% of the Bank's gross loans and advances to customers, primarily attributable to the Bank's merger by absorption of three banks and increased supports to real economy.

The following table sets forth a breakdown of the Bank's corporate loans by collateral as of the dates indicated.

	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Unsecured loans	73,294.8	19.7%	22,465.4	12.9%
Guaranteed loans	167,055.4	44.8%	74,798.2	43.1%
Collateralised loans	78,726.0	21.1%	41,573.9	23.9%
Pledged loans	53,500.0	14.4%	34,813.9	20.1%
<b>Total corporate loans</b>	<b>372,576.2</b>	<b>100.0%</b>	173,651.4	100.0%





## Chapter 5 Management Discussion and Analysis

### (2) Personal loans

As of the end of the Reporting Period, the Bank's personal loans increased by RMB53,373 million or 29.0% to RMB237,486 million as compared to the end of last year, primarily attributable to the Bank's merger by absorption of three banks and increased support for growth of social consumption.

The following table sets forth a breakdown of the Bank's personal loans by product type as of the dates indicated.

	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Personal residential mortgage loans	110,005.2	46.3%	89,511.9	48.6%
Personal business loans	65,251.5	27.5%	44,907.5	24.4%
Personal consumption loans	40,204.9	16.9%	30,763.4	16.7%
Credit card loans	22,024.6	9.3%	18,930.2	10.3%
<b>Total personal loans</b>	<b>237,486.2</b>	<b>100.0%</b>	184,113.0	100.0%

### (3) Discounted bills

As of December 31, 2022, the Bank's discounted bills increased by RMB43,617 million or 143.5% to RMB74,012 million as compared to the end of last year, which was primarily due to the Bank's merger by absorption of three banks and adjustment of the size of discounted bills according to customers' financing demand.

#### 4.1.2 Investment securities and other financial assets

As of the end of the Reporting Period, the Bank's net investment securities and other financial assets increased by RMB158,323 million or 73.6% to RMB373,438 million as compared to the end of last year, primarily attributable to an increase in the holding of the PRC government bonds by the Bank.

The following table sets forth the composition of the Bank's investment securities and other financial assets as of the dates indicated.

	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Financial assets at fair value through profit or loss	35,752.3	9.5%	22,036.4	10.1%
Financial assets at fair value through other comprehensive income	93,237.2	24.8%	55,370.3	25.4%
Financial assets at amortized cost	246,220.6	65.7%	140,822.1	64.5%
<b>Total investment securities and other financial assets</b>	<b>375,210.1</b>	<b>100.0%</b>	218,228.8	100.0%
Add: accrued interest	4,804.9		2,530.1	
Less: impairment provisions	(6,577.4)		(5,644.6)	
<b>Net investment securities and other financial assets</b>	<b>373,437.6</b>		215,114.3	

## Chapter 5 Management Discussion and Analysis

The following table sets forth the distribution of the Bank's investment securities and other financial assets as of the dates indicated.

	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
<b>Debt securities</b>				
Debt securities issued by the PRC government	195,791.8	52.4%	81,581.3	37.9%
Debt securities issued by PRC policy banks and other financial institutions	81,010.1	21.7%	47,811.2	22.2%
Debt securities issued by PRC corporate issuers	12,360.0	3.3%	9,487.7	4.4%
<b>Sub-total</b>	<b>289,161.9</b>	<b>77.4%</b>	138,880.2	64.5%
<b>Other financial assets</b>				
Asset management plans	2,929.2	0.8%	2,718.1	1.3%
Trust plans	34,672.6	9.3%	22,412.3	10.4%
Others	41,869.0	11.2%	48,573.6	22.6%
<b>Sub-total</b>	<b>79,470.8</b>	<b>21.3%</b>	73,704.0	34.3%
Accrued interest	4,804.9	1.3%	2,530.1	1.2%
<b>Net investment securities and other financial assets</b>	<b>373,437.6</b>	<b>100.0%</b>	215,114.3	100.0%

### 4.1.3 Other components of the Bank's assets

Other components of the Bank's assets consist primarily of (i) financial assets held under resale agreements; (ii) cash and deposits with the Central Bank; (iii) deposits with banks and other financial institutions; (iv) placements with banks and other financial institutions; (v) lease receivables; and (vi) other assets.

As of the end of the Reporting Period, the total financial assets held under resale agreements increased by RMB53,423 million or 453.0% to RMB65,218 million as compared to the end of last year, primarily attributable to the Bank's adjustment of the size of the financial assets held under resale agreements at the end of the Reporting Period after taking comprehensive consideration of market price and the allocation demand of assets and liabilities.

As of the end of the Reporting Period, the total cash and deposits with the Central Bank increased by RMB13,946 million or 21.9% to RMB77,588 million as compared to the end of last year, primarily attributable to the Bank's merger by absorption of three banks.

As of the end of the Reporting Period, the total deposits with banks and other financial institutions increased by RMB10,491 million or 98.1% to RMB21,187 million as compared to the end of last year, primarily attributable to the Bank's merger by absorption of three banks and the adjustment of the size of the deposits with banks and other financial institutions at the end of the Reporting Period after consideration of market price and the allocation demand of assets and liabilities.



## Chapter 5 Management Discussion and Analysis

As of the end of the Reporting Period, the total placements with banks and other financial institutions decreased by RMB3,586 million or 10.4% to RMB30,769 million as compared to the end of last year, primarily attributable to the Bank's adjustment of the size of the placements with banks and other financial institutions at the end of the Reporting Period according to market demands.

As of the end of the Reporting Period, the balance of lease receivables increased by RMB26,452 million or 78.1% to RMB60,314 million as compared to the end of last year. The increase was mainly due to the acquisition of BOL Financial Leasing Co., Ltd., a subsidiary of the former Bank of Luoyang, by the Bank after the Merger by Absorption.

### 4.2 Liabilities

As of the end of the Reporting Period, the Bank's total liabilities increased by RMB527,248 million or 74.7% to RMB1,233,102 million as compared to the end of last year.

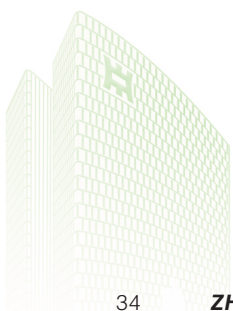
	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Deposits from customers	<b>845,257.2</b>	<b>68.5%</b>	455,692.2	64.6%
Deposits from banks and other financial institutions	<b>30,116.0</b>	<b>2.4%</b>	27,400.3	3.9%
Debt securities issued	<b>145,158.7</b>	<b>11.8%</b>	96,843.9	13.7%
Financial assets sold under repurchase agreements	<b>101,706.1</b>	<b>8.2%</b>	34,014.3	4.8%
Placements from banks and other financial institutions	<b>51,806.4</b>	<b>4.2%</b>	33,229.7	4.7%
Borrowings from the Central Bank	<b>42,661.0</b>	<b>3.5%</b>	47,654.0	6.8%
Tax payable	<b>81.1</b>	<b>0.0%</b>	858.6	0.1%
Derivative financial liabilities	<b>562.7</b>	<b>0.0%</b>	31.0	0.0%
Other liabilities <sup>(1)</sup>	<b>15,752.7</b>	<b>1.4%</b>	10,129.7	1.4%
<b>Total liabilities</b>	<b>1,233,101.9</b>	<b>100.0%</b>	705,853.7	100.0%

Note:

- (1) Consist of payment and collection clearance accounts, staff salaries payable, finance lease deposits payable, lease liabilities, other tax payable, dividends payable, provisions, continuing involvement liabilities and other payables.

#### 4.2.1 Deposits from customers

As of the end of the Reporting Period, the Bank's total deposits from customers (excluding accrued interest) increased by RMB378,895 million or 84.5% to RMB827,320 million as compared to the end of last year, primarily attributable to the Bank's merger by absorption of three banks, and continued efforts to improve quality of financial services, which effectively derived an increase in deposits.



## Chapter 5 Management Discussion and Analysis

The following table sets forth the Bank's deposits from customers by product type and maturity profile of deposits as of the dates indicated.

	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
<b>Corporate deposits</b>				
Demand	202,925.2	24.0%	133,060.2	29.2%
Time	160,341.6	19.0%	97,163.2	21.3%
<b>Sub-total</b>	<b>363,266.8</b>	<b>43.0%</b>	230,223.4	50.5%
<b>Personal deposits</b>				
Demand	94,524.6	11.2%	65,627.6	14.4%
Time	369,528.6	43.7%	152,573.6	33.5%
<b>Sub-total</b>	<b>464,053.2</b>	<b>54.9%</b>	218,201.2	47.9%
Accrued interest	17,937.2	2.1%	7,267.6	1.6%
<b>Total deposits from customers</b>	<b>845,257.2</b>	<b>100.0%</b>	455,692.2	100.0%

### 4.2.2 Deposits from banks and other financial institutions

As of the end of the Reporting Period, the Bank's balance of deposits from banks and other financial institutions increased by RMB2,716 million or 9.9% to RMB30,116 million as compared to the end of last year, primarily because the Bank's merger by absorption of three banks, and the adjustment of the size of deposits from banks and other financial institutions according to capital demands.

### 4.2.3 Placements from banks and other financial institutions

As of the end of the Reporting Period, the Bank's balance of placements from banks and other financial institutions increased by RMB18,577 million or 55.9% to RMB51,806 million as compared to the end of last year, primarily because the Bank's merger by absorption of three banks, and the adjustment of the size of the placements from banks and other financial institutions according to market liquidity and the Bank's capital demands at the end of the Reporting Period.

### 4.2.4 Debt securities issued

As of the end of the Reporting Period, the Bank's balance of debt securities issued increased by RMB48,315 million or 49.9% to RMB145,159 million as compared to the end of last year. The increase in debt securities issued was mainly due to: (i) an increase in the balance of interbank certificates of deposit issued by the Bank at the end of the Reporting Period compared with the end of the previous year; (ii) the issuance of financial bonds of RMB3,000 million and small and micro bonds of RMB2,000 million during the Reporting Period; and (iii) the transfer of the bonds of the three banks to the Bank after the Merger by Absorption.

### 4.2.5 Financial assets sold under repurchase agreements

As of the end of the Reporting Period, the Bank's balance of financial assets sold under repurchase agreements increased by RMB67,692 million or 199.0% to RMB101,706 million as compared to the end of last year, primarily due to the increase in the balance of securities sold under repurchase agreements by the Bank at the end of the Reporting Period as compared to the end of last year.



## Chapter 5 Management Discussion and Analysis

### 4.3 Shareholders' Equity

As of the end of the Reporting Period, the Bank's total shareholders' equity increased by RMB31,255 million or 50.1% to RMB93,635 million as compared to the end of last year; the total equity attributable to shareholders of the Bank increased by RMB28,018 million or 45.8% to RMB89,228 million as compared to the end of last year, which was primarily attributable to the Merger by Absorption of three banks by the Bank.

	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Share capital	36,549.8	39.0%	20,075.0	32.2%
Other equity instrument	13,632.5	14.6%	9,632.8	15.4%
Capital reserve	19,345.4	20.7%	14,318.0	23.0%
Surplus reserve	2,804.3	3.0%	2,424.7	3.9%
General reserve	13,793.9	14.7%	9,705.7	15.6%
Re-evaluation and impairment reserve	19.2	0.0%	343.8	0.5%
Retained earnings	3,083.3	3.3%	4,710.1	7.5%
Equity attributable to shareholders of the Bank	89,228.4	95.3%	61,210.1	98.1%
Non-controlling interests	4,406.1	4.7%	1,169.5	1.9%
<b>Total shareholders' equity</b>	<b>93,634.5</b>	<b>100.0%</b>	<b>62,379.6</b>	<b>100.0%</b>

### 5. Off-balance Sheet Commitments

The following table sets forth the contractual amounts of the Bank's off-balance sheet credit commitments as of the date indicated.

	As of December 31, 2022	As of December 31, 2021
(in millions of RMB)		
<b>Credit commitments</b>		
Loan commitments	12,552.2	12,231.6
Bank acceptance	106,432.7	59,432.2
Letters of credit	30,175.9	12,547.9
Letters of guarantees	4,412.0	3,854.2
<b>Total</b>	<b>153,572.8</b>	<b>88,065.9</b>



# Chapter 5 Management Discussion and Analysis

## 6. Analysis on Loan Quality

During the Reporting Period, in face of the complicated economic and financial situation, the Bank further deepened the adjustment of credit structure, continued to strengthen credit risk management, optimized credit procedures and strengthened post-loan management measures to step up the efforts on collection and disposal of non-performing loans, so as to keep the loan quality at a generally manageable level. As of the end of the Reporting Period, the balance of non-performing loans of the Bank amounted to RMB13,199 million, representing an increase of RMB4,723 million as compared to the end of last year. The non-performing loan ratio was 1.93%, representing a decrease of 0.25 percentage point as compared to the end of last year. Special mention loan accounted for 2.60%, representing a decrease of 0.24 percentage point as compared to the end of last year.

### 6.1 Distribution of Loans by Five-Category Loan Classification

The following table sets forth, as of the dates indicated, the Bank's loans by its five-category loan classification. According to the five-category loan classification system, the Bank classified its non-performing loans into substandard, doubtful and loss categories.

	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Normal	<b>653,067.3</b>	<b>95.47%</b>	368,642.5	94.98%
Special mention	<b>17,808.1</b>	<b>2.60%</b>	11,040.6	2.84%
Substandard	<b>5,313.2</b>	<b>0.78%</b>	3,412.0	0.87%
Doubtful	<b>5,001.9</b>	<b>0.73%</b>	2,352.0	0.61%
Loss	<b>2,884.2</b>	<b>0.42%</b>	2,712.4	0.70%
Total loans and advances to customers	<b>684,074.7</b>	<b>100.00%</b>	388,159.5	100.00%
Non-performing loans and non-performing loan ratio	<b>13,199.3</b>	<b>1.93%</b>	8,476.4	2.18%

Note: Non-performing loan ratio is calculated by dividing non-performing loans by total loans to customers.



## Chapter 5 Management Discussion and Analysis

### 6.2 Distribution of Loans and Non-Performing Loans by Product Type

The following table sets forth, as of the dates indicated, the Bank's loans and non-performing loans by product type.

	As of December 31, 2022				As of December 31, 2021			
	Loan amount	% of total	NPL amount	NPL ratio	Loan amount	% of total	NPL amount	NPL ratio
(in millions of RMB, except percentages)								
<b>Corporate loans</b>								
Short-term loans	146,718.6	21.4%	2,818.5	1.92%	80,734.9	20.8%	2,921.8	3.62%
Medium-to-long-term loans	225,857.6	33.1%	4,096.7	1.81%	92,916.5	23.9%	3,384.3	3.64%
Sub-total	372,576.2	54.5%	6,915.2	1.86%	173,651.4	44.7%	6,306.1	3.63%
<b>Personal loans</b>								
Personal residential mortgage loans	110,005.1	16.1%	1,397.5	1.27%	89,511.9	23.1%	222.1	0.25%
Personal consumption loans	40,204.9	5.9%	1,326.6	3.30%	30,763.4	7.9%	456.5	1.48%
Personal business loans	65,251.6	9.5%	2,923.0	4.48%	44,907.5	11.6%	1,094.4	2.44%
Others	22,024.6	3.2%	627.0	2.85%	18,930.2	4.9%	397.3	2.10%
Sub-total	237,486.2	34.7%	6,274.1	2.64%	184,113.0	47.5%	2,170.3	1.18%
Discounted bills	74,012.3	10.8%	10.0	0.01%	30,395.1	7.8%	-	-
<b>Total</b>	<b>684,074.7</b>	<b>100.0%</b>	<b>13,199.3</b>	<b>1.93%</b>	<b>388,159.5</b>	<b>100.0%</b>	<b>8,476.4</b>	<b>2.18%</b>

Notes:

- (1) Short-term loans include loans with maturity of one year or less and advances.
- (2) Medium-to-long-term loans include loans with maturity of more than one year.
- (3) Others mainly include credit cards.
- (4) NPL ratio is calculated by dividing non-performing loans in each product type by gross loans in that product type.

As of the end of the Reporting Period, the balance of corporate non-performing loans of the Bank amounted to RMB6,915 million, representing an increase of RMB609 million as compared with the end of last year. The non-performing loan ratio was 1.86%, representing a decrease of 1.77 percentage points as compared with the end of last year.

The balance of personal non-performing loans of the Bank amounted to RMB6,274 million, representing an increase of RMB4,104 million as compared with the end of last year. The non-performing loan ratio was 2.64%, representing an increase of 1.46 percentage points as compared with the end of last year, primarily due to the fact that repayment abilities of certain clients of the Bank were deteriorated as a result of significant decrease in income caused by the economic environment. The Bank proactively resolved non-performing loans through verification, cash collection, restructuring and other means, and strengthened the control over the whole process of risk management to strictly prevent addition of new non-performing loans.



# Chapter 5 Management Discussion and Analysis

## 6.3 Distribution of Loans and Non-Performing Loans by Industry

	As of December 31, 2022				As of December 31, 2021			
	Loan amount	% of total	NPL Amount	NPL ratio	Loan amount	% of total	NPL Amount	NPL ratio
(in millions of RMB, except percentages)								
Manufacturing	57,044.5	8.3%	1,956.9	3.43%	23,774.5	6.1%	2,026.6	8.52%
Leasing and business services	121,232.5	17.9%	258.6	0.21%	49,190.7	12.7%	162.1	0.33%
Wholesale and retail	41,586.6	6.1%	1,009.8	2.43%	16,816.1	4.3%	1,797.4	10.69%
Real estate	26,929.6	3.9%	1,569.5	5.83%	17,157.1	4.4%	551.9	3.22%
Construction	34,358.0	5.0%	574.2	1.67%	15,627.6	4.0%	514.2	3.29%
Water, environment and public facility management	26,100.0	3.8%	67.0	0.26%	14,369.1	3.7%	50.2	0.35%
Electricity, gas and water production and supply	13,350.4	2.0%	36.4	0.27%	6,200.7	1.6%	661.3	10.66%
Agriculture, forestry, animal husbandry and fishery	6,103.1	0.9%	434.1	7.11%	2,899.3	0.7%	330.7	11.41%
Accommodation and catering	3,004.0	0.4%	124.2	4.13%	2,613.4	0.7%	52.6	2.01%
Education	6,421.5	0.9%	29.8	0.46%	4,774.6	1.2%	8.7	0.18%
Health, social security and social welfare	8,351.8	1.2%	30.6	0.37%	4,888.2	1.3%	–	–
Mining	8,993.7	1.3%	168.4	1.87%	3,446.1	0.9%	52.1	1.51%
Transportation, storage and postal services	9,528.1	1.4%	221.1	2.32%	6,218.5	1.6%	57.9	0.93%
Others	9,572.4	1.4%	434.6	4.54%	5,675.5	1.5%	40.4	0.71%
Total corporate loans	372,576.2	54.5%	6,915.2	1.86%	173,651.4	44.7%	6,306.1	3.63%
Total personal loans	237,486.2	34.7%	6,274.1	2.64%	184,113.0	47.5%	2,170.3	1.18%
Discounted bills	74,012.3	10.8%	10.0	0.01%	30,395.1	7.8%	–	–
<b>Total</b>	<b>684,074.7</b>	<b>100.0%</b>	<b>13,199.3</b>	<b>1.93%</b>	<b>388,159.5</b>	<b>100.0%</b>	<b>8,476.4</b>	<b>2.18%</b>

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

As of the end of the Reporting Period, the non-performing loans of the corporate loans of the Bank were mainly concentrated in the agriculture, forestry, animal husbandry and fishery industry, real estate industry and others, with non-performing loan ratio of 7.11%, 5.83% and 4.54%, respectively, of which:

- (i) the balance of non-performing loans in the agriculture, forestry, animal husbandry and fishery industry increased by RMB103 million as compared with the end of last year, with a decrease of 4.3 percentage points in non-performing loan ratio, which was due to an increase in the loan size of the Bank, despite the fact that operation situation of credit clients in agriculture, forestry, animal husbandry and fishery industry deteriorated greatly by the economic downside, which resulted in the increase of non-performing loan in the industry, the non-performing loan ratio still decreased.





## Chapter 5 Management Discussion and Analysis

- (ii) the balance of non-performing loans in the real estate industry increased by RMB1,018 million as compared with the end of last year, with an increase of 2.61 percentage points in the non-performing loan ratio, mainly due to a higher proportion of housing-related business of the institutions absorbed and consolidated by the Bank; and the real estate industry continued its recessionary trend with difficulties in sales leading to weakened repayment ability.
- (iii) the balance of other non-performing loans increased by RMB394 million as compared with the end of last year, with an increase of 3.83 percentage points in the non-performing loan ratio. Other industries included culture, sports and entertainment, finance and information transmission, software and information technology services, etc. This was mainly due to the combination of multiple factors such as the economic downturn, which led to operational difficulties and weakened repayment ability of some industries and enterprises.

### 6.4 Distribution of Loans and Non-Performing Loans by Collateral

The following table sets forth, as of the dates indicated, the Bank's loans and non-performing loans by collateral.

	As of December 31, 2022				As of December 31, 2021			
	Loan amount	% of total	NPL Amount	NPL ratio	Loan amount	% of total	NPL Amount	NPL ratio
(in millions of RMB, except percentages)								
Unsecured loans	116,432.5	17.0%	2,218.8	1.91%	47,176.5	12.1%	868.2	1.84%
Guaranteed loans	177,887.6	26.0%	4,135.4	2.32%	84,498.7	21.8%	4,089.4	4.84%
Collateralised loans	261,486.6	38.2%	6,542.6	2.50%	193,717.4	49.9%	3,242.8	1.67%
Pledged loans	128,268.0	18.8%	302.5	0.24%	62,766.9	16.2%	276.0	0.44%
<b>Total</b>	<b>684,074.7</b>	<b>100.0%</b>	<b>13,199.3</b>	<b>1.93%</b>	388,159.5	100.0%	8,476.4	2.18%

Note: Non-performing loan ratio is calculated by dividing non-performing loans in each product type secured by each type of collateral by gross loans in that type of collateral.

As of the end of the Reporting Period, the balance of our guaranteed non-performing loans increased by RMB46 million as compared with the end of last year, representing a decrease in non-performing loan ratio of 2.52 percentage points, mainly attributable to (i) the increase of guaranteed loans of the Bank during the Reporting Period as compared with the end of last year; (ii) the disposal of certain risky assets by the Bank during the Reporting Period; (iii) the Bank's active efforts to resolve non-performing loans through write-offs, cash collection, loan restructuring and other means.

As of the end of the Reporting Period, the balance of our collateralised non-performing loans increased by RMB3,300 million as compared with the end of last year, representing an increase in non-performing loan ratio of 0.83 percentage point, primarily because repayment abilities of certain customers of the Bank were deteriorated by the operation difficulties as a result of the economic downside.



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### 6.5 Borrowers Concentration

As of the end of the Reporting Period, the balance of loans to any single borrower of the Bank did not exceed 10% of the Bank's net capital.

The following table sets forth, as of the end of the Reporting Period, the loan balance of the top ten single borrowers (excluding group borrowers) of the Bank.

As of December 31, 2022				
Industry		Balance	% of total loans	% of net capital
(in millions of RMB, except percentages)				
Borrower A	L-Leasing and commercial services	8,595.0	1.3%	7.8%
Borrower B	L-Leasing and commercial services	6,199.9	0.9%	5.6%
Borrower C	L-Leasing and commercial services	4,759.9	0.7%	4.3%
Borrower D	L-Leasing and commercial services	3,493.7	0.5%	3.2%
Borrower E	L-Leasing and commercial services	2,799.9	0.4%	2.5%
Borrower F	G-Transportation, storage and postal services	2,778.6	0.4%	2.5%
Borrower G	L-Leasing and commercial services	2,619.5	0.4%	2.4%
Borrower H	B-Mining	1,998.0	0.3%	1.8%
Borrower I	L-Leasing and commercial services	1,963.5	0.3%	1.8%
Borrower J	E-Construction	1,951.5	0.3%	1.8%
<b>Total</b>		<b>37,159.5</b>	<b>5.5%</b>	<b>33.7%</b>

As of the end of the Reporting Period, the loan balance of the largest single borrower of the Bank was RMB8,595 million, accounting for 1.3% of the total amount of loans of the Bank, and the total amount of loans to the top ten single borrowers was RMB37,160 million, accounting for 5.5% of the total amount of loans of the Bank.



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### 6.6 Overdue Loans

The following table sets forth, as of the dates indicated, the distribution of the Bank's loans to customers by maturity.

	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
<b>Current loans</b>	<b>659,504.3</b>	<b>96.41%</b>	373,457.4	96.21%
<b>Overdue loans</b>				
Up to 3 months	13,191.6	1.93%	6,857.6	1.77%
Over 3 months up to 1 year	6,311.1	0.92%	3,969.8	1.02%
Over 1 year up to 3 years	4,269.1	0.62%	2,940.2	0.76%
Over 3 years	798.6	0.12%	934.5	0.24%
Sub-total	24,570.4	3.59%	14,702.1	3.79%
<b>Total loans</b>	<b>684,074.7</b>	<b>100.00%</b>	388,159.5	100.00%

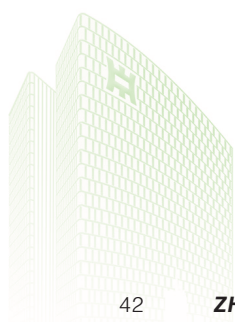
Note: Overdue loans represent the principal amount of the loans on which principal or interest is overdue.

As of the end of the Reporting Period, the amount of overdue loans of the Bank totaled RMB24,570 million, representing an increase of RMB9,868 million as compared with the end of last year. Overdue loans accounted for 3.59% of the total loans, representing a decrease of 0.20 percentage point as compared with the end of last year.

## 7. Business Operation Segment Report

The table below sets forth the Bank's total operating income by business segments for the periods as indicated.

	For the year ended December 31, 2022		For the year ended December 31, 2021	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Corporate banking business	13,856.8	54.1%	9,367.2	48.6%
Retail banking business	6,282.4	24.5%	6,692.5	34.7%
Treasury business	5,394.0	21.1%	3,165.8	16.4%
Other businesses	78.0	0.3%	57.3	0.3%
<b>Total operating income</b>	<b>25,611.2</b>	<b>100.0%</b>	19,282.8	100.0%



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### 8. Analysis on Capital Adequacy Ratio

As of the end of the Reporting Period, the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of the Bank were 7.98%, 9.47% and 11.83% respectively, representing a decrease of 0.72 percentage point, 0.92 percentage point and 1.47 percentage points respectively, as compared to the numbers at the end of the last year. The measurement of capital and risk-weighted assets fulfilled the regulatory requirements provided in the Administrative Measures for the Capital of Commercial Banks (Provisional) issued by CBIRC. The decrease in the capital adequacy ratio of the Bank was mainly affected by the absorption and merger, with a higher increase in the risk-weighted assets as compared to the numbers at the end of the last year and a slight decrease in the capital adequacy ratio.

In accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) issued by CBIRC, the capital adequacy ratio of the Bank was calculated as follows:

	As of December 31, 2022	As of December 31, 2021
(in millions of RMB, except percentages)		
Share capital	36,549.8	20,075.0
Valid portion of capital reserve	19,301.4	14,181.8
Surplus reserve	2,804.3	2,424.7
General reserve	13,793.9	9,705.7
Retained earnings	3,083.3	4,710.1
Valid portion of minority interests	1,970.9	626.0
<b>Total core tier-one capital</b>	<b>77,503.6</b>	<b>51,723.3</b>
Core tier-one capital deductions	(3,194.3)	(1,640.5)
<b>Net core tier-one capital</b>	<b>74,309.3</b>	<b>50,082.8</b>
Other tier-one capital	13,893.5	9,716.2
<b>Net tier-one capital</b>	<b>88,202.8</b>	<b>59,799.0</b>
Net tier-two capital	21,939.3	16,752.8
<b>Net capital base</b>	<b>110,142.1</b>	<b>76,551.8</b>
<b>Total risk-weighted assets</b>	<b>930,901.6</b>	<b>575,597.0</b>
<b>Core tier-one capital adequacy ratio</b>	<b>7.98%</b>	<b>8.70%</b>
<b>Tier-one capital adequacy ratio</b>	<b>9.47%</b>	<b>10.39%</b>
<b>Capital adequacy ratio</b>	<b>11.83%</b>	<b>13.30%</b>



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### 9. Business Review

#### 9.1 Corporate Banking Business

##### 9.1.1 Corporate deposits

In strict compliance with the regulatory requirements, the Bank continued to optimize the business structure of corporate debts and consolidated its deposit base in an orderly manner. By seizing market opportunities and securing large funds from key customers, the Bank increased the coverage over strategic customers. The Bank focused on following up the marketing opportunities for the regular bidding of the provincial treasury, local and municipal special bonds, land auction and other institutional businesses, tapped into the cooperation and contribution of credit customers, and carried out chain marketing of financial funds, etc., thus effectively promoting the increase in the scale of deposits. During the Reporting Period, the Bank's corporate deposits achieved sustainable development in integration under the background of merger by absorption and cross-customer integration.

As of the end of the Reporting Period, the balance of corporate deposit of the Bank was RMB363,267 million, and the market share ranked first in the province.

##### 9.1.2 Corporate loans

The Bank regarded serving the local economy and society development as its foundation, adapted to the economic transformation and upgrading, seized the market opportunity in high-quality assets, and improved quality and efficiency to dig into key industries, create unique solutions, and explore the construction of the industry ecosystem. The Bank once served its customers through managing traditional assets, now it has transformed to create values through professional competence, meet customer needs, and improve comprehensive contribution transformation, improved comprehensive financing service capabilities, and achieved good market performance. With a focus on the implementation of the "Ten Strategies" of Henan Province, the Bank has formulated the Three-year Action Plan and Service Plan of Zhongyuan Bank to Support the Ten Strategies of Henan Province, carefully studied the internal relationship with the "Ten Strategies", identified the starting point for financial services, and made a RMB300 billion support plan to help realize "ensuring high-quality building of modernization and high-level realization of modernization" of Henan Province; implemented the national strategic deployment of new urbanization with counties as important carriers, conformed to the development trend of new urbanization of Henan Province, and developed the Comprehensive Financial Services Plan of Zhongyuan Bank in Relation to Promotion of Urbanization Construction with Counties as Important Carriers (《中原銀行關於推進以縣城為重要載體的城鎮化建設綜合金融服務方案》), reviewed key service areas, identified target customer group, provided service plans, and developed a RMB100 billion support plan, so as to promote high-quality development of counties. By strengthening financial services to better support regional development strategies and focusing on the projects in relation to the two major national strategies of ecological protection and high-quality development of the Yellow River basin and promotion of the rise of the central region, the "982" project of Henan Province for remediating shortcomings and the key projects of Henan Province, the Bank has properly provided financial support, adhered to "projects first (項目為主)", increased its asset investment in the real economy, and further implemented the policy requirements for stabilizing the overall economy.

As of the end of the Reporting Period, the Bank's corporate loan balance was RMB372,576 million, representing an increase of RMB198,925 million or 114.55% as compared to the beginning of the year, ranking first in the market in terms of increment.



## Chapter 5 Management Discussion and Analysis

### 9.1.3 Corporate customers

During the Reporting Period, the Bank followed the national and regional strategies closely, maintained serving the real economy as its responsibilities and facilitated the high-quality economic and social development of Henan Province. The Bank adhered to being customer-oriented, reinforced the construction of the customer base, and carried out category-based operations and classified policies targeting at strategic customers, enterprise customers above designated size, institutional customers, and characteristic customer base. Customized service models and business strategies were adopted to continuously transform to in-depth operation and creation of value through professional competence, enhance the comprehensive service capability, and achieve comprehensive and coordinated development of the business benefits, quality and scale of the Company.

As of the end of the Reporting Period, the Bank had 380,900 corporate customers in total and 65,400 valid corporate accounts, and 46,500 new accounts and 6,500 new valid accounts for the year.

#### 9.1.3.1 Strategic customers

The Bank earnestly practised the financial mission of returning to its origins and serving entities, and continued to enhance the ability of category-based service and in-depth operation of customer base. Based on the business idea of “doing it individually for Group customers (集團客戶個別做)”, the Bank selected the key enterprises, carried out actions to tackle tough problems for 100 households, and practised the service concept of “intimate and professional (貼心專業)”; focused on the main theme of “two questions and four deliveries (兩問四送)”, further carried out the activities of “President’s Visit to 10,000 enterprises (行長進萬企)” to make real and effective moves, and promoted the deepening of business transformation. The Bank provided list-based services for strategic customers, formulated the service plan of “one policy for one household (一戶一策)”; established a mechanism of “specialized service team, dedicated resource guarantee, specialized business process and professional service plan (專門服務團隊、專屬資源保障、專門業務流程、專業服務方案)”; provided comprehensive financial services under the principle of “best service, best pricing and highest efficiency (服務最好、定價最優、效率最高)” to enable enterprise business development in all aspects with the “strong planning of the head office, the strong organization of the branches, and the strong execution of the front line (總行強策劃、分行強組織、前線強執行)”; deeply engaged in the equity chain and industrial chain of strategic customers, helped enterprises meet the financial and non-financial needs in all processes of production, operation, investment and financing, so as to expand the breadth and depth of cooperation with strategic customers and help enterprises grow bigger, stronger and better; think what customers think and worry what customers worry for co-existence and common prosperity; built a win-win bank-corporation environment and achieved in-depth cooperation with strategic customers.

As of the end of the Reporting Period, the balance of credit assets of strategic customer at the Bank’s head office-level increased by RMB34 billion as compared to the beginning of the year; and the daily average balance of corporate deposits increased by RMB5.5 billion as compared to the beginning of the year.



## Chapter 5 Management Discussion and Analysis

### 9.1.3.2 Corporate customers above designated size

The Bank strengthened the process and delicacy management and worked intensively to consolidate the customer base. In terms of securing new accounts, the Bank expanded the sources of customers through channel connection, expansion of core corporate customers in the upstream and downstream parts, scenario-based services, acquisition of customers based on business models, etc.; and increased its customers' stickiness by optimizing the experience in account opening process, improving settlement services, and carrying out activities including fee reduction and concessions offering and point-based rewards. In terms of prevention of customer churn and increase in the number of existing customers, the Bank strengthened the promotion of digital use cases, and strengthened the increase in the number of critical accounts and prevention of customer churn.

As of the end of the Reporting Period, the Bank had 15,387 accounts opened by enterprises above designated size in the province, with a coverage ratio of 43.70%, 4,661 valid accounts opened by enterprises above designated size, a daily average deposit per year of RMB50.3 billion, and an asset balance of RMB86.7 billion.

### 9.1.3.3 Institutional customers

During the Reporting Period, with a focus on the major decisions and arrangements of the Henan provincial party committee and the provincial government, the Bank actively gave play to the role and advantages as a provincial corporate bank, continuously deepened the cooperation between banks and governments, and made efforts to become the best bank serving local governments.

Firstly, the brand influence of special debt continued to grow. The Bank provided issuance services of local government special debt to 18 cities and 167 counties in the province, and its market share ranked the first among the banks. The Bank, together with 18 municipal governments, carried out the "Financial Lecture" (《金融大講堂》) series of activities, organized more than 140 special debt planning meetings, and trained more than 3,000 employees of government departments and platform companies at all levels. For the special debt service, the Bank received recognition and praise from the Finance Department of Henan Province and the local governments of Xinxiang, Hebi, Kaifeng and other places.

Secondly, the Bank was honored by the government. The Bank was awarded the "Advanced Organization in Comprehensive Evaluation (綜合考評先進單位)" for centralized payment agency banks and non-tax income collection banks of the provincial treasury in 2021.

Thirdly, the Bank improved the linkage between departments and bureaus. The Bank steadily carried out the "ice-breaking (破冰)" action for the linkage between departments and bureaus, continuously expanded the scope of cooperation, innovated the service contents, enriched cooperative products, and together with more than 20 provincial government departments and bureaus, established a regular mechanism of linkage between provincial departments and bureaus.



## Chapter 5 Management Discussion and Analysis

The institutional business services of the Bank have played a positive role in improving the efficiency of government fund management and financing and promoting the smart construction of the government, building a good reputation of being based on local economic development and serving local economic development, and establishing a good relationship of mutual benefit and win-win and sustainable development with governments at all levels.

### 9.1.3.4 *Special customer groups*

Customer groups in the industries of scientific and technological innovation, carbon peaking and carbon neutrality. Since the establishment of the financial service center of scientific and technological innovation, carbon peaking and carbon neutrality on January 8, 2022, the Bank has focused on Henan provincial party committee and the provincial government's strategies for "invigorating the province through science and education, innovation and talent cultivation" and "green and low-carbon transition", and the new stage of development, seized the strategic opportunities to construct a new development paradigm, gained a toehold in Henan, and according to the strategic direction of "serving strategies, the real economy, enterprises and the people", vigorously supported the low-carbon transition of traditional industries, cultivation and development of emerging industries, homeopathic development of green industries, and forward-looking arrangement for future industries, built a financial service organization system for scientific and technological innovation, carbon peaking and carbon neutrality, enriched and improved the scientifically innovative and green financial product system, actively performed the responsibilities of a provincial corporate bank, supported the high-quality and sustainable development of the economy and society of Henan Province through considerate and professional financial services, and made efforts to create a brand image of "best service, best pricing and highest efficiency". As of the end of the Reporting Period, the loan balance of the Bank's customer group in scientific and technological innovation, carbon peaking and carbon neutrality was RMB69.06 billion. The balance of Loan to Enterprises that Apply Special, Sophisticated Techniques to Produce Unique and Novel Products amounted to RMB8.10 billion with 554 accounts; the green finance provided RMB15.02 billion in 2022, the green credit balance was RMB27.13 billion.

Customer groups in the health care industry. The Bank has assumed the responsibility of serving the development of the cause of the people's livelihood and continuously explored new financial service models. It has innovated service forms with a focus on the construction of regional medical centers at all levels, "four hospitals" at the municipal level, "three hospitals" at the county level, county-level closely-connected medical service communities, stable supply of medical equipment and enhancement of aged care service capabilities, etc. It has comprehensively used credit, science and technology, channels and other resources to provide inclusive, convenient and stable financial services to its customers, and supported the high-quality development of medicine, health and aged care services, so as to achieve in-depth management of customer groups. As of the end of the Reporting Period, the Bank cooperated with 87% of public hospitals on or above level 2 and 53% of medical service communities; the balance of deposits in the medical, pharmaceutical and aged care sectors was RMB10.30 billion; the loan balance was RMB13.87 billion, representing an increase of RMB2.46 billion as compared with the beginning of the year.





## Chapter 5 Management Discussion and Analysis

Customer groups in the cultural tourism industry. During the “14th Five-Year Plan” period, the cultural creativity and tourism industries will grow rapidly, while cultural and tourism spending will become an important engine for stimulating domestic demand, and cultural tourism will become a strategic pillar industry, leading the high-quality development of the economy and society and the modernization construction of Henan Province. The Bank has included cultural tourism finance in its characteristic strategic business, implemented “integrated development strategy of cultural tourism and cultural innovation (文旅文創融合發展戰略)” advocated by the provincial party committee and the provincial government with practical actions. The Bank resolutely implemented the relevant policies of the regulatory authorities on financial relief for cultural tourism enterprises, and provided relief to cultural tourism enterprises in the province by adjusting repayment plans, extension period and issuing new loans, etc. The Bank issued a joint document with the Culture and Tourism Department of Henan Province to implement a financial relief policy of “extending as much as possible (應延盡延)” for cultural tourism enterprises in the province, and lowered the loan interest rate for cultural tourism by 50 basis points. As of the end of the Reporting Period, the loan of the Bank in cultural tourism was RMB9.106 billion and the balance was RMB20.221 billion in total.

### 9.1.4 Corporate products

During the Reporting Period, the Bank innovated product strategies, optimized product functions, kept improving comprehensive and all-round product system and service capabilities, and improved customers’ experience and satisfaction.

In terms of debt products, the Bank actively followed up regulatory policies, took customers as the center, used a combination of deposit products and wealth management products to customize, and improved the capital income on the basis of meeting the liquidity of customers; and continued to optimize the transfer function of corporate large-denomination certificates of deposit, and continuously improved the competitiveness of the products in market.

In terms of investment banking products, the Bank actively expanded innovative business products such as non-financial corporate debt financing instrument underwriting, asset securitization, syndicated loan, fund matching and merger and acquisition loan.

In terms of financial products for the supply chain, based on the strategy of creating “data-based bank, technological bank”, the Bank actively embraced the digital transformation and focused on creating its “Yinshang” platform. The construction of the “Yinshang” platform was continued along the path of “online → intelligent → open”. Currently, the stage goal of “online credit” has been achieved firstly, realizing automatic loan payment of factoring and prepayment, as well as online contracts of E-point loan (e 點貸) and prepayment, which improved the efficiency of business processing and customer experience. As of the end of the Reporting Period, the “Yinshang” platform had 32 core corporate customers and provided supply chain financing of RMB2.688 billion for 415 suppliers in total.





## Chapter 5 Management Discussion and Analysis

In terms of international financial products, the Bank actively implemented the requirements of regulatory policies, steadily conducted business research, continuously strengthened financial support for export-oriented enterprises, and provided a package of international financial services such as international settlement, foreign exchange settlement and sale, trade financing and exchange rate hedging for import and export enterprises. The Bank took the digital and intelligent transition as a breakthrough point, and followed the development trend of “scenario as the starting point, transaction as the basis and data as the core”. It successfully created a new “export credit loan” product, and carried out the first business.

In terms of financial services for scientific and technological innovation, carbon peaking and carbon neutrality, the Bank has established a “Scientifically Innovative Zhongyuan” life-cycle exclusive product system and a “Green Finance of Zhongyuan Bank” green financial product system. The Bank customized exclusive products with a focus on the different stages of the life cycle of scientific and technological innovation enterprises, and provided full-scenario and featured financial services with a focus on “innovation, entrepreneurship, spending and wealth management” of scientific and technological innovation talents; provided five exclusive product and service systems covering financing, investment, inclusion, industrial chain and financial intelligence, with a focus on six major green project areas, including the green and low-carbon transition of traditional sectors and the green upgrading of infrastructure. The Bank continuously increased the innovation of financial products and service models. The Bank successively launched various featured products, including “Loan to Enterprises that Apply Special, Sophisticated Techniques to Produce Unique and Novel Products”, “IPR Pledge Loan”, “Zhongyuan Talent Loan”, “Green Technology Transformation Loan”, “Carbon Allowance Pledge Loan” and “Green Supply Chain”. The Bank carried out the first business for various innovative products including “Loan to Enterprises that Apply Special, Sophisticated Techniques to Produce Unique and Novel Products”, “Loan with the Pledge of the Right to New Varieties of Plants” and “Loan with the Pledge of Geographical Indications” in the province; the Bank successfully issued Henan Province’s first science and technology innovation note – Perpetual Medium Term Note of Pingdingshan Tianan Coal Mining, and was approved for the first loan for transformation of scientific and technological achievements (科技成果转化贷) and talent loan business; the Bank launched the first county (city and district)-wide rooftop distributed photovoltaic project loans in the province and the first bank-wide green supply chain business targeting new energy vehicles. Meanwhile, the Bank actively integrated into the digital transformation strategy of Henan Province, jointly explored the digital transformation solutions for high pollution and high energy consumption industries with the provincial Department of Industry and Information Technology, provided financial services and carried out related businesses on a trial basis; the Bank explored the development and promotion of sustainable development linkage, transformation bonds and credit products that targeting high pollution and high energy consumption industries. The Bank actively implemented the digital and intelligent transformation, self-developed and launched the green credit system, and enabled the green credit business of the Bank with digital intelligence.



## Chapter 5 Management Discussion and Analysis

In terms of financial services for cultural tourism, through in-depth research on key customer groups and scenarios, and with featured cultural tourism products as the starting point, the Bank realized product innovation under new models and in new areas. The Bank took the initiative to approach the homestay customer groups, analyzed their needs, and solved the pain point. After visiting and investigating homestay gathering places such as Jiaozuo Xiuwu County, Xin'an Shijing Town, Lushan Yaoshan Town, and Xinyang, the Bank is providing comprehensive financial service solutions based on "home rental loan" under the batching, specialized and online service model. The Bank has created a comprehensive financial service platform for cultural tourism, providing one-stop and professional business travel and corporate-individual linkage services for corporate users. The construction of the business travel platform progresses normally, and the platform (phase 1) was launched on June 24, 2022, which supported the subsequent cultural tourism business of the Bank. Relying on the brand advantage, network advantage, platform advantage and customer advantage, the Bank has provided pipeline support for the majority of scenic spots in terms of customer acquisition and attraction. The Bank launched the "Zhongyuan Travel Pass (中原旅遊通)", which focused on building a one-stop travel rights platform that contained food, accommodation, travel, shopping and entertainment for the people of Zhongyuan, making Zhongyuan Bank's cardholders in the province becoming a source of customer pipeline for the majority of cultural and tourism enterprises.

While the product system continued to be enriched, the Bank, centering on its strategy of building a "data-based bank and technological bank", has carried out digital transformation to accelerate the onlineization and scenarization of the Company's line products and services, and continued to enhance the competitiveness of the Company's products.

### 9.1.5 Investment banking

During the Reporting Period, the Bank vigorously promoted the development and transformation of investment banking business, continued to enrich investment banking business products, and actively participated in serving the corporate bond business in the province, with a total scale of RMB18.6 billion, including successfully underwriting 18 non-financial corporate debt financing instruments, with a total scale of RMB11 billion, and launched the first sustainable development linked + science and innovation sustainable medium term note of Henan enterprises. The Bank fully served local high-quality development through issuing financial bonds; successfully issued special financial bonds of RMB3 billion to specifically support the ecological protection and high-quality development of the Yellow River Basin; and successfully issued special financial bonds for loans to small and micro enterprises with an amount of RMB2 billion to precisely serve and enable small and micro enterprises, which provided useful practice for the implementation of the province's "Ten Strategies" and demonstrated the corporate bank's mission and responsibility.

The Bank tapped into the channels of bond market investment institutions, continued to strengthen the construction of financial industry circles, improved the "headquarters-to-headquarters" communication mechanism, built bridges between provincial enterprises and national investment institutions through online and offline exchanges and roadshows, etc., to "bring in investment for Henan" and support the development of the regional bond market; the Bank kept track of and researched the latest developments of the bond market to enable the high-quality development of the bond market in the province.





## Chapter 5 Management Discussion and Analysis

The Bank actively revitalized the resources of its peers, established a cooperation circle with other banks, insurance, trust, and leasing financial institutions, met the differentiated demands of our customers and provided comprehensive and multi-channel integration financial services for customers within the province through syndicated loans and fund matching, etc. With a focus on strategic directions such as industrial integration, livelihood operations, real estate bail-out, the Bank increased its support for M&A financing for economic transformation and high-quality development in the province.

### 9.1.6 Supply chain finance

With regard to its supply chain finance business, the Bank adheres to the customer-oriented principle, improves the supply chain efficiency, creates value for all participants in the industrial chain, supports major project construction in Henan Province and industrial transformation and development. As of the end of the Reporting Period, the Bank recorded the supply chain financing of RMB60.32 billion, representing an increase of 30% as compared to the same period last year and ranking first in terms of market share.

#### 9.1.6.1 Treasury management

Through independent research and development and product innovation, the Bank has established a relatively complete cash management product system including account management, collection and payment management, liquidity management, investment and financing management, and multi-bank fund management, which can provide standardized and personalized cash management service solutions for various types of customers such as enterprises, governments and public institutions. During the Reporting Period, the Bank launched a corporate settlement package service, which organically combined each individual settlement product, and provided customers with settlement business service schemes in the form of package services with value-added capital services and preferential policies of fee reduction and profit concession. The Bank has achieved internetization and parameterization for the whole process from target customer screening, contract invitation to business signing, further improving customer service capability and product online level.

As of the end of the Reporting Period, the Bank had 17,136 cash management accounts, representing an increase of 2,650 accounts as compared with the beginning of the year; and the daily average deposit balance was RMB75.182 billion, representing an increase of RMB15.659 billion as compared with the beginning of the year.

#### 9.1.6.2 Supply chain finance services

The Bank adheres to the customer-oriented principle and takes “onlineization, digitization, intellectualization and application” as the path. The Bank drives product innovation through digital transformation, and integrates financial services into transaction scenarios including purchase, inventory, sales and payment collection of upstream and downstream enterprises in the industrial chain through ZY e-chains, asset pool, online prepayment, electronic guarantee and other financial blockbusters of online supply chains, so as to provide convenient and efficient online financial services for small and medium-sized enterprises in the industrial chain.



## Chapter 5 Management Discussion and Analysis

As of the end of the Reporting Period, the Bank provided financing services in the supply chain of RMB60.3 billion to a total of 1,776 enterprises, representing an increase of 30% as compared with the same period last year.

### 9.1.7 International finance

According to the strategic deployment of the state and the provincial party committee, the Bank supports the stability maintenance and quality improvement of foreign trade, assists small and medium-sized foreign trade enterprises, and persists in customer research and peer benchmarking. As of the end of the Reporting Period, the international business recorded cross-border foreign exchange collection and payment of USD3.763 billion, representing a year-on-year increase of 18.70%, with the market share increasing from 3.70% in the previous year to 5.30%. International financing amounted to RMB25.5 billion, representing a year-on-year increase of 23.20%.

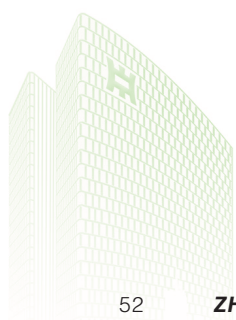
## 9.2 Retail Banking Business

During the Reporting Period, the individual line focused on “Four Services”, took “developing better finance, serving better society, and building the most trusted bank for people in Zhongyuan” as its mission and vision. The Bank deeply practised the service philosophy of “considerate, professional, cooperative and win-win”, and the strategic path of “Internetization and Ruralization of Banking Services, Digital and Intelligent Future, Integrity and Innovation, Striving Forward”, accelerated “Four Transformations”, helped achieve “Four Changes”, and thoroughly implemented the work requirements of “Six Commitments”. The Bank strengthened batch customer acquisition, remained committed to customer operation, innovated business models, improved financial products, optimized product mixes, enriched rights and interests of activities, and gradually enhanced the core competitive advantages of its retail business.

### 9.2.1 Retail deposits

During the Reporting Period, adhering to the brand concept of “Best Service, Best Pricing and Highest Efficiency”, the Bank continued to strengthen the brand of deposit products and achieved a new record high in the scale of savings. Focusing on customers’ demands, the Bank made full use of scientific and technological means, optimized products online purchase channels and strived to continuously improve the customer experience.

As of the end of the Reporting Period, the time point balance of savings deposits was RMB464.053 billion, representing an increase of RMB245.852 billion or 112.67% as compared with the end of last year; the balance of asset under management was RMB568.324 billion, representing an increase of RMB246.533 billion or 76.61% as compared with the end of last year.



## Chapter 5 Management Discussion and Analysis

### 9.2.2 Retail loans

During the Reporting Period, the Bank strengthened the management and system construction of retail loan product mixes, integrated the “E-loan series” personal loan brand, and promoted the steady growth of the retail credit business; accelerated the online business of products and services, expanded the application range of online application, online signing, electronic mortgage warrant and other functions, and supported business non-contact processing to provide customers with a safe, fast and reliable loan experience; continuously optimized the credit policies, summarized the experience of the market peers by using multi-dimensional data, enhanced the risk identification capability and improved the accuracy of the approval; and actively implemented the policy of fee reduction and profit sharing, practised inclusive finance to the greatest extent, and assisted in Henan people’s livelihood and consumer economy recovery.

As of the end of the Reporting Period, the time point balance of the personal loans was RMB237.486 billion, representing an increase of RMB53.373 billion or 28.99% as compared with the beginning of the year.

### 9.2.3 Retail customers

As of the end of the Reporting Period, the Bank’s customers reached 31,915,800 in total.

#### 9.2.3.1 Mass customers

As of the end of the Reporting Period, the scale of assets under management (including savings) of the Bank’s mass customers was RMB420.290 billion, of which the scale of savings deposits was RMB356.750 billion. During the Reporting Period, the new progress was made in the operation of agency customers, and there were 1,062,700 new agency customers, the assets under management (including savings) increased by RMB18.449 billion as compared with last year, accounting for 39.49% of the Bank’s total retail assets under management (including savings).

#### 9.2.3.2 Wealth management and private banking customer groups

As of the end of the Reporting Period, the scale of assets under management (including savings) of wealth management and private banking customer groups of the Bank was RMB148.034 billion, representing an increase of RMB52.301 billion or 54.63% as compared with the beginning of the year; and the balance of off-balance sheet assets was RMB54.344 billion, representing an increase of RMB3.917 billion or 7.77% as compared with the beginning of the year.



## Chapter 5 Management Discussion and Analysis

### 9.2.4 Key customer groups' management

During the Reporting Period, the Bank continuously strengthened its service capabilities with a focus on key customer groups. For the aged customer group, the Bank constructed a “Happy Life” comprehensive service system, including “Happy Wealth”, “Happy College”, “Happy Life” and “Happy Health Maintenance”. As of the end of the Reporting Period, the Bank had 8,646,200 aged customers with managed assets of RMB341.916 billion. For the child customer group, the Bank established the children’s service system of “Imagination Family”, launching a series of activities including children’s growth savings and “Little Banker”. As of the end of the Reporting Period, the Bank had 124,100 child customers with managed assets of RMB1.615 billion. For the customer group in the payment agency business, the Bank established a comprehensive service system of “salary payment agency”. Through measures including holding corporate-individual linkage enabling conferences, promoting payment agency projects in the pipeline, promoting the “salary payment” case, optimizing the e-salary payment function, and launching a local payment agency system, the Bank increased the number of customers of the payment agency business by 1,062,700.

During the Reporting Period, the Bank continuously optimized various online scenario-based platforms to promote customer experience. The Bank completed the mutual recognition of the rights and interests between the online mall and the point mall, allowing the deduction of points for commodities in the online mall; and completed the integration of payment business systems, to carry out product integration for campus payment and cloud payment, optimize the payment experience of customers, and facilitate unified customer management. The Bank continuously optimized its capability for acquiring services, rebuilt the core competitiveness of acquiring products, paid attention to the coverage of acquiring market at and below the county level and ranked first in terms of the number of local enterprises it served in Henan. As of the end of the Reporting Period, the Bank had a total of 10,735,000 registered users of payment and mall business, representing an increase of 1,866,000 as compared to the beginning of the year; there were 648,300 customers for acquiring services, representing an increase of 217,500 as compared to the beginning of the year; and the assets under management was RMB34.604 billion, representing an increase of RMB7.240 billion as compared to the beginning of the year.

### 9.2.5 Credit card business

During the Reporting Period, sticking to the customer-centric credit card business, with a focus on the objectives of “Best Service, Best Pricing and Highest Efficiency”, the Bank continued to optimize its products and upgrade its service experience, and enriched its consumption scenarios to effectively solve customers’ problems and meet their needs based on the financial sources. Relying on internal and external resources, the Bank strengthened scenario construction and steadily increased the scale of its customer base. Engaging in the closed-loop management of customers in the full life cycle, the Bank carried out refined customer services from multi-dimensions such as brand activities, customer rights and interests, system improvement and data model, to enhance customer experience. The Bank continued to build up a hierarchical customer operation system, gave play to the advantage from a combination of instalment products and scenarios, continuously optimized customer experience and met customers’ differentiated financing needs. The Bank iterated on its credit rating model and continued to improve the whole-process, intelligent and differentiated risk control system, which was in line with high-quality business development. In the continuous exploration of deepened digital transformation and service to the real economy, steady growth in scale and revenue was achieved.





## Chapter 5 Management Discussion and Analysis

As of the end of the Reporting Period, the Bank issued a total of 3,634,800 credit cards, representing an increase of 566,300 as compared with the beginning of the year; the transaction amount for the year was RMB120.861 billion, representing a year-on-year increase of 18.76%.

### 9.2.6 Housing finance business

During the Reporting Period, the Bank focused on the implementation of the “Four Transformations” for the housing finance business, enhancing its brand effect of housing finance. The Bank implemented concept transformation and made changes in the way of operation from single product sales to product portfolio allocation; upholding the full staff marketing was to turn indirect customers into direct customers. The Bank implemented business transformation and optimized the development model with the segmented customer base, establishing a housing mortgage product system for customers in the full life cycle, while launching exclusive products such as youth mortgage loans, middle-aged house exchange loans and county settling-in loans; strengthening its responsibility was to take concrete action in the work of “ensuring housing project delivery”; the Bank took the initiative to relieve the difficulties of enterprises and individuals, and provided deferred repayment services to real estate enterprises and individuals. The Bank implemented digital and intelligent transformation and improved service quality and efficiency by making mortgage leaflets available online, launching the video interview function for perpetual loans and building the online platform, “Zhongyuan e Home (中原 e 家)”, to speed up the digitalization process and enhance the service capability for customers. The Bank implemented style transformation and promoted the four conversion and four integration, launched the “Four Ones (四個一)” tutoring activities, set up the “Four-in-One (四位一體)” marketing system, and promoted the high-quality development of housing-related loans by linking up the head office and branches.

As of the end of the Reporting Period, the Bank provided personal housing mortgage loans of RMB10.605 billion and perpetual loans of RMB23.726 billion for the year.

### 9.2.7 Wealth and private banking business

During the Reporting Period, the Bank adhered to the customer-centered philosophy, firmly abided by the principle of prudent operation, continuously optimized the “3+1+N” system of high-net-worth exclusive products, and created the standardized open product mix for wealth management. By expanding external high-quality cooperative institutions and deepening research on investment products, we continued to enrich the supply of products such as “Perfect Choice – Fixed Income”, “Best Choice – Pure Bond Investment”, “Smart Choice – Fixed Income Enhancement”, and “Selected Manager – Diversified Strategies”, so as to upgrade the ability of wealth customers to allocate assets of the full life cycle and the full product chain, and satisfy the demands of customers for exclusive and personalized comprehensive financial services.

During the Reporting Period, the Bank’s business scale of high-net-worth exclusive products such as trust on a commission basis and asset management plans continued to grow, and the sales of high-net-worth exclusive products amounted to RMB23.009 billion, and maintained its position well as No.1 among 28 banks in the province in terms of sales of high-net-worth exclusive products in 2022.





## Chapter 5 Management Discussion and Analysis

### 9.2.8 Auto finance business

During the Reporting Period, guided by the principle of facilitating a better travel life for residents in Zhongyuan, the Bank focused on enhancing its auto finance brand. Under the customer-oriented principle, the Bank continuously improved its product system and iterated and optimized the “Car e-loan (車 e 貸)” products to make operation more convenient and improve customer experience. It created the car scenario segment products and grasped the opportunities brought by the second-hand car growth to launch the “second-hand car consumption loan”; in the meantime, the Bank deeply explored the purchase scenario of new energy car and promoted the digital and intelligent integration scenario to create the full-process online smart car loan products. It intensified brand publicity, promoted the full-journey ecological construction of car consumption, and launched and operated “Zhongyuan e Car (中原 e 車)”. The Bank continuously optimized the examination and approval process to achieve centralized approval, strengthened the construction of digital and intelligent risk control, and improved its full-process risk management capabilities.

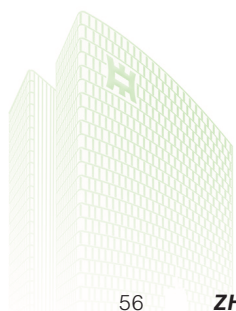
As of the end of the Reporting Period, the Bank provided auto finance loans of RMB21.6 billion in total, serving more than 250,000 customers, and facilitating the transactions of RMB44.2 billion in auto supply chain finance.

### 9.3 Financial market business

#### 9.3.1 Treasury business

During the Reporting Period, the Bank persisted in the focus on stability and took proactive and active actions. The Bank persisted in carrying out financial market business in a compliant and prudent manner. Based on ensuring its liquidity safety, the Bank effectively conveyed monetary policies, actively assumed the responsibility for regional liquidity, and fully played the role of a market stabilizer, thus making an important contribution to the smooth operation of the inter-bank market. The Bank actively promoted the application of innovative instruments in the inter-bank market, deeply participated in the innovative business of RFQ transactions, and ranked among the top 30 companies in “innovative and active dealers in repurchase” for the 12 consecutive months, thus maintaining its market activity and continuously improving its market influence.

During the Reporting Period, due to the impact of the Russia-Ukraine war and changes of real estate policies, the bond market was subject to a rapid change in the expected environment. The bond yield was volatile as the strength of China’s policies to stabilize the growth and the downward pressure on the economy both exceeded expectations, and overseas inflation remained high. The Bank gave full play to its investment and research capabilities, grasped the law of the bond market, actively adjusted its position, adopted a small swing trade strategy, and steadily obtained interest spread income. Near the end of the year, the bond yields rose sharply due to events such as the shocks of financial redemptions, and frequent real estate policies. The Bank adjusted investment strategies in a timely manner, strengthened market risk prevention, and reduced portfolio duration and interest rate sensitivity. Meanwhile, the Bank actively tracked the changes in exchange rate trends, effectively researched the market trends, and chose the opportunity to conduct NDF operations. While effectively reducing the exchange rate risk exposure of overseas assets, it saved financial costs, increased actual returns, ensured the safety of the Bank’s foreign exchange assets, and realized asset appreciation.





## Chapter 5 Management Discussion and Analysis

### 9.3.2 Interbank business

During the Reporting Period, the interbank business of the Bank has returned to the origin of liquidity management and continued to provide liquidity support for the Bank. In terms of customers, based on the industry, type, and scale, the Bank managed interbank customers by levels and categories, and continued to improve the customer service system. Besides, the Bank strengthened the interaction between the internal and external sectors, in cooperation with over 1,200 interbank institutions to build a brand for the interbank customer service of the Bank, so as to achieve mutual benefit and win-win outcomes of cooperation in interbank businesses. In terms of products, the Bank continuously optimized the structure of interbank liabilities, promoted the use of online products, and improved business processing efficiency and market influence. As the major participating institution of CFETS interbank deposits, the Bank vigorously expanded the scope of CFETS interbank deposit business cooperation and was awarded the “Market Innovation Award” in the interbank domestic currency market in 2022.

As of the end of the Reporting Period, the Bank had cooperated with 62 CFETS interbank deposit institutions and the cumulative turnover of CFETS interbank deposits was RMB73.588 billion, representing a year-on-year increase of 37.96%.

### 9.3.3 Bill business

During the Reporting Period, the Bank actively performed its responsibility and mission of serving the regional economic and social development, and practically solved the urgent problems of micro, small and medium-sized, and private enterprises including turnover and financing expansion, by providing professional, intimate and efficient bill services. The Bank established a good bill brand image with a comprehensive bill product system and formed a benign model of bills supporting the real economy and serving small and medium-sized enterprises.

The Bank has achieved the online discounting of bank bills and commercial bills, continuously deepened the innovative application of financial technology in the bill business, improved the discounting efficiency and enhanced the customer experience and the capability of the bill business of the Bank to serve the real economy. As of the end of the Reporting Period, the cumulative discount of the Bank ranked first among financial institutions in Henan Province. Specifically, the number of micro, small and medium-sized enterprises accounted for more than 90%, and the bill discounting of micro, small and medium-sized enterprises accounted for more than 80%, with a focus on the construction of a modern industrial system, green and low-carbon transition and other industries that followed the national policy orientation.

The Bank actively supported the People’s Bank of China in implementing monetary policy instruments including rediscount, properly and fully utilized national financial support policies, made efforts to support the bailout for enterprises, reduced financing costs of enterprises and practised the philosophy of inclusive finance. As of the end of the Reporting Period, the Bank ranked the top among financial institutions in Henan Province in terms of rediscount amount and balance.



## Chapter 5 Management Discussion and Analysis

### 9.3.4 Asset management

During the Reporting Period, under the guidance of the new development concept, the Bank strictly implemented regulatory requirements, actively fulfilled its social responsibilities, conscientiously performed its duties as an investment manager, and strived to do a good job in customer wealth management for its wealth management business. As of the end of the Reporting Period, the scale of the Bank's wealth management products was RMB93.269 billion, all of which were net-worth products that met the requirements of the new asset management regulations.

During the Reporting Period, the Bank adhered to prudent operation and strict risk control and management, insisted in focusing on investment and research capabilities and continued to strengthen investment and research capabilities to realize the standardization, normalization and systematization of the investment. Adhered to customer demand-oriented, the Bank optimized its product structure, defined product positioning and revenue characteristic, and established its net-worth product system with fixed income as the core, and "fixed income +" as a supplement, so as to effectively meet the full-life-cycle asset allocation needs of customers. During the Reporting Period, the Bank's wealth management business developed steadily and a good wealth management brand image was established.

### 9.4 Inclusive finance business

#### 9.4.1 Small and micro finance

During the Reporting Period, the Bank fully implemented the new development concept, focused on the strategic tasks of "Stability on six key fronts" and "Security in six key areas", according to the "treatment of individuals, small and micro-sized enterprises in batch", further improved the quality and efficiency of financial services, strengthened and deepened financial services for small and micro-sized enterprises, and supported the recovery and high-quality development of small and micro enterprises.

The Bank steadily increased the provision of credit, consolidated the achievements in profit concessions to small and micro enterprises. During the Reporting Period, the policy dividends such as monetary, tax exemption and reduction, fiscal incentives and subsidies were transmitted to terminal interest rates and prices through the preferential pricing of small and micro enterprises and the policy support tools for loans to support small businesses, to consolidate the achievements in profit concessions to small and micro enterprises. During the Reporting Period, inclusive small and micro loans of RMB56.300 billion have been provided for small and micro customers, with a weighted average rate of 4.76%, down by 0.31% over last year. As of the end of the Reporting Period, the balance of inclusive small and micro loans of the Bank was RMB76.197 billion, and the number of small and micro credit customers was 128,700.





## Chapter 5 Management Discussion and Analysis

We increased credit products innovation to improve the accessibility of loans for small and micro customers. We have strengthened the mining and application of credit information of small and micro enterprises, enriched the data of products, optimized the approval model, launched the universal small and micro online product Shangyi Loan (商易貸), explored the cooperation model between banks and guarantee companies, and orderly carried out the “guarantee for any loan” batch guarantee business with Zhongyuan Reguarantee Group Co., Ltd. to provide credit support to small and micro enterprises and owners of individually-owned business and to share the loan risks reasonably. Directly connected to the financial system, the government procurement loans realized the function of issuing loans before filing in 120 cities, districts, and counties, and supported the automatic approval of some business models below RMB4 million, significantly improving the efficiency of business approval.

We strengthened financial support for weak links and improved the service efficiency for small and micro enterprises. Clarifying the renewal criteria for loans to small and micro customers, we renewed loans for each small and micro business whose operations had not deteriorated, guarantees had remained effective and exposures had not increased. In response to the call of lifting small and micro enterprises out of difficulty, we successively carried out policies such as Zhongyuan Bank’s Work Plan on Deferred Payment of Principal and Interest for Credit Business (《中原銀行授信業務延期還本付息工作方案》) and Differentiated Grace Plan for Small and Micro Businesses (《小微業務差異化延期方案》), established a tolerance mechanism, introduced video application for loan renewal, and launched online processes to deal with deferment, in a bid to simplify the business handling process and ensure as much renewal as possible. We formulated a work plan for interim interest deduction for loans to small and micro businesses, and with the intention of “reducing interest payable by each small and micro business in need of relief”, we temporarily waived loan interest of RMB75 million for 25,000 small and micro customers of inclusive financing under our management.

We enriched our professional mechanism to serve small and micro customers and enhanced the capacity of integrated financial services. During the Reporting Period, the Bank clarified the independent line management of inclusive financing for small and micro businesses and set up lead departments for small and micro businesses in branches to coordinate the management of regional small and micro customers of inclusive financing and integrated operation. As of the end of the Reporting Period, the Bank had 36 teams and 277 managers dedicated to small and micro customers. The risk management mechanism was improved; at the head office level, risk embedding mechanism was strengthened in the whole process management covering loan origination, loan servicing and recovery, and at the branch level, inclusive financing risk centers were set up to take charge of targeted approval, granting, management and collection for inclusive financing business. To implement the internal mechanism of “Daring to Lend and Willing to Lend (敢貸願貸)” in detail, we revised the Administrative Measures for Servicers’ Due Diligence and Liability Exemption Related to Loans to Small and Micro Enterprises (小微企業盡職免責管理辦法) by compiling a positive list and a negative list and quantifying the criteria for due diligence and liability exemption, to exempt servicers from liability or reduce their liability if they have performed due diligence, so as to encourage them to lend.



## Chapter 5 Management Discussion and Analysis

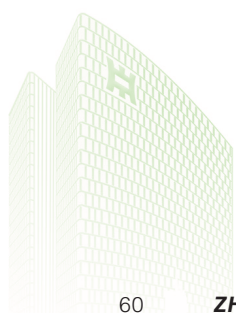
### 9.4.2 Rural Revitalization and Finance

During the Reporting Period, the Bank remained committed to implementing China's rural revitalization strategy. With an eye on the major customer groups of agriculture sector, rural areas, farmers and migrant workers, the Bank promoted the reaching of the goal of "Four Haves" (四有) and achieved relatively rapid development in the work of rural revitalization and finance.

We explored to develop a new model of financial services for rural revitalization. Focusing on serving the customer groups of agriculture sector, rural areas, farmers and migrant workers, the Company formed a new five-in-one financial service model for rural revitalization, which consists in one station (inclusive financial service station), one card (Rural Revitalization Card (鄉村振興卡)), one product (loan product for farmers), one platform (online version of Yidiantong for rural areas) and one system (agricultural industry service system). In terms of channel construction, we developed the five-in-one rural financial channel service model, i.e. "sub-branches at the county level + sub-branches at the township level + self-service devices + service stations + Yidiantong", effectively improving the accessibility, convenience and accuracy of financial services for rural areas. As of the end of the Reporting Period, the Bank had set up 185 sub-branches at the county level, 74 sub-branches at the township level, 396 self-service devices and 7,246 inclusive financial service stations, which served 9,267,000 customers at the county level, representing an increase of 1,240,000 customers as compared to the beginning of the year.

"Henan Farmer E Loan", our innovative credit loan product for farmers, was rolled out. Farmers who meet the standards of access to credit for village as a whole (having no bad records or habits and running projects relating to production and operation) can be granted a credit limit for up to RMB100,000, which can be borrowed and repaid on demand during the credit period for cycle use. For loan application, online withdrawals and repayments were available through online channels such as Yidiantong. As of the end of the Reporting Period, credit extension was accessible to 5,981 villages, serving 14,000 farm households with a loan balance of RMB394 million.

We created new solutions to agricultural industry services. These diversified service solutions were developed through "establishing mechanisms, bolstering weak spots, building scenarios and creating models", and were characterized by their focus on counties, superior and special industries in the counties, industries engaging in purchasing wheat, corn and other agricultural commodities, rural collective economic organizations, strategic customers involved in agriculture sector and rural infrastructure construction. As of the end of the Reporting Period, the balance of agricultural loans was RMB148.040 billion, representing an increase of RMB12.240 billion as compared to the beginning of the year; in particular, the balance of loans to the agricultural industry was RMB25.100 billion, representing an increase of RMB8.620 billion as compared to the beginning of the year.





## Chapter 5 Management Discussion and Analysis

We adopted multiple measures to provide the customer groups of agriculture sector, rural areas, farmers and migrant workers with in-depth services. We issued Rural Revitalization Card that was exclusive to these customer groups, offering three exclusive entitlements, namely free agricultural insurance, free medical consultation and free agricultural and technological advice. We met the daily needs of villagers through deeply integrating service stations with scenarios such as water purifiers, liquid detergent machine, shared printers and party building activities. Moreover, we continued to hold the four types of events for rural residents themed “Keep Fit with Zhongyuan Bank (健康中原)”, “Read Books with Zhongyuan Bank (書香中原)”, “Sing Songs with Zhongyuan Bank (唱響中原)” and “Dance with Zhongyuan Bank (舞動中原)”, with a total of 1,981 events held and 133,500 rural residents participating, enriching the villagers’ cultural life.

### 9.5 Distribution Channels

#### 9.5.1 Mobile banking

During the Reporting Period, the Bank integrated the personal and corporate versions of mobile banking “Yidiantong (一點通)” to achieve a unified interface and one-stop login; we continuously optimized the functional experience of mobile banking and improved the brand reputation to achieve a further upgrade of the customer service capabilities of mobile banking.

The Bank optimized the “Happy Version” senior-friendly mobile banking serving for silver-haired customers, which provided convenient and considerate service through simple interactive design, font amplification, convenient voice broadcasting, video teaching, anti-fraud security protection, etc.

The Bank optimized the “Cloud BANK (雲 BANK)” function based on 5G+ audio and video technology to support online processing of personal information maintenance, bank card unlocking, password resetting and others, realizing 7\*24\*365 uninterrupted online, remote and mobile non-contact services.

The Bank built a new ecological service system of new “Finance+” scenario, which integrated the life and leisure scenarios of the people in Henan Province, creating convenient services such as social security, medical insurance, life payment, community living and merchant services.

As of the end of the Reporting Period, our personal mobile banking users reached 13.9671 million, our customers reached 12.0327 million, our active users reached 3.1929 million.

#### 9.5.2 WeChat banking

The Bank accelerated digital transformation and continuously optimized ecological customer service capabilities of WeChat banking to create convenient finance. We enriched our products, activities and content by adopting various forms such as “information + video + graphic push + interactive topic” to meet users’ financial and non-financial needs. As of the end of the Reporting Period, WeChat official account of our Bank has sent 272 tweets in 47 issues in aggregate, which have been viewed for 6.98 million times. The number of fans of our WeChat banking reached 7.9890 million, representing an increase of 2.2812 million as compared to the beginning of the year, of which there were 5.0372 million card binding customers, representing an increase of 1.0087 million as compared to the beginning of the year.



## Chapter 5 Management Discussion and Analysis

### 9.5.3 Personal online banking

As of the end of the Reporting Period, the Bank's personal online banking attracted 546,100 new users, with the total number of users reaching 1.6389 million. During the Reporting Period, the total number of transactions reached 11.9785 million, and the total transaction amount reached RMB1,619.762 billion.

### 9.5.4 Self-service banking

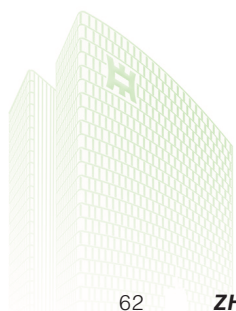
As of the end of the Reporting Period, the Bank had 3,929 self-service devices in total. Of which, there were 1,557 ATMs and CRSs, 989 intelligent teller machines, 405 smart cash cabinets, 20 VTMs, 789 multi-media inquiry machines, 1,980 mobile PADs and 95 receipt printers. During the Reporting Period, the Bank's business volume of offline self-service channels totaled 31.1883 million, with a total transaction amount of RMB97.335 billion.

### 9.5.5 Customer service center

During the Reporting Period, the remote banking service center strictly implemented the service tenet of "consideration and profession" and drove the evolution of service methods with digital intelligence, so as to provide services to customers in an omni-channel and multi-dimensional manner. During the Reporting Period, the Bank's total incoming call volume was 3.7684 million, of which the manual incoming call volume was 1.8201 million, and the customer satisfaction was 99.54%. Intelligent voice browsing calls were 1.79 million, with a diversion rate of 65.87%. Online customer service received 5.8402 million calls from customers, of which 318,500 were transferred to manual receiving. The diversion rate of smart text customer service was 94.61%, and customer satisfaction was 94.54%.

### 9.5.6 Direct banking

During the Reporting Period, the Bank kept on implementing the new concept of initiating open and win-win cooperation. With the vision of "building a new pattern of opening up and establishing connection with other banks, efficiently enabling the digital construction in the province, and making the new Zhongyuan Bank a national leading open bank brand", the Bank devoted to promoting the jointly innovative business of perpetual loans. Under this business model, the Bank packaged the system tools of perpetual loan business and provided services to cooperative banks to support them in providing housing mortgage services for individuals and small and micro merchants in the area where they conducted businesses. As of the end of the Reporting Period, a total of 28 cooperative banks have signed agreements with us on jointly innovative business of perpetual loans, and cooperative banks have granted RMB40.372 billion of loans in total, establishing a good brand image and word-of-mouth effect in the industry. At the same time, the Bank continued to enrich the product variety of jointly innovative products, launched six types of business and management products, and carried out five jointly innovative cooperation projects of new products.





## Chapter 5 Management Discussion and Analysis

In order to support the efficient operation of the jointly innovative business of perpetual loans, the Bank continuously promoted standardised operation systems in terms of project operation of cooperative banks. In terms of customer experience, it provided friendly IT experience to businesses and consumer customers; in terms of risk control, it continuously improved the risk model system, adhered to the bottom line of compliance, continuously iterated and upgraded risk strategies, supported the risk control strategy that was determined locally by cooperative banks on their own in accordance with risk preference, optimized the strategy system of “one city, one policy (一城一策)” model for 16 cooperative banks, and made 133 adjustments throughout the year; and in terms of digital operation, it continuously optimised the data analysis platform, launched analytical reports and Easyscreen underpinned by multiple business categories to provide data support for the cooperative banks’ business decision-making. Iterating IT systems consistently for agile delivery, the system completed more than 20 versions of iterative updates for the perpetual loan export system and launched 247 functional requirements during the Reporting Period.

### 9.6 Information Technology

The Bank closely focused on the strategic goal of “Three Small Goals and One Big Goal (三小一大)”, the strategy of “Four Transformations (四大轉型)” and the constructive guidelines of “Five Modernizations of Science and Technology (科技五化)”, successfully completed the integration of merger by absorption systems and the construction of data concentration projects. The Bank researched and formulated the development plan for digital and intelligent transition, consolidated the infrastructure and capabilities of financial technology, deepened and promoted the construction of digital and intelligence applications, consistently strengthened the risk management of information and technology, and strived to improve the independent control level of science and technology, so as to facilitate the strategic transformation and development of the whole Bank.

#### 9.6.1 Construction of merger by absorption concentration projects

From 22:00 on August 26, 2022 to 08:00 on August 29, 2022, the Bank successfully completed the integration of the Merger by Absorption systems and the launch of the data concentration projects, involving data migration of 206 systems and transformation and upgrading of 216 systems. The Bank realized the integration and switching of all businesses, systems and data of Bank of Luoyang, Bank of Pingdingshan and Jiaozuo Bank of China Travel Service at top speed, with zero error, zero public opinion, and zero delay, creating many firsts such as the widest integration range of merger by absorption systems, the largest volume of data concentration, and the highest timeliness of integration and launch in the development history of domestic city commercial banks. Since the launch of the project, all businesses of the Bank have been operating smoothly, and the performance indicators of technological infrastructure and each information system has been normal.

#### 9.6.2 Construction of key projects

The Bank focused on the demand for comprehensive online construction, steadily promoted the work of systematic construction and functional optimization and upgrading. As of the end of the Reporting Period, a total of 3,838 requests have been accepted, including 94 new projects and 3,744 functional optimization projects. Among them, 39 key projects, including the new generation of payment system, upgraded mobile banking experience of Yidiantong (一點通), and optimization of the ZY Bank’s E-series products, were launched as scheduled.





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### 9.6.3 Practice of strategy of digital and intelligent transformation

Based on the requirements of Zhongyuan Bank's development strategy, the Bank studied and formulated a future-oriented development plan for digital and intelligent transformation, and vigorously promoted the transformation of IT infrastructure and the construction of data infrastructure.

The plan for digital and intelligent transformation. According to the overall direction and path of digital and intelligent transformation of "1234+N", through the methods such as market research, internal interviews, problem diagnosis and peer benchmarking, the study clarified the vision of "realizing the cooperative symbiosis, openness and win-win among banks, enterprises, the government and people through digital intelligence finance, and building a digital intelligence-empowered bank with first-class experience and service". We formulated a pan-ecological platform strategy with "Yidiantong and Intelligence (一點通·智相隨)" as the core, which, with "Yidiantong" as the core of transformation, "technology and data" as the support of transformation, with "online, digital and intelligent, and open" as the path of transformation, and with "bank-government, bank-enterprise, bank-business and bank-private" as the carrier of transformation, refined the construction and implementation path, laying a solid foundation for digital and intelligent transformation and development of the Bank in the next three years.

Construction of infrastructure. As for technology intermediate platform, we strengthened the construction and promotion of enterprise-level unified development platform (front end, server side and mobile terminal) and distributed middleware platform. The mobile terminal platform comprehensively promoted and supported the construction of 184 mini apps, and continuously iterated and improved basic platforms such as the message center, financial open platform, and biometric identification platform. We vigorously promoted the construction of financial-level cloud native technology system, effectively improved the level of application stability assurance, and now has supported the safe and stable operation of 328 sets of microservice applications and 168 sets of monolithic applications. As for business intermediate platform, we built a new payment intermediate platform, completed the switching and launching of urban commercial bank channels and super network channels, and comprehensively improved the service performance and business stability of the payment system. We accelerated the construction of the intermediate platform of retail channels, established the credit card center and realized the unified logic of credit card business, thus providing customers with more stable and high-quality services. As for cloud platform, we completed the expansion of infrastructure resource pool for information innovation cloud, and optimized and improved the high availability and monitoring timeliness of the container cloud. We realized the automation and standardization of the whole process of cloud resource delivery, improving the delivery efficiency by more than 10 times, and shortening the lead time to 30 minutes. There are about 2,200 running containers produced in the whole bank, and the percentage of cloud-based application systems has reached 93.00%. As for the construction of the DevOps, we realized the quality of various code specifications of the whole bank system and full coverage of access control, and continuously improved the level of digital R&D management and security control. We completed the upgrade of automatic deployment engine, realized the production automatic deployment of 130 systems, and effectively improved the production deployment efficiency. The independent R&D efficiency insight platform has successfully passed the standard evaluation and certification of the R&D efficiency measurement platform of CAICT, helping to improve the quality and efficiency of R&D delivery.





## Chapter 5 Management Discussion and Analysis

Data infrastructure. In terms of data governance, the Bank completed the construction of a unified regulatory submission platform and regulatory data market, and the verification pass rate of the regulatory standardization was 91%; through the relevant measures such as system data improvement, internal and external data integration, and additional recording of data, the coverage of critical data label was increased to 90%. In terms of data integration, the Bank established a data quality monitoring model, made statistical analysis and implemented the integrated quality indicators of model data from all dimensions to realize the full link coverage of quality monitoring for data warehouse. In terms of data middle platform, the Bank optimized the coordination ability of Lake and warehouse, effectively shortened the data processing link, and completed the cold and hot data separation management of more than 18,000 tables; the total volume of data entering the Lake reached 550TB so that the Bank reduced the unit data storage cost by 25%. In terms of digitalization marketing, the Bank continued to optimize the digital marketing platform, issued 290 million clues to 18.74 million customers of the Bank, and promoted sales of products amounting to RMB232.8 billion; 261 activities were held on the Intelligent Win Platform (智赢平台) with 5.61 million participants, which strongly supported the online operation activities. In terms of digital risk control management, the anti-fraud application system against enterprises was built to make an all-channel and all-process access to the anti-fraud application for 15 credit products, including Zhongyuan e-loan (原 e 贷), credit card application, Henan Farmer E Loan (豫农E贷) and perpetual loan; 592 anti-fraud rules were formulated, 1.45 million cases were accepted, and the rejection rate of application with fraud suspicion reached 5.76%, improving the level of ability to prevent and control fraud risks.

### 9.6.4 Fintech Innovation Practice

The Bank explored technological innovation applications such as big data, artificial intelligence (AI) and blockchain, as well as realized the innovation achievements of new technologies in various fields such as digital labor force, intelligent risk control and supply chain financing. The Bank strengthened the construction of RPA application and launched 326 robots, saving about 1,567 people in labor costs throughout the year. The Bank completed the construction of the federated learning platform, provided cloud-based out-of-the-box features, cooperated on the federated learning with other banks in the province, and implemented the two scenarios of personal account fraud and stop payment of related customers. The Bank built and launched a supply chain platform, expanded the application scenarios of “blockchain + financial services”, and launched three blockchain application scenarios for accounts receivable, reverse factoring, and detachable, transferable and fundable credit (原信拆转融). As of the end of the Reporting Period, about more than 3,000 on-chain transactions had been signed and issued to raise funds of about RMB2.15 billion in total, providing strong support for the resumption of work and production in the real economy. The Bank built and launched the 5G information center, activated high-frequency application scenarios such as financial service Yidiantong (一点通), financial knowledge classes, and credit card center, to realize the seamless connection between financial institutions, operators and customers, enrich business processing channels and improve comprehensive service level.



## Chapter 5 Management Discussion and Analysis

### 9.6.5 Construction of Technology Teams

The Bank optimized and adjusted the organizational structure of technology and set up the Digital Intelligence Financial Innovation Laboratory, the Open Banking Department and the Software Research and Development Center. The Bank continuously strengthened the construction of the technology team, optimized the staffing of key positions, promoted the cultivation of core professional skills, and enhanced the coordinated management of information technologies and the building of professional capabilities. As of the end of the Reporting Period, the head office had 837 technical staff, representing an increase of 122 staff as compared to the beginning of the year. The Bank conducted training for all levels of staff in key positions throughout the year, covering approximately 70% of the staff in the technology line, and further enhanced the professional skills of technical staff.

### 9.6.6 Establishment of Technology Brands

The Bank enhanced in-house innovation and was granted 14 software copyrights and 10 invention patents throughout the year. The self-developed distributed microservice platform was awarded the highest level of certification by the CAICT for the “Distributed System Stability Assurance Capability Assessment” and the diagnosis and analysis platform was awarded the gold medal in the “5th (2022) Digital Finance Innovation Competition”. The R&D efficiency insight platform was selected as a “Typical Case of Digital Transformation” by the China Beijing International Fair for Trade in Services, and the new generation of payment system was awarded as a “2022 Outstanding Case of Payment and Clearing Innovation” by the Clearing Center for City Commercial Banks, the Exploration and Application of Graph Processing in the Field of Financial Anti-Fraud was awarded as an “Outstanding Case of Financial Technology Innovation and Application” by Jinxintong (金信通), and the “Construction of Interbank Federal Anti-Fraud System” was awarded as a “2022 Top Ten Outstanding Case” by the Clearing Center for City Commercial Banks. The Bank was awarded the title of “Staunch Defender of Cybersecurity” at the 2022 CSO Global Cyber Security Summit, the 2022 IDC China Financial Industry Technology Application Scenario Innovation Award, and the “Strong Network Pioneer” in the 6th Strong Network Cup; the longitudinal cybersecurity defense system was continuously improved. The Bank participated as a key player in the preparation of industry specifications such as the Digital Service Capability Requirements for Mobile Banking, the MLOps Application Practice Guide, the White Book on External Data Management Practices for Financial Institutions, the White Book on Financial Data Warehouse, and the Robotic Process Automation Capability Assessment Methodology. The Bank’s technology team won the championship in “The 2022 Alibaba Cloud 4th Real-Time Computing Flink Challenge”, “The 2022 Alibaba Cloud 3rd Cloud Native Programming Challenge” and “RPA China Cup – The 3rd Genius Challenge”, further enhancing the influence of the Bank’s technology brand.

### 9.6.7 Production and operation of the entire Bank

During the Reporting Period, the information system of the Bank was running smoothly as a whole with no major production liability incident incurred.



# Chapter 5 Management Discussion and Analysis

## 9.7 Investment Business of Subsidiaries and Joint Ventures

### 9.7.1 Business of county banks

#### 9.7.1.1 Percentage of shareholding of the Bank in county banks

Name	Percentage of shareholding of the Bank
Linzhou Zhongyuan County Bank Co., Ltd. (林州中原村鎮銀行股份有限公司)	51.00%
Qixian Zhongyuan County Bank Co., Ltd. (淇縣中原村鎮銀行股份有限公司)	51.00%
Xinxiang Zhongyuan County Bank Co., Ltd. (新鄉中原村鎮銀行股份有限公司)	78.46%
Puyang Zhongyuan County Bank Co., Ltd. (濮陽中原村鎮銀行股份有限公司)	51.00%
Lushi Zhongyuan County Bank Co., Ltd. (盧氏中原村鎮銀行股份有限公司)	51.00%
Xiangcheng Zhongyuan Rural Bank Co., Ltd. (襄城中原村鎮銀行股份有限公司)	51.00%
Xinyang Pingqiao Zhongyuan County Bank Co., Ltd. (信陽平橋中原村鎮銀行股份有限公司)	51.73%
Xiping Zhongyuan County Bank Co., Ltd. (西平中原村鎮銀行股份有限公司)	43.69%
Suiping Zhongyuan County Bank Co., Ltd. (遂平中原村鎮銀行股份有限公司)	51.02%
Shenzhen Nanshan Baosheng County Bank Co., Ltd. (深圳南山寶生村鎮銀行股份有限公司)	42.05%
Henan Luanchuan Minfeng County Bank Co., Ltd. (河南樂川民豐村鎮銀行股份有限公司)	30.33%
Mengjin Minfeng County Bank Co., Ltd. (孟津民豐村鎮銀行股份有限公司)	34.58%
Jiaxian Guangtian County Bank Co., Ltd. (郊縣廣天村鎮銀行股份有限公司)	51.28%
Luohe Yancheng Development County Bank Co., Ltd. (漯河市郟城發展村鎮銀行有限責任公司)	51.00%



## Chapter 5 Management Discussion and Analysis

### 9.7.1.2 Business development during the Reporting Period

The 14 county banks provide local small and micro enterprises and retail banking customers with a broad range of financial products and services, including business and consumer loans, deposits from customers and fee-based and commission-based products and services, such as settlement services, remittance services and bank card services. The Bank took advantage of its own technology, products, management and other resources to continuously help the 14 county banks to enrich their own financial service system, better serve the target customer base of county banks, contribute financial strength of country banks to the local rural revitalization, and further enhance the Bank's brand awareness.

During the Reporting Period, the 14 county banks always adhered to their market positioning of "supporting the agriculture and small and micro enterprises (支農支小)" and extended the principles of "micro and disperse (小額、分散)". They focused on the actual financial needs of the four rural customer groups of "agriculture, rural areas, farmers, and migrant workers (四農)", continued to optimize their products and processes, further brought their staff and services down to the primary level, kept improving their ability to serve rural revitalization, deeply practised inclusive finance, and strived to promote business structure optimization and comprehensive transformation and development, along with intensified support to agriculture and small and micro enterprises.

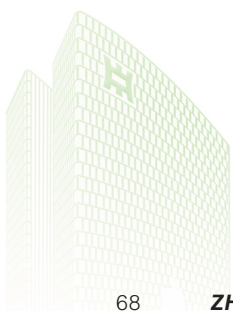
### 9.7.2 Consumer Finance Company

During the Reporting Period, the consumer finance company always adhered to the guidance of the Party building, set up a firm bottom line for risks, strengthened the foundation of compliance, practised inclusive finance, and continuously promoted high-quality development, achieving steady growth in business scale, continuous growth in profitability and stable asset quality.

### 9.7.3 Financial Leasing Company

During the Reporting Period, in the face of the complicated economic situations and arduous and onerous development tasks, AB Leasing successfully held a relocation ceremony and officially settled in Zhengzhou. After its return, it actively integrated into the development strategy of the Group, implemented the new development concepts into its operation and management, further strengthened the leadership of the Party, continuously improved corporate governance, unswervingly deepened its transformation and development and insistently promoted synergistic development. The operation results were upward in spite of the difficulties, creating a new situation of steady development.

During the Reporting Period, the Bank took up the equity interest held by the former Bank of Luoyang in BOL Financial Leasing. Overcoming the influences such as the downward pressure on the macroeconomic environment, BOL Financial Leasing adjusted its operation strategy in a timely manner, focusing on liquidity safety and asset quality improvement, and actively conducted transformation exploration, promoted new business expansion and enhanced business hierarchy, and achieved better operation results throughout the year, realizing steady development after the completion of the absorption and merger.





## Chapter 5 Management Discussion and Analysis

### 10. Risk Management

During the Reporting Period, in the face of internal and external difficult challenges including global economic growth slowdown and intensification of geopolitical conflicts, the Bank thoroughly studied and implemented the spirit of the 20th CPC National Congress, firmly supported the real economy, continuously strengthened the risk compliance awareness, stuck to the bottom line of avoiding regional and systemic financial risks, and promoted the high-quality economic development of Henan, with a focus on “ensuring high-quality building of modernization and high-level realization of modernization” and “Ten Strategies”. During the Reporting Period, the Bank successfully merged Bank of Luoyang, Bank of Pingdingshan and Bank of JZCTS, thus laying a solid foundation for comprehensively deepening financial reform and developing local financial institutions.

During the Reporting Period, in active response to the call of the national policy, the Bank was based on a new starting point for development, coordinated strategic layout of “making Zhongyuan Bank a century-old brand”, identified the development goal of “Three Small Goals and One Big Goal (三小一大)”, practised the four services of “serving strategies, real economy, enterprises and the people”, implemented the four transformations of “Concept Transformation, Business Transformation, Digital and Intelligent Transformation, Style Transformation”, optimized the credit process and approval logic, improved the construction of intelligent risk control systems, promoted the integration of risk culture and the improvement of professional ability of teams in-depth, carried out “reduction in existing loans and control over new loans” in a practical and considerate manner, enhanced the risk compensation ability, and ensured the steady development of various businesses of the Bank.

#### 10.1 Credit Risk Management

During the Reporting Period, the Bank maintained its prudent risk preference, proactively responded to the credit risk exposures arising from internal and external impacts that exceeded expectations, took a two-pronged approach for both serving the real economy and effectively preventing and resolving risks, and prevented and defused financial risks in the course of steady development to facilitate the high-quality development of the Bank. During the Reporting Period, the Bank continued to consolidate the basic credit risk management, strived to improve the quality of assets. The asset quality of the Bank remained stable, the credit structure continued to be optimized, and the concentration risk was generally controllable. During the Reporting Period, the Bank took the initiative to get close to users and responded rapidly, optimized mechanism for handling business, which provided guarantee for customers to offer continuous financing support. The Bank adhered to the strategy of “properly managing new loans, strictly controlling the variables and improving the quality”, specified the objectives of controlling non-performing loans, implemented policies by categories, and made achievements in preventing new loans from becoming non-performing loans. Paying high attention and taking various measures, the Bank continuously improved the recovery and pressure reduction mechanism and stepped up the efforts on recovery and disposal of non-performing assets. The Bank comprehensively used various means including litigation recovery, transfer of debts, writing-off bad debts and activation by restructuring to dispose of non-performing assets and fully promoted the mitigation for key projects. The Bank continued to enable the construction of online, digital, intelligent risk management and comprehensively established anti-fraud platform for enterprises with the fraud risks management in place from “0” to “1” and deployed full models for the retail credit business. The Bank improved the model management platform and managed the risk models for the Bank as a whole consistently and effectively to improve the risk control capabilities of the models and the efficiency to serve operations. The Bank exploited the value of data on existing assets, built the assets of data indicators and improved the digital and intelligent risk control capabilities. During the Reporting Period, credit businesses of the Bank were carried out in an orderly manner, with stable and controllable credit risk.



## Chapter 5 Management Discussion and Analysis

### 10.2 Market risk management

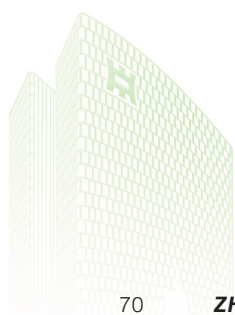
During the Reporting Period, the Bank continuously improved the system of market risk management system, continued to explore the market risk management mode suitable for the development of the Bank. Relying on the market risk management system, the Bank continuously enhanced the level of market risk measurement and established the market risk management framework for the whole process of market risk identification, measurement, monitoring and reporting, to continuously improve the refined management level of market risks. The Bank formulated the Guidelines for Emergency Management of Major Market Risks (重大市場風險應急管理辦法) to further improve various market risk policies and systems; the Bank optimized the market risk management system to improve the refined measurement level of market risks; the evaluation of market risks was completed; the Bank carried out the limit review, monitored various market risk limits on a daily basis and optimized the management system of market risk limits to ensure the effective implementation of market risk limit indicators; the Bank carried out market risk stress tests on a daily basis to fully assess the market risk tolerance of the Bank under various extreme situations and improve the foresight and comprehensiveness of market risk management. During the Reporting Period, the Bank's market risks were generally stable and controllable.

### 10.3 Operational risk management

During the Reporting Period, by improving the internal control compliance and operational risk management system, the Bank continued to enhance its refined management capabilities for operational risks and built a long-term mechanism for internal control compliance management.

The Bank's operational risk management organizational system consists of the Board of Directors, the Board of Supervisors, senior management, compliance management department, the internal audit department, and positions of various lines (departments) and branches with risk management functions. The positions of various lines (departments) and branches with risk management functions, compliance management department and internal audit department constitute the "three lines of defense" of the Bank's operational risk management. In accordance with the Operational Risk Management Measures of Zhongyuan Bank and the management system of three major instruments, through the identification of risks and the self-assessment of control measures, the monitoring of key risk indicators and the processing of early warnings, and the collection and sorting of loss events, the Bank ensured the continuity and effectiveness of operational risk management, and further optimized and improved the entire process of operational risk identification, assessment, monitoring, control and mitigation.

On the basis of strengthening internal control and implementing compliance management, focusing on internal inspection and system construction, and the backing of internal audit supervision, the Bank strengthens risk monitoring and prevention in key positions and key areas to ensure that the operational risk identification, assessment, control, monitoring and reporting are carried out effectively, and builds a long-term mechanism for internal control and compliance management. At the same time, the Bank continues to improve the outsourcing risk management, business continuity and emergency management mechanisms to ensure that the Bank could take effective measures to minimize the impact and loss in the event of an emergency. During the Reporting Period, the Bank's overall operation was standardized and orderly, and there was no major operational risk event.





## Chapter 5 Management Discussion and Analysis

### 10.4 Liquidity risk management

The Bank has established and constantly improved the liquidity risk management systems which are suitable for its business development level. Such systems include organization system under the coordinated management of the whole bank, liquidity management strategy system, liquidity management system, daily management tool system and regional liquidity mutual aid system. During the Reporting Period, the Bank strengthened liquidity risk management and continuously improved construction of liquidity risk system, so the overall liquidity was relatively good, major liquidity indicators satisfied the supervision requirements and were optimized and improved continuously.

During the Reporting Period, the Bank continued to optimize and improve the organizational structure of liquidity risk management, strengthened the three-level linkage of the head office, branches and sub-branches, clarified the responsibilities of all levels, establishing the coordinated management and control of the liquidity risk from the group level, guiding and assisting subsidiaries to strengthen liquidity management, regularly monitoring its operating conditions and liquidity risk levels to ensure the safety of the Group's liquidity; providing a systematic basis for liquidity management by improving management policies, management methods and operational procedures related to liquidity risks; realizing effective transmission of liquidity management strategies through the management decisions of the Asset and Liability Management Committee, further improving management tools such as market and business analysis, daily management, stress test and emergency drill, and enhancing liquidity risk resilience; strengthening active asset-liability structure management and duration management, and rationally adjusting the business term structure. The level of overall term mismatch was controlled within a reasonable range; the active liability tools were rationally used to improve the diversity and stability of liability sources; the management of intraday positions was refined, and the online and intelligent level of the management of intraday positions and liquidity monitoring were improved through continuously improving liquidity management information system to ensure sufficient intraday liquidity to fully meet the needs of various business development; continued to improve the macro-level research and discussion mechanism, established and improved the joint work system on liquidity pricing, continued to improve its macroeconomic analysis capabilities, enhanced the forward-looking and proactive nature of liquidity management, and dynamically adjusted liquidity management strategies to guide the Bank's business development. The Bank, as a primary dealer in the open market, actively disseminated the monetary policy of the central bank, strengthened its responsibility, and effectively maintained the safety and stability of regional liquidity.





## Chapter 5 Management Discussion and Analysis

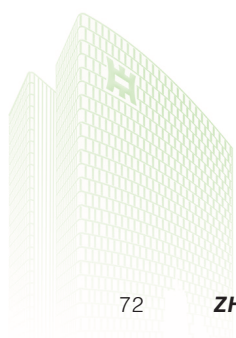
### 10.5 Information technology risk management

The Bank actively implemented the strategy of transformation and development, strengthened the construction of IT-based governance system to improve the application of information technology and consolidate the supporting capabilities of information technology; the Bank improved the construction of IT risk mechanism, optimized the identification, measurement, monitoring and control of information technology risks and strengthened its capabilities to protect information assets.

During the Reporting Period, the Bank constantly improved its information technology risk management system, actively implemented the three lines of defense of IT management, formulated standards and strategies of information technology risk management, conducted information technology risk control self-assessment, timely revised and monitored information technology key risk indicators, established the information technology risk periodic reporting mechanism, and formed an effective risk management process system that supports risk identification, assessment, control/release, and monitoring/reporting. The Bank continuously optimized the construction of disaster recovery system for infrastructure, promoted the construction of disaster recovery system of two places and three centers for IT rooms and high availability of external data; the Bank deepened the transformation of distributed technology architecture, enhanced the administration of research and development and strengthened the independent control; the Bank improved the construction of network security defense system in depth, kept on improving the application security ability system, intensified the life cycle management of data security and further upgraded the level of IT risk management. During the Reporting Period, the information technology construction and risk management of the Bank was rated 2C in the CBIRC's 2021 regulatory rating, demonstrating that the information technology risk management capabilities of the Bank are becoming better and better.

### 10.6 Reputational risk management

The Bank adhered to the combination of prevention and disposal to manage reputation risk, and followed the principles of "forward-looking", "matching", "full coverage" and "effectiveness" to constantly improve the ability and efficiency of preventing reputation risks and handling reputation events.





## Chapter 5 Management Discussion and Analysis

During the Reporting Period, the Bank continued to enhance the construction of reputational risk management system and continuously increased the level of reputational risk management. According to the requirements of CBIRC's Measures for Reputational Risk Management of Banks and Insurance Institutions (Trial) (《銀行保險機構聲譽風險管理辦法(試行)》), the Bank revised the Measures for Reputational Risk Management of Zhongyuan Bank (《中原銀行聲譽風險管理辦法》) to improve the reputational risk management mechanism. The Bank established and improved its reputational risk management team, strengthened the training for reputational risk management to consolidate the awareness of reputational risk prevention and control for all the staff and improve its capacity in response to public opinions. The Bank performed monitoring, analysis and surveys on public opinions in an all-round way, steadily made investigations into potential reputational risk to dig deep into the potential risks that may have a negative impact on the reputation of the Bank. The Bank also tracked the matters on the risk list to increase the sensitivity to reputational risks and achieve early identification, warning, and solution for risk signs. The Bank monitored public opinions in an all-round (24/7) manner throughout the network and over all the media in real time and graded and classified the negative public opinions for disposal. In active response to social concerns and around the topics on "learning and implementing the principles of the 20th Party Congress", "High-quality Party Building Leads High-quality Development (高質量黨建引領高質量發展)", anchoring the "ensuring high-quality building of modernization and high-level realization of modernization", serving the "Ten Strategies", and contributing to the construction of modern Henan, the Bank conducted advertising campaigns to continuously improve its brand reputation. During the Reporting Period, the Bank's reputational risk was stable and controllable.

### 10.7 Exchange rate risk management

During the Reporting Period, the Bank maintained its prudent risk preference, closely monitored the changing trend of exchange rates, proactively analyzed the fluctuation of global exchange rate market, formulated staged foreign exchange hedging strategies, smoothed the hedging cost, and reduced foreign exchange exposure risk. The Bank formulated foreign exchange quota indicators, conducted the quota review on a regular basis to compact the exchange rate risk tolerance, paid continuous attention to the exposure positions of various foreign currencies held by the Bank during the daily management, carried out foreign exchange risk stress tests, and continuously managed foreign exchange business and quota. During the Reporting Period, the Bank's exchange rate risk was stable and controllable.

### 10.8 ESG risk management

In recent years, the Bank has actively undertaken environmental and social responsibilities, brought value to society, and built a responsible bank with the leading concept, sustainable economy and outstanding ESG performance, so as to improve its ESG performance.

Our Bank has actively advanced the construction of the ESG risk management system. The Bank strengthened the significant decision-making function of the Board of Directors and relevant committees in ESG management, while carrying out ESG management-related training and promoting the concept of ESG to enhance the understanding of ESG management.

ESG risk management was strengthened in the industry. The Bank actively led credit resources to invest in green industries, including energy conservation and environmental protection, strategic emerging industries, which met the relevant ESG requirements with low energy consumption, low emission, low pollution and sound market prospects.



## Chapter 5 Management Discussion and Analysis

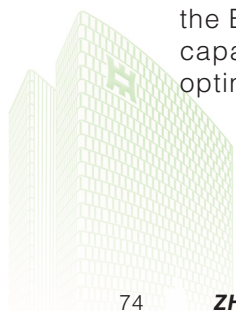
The development of green financial business has been promoted. In terms of organizational structure, the Bank set up the financial service center of scientific and technological innovation, carbon peaking and carbon neutrality, which is especially responsible for the implementation of green finance. In terms of mechanism construction, the Bank formulated the “Strategic Planning of Green Financial Development of Zhongyuan Bank Co., Ltd.” (《中原銀行股份有限公司綠色金融發展戰略規劃》), the “Administrative Measures of Zhongyuan Bank Co., Ltd. for the Proceeds Raised by Green Financial Bonds” (《中原銀行股份有限公司綠色金融債券募集資金管理辦法》), and the “Three-Year Action Plan of Zhongyuan Bank Co., Ltd. for Green Finance” (《中原銀行股份有限公司綠色金融三年行動方案》), guiding the green finance development of the Bank. In terms of system construction, we implemented the digital and intelligent transformation and launched the green credit system, which in turn improved the quality of green credit management, and supported the green finance development of the Bank.

### 11. OPERATING STRATEGIES AND PROSPECTS FOR DEVELOPMENT

During the Reporting Period, the Chinese government effectively coordinated the economic and social development, and continued to strengthen policies aimed at stabilizing the economy. Economic growth bottomed out and picked up, showing a V-shaped trend throughout the year. China’s GDP exceeded RMB120 trillion, representing a year-on-year increase of 3%. Looking forward to 2023, which marks the inaugural year for the full implementation of the spirit of the 20th CPC National Congress, and in accordance with the deployment of the Central Economic Work Conference, China will solidly promote Chinese-style modernization, adhere to the general principle of seeking progress while maintaining stability in performance, vigorously boost market confidence and promote an overall improvement in economic operation to achieve effective improvement in quality and reasonable growth in quantity.

During the Reporting Period, the Bank successfully completed the merger by absorption of Bank of Luoyang, Bank of Pingdingshan and Bank of JZCTS, stepping into the trillion bank camp, becoming the largest corporate financial institution in the province and ranking eighth in the country’s urban commercial banks. The dividends of reform had been fully released, the development capacity had been comprehensively improved and the market advantages had become more prominent. 2023 is a steady start year for the Bank to build a first-class bank. Zhongyuan Bank will adhere to the guidance of XI Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implement the spirit of the 20th National Congress of the Communist Party of China and the deployment of the Central Economic Work Conference, centering on the development theme of “Deepening Reform, Accelerating Transformation, Making a Steady Start and Accelerating Development”, and strive for a steady start and a successful opening toward the goal of being a first-class bank.

Firstly, to deeply promote the “Four Transformations”. Comprehensively deepening the Concept Transformation, we will strengthen the transmission of concepts, gather the thoughts of all cadres and staff and apply them into the strategic deployment of the whole Bank, and effectively transform such thoughts into concrete actions to promote the implementation of strategies; accelerating business transformation, we will firmly transform to retail and asset-light businesses, and comprehensively optimize the asset structure, liability structure, customer structure and revenue structure; further promoting the digital and intelligent transformation, we will adhere to application orientation and business orientation to realize the all-round reform of the Bank’s business process, business model, science and technology system and personnel capacity; focusing on style transformation, we will deepen the “1310” working mechanism, optimize business process, improve work efficiency and enhance customer experience.





## Chapter 5 Management Discussion and Analysis

Secondly, to innovate the business development model. Strengthening the contribution of retail business to the whole Bank, we will strengthen customer base and channel construction, optimize product supply, and comprehensively improve the ability to serve customers and front-line to form a retail business development pattern with excellent structure, high efficiency and strong business. Enhancing the market competitiveness of the Company's business, we will concentrate on key areas, explore business growth points and carefully implement the category-based operations for customers to improve the ability of characteristic business and promote the transformation of the Company's business development model. Improving the level of financial market business, we will adhere to the profit-centered positioning, further optimize the structure of assets and liabilities and improve the investment strategy to strengthen the investment and research capabilities and enhance the level of income and profit contribution. Devoting to developing inclusive finance, we will adhere to the strategic path of "Internetization and Ruralization of Banking Services (上網下鄉)", focusing on the "Four Haves" (四有) service targets and the "Four-Agriculture" (四農) customer base, promote the implementation of the rural revitalization strategy, and facilitate the high-quality development of inclusive finance.

Thirdly, to strengthen overall risk management. We will improve the comprehensive risk management system and further establish and improve a comprehensive risk management system covering credit risk, operational risk and liquidity risk. Establishing a credit policy matching our scale and volume, it should not only conform to the strategic direction and customer positioning to achieve strategic stability, but also capture and respond quickly to policies to realize policy sensitivity. Improving the quality and efficiency of the disposal of non-performing assets, we will firmly establish the concept of "recovery of non-performing assets is to create benefits" (清收不良就是創造效益) and dispose of and resolve non-performing assets based on the work idea of "focusing on revitalization under the support of recovery (盤活為主、清收為輔)". We will strengthen the construction of internal control compliance, build a compliance culture, and improve the institutional system and assessment mechanism to guide employees to enhance their awareness of active compliance.

Fourthly, to make a good start of Zhongyuan Bank's service brand. We will persist in focusing on the brand construction from a strategic perspective, accelerate the completion of the top design of brand strategy in line with the actual situations of Zhongyuan Bank, and build a brand planning system that covers the general branch and throughout all lines. Around the brand core of "Best Service, Best Pricing and Highest Efficiency" (服務最好、定價最優、效率最高), we will promote the visualization of enterprise brand and realize the strong link and correlation between the brand image and products and services.

Fifthly, to vigorously deepen the reform. We comprehensively optimize the corporate governance system and mechanism of the "four meetings and one layer" ("四會一層"), comprehensively strengthen the core leadership role of the Party committee, improve the corporate governance structure to help the efficient operation of the "four meetings and one layer". We continue to optimize, and build a shareholding structure that is state-dominated, moderately dispersed, qualified for shareholders, and reasonably balanced. We optimize the assessment mechanism, establish the assessment index system matching the strategic orientation, and give full play to the incentive and restraint role of assessment. We adhere to market-oriented principles and accelerate the establishment of more open mechanism for attracting people, more robust mechanism for educating people, and more perfect mechanism for employing people.

### 12. SUBSEQUENT EVENTS

As of the date of this annual report, there is no other material subsequent event in the Bank .

### 13. CONTINGENT LIABILITIES

As at December 31, 2022, save as disclosed in Note 49(d) of the consolidated financial statements in this annual report, the Group has no other contingent liabilities.



## Chapter 6 Changes in Share Capital and Information on Shareholders

### 1. Changes in Ordinary Shares of the Bank during the Reporting Period

As of the end of the Reporting Period, the total issued ordinary share capital of the Bank was 36,549,823,322 Shares<sup>1</sup>, comprising 6,945,000,000 H Shares and 29,604,823,322 Domestic Shares.

#### H Shares issued pursuant to the Placement under Specific Mandate

In order to replenish the core tier 1 capital of the Bank to ensure continuing compliance with regulatory requirements, to enhance the Bank's resilience to risks, and meanwhile to continuously maintain sufficient public float to comply with the minimum requirement of Hong Kong Listing Rules and the exemption granted by the Hong Kong Stock Exchange upon the Bank's listing, the Bank entered into the Placing Agreement on April 28, 2022 (after the trading session), the terms of which are set forth in the Bank's announcement dated April 28, 2022. On May 10, 2022, the Bank completed the placement of 3,150,000,000 new H Shares with a nominal value of RMB1.00 each at the placing price of HK\$1.80 per H Share (the "H Share Placement") to no less than six independent Placees who were professional, institutional and other investors that were, eligible to subscribe for the placing shares, and together with their respective ultimate beneficial owners, third parties independent of the Bank and connected persons (as defined under the Hong Kong Listing Rules) of the Bank. The placing price under the H Share Placement represents a premium of approximately 119.51% to the closing price of HK\$0.82 per H Share as quoted on the Hong Kong Stock Exchange on April 27, 2022, being the last trading day immediately prior to the date of the Placing Agreement. The total gross proceeds raised from the H Share Placement are approximately HK\$5,670 million and the net proceeds (after deducting any commission and relevant expenses) from the H Share Placement are approximately HK\$5,667 million. Such amount was proposed to be entirely used to replenish core tier 1 capital of the Bank as stated in the Bank's announcement dated April 28, 2022. As of the end of the Reporting Period, the net proceeds from the H Share Placement have been entirely used to replenish core tier 1 capital of the Bank.

#### Merger by Absorption on May 25, 2022

The Bank received the Approval for the merger by absorption of Bank of Luoyang, Bank of Pingdingshan and Bank of JZCTS by Zhongyuan Bank (Yin Bao Jian Fu [2022] No. 355) (《關於中原銀行吸收合併洛陽銀行、平頂山銀行、焦作中旅銀行的批覆》(銀保監覆[2022]355號)) from CBIRC on May 25, 2022, which approved the relevant Merger by Absorption, and the Bank has issued 13,324,823,322 Domestic Shares (with a nominal value of RMB1.00 each) to selling shareholders as consideration to the Merger by Absorption. For details, please refer to the announcements of the Bank dated January 26, 2022, March 10, 2022, April 14, 2022 and May 25, 2022 and the circular dated February 18, 2022.

<sup>1</sup> On May 26, 2022, the registered capital of Zhongyuan Bank was changed from RMB20,075,000,000 to RMB36,549,823,322 as approved by CBIRC Henan Office. As of the date of this annual report, the registration of registered capital for change with the competent authority of industry and commerce is still in progress.

## Chapter 6 Changes in Share Capital and Information on Shareholders

### 2. Shareholdings of Top Ten Non-Overseas Listed Domestic Shareholders of the Bank

As of the end of the Reporting Period, there was no controlling shareholder and actual controller of the Bank. As at the end of the Reporting Period, the shareholdings of the Bank's top Ten non-overseas listed domestic Shareholders of ordinary Shares were as follows:

No.	Name of Shareholders	Nature of Shareholders	Number of Shares held at the end of the Reporting Period	Approximate percentage of the total share capital of issued ordinary shares of the Bank at the end of the Reporting Period
1	Henan Investment Group Co., Ltd. (河南投資集團有限公司)	State-owned Legal Person Shares	2,264,396,518	6.20%
2	Luoyang Municipal Finance Bureau	State Shares	1,361,571,120	3.73%
3	China Tourism Group Corporation Limited (中國旅遊集團有限公司)	State-owned Legal Person Shares	1,061,521,911	2.90%
4	Zhongyuan Trust Co., Ltd. (中原信託有限公司)	State-owned Legal Person Shares	791,131,350	2.16%
5	Henan Zhaoteng Investment Group Co., Ltd. (河南省兆騰投資集團有限公司)	Privately-owned Legal Person Shares	683,252,415	1.87%
6	Zhengzhou Kangqiao Real Estate Development Co., Ltd. (鄭州康橋房地產開發有限責任公司)	Privately-owned Legal Person Shares	553,109,303	1.51%
7	Henan Guangcai Group Development Co., Ltd. (河南光彩集團發展有限公司)	Privately-owned Legal Person Shares	535,342,105	1.46%
8	Henan Machinery Investment Group Co., Ltd. (河南機械裝備投資集團有限責任公司)	State-owned Legal Person Shares	506,751,425	1.39%
9	Luoyang Urban and Rural Construction Investment Group Co., Ltd. (洛陽城鄉建設投資集團有限公司)	State-owned Legal Person Shares	504,435,685	1.38%
10	Bank of Jiujiang Co., Ltd. (九江銀行股份有限公司) <sup>1</sup>	Privately-owned Legal Person Shares	500,000,000	1.37%
Total			8,761,511,832	23.97%

<sup>1</sup> In August 2022, Bank of Jiujiang Co., Ltd. acquired 500 million Shares of the Bank formerly held by Henan Sunrise Holdings Group Co., Ltd. (河南盛潤控股集團有限公司) through the form of judicial decision.



## Chapter 6 Changes in Share Capital and Information on Shareholders

### 3. Interests and Short Positions of Substantial Shareholders under Hong Kong Regulations

As of the end of the Reporting Period, so far as is known to the Bank and the Directors, substantial Shareholders of the Bank and other persons (other than Directors, Supervisors and chief executive officers of the Bank) who had interests and short positions in the Shares and underlying Shares of the Bank which were required to be notified to the Bank or the Hong Kong Stock Exchange under 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 were as follows:

Name of Shareholders	Class of Shares	Nature of interests	Number of Shares <sup>(1)</sup>	Approximate percentage of the total issued share capital of the relevant class of the Bank (%) <sup>(2)</sup>	Approximate percentage of the total issued share capital of ordinary shares of the Bank (%) <sup>(2)</sup>
Henan Investment Group Co., Ltd. (河南投資集團有限公司) <sup>(3)</sup>	Domestic Shares	Beneficial owner	2,264,396,518(L)	7.65	6.20
	Domestic Shares	Interest in controlled corporation	808,828,276(L)	2.73	2.21
AMTD Group Company Limited <sup>(4)</sup>	H Shares	Interest in controlled corporation	482,288,000(L)	6.94	1.32
L.R. Capital Management Company (Cayman) Limited <sup>(4)</sup>	H Shares	Interest in controlled corporation	482,288,000(L)	6.94	1.32
NEW MERIT GROUP LIMITED	H Shares	Beneficial owner	453,636,000(L)	6.53	1.24
GOLD LEADING CAPITAL LIMITED	H Shares	Held Security interest in Shares	573,964,000(L)	8.26	1.57
DBS Group Holdings Ltd <sup>(5)</sup>	H Shares	Interest in controlled corporation	1,210,773,348(L)	17.43	3.31
	H Shares	Interest in controlled corporation	1,210,773,348(S)	17.43	3.31
Piramid Park Co., Ltd <sup>(6)</sup>	H Shares	Beneficial owner	999,831,000(L)	14.40	2.74
XU Yan (徐雁)	H Shares	Interest in controlled corporation	999,831,000(L)	14.40	2.74

Notes:

- (1) (L) represents the long position, (S) represents short position.
- (2) As at December 31, 2022, the number of total issued Shares of the Bank was 36,549,823,322, comprising 6,945,000,000 H Shares and 29,604,823,322 Domestic Shares. As of the date of this annual report, the registration for change with the competent authority of industry and commerce is still in progress.
- (3) Henan Investment Group Co., Ltd. (河南投資集團有限公司) is wholly owned by the Finance Department of Henan Province (河南省財政廳). Henan Investment Group Co., Ltd. directly holds 2,264,396,518 Domestic Shares of the Bank (long positions), indirectly holds 17,696,926 Domestic Shares of the Bank (long positions) through its controlled corporation, Henan Investment Group Guarantee Co., Ltd. (河南投資集團擔保有限公司), and indirectly holds 791,131,350 Domestic Shares of the Bank (long positions) through controlled corporation, Zhongyuan Trust Co., Ltd. (中原信託有限公司).
- (4) L.R. Capital Management Company (Cayman) Limited, through its controlled corporations, namely L.R. Capital Financial Holdings Limited, AMTD Group Company Limited and AMTD Asia (Holdings) Limited, indirectly holds 482,288,000 H Shares of the Bank (long positions) held by AMTD Asia Limited. Therefore, by virtue of the SFO, each of L.R. Capital Management Company (Cayman) Limited, L.R. Capital Financial Holdings Limited, AMTD Group Company Limited and AMTD Asia (Holdings) Limited is deemed to be interested in the H Shares of the Bank (long positions) held by AMTD Asia Limited.

## Chapter 6 Changes in Share Capital and Information on Shareholders

- (5) DBS Bank Ltd. directly holds 1,210,773,348 H Shares (long positions) and 1,210,773,348 H Shares (short positions) of the Bank. DBS Bank Ltd. is a controlled corporation 100% owned by DBS Group Holdings Ltd. Therefore, by virtue of the SFO, DBS Group Holdings Ltd. is deemed to be interested in the 1,210,773,348 H Shares (long positions) and 1,210,773,348 H Shares (short positions) of the Bank held by DBS Bank Ltd.
- (6) Pyramid Park Co., Ltd is wholly owned by XU Yan (徐雁).

Save as disclosed above, to the knowledge of the Bank, none of the other substantial Shareholders or persons had, as at December 31, 2022, any interests or short positions in the Shares or underlying Shares of the Bank as recorded in the register required to be kept under Section 336 of the SFO.

### 4. Shareholdings of Top Ten Shareholders as of the End of the Reporting Period

As at the end of the Reporting Period, the top ten Shareholders of the Bank together held 41.60% of the Bank's total share capital. Among the top ten Shareholders, the largest Shareholder of Non-overseas Listed Shares was Henan Investment Group Co., Ltd., which held 6.20% of the total share capital; the second largest Shareholder was Luoyang Municipal Finance Bureau with 3.73% of the total share capital; and the third largest was China Tourism Group Corporation Limited with 2.90% of the total share capital. The largest and third largest Shareholder of Non-overseas Listed Shares are wholly state-owned enterprises, and the second is a local financial department.

The shareholdings of the top ten Shareholders were as follows:

No.	Name of Shareholders	Class of Shares	Nature of Shareholders	Number of Shares held at the end of the Reporting Period	Approximate percentage of the total share capital of issued ordinary shares of the Bank at the end of the Reporting Period <sup>(1)</sup>
1	HKSCC Nominees Limited <sup>(2)</sup>	H Shares	Other	6,944,261,900	19.00%
2	Henan Investment Group Co., Ltd. (河南投資集團有限公司)	Domestic Shares	State-owned Legal Person Shares	2,264,396,518	6.20%
3	Luoyang Municipal Finance Bureau	Domestic Shares	State Shares	1,361,571,120	3.73%
4	China Tourism Group Corporation Limited (中國旅遊集團有限公司)	Domestic Shares	State-owned Legal Person Shares	1,061,521,911	2.90%
5	Zhongyuan Trust Co., Ltd. (中原信託有限公司)	Domestic Shares	State-owned Legal Person Shares	791,131,350	2.16%
6	Henan Zhaoteng Investment Group Co., Ltd. (河南省兆騰投資集團有限公司)	Domestic Shares	Privately-owned Legal Person Shares	683,252,415	1.87%
7	Zhengzhou Kangqiao Real Estate Development Co., Ltd. (鄭州康橋房地產開發有限責任公司)	Domestic Shares	Privately-owned Legal Person Shares	553,109,303	1.51%
8	Henan Guangcai Group Development Co., Ltd. (河南光彩集團發展有限公司)	Domestic Shares	Privately-owned Legal Person Shares	535,342,105	1.46%
9	Henan Machinery Investment Group Co., Ltd. (河南機械裝備投資集團有限責任公司)	Domestic Shares	State-owned Legal Person Shares	506,751,425	1.39%
10	Luoyang Urban and Rural Construction Investment Group Co., Ltd. (洛陽城鄉建設投資集團有限公司)	Domestic Shares	State-owned Legal Person Shares	504,435,685	1.38%
Total				15,205,773,732	41.60%

Notes:

- (1) It was calculated on the basis of the total share capital of the Bank of 36,549,823,322 shares.
- (2) HKSCC Nominees Limited, as a nominee, held 6,944,261,900 H Shares in aggregate of the Bank on behalf of several clients, representing 19.00% of the issued share capital of the Bank. As a member of the Central Clearing and Settlement System, HKSCC Nominees Limited conducts registration and custodian business for clients.





## Chapter 6 Changes in Share Capital and Information on Shareholders

### 5. Shareholders Holding 5% or More of the Total Ordinary Share Capital of the Bank

Please refer to the relevant content in “Changes in Share Capital and Information on Shareholders” for details of the Shareholders with an interest in 5% or more of the share capital of the Bank.

### 6. Information on Substantial Shareholders Disclosed Under the Interim Measures for the Equity Management of Commercial Banks

According to the Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》) issued by the CBIRC, in addition to the one Shareholder mentioned above, namely Henan Investment Group Co., Ltd. (河南投資集團有限公司), the following two Shareholders are also substantial Shareholders of the Bank as of the end of the Reporting Period.

- (1) Zhengzhou Kangqiao Real Estate Development Co., Ltd. (鄭州康橋房地產開發有限責任公司) (“Zhengzhou Kangqiao”), which holds 553,109,303 Domestic Shares of the Bank. The company was incorporated in Erqi District, Zhengzhou City, Henan Province on January 20, 2010 with a registered capital of RMB100 million. The company’s business scope includes development and sale of real estate, property leasing, engineering project consultation, engineering cost professional consultation service, real estate information consultation, enterprise management consultation and conference and exhibition service. During the Reporting Period, Ms. LI Weizhen<sup>1</sup> (李偉真), a Shareholder Representative Supervisor of the Bank, was nominated by Zhengzhou Kangqiao.
- (2) Henan Zongheng Gas Pipeline Co., Ltd. (河南縱橫燃氣管道有限公司) (“Henan Zongheng”), which holds 200,000,000 Domestic Shares of the Bank. The company was incorporated in Luolong District, Luoyang City, Henan Province on November 4, 2005 with a registered capital of RMB300 million. The company’s business scope includes the construction and operation of long-distance natural gas pipelines and the research, development, construction and operation of LPG and other oil and gas utilization projects (business within the above scope which is subject to approval shall not be operated before obtaining relevant approval(s)). During the Reporting Period, Mr. LI Wanbin (李萬斌), a Shareholder Representative Supervisor of the Bank, was nominated by Henan Zongheng and was the de facto controller of Henan Zongheng. Henan Wanzhong Group Co., Ltd. (河南萬眾集團有限公司) and Henan Tianli Energy Co., Ltd. (河南天利能源股份有限公司), which are effectively controlled by Mr. LI Wanbin, hold 290,996,271 Domestic Shares and 120,068,000 Shares of the Bank respectively.

### 7. Equity Pledge and Freezing

As of the end of the Reporting Period, so far as is known to the Bank, the Bank’s 7,027,053,807 Domestic Shares were subject to pledge, accounting for 19.23% of the total number of issued ordinary Shares (of which, the Domestic Shares pledged by the Bank’s substantial Shareholders accounted for 1.20% of the total number of issued ordinary Shares). In addition, there were 2,283,976,466 Domestic Shares that were judicially frozen.

<sup>1</sup> Due to work adjustments, Ms. LI Weizhen, a Supervisor of the Board of Supervisors of the Bank, tendered her resignation to the Board of Supervisors on February 22, 2023, and resigned as a Supervisor of the Board of Supervisors and a member of the Supervisory Committee of the Board of Supervisors. For more details, please refer to the Bank’s announcement dated February 22, 2023. Zhengzhou Kangqiao Real Estate Development Co., Ltd. is no longer a substantial Shareholder of the Bank under the stipulations of the Interim Measures for the Equity Management of Commercial Banks since February 22, 2023.

## Chapter 6 Changes in Share Capital and Information on Shareholders

### 8. Purchase, Sale or Redemption of Listed Securities of the Bank

An aggregate of 3,150,000,000 new H Shares has been successfully allotted and issued by the Bank on May 10, 2022 at the Placing Price of HK\$1.80 per Placing Share to no less than six independent Placees who are professional, institutional and other investors and are, together with their respective ultimate beneficial owners, third parties independent of the Bank and connected persons (as defined under the Hong Kong Listing Rules) of the Bank.

During the Reporting Period, save as disclosed in section “Changes in Ordinary Shares of the Bank during the Reporting Period” in this annual report, neither the Bank nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Bank.

### 9. Non-public Issuance of Offshore Preference Shares

#### 9.1 The issuance and listing of Offshore Preference Shares

To replenish the Bank’s capital through diversified ways, further enhance the capital strength and enhance the risk resistance, according to the approvals of the CBRC Henan Supervision Bureau (Yu Yin Jian Fu [2018] No. 120) and the CSRC (Zheng Jian Xu Ke [2018] No. 1343), the Bank issued USD1,395 million non-cumulative perpetual Offshore Preference Shares on November 21, 2018. The Offshore Preference Shares were listed on the Hong Kong Stock Exchange on November 22, 2018 (stock name: ZYBNK 18USDPREF, stock code: 04617). The Offshore Preference Shares have a par value of RMB100 each with an issuance price of USD20 each. The total number of the Offshore Preference Shares issued is 69,750,000, and were all issued fully paid in U.S. dollars.

Based on the CNY Central Parity Rate published by the China Foreign Exchange Trading System on November 21, 2018, the gross proceeds from the issuance of the Offshore Preference Shares amounted to approximately RMB9,688.00 million. The proceeds raised from the issuance of the Offshore Preference Shares (after deducting the issuance expenses) were all used to replenish the Bank’s additional Tier 1 capital, to increase the Bank’s Tier 1 capital adequacy ratio and optimize the capital structure, which was consistent with the specific use previously disclosed.

For the issuance terms and relevant details of the Offshore Preference Shares, please refer to the announcements of the Bank published on the website of Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the official website of the Bank ([www.zybank.com.cn](http://www.zybank.com.cn)).



## Chapter 6 Changes in Share Capital and Information on Shareholders

### 9.2 Number of Offshore Preference Shareholders and particulars of shareholding

As of the end of the Reporting Period, the Bank had 1 Offshore Preference Shareholder.

The shareholdings are set out in the table below (the following data are based on the register of Offshore Preference Shareholders as at December 31, 2022):

Name of Shareholder	Nature of Shareholder	Type of Shares	Increase/decrease during the Reporting Period (shares)	Shareholding percentage (%)	Total shareholdings (shares)	Number of Shares subject to restriction on sale (shares)	Number of pledged or frozen shares (shares)
The Bank of New York Depository (Nominees) Limited	Foreign legal person	Offshore preference shares	-	100%	69,750,000	-	Unknown

Notes:

1. The shareholding of Offshore Preference Shareholders is based on the information set out in the register of Offshore Preference Shareholders of the Bank.
2. As the Offshore Preference Shares were issued by way of offshore non-public issuance, the information recorded on the register of Offshore Preference Shareholders is the information on the nominee of the investor(s) to whom the Offshore Preference Shares were allotted.

### 9.3 Profit distribution on the Offshore Preference Shares

Dividends would be paid in cash by the Bank to Preference Shareholders. Each dividend should be payable in arrears on the dividend payment date of each year.

During the Reporting Period, as considered and approved at the meeting of the Board of the Bank held on September 29, 2022, the Bank would distribute 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 USD86,800,000, of which USD78,120,000 was paid to the holders of Offshore Preference Shares at a coupon dividend rate of 5.60%, and USD8,680,000 was withheld as the income tax at a rate of 10% pursuant to relevant laws and regulations. The dividend period was from November 21, 2021 (inclusive) to November 21, 2022 (exclusive), the dividend payment date was November 22, 2022 and the recipients were holders of Offshore Preference Shares whose names appeared on the register of members of the Bank as at the close of business of the clearing system on November 20, 2022. For details, please refer to the announcement on payment of a dividend for the Offshore Preference Shares published by the Bank separately on September 29, 2022. On November 22, 2022, the Bank completed the dividend payment of the Offshore Preference Shares.



## Chapter 6 Changes in Share Capital and Information on Shareholders

Table on profit distribution in respect of Offshore Preference Shares in the past three years:

*Unit: RMB'000*

<b>Year of distribution</b>	<b>Amount of distribution (before tax)</b>	<b>Net profit attributable to the Shareholders of the Bank in the consolidated financial statements of the Bank for the year of distribution</b>	<b>Percentage of net profit attributable to the Shareholders of the Bank in the consolidated financial statements of the Bank (%)</b>	<b>Balance accumulated to the next accounting year due to insufficiency of distributable profits or the part that can be used for the distribution of retained profits</b>
2022	617,165	3,650,171	16.91	–
2021	563,012	3,565,013	15.79	–
2020	573,487	3,300,822	17.37	–

### 9.4 Other information on the Offshore Preference Shares

During the Reporting Period, no Offshore Preference Shares have been repurchased, converted into ordinary shares or had their voting rights restored, and there was no occurrence of any triggering event that would result in mandatory conversion of Offshore Preference Shares into H Shares.

In accordance with Accounting Standards for Enterprise No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprise No. 37 – Presentation of Financial Instruments and Rules on the Differences between Financial Liability and Equity Instruments and Relevant Accounting Treatment promulgated by the Ministry of Finance of the PRC, as well as IAS 39 – Financial Instruments: Recognition and Measurement and IAS 32 – Financial Instruments: Presentation formulated by the International Accounting Standards Board, the provisions of the issued and existing Offshore Preference Shares conform to the requirements as equity instruments, and will be calculated as equity instruments.



# Chapter 7 Directors, Supervisors, Senior Management, Employees and Institutions

## 1. Basic Information of Existing Directors, Supervisors and Senior Management

### 1.1 Basic Information of Directors

Name	Gender	Month and year of birth	Starting time of term of office	Positions	Shareholding or not
XU Nuojin (徐諾金)	Male	May 1964	November 2021	Executive Director, chairman of the Board	No
WANG Jiong (王炯)	Male	June 1968	March 2018	Executive Director, vice chairman of the Board	No
LI Yulin (李玉林)	Male	March 1966	May 2018	Executive Director	No
ZHANG Qiuyun (張秋雲)	Female	February 1972	January 2021	Non-executive Director	No
MI Hongjun (弭洪軍)	Male	February 1971	May 2018	Non-executive Director	No
PANG Hong (龐紅)	Female	April 1955	March 2018	Independent non-executive Director	No
LI Hongchang (李鴻昌)	Male	December 1948	March 2018	Independent non-executive Director	No
JIA Tingyu (賈廷玉)	Male	August 1942	March 2018	Independent non-executive Director	No
CHAN Ngai Sang Kenny (陳毅生)	Male	November 1964	March 2018	Independent non-executive Director	No

### 1.2 Basic Information of Supervisors

Name	Gender	Month and year of birth	Starting time of term of office	Positions	Shareholding or not
ZHANG Yixian (張義先)	Male	October 1967	March 2018	Employee representative Supervisor	No
LI Wanbin (李萬斌)	Male	December 1971	March 2018	Shareholder representative Supervisor	No
LI Xiaojian (李小建)	Male	August 1954	March 2018	External Supervisor	No
HAN Wanghong (韓旺紅)	Male	March 1954	March 2018	External Supervisor	No
SUN Xuemin (孫學敏)	Male	April 1963	March 2018	External Supervisor	No
PAN Xinmin (潘新民)	Male	January 1957	May 2019	External Supervisor	No



# Chapter 7 Directors, Supervisors, Senior Management, Employees and Institutions

## 1.3 Basic Information of Senior Management

Name	Gender	Month and year of birth	Starting time of term of office	Positions	Shareholding or not
LIU Kai (劉凱)	Male	March 1971	January 2023	President	No
LIU Qingfen (劉清奮)	Male	March 1970	June 2018	Assistant to the president	No
SHAO Qiang (邵強)	Male	October 1970	June 2022	Assistant to the president	No
WANG Tianqi (王天奇)	Male	February 1985	August 2022	Assistant to the president	No
WANG Le (王樂)	Male	November 1977	June 2022	Assistant to the president	No
LIU Juan (劉娟)	Female	November 1973	November 2022	Assistant to the president	No
ZHOU Litao (周麗濤)	Male	November 1979	May 2018	Vice president	No
YOU Xiang (游翔)	Male	December 1971	June 2022	Assistant to the president	No
YAO Hongbo (姚紅波)	Male	April 1969	May 2019	Assistant to the president	No
SUO Jia (索佳)	Female	January 1975	March 2023	Assistant to the president	No
ZHANG Ke (張克)	Male	October 1977	March 2018	Secretary to the Board	No
TONG Qi (佟琦)	Female	September 1975	October 2022	General manager of the financial and accounting department	No
HUANG Ming (黃明)	Female	September 1974	October 2022	General manager of the audit department	No

## 2. Changes of the Directors, Supervisors and Senior Management

### 2.1 Changes of the Directors

During the Reporting Period, Mr. WEI Jie (魏傑), an executive Director and the vice chairman, tendered his resignation to the Board on June 17, 2022, and resigned as an executive Director, the vice chairman, the member of the Strategic Development Committee, the member of the Related Party Transactions Control Committee and the member of the Risk Management Committee of the Bank due to his personal reason. Please refer to the Bank's announcement dated June 17, 2022 for details.

On August 30, 2022, the Bank convened the 43rd meeting of the second session of the Board and Mr. WANG Jiong (王炯) was selected as the vice chairman of the Bank. Please refer to the Bank's announcement dated August 30, 2022 for details. The vice chairman's qualification of Mr. WANG Jiong was approved by the CBIRC Henan Office on January 18, 2023. Please refer to the Bank's announcement dated January 20, 2023 for details.



# Chapter 7 Directors, Supervisors, Senior Management, Employees and Institutions

## 2.2 Changes of Supervisors

On January 3, 2023, Ms. JIA Jihong (賈繼紅), a vice chairwoman of the Board of Supervisors, tendered her resignation to the Board of Supervisors of the Bank and resigned as the vice chairwoman of the Board of Supervisors, an employee representative Supervisor of the Bank and the members of the Nomination Committee of the Board of Supervisors and the Supervision Committee of the Board of Supervisors due to personal health reasons. Please refer to the Bank's announcement dated January 3, 2023 for details.

On February 22, 2023, Ms. LI Weizhen (李偉真), a Supervisor of the Board of Supervisors, tendered her resignation to the Board of Supervisors of the Bank and resigned as the Supervisor and the member of the Supervision Committee of the Board of Supervisors due to her work adjustment. Please refer to the Bank's announcement dated February 22, 2023 for details.

## 2.3 Changes of Senior Management

During the Reporting Period, Mr. WANG Jiong (王炯), an executive Director and the president, ceased to be the president of the Bank due to his work adjustment. After consideration and approval at the 43rd meeting of the second session of the Board of the Bank, Mr. LIU Kai (劉凱) was appointed as the president of the Bank. Please refer to the Bank's announcement dated August 30, 2022 for details. The president's qualification of Mr. LIU Kai was approved by the CBIRC Henan Office on January 18, 2023. Please refer to the Bank's announcement dated January 20, 2023 for details.

During the Reporting Period, Mr. SHAO Qiang (邵強), Mr. WANG Tianqi (王天奇), Mr. WANG Le (王樂), Ms. LIU Juan (劉娟) and Mr. YOU Xiang (游翔) were appointed as assistants to the president of the Bank, after consideration and approval at the 41st meeting of the second session of the Board of the Bank<sup>1</sup> and approval by or filing with CBIRC Henan Office.

During the Reporting Period, Ms. SUO Jia (索佳) was appointed as assistant to the president of the Bank, after consideration and approval at the 45th meeting of the second session of the Board of the Bank<sup>2</sup> and approval by CBIRC Henan Office.

During the Reporting Period, Mr. ZHANG Yixian (張義先) ceased to be as the general manager of the audit department due to internal work adjustment of the Bank. Ms. WANG Shanshan (王姍姍) ceased to be as the general manager of the planning and financing department due to her position adjustment. After consideration and approval at the 43rd meeting of the second session of the Board of the Bank, Ms. TONG Qi (佟琦) was appointed as the general manager of the financial and accounting department and Ms. HUANG Ming (黃明) was appointed as the general manager of the audit department.

<sup>1</sup> The qualification of Mr. WANG Tianqi as assistant to the president has been approved by the CBIRC Henan Office on July 29, 2022. The qualification of Ms. LIU Juan as assistant to the president has been approved by the CBIRC Henan Office on October 14, 2022.

<sup>2</sup> The qualification of Ms. SUO Jia as assistant to the president has been approved by the CBIRC Henan Office on February 22, 2023.



# Chapter 7 Directors, Supervisors, Senior Management, Employees and Institutions

## 3. Biography of Directors, Supervisors and Senior Management

### 3.1 Biography of Directors

**Mr. XU Nuojin (徐諾金)**, born in May 1964, Chinese, obtained a doctoral degree of economics, and is a researcher and an expert in special allowances of the State Council. He is the representative of the 13th and 14th National People's Congress and the alternate member of the 10th Henan Provincial Committee of the Communist Party of China. He serves as an adjunct professor at Tsinghua University PBC School of Finance, Hunan University and Henan University, as well as a special researcher at the Research Centre for Financial Engineering of South China University of Technology. He is the secretary of the party committee and chairman of the Bank. From August 2015 to August 2021, Mr. Xu served as the secretary of the party committee and president of the People's Bank of China (PBOC) Zhengzhou Central Sub-branch, and the director of the Henan Branch of the State Administration of Foreign Exchange (SAFE). From May 2014 to August 2015, he served as an inspector of the Investigation and Statistics Department of the PBOC. From April 2013 to May 2014, he served as the deputy director of the Investigation and Statistics Department of the PBOC. From January 2004 to April 2013, he served as a member of the party committee and vice president of the PBOC Guangzhou branch. From July 2002 to January 2004, he served as the secretary of the party committee and president of the PBOC Dongguan Central Sub-branch and the director of the Dongguan Central Sub-branch of the SAFE. From April 2001 to July 2002, he served as the secretary of the party committee and president of the PBOC Wuzhou Central Sub-branch and also the director of the Wuzhou Central Sub-branch of the SAFE. From December 1998 to April 2001, he worked at the PBOC Guangzhou Branch. From January 1995 to December 1998, he worked at the PBOC Hainan Branch. From September 1987 to January 1995, he worked at the Financial Research Institute of the PBOC Headquarters. Mr. Xu obtained a bachelor's degree in economics from Hunan University of Finance and Economics in 1984, a master's degree in economics from the Graduate School of the PBOC Headquarters in 1987 and a doctoral degree in economics from the Graduate School of the PBOC Headquarters in 1993. From 2000 to 2001, he was a visiting scholar at the University of Illinois in the United States. From 2002 to 2006, he engaged in post-doctoral research in Southwestern University of Finance and Economics. In 2007, he conducted advanced study on macroeconomic policies at Hitotsubashi University in Japan. In 2010, he conducted advanced study on credit investigation theory and credit rating at the Deutsche Bundesbank. In 2019, he conducted advanced study in HSBC in Britain.





## Chapter 7 Directors, Supervisors, Senior Management, Employees and Institutions

**Mr. WANG Jiong (王炯)**, born in June 1968, Chinese, senior accountant. Mr. WANG Jiong is a member of the party committee, executive director and vice chairman of the Bank. Mr. Wang has more than 20 years of experience in banking business operations and management. He served as the secretary to the party committee and the president of the Haikou Branch of China CITIC Bank from May 2012 to December 2014, and was in charge of the planning group of the Haikou Branch of China CITIC Bank from November 2011 to May 2012. He successively held several positions in the Zhengzhou Branch of China CITIC Bank from March 2001 to November 2011, including the deputy general manager and the general manager of the planning and financing department, the assistant to the president, and the vice president. He served as the deputy manager, the manager, and the assistant to the general manager of the business department, the assistant to the general manager and the deputy general manager of the financial accounting department of the Zhengzhou Branch of China Guangfa Bank from December 1995 to March 2001. He worked at the Zhengzhou Railway Branch of China Construction Bank from August 1993 to November 1995 and at the human resources department of Zhengzhou College of Industry (鄭州工學院) from July 1990 to August 1993. Mr. Wang is a representative of the 13th National People's Congress of Henan Province. He received a bachelor's degree in applied physics from Wuhan University (武漢大學) in July 1990, a secondary bachelor's degree in ideological and political education from Xi'an Jiaotong University (西安交通大學) in July 1994, a doctor's degree in economics from Zhongnan University of Economics and Law in June 2009 and a master's degree in business administration from Tsinghua University PBC School of Finance in June 2021. He is a senior accountant accredited by the Review Committee of Senior Professional and Technical Positions of Accounting Professions of Henan Province (河南省會計系列高級專業技術職務評委會) in April 2000.

**Mr. LI Yulin (李玉林)**, born in March 1966, Chinese. Mr. LI Yulin is an executive director of the Bank. Prior to joining the Bank, Mr. Li's primary work experience includes serving as the vice president of the Changsha Branch of China Merchants Bank (招商銀行長沙分行) from March 2016 to May 2016. Mr. Li held various positions successively in the Zhengzhou Branch of China Merchants Bank (招商銀行鄭州分行) from August 2002 to February 2016, including the assistant to the office chief, the vice general manager of the business department, the head of the planning group of the Sub-branch II, the president of the Huayuan Road Sub-branch (花園路支行), the general manager of the corporate banking department I, assistant to the president, the assistant to the president and the president of the Luoyang Branch (洛陽分行), the member of the party committee and the vice president. He served as the vice president of the Huayuan Road Sub-branch of the Henan Branch of Industrial and Commercial Bank of China Limited (中國工商銀行河南省分行花園路支行) from March 2000 to August 2002. Prior to that, Mr. Li served successively as an accountant, a loan officer, the office chief and the vice president of the Railway Sub-branch of the Henan Branch of Industrial and Commercial Bank of China Limited (中國工商銀行河南省分行鐵路支行) from July 1989 to February 2000. Mr. Li completed his undergraduate education in finance at Zhengzhou University (鄭州大學) in June 1989.





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**Ms. ZHANG Qiuyun (張秋雲)**, born in February 1972, Chinese. Ms. ZHANG Qiuyun is a non-executive Director of the Bank. She has served as the vice general manager of Henan Investment Group Co., Ltd. from September 2022 to present. Prior to that, Ms. Zhang's work experience includes: she has served as head of financial management department of Henan Investment Group Co., Ltd. from June 2019 to September 2022; served as executive deputy director of Management Committee of Zhengzhou Area of China (Henan) Pilot Free Trade Zone from August 2017 to June 2019; served as the secretary of the party branch of Henan Academy of Macroeconomic Research from June 2015 to August 2017; served as deputy researcher and deputy director in Finance Department of Henan Provincial Development and Reform Commission from July 2004 to June 2015. She studied in School of Economics, Fudan University from September 2001 to June 2004 and obtained a doctoral degree of economics; and studied in School of Economics, Henan University from September 1998 to June 2001 and obtained a master degree of economics. She served as a teacher in Kaifeng No.1 Middle School from March 1993 to September 1998, and studied in Department of History, Henan University from September 1994 to June 1997 and obtained a bachelor degree. Ms. Zhang majored in history at Henan University from September 1990 to June 1992. Since June 2020, Ms. Zhang has served as a supervisor of Central China Securities Co., Ltd.

**Mr. MI Hongjun (弭洪軍)**, born in February 1971, Chinese. Mr. MI Hongjun is a non-executive Director of the Bank. Mr. MI currently serves as the chief executive officer of CMIG Leasing Holdings Limited. He served as the director of finance and secretary to the board of directors of Minsheng Royal Fund Management Co., Ltd. (民生加銀基金管理有限公司) from February 2012 to June 2014, the chief financial officer and the chief executive officer of Digital Diligent Knowledge (Beijing) Information and Technology Co., Ltd. (數字博識(北京)信息技術有限公司) from February 2009 to December 2011, the chief financial officer of Beijing Hinge Software Co., Ltd. (北京和勤軟件技術有限公司) from September 2007 to January 2009, the Director of finance of Dayang Technology Development Inc. (中科大洋科技發展股份有限公司) from March 2004 to August 2007, and the Director of finance of Beijing EC-Founder Co., Ltd. (北京方正數碼有限公司) from March 2001 to February 2004. Mr. MI obtained an Executive Master of Business Administration degree from Tsinghua University (清華大學) in 2012 and was accredited as a senior accountant.

**Ms. PANG Hong (龐紅)**, born in April 1955, Chinese. Ms. PANG Hong is an independent non-executive Director of the Bank. Ms. Pang has been a professor in the School of Finance of Renmin University of China (中國人民大學財政金融學院) since August 2010. Prior to that, she held several positions at Renmin University of China from December 1996 to August 2010, including the deputy secretary to the party committee in the School of Finance from January 2007 to August 2010, an associate professor from July 2001 to July 2010, and a teacher from December 1996 to July 2001. She also worked as a teacher in the School of Finance of Central University of Finance and Economics (中央財經大學金融學院) from September 1982 to November 1996. Ms. Pang was awarded the prize of "Innovation Pilot of Education in Beijing (北京市教育創新標兵獎)" by the Education Legal Union of Beijing Municipality for the year from 2003 to 2004, was named the "Teacher of the Year (優秀教師獎)" by Baosteel Education Foundation (寶鋼教育基金會) in November 2003, was also awarded the title of the "Top 10 Pilot in Education (十大教學標兵)" of Renmin University of China in September 2002, the title of the "Excellent Ideological and Political Workers in Beijing (北京市優秀思想政治工作者)" by the People's Government of Beijing Municipality and the Communist Party of China Beijing Municipal Committee (中共北京市委) in March 1991. Ms. Pang received a bachelor's degree in economics from Central Institute of Finance and Banking (中央財政金融學院) (currently known as Central University of Finance and Economics) in August 1982 and a master's degree in economics from Central University of Finance and Economics in March 2001.



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**Mr. LI Hongchang (李鴻昌)**, born in December 1948, Chinese. Mr. LI Hongchang is an independent non-executive Director of the Bank. Mr. Li has served as a professor and the dean of Zhengzhou College of Finance (鄭州財經學院) from September 2013 to September 2018. Prior to that, Mr. Li served as a professor at Henan University of Economics and Law (河南財經政法大學) from December 2008 to December 2011. In addition, Mr. Li successively held several positions at Henan College of Finance (河南財經學院) (currently known as Henan University of Economics and Law) from July 1985 to December 2008, including the vice chief and the chief of the finance department, the assistant to the dean, the vice dean and the dean researcher. Mr. Li received a master's degree in economics from Zhongnan University of Finance in November 1985. Mr. Li is a professor in economics accredited by the Review Committee of Senior Positions of College Teachers of Henan Province (河南省高校教師高級職務評委會) in November 1993 and was awarded the title of "Top Expert in Henan Province (河南省優秀專家)" by Henan Government and the Communist Party of China Henan Provincial Committee (中共河南省委) in July 1995.

**Mr. JIA Tingyu (賈廷玉)**, born in August 1942, Chinese. Mr. JIA Tingyu is an independent non-executive Director of the Bank. Mr. Jia served as an independent non-executive director of Hang Seng Bank (China) Limited from January 2010 to January 2019, and during his tenure, he served as a member of the audit committee and the chairman of the risk committee under the board of Hang Seng Bank (China) Limited since May 2010 and April 2010, respectively. Prior to that, he concurrently served as the risk consultant, the deputy chief of the facility approval committee, the deputy chief of the audit committee, and a member of the assets and liability management committee of China CITIC Bank from January 2005 to September 2009. He served as the general manager of the risk control department, the deputy chief of the facility approval committee, and a member of the expert panel of China Merchants Bank successively from March 2000 to December 2004. Additionally, he served as the vice president and the president of the Chengdu Branch of China Merchants Bank successively from July 1997 to March 2000, and the deputy general manager of the facility approval department and the general manager of the department of planning and capital at China Merchants Bank successively from February 1992 to June 1997.

**Mr. CHAN Ngai Sang Kenny (陳毅生)**, a Hong Kong Chinese citizen, was born in November 1964. Mr. CHAN Ngai Sang Kenny is an independent non-executive Director of the Bank. Mr. Chan has over thirty years of experience in accounting, taxation, auditing and corporate finance. He is a partner and founder of Kenny Chan & Co., a firm of Certified Public Accountants (Practicing). In addition, Mr. Chan has served on several committees of the Government of Hong Kong, which includes the Advisory Committee on "Enhancing Self-Reliance" Through District Partnership Programme, where he has served as a committee, and the Organizing Committee of the Hong Kong Youth Cultural & Arts Competitions Committee (全港青年學藝比賽大會統籌委員會) and the Youth Development Programme Advisory Committee of Home Affairs Department (民政事務總署青年發展計劃諮詢小組), where he has served as the chairperson. Currently, Mr. Chan is an independent non-executive director of several companies, including serving as an independent non-executive director at the CMIC Ocean En-Tech Holding Co, Ltd. (Stock Code: HK.206) since October 2005, at Minsheng Education Group Co. Ltd. (Stock Code: HK.1569) since March 2017 and at Hebei Construction Group Corporation Limited (Stock Code: HK.1727) since December 2017. Mr. Chan has been a member of the Institute of Chartered Accountants of New Zealand (currently known as Chartered Accountants Australia and New Zealand) since March 1998, the Hong Kong Institute of Certified Public Accountants (香港會計師公會) since February 1992, and has been a fellow member of the Hong Kong Institute of Directors (香港董事學會) since October 2016. Mr. Chan received a bachelor's degree in commerce (accounting and finance) from the University of New South Wales in Australia in October 1988. Mr. Chan is also a member of the Taxation Institute of Hong Kong (香港稅務學會) since August 1998 and the Australian Society of Certified Practising Accountants since February 1989.

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## 3.2 Biography of Supervisors

**Mr. ZHANG Yixian (張義先)**, born in October 1967, Chinese, mid-level accountant. Mr. ZHANG Yixian is an employee representative Supervisor of the Bank. Mr. Zhang has been a senior researcher of the audit department of the Bank since January 2022. Mr. Zhang's major working experience in the Bank includes: worked in the audit department of the Bank since July 2017 and served as the general manager of the audit department from December 2017 to January 2022. He also served as the general manager of the monitoring and guardian department of the Bank from January 2015 to June 2017. Prior to joining the Bank, Mr. Zhang's major work experience includes: serving as the president of the Zhengzhou Yellow River Road Sub-Branch of China Merchants Bank from May 2013 to January 2015, the general manager of the audit department of the Zhengzhou Branch of China Merchants Bank from August 2012 to May 2013, the vice president of Luoyang Branch of China Merchants Bank from August 2011 to August 2012, the deputy general manager of the monitoring and guardian department of Zhengzhou Branch of China Merchants Bank from July 2007 to August 2011, the vice president of Zhengzhou Weisan Road Sub-Branch (緯三路支行) of China Merchants Bank from July 2005 to July 2007, and the assistant to the general manager of accounting department of Zhengzhou Branch of China Merchants Bank from July 2002 to July 2005. Mr. Zhang worked at the finance department of the Xinxiang Branch of China Construction Bank (建設銀行新鄉分行) from September 1993 to July 2002 and the finance department of Xinxiang State-owned 103 Factory (新鄉國營 103 廠) from July 1990 to September 1993. Mr. Zhang received a college diploma in finance and accounting from Zhengzhou University of Aeronautics (鄭州航空工業管理學院) in July 1990.

**Mr. LI Wanbin (李萬斌)**, born in December 1971, Chinese. Mr. LI Wanbin is a Shareholder representative Supervisor of the Bank. Mr. Li has been the chairman of the board of directors of Henan Wanzhong Group Co., Ltd. (河南萬眾集團有限公司) since March 2011. Before that, Mr. Li worked as a director, the vice president, the general manager, the vice chairman of the board of directors and a member of the party committee of Henan Blue Sky Group Co., Ltd. (河南藍天集團有限公司) successively from July 2003 to August 2008. In addition, Mr. Li served as the chairman of the board of directors of several companies, including Henan Zongheng Gas Pipeline Co., Ltd. (河南縱橫燃氣管道有限公司) from August 2008 to March 2011, Southern Henan Highway Investment Co., Ltd. (河南省豫南高速投資有限公司) from October 2003 to October 2004, and Southern Henan Gas Co., Ltd. (河南省豫南燃氣有限公司) from September 2000 to December 2002. Mr. Li was also a director and the executive vice general manager of Henan Zhongyuan Gas and Chemical Engineering Investment Co., Ltd (河南中原氣化工程投資有限公司) from June 1999 to April 2001, and the sales personnel, the vice general manager and the general manager of Zhumadian Middle Distillate Co., Ltd. (駐馬店中油銷售有限公司) successively from July 1994 to June 1999. Mr. Li received an Executive Master of Business Administration degree from Hong Kong University of Science and Technology (香港科技大學) in June 2012.

**Mr. LI Xiaojian (李小建)**, born in August 1954, Chinese. Mr. LI Xiaojian is an external Supervisor of the Bank. Mr. Li's primary work experience prior to joining the Bank includes serving as the principal of Henan University of Economics and Law from September 2010 to September 2015, the principal of Henan College of Finance from October 2003 to September 2010, the vice principal of Henan University from September 2001 to October 2003, and the dean of the school of environment and planning of Henan University from April 1994 to September 2001. Mr. Li received a bachelor's degree in geography from Henan Normal University (河南師範大學) in January 1982. Mr. Li received a doctor's degree in economical geography from Nankai University (南開大學) in June 1990 and completed a doctorate program at Australian National University in March 1990, respectively. Mr. Li is a professor accredited by Henan Government in November 1993.



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**Mr. HAN Wanghong (韓旺紅)**, born in March 1954, Chinese. Mr. HAN Wanghong is an external Supervisor of the Bank. Prior to joining the Bank, Mr. Han held several positions at Zhongnan University of Economics and Law, including serving as a professor from September 2002 to March 2019, a Ph.D. supervisor and the deputy director of the China Investment Study Centre of Zhongnan University of Economics and Law from September 2009 to March 2019, as well as the vice president of the Committee of the Construction of the Investment Major of the Investment Association of China (中國投資協會投資學科建設委員會) from July 2015 to July 2019, the head of the investment department from September 2004 to December 2011, a lecturer and a deputy professor successively from September 1987 to August 2002. Mr. Han received a bachelor's degree in economics from Hubei College of Finance in July 1982, a master's degree in economics from Zhongnan University of Finance in November 1985 and a doctor's degree in industrial economics from Zhongnan University of Economics and Law in December 2008.

**Mr. SUN Xuemin (孫學敏)**, born in April 1963, Chinese. Mr. SUN Xuemin is an external Supervisor of the Bank. Mr. Sun currently holds several positions at Zhengzhou University, including a professor in the business department since November 2001, the chief of the Strategic Research Centre of the Development of Modern Industry and Enterprises (現代產業與企業發展戰略研究中心) since April 2010 and the chief of the Corporation Research Centre (企業研究中心) since April 2004. Mr. Sun's work experience also includes serving as the legal representative and the executive director of Zhengzhou Jiebang Management Consulting Co., Ltd. (鄭州傑邦管理諮詢有限公司) since April 2005, and the legal representative and executive director of Zhengzhou Zhengda Yunchuang Technology Co., Ltd. (鄭州鄭大雲創科技有限公司) since December 2015. Mr. Sun had served as an independent non-executive director of Henan Jindan Lactic Acid Technology Co., Ltd. (河南金丹乳酸科技股份有限公司) from April 2011 to April 2016. Mr. Sun served as a member and the deputy chief of the "Expert Committee for Small and Medium Enterprises in Zhengzhou" (鄭州市中小企業專家服務團) from December 2010 to May 2014, respectively. Mr. Sun received a doctor's degree in western economy from Huazhong University of Science and Technology in June 2008.

**Mr. PAN Xinmin (潘新民)**, born in January 1957, Chinese. Mr. PAN Xinmin is an external supervisor of the Bank. Mr. Pan has more than 40 years of experience in banking business operations and management. He has been a senior researcher of Henan Songshan Think Tank (河南嵩山智庫) since November 2018. He served as an inspector in the inspection group at the head office of China Merchants Bank (中國招商銀行總行) from December 2015 to February 2017, the president and secretary to the party committee of China Merchants Bank Kunming Branch (中國招商銀行昆明分行) from December 2009 to December 2015, head of the planning group of China Merchants Bank Zhengzhou Branch (中國招商銀行鄭州分行) from July 2002 to December 2002, and the president and secretary to the party committee of China Merchants Bank Zhengzhou Branch from December 2002 to December 2009. Mr. Pan was the president and secretary to the party committee of China Everbright Bank Dalian Branch (光大銀行大連分行) from April 2001 to July 2002. Mr. Pan successively held several positions in China Construction Bank (中國建設銀行) from April 1980 to April 2001, including: (i) clerk of Henan Branch (河南省分行), (ii) deputy chief officer of Henan Branch, (iii) vice president and member of the party committee of Zhumadian Branch (駐馬店分行), (iv) deputy director of Sanding office of Henan Branch, (v) the general manager of Henan Trust Investment Co., Ltd. (河南省信託投資公司), (vi) the president and secretary to the party committee of Shangqiu Branch (商丘分行), (vii) vice president and member of the party committee of Henan Branch. The work experience of



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Mr. Pan also includes being employed as a worker at the Third Coal Mine of Hebi Mining Bureau (鶴壁礦務局第三煤礦) from September 1977 to April 1978. Mr. Pan graduated from Henan Accounting School (河南省會計學校) in February 1980, and graduated from Henan Radio and Television University (河南廣播電視大學) majoring in Chinese language and literature in July 1985. He studied in the Party School of Henan Provincial Party Committee (河南省委黨校) from September 1992 to July 1994 and obtained the graduation certificate majoring in economics management for undergraduates at the evening college of the Party School. He completed the on-the-job postgraduate courses and obtained a master degree of economics from Zhongnan University of Finance (中南財經大學) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) in July 1996, and completed education in international finance (as an off-the-job transferred student) and graduated at the Business School of Wuhan University (武漢大學商學院) and obtained a full-time undergraduate and bachelor degree of economics in July 1999. He completed the on-the-job postgraduate courses and obtained a doctorate in management from the School of Management of Huazhong University of Science and Technology (華中科技大學) in December 2008. Mr. Pan obtained the senior economist qualification in March 1994 and the certified public accountant qualification from the Chinese Institute of Certified Public Accountants in December 1997. He was awarded the title of Top Expert in Henan Province (河南省優秀專家) by the Henan Provincial Party Committee and Provincial Government in July 2008.

### 3.3 Biography of Senior Management

**Mr. LIU Kai (劉凱)**, born in March 1971, Chinese, senior economist. Mr. LIU Kai is the deputy secretary to the party committee and president of the Bank. Before that, Mr. Liu served as the deputy secretary to the party committee and acting president of the Bank from August 2022 to January 2023; served as a member of the party committee and vice president of the Bank from April 2015 to August 2022; served as the vice president of the Bank from December 2014 to April 2015; served as a member of the Leading Group Office for the reform and restructuring of some city commercial banks in Henan Province from November 2013 to December 2014; served as the assistant to the head of the Bureau of Financial Market of PBOC from August 2011 to November 2013; served as the president and the secretary to the party committee of PBOC Anyang Central Sub-branch and the head of the Anyang Central Sub-bureau of the State Administration of Foreign Exchange (國家外匯管理局安陽支局) from May 2007 to August 2011; served successively as a chief section member, the deputy chief and the chief of the office of the party committee and the manager of the office of legal affairs of PBOC Zhengzhou Central Sub-branch from December 1998 to May 2007; served successively as an officer and a section member of the finance management department and a deputy chief section member and a chief section member of the office of the Henan Branch of PBOC from July 1993 to December 1998; worked at PBOC Tanghe County Sub-branch as a section member from July 1993 to July 1994. Mr. Liu received a master's degree in liberal arts from Henan University in June 2007. Mr. Liu obtained a certificate of professional lawyer from the Department of Justice of Henan Province (河南省司法廳) in May 1995 and is a senior economist accredited by the PBOC in May 2005.



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**Mr. LIU Qingfen (劉清奮)**, born in March 1970, Chinese, intermediate economist. Mr. LIU Qingfen is a member of the party committee and assistant to the president of the Bank. Before that, Mr. Liu served as an assistant to the president of the Bank from June 2018 to February 2022; served as the general manager of the corporate banking department of the Bank from February 2018 to June 2018; served as the secretary to the party committee and president of the Zhengzhou Branch of the Bank from July 2017 to February 2018 and the secretary to the party committee and general manager of the head office of the Bank from December 2014 to July 2017. Prior to joining the Bank, Mr. Liu's major work experience includes: serving as the deputy secretary to the party committee and the proposed president of Kaifeng Commercial Bank (開封市商業銀行) from February 2013 to December 2014; the Director of the Dongdajie business department of the Zhengzhou Branch of China Industrial Bank from July 2012 to February 2013; the president of the Dongdajie Sub-branch (東大街支行) of the Zhengzhou Branch of China Industrial Bank from July 2007 to July 2012; the head of business expansion department of the Zhengzhou Branch of China Industrial Bank (興業銀行鄭州分行) from April 2006 to July 2007; the vice president and president of the Weiwu Road Sub-branch (緯五路支行) of the Zhengzhou Branch of Bank of Communications successively from April 2004 to April 2006; the deputy section chief and section chief of the customer section of the business department of Zhengzhou Branch of Bank of Communications (交通銀行鄭州分行) from November 2000 to April 2004; the deputy director of the office of Zhengzhou Commercial Bank from December 1999 to November 2000; the vice president of Zhengbian Road Sub-branch (鄭汴路支行) and Qiaojiamen Sub-branch (喬家門支行) of Zhengzhou Commercial Bank successively from July 1998 to December 1999 (taking charge of work) and the section member of the office of Zhengzhou Commercial Bank (鄭州市商業銀行) from July 1994 to July 1998. Mr. Liu graduated from Zhengzhou University (鄭州大學) in Chinese language and literature in June 1994. Mr. Liu was awarded the intermediate economist in November 1998.

**Mr. SHAO Qiang (邵強)**, born in October 1970, Chinese, senior economist. Mr. SHAO Qiang is a member of the party committee and assistant to the president of the Bank. Before that, Mr. Shao served as a member of the party committee of the Bank from March 2022 to May 2022; served as the deputy secretary to the party committee and president of Bank of Luoyang from January 2021 to March 2022; served as the deputy secretary to the party committee of the Bank of Luoyang and acting president of the Bank of Luoyang from July 2020 to January 2021; served as the deputy secretary to the party committee of the Bank of Luoyang from June 2020 to July 2020; served as the secretary to the party committee and president of Luoyang Branch of the Bank from November 2016 to June 2020; served as the head of the planning group of Luoyang Branch of the Bank from September 2016 to November 2016; served as the general manager of Luoyang Business Department of the Bank from August 2015 to September 2016; served as the head of Jiaozuo Branch of China Guangfa Bank (Regulatory to approve) from April 2015 to July 2015; served as general manager of Human Resources Department of Zhengzhou Branch of China Guangfa Bank from March 2014 to April 2015; served as general manager of Credit Management Department of Zhengzhou Branch of China Guangfa Bank from May 2012 to March 2014; served as the president of the Science and Technology Sub-branch of Zhengzhou Branch of China Guangfa Bank from July 2007 to May 2012; served as the president of Songshan Road Sub-branch of Zhengzhou Branch of China Guangfa Bank from December 2001 to July 2007; served as the assistant to the president of Songshan Road Sub-branch of Zhengzhou Branch of China Guangfa Bank from April 1999 to December 2001; served as the business department manager of Songshan Road Sub-branch of Zhengzhou Branch of China Guangfa Bank from July 1998 to April 1999; served as the manager of the branch office of Zhongyuan East Road of Zhengzhou branch of China Guangfa Bank from July 1997 to July 1998; served as an employee of the financial and accounting department of Zhengzhou Branch of China Guangfa Bank from September 1996 to July 1997; served as an employee of the branch office of the Hongzhuan Road of Zhengzhou Branch of China Guangfa Bank from September 1995 to September 1996; served as a section member of the Inspection Section I of the Price Inspection Institute of Henan Province from July 1992 to September 1995. Mr. Shao received the doctoral candidate's degree of Huazhong University of Science and Technology in December 2011.



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**Mr. WANG Tianqi (王天奇)**, born in February 1985, Chinese. Mr. WANG Tianqi is a member of the party committee and assistant to the president of the Bank. Mr. Wang has served as a member of party committee of the Bank since June 2022; served as the member of the party committee and the head of the office of the Board of Directors of the Bank from March 2022 to June 2022; served as the head of the office of the Board of Directors of the Bank from January 2022 to March 2022; served as the secretary to the party committee and president of the Luoyang Branch of the Bank from July 2020 to January 2022; served as the secretary to the party committee and president of the Luohe Branch of the Bank from February 2018 to June 2020; served as the general manager of the investment banking division of the head office of the Bank from November 2016 to February 2018; served as the vice general manager of the investment banking division of the head office of the Bank from December 2014 to November 2016 (presided over the work); served as a registration and examination staff of the Registration Office of the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) from September 2014 to December 2014; worked in the policy research post and issuance approval post of the Bond Issuance Management Division of the Bureau of Financial Market of PBOC from September 2013 to September 2014; worked in the general post and registration review post of the Registration Office of the National Association of Financial Market Institutional Investors from July 2010 to September 2013. Mr. Wang obtained a master's degree in law from China University of Political Science and Law in July 2010.

**Mr. WANG Le (王樂)**, born in November 1977, Chinese, intermediate economist. Mr. WANG Le is a member of the party committee and assistant to the president of the Bank. Before that, Mr. Wang served as a member of the party committee of the Bank from March 2022 to May 2022; served as a member of the party committee, vice president and director of Jiaozuo Bank of China Travel Service (焦作中旅銀行) from May 2019 to March 2022; served as a member of the party committee, vice president, director of Jiaozuo Bank of China Travel Service and the president of Zhengzhou Branch from November 2017 to May 2019; served as a member of the party committee, vice president and director of Jiaozuo Bank of China Travel Service and the head of the planning group of Zhengzhou Branch from August 2016 to November 2017; served as a member of the party committee, vice president and director of Jiaozuo Bank of China Travel Service from August 2015 to August 2016; served as the vice president of Jiaozuo Commercial Bank from January 2015 to August 2015; from August 2014 to January 2015, he worked at Jiaozuo City Commercial Bank (焦作市商業銀行); from September 2012 to August 2014, he served as the office chief of Haikou Branch of China CITIC Bank (中信銀行海口分行); from April 2012 to September 2012, he worked at the office of Haikou Branch of China CITIC Bank; from March 2011 to April 2012, he served as the deputy general manager of the corporate banking department of Zhengzhou Branch of China CITIC Bank (中信銀行鄭州分行); from February 2009 to March 2012, he served as the assistant to the general manager of corporate banking department of Zhengzhou Branch of China CITIC Bank; from March 2004 to February 2009, he served as the manager of planning and financial management department of Zhengzhou Branch of China CITIC Bank; from February 2002 to March 2004, he worked at planning and financing department of Zhengzhou Branch of China CITIC Bank; from August 1998 to February 2002, he served as an integrated teller of business department of Zhongqing Sub-Branch (中青支行) of Zhengzhou Branch of China CITIC Bank. Mr. Wang obtained his bachelor's degree in economics from Zhengzhou University in July 1998.





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**Ms. LIU Juan (劉娟)**, born in November 1973, Chinese, mid-level accountant. Ms. LIU Juan is a member of the party committee and assistant to the president of the Bank. Before that, from March 2022 to November 2022, Ms. Liu served as the member of party committee of the Bank; from March 2021 to March 2022, she served as the member of party committee, the proposed Director and the vice president of Bank of Pingdingshan Co., Ltd., the secretary of the party committee and the president of Zhengzhou Branch; from March 2019 to September 2021, she served as a member of the party committee of Bank of Pingdingshan Co., Ltd., the secretary of the party committee and president of Zhengzhou Branch; from February 2019 to March 2019, she worked at Bank of Pingdingshan Co., Ltd., performing duties on behalf of the president of Zhengzhou Branch; from August 2017 to February 2019, she worked at Zhengzhou Zhongrui Industrial Group Co., Ltd. (鄭州中瑞實業集團有限公司) and served as deputy head of the group applying for preparation of the proposed privately-owned bank; from July 2015 to May 2017, she worked at Haikou Branch of China CITIC Bank and served as the general manager of corporate banking department and investment banking department; from May 2014 to July 2015, she worked at Sanya Branch of China CITIC Bank (中信銀行三亞分行) and served successively as the deputy head of the planning group and the president; from July 2013 to May 2014, she worked at Haikou Branch of China CITIC Bank and served as the general manager of five business department of the company; from March 2011 to July 2013, she worked at Pingdingshan Sub-branch of China CITIC Bank (中信銀行平頂山分行) and served successively as deputy head of the planning group and the president; from March 2008 to March 2011, she worked at Zhengzhou Branch of China CITIC Bank and served successively as the manager of the corporate department of Nanyang Road Sub-Branch (南陽路支行), the assistant to the president and the vice president who took charge of work; from November 1997 to March 2008, she worked at Zhengzhou Branch of China CITIC Bank and served successively as a teller, the account manager, the deputy manager of personal credit centre, senior account manager; from July 1995 to November 1997, she worked at Henan Materials Group Co., Ltd. (河南物資集團有限公司) and served as the accountant of finance department. Ms. Liu received a master's degree in business administration from the Chinese University of Hong Kong in November 2017.

**Mr. ZHOU Litao (周麗濤)**, born in November 1979, Chinese, intermediate economist. Mr. ZHOU Litao is the vice president of the Bank and the secretary of the party committee and the president of Luoyang Branch. Before that, Mr. Zhou served as the vice president of the Bank from May 2018 to June 2022, as the corporate business director of the Bank from December 2014 to May 2018. He served as the general manager of the asset management department of the investment banking division of the China CITIC Bank from May 2013 to December 2014, the general manager of the strategic customer department of the Zhengzhou Branch of China CITIC Bank (中信銀行鄭州分行) from January 2013 to May 2013, the product manager, assistant to the general manager, deputy general manager and general manager of the investment banking center of Zhengzhou Branch of China CITIC Bank successively from March 2008 to January 2013, the product manager of the corporate banking department of Zhengzhou Branch of China CITIC Bank from February 2006 to March 2008, and the asset preservation department's staff at the Henan Branch of the China Construction Bank (中國建設銀行河南省分行) from July 2001 to July 2003. Mr. Zhou received a master's degree in business administration from Xi'an Jiaotong University in February 2006.





## Chapter 7 Directors, Supervisors, Senior Management, Employees and Institutions

**Mr. YOU Xiang (游翔)**, born in December 1971, Chinese. Mr. You is an assistant to the president of the Bank. Prior to that, Mr. You served as the member of party committee of China Travel Financial Investment Holdings Co., Limited (in charge of Bank of JZCTS) and the deputy secretary of the party committee, president and director of Bank of JZCTS from December 2019 to May 2022, the deputy secretary of the party committee, president and director of Bank of JZCTS from August 2015 to December 2019, the deputy secretary of the party committee, president and director of Jiaozuo City Commercial Bank Co., Ltd. from May 2014 to August 2015, the general manager of the corporate business management department of the Zhengzhou Branch of China Everbright Bank from April 2013 to May 2014, the general manager of the legal security department of China CITIC Bank Zhengzhou Branch from January 2013 to April 2013, the secretary of the party committee and the president of the China CITIC Bank Jiaozuo Branch from December 2009 to January 2013, the head of the planning group of China CITIC Bank Jiaozuo Branch from August 2009 to December 2009, the general manager of the corporate banking department of China CITIC Bank Zhengzhou Branch from February 2007 to August 2009, the president of the Zhongqing Sub-branch of China CITIC Bank Zhengzhou Branch from January 2006 to February 2007, the general manager of the corporate business department I of China CITIC Bank Zhengzhou Branch from April 2005 to January 2006, the customer relationship manager and assistant to the president of the Ronghua Sub-branch of Zhengzhou Branch of China Everbright Bank from June 2000 to April 2005, and the section member of the Kaifeng Branch of Industrial and Commercial Bank of China from November 1991 to June 2000. Mr. You received his master's degree in law from Henan University in June 2008.

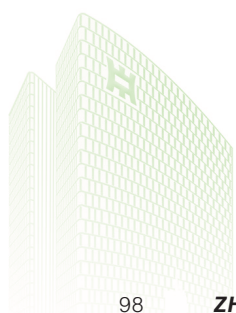
**Mr. YAO Hongbo (姚紅波)**, born in April 1969, Chinese, intermediate economist. Mr. YAO Hongbo is an assistant to the president of the Bank. Prior to that, Mr. Yao served as the Bank's retail business director from April 2018 to May 2019; served as the secretary to the party committee and president of the Bank's Xinxiang Branch from March 2016 to April 2018. Prior to joining the Bank, Mr. YAO Hongbo's major work experience includes: serving as the general manager of the corporate banking department of Zhengzhou Branch of China CITIC Bank from October 2015 to March 2016, the secretary of the party committee and the president of China CITIC Bank Jiaozuo Branch from January 2013 to October 2015, the president of China CITIC Bank Zhengzhou Dongfeng Road Sub-branch from April 2010 to January 2013, the president of China CITIC Bank Zhengzhou Huanghe Road Sub-branch from January 2010 to April 2010, the vice president of Zhengzhou Wenhua Road Sub-branch of China CITIC Bank from January 2008 to January 2010, director assistant and the deputy director of Zhengzhou Branch Office of China CITIC Bank from February 2005 to January 2008 in a successive manner, the organization section chief in the human resources department of the China Construction Bank Henan Branch from January 2003 to February 2005, a cadre in the research department of the China Construction Bank Henan Branch office from January 2002 to January 2003, a cadre in the integrated division under the asset protection department in China Construction Bank Henan Branch from April 2001 to January 2002, an employee, deputy director of the office, director of the branch office and deputy head of the credit section of China Construction Bank's Mianchi County Branch from July 1992 to April 2001. Mr. Yao obtained his bachelor's degree in economics from Zhengzhou University in July 1992.



## Chapter 7 Directors, Supervisors, Senior Management, Employees and Institutions

**Ms. SUO Jia (索佳)**, born in January 1975, Chinese. Ms. SUO Jia is an assistant to the president of the Bank. Prior to that, Ms. Suo proposed to be an assistant to the president of the Bank from December 2022 to February 2023; served as the director and a first-class researcher of the consumer rights protection division of CBIRC Henan Office from October 2020 to December 2022, the director and a first-class researcher of the personal insurance supervision division of CBIRC Henan Office from December 2019 to October 2020, the director of the personal insurance supervision division of CBIRC Henan Office from April 2019 to December 2019, a cadre (director level) of CBIRC Henan Office from October 2018 to April 2019, the director of the personal insurance supervision division of CIRC Henan Office from April 2015 to October 2018, the director of the statistics and research division of CIRC Henan Office from September 2012 to April 2015, the deputy director (in charge) of the statistics and research division of CIRC Henan Office from February 2011 to September 2012, the deputy director of the statistics and research division of CIRC Henan Office from October 2009 to February 2011, served successively as the deputy chief section member, chief section member, assistant to the office chief and section chief of organization (discipline inspection) section of personnel education division, the assistant to the office chief and deputy chief of the office of CIRC Henan Office (the office of the party committee) from May 2004 to October 2009; the deputy chief section member of the general administration division of CIRC Henan Office from March 2004 to May 2004, and she worked in the institutional management division and the general management division of CIRC Zhengzhou Special Office from June 2001 to March 2004, and worked in CPIC Zhengzhou Branch from July 1997 to June 2001. In April 2005, Ms. Suo obtained her degree in Business Administration from the School of Management of Xi'an Jiaotong University.

**Mr. ZHANG Ke (張克)**, born in October 1977, Chinese, a professorate senior accountant. Mr. ZHANG Ke is the secretary to the Board of the Bank. Prior to that, Mr. Zhang has served as the secretary to the Board and general manager of the office of the Board of Directors and Supervisors of the Bank since December 2014 to December 2021; worked at restructuring department of the reform and restructuring committee of city commercial banks in Henan Province from December 2013 to December 2014; served as a director, the chief accountant and the general manager of the accounting finance department of Kaifeng Commercial Bank from April 2010 to December 2013; served as a business manager of the corporate planning department of Henan Investment Group Co., Ltd. (河南投資集團有限公司) from July 2007 to March 2010; and worked as a deputy chief officer in the accounting finance section of the Central Sub-branch of Sanmenxia City of the PBOC from July 1999 to June 2007. Mr. Zhang received a master's degree in Business Administration from Xi'an University of Technology in April 2006. Mr. Zhang is a senior accountant accredited in December 2008 and a professorate senior accountant accredited in December 2019.





## Chapter 7 Directors, Supervisors, Senior Management, Employees and Institutions

**Ms. TONG Qi (佟琦)**, born in September 1975, Chinese, intermediate economist and mid-level accountant. Ms. TONG Qi is the general manager of the financial and accounting department of the Bank. Prior to that, Ms. Tong served as the head of the financial and accounting department of the Bank from January 2022 to October 2022; served as the general manager of the accounting operation department of the Bank from February 2019 to January 2022; served as the vice general manager of the accounting operation department of the Bank (presided over the work) from February 2018 to February 2019; served as the assistant to the general manager of the accounting operation department of the Bank from April 2015 to February 2018; worked in the accounting operation department of the Bank from March 2015 to April 2015; served as the assistant to the president of Zhongmu Sub-branch, Zhengzhou Branch of China CITIC Bank (中信銀行鄭州分行) from November 2014 to March 2015; served as the manager of the accounting inspection division of the accounting department of Zhengzhou Branch of China CITIC Bank from August 2013 to November 2014; served as an accounting manager of Nanyang Road Sub-branch, Zhengzhou Branch of China CITIC Bank from August 2010 to August 2013; worked at the accounting department of Zhengzhou Branch of China CITIC Bank from February 2007 to August 2010; worked at the business department of the Agricultural Bank of China Henan Branch (中國農業銀行河南省分行) from March 1999 to February 2007; served as a teller and accounting manager in the business department of the Agricultural Bank of China Henan Branch from August 1995 to March 1999. Ms. Tong obtained her degree in economics from Henan University in June 2006.

**Ms. HUANG Ming (黃明)**, born in September 1973, Chinese, senior economist. Ms. HUANG Ming is the general manager of the audit department of the Bank. Prior to that, Ms. Huang served as the head of the audit department of the Bank (action in an acting capacity) from January 2022 to October 2022; served as the vice general manager of the audit department of the Bank from February 2021 to January 2022; served as the audit executive of the audit department of the Bank from March 2020 to February 2021; served as the general manager of the risk management department of the Bank from February 2018 to March 2020; served as the general manager of the corporate banking department of the Bank from February 2017 to February 2018; served as the vice general manager of the credit approval department of the Bank (presiding over the work) from April 2016 to February 2017; served as the vice general manager of the risk management department of the Bank (presiding over the work) from December 2014 to April 2016; worked in the planning group of the Bank from June 2014 to December 2014; worked as a risk manager in the risk management department of China Everbright Bank Zhengzhou Branch (光大銀行鄭州分行) from January 2010 to June 2014; served as the assistant to the director of Henan Branch of Huayin Certified Public Accountants (華寅會計師事務所) from October 2008 to January 2010; served as a finance manager of Canon (China) Co., Ltd. Zhengzhou Branch from October 2003 to February 2007; worked as an auditor of Henan Tianjian Certified Public Accountants (河南天健會計師事務所) from August 2000 to October 2003; worked at Pingdingshan Rectifier Factory from October 1994 to August 2000; worked at Henan Jianghe Machinery Factory from March 1994 to October 1994. Ms. Huang obtained her master's degree in accounting at Shanghai University of Finance and Economics (上海財經大學) in February 2009.

#### 4. Confirmation of Independence of Independent Non-executive Directors

The Bank has received from each of its independent non-executive Directors the annual confirmation of his/her independence and considered that all the independent non-executive Directors are independent pursuant to the guidelines set out in Rule 3.13 of the Hong Kong Listing Rules.



## Chapter 7 Directors, Supervisors, Senior Management, Employees and Institutions

### 5. Securities Transactions by Directors, Supervisors and Relevant Employees

The Bank has adopted the Model Code as the code of conduct for securities transactions of the Bank by all Directors and Supervisors. The Bank has also put in place guidelines in respect of dealings in securities of the Bank with terms no less exacting than those of the Model Code, for the relevant employees (as defined in the Hong Kong Listing Rules). Having made specific enquiries to all Directors and Supervisors regarding their compliance with the Model Code, each of the Directors and Supervisors confirmed that those standards as provided thereunder have been complied with for the twelve months period from January 1, 2022 to December 31, 2022. Having made specific enquiries to the relevant employees regarding their compliance with the guidelines of dealing in securities of the Bank, the Bank is not aware of any incompliance with the guidelines.

### 6. Interests and Short Positions of Directors, Supervisors and Senior Management in Shares, Underlying Shares and Debentures

As at December 31, 2022, the interests and short positions of the Directors, Supervisors or chief executive officers of the Bank in the Shares, underlying Shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Bank under Section 352 of the SFO, or which were required to be notified to the Bank and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code were as follows:

#### Interests in Shares of the Bank (Long Positions)

Name	Class of Shares	Nature of interests	Number of Shares	Approximate percentage of the total issued share capital of the relevant class of the Bank <sup>(1)</sup> (%)	Approximate percentage of the total issued share capital of the Bank <sup>(1)</sup> (%)
Ms. JIA Jihong <sup>(2)</sup>	Domestic Shares	Beneficial owner	2,472	0	0
Mr. LI Wanbin <sup>(3)</sup>	Domestic Shares	Interest in controlled corporation	611,064,271	1.78	1.44

Notes:

- As at December 31, 2022, the total number of issued Shares of the Bank was 36,549,823,322, including 29,604,823,322 Domestic Shares and 6,945,000,000 H Shares.
- On January 3, 2023, Ms. JIA Jihong, the vice chairwoman of the Board of Supervisors, submitted her resignation to the Board of Supervisors and resigned as the vice chairwoman of the Board of Supervisors, an employee representative supervisor of the Bank and the members of the Nomination Committee of the Board of Supervisors and the members of the Supervision Committee of the Board of Supervisors due to personal health reasons. Please refer to the Bank's announcement dated January 3, 2023 for details.
- Mr. LI Wanbin is the de facto controller of Henan Wanzhong Group Co., Ltd. (河南萬眾集團有限公司), Henan Zongheng Gas Pipeline Co., Ltd. (河南縱橫燃氣管道有限公司) and Henan Tianli Energy Co., Ltd. (河南天利能源股份有限公司). Therefore, by virtue of the SFO, Mr. LI Wanbin is deemed to be interested in the 611,064,271 Domestic Shares of the Bank (long positions) directly held by Henan Wanzhong Group Co., Ltd., Henan Zongheng Gas Pipeline Co., Ltd. and Henan Tianli Energy Co., Ltd.

# Chapter 7 Directors, Supervisors, Senior Management, Employees and Institutions

## 7. Remuneration Information for Directors, Supervisors and Senior Management

The Bank provide remuneration for Directors, Supervisors and Senior Management according to the “Administrative Measures on the Remuneration of Directors and Supervisors of Zhongyuan Bank Co., Ltd. (《中原銀行股份有限公司董事、監事薪酬管理辦法》)”, “Administrative Measures on the Remuneration of Senior Management of Head Office of Zhongyuan Bank Co., Ltd. (《中原銀行股份有限公司總行高級管理人員薪酬管理辦法》)”, “Measures for Evaluating the Performance of Directors and Senior Management of Board of Directors of Zhongyuan Bank Co., Ltd. (《中原銀行股份有限公司董事會對董事、高管人員履職評價辦法》)”, “Measures for Evaluating the Performance of Directors, Supervisors and Senior Management of Board of Supervisors of Zhongyuan Bank Co., Ltd. (《中原銀行股份有限公司監事會對董事、監事、高管人員履職評價辦法》)” and “Measures for the Administration of the Performance Appraisal of Senior Management of Head Office of Zhongyuan Bank Co., Ltd. (《中原銀行股份有限公司總行高級管理人員業績考核辦法》)”.

The specific remuneration package of the Bank’s Directors and senior management personnel shall be reviewed by the Nomination and Remuneration Committee of the Board and the Board, and the remuneration of Directors shall be reviewed by the shareholders’ general meetings for further final decision as well. The specific remuneration package of the Supervisors must be reviewed by Nomination Committee of the Board of Supervisors and the Board of Supervisors, and which were ultimately decided by the shareholders’ general meetings. The remuneration package of the executive Directors, employee representative Supervisors and senior management of the Bank includes the basic annual salary, annual performance bonus, allowances and benefits. Non-official non-executive Directors and Shareholder representative Supervisors receive allowances for special committees and reimbursement for attending meetings from the Bank, and independent non-executive Directors and external Supervisors receive annual remuneration, allowances for special committees and reimbursement for attending meetings from the Bank. The remuneration system of directors, supervisors and senior management personnel is determined based on the principles of power and responsibility consistency, incentives (both short-term and medium and long term incentives are taken into account) and constraints combination, promoting the marketization of the Bank’s income distribution for senior management.

Remuneration paid to the senior management (excluding the Directors and Supervisors) by bands for the year ended December 31, 2022 is set out below:

	<b>Number of employees</b>
RMB0 to RMB1,000,000	2
RMB1,000,000 to RMB2,000,000	6
RMB2,000,000 to RMB3,000,000	3
RMB3,000,000 to RMB4,000,000	1



## Chapter 7 Directors, Supervisors, Senior Management, Employees and Institutions

### 8. Employees' Remuneration Policies and Training Programs

#### 8.1 Information of Employees

As of the end of the Reporting Period, we had 19,610 employees in total, of which 1,958 employees at our head office and 17,652 employees at our branches and sub-branches (including direct sub-branches). We had 584 dispatched staff, who normally served at non-key positions in the Bank. As of the end of the Reporting Period, 16,545 employees or 84.4% had bachelor's degrees or above, with the average age of 37.0. We totally had 1,919 employees at village and township banks sponsored by the Bank, 182 employees at AB Leasing, 80 employees at BOL Financial Leasing and 508 employees at Consumer Finance Company. As of the end of the Reporting Period, the Bank's senior management (excluding Directors) consisted of 15 males and 5 females; there were 9,851 male employees (accounting for approximately 50.2% of the total employees) and 9,759 female employees (accounting for approximately 49.8% of the total employees) overall in the Bank with reasonable gender structure. The Board believes that the Bank's senior management and staff have diversity in gender.

#### 8.2 Employees' Remuneration Policies

The remuneration management of the Bank adheres to the employee-centered efficiency-oriented and performance-based principles with due consideration to fairness. According to the relevant laws and regulations and industry regulatory requirements, the remuneration structure has been designed based on the concept of paying for capabilities, responsibilities and contributions (為能力付薪、為責任付薪、為貢獻付薪), and a sound remuneration management system and a scientific and reasonable incentive and restraint mechanism have been established. The Bank has set up a comprehensive and professional serial management system, further broadened the career development space of employees, and promoted the professional and sustainable development of staff team to incentivize and retain the talents. The Bank also participated in a number of employee welfare plans organized by relevant government departments in accordance with relevant laws and regulations, including basic pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing fund.

The Bank gave full play to the guiding role of remuneration in operation and risk management and control. In accordance with the principle of combining immediate incentives with long-term incentives and combining effective incentives and responsibility constraints, the Bank implemented deferred payment of performance-based remuneration for applicable personnel, and improved the management measures of relevant performance recovery and deduction, so as to further promote the senior management and employee's stable operation and long-term development of the Bank. During the Reporting Period, no performance recovery and deduction have been exercised by the Bank.

The relevant remuneration management system of the Bank should be submitted to the Party Committee, Employees' Representative Meeting, Nomination and Remuneration Committee under the Board and the Board of Directors for review. The Bank did not have any share option incentive scheme and employee shareholding plan during the Reporting Period.



# Chapter 7 Directors, Supervisors, Senior Management, Employees and Institutions

## 8.3 Training Programs

Based on its business development strategy and under the people-oriented philosophy, the Bank developed its education and training plans. The Bank implemented a management mechanism of unified principles and plans, hierarchical management and classified implementation for employee training. According to the needs of talents development, centering on the development orientation of “serving strategies, businesses, staff and culture”, the trainings were coordinated and carried out systematically under the concept of One Platform, Two Systems, Three Transformations and Four Services (一個平台、兩大體系、三個轉變、四個服務) and the Bank managed the trainings in accordance with a three-tier training system comprising “head office, branch, sub-branch (sector)”. During the Reporting Period, the Bank held a total of 310 level 1 training sessions with a total of 117,000 participants and 5.85 trainings per head, basically covering all employees; 18 branches actually carried out 957 level 2 training sessions, with a total of 105,000 participants.

During the Reporting Period, with a focus on “heightening transformation and improving capability”, the Bank’s training work prioritized enhancing the comprehensive capability of key personnel and the capacity of all staff in the Bank to fulfill their job description. The comprehensive capability of key personnel, mainly including the middle and senior management, heads of secondary department, presidents at the sub-branch level and newly recruited college graduates, was mainly improved through offline training. The Bank employees’ capacity to fulfill their job description was primarily improved through online training provided by the online learning platform. There were currently more than 3,000 online courses available and 977 new courses added in 2022 in the Bank. Leveraging the online learning platform, the Bank offered annual compulsory courses to enhance all staff’s learning of new development strategies and their management capabilities and professional abilities to perform their duties. Nearly 19,000 people completed the task of attending the annual compulsory courses, with learning time reaching 530,000 hours in total. The online platform witnessed a significant increase in the number of training sessions and examinations. The Bank conducted over 700 online training sessions and over 1,300 examinations in total, empowering all staff to upgrade their skills by encouraging them to take the initiative in learning, so as to build a learning organization providing strong organizational guarantee and talent support for its long-term development.

## 9. Information of Institutions under the Bank

As of the end of the Reporting Period, the Bank had 18 branches and 3 direct sub-branches, with a total of 710 business outlets. Among them, there were 433 urban branches, 23 community branches and 2 small and micro branches; 179 county branches; and 73 township sub-branches.

No.	Region	Name of Branch	Business Address	Remarks
1	Zhengzhou, Henan	Headquarters	Zhongke Golden Tower, No. 23 Shangwu Waihuan Road, Zhengdong New District CBD, Zhengzhou, Henan Province	Directly in charge of 3 sub-branch institutions
2	Zhengzhou, Henan	Zhengzhou branch	No. 6, Fengyi Road, Jinshui District, Zhengzhou City, Henan Province	In charge of one business department, 60 sub-branch institutions
3	Luoyang, Henan	Luoyang branch	Intersection of Kaiyuan Avenue and Tongji Street, Luolong District, Luoyang City, Henan Province	In charge of one business department, 89 sub-branch institutions
4	Kaifeng, Henan	Kaifeng branch	No. 246, West Daliang Road, Kaifeng City, Henan Province	In charge of one business department, 30 sub-branch institutions





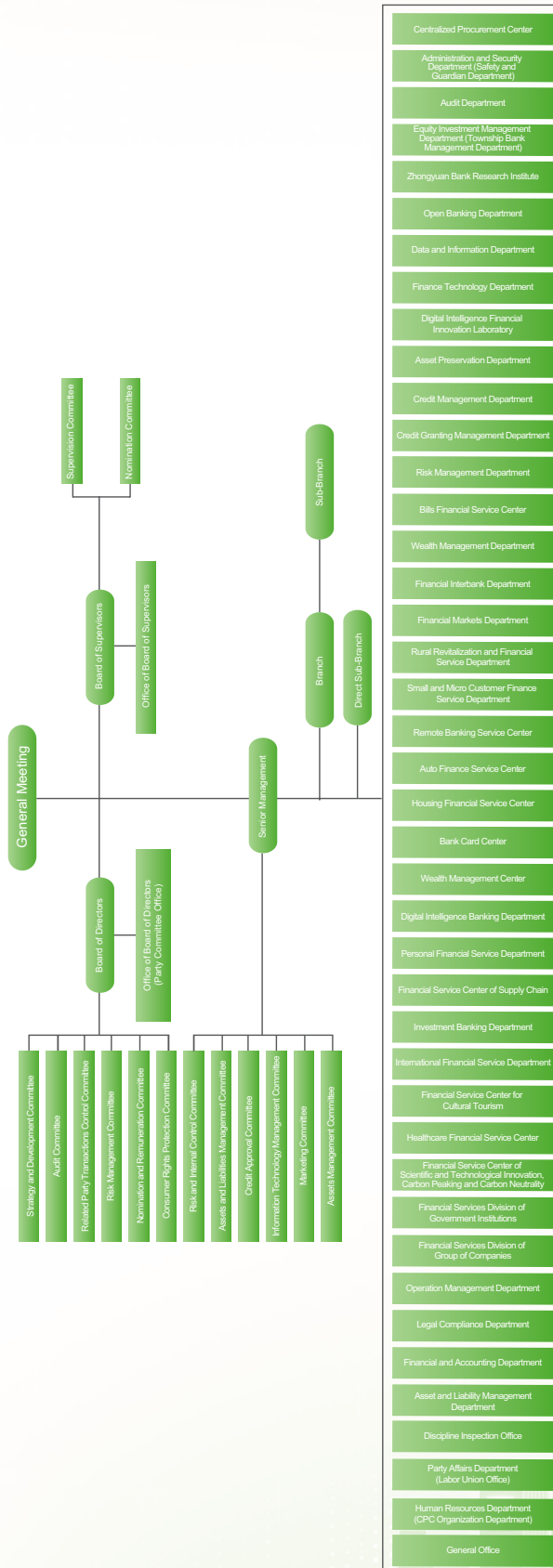
## Chapter 7 Directors, Supervisors, Senior Management, Employees and Institutions

No.	Region	Name of Branch	Business Address	Remarks
5	Xinyang, Henan	Xinyang branch	Xinshi Street, Yangshan New District, Xinyang City, Henan Province	In charge of one business department, 37 sub-branch institutions
6	Anyang, Henan	Anyang branch	Northwest Corner, Intersection of Wenfeng Avenue and Guangming Road, Wenfeng District, Anyang City, Henan Province	In charge of one business department, 28 sub-branch institutions
7	Hebi, Henan	Hebi branch	Finance Centre, Northeast Corner, Intersection of Qishui Avenue and Chaoge Road, Qibin District, Hebi City, Henan Province	In charge of one business department, 15 sub-branch institutions
8	Luohe, Henan	Luohe branch	Intersection of Huangshan Road and Songjiang Road, Yancheng District, Luohe City, Henan Province	In charge of one business department, 17 sub-branch institutions
9	Nanyang, Henan	Nanyang branch	Diyuan Garden, No. 1 Zhongzhou East Road, Wancheng District, Nanyang City, Henan Province	In charge of one business department, 50 sub-branch institutions
10	Pingdingshan, Henan	Pingdingshan branch	No. 7, Yaodian Avenue, Zhanhe District, Pingdingshan City, Henan Province	In charge of one business department, 66 sub-branch institutions
11	Puyang, Henan	Puyang branch	No. 444, Shenglizhong Road, Puyang City, Henan Province	In charge of one business department, 23 sub-branch institutions
12	Sanmenxia, Henan	Sanmenxia branch	No. 2 Commercial Street South, Yingbin Avenue West, Central Business District, Sanmenxia City, Henan Province	In charge of one business department, 39 sub-branch institutions
13	Shangqiu, Henan	Shangqiu branch	No. 195, Wenhua Road, Suiyang District, Shangqiu City, Henan Province	In charge of one business department, 49 sub-branch institutions
14	Xinxiang, Henan	Xinxiang branch	No. 599, Pingyuan Road, Xinxiang City, Henan Province	In charge of one business department, 34 sub-branch institutions
15	Xuchang, Henan	Xuchang branch	East Jianan Avenue, Xuchang City, Henan Province	In charge of one business department, 32 sub-branch institutions
16	Zhoukou, Henan	Zhoukou branch	Changjian MOCO New World Business Office Building, Intersection of Qingfeng East Road and Zhoukou Avenue, Zhoukou City, Henan Province	In charge of one business department, 29 sub-branch institutions
17	Zhumadian, Henan	Zhumadian branch	No. 168, Wenming Road, Zhumadian City, Henan Province	In charge of one business department, 39 sub-branch institutions
18	Jiaozuo, Henan	Jiaozuo branch	No. 1, Yingbin Road, Jiaozuo City, Henan Province	In charge of one business department, 49 sub-branch institutions
19	Jiyuan, Henan	Jiyuan branch	No. 481, Middle Yellow River Road, Jiyuan City, Henan Province	In charge of one business department, 3 sub-branch institutions



# Chapter 8 Corporate Governance Report

## 1. Organizational Structure Chart





## Chapter 8 Corporate Governance Report

### 2. Summary of Organizational Structure of Corporate Governance

In strict compliance with the requirements of domestic and foreign laws and regulations, the Bank actively built a sound corporate governance structure, committed to building an excellent corporate governance mechanism, continuously enhanced the quality and efficiency of corporate governance, and promoted the high-quality development of various businesses of the Bank, so as to safeguard shareholders' interests and enhance the corporate values.

The Bank has established a comprehensive corporate governance structure in accordance with the requirements under the Hong Kong Listing Rules. The compositions of the Board and its special committees complied with the requirements under the Hong Kong Listing Rules. The responsibilities are clearly split among the general meeting, the Board, the Board of Supervisors and the senior management. The general meeting is the authority of the Bank, which exercises its powers pursuant to the laws. The Board shall be accountable to the shareholders' general meeting, and our Bank currently has six special committees under the Board. The special committees are operated under the leadership of the Board and provide advice on the decision-making of the Board. The Board of Supervisors shall be accountable to the shareholders' general meeting, with the target of safeguarding the legitimate interests of the Bank, the Shareholders, staff, creditors and other stakeholders, as well as supervising the stable and compliance operation of the Bank and the performance of the Board and the senior management. The senior management of the Bank works under the leadership of the Board, which is responsible for the implementation of the resolutions of the Board and the daily business operations of the Bank and is required to report to the Board and the Board of Supervisors on a regular basis. The president of the Bank shall be appointed by the Board and shall be accountable to the Board, which is responsible for the overall business operation and management of the Bank.

The Bank has adopted the code provisions set out in Part II of the Corporate Governance Code. Pursuant to the provisions of code provision B.2.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The term of the second session of the Board of the Bank has expired in March 2021. Given that the change of session of the Board is still in the process of preparation, the Board would postpone the change of session in order to maintain the continuity of the relevant work of the Bank. The Bank will publish an announcement and a circular containing details of the candidates for the new session of the Board of the Bank as soon as practicable. Save as disclosed above, during the Reporting Period and as of the end of the Reporting Period, the Bank has been in strict compliance with and complied with the code provisions set out in Part II of the Corporate Governance Code. At the same time, the Bank also complied with some of the recommended best practices set out in the Corporate Governance Code.

The Bank will continue to review and enhance corporate governance, for ensuring that our corporate governance continues to comply with the requirements under the Corporate Governance Code and to achieve a higher expectation from the Shareholders and investors.



# Chapter 8 Corporate Governance Report

## Board Diversity Policy

The increasing diversity at the Board level is the key factor for the Bank to achieve its sustainable development, fulfill its strategic objectives and maintain good corporate governance.

In setting the composition of the Board members, the Bank shall consider the diversity of the Board members from several aspects, including but not limited to gender, age, regional and industrial experience, skills, knowledge and educational background. All Board members' appointments will be based on meritocracy, and candidates will be considered against objective criteria, with due regard given to the benefits of diversity of the Board members. Selection of candidates for the Board will be based on a range of diversity perspectives, including but not limited to gender, age, regional and industrial experience, skills, knowledge and educational background. In order to maintain the gender diversity of the Board in the coming years, the Bank will (i) consider the possibility of nominating female senior management who has the necessary skills and experience to the Board; (ii) ensure that there is gender diversity when recruiting staff; and (iii) engage more resources in training female staff with the aim of promoting them to the senior management or Directors of the Bank.

The Bank attached importance to the gender diversity of the Board. As at the date of this annual report, 22% of the Board members were female Directors (2 female Directors out of 9 directors). As of the end of Reporting Period, the Nomination and Remuneration Committee of the Board and the Board considered that the Board composition was balanced and diversified.

The Board is responsible for regularly reviewing the relevant diversity policy to ensure that it can be in line with the needs of the Bank, reflecting regulatory requirements and sound corporate governance practices; the Nomination and Remuneration Committee of the Board reviews the structure, size and composition (including the skills, knowledge and experience) of the Board annually and takes full account of the requirements of the Board diversity policy when nominating candidates for directors.

<b>Board Diversity</b>	<b>No. of Directors</b>	<b>Proportion of Board Members</b>
Age Composition		
Age 50 to 59	6	67%
Age above 60	3	33%
Gender Composition		
Male	7	78%
Female	2	22%



## Chapter 8 Corporate Governance Report

### 3. Information Regarding the Convening of the Shareholders' General Meetings

During the Reporting Period, the Bank held the 2022 first extraordinary general meeting, the 2022 first H shareholders' class meeting, the 2022 first domestic shareholders' class meeting, the 2022 first preference shareholders' class meeting, the 2021 annual general meeting, the 2022 second extraordinary general meeting, the 2022 third extraordinary general meeting, the 2022 second H shareholders' class meeting, and the 2022 second domestic shareholders' class meeting.

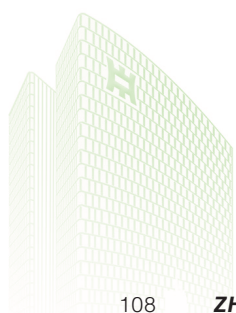
On March 10, 2022, in Zhengzhou, Henan, the Bank held the 2022 first extraordinary general meeting, the 2022 first H shareholders' class meeting, the 2022 first domestic shareholders' class meeting and the 2022 first preference shareholders' class meeting, which considered and approved resolutions including the Resolution on Non-public Offering of Overseas Listed Foreign Shares (H Shares), the Resolution on Approval for the Merger by Absorption of Bank of Luoyang, Bank of Pingdingshan and Jiaozuo Bank of China Travel Service by Zhongyuan Bank, and the Resolution on Approval for Implementation of the Merger by Absorption and Connected Transaction Plan.

On June 27, 2022, the Bank held the 2021 annual general meeting in Zhengzhou, Henan, at which proposals were considered and approved, including "Proposal on the Work Report of the Board of Directors of Zhongyuan Bank Co., Ltd. for 2021", "Proposal on the Work Report of the Board of Supervisors of Zhongyuan Bank Co., Ltd. for 2021", "Proposal on the Final Account Report of Zhongyuan Bank Co., Ltd. for 2021" and "Proposal on Profit Distribution Plan of Zhongyuan Bank Co., Ltd. for 2021".

On August 25, 2022, the Bank held the 2022 second extraordinary general meeting in Zhengzhou, Henan, at which the Resolution on the Issuance of Indefinite Term Capital Bonds by Zhongyuan Bank Co., Ltd. was considered and approved.

On November 11, 2022, in Zhengzhou, Henan, the Bank held the 2022 third extraordinary general meeting, the 2022 second H shareholders' class meeting, and the 2022 second domestic shareholders' class meeting, at which Proposal on the Engagement of Convertible Negotiated Deposit Business to Replenish Additional Tier-one Capital by Zhongyuan Bank Co., Ltd. and Proposal on the Financial Budget Report of Zhongyuan Bank Co., Ltd. for 2022 were considered and approved.

The convening, notice, holding and voting procedures of the aforesaid Shareholders' general meetings were in compliance with the relevant laws and regulations and the relevant requirements of the Articles of Association of the Bank.





## Chapter 8 Corporate Governance Report

### 4. The Board and its Special Committee

#### 4.1 Operation of the Board

The Board of the Bank is responsible for the Shareholders' general meetings, and the directors are elected by the Shareholders' general meetings with a term of three years. The directors make decisions on the Bank's development strategy, operating plan and other matters mainly by form of board meetings. The board meetings are divided into regular board meeting and interim board meeting. The board meeting can be convened in the form of a physical meeting or in the form of written resolutions, and regular board meeting shall be convened in the form of a physical meeting. The Board shall hold at least one regular board meeting quarterly convened by the chairman of the Board. Notices of the Board meetings shall be sent to all directors and supervisors in writing fourteen (14) days before the meeting, and the meeting documents shall be sent to all directors and supervisors five (5) days before the meeting. The Board and the senior management of the Bank have established a good communication mechanism. All proposals submitted to the Board meeting are subject to careful review and active discussion by all directors before making a decision.

All directors keep contact with the secretary to the Board and the company secretary, to ensure compliance with board procedures and all applicable rules and regulations. Detailed minutes of Board meetings are kept, and minutes of the meetings are kept by the secretary to the Board, and are available for review by directors at any time. Communication and reporting mechanism has been established between the Board, directors and senior management. The president reports his work to the Board on a regular basis, and is supervised by the Board. Relevant senior executives are invited to attend Board meetings from time to time to provide explanations or reply to enquiries. At Board meetings, directors can express their opinions freely, and major decisions shall only be made after thorough discussion. Directors may also follow certain procedures to engage independent specialised institutions at the Bank's expense, for provision of independent professional advice, if they deem necessary. If any director has material interest in a proposal to be considered by the Board, such director should abstain from discussion and voting on the relevant proposal, and will not be counted in the quorum of the relevant proposal.

The Board has set up an office as its daily working organization, which is responsible for preparing the general meeting, the Board meetings and all the meetings of special committees under the Board, and is responsible for implementing all the matters assigned by the general meeting, the Board and the special committees under the Board.

The Board and the senior management of the Bank exercise their authority in accordance with the requirements under our Articles of Association, and the Board of the Bank performs regular discussion on risk management and internal control system. The Board believes that the risk management and internal control system established and implemented by the Bank is sufficient and effective.



## Chapter 8 Corporate Governance Report

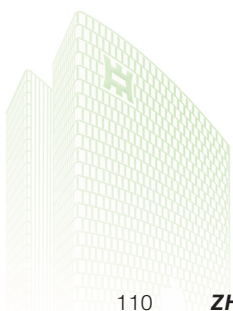
### 4.2 Composition of the Board

As of the end of the Reporting Period, the Board of the Bank consists of 9 Directors, including 3 executive Directors, i.e. Mr. XU Nuojin, Mr. WANG Jiong and Mr. LI Yulin; 2 non-executive Directors, i.e. Ms. ZHANG Qiuyun and Mr. MI Hongjun; and 4 independent non-executive Directors, i.e. Ms. PANG Hong, Mr. LI Hongchang, Mr. JIA Tingyu and Mr. CHAN Ngai Sang Kenny.

### 4.3 Functions and Powers of the Board

The Board shall exercise the following functions and powers:

1. convening Shareholders' general meetings and reporting its work at the general meetings;
2. implementing resolutions of the Shareholders' general meetings;
3. deciding on business development strategies, business plans and investment plans of the Bank;
4. formulating annual financial budget plans and final account plans of the Bank;
5. formulating profit distribution plans and plans for recovery of losses of the Bank;
6. formulating proposals for increases in or reductions of registered capital, issuance of bonds or other securities and listing plans of the Bank;
7. formulating proposals for repurchase of the Bank's shares, merger, separation, change of the nature of the Bank and dissolution or liquidation;
8. reviewing and approving annual authorization plans of the Bank relating to business, personnel, and financial affairs;
9. reviewing and approving external donations with a single amount more than RMB5 million (exclusive) and less than RMB30 million (inclusive);
10. reviewing and approving matters in relation to major equity investment and disposal with a single amount representing less than ten percent (inclusive) of the most recent audited net asset of the Bank;
11. reviewing and approving matters in relation to major asset acquisition and disposal with a single amount exceeding RMB200 million (exclusive) and representing less than ten percent (inclusive) of the most recent audited net asset of the Bank;
12. reviewing and approving external guarantees of other non-commercial banking business guarantees (such as pledge of assets) with a single amount below RMB200 million (inclusive);
13. deciding on the establishment of the internal management structure of the Bank;
14. deciding on the establishment and planning of our branches;





## Chapter 8 Corporate Governance Report

15. appointing or removing senior management personnel, including the president and the secretary of the Board of Directors of the Bank; appointing or removing senior management personnel, including vice presidents, assistants to the president and finance officers of the Bank, based on the recommendations of the president; and deciding on matters relating to their emoluments and awards or punishment;
16. establishing the basic management system of the Bank, deciding on policies on risk management, internal control and compliance of the Bank;
17. formulating proposals for any amendment to our Articles of Association;
18. managing the disclosure of information of the Bank;
19. proposing the appointment or replacement of accounting firms to the Shareholders' general meetings for the auditing of the Bank;
20. reviewing working reports of the president of the Bank and examining the performance of the president;
21. formulating capital replenishment plans;
22. formulating medium and long term incentive plans, such as equity incentive plans and employee stock ownership plans;
23. The Board of Directors shall establish a supervision mechanism to ensure that the management will formulate a code of conduct and working principles for the management staff and the business personnel at all levels and that the aforementioned regulatory documents will expressly require employees at all levels to promptly report any possible conflict of interests, provide detailed rules and establish corresponding processing mechanism;
24. The Board of Directors shall establish a reporting system to require the senior management to report operational issues of the Bank to the Board of Directors regularly. The following items shall be regulated under this system:
  - (1) The contents and the basic standard of the information reported to the Board of Directors;
  - (2) The frequency of the report;
  - (3) The form of the report;
  - (4) The responsible bodies of the report and the responsibilities for delay or incompleteness of the report;
  - (5) The confidentiality of the report.
25. Exercising any other functions and powers prescribed by the laws, administrative regulations, departmental rules or the Articles of Association and authorized by the shareholders' general meetings.





## Chapter 8 Corporate Governance Report

The Board is also responsible for performing the functions set out in the code provision A.2.1 of the Corporate Governance Code. The Board reviewed the Bank's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Bank's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employee Written Guidelines, and the Bank's compliance with the Corporate Governance Code and disclosure in this annual report.

### 4.4 Director's Responsibility for the Preparation of the Financial Statements

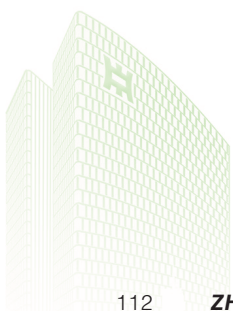
The Directors acknowledge that they are responsible for the preparation of the financial statements of our Bank for the year ended December 31, 2022, which give a true and fair view of the state of affairs and results of the Bank. In doing so, the Directors opted for suitable accounting policies and applied them consistently and used accounting estimates as appropriate in the circumstances. With the assistance of the accounting and finance staff, the Directors ensured that the financial statements of the Bank are prepared in accordance with statutory requirements and appropriate financial reporting standards. The statement of the external auditors with regard to their reporting responsibilities on the Group's financial statements is set out on page 160 to page 303 in the Independent Auditors' Report.

### 4.5 Meetings of the Board of Directors and the Directors' Attendance

During the Reporting Period, our Bank convened 9 board meetings, at which 101 resolutions were reviewed or approved.

The details of the board meetings are set out below:

<b>Session of board meeting</b>	<b>Date of meeting</b>	<b>Form of meeting</b>
The 37th meeting of the second session of the Board	January 26, 2022	On-site
The 38th meeting of the second session of the Board	March 18, 2022	Circulation of written proposal
The 39th meeting of the second session of the Board	March 30, 2022	On-site
The 40th meeting of the second session of the Board	May 30, 2022	Circulation of written proposal
The 41st meeting of the second session of the Board	June 7, 2022	On-site
The 42nd meeting of the second session of the Board	August 5, 2022	On-site
The 43rd meeting of the second session of the Board	August 30, 2022	On-site
The 44th meeting of the second session of the Board	September 29, 2022	On-site
The 45th meeting of the second session of the Board	December 28, 2022	On-site



## Chapter 8 Corporate Governance Report

The attendance of each Director at the general meeting during the Reporting Period is set out below:

Director	the 2022 first extraordinary general meeting	the 2022 first H shareholders' class meeting	the 2022 first domestic shareholders' class meeting	the 2022 first preference shareholders' class meeting	2021 annual general meeting	the 2022 second extraordinary general meeting	the 2022 third extraordinary general meeting	the 2022 second H shareholders' class meeting	the 2022 second domestic shareholders' class meeting
Executive Directors									
XU Nuojin	0/1	0/1	0/1	0/1	1/1	1/1	1/1	1/1	1/1
WANG Jiong	1/1	1/1	1/1	1/1	1/1	1/1	1/1	1/1	1/1
LI Yulin	1/1	1/1	1/1	1/1	1/1	1/1	1/1	1/1	1/1
WEI Jie <sup>(1)</sup>	1/1	1/1	1/1	1/1	/	/	/	/	/
Non-executive Directors									
ZHANG Qiuyun	0/1	0/1	0/1	0/1	1/1	1/1	1/1	1/1	1/1
MI Hongjun	1/1	1/1	1/1	1/1	1/1	1/1	1/1	1/1	1/1
Independent Non-executive Directors									
PANG Hong	1/1	1/1	1/1	1/1	1/1	1/1	1/1	1/1	1/1
LI Hongchang	1/1	1/1	1/1	1/1	1/1	1/1	1/1	1/1	1/1
JIA Tingyu	1/1	1/1	1/1	1/1	1/1	1/1	1/1	1/1	1/1
CHAN Ngai Sang Kenny	0/1	0/1	0/1	0/1	1/1	1/1	1/1	1/1	1/1

The attendance of each Director at board meetings and meetings of special committees during the Reporting Period is set out below:

Director	Board meeting	Strategy and Development Committee	Risk Management Committee	Audit Committee	Nomination and Remuneration Committee	Related Party Transactions Control Committee	Consumer Rights Protection Committee
Executive Directors							
XU Nuojin	9/9	7/7	/	/	/	/	/
WANG Jiong	9/9	7/7	4/5	/	/	3/6	1/2
LI Yulin	9/9	/	4/5	/	/	/	2/2
WEI Jie <sup>(1)</sup>	9/9	3/4	2/2	/	/	3/4	/
Non-executive Directors							
ZHANG Qiuyun	8/9	/	/	/	/	/	/
MI Hongjun	8/9	6/7	/	/	/	/	/
Independent Non-executive Directors							
PANG Hong	9/9	/	5/5	6/6	5/5	/	/
LI Hongchang	9/9	/	5/5	6/6	5/5	6/6	2/2
JIA Tingyu	9/9	7/7	5/5	6/6	5/5	6/6	/
CHAN Ngai Sang Kenny	7/9	/	/	6/6	/	6/6	2/2

Note:

- (1) Mr. WEI Jie tendered his resignation to the Board on June 17, 2022, and resigned as an executive Director and vice chairman of the Board and member of the Strategy and Development Committee, the Related Party Transactions Control Committee and the Risk Management Committee of the Bank.



## Chapter 8 Corporate Governance Report

### 4.6 Independent Non-Executive Directors



The Board of the Bank currently has 4 independent non-executive Directors with a term of 3 years, which complies with the relevant requirements under the Hong Kong Listing Rules.

Independent non-executive Directors of the Bank undertake the obligation to observe the principle of good faith in accordance with the relevant applicable laws and the Articles of Association, to safeguard the interests of the Bank as a whole, and particularly ensure that the legitimate rights and interests of depositors and minority shareholders of the Bank are not prejudiced. Independent non-executive Director performs the duties and responsibilities independently, without any interference by controlling shareholders of the Bank, or other entities or individuals who have a material interest in the Bank. The independent non-executive Directors of the Bank also attended the annual general meeting of the Bank to listen to shareholders' opinions. In addition, they have also contributed positively to the development of the Bank's strategy and policies by providing independent, constructive and informed advice. During the Reporting Period, the Chairman of the Bank held one meeting with independent non-executive Directors in the absence of other Directors.

The Bank has received from each of the independent non-executive Directors an annual confirmation letter of independence pursuant to the requirements under the Hong Kong Listing Rules, which confirmed their independence in written form, therefore, the Bank confirms that all the independent non-executive Directors have complied with the requirements under the Hong Kong Listing Rules in respect of their independence.

The independent non-executive Directors of the Bank have not raised any objections to the resolutions passed at the board meetings or meetings of special committees during the Reporting Period.

### 4.7 Appointment, Re-election and Removal of Directors

The Bank's appointment, re-election and removal of Directors are subject to the requirements of the Hong Kong Listing Rules and the Bank's Articles of Association. The Nomination and Remuneration Committee of the Board of the Bank conducts a preliminary verification of the qualifications and conditions of candidates for the Board, and proposes the qualified candidates to the Board of Directors for consideration. After the Board considered and approved, the candidates for the Board will be presented to the general meeting by way of written proposal. The Bank's general meeting of shareholders may, through ordinary resolutions, appoint relevant persons who meet the qualifications as Directors. For independent non-executive Director candidates, the Nomination and Remuneration Committee of the Board will conduct a qualification review before the appointment, focusing on independence, expertise, experience and ability.

The term of office of the Directors (including non-executive Directors) of the Bank is three years and Directors can be re-elected and re-appointed upon expiration. The renewal term of independent non-executive directors shall not exceed six years.

Subject to relevant laws and administrative regulations, the shareholders' meeting may, in accordance with Articles 108 and 130 of the Bank's Articles of Association, remove any Directors whose term of office has not expired by an ordinary resolution before the expiration of the term of the Directors.



## Chapter 8 Corporate Governance Report

### 5. Committees under the Board

As of the end of the Reporting Period, our Bank currently has 6 special committees under the Board, which are the Strategy and Development Committee, the Audit Committee, the Related Party Transactions Control Committee, the Risk Management Committee, the Nomination and Remuneration Committee and the Consumer Rights Protection Committee. Each special committee shall be accountable to the Board, which provides professional opinions for the Board or makes decisions for professional matters as per the authorization of the Board.

#### 5.1 Strategy and Development Committee

As of the end of the Reporting Period, the Strategy and Development Committee of the Bank consists of 4<sup>1</sup> Directors, being Mr. XU Nuojin (an executive Director), Mr. WANG Jiong (an executive Director), Mr. MI Hongjun (a non-executive Director) and Mr. JIA Tingyu (an independent non-executive Director), respectively. Mr. XU Nuojin is the Chairman. The primary duties of the Strategy and Development Committee are:

1. formulating medium and long term strategic objectives of the Bank; overseeing and assessing the implementation of the strategies and making recommendations to the Board;
2. reviewing the annual operational plans and fixed asset investment budget of the Bank; supervising and inspecting the implementation of the annual operational plans and fixed asset investment budget of the Bank;
3. studying the development of information technology, financial inclusion, green credit and other specialized strategic development plans of the Bank according to the needs of strategic development plans and making recommendations to the Board;
4. studying and formulating strategies and policies of the social responsibilities of the Bank, supervising, inspecting and evaluating the performance of social responsibilities by the Bank;
5. reviewing annual authorization plans relating to business, personnel, and financial affairs of the Bank and making recommendations to the Board;

<sup>1</sup> Mr. WEI Jie resigned as a member of the Strategy and Development Committee of the Board of the Bank on June 17, 2022.



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6. reviewing the external donations with a single amount between more than RMB5 million (exclusive) and less than RMB30 million (inclusive); reviewing matters in relation to major equity investment and disposal with a single amount representing less than ten percent (inclusive) of the most recent audited net asset of the Bank; reviewing matters in relation to major asset acquisition and disposal with a single amount exceeding RMB200 million (exclusive) and representing less than ten percent (inclusive) of the most recent audited net asset of the Bank; reviewing external guarantees of other non-commercial banking business guarantees (such as pledge of assets) with a single amount less than RMB200 million (inclusive); and making recommendations to the Board on above-mentioned matters;
7. studying and coordinating other material matters in relation to the Bank's strategic development.

During the Reporting Period, the Strategy and Development Committee under the Board held 7 meetings, reviewing 2 reports, including the 2021 Operation Report of Zhongyuan Bank Co., Ltd. and considering 17 resolutions, including the 2022-2024 Resolution on the Capital Replenishment and Use Planning of Zhongyuan Bank Co., Ltd.

### 5.2 Audit Committee

As of the end of the Reporting Period, the Audit Committee of the Bank consists of 4 Directors, being Mr. CHAN Ngai Sang Kenny (an independent non-executive Director), Ms. PANG Hong (an independent non-executive Director), Mr. LI Hongchang (an independent non-executive Director) and Mr. JIA Tingyu (an independent non-executive Director), respectively. Mr. CHAN Ngai Sang Kenny is the Chairman. The primary duties of the Audit Committee include the following:

1. conducting inspections on our risk and compliance, finance, accounting policies and practices, financial reporting procedures as well as our financial condition;
2. conducting our annual audit work;
3. making recommendations to the board on the engagement or change of the external audit institution that audits the Bank, including making recommendations to the board on the engagement, reappointment or change of the external audit institution, and approving the remuneration and terms of engagement of the external audit institution, and dealing with any questions about the resignation or dismissal of the external audit institution;
4. monitoring and evaluating the external audit institution's independence and objectivity and the effectiveness of the audit process. The Audit Committee should discuss with the external audit institution the nature and scope of the audit and reporting obligations before the audit commences;
5. developing and implementing policy on engaging an external audit institution to supply non-audit services. For this purpose, external audit institution includes any institution that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the board and make recommendations on any matters where action or improvement is need;





## Chapter 8 Corporate Governance Report

6. reviewing the Bank's financial statements of the previous year's results of operation and annual report and accounts, half-year report and, if prepared for publication, quarterly reports issued by the external audit institution, and reviewing significant financial reporting judgements contained in them, judging the truthfulness, accuracy, integrity and promptness of the audited financial statements and making review recommendations to the board. In reviewing these statements and reports before the submission to the board, the Audit Committee should focus particularly on:
  - (1) any changes in accounting policies and practices;
  - (2) major judgmental areas;
  - (3) significant adjustments resulting from audit;
  - (4) the going concern assumptions and any reservations;
  - (5) compliance with accounting standards;
  - (6) compliance with the Hong Kong Listing Rules and legal requirements in relation to financial reporting.

Members of the Audit Committee should liaise with the board and senior management and the Audit Committee must meet, at least twice a year, with the Bank's external audit institution. The Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the Bank's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

7. reviewing and monitoring the Bank's internal control (including financial control) system;
8. discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of the Bank's resources, staff qualifications and experience in respect of its accounting and financial reporting function, training programmes for staff and the relevant budget;
9. considering major investigation findings on risk management and internal control matters and management's response to these findings on its own initiative or as delegated by the board;
10. responsible for the communication between the internal and external audit to ensure co-ordination between the internal and external audit institution, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Bank, and to review and monitor its effectiveness;
11. reviewing the external audit institution's Management Letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;



## Chapter 8 Corporate Governance Report

12. ensuring that the board will provide a timely response to the issues raised in the external audit institution's Management Letter;
13. acting as the key representative body for overseeing the Bank's relations with the external audit institution;
14. reviewing the following arrangements of the Bank: employees of the Bank can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should also ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; the Audit Committee should establish a whistleblowing policy and system for employees and those who deal with the Bank (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Bank;
15. reporting to the Board on the above-mentioned matters;
16. other duties that the Audit Committee of the Board should perform required by the Hong Kong Listing Rules;
17. other functions that the Board delegates to the Committee.

All the members of the Audit Committee are independent non-executive Directors of the Bank. 4 members has focused on the Bank's risk, financial and compliance condition through considering the relevant financial reports, and actively put forward professional opinions and suggestions to continuously promote the improvement in the Bank's risk control system. During the Reporting Period, the Audit Committee has totally convened 6 meetings, considering 21 resolutions, including the "Proposal on the 2021 Final Account Report of Zhongyuan Bank Co., Ltd." and "Proposal on the Unaudited Interim Financial Statements of the Group for the Period Ended June 30, 2022 of Zhongyuan Bank Co., Ltd.", and met with external auditor for communication and interaction in the absence of the executive Directors and the senior management of the Bank. On March 31, 2023, prior to the annual board meeting, the 20th meeting of the Audit Committee of the second session of the Board reviewed the audited financial statement of the Bank for the year ended December 31, 2022. This statement was prepared pursuant to the international accounting standards and policies, and the financial statement was approved to submit to the Board for consideration.



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### 5.3 Related Party Transactions Control Committee

As of the end of the Reporting Period, the Related Party Transactions Control Committee consists of 4<sup>1</sup> Directors, being Mr. LI Hongchang (an independent non-executive Director), Mr. WANG Jiong (an executive Director), Mr. JIA Tingyu (an independent non-executive Director) and Mr. CHAN Ngai Sang Kenny (an independent non-executive Director). Mr. LI Hongchang is the Chairman. The primary duties of the Related Party Transactions Control Committee include the following:

1. managing the Bank's related party (connected) transactions pursuant to the provisions of laws, regulations and the Hong Kong Listing Rules and formulating corresponding related party (connected) transactions management rules;
2. identifying the Bank's related parties (connected persons) pursuant to the provisions of laws, regulations and the Hong Kong Listing Rules, and reporting to the Board and the Board of Supervisors;
3. defining the Bank's related party (connected) transactions in accordance with the requirements of the laws, regulations, the Hong Kong Listing Rules and the Articles of Association of the Bank;
4. reviewing the Bank's related party (connected) transactions pursuant to the provisions of laws, regulations and the Hong Kong Listing Rules and under the commercial principle of fairness and justice;
5. material related party (connected) transactions of the Bank and other connected transactions which are subject to approval by the Board shall be submitted to the Board for approval after they are examined by the Related Party Transactions Control Committee. If such transactions fall within the related party (connected) transactions which need to be approved by the general meeting pursuant to the Hong Kong Listing Rules and the amount of related party (connected) transactions exceeds the cap authorized by general meeting to the Board, approval from general meeting is also required;
6. reviewing the information disclosure of the Bank's material related party transactions and connected transactions required to be disclosed;
7. other powers conferred by the Board on the committee.

The Related Party Transactions Control Committee of the Bank is composed of executive directors and independent non-executive directors of the Bank, and the independent non-executive director serves as the Chairman, which conducts prudent reviews on the related party transactions of the Bank and examines the material related party transactions in strict accordance with the approval procedures. During the Reporting Period, the Related Party Transactions Control Committee has totally convened 6 meetings to consider 11 resolutions, including "Resolution on the Special Report of the Related Party Transactions of Zhongyuan Bank Co., Ltd. for the Year of 2021".

<sup>1</sup> Mr. WEI Jie resigned as a member of the Related Party Transactions Control Committee under the Board of Directors of the Bank on June 17, 2022.





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### 5.4 Risk Management Committee

As of the end of the Reporting Period, the Risk Management Committee consists of 5<sup>1</sup> Directors, namely Mr. JIA Tingyu (an independent non-executive Director), Mr. WANG Jiong (an executive Director), Mr. LI Yulin (an executive Director), Ms. PANG Hong (an independent non-executive Director) and Mr. LI Hongchang (an independent non-executive Director). Mr. JIA Tingyu is the Chairman. The primary duties of the Risk Management Committee include the following:

1. considering and formulating risk management framework, setting up procedures to identify, assess and manage the material risks faced by our Group, providing guidance to the management on risk management and ensuring that the management fulfils its responsibility in establishing an effective risk management system;
2. supervising the Bank's control of credit risk, liquidity risk, market risk, operational risk, compliance risk and reputational risk and conducting necessary identification, assessment and management;
3. studying macro-economic and financial policies, analysing market changes and putting forward management proposals on industry risks;
4. overseeing the Bank's risk management and internal control systems on an ongoing basis as delegated by the Board and ensuring that the effectiveness of the Bank's and its subsidiaries' risk management and internal control systems has been reviewed at least once every year. Such review should cover all material controls, including financial, operational and compliance controls. The annual review conducted by the Risk Management Committee should ensure the adequacy of the Bank's resources, staff qualifications and experience in accounting, internal audit and financial reporting functions and the training courses attended by the staff and relevant budget.

The annual review conducted by the Risk Management Committee every year should, in particular, include:

- (1) the changes in the nature and severity of significant risks since the last annual review, and the ability of the Bank to respond to changes in its business and the external environment;
- (2) the scope and quality of management's ongoing monitoring of risks and internal control systems, and its internal audit function and the work of other assurance providers;
- (3) the details and frequency of monitoring results delivered to the Board or the Risk Management Committee;
- (4) significant control failures incurred or significant control weaknesses identified during the period and severity level of unforeseen outcomes or emergencies which they have resulted in, and the material impact that the outcomes or emergencies have had, could have had, or may in the future have on the financial performance or condition of the Bank;
- (5) the effectiveness of the Bank's procedures for financial reporting and compliance with the Hong Kong Listing Rules.

<sup>1</sup> Mr. WEI Jie resigned as a member of the Risk Management Committee of the Board of the Bank on June 17, 2022.

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5. reporting any material matter on risk management to the Board, proposing solutions to such matter and advising on improving the Bank's compliance, risk management and internal control;
6. studying risk prevention measures of material risk events in the Bank's operation and management;
7. reviewing information disclosure issues in the Bank's risk management;
8. other powers conferred by the Board on the committee.

During the Reporting Period, each member of the Bank's Risk Management Committee paid close attention to macroeconomic situation, financial policies and market changes, and provided professional opinions and suggestions for the Bank's comprehensive risk management work. At the same time, members reviewed the internal control compliance, the credit concentration management and the risk management reports to perform risk management and risk supervision duties in accordance with regulations. During the Reporting Period, the Risk Management Committee has totally convened 5 meetings, and all members have attended in person and listened to 9 reports including the 2021 Business Continuity Management Report of Zhongyuan Bank Co., Ltd. and considered 16 resolutions, including the Resolution on the Risk Preference Statement of Zhongyuan Bank Co., Ltd. (2022).

### 5.5 Nomination and Remuneration Committee

As of the end of the Reporting Period, the Nomination and Remuneration Committee consists of 3 Directors, namely Ms. PANG Hong (an independent non-executive Director), Mr. JIA Tingyu (an independent non-executive Director) and Mr. LI Hongchang (an independent non-executive Director). Ms. PANG Hong is the Chairwoman. The primary duties of the Nomination and Remuneration Committee include the following:

1. reviewing and considering the remuneration management system and policies of the Bank;
2. studying the appraisal criteria for directors and senior management, carrying out appraisal and making recommendations;
3. studying and reviewing the remuneration policy and plan for directors and senior management, studying and establishing standardized and transparent procedures for formulating remuneration policies and submitting proposals to the Board; and reviewing and approving the remuneration proposals of the management in accordance with the corporate policies and objectives set by the Board;
4. making recommendations to the Board on the remuneration packages (include benefits in kind, pension rights and compensation payments, including compensation payable for loss or termination of their office or appointment) of individual executive directors and senior management members;
5. making recommendations to the Board on the remuneration of non-executive directors;
6. reviewing and approving compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that the compensation is consistent with service contractual terms and is otherwise fair and not excessive if not consistent;



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7. reviewing and approving compensation arrangements relating to dismissal or removal of directors for their misconduct to ensure they are consistent with service contractual terms and are otherwise reasonable and appropriate if not consistent;
8. ensuring that no director or any of his associates (as defined in the Hong Kong Listing Rules) is involved in deciding his own remuneration;
9. formulating the medium and long term incentive plans and implementation schemes of the Bank;
10. assessing the market competitiveness of the Bank's remuneration regularly, considering the salaries, time and responsibilities of similar banks and terms of employment of other posts of the Bank and its subsidiaries, and dynamically adjusting the Bank's remuneration policy;
11. reviewing the structure, size, composition and diversity (including skills, knowledge and experience) of the Board of Directors at least once a year and making recommendations on any proposed changes to the Board of Directors to complement the Bank's corporate strategies;
12. researching the criteria and procedures for selecting directors, president and other senior management members, and making recommendations;
13. extensively identifying qualified candidates for directors, president and other senior management members, selecting and nominating relevant persons to serve as directors or president, and making recommendations to the Board of Directors;
14. reviewing candidates for directors and president and other senior management members and making recommendations;
15. reviewing the appointment or dismissal proposal of the senior management members, such as the Bank's vice presidents, assistants to the president and finance officers submitted by the president and making recommendations to the Board of Directors;
16. assessing the independence of independent directors;
17. making recommendations to the Board of Directors on the appointment or reappointment of directors and succession planning for directors (in particular the chairman) and president;
18. formulating and reviewing the board diversity policy when appropriate;
19. other responsibilities to be performed by the Nomination and Remuneration Committee of the Board of Directors as required under the Hong Kong Listing Rules;
20. other powers conferred by the Board of Directors to the committee.





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According to Article 132 of the Articles of Association of the Bank, the general procedures for nominating and electing a director of the Bank are as follows:

1. The Nomination and Remuneration Committee of the Board of Directors can nominate candidates for directors according to the number of directors to be elected to the extent of the number specified by the Articles of Association; Shareholders individually or jointly holding above 3% of the Bank's total shares in issue with voting rights can also nominate candidates for directors to the Board of Directors;
2. The Nomination and Remuneration Committee of the Board of Directors shall conduct preliminary verification on the qualification and conditions of appointment of the candidates for directors, and propose the qualified candidates to the Board of Directors for consideration; the Board of Directors shall propose the candidates for directors to the shareholders' general meeting by way of written proposal after they are considered and approved by the Board of Directors;
3. The candidates for directors shall, before the convening of the shareholders' general meeting, make written undertakings, expressing their consent to their nomination, confirming the truthfulness and completeness of the publicly disclosed information and undertaking that they will duly perform their duties upon being elected;
4. The Board of Directors shall, before the convening of the shareholders' general meeting, disclose the detailed information on the candidates for directors to the shareholders of the Bank in accordance with laws and regulations and the Articles of Association, so as to ensure that the shareholders will have sufficient knowledge on the candidates when casting their votes;
5. Each candidate for director shall be voted for on a separate basis at the shareholders' general meeting;
6. When an additional director is temporarily nominated, the Nomination and Remuneration Committee of the Board of Directors or the shareholders satisfying the conditions for making such nomination shall propose a candidate to the Board of Directors for consideration. The shareholders' general meeting elects or replaces the Director.

In accordance with the nomination policy adopted by the Bank, the selection and appointment of Board members will be based on a range of diversification criteria, taking into account the diversity of Board members from a variety of measurable aspects, including but not limited to gender, age, regional and industry experience, skills, knowledge and educational background to ensure Board members have the skills, experience and diverse perspectives needed to meet the banking business and maintain a balance of board views, qualifications and skills.

During the Reporting Period, the Nomination and Remuneration Committee has convened 5 meetings, and considered 15 resolutions, including "Resolution on the Report of the Board of Directors on the Performance Evaluation of Directors and Senior Executives of Zhongyuan Bank Co., Ltd. in 2021".



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### 5.6 The Consumer Rights Protection Committee

As of the end of the Reporting Period, the Consumer Rights Protection Committee consists of 4 Directors, being Mr. WANG Jiong (an executive Director), Mr. LI Yulin (an executive Director), Mr. LI Hongchang (an independent non-executive Director) and Mr. CHAN Ngai Sang Kenny (an independent non-executive Director). Mr. WANG Jiong is the Chairman. The primary duties of the Consumer Rights Protection Committee include the following:

1. to formulate the Bank's strategies, policies and objectives of consumer rights protection, to incorporate consumer rights protection into corporate governance and business development strategies; and to guide the senior management to reinforce the construction of a corporate culture enabling consumer rights protection in overall planning;
2. to supervise and evaluate the Bank's consumer rights protection work regarding its comprehensiveness, timeliness and effectiveness, and the senior management's performance of duties;
3. in accordance with the Bank's overall strategy, to deliberate proposals on consumer rights protection for the consideration of the Board of Directors, and make recommendations to the Board of Directors;
4. to provide periodic reports to the Board;
5. other matters as required by laws and regulations, Articles of Association of the Bank, and which authorized by the Board of Directors.

During the Reporting Period, the Consumer Rights Protection Committee has convened 2 meetings, listened to the "Report on the Correction of Problems in the Supervision and Rating of Consumer Rights Protection Work of Zhongyuan Bank Co., Ltd. in 2021", and considered 3 resolutions, including "Resolution Regarding Report on Consumer Rights Protection Work of Zhongyuan Bank Co., Ltd. in 2021".

## 6. Board of Supervisors and its Special Committee

### 6.1 Composition of Board of Supervisors

As of the end of the Reporting Period, the Board of Supervisors of the Bank consists of 8<sup>1</sup> Supervisors, which shall include two employee representative Supervisors, namely Ms. JIA Jihong and Mr. ZHANG Yixian; two shareholder representative Supervisors, namely Ms. LI Weizhen and Mr. LI Wanbin; four external Supervisors, namely Mr. LI Xiaojian, Mr. HAN Wanghong, Mr. SUN Xuemin and Mr. PAN Xinmin.

During the Reporting Period, the Board of Supervisors fulfilled its duties diligently, supervised the performance of duties by Directors and the senior management personnel of the Bank, the strategy development and implementation, financial activities, risk management and internal control of the Bank.

<sup>1</sup> Due to personal health reasons, Ms. JIA Jihong, the vice chairwoman of the Board of Supervisors of the Bank, tendered her resignation to the Board of Supervisors of the Bank on January 3, 2023, and resigned as the vice chairwoman of the Board of Supervisors, Employee representative Supervisor and members of the Nomination Committee and Supervision Committee of the Board of Supervisors of the Bank. For details, please refer to the Bank's announcement dated January 3, 2023. Due to work adjustments, Ms. LI Weizhen, a supervisor of the Bank's Board of Supervisors, submitted her resignation to the Bank's Board of Supervisors on February 22, 2023, and resigned as a supervisor of the Board of Supervisors and a member of the Supervision Committee of the Board of Supervisors. For details, please refer to the Bank's announcement dated February 22, 2023.



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### 6.2 Powers of Board of Supervisors

The Board of Supervisors shall exercise the following functions and powers:

1. to supervise the adoption by the Board of Directors of prudent business philosophy and value standards and formulate development strategies in line with the actual situations of the Bank; to regularly evaluate the scientificity, rationality and effectiveness of the development strategies formulated by the Board and prepare evaluation reports;
2. to supervise the performance of duties of the Board of Directors and senior management and its members of the Bank, to conduct a comprehensive evaluation on the performance of duties of the Directors, Supervisors and senior management personnel and when the acts of Directors and senior management personnel of the Bank are detrimental to its interests, to require them to correct these acts and to propose the removal or litigation against Directors and senior management personnel who have violated laws, administrative regulations, the Articles of Associations or resolutions of the shareholders' general meetings;
3. to examine and supervise the financial activities of the Bank, to examine financial information such as financial reports, business reports and profit distribution plans proposed to be submitted to the Shareholders' general meeting by the Board of Directors, to conduct investigations if there are any doubts or irregularities in relation to the operation of the Bank, and to engage professionals, such as lawyers, certified public accountants and practicing auditors, if necessary, to assist its duties at the expenses of the Bank;
4. to examine the periodical reports of the Bank compiled by the Board of Directors and submit its opinions in writing;
5. to supervise the election and appointment procedures for directors;
6. to present at Board meetings, meetings of special committees of the Board of Directors and meetings of senior management and have the rights to query or make proposals in relation to the matters deliberated by the meetings;
7. to make written or oral proposals, give indications, conduct discussions and raise questions to the Board of Directors, senior management and its members or other personnel and require them to reply based on needs;
8. to guide the internal audit department to perform their duties of auditing and supervision independently, and check and supervise the risk management and internal control of the Bank;
9. to exercise any other functions and powers prescribed by the laws, administrative regulations, departmental rules or the Articles of Associations and authorized by the shareholders' general meetings.

The ways in which the Bank's Board of Supervisors perform their duties mainly include: regular meetings of the Board of Supervisors and special committees; listening to meetings of the Board of Directors and meetings of senior management; reviewing all kinds of documents reported by the senior management; listening to the work reports and special reports made by the senior management, and conducting discussions; conducting special research and special supervision and inspection; conducting performance assessments of directors and the senior management, and so on. By carrying out the above-mentioned work, the Board of Supervisors will conduct supervision over the Bank's operation and management, risk management, internal control, and the performance of directors and the senior management, and propose constructive and targeted supervision opinions.



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### 6.3 Meetings of the Board of Supervisors and Attendance of Supervisors

During the Reporting Period, the Bank has convened eight meetings of the Board of Supervisors in total, at which 65 resolutions were heard or considered.

The following are the details of meetings of the Board of Supervisors:

Session of meeting	Date of meeting	Form of meeting
The 22nd meeting of the second session of the Board of Supervisors	January 26, 2022	On-site
The 23rd meeting of the second session of the Board of Supervisors	March 29, 2022	On-site
The 24th meeting of the second session of the Board of Supervisors	May 30, 2022	Circulation of written proposal
The 25th meeting of the second session of the Board of Supervisors	June 9, 2022	On-site
The 26th meeting of the second session of the Board of Supervisors	August 5, 2022	On-site
The 27th meeting of the second session of the Board of Supervisors	August 30, 2022	On-site
The 28th meeting of the second session of the Board of Supervisors	September 28, 2022	On-site
The 29th meeting of the second session of the Board of Supervisors	December 28, 2022	On-site

The attendance of each Supervisor at the meetings of Board of Supervisors during the Reporting Period is set out below:

Members of the Board of Supervisors	Required attendance of the meeting	Attendance in person	Attendance by proxy
Ms. JIA Jihong <sup>1</sup>	8	7	0
Mr. ZHANG Yixian	8	7	1
Ms. LI Weizhen <sup>2</sup>	8	7	0
Mr. LI Wanbin	8	5	0
Mr. LI Xiaojian	8	7	1
Mr. HAN Wanghong	8	8	0
Mr. SUN Xuemin	8	8	0
Mr. PAN Xinmin	8	8	0

- Notes:
- Ms. JIA Jihong resigned as the Supervisor of the Bank on January 3, 2023.
  - Ms. LI Weizhen resigned as the Supervisor of the Bank on February 22, 2023.

### 6.4 Attendance at General Meetings during the Reporting Period

During the Reporting Period, the Board of Supervisors of the Bank appointed supervisors to attend the 2022 first extraordinary general meeting, the 2022 first H shareholders' class meeting, the 2022 first domestic shareholders' class meeting, the 2022 first preference shareholders' class meeting, the 2021 Annual General Meeting, the 2022 second extraordinary general meeting, the 2022 third extraordinary general meeting, the 2022 second H shareholders' class meeting and the 2022 second domestic shareholders' class meeting, and supervised the legal compliance of the procedures of meetings and the voting process on-site.

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## 6.5 Attendance at the Meetings of the Board during the Reporting Period

During the Reporting Period, the Board of Supervisors attended 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.

## 7. Committees under the Board of Supervisors

### 7.1 Nomination Committee

As of the end of the Reporting Period, there were a total of 6<sup>1</sup> members in the Nomination Committee of the Board of Supervisors, including Mr. HAN Wanghong, Ms. JIA Jihong, Mr. ZHANG Yixian, Mr. LI Xiaojian, Mr. SUN Xuemin and Mr. PAN Xinmin. The chairman was acted by Mr. HAN Wanghong, an external Supervisor. The major duties and responsibilities of the Nomination Committee were:

1. making recommendations to the Supervisors on the scale and composition of the Board of Supervisors;
2. studying into the standard and procedures of selection of Supervisors and making recommendations to the Board of Supervisors;
3. identifying extensively qualified candidates for Supervisors;
4. conducting preliminary review on the qualification and conditions of candidates for Supervisors proposed by Shareholders and making recommendations;
5. supervising the procedure of selection and engagement for Directors;
6. responsible for the comprehensive evaluation of the performance of duties by the Directors, Supervisors and senior management and report to the Board of Supervisors;
7. studying and formulating the remuneration policy and plans of Supervisors, and submitting to the Shareholders' general meetings for approval upon review by the Board of Supervisors;
8. any other matters authorized by the Board of Supervisors.

During the Reporting Period, the Nomination Committee convened a total of 2 meetings, at which 6 resolutions including the Proposal on the Implementation Program on the Performance Evaluation of Directors, Supervisors and Senior Management by the Board of Supervisors in 2021 of Zhongyuan Bank Co., Ltd. and 2021 Debriefings of External Supervisors of Zhongyuan Bank Co., Ltd. were considered.

<sup>1</sup> Ms. JIA Jihong resigned as a member of the Nomination Committee of the Board of Supervisors on January 3, 2023.





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### 7.2 Supervision Committee

As of the end of the Reporting Period, there were a total of 8<sup>1</sup> members in the Supervision Committee of the Board of Supervisors, namely Mr. LI Xiaojian, Ms. JIA Jihong, Mr. ZHANG Yixian, Mr. LI Wanbin, Ms. LI Weizhen, Mr. HAN Wanghong, Mr. SUN Xuemin and Mr. PAN Xinmin. The chairman was acted by Mr. LI Xiaojian, an external Supervisor. The major duties and responsibilities of the Supervision Committee were:

1. formulating plans for supervision of financial activities of the Bank and making relevant recommendations to the Board of Supervisors;
2. supervising the Board of Directors to adopt prudent business philosophy and value standards and formulating development strategies in line with the actual situation of the Bank, and organizing the evaluation on the scientificity, rationality and effectiveness of the development strategies formulated by the Board of Directors, preparing the evaluation report and reporting to the Board of Supervisors;
3. monitoring and reviewing the operation strategy, risk management and internal control of the Bank;
4. communicating with the external audit institution of the Bank to know the preparation and major adjustments for regular reports of the Board of Directors, and reporting to the Board of Supervisors;
5. guiding the internal audit department to independently perform the audit and supervision functions;
6. any other matters authorized by the Board of Supervisors.

During the Reporting Period, the Supervision Committee convened a total of 3 meetings, at which 32 proposals including the Proposal Concerning 2021 Report on Internal Control and Compliance and Operational Risk Management of Zhongyuan Bank Co., Ltd. and the Proposal on 2021 Work Report on Consumer Rights Protection of Zhongyuan Bank Co., Ltd. were considered.

## 8. Senior Management

The senior management, as the executive body of the Bank, is accountable to the Board and supervised by the Board of Supervisors. The Bank has one president and several vice presidents and assistants to the president, who are appointed or dismissed by the Board of Directors, and are responsible for implementing the decisions of the Board of Directors and are required to report to the Board of Directors of the Bank. The senior management has the powers as authorized by our Board to manage our daily operations. The division of authority between the senior management and the Board of Directors is carried out in accordance with the corporate governance documents such as the Bank's Articles of Association.

The senior management, with the president as its representative, perform their duties in accordance with the terms of reference as stipulated in the Articles of Association of the Bank; their main duties include managing operating activities of the Bank, managing daily administration, business and financial matters, and reporting regularly to the Board with respect to the operating matters of the Bank.

<sup>1</sup> Ms. JIA Jihong resigned as a member of the Supervision Committee of the Board of Supervisors on January 3, 2023. Ms. LI Weizhen resigned as a member of the Supervision Committee of the Board of Supervisors on February 22, 2023.

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### 8.1 Chairman and President

During the Reporting Period, the roles and duties of the Chairman and the President of the Bank were taken up by different individuals and there was a clear division between their duties and responsibilities, which complies with the recommendations of the Hong Kong Listing Rules.

As of the end of the Reporting Period, Mr. XU Nuojin acted as the secretary of the Party Committee and the Chairman, and took charge of the overall work of the Bank. Mr. LIU Kai<sup>1</sup> acted as the deputy secretary of the Party Committee and the President, responsible for the daily operation and management of the Bank, and administered our office, Human Resources Department (Organization Department of the Party Committee), and technology innovation line.

### 9. Financial, Business and Family Relationship among Directors, Supervisors and Senior Management

The Directors, Supervisors and senior management of the Bank do not have any relationship, including financial, business, family and other material relations.

### 10. Training and Research of Directors and Supervisors during the Reporting Period

#### 10.1 Introduction to the Training and Survey of Directors

During the Reporting Period, all Directors of the Bank innovated their ways of performance and attached importance to the improvement of the performance ability. Firstly, we conducted the assessment of the audit quality of the external auditors of the Audit Committee of the Board of Directors to effectively supervise the auditors' compliance in the conduction of the audit work. Secondly, all Directors attended the "Special Training Course on Equity Management and Related Party Transactions of Commercial Banks" to enhance their in-depth understanding on bank equity management and related party transaction management. Thirdly, we strengthened communication on the management level. All Directors participated in the special surveys on residential mortgage business and the "forced loan suspension" event, asset quality of the New Zhongyuan Bank in the first half of 2022, and the analysis in respect of the impact of changes in the real estate situation to the current and future business development of the Bank, listened to the report on the risk inspection of subsidiaries in 2022, and thoroughly understood the operation of the Bank. Through the above forms, the Directors of the Bank further strengthened the grasp of industry regulatory policies and the operation within the Bank, which is beneficial to their exercise of decision-making power scientifically.

#### 10.2 Introduction to the Training and Survey of Supervisors

During the Reporting Period, Supervisors of the Bank participated in the special training on Measures for Evaluation of Performance of Duties by Directors and Supervisors of Banking and Insurance Institutions (for Trial Implementation) (《銀行保險機構董事監事履職評價辦法(試行)》) and the Banking Supervision and Administration Law of the PRC (Draft Revision for Comments) (《中華人民共和國銀行業監督管理法(修訂草案徵求意見稿)》), and also participated in the special surveys on the forced loan suspension of idle construction projects in Henan Province, the integrated development of Pingdingshan Branch, as well as the supervision and inspection on the disposal of non-performing assets in 2021.

<sup>1</sup> The qualification of Mr. LIU Kai as the President was approved by the CBIRC Henan Office on January 18, 2023. For more details, please refer to the Bank's announcement dated January 20, 2023.



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### 11. Company Secretary under the Hong Kong Listing Rules

The Bank appointed Mr. ZHANG Ke and Ms. CHAN Yin Wah<sup>1</sup> of SWCS Corporate Services Group (Hong Kong) Limited to act as the joint company secretaries of the Bank. The primary contact person of Ms. CHAN Yin Wah in the Bank is Mr. ZHANG Ke, the other joint company secretary. Both Mr. ZHANG Ke and Ms. CHAN Yin Wah have been in compliance with Rule 3.29 of the Hong Kong Listing Rules that they received at least 15 hours of relevant professional training for the year ended December 31, 2022.

### 12. Communication with Shareholders

#### 12.1 Investors Relationship

The Bank attaches importance to communication with Shareholders, for which to meet their demand, it has formulated Measures on Management of Investors Relationship of Zhongyuan Bank Co., Ltd., and seeks to improve mutual understanding and enhance communication with Shareholders through various channels including general meeting, roadshows, press conference, official website, e-mail and telephone.

For enquiries to the Board, investors may contact: The Office of Board of Directors of Zhongyuan Bank Co., Ltd.

Address: Room 2625, No. 23 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, PRC

Telephone No.: (86) 0371-85517898

Fax No.: (86) 0371-85519888

E-mail: dongshihui@zybank.com.cn

#### 12.2 Information Disclosure

The Board of Directors and senior management place great importance to information disclosure. They rely on good corporate governance and internal controls to ensure investors obtain information in a timely and accurate manner.

In accordance with the requirements of the Hong Kong Listing Rules, Measures for the Information Disclosure of Commercial Banks and Measures for the Information Disclosure of Zhongyuan Bank Co., Ltd., the Bank continuously improved the timeliness, accuracy and completeness of the information to be disclosed. During the Reporting Period, the full version of the relevant reports is available for download on the website of the Bank. Meanwhile, the annual reports and interim reports are available for review by the investors and stakeholders in the Office of Board of Directors and principal outlets of the Bank.

<sup>1</sup> On March 30, 2022, Ms. LEUNG Wing Han Sharon resigned as the joint company secretary and an Alternate to Authorized Representative ; on the same date, Ms. CHAN Yin Wah has been appointed as a joint company secretary and an Alternate to Authorized Representative. For details, please refer to the Bank's announcement dated March 30, 2022.



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### 12.3 Shareholders' Rights and Communication Policy

#### **Procedure for Shareholders to Convene Extraordinary General Meeting**

The Bank strictly complies with the applicable laws and regulations, the Hong Kong Listing Rules, the Articles of Associations of the Bank and the corporate governance system, for practically safeguarding the rights of the Shareholders. Pursuant to the requirements under the Articles of Associations of the Bank and the rules of procedures of the general meeting: the shareholders who individually or jointly hold more than 10% of the shares of the Bank for at least 90 consecutive days may make a written request to the Board to convene an extraordinary general meeting or class meeting, and to illustrate the subject of the meetings. The Board shall, in accordance with the laws, administrative regulations and the Articles of Association of the Bank, make a written response as to whether it agrees to convene the extraordinary general meeting or class meeting within 10 days of receiving the proposal. The shareholding of the above Shareholders is based on their shareholdings on the date of such request is proposed to the Board in writing. If the Board agrees to convene an extraordinary general meeting or a class meeting, the Board shall deliver a notice of convening a General meeting or a class meeting within five days from the adoption of the resolution of the Board. Any change to the original request contained in the notice shall be made with the consent of relevant shareholders. Where the Board disagrees to convene an extraordinary general meeting or a class meeting or fails to give any feedback within ten days after the receipt of such request, shareholders individually or jointly holding 10% or more of shares of the Bank are entitled to propose to the Board of Supervisors to convene an extraordinary general meeting or a class meeting by submitting a request in writing. Where the Board of Supervisors agrees to convene an extraordinary general meeting or a class meeting, it shall, within five days after the receipt of such request, deliver a notice of convening an extraordinary general meeting or a class meeting. Any change to the original request in the notice shall be made with the consent of relevant shareholders. If the Board of Supervisors fails to deliver such notice to convene an extraordinary general meeting or a class meeting within the specified period, the Board of Supervisors shall be deemed not to convene or preside over such aforesaid meeting. Such shareholders individually or in aggregate holding more than 10% of the Bank's voting shares for at least 90 consecutive days may at their discretion convene and preside over such aforesaid meeting. Shareholders may refer to the Articles of Association of the Bank published on the websites of the Hong Kong Stock Exchange and the Bank for further details.

#### **Procedure of Proposing a Resolution at the General Meeting**

Shareholders individually or in aggregate holding 3% or more of the Bank's voting shares may propose an interim proposal and submit it to the convener in written form ten days before the general meeting. The convener shall review such proposal, issue a supplemental notice of the general meeting and announce the proposal if it satisfies the provisions as specified in the Articles of Association of the Bank within two days after receiving the proposal. If the Hong Kong Listing Rules specifies otherwise, the procedures of submitting a proposal to the general meeting shall follow such provisions. Except as provided in the precedent paragraph, the convener shall not alter the proposals in the notice of the general meeting or add new proposals after the issuance of the notice of the general meeting. Shareholders may refer to the Articles of Association of the Bank published on the websites of the Hong Kong Stock Exchange and the Bank for further details.



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### Raise Enquiries to the Board of Directors

Shareholders have the right to supervise the operation of the Bank, and to make suggestions or enquiries. Shareholders are entitled to access relevant information in accordance with the laws, administrative regulations, departmental rules, regulatory documents, relevant provisions stipulated by the securities regulatory authorities in the locality where the Bank's shares are listed and the requirements of the Articles of Association of the Bank, including audited accounting reports, personal information of the Directors, Supervisors, President and other senior management personnel, share capital of the Bank, etc. Where a Shareholder requests to inspect and read the relevant information, this Shareholder shall provide the Bank with written documents evidencing the class and number of shares of the Bank they hold, and the Bank shall provide such documentation as required by the Shareholders upon verification of their identities.

The Bank attached great importance to the opinions and recommendations of shareholders, and opened channels for communication with shareholders, so as to meet their reasonable needs in a timely manner. At the same time, the Bank published its announcement, financial data and other relevant data through the website <http://www.zybank.com.cn>. As a channel to promote effective communication with shareholders, there is available email, special telephone lines for investors and direct letter boxes for shareholders who have any enquiries to contact the Bank's office address, and the Bank will process the relevant enquiries in a timely and appropriate manner. Please refer to "12.1 Investors Relationship" for the detailed contact information above.

The Bank has reviewed the implementation and effectiveness of the above shareholder communication policy during the year and considers it effective.

### 13. External Auditors and Auditor's Remuneration

The Bank engaged KPMG and KPMG Huazhen LLP to act as international auditor and domestic auditor for the year of 2022, respectively, at the 2021 annual general meeting convened by the Bank on June 27, 2022, to carry out auditing in accordance with the Hong Kong Standards on Auditing and China Standards on Auditing for Certified Public Accountants. The two accounting firms have each provided audit services for the Bank for 7 consecutive years.

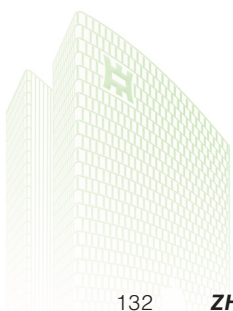
During the Reporting Period, the remuneration agreed to be paid by the Bank to KPMG Huazhen LLP and KPMG for the audit of annual financial statements was RMB6.50 million in aggregate.

The Board and the Audit Committee under the Board reached consensus on the selection and appointment of the external auditors of the Bank without any disagreement.

The auditors of the Bank have not changed in the past three years.

### 14. Amendments to the Articles of Association

As of the date of this annual report, the Articles of Association of the Bank has no amendments, texts of which are available on the websites of the Bank and the Hong Kong Stock Exchange.





## Chapter 8 Corporate Governance Report

### 15. Risk Management and Internal Control

#### 15.1 Risk Management

In accordance with the requirements of laws and regulations such as the Law of the PRC on Commercial Banks (《中華人民共和國商業銀行法》) and Internal Control Guidelines for Commercial Banks (《商業銀行內部控制指引》), the Bank established a standardized corporate governance structure and defined the scope of rights, division of responsibilities and rules of procedure for the Party Committee and the general meeting, the Board of Directors, the Board of Supervisors and the senior management. Based on the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and its schedules, risks and relevant terminology defined by the Basel Committee, practice of the domestic and overseas peers as well as its own actual situation, the Bank identifies, measures, evaluates, monitors, reports, and controls various overall quantitative and non-quantitative risks which may arise from the interaction between business strategies, product portfolios, client demands and the external macroeconomic environment.

Taking into account the capital occupancy based on risk types, risks of banks determined by regulators and capital regulatory requirements together with results from identifying and assessing risk events, the Bank collects and publishes risk warnings, draws up risk event examples, identifies, collects and assesses risk events and then determines material risks for the purpose of identifying its material risks, which include credit risk, market risk, operational risk, liquidity risk, interest risk in bank accounts, compliance risk, legal risk and reputational risk, and subsequently making assessment and analysis on them with risk measurement approaches and techniques.

In accordance with laws and regulations including the Overall Risk Management Guidelines for Commercial Banks (《商業銀行全面風險管理指引》) and the Internal Control Guidelines for Commercial Banks (《商業銀行內部控制指引》) as well as relevant requirements of the Hong Kong Listing Rules, the Board of the Bank has formulated the Policies of Overall Risk Management in Zhongyuan Bank (《中原銀行全面風險管理政策》), Measures for Credit Exposure Management in Zhongyuan Bank (《中原銀行授信集中度管理辦法》), Basic Requirements for Internal Control in Zhongyuan Bank Co., Ltd. (《中原銀行股份有限公司內部控制基本規定》). It not only established and improved the internal control and risk management system, but also reasonably guaranteed the legal and regulatory operation and management, asset safety, authenticity and integrity of financial reports and related information, as well as improved operating efficiency and effect, and promoted the realization of development strategies. The Board of the Bank is of the opinion that the internal control and risk management system established and implemented by the Bank is adequate and effective. Such internal control and risk management system is designed to manage the risk of failing to meet business targets rather than eliminating such risk, and the Board of Directors only provides reasonable but not absolute assurance for not making material misstatement and losses. The Board shall guarantee a review of internal control and risk management system at least once a year. The Bank evaluated the overall risk situation on a quarterly basis and the quality of internal control on an annual basis. The Bank's risk management and internal control systems are scientific and effective, which provides a safeguard for the stable operation of the Bank. The Board of Directors has reviewed the effectiveness of risk management, and obtained confirmation from the management on the effectiveness of the Bank's risk management, and believes that such systems are effectively operated and adequate.



## Chapter 8 Corporate Governance Report

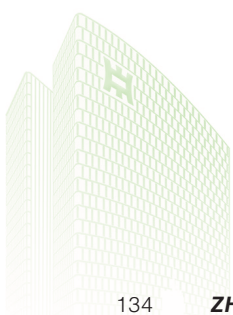
### 15.2 Internal Control

Based on the principles of full coverage, checks and balance, prudence and compatibility, the Bank has established a relatively scientific and standardized internal control system in accordance with relevant laws and regulations, such as the Law of the PRC on Commercial Banks (《中華人民共和國商業銀行法》), the Internal Control Guidelines for Commercial Banks (《商業銀行內部控制指引》), and the relevant requirements of the Hong Kong Listing Rules, aiming to ensure the consistent compliance with relevant laws, regulations and rules of the PRC, the application of the Bank's development strategies and the accomplishment of its operating objectives, the accuracy and completeness of the Bank's financial information and other management information, and the effectiveness of the risk management of the Bank.

The Bank insists in and continues to optimize the defense mechanism comprising of three lines for internal control. The first line of defense consists of various branches and operating units, which are the owners of, and are accountable for risks and controls, and have to undertake self-risk control functions in the course of their business operation, including the formulation and implementation of policies, business examination, the reporting of control deficiencies and the organization of rectification measures. The second line of defense consists of the internal control and risk management departments at all levels, which are responsible for the overall planning, organizing and implementing, and examining and assessing of risk management and internal control. The third line of defense consists of the audit and supervision departments, which are responsible for performing internal audit on the adequacy and effectiveness of the internal control and risk management, taking disciplinary actions against staff in violation of regulations or disciplinary rules, carrying out case investigations and promoting management accountability.

The Bank, following the principle of "prudential operation with risk-based supervision", constantly improved the management tools related to internal control compliance and operational risk, improved and upgraded the integration and management information systems for internal control compliance and operational risk, and realized the effective integration of internal control management, compliance risk management and operational risk management. The Bank continued to optimize its regulatory framework by establishing a three-tier system comprising of basic norms, administrative measures and operational rules. The Bank established the evaluation mechanism of internal control system, continuously modified and improved according to the external laws and regulations, as well as changes in regulatory requirements to ensure compliance with the external laws and regulations, regulatory requirements. It provided the basis and guarantee for the Bank's operation and management, business operation and effective risk prevention and control.

The Bank strictly complied with the regulatory requirements, solidly carried out construction activities of internal control and compliance management, continuously strengthened the construction of internal control compliance culture, actively carried out compliance training and publicity for all employees, and improved the long-term mechanism of compliance education to further enhance the effectiveness of internal control through continuous organization of case warnings education, hierarchical compliance training and publicity activities. The Board of Directors has reviewed the effectiveness of the internal control system, obtained the confirmation from the management on the effectiveness of the Bank's internal control system, and considered that the systems are effective and adequate.





## Chapter 8 Corporate Governance Report

### 15.3 Internal Auditing

The Bank has established a vertical and independent internal audit system of “one department and three centers” in accordance with the Guidelines for the Internal Audit of Commercial Bank, the Internal Control Guidelines for Commercial Banks and other requirements. The audit department has been established at the head office level, and three audit centers have been established in Luoyang, Pingdingshan and Jiaozuo.

During the Reporting Period, the Bank adhered to the “risk-oriented” and “data-empowered” audit concepts, closely focused on regulatory requirements and the Bank’s development strategy and central work, audited in accordance with laws and regulations, and fully performed its audit supervision duties. Firstly, the Bank improved the audit system, clarified the vertical and independent organizational structure, responsibilities, authority and procedures of internal audit, the use of audit results, accountability and other matters, and promoted the standardization of internal management, enhanced the internal control, prevented risks and improved the quality and efficiency. Secondly, the Bank adhered to the risk orientation, coordinated the audit coverage requirements of points, lines and areas, reasonably arranged audit resources, and carried out audit items in an orderly manner. Thirdly, the Bank focused on the core thoughts of “digital transformation” and “digital intelligence transformation”, integrated and planned data resources, built and improved the management platform, so as to improve the support ability of technological tools for modern financial audit work continuously. Fourthly, the Bank fulfilled the big data audit thinking, actively innovated and improved audit methods, vigorously promoted off-site big data audits, carried out audits mainly with big data off-site audit methods, and provided relatively accurate positioning and clear focus for on-site audits, to improve the quality and efficiency of audit. Fifthly, the Bank established and improved the long-term mechanism for rectification of problems found in the audit, and adopted various methods (such as tracking, supervision, verification, assessment and review) to improve the effect of audit rectification. Sixthly, the Bank formed a joint supervision force in terms of information sharing, achievement sharing, implementation and other aspects, strengthened accountability, timely handed over clues of violations of laws and disciplines, thus enhanced audit deterrence.

### 15.4 Anti-money Laundering

During the Reporting Period, the Bank strictly complied with the Anti-money Laundering Law of the PRC (《中華人民共和國反洗錢法》) and other applicable laws and regulations promulgated by institutions, including the Central Bank, CBIRC. The Bank consistently adhered to the “risk-based” idea for anti-money laundering, established a comprehensive mechanism of anti-money laundering work, improved internal control systems, continuously optimized the supervision and reporting systems of anti-money laundering, proactively carried out the publicity and training for anti-money laundering and effectively performed all anti-money laundering obligations as required by the law. The Bank’s main measures to carry out anti-money laundering work are as follows:



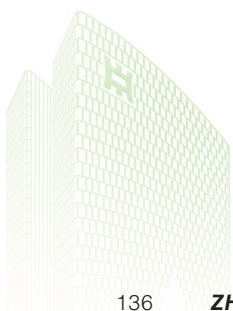


## Chapter 8 Corporate Governance Report

Firstly, standardizing and clarifying the anti-money laundering responsibilities of the Board of Directors, Board of Supervisors, senior management, leading groups for anti-money laundering work and branches, and establishing a clear and efficient operation mechanism. Secondly, building a self-assessment system on risks of money laundering and terrorist financing and completing the self-assessment work for the whole Bank in 2021 according to the requirements of the People's Bank of China and other regulatory authorities. Thirdly, amending and improving 6 internal control systems to further enhance the applicability and effectiveness of the internal control system. Fourthly, optimizing the supervision and reporting systems function of anti-money laundering for 12 times and suspicious models for 7 times throughout the year, and continuously improving the system processing efficiency and model monitoring accuracy. Fifthly, using multiple resources to build a multi-level and multi-dimensional training system, strengthening the anti-money laundering awareness of all employees, and promoting the improvement of anti-money laundering performance capabilities. Sixthly, taking the initiative to fulfill the responsibility of social propaganda and education, adhering to the combination of theme publicity and daily publicity, and making full use of outlet, leaflet, official website, official account and other methods to popularize and publicize financial knowledge about anti-money laundering and anti-terrorist financing, and strengthening the anti-money laundering awareness of the general public so as to shape a favorable social environment for anti-money laundering.

### 15.5 Anti-corruption

The Bank attached great importance to the management of employee behavior norms and the construction of a system and mechanism for honest employment, effectively prevents moral risks among employees, formulated and improved the honest employment special systems, including the Measures for the Handling of Violations of Regulations of Zhongyuan Bank's Employees (《中原銀行員工違規行為處理辦法》), strictly complies with relevant laws, regulations and regulatory requirements, and reinforces the supervision and inspection of system implementation, as well as solidly promoted the honest employment of employees. The Bank attached importance to the construction of anti-corruption mechanisms and the education of clean culture, strengthened the construction of disciplinary inspection teams, improved the supervision mechanism, and formulated the Party Committee of Zhongyuan Bank's Implementation Opinions on Strengthening the Supervision of "Top Leaders" and Leading Groups (《中原銀行黨委關於加強對“一把手”和領導班子監督的實施意見》) and Measures for the Recording and Reporting on Leading Cadres of Zhongyuan Bank Interfering in Major Events (《中原銀行領導幹部插手干預重大事項記錄和報告辦法》), etc., to strengthen the supervision and management of the "key minority" personnel; the Bank carried out clean and honest enterprise creation activities across the Bank, visited the clean government education center, compiled warning education records, shot warning education films, solidly promoted "promoting reform with cases", created a clean and honest culture atmosphere, and continued to create a clean and upright working environment.





## Chapter 8 Corporate Governance Report

### 16. Management of Inside Information

The Board of the Bank 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 truth, accuracy and completeness of the information disclosed. The information disclosure of the Bank is subject to the supervision of regulators and the Bank's Board of Supervisors. Chairman of the Board is the primary person responsible for implementing the management measures for information disclosure, while the Secretary of the Board is in charge of its execution and the Board Office deals with the daily work thereof.

To ensure confidentiality of the Bank's inside information, safeguard the fairness in information disclosure and protect the legal rights of investors, the Bank enacted the Measures for Information Disclosure Management in Zhongyuan Bank Co., Ltd. (《中原銀行股份有限公司信息披露管理辦法》) based on domestic and overseas laws, regulations and other normative documents such as the Company Law of the PRC (《中華人民共和國公司法》), the Securities Law of the PRC (《中華人民共和國證券法》), Measures for Information Disclosure Management of Commercial Banks (《商業銀行信息披露管理辦法》) and the Hong Kong Listing Rules. 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 Measures for Information Disclosure Management in Zhongyuan Bank Co., Ltd., which also provides for the coverage, insider limits and the security management of inside information as well as punishment for divulging inside information, etc. When relevant events or circumstances arise, the Bank would quickly assess the possible impact on the stock price and consciously decide whether the events or circumstances are inside information that should be disclosed and conduct the relevant disclosure accordingly. 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 disclosed relevant information timely according to requirements.



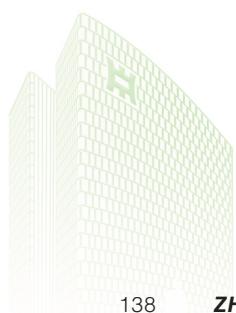
## Chapter 8 Corporate Governance Report

### 17. Dividend Policy

Article 254 and Article 257 of the Articles of Association of the Bank specify the requirements for profit distribution:

The Bank may make profit distribution if it has distributable profits for each year after making up for the losses, contributing to the statutory reserve, general reserve and paying dividends to the preference shareholders provided that the capital adequacy ratio of the Bank meets regulatory requirements. The Bank may distribute dividend in the form of cash or share. The profit distribution of the Bank attaches the emphasis on the reasonable return on the investment of investors. The Bank's profit distribution policy should maintain certain continuity and stability, and the Company shall distribute dividends in the profitable year. The total profit distributed in the form of cash dividends for the last three years shall not be less than 30% of the average annual distributable profit of the Bank of the last three years, when making profits distribution. Distribution of dividends in form of stock shall be approved by general meeting of shareholders and subject to approval by the banking regulatory authority of the State Council.

The payment of dividends on the preference shares of the Bank shall be made in accordance with the laws, regulations, departmental rules, relevant regulations of the securities regulatory authorities of the place where the shares of the Bank are listed and the preference shares are issued or listed and the requirements of the Articles of Association of the Bank. The dividend rate for the issued and outstanding preference shares of the Bank consists of the benchmark rate and the fixed spread. The dividend rate may be adjusted at different intervals. Preference shareholders shall rank in priority to ordinary shareholders in terms of dividends distributed in accordance with the agreed dividend rate and profit distribution terms. The Bank paid dividends in cash to the preference shareholders. After the relevant resolutions are approved at the general meeting, the Bank shall have the right to cancel dividends in whole or in part that have been proposed to be distributed on the interest payment date in the manner prescribed under the conditions.





# Chapter 9 Report of the Board of Directors

## 1. Principal Business

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

## 2. Business Review and Outlook

### 2.1 Business Review of the Bank

The business review of the Bank during the Reporting Period was set out in “Management Discussion and Analysis – 9. Business Review”.

### 2.2 Results

The results of the Bank for the year ended December 31, 2022 and the financial position of the Group as at that date are set out in the financial statements and notes section of this annual report.

## 3. Dividends

### 3.1 Dividends of Preference Shares

For dividends of preference shares during the Reporting Period, please refer to “Changes in Share Capital and Information on Shareholders – 9.3 Profit distribution on the Offshore Preference Shares”.

### 3.2 Dividends of Ordinary Shares

With the approval of the meeting of the Board of Directors of the Bank on March 31, 2023, it was recommended not to distribute the 2022 final dividend to all Shareholders. Such resolution of no dividend distribution shall be approved by the Shareholders at the upcoming 2022 annual general meeting of the Bank.

The independent non-executive Directors of the Bank also expressed independent opinions on the profit distribution plan.

### 3.3 Tax Exemptions

In accordance with the applicable provisions and implementation regulations of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), the Bank is required to withhold enterprise income tax at a rate of 10% for non-resident enterprise holders of H shares (including H shares registered in the name of HKSCC Nominees Limited).

In accordance with the applicable provisions and implementation regulations of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and the Notice of the State Administration of Taxation on Issues Concerning Taxation and Administration of Individual Income Tax after the Repeal of the Document Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348), the Bank is required to withhold individual income tax for holders of H shares.



## Chapter 9 Report of the Board of Directors

For individual H Shareholders who are residents of Hong Kong or Macau or residents of other countries/regions that have entered into a tax treaty with the PRC with dividend tax rates at 10%, the Bank is required to withhold individual income tax on the final dividends paid at a rate of 10% for such H Shareholders.

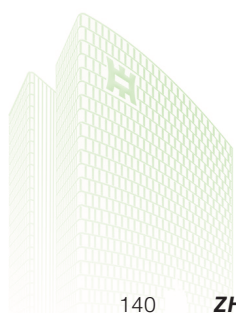
For individual H Shareholders who are residents of countries/regions that have entered into a tax treaty with the PRC with dividend tax rates lower than 10%, the Bank is required to withhold individual income tax at a temporary rate of 10% on the final dividends paid for such holders of H shares. If such holders of H shares intend to apply for refund of surplus tax deductions, the Bank will handle on their behalf the application for the entitlement to relevant tax treaty in accordance with the Taxation Notice. Eligible holders of H shares are required to submit a written power of attorney and all application materials in a timely manner; upon review by the competent tax authorities and if approved, the Bank will assist in the refund of surplus tax deductions.

For individual H Shareholders who are residents of countries/regions that have entered into a tax treaty with the PRC with dividend tax rates more than 10% but lower than 20%, the Bank is required to withhold individual income tax on the final dividends paid at an applicable rate as required under relevant tax treaty.

For individual H Shareholders who are residents of countries/regions that have entered into a tax treaty with the PRC with dividend tax rates at 20%, or who are residents of countries/regions that have not entered into any tax treaty with the PRC or otherwise, the Bank will withhold individual income tax at a rate of 20%.

### 4. Annual General Meeting

The Bank intends to convene the 2022 annual general meeting on Friday, June 16, 2023. In order to determine the Shareholders who are entitled to attend and vote at the annual general meeting, the register of members of the Bank will be closed from Tuesday, June 13, 2023 to Friday, June 16, 2023 (both days inclusive), during which period no transfer of Shares will be affected. Shareholders whose names appear on the register of members of the Bank on Friday, June 16, 2023 are entitled to attend and vote at the annual general meeting. In order to be eligible to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates and other appropriate documents must be lodged for registration with the Board office of the Bank (for holders of Domestic Shares) at Zhongke Golden Tower, No. 23 Shangwu Waihuan Road, Zhengdong New District CBD, Zhengzhou, Henan Province, PRC, or the H Share Registrar of the Bank (for holders of H Shares), Computershare Hong Kong Investor Services Limited, at shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, June 12, 2023. The Bank will despatch the notice and circular for the 2022 annual general meeting in due course.





## Chapter 9 Report of the Board of Directors

### 5. Exposure to Major Risks

Please refer to “Management Discussion and Analysis – 10. Risk Management” for the major risks the Bank had been exposed to during the Reporting Period.

### 6. Future Development

A review of certain aspects affecting the future development of the Bank is set out in “Management Discussion and Analysis – 1. Past Economic and Financial Environment and Future Prospects” in this annual report.

### 7. Relationship between the Bank and its Major Employees, Customers and Suppliers

The Bank has been promoting a market-oriented human resources system and has continually strengthened its incentive assessments, comprehensive training, and other complementary mechanisms, and has adopted a distinctive training system that could serve different needs of various groups of employees, which is characterized with a multiple-level training structure. As a result, it managed to cultivate a highly qualified, aggressive and efficient workforce. The Bank also believes career planning of employees to be of great importance and have developed a clear career development path for different roles, which is believed could further encourage its employees to endeavor to maximize his or her value. The Bank’s concept of “treating the Bank as family, doing our best, becoming the best of ourselves; being considerate to customers, creating value, becoming the best bank; being employee-oriented, fair and decent, becoming the best leader (視行如家、盡心盡力，做最好的自己；貼心客戶、創造價值，做最好的銀行；員工為本、公道正派，做最好的領導)” exemplifies its corporate culture, which has been best practised as an outlook and code of conduct for all employees of the Bank to follow.

The Bank’s labor union represents the interests of the employees and works closely with its management on labor-related issues. During the Reporting Period, the Bank has not experienced any material labor disputes that have affected its operation and the Bank believes that the relationship between its management and the labor union has been satisfactory.

The Bank has established long-term favorable cooperative relationships with a number of quality enterprises and medium and small enterprises focusing on technology innovation.

### 8. Major Depositors and Borrowers

As at the end of the Reporting Period, the balance of the Bank’s loans to any single borrower did not exceed 10% of the Bank’s net capital. None of the Directors of the Bank and their close associates or any Shareholder which to the knowledge of the Directors owned more than 5% of the number of issued Shares of the Bank had any interest in the above five largest customers.



## Chapter 9 Report of the Board of Directors

### 9. Share Capital

For details of the Bank's share capital, please refer to "Changes in Share Capital and Information on Shareholders" in Chapter 6.

### 10. Pre-emptive rights

During the Reporting Period, pursuant to the Articles of Association of the Bank and the relevant laws, the Bank did not stipulate any requirements for granting the pre-emptive right to Shareholders.

### 11. Substantial Shareholders

Details of the Bank's substantial Shareholders as at the end of the Reporting Period are set out in "Changes in Share Capital and Information on Shareholders" in Chapter 6.

### 12. Use of Proceeds

For details of issuance and listing of the Shares conducted by the Bank during the Reporting Period and use of proceeds of the Bank, please refer to the section headed "Important Events".

### 13. Property and Equipment

Details of the changes in property and equipment of the Bank for the year ended December 31, 2022 are set out in the Note 25 to the financial statements in this annual report.

### 14. Changes in the Reserves

For the year ended December 31, 2022, the details of changes in the reserves of the Bank are set out in the consolidated statement of changes in equity in the financial statements of the Bank.

### 15. Purchase, Sale and Redemption of the Listed Securities of the Bank

An aggregate of 3,150,000,000 new H Shares have been successfully allotted and issued by the Bank on May 10, 2022 at the placing price of HK\$1.80 per placing share to no less than six independent placees who are professional, institutional and other investors and are, together with their respective ultimate beneficial owners, third parties independent of the Bank and connected persons (as defined under the Hong Kong Listing Rules) of the Bank.

Save as disclosed above, during the twelve months ended the end of Reporting Period, the Bank or any of its subsidiaries have not purchased, sold or redeemed any listed securities of the Bank.





## Chapter 9 Report of the Board of Directors

### 16. Retirement Benefits

Please refer to Note 36(a) to the financial statements in this annual report for details of the retirement benefits provided to employees of the Bank.

### 17. Connected Transactions and Related Party Transactions

During the Reporting Period, the merger by absorption of Bank of Luoyang, Bank of Pingdingshan and Jiaozuo Bank of China Travel Service by the Bank (the “Merger by Absorption”) constituted a very substantial acquisition. Zhongyuan Trust Co., Ltd. (中原信託有限公司) (“Zhongyuan Trust”, as one of converting shareholders) is a non-wholly owned subsidiary of Henan Investment Group Co., Ltd. (河南投資集團有限公司) (a substantial shareholder of the Bank), and Henan Tianli Energy Co., Ltd. (河南天利能源股份有限公司) (“Henan Tianli”, as one of converting shareholders) is a company actually controlled by Mr. LI Wanbin (current supervisor of the Bank), and therefore, Zhongyuan Trust and Henan Tianli are both connected persons of the Bank pursuant to the Hong Kong Listing Rules. According to the Merger by Absorption plan, the Bank issued approximately 437,582,850 Domestic Shares to Zhongyuan Trust and approximately 120,068,000 Domestic Shares to Henan Tianli. Therefore, according to Chapter 14A of the Hong Kong Listing Rules, the Merger by Absorption constituted a connected transaction of the Bank. For further details, please refer to the announcements of the Bank dated January 26, 2022 and March 10, 2022 and the circular of the Bank dated February 18, 2022.

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

The details of the related party transactions conducted by the Bank in the ordinary and usual course of business during the Reporting Period are set out in Note 44 to the financial statements. The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard, and its interpretations by the IASB. Certain related party transactions set out in the notes to the financial statements also constitute connected transactions or continuing connected transactions as defined under the Hong Kong Listing Rules, but none of them constitutes any discloseable connected transaction as defined under the Hong Kong Listing Rules.





## Chapter 9 Report of the Board of Directors

### 18. Interests of Directors and Supervisors in Business in Competition with the Bank

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

### 19. Directors

Please see the section “Directors, Supervisors, Senior Management, Employees and Institutions” for biographies of incumbent directors, as well as information on changes of Directors during the Reporting Period.

### 20. Directors’ and Supervisors’ Service Contracts

During the Reporting Period, the Directors and Supervisors of the Bank did not have service contracts which are not determinable by the Bank within one year without payment of compensation (other than statutory compensation).

### 21. Permitted Indemnity Provisions

The Bank has purchased appropriate liability insurance for the Directors and to provide indemnity for their liabilities incurred during the operations of the Bank for the year of 2022 pursuant to the relevant requirements in the Articles of Association.

Save as disclosed above, at no time during the Reporting Period and as of the date of this annual report, there was or is, any permitted indemnity provision being in force for the benefit at any of the Directors or Supervisors (whether made by the Bank or otherwise) or the Directors or Supervisors of an associated corporation of the Bank (if made by the Bank).

### 22. Directors’ and Supervisors’ Material Interests in Transactions, Arrangements or Contracts

Save as disclosed in the “Report of the Board of Directors – 17. Connected Transactions and Related Party Transactions”, during the Reporting Period, none of the Directors or Supervisors (or entities connected with the Directors or Supervisors) had any direct or indirect material interests in any transaction, arrangement or contract of significance regarding the Bank’s business to which the Bank or any of its subsidiaries was a party.

### 23. Arrangements to Purchase Shares or Debentures

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





## Chapter 9 Report of the Board of Directors

### 24. Management Contracts

Save for the service contracts entered into with the management of the Bank, the Bank has not entered into any other contract with any individual, company or body corporate in relation to the management or administration of the whole or any substantial part of any business of the Bank.

### 25. Directors', Supervisors' and Chief Executive's Interest in Shares of the Bank

As of the end of the Reporting Period, the Directors, Supervisors and the chief executive of the Bank and their associates had interests and short positions 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 Issuers in Appendix 10 to the Hong Kong Listing Rules, please refer to the section "Directors, Supervisors, Senior Management, Employees and Institutions – 6. Interests and Short Positions of Directors, Supervisors and Chief Executive Officers in Shares, Underlying Shares and Debentures" in Chapter 7.

Save as disclosed above, none of the Directors, Supervisors, or chief executive of the Bank or their associates had any interests or short positions in the shares, underlying shares or debentures of the Bank or its associated corporations as of the end of the Reporting Period.

### 26. Corporate Governance

The Bank are committed to maintaining high standards in corporate governance. Please refer to the "Corporate Governance Report" in this annual report.

### 27. Public Float

Based on the information available to the Bank in the public and so far as our Directors concerned, as of the date of this annual report, the Bank had maintained sufficient public float in compliance with the minimum requirement of the Hong Kong Listing Rules and the exemption granted by the Hong Kong Stock Exchange upon the Bank's listing.

### 28. Auditors

Please refer to the section "Corporate Governance Report – 13. External Auditors and Auditors' Remuneration" for the information on the auditors of the Bank.



## Chapter 9 Report of the Board of Directors

### 29. Equity Linked Agreement

In order to actively implement the relevant policies of the Party Central Committee and the State Council on supporting local special debts to supplement the capital of small and medium-sized banks, the Bank made every effort to complete the issuance of RMB8 billion special bonds by the Henan Government to replenish its other tier-one capital with the convertible negotiated deposit, and entered into the agreement on convertible negotiated deposit (the “Agreement”) with Zhengzhou Finance Bureau, an authority designated by the Finance Department of Henan Province, which further strengthened the capital strength and effectively enhanced the risk resistance capability.

The main contents of the Agreement are summarized as below:

- (1) after the Finance Department of Henan Province or its designated authorities collecting the proceeds from issuance of the government’s special bonds, the Financial Department of Henan Province or its designated authorities will open a special account in the Bank for the convertible negotiated deposit for the purpose of receiving such funds;
- (2) with the consent of the Finance Department of Henan Province, when the core tier-one capital adequacy ratio of the Bank is lower than 5.125%, and upon the satisfaction of specific requirements on the Minimum Public Float prescribed by the Stock Exchange, the Finance Department of Henan Province or its designated authorities shall convert the convertible negotiated deposit into ordinary Shares of the Bank in accordance with laws and regulations as well as the Agreement;
- (3) if the conversion conditions are not fully satisfied, the Bank shall repay the principal and interest upon the maturity of the convertible negotiated deposit in accordance with the Agreement; and
- (4) during the term of the convertible negotiated deposit, the Bank shall report the changes in the core tier-one capital adequacy ratio of the previous quarter to the Finance Department of Henan Province or its designated authorities by the 20th day of the first month of each quarter. When the core tier-one capital adequacy ratio of the Bank drops to 7.5%, pre-warning is triggered and the Bank shall promptly inform the Finance Department of Henan Province or its designated authorities of the situation, formulate emergency plans, and actively take appropriate measures to improve the ability of the Bank to resist risks and avoid the occurrence of triggering events. The term of the Agreement starts from the convertible negotiated deposit having been fully deposited into the Bank to the earlier of (i) the date of completion of the conversion of convertible negotiated deposit, or (ii) the expiry date of 10 years from the issuance date of the special bonds.

If the share conversion is triggered by relevant conditions, the Zhengzhou Finance Bureau will enter into a “Capital Injection Agreement” with the Bank and agree on the share conversion price.

The convertible negotiated deposit can be converted to a maximum of 8,000,000,000 H Shares of the Bank (taking up approximately 17.96% of the enlarged total share capital of the Bank), with a par value of RMB1.00 per Share, provided that the conditions for conversion are satisfied. Based on that and the conversion price of RMB1.00 per Share, the conversion will not result in a theoretical dilution effect. The Bank has complied with the theoretical dilution effect requirement in accordance with Rule 7.27B of the Hong Kong Listing Rules at the time of entering into the Agreement, and will ensure to comply with the theoretical dilution effect requirement in accordance with Rule 7.27B of the Hong Kong Listing Rules at the time of completion of the convertible negotiated deposit.



## Chapter 9 Report of the Board of Directors

As the date of this annual report, the conditions for conversion set out in the Agreement have not been met, and the Bank has not issued any shares in accordance with the Agreement. For details about the replenishment of other tier-one capital through the convertible negotiated deposit business, please refer to the circular of the Bank dated October 5, 2022 and announcement dated February 6, 2023.

Upon approvals by the former CBRC Henan Office and the CSRC, respectively, the Bank issued non-cumulative perpetual Offshore Preference Shares in the amount of USD1,395 million on November 21, 2018 through a non-public offering on the overseas market. Pursuant to regulations including the Measures on Capital Management of Commercial Banks (Trial) and the Trial Administrative Measures on Preference Shares, a commercial bank shall set up the provisions of coercive conversion of preference shares into ordinary shares, under which the commercial bank shall convert the preference shares into ordinary shares as contractually agreed in case of a trigger event. Such trigger event happens when the core tier-one capital adequacy ratio has decreased to 5.125% (or below) and when the China Banking and Insurance Regulatory Commission determines that the Bank will not be able to exist if shares of the Bank are not transferred or written down, or when relevant regulators determine that the Bank will not be able to exist if there is no capital injection from public sectors or supports with coordinative effects. The Bank, according to relevant regulations, has formulated provisions of trigger events under which Offshore Preference Shares shall be coercively converted into H Shares. If such trigger events happen to the Bank and all Offshore Preference Shares need to be coercively converted into H Shares in accordance with their initial conversion price, the total amount of the Offshore Preference Shares which would be converted into H Shares will not exceed 4,416,050,404 H Shares. During the Reporting Period, the Bank did not experience any trigger event in which the Offshore Preference Shares need to be coercively converted into H Shares.

Except for the above, during the Reporting Period, the Bank did not enter into or continue any other equity linked agreements.

### 30. Preference Shares Issuance

For the issuance terms and relevant details of the Offshore Preference Shares, please refer to section “Changes in Share Capital and Information on Shareholders – 9. Non-public Issuance of Offshore Preference Shares”.

### 31. Bond Issuance

During the Reporting Period, the Bank submitted the application of issuing indefinite-term capital bonds with the scale of no more than RMB30 billion (inclusive) which were used to replenish additional tier-one capital of the Bank to the 2022 Second Extraordinary General Meeting for consideration and approval.

The Bank submitted the application of issuing special financial bonds for “agriculture, rural areas and farmers (三農)” with the scale of no more than RMB5.0 billion (inclusive), special financial bonds for green projects with the scale of no more than RMB5.0 billion (inclusive) and special financial bonds for loans to small and micro enterprises with the scale of no more than RMB5.0 billion (inclusive) to 2021 Annual General Meeting for consideration and approval.



## Chapter 9 Report of the Board of Directors

On June 9, 2022, the Bank publicly issued special financial bonds for small and micro enterprises in the national inter-bank bond market, with an issue scale of RMB2.0 billion. The face value of the bond is RMB100 with an issue price of RMB100, each for a term of three years at a coupon rate of 3.48%. The raised funds will all be used to support small and micro enterprise credit loans and provide financial services for small and micro enterprises in accordance with applicable laws and the approval of regulatory authority.

On May 12, 2022, the Bank publicly issued the financial bonds with an issuing size of RMB3.0 billion in the national inter-bank bond market. The face value of the bond is RMB100 with an issuance price of RMB100, each for a term of three years at a coupon rate of 2.95%. Based on applicable laws and the approval from the regulatory authorities, the Bank will use the proceeds of the offering to grant credit facilities for supporting ecological protection and high-quality development of the Yellow River basin, including ecological protection, pollution prevention, efficient use of water resources, high-quality development and cultural tourism.

On March 4, 2021, the Bank publicly issued the financial bonds with an issuing size of RMB2.0 billion in the national inter-bank bond market. The issuing price was RMB100 with three years to maturity and a coupon rate of 3.60%. Based on applicable laws and the approval from the regulatory authorities, the Bank will use the proceeds of the offering to grant credit facilities for supporting ecological protection and high-quality development of the Yellow River basin, including ecological protection, pollution prevention, efficient use of water resources, high-quality development and cultural tourism.

On September 26, 2018, the Bank issued the Qualified Tier 2 Capital Instruments in the aggregate principal amount of RMB10 billion in the national inter-bank market. The type is fixed rate bonds for a term of 10 years with the coupon rate of 5.20% and the issuer is entitled to redeem the bonds at the end of the fifth year. The proceeds from the issuance of the Qualified Tier 2 Capital Instruments will be used to replenish the Tier 2 Capital of the Bank in accordance with the applicable laws and the approvals of regulatory authorities.

On May 23, 2018, the Bank publicly issued financial bonds in the national inter-bank bond market with a size of RMB1.5 billion. The face value of the bond is RMB100 and issuance price is RMB100 each with a term of three years at a coupon rate of 4.79%. The proceeds will be used for lending to innovation and entrepreneurship enterprises (雙創企業) and innovation and entrepreneurship service enterprises (雙創服務企業) in Henan Province.

On April 25, 2018, the Bank publicly issued the first tranche of green financial bonds with an issuing size of RMB1.5 billion in the national inter-bank bond market. The face value of the bond is RMB100 with an issuance price of RMB100, each for a term of three years at a coupon rate of 4.70%. Based on the approval from the regulatory authorities, the Bank will fully use the proceeds of the Offering to lend to green industry projects specified in the Green Bond Endorsed Project Catalogue prepared by the Green Finance Committee of the China Society for Finance and Banking.

For the issuance terms and relevant details of the bonds, please refer to the announcements made by the Bank on the website of Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the official website of the Bank ([www.zybank.com.cn](http://www.zybank.com.cn)).

### 32. Donations

During the Reporting Period, the Bank made donations in a total amount of RMB2,123,700, which were mainly used for poverty alleviation and assistance in difficulty of students and other groups.



## Chapter 9 Report of the Board of Directors

### 33. Environmental Policy

During recent years, the Bank has proactively borne social responsibility in relation to environmental policy. The Bank has sought to proactively develop business in green credit in line with national economic policy and regulatory trends. The Bank formulated the “Green Finance Development Strategic Plan of Zhongyuan Bank Co., Ltd.” (《中原銀行股份有限公司綠色金融發展戰略規劃》) and the “Administrative Measures of Zhongyuan Bank Co., Ltd. for the Proceeds Raised by Green Financial Bonds” (《中原銀行股份有限公司綠色金融債券募集資金管理辦法》) and successfully issued green financial bonds and the special financial bonds for ecological protection and high-quality development of the Yellow River basin.

In addition, the Bank has strictly implemented the management policies after granting of credit and specialized environmental assessment reporting in relation to some projects to identify environmental and social risks. At the same time, the Bank has made efforts to push forward the development of electronic banking, and actively implemented national policies to save energy costs. For more details of our environmental policy and performance, please refer to the “Environmental, Social and Governance Report” that the Bank will issue on the same date of the annual report.

### 34. Consumer Rights Protection

During the Reporting Period, the Bank continuously improved its consumer rights protection level in respect of organizational structure, policies formulation, complaint handling, publicity and training, appraisal and evaluation to ensure consumers’ legitimate rights and interests under effective protection. In terms of system improvement, the Bank revised and issued the Administrative Measures on Consumer Complaint Handling of Zhongyuan Bank (《中原銀行消費投訴處理管理辦法》) in accordance with the latest laws, regulations and regulatory requirements, and in combination with the new trends of financial consumer behavior, to continuously lay a solid foundation of the consumer protection system. In terms of financial knowledge education, the Bank organized and carried out more than 10 theme education activities such as 3.15 Financial Consumer Rights Day, Popularizing Financial Knowledge and Guarding Your Money Bag, and cracking down on pension fraud. During the Reporting Period, the Bank successfully held the Short Video Creation Contest for Financial Consumers in Henan Province, our submission won the first prize and the Bank won the Best Organization Award; the Bank was honored as the Outstanding Organization Unit, the Outstanding Highlight Education Activity and the Outstanding Education Individual in the selection of education activities organized by the Banking Association. In terms of regulatory rating, the Bank was rated as an A-level bank in the 2021 People’s Bank on Consumer Protection Assessment. In terms of complaint management, the Bank earnestly implemented regulatory requirements, continuously improved the complaint management system, smoothed complaint channels, publicized the information on complaint channels in business outlets, official website, Online APP, official WeChat and other channels, and established a bank-wide working mechanism of complaint acceptance, analysis, handling, feedback, and diversified solutions to ensure that the entire bank can handle complaints in compliance with laws and regulations. During the Reporting Period, the Bank handled a total of 1,456 complaints from individual customers through various channels, with 0.46 complaints per 10,000 in relation to individual customers, mainly involving credit cards, consumption loans and other businesses, mainly in Zhengzhou, Jiaozuo and other regions. In terms of promotion and training, the Bank continuously conducts training on consumer rights protection for employees to improve the protection level of consumer rights of its employees.



## Chapter 9 Report of the Board of Directors

### 35. Compliance with Relevant Laws and Regulations

The Bank has adopted internal control measures to monitor ongoing compliance with relevant laws and regulations, such as the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the SFO, the Hong Kong Listing Rules and other rules and regulations implemented in relevant jurisdictions. During the year, as far as the Board is concerned, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the financial year ended December 31, 2022. The Bank has continuously endeavored to comply with all relevant laws and regulations.

### 36. Pledge of Significant Assets

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

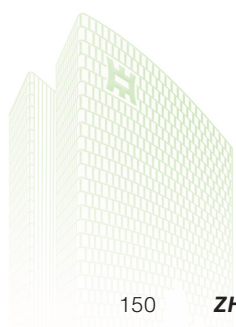
### 37. Distributable Reserves

The distributable reserves of the Bank as of December 31, 2022 were RMB7,485 million.

### 38. Important Events since the End of the Reporting Period

As of the date of this annual report, the Bank has entered into the Agreement with Zhengzhou Finance Bureau (鄭州市財政局), the authority designated by the Finance Department of Henan Province (河南省財政廳), to replenish other tier-one capital through a convertible negotiated deposit. For details, please refer to the announcement of the Bank dated February 26, 2023.

Except for the above disclosure, there was no other important event affecting on the Bank since the end of the Reporting Period and until the date of this annual report.





## Chapter 9 Report of the Board of Directors

### 39. Other Matters

As far as the Board is aware, the Bank has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Bank. 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 endeavors to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

As of the date of this annual report, the Bank was not aware that any Shareholders had waived or agreed to any arrangement to waive dividends.

As of the date of this annual report, none of the Directors waived or agreed to waive any emoluments arrangement.

During the Reporting Period, the Bank had no controlling Shareholders or de facto controllers, therefore the Bank did not have any controlling shareholder to pledge the Bank's shares to provide guarantee for the Bank's debts or otherwise provide support for the pledge thereof.

During the Reporting Period, the Bank had no changes in accounting policies, accounting estimates or major accounting errors.

The Bank will publish an environmental, social and governance report for the Reporting Period, as and when appropriate, in compliance with the provisions under the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Hong Kong Listing Rules.

On behalf of the Board of Directors

**XU Nuojin**  
*Chairman*

Zhengzhou, China  
March 31, 2023





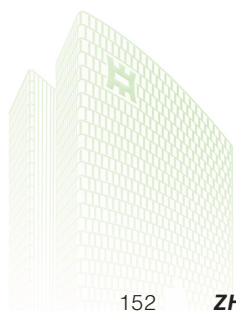
## Chapter 10 Report of the Board of Supervisors

During the Reporting Period, the Board of Supervisors of the Bank, in accordance with the requirements of relevant laws and regulations including the Company Law of the PRC (《中華人民共和國公司法》), the Law of the PRC on Commercial Banks (《中華人民共和國商業銀行法》), Corporate Governance Guidelines for Banking and Insurance Institutions and the Guidelines on the Duties of the Board of Supervisors of Commercial Banks (《商業銀行監事會工作指引》) and the Articles of Association of the Bank, focused on the key work of the Bank, the Board of Supervisors was organized to conduct in-depth all the supervision work to ensure that the Board of Supervisors operated regularly, and made it useful to explore in improving the supervision quality and efficiency of the Board of Supervisors and promoting high-quality development with high-quality supervision.

### 1. Major Works of the Board of Supervisors

During the Reporting Period, the Board of Supervisors fully participated in various activities of the Bank's "Three Boards and One Layer". A total of 8 meetings of the Board of Supervisors were held, at which 65 items were heard and considered; and 5 meetings of the special committee under the Board of Supervisors were held, including 2 meetings of the Nomination Committee and 3 meetings of the Supervision Committee, at which 38 items were heard and considered. The members of the Board of Supervisors attended shareholders' general meetings and attended all the on-site meetings of the Board of Directors and conducted conscientious research and discussion on various proposals and special reports on important events such as operating results, financial reporting, profit distribution, performance evaluation, risk management and internal control and compliance, as well as performance of social responsibilities of the Bank by exerting their professional advantages of being independent, professional and objective, voiced opinions in an objective and impartial manner and exercised its voting rights properly, actively performed its responsibilities in supervision and effectively played the role of supervision.

During the Reporting Period, the Board of Supervisors took the initiative to understand the operation and management of the Bank, supervised the performance of duties, strategy formulation and implementation, financial activities, risk management and internal control of directors and senior management of the Bank by holding regular meetings of the Board of Supervisors and special committees, attending meetings of the Board of Directors, conducting special research and special supervision and inspection, off-site monitoring, and conducting performance assessments of directors and the senior management, and expressed opinions or suggestions on important events, fully performed its responsibilities in supervision and effectively played the role of supervision.





## Chapter 10 Report of the Board of Supervisors

### 2. INDEPENDENT OPINIONS OF THE BOARD OF SUPERVISORS ON RELEVANT ISSUES

#### 2.1 Operation compliance

During the Reporting Period, the Bank has legitimate operations and standardized management, with its operating activities in compliance with the relevant provisions of laws, regulations, and the Articles of Association, all its decision-making procedures being legitimate and valid. Violations of laws, regulations and the Articles of Association of the Bank, and acts that otherwise harmed the interests of the Bank and Shareholders were not found in the duties performance of the Board of Directors and senior management of the Bank.

#### 2.2 Introduction to the financial report

The 2022 financial report of the Bank was audited by KPMG Huazhen LLP and KPMG engaged by the Board of Directors, which has issued a standard unqualified audit report; the Board of Supervisors are in the opinion that the preparation of the financial report and the audit procedure were in compliance with laws, regulations and regulatory requirements, and its content truly, accurately and completely reflected the financial conditions and operating results of the Bank.

#### 2.3 Related party transactions

During the Reporting Period, the Board of Supervisors supervised the management on the related party transactions of the Bank and considered that the related party transactions of the Bank were in compliance with the relevant provisions of national laws and regulations and the Articles of Association of the Bank, no inside tradings and behaviors that damage the interests of shareholders and the Bank's interests were found.

#### 2.4 Internal control

During the Reporting Period, the Bank paid great attention to the building of the internal control system, and no major deficiencies was found in the internal control system or its implementation.

#### 2.5 Implementation of information disclosure

During the Reporting Period, the Bank performed its obligation of information disclosure in accordance with the requirements of regulatory policies strictly, conscientiously implemented the management system of information disclosure affairs, disclosed information in a timely and fair manner, and no false records, misleading statements or major omissions in the disclosed information were found.

#### 2.6 Implementation of resolutions of shareholders' meetings

During the Reporting Period, the Board of Supervisors organized its members to attend the meeting. They had no objections to the contents of reports and proposals submitted by the Board of Directors of the Bank to the General Meeting, carried out supervision on the implementation of the General Meeting's resolutions and considered that the relevant resolutions of the General Meeting can be duly implemented by the Board of Directors.



## Chapter 11 Important Events

### 1. Use of Proceeds

On June 9, 2022, the Bank issued the special financial bonds for small and micro enterprises publicly with an issuing size of RMB2.0 billion in the national interbank bond market in the PRC. The special financial bonds have three years to maturity and a coupon rate of 2.90% with an issuing price of RMB100. Based on applicable laws and regulatory approvals, the Bank will use the proceeds raised thereof to grant credit loans for supporting small and micro enterprises, and providing financial services to small and micro enterprises. Please refer to the announcement dated June 9, 2022 of the Bank for details.

On May 12, 2022, the Bank issued the financial bonds publicly with an issuing size of RMB3.0 billion in the national interbank bond market in the PRC. The financial bonds have three years to maturity and a coupon rate of 2.95% with an issuing price of RMB100. Based on applicable laws and regulatory approvals, the Bank will fully use the proceeds to grant credit facilities for supporting ecological protection and high-quality development of the Yellow River basin, including ecological protection, pollution prevention, efficient use of water resources, high quality development and cultural tourism. Please refer to the announcement dated May 12, 2022 of the Bank for details.

On May 10, 2022, the Bank completed the issuance of 3,150,000,000 new H Shares, the total gross proceeds raised from the H Share Placement are approximately HK\$5,670 million and the net proceeds (after deducting any commission and relevant expenses) from the H Share Placement are approximately HK\$5,667 million. The net proceeds from the H Share Placement have been entirely used to replenish core tier 1 capital of the Bank. Please refer to the announcement of the Bank dated May 10, 2022 for details.

On November 21, 2018, the Bank completed the issuance of non-cumulative perpetual Offshore Preference Shares of USD1,395 million. For details of the use of proceeds from this issue of preference shares, please refer to “Changes in Share Capital and Information on Shareholders – 9.1 The Issuance and Listing of Offshore Preference Shares”.

### 2. Profits and Dividends

The profits and financial position of the Bank for 2022 are set out in the annual financial statements of this annual report.

As approved at the Board meeting of the Bank on March 31, 2023, it is proposed that no final dividend for 2022 be declared to all Shareholders. Such resolution for no distribution of dividend will be subject to Shareholders’ approval at the Bank’s forthcoming 2022 annual general meeting.

### 3. Material Connected Transactions

During the Reporting Period, the Merger by Absorption constituted a very substantial acquisition. Zhongyuan Trust (中原信託) is a non-wholly owned subsidiary of Henan Investment Group Co., Ltd. (河南投資集團有限公司) (a substantial shareholder of the Bank), and Henan Tianli (河南天利) is a company actually controlled by Mr. LI Wanbin (李萬斌) (current Supervisor of the Bank), and therefore, Zhongyuan Trust and Henan Tianli are both connected persons of the Bank pursuant to the Hong Kong Listing Rules. Pursuant to the scheme of the Merger by Absorption, the Bank issued approximately 437,582,850 Domestic Shares to Zhongyuan Trust and approximately 120,068,000 Domestic Shares to Henan Tianli. The Merger by Absorption constituted a connected transaction of the Bank under Chapter 14A of the Hong Kong Listing Rules. For further details, please refer to the announcement of the Bank dated January 26, 2022 and March 10, 2022 and the circular of the Bank dated February 18, 2022.

# Chapter 11 Important Events

## 4. Material Litigations and Arbitrations

As at the end of the Reporting Period, the pending litigation cases in which the Bank was the defendant involved a total amount of approximately RMB1,300.32 million.

### Material litigations during the Reporting Period

#### 4.1 Dispute of Zhongyuan Bank in relation to construction project contract

Henan Zhongjian Urban Construction Co., Ltd. sued against Puyang Municipal People's Government, Puyang Federation of Trade Unions, Zhongyuan Bank and Puyang Investment Group Co., Ltd.; Henan Zhongjian Urban Construction Co., Ltd. sued against Puyang Municipal People's Government, Puyang Health School, Zhongyuan Bank and Puyang Investment Group Co., Ltd.; and Henan Zhongjian Urban Construction Co., Ltd. sued against Puyang Municipal People's Government, Puyang Culture, Radio, Film, Tourism and Sports Bureau, Zhongyuan Bank and Puyang Investment Group Co., Ltd. The plaintiff of the three cases mentioned above has withdrawn those accusations.

#### 4.2 Dispute in relation to equity transfer of Nanyang Branch of Zhongyuan Bank

HONG Chongxi (洪重禧) as the plaintiff filed a lawsuit against Nanyang Branch of Zhongyuan Bank as the defendant for the dispute over equity transfer, and demanded compensation from Nanyang Branch for its principal and interest. In the first instance, Nanyang Branch of Zhongyuan Bank was sentenced to pay HONG Chongxi RMB26 million and interest. In November 2022, Henan Higher People's Court rejected the plaintiff's claim in the second instance, and the Bank won the suit.

#### 4.3 Dispute in relation to equity pledge guarantee of Zhongyuan Bank

Hong Kong Chuang Yue Co., Limited (創越控股有限公司), plaintiff of the case and a shareholder of China First Capital Group Limited (中國首控集團有限公司), filed a lawsuit against Zhongyuan Bank as the defendant, requesting a denial of the validity of the guarantee contract and return of the proceeds from the disposal of the equity interest, due to the dispute arising from the disposal by the Bank of the shares of China First Capital Group Limited pledged by Hong Kong Chuang Yue Co., Limited, but the case is pending hearing.

#### 4.4 Dispute of Zhongyuan Bank in relation to construction project contract

Zhongyifeng Construction Group Co., Ltd. (中億豐建設集團股份有限公司) as the plaintiff filed a lawsuit against Zhongyuan Bank for the dispute over a construction project, and demanded Zhongyuan Bank and Bluetown Property Construction Management Group Company Limited (藍城房產建設管理集團有限公司) to pay RMB94.31 million and interest. In September 2022, the Court ordered Zhongyuan Bank to pay the corresponding project funds and interest to the plaintiff, and the case has been completed.



## Chapter 11 Important Events

### 4.5 Property damages dispute of Zhongyuan Bank

Evergrowing Bank (恒豐銀行), a plaintiff of the case, incurred losses in the criminal case involving bill fraud and believed that Industrial and Commercial Bank of China and the former Jiaozuo Bank of China Travel Service were at fault and should jointly compensate for the principal and corresponding interest losses totaling approximately RMB1,188.00 million. The case has been referred by Shanghai Financial Court to Zhengzhou Intermediate People's Court. On November 29, 2022, Zhengzhou Intermediate People's Court has rejected the plaintiff's claim at the first instance, and the Bank won the lawsuit.

The plaintiff has appealed, and the second instance is pending hearing.

### 4.6 Guarantee contract dispute of Jiaozuo Branch of Zhongyuan Bank

Jiaozuo Branch of Zhongyuan Bank (the former Jiaozuo Bank of China Travel Service) provided the maximum guarantee for the loan granted by Jiaozuo Branch of Agricultural Development Bank of China (as the plaintiff of the case) to Good Friend Tyre Co., Ltd. (好友輪胎有限公司). Due to the failure of Good Friend Tyre Co., Ltd. to repay the loan as scheduled as a result of its operating difficulties, the plaintiff filed a lawsuit in court, requesting that Jiaozuo Branch of Zhongyuan Bank (the former Jiaozuo Bank of China Travel Service) should assume the guarantee liability. The Court ruled that the Bank should be liable for the shortfall after the other guarantors had assumed their liabilities. The case has been closed. The Bank has currently entrusted its lawyers to initiate a recovery from the counter-guarantors.

### 4.7 Litigation against Lushi Zhongyuan County Bank in relation to alleged lending and borrowing

In April 2015, the plaintiff filed a lawsuit against the Lushi Zhongyuan County Bank for alleged lending and borrowing. After the Henan High People's Court rejected the plaintiff's claim in the second judgement, the plaintiff applied to the Supreme People's Court for a retrial, and the Supreme People's Court ruled and directed the Henan High People's Court to hear the case. The case has been heard on July 14, 2022, and currently is pending for judgment.

## 5. Penalties for Directors, Supervisors and Senior Management

During the Reporting Period, none of the Bank, its Directors, Supervisors and senior management had been subject to any material administrative penalty by the regulatory authorities.





## Chapter 11 Important Events

### 6. Performance of Commitments by the Bank and Shareholders with 5% or more of Shares

The Bank's major Shareholders, their related parties and persons acting in concert have issued to the Bank a statement on the conditions and requirements for investment in the Bank, a statement on the equity relationship, a statement on the tax situation, a statement on the purpose of the shareholding and the source of funds, a statement on non-occurrence of non-compliance related party transactions, a statement on non-significant violations, a statement on the authenticity of materials, a statement on compliance holdings, and a statement on equity status and shareholder performance. They have also made commitments on compliance with laws and regulations, the Bank's Articles of Association and other relevant provisions, legal exercise of rights and performance of obligations and other matters.

### 7. Implementation of Share Schemes during the Reporting Period

During the Reporting Period, the Bank had not implemented any share schemes under Chapter 17 of the Hong Kong Listing Rules (including schemes involving the granting of shares or share options by the listed issuer or its subsidiaries, as the case may be).

### 8. Material Contracts and their Performance

No material contracts (including the provision of relevant services) in relation to the Bank's business to which the Bank or its subsidiaries was a party and in which any of the Directors, Supervisors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the year and at any time during the year.

### 9. Significant Investment, Material Acquisitions and Disposals of Assets and Business Mergers

During the Reporting Period, the Bank had no significant investments.

During the Reporting Period, the Bank entered into the Merger by Absorption agreement with Bank of Luoyang, Bank of Pingdingshan and Jiaozuo Bank of China Travel Service, all of which were **target banks**, and merged the target banks in accordance with the Company Law of the PRC (《中華人民共和國公司法》) and other applicable laws of China. The Bank conditionally agreed to acquire all the shares held by the selling shareholders in the Target Banks at a total consideration of approximately RMB28,470.00 million (equivalent to approximately HK\$34,164.00 million) to be paid by way of separate issue of consideration shares to the selling shareholders. On May 25, 2022, the Merger by Absorption of Bank of Luoyang, Bank of Pingdingshan and Jiaozuo Bank of China Travel Service by the Bank was approved by China Banking and Insurance Regulatory Commission.

During the Reporting Period, the Bank entered into an asset transfer agreement with Zhongyuan Asset Management Co., Ltd. (中原資產管理有限公司) and disposed of assets at a total consideration of RMB10 billion. The disposal was completed upon the signature of the asset transfer agreement. The rights, interests and obligations in relation to the disposal of the assets, and the request, demand for, obtaining and receipt of receivables arising therefrom and other rights, and the total amount of any loan repayments, the rights and powers in relation to the execution and realisation of the value of the disposal assets were transferred from the Bank to the purchaser. The total consideration of RMB10 billion for the disposal was paid by the purchaser to the Bank in cash on the completion date.

For details, please refer to the announcements of the Bank dated January 26, 2022, March 10, 2022, April 14, 2022 and May 25, 2022 and the circular dated February 18, 2022.



## Chapter 11 Important Events

### 10. Replenishment of Other Tier-one Capital through a Convertible Negotiated Deposit

The Bank held an extraordinary general meeting, the H shareholders' class meeting and the domestic shareholders' class meeting on November 11, 2022, and reviewed and approved the Bank's replenishment of other tier-one capital through a convertible negotiated deposit. The Bank has entered into the Agreement with Zhengzhou Finance Bureau, an authority designated by the Finance Department of Henan Province, under which special bonds of RMB8.0 billion were all used to replenish the Bank's other tier-one capital through a convertible negotiated deposit.

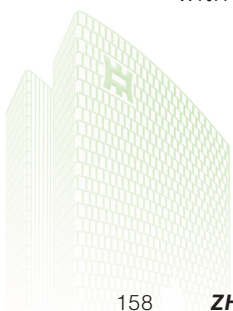
The parties agreed that the conversion of the convertible negotiated deposit into ordinary Shares of the Bank should satisfy the following conditions at the same time:

- (1) the core tier-one capital adequacy ratio of the Bank is lower than 5.125%;
- (2) Zhengzhou Finance Bureau reported to the Finance Department of Henan Province for approval; and
- (3) the class and number of the converted ordinary Shares and the shareholding structure of the Bank after the conversion should satisfy the specific requirements of the Hong Kong Stock Exchange for the Minimum Public Float, otherwise the conversion shall be terminated.

If the above conditions are satisfied, all or part of the convertible negotiated deposit placed in the Bank by Zhengzhou Finance Bureau will be converted into the Shares of the Bank. Their shareholding ratios will be determined based on the conversion price standards set out in the "Capital Injection Agreement" signed separately. When the core tier-one capital adequacy ratio of the Bank is lower than 5.125% while the above conditions (2) and (3) are not satisfied, Zhengzhou Finance Bureau shall not convert the Shares in a mandatory manner.

The convertible negotiated deposit can be converted into a maximum of 8,000,000,000 H Shares of the Bank (taking up approximately 17.96% of the enlarged total share capital of the Bank), with a par value of RMB1.00 per Share, provided that the conditions for conversion are satisfied. Based on that and the conversion price of RMB1.00 per Share, the conversion will not result in a theoretical dilution effect. The Bank has complied with the theoretical dilution effect requirement in accordance with Rule 7.27B of the Hong Kong Listing Rules at the time of entering into the Agreement and will also ensure to comply with the theoretical dilution effect requirement in accordance with Rule 7.27B of the Hong Kong Listing Rules at the time of completion of the convertible negotiated deposit.

As of the date of this annual report, the Bank received a convertible negotiated deposit of RMB8 billion from Zhengzhou Finance Bureau, all of which was used to supplement other tier-one capital of the Bank. As of the date of this annual report, the conditions for conversion set out in the Agreement were not satisfied, and the Bank has not issued any shares in accordance with the Agreement. Please refer to the Bank's circular dated October 5, 2022 and announcement dated February 6, 2023 for details on supplementing other tier-one capital with convertible negotiated deposit.





## Chapter 11 Important Events

### 11. Profit Distribution during the Reporting Period

During the Reporting Period, with the approval of the meeting of the Board of Directors on March 30, 2022, it was recommended not to distribute the 2021 final dividend to all Shareholders. Such resolution of no dividend distribution was approved by the Shareholders at the 2021 annual general meeting held on June 27, 2022.

### 12. Audit Review

The financial statements for 2022 prepared by the Bank according to the IFRSs have been audited by KPMG, and the auditor's report was unqualified. The 2022 Annual Report of the Bank has been reviewed and approved by the Audit Committee of the Board and the Board of Directors of the Bank.





## Chapter 12 Independent Auditor's Report

### **Independent auditor's report to the shareholders of Zhongyuan Bank Co., Ltd.**

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

#### **Opinion**

We have audited the consolidated financial statements of Zhongyuan Bank Co., Ltd. (the "Bank") and its subsidiaries (together, the "Group") set out on pages 171 to 303, which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated statement of profit or loss and other 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.

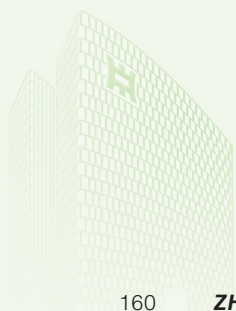
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial 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 of opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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 HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 for the current period. 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.



# Chapter 12 Independent Auditor's Report

## Key audit matters (Continued)

<b>Loss allowances of loans and financial investments measured at amortized cost</b>	
<i>Refer to note 20 and 21 to the consolidated financial statements and the accounting policies in note 2(9)(ii).</i>	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The determination of loss allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.</p> <p>In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses for corporate loans and financial investments are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The expected credit losses for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.</p>	<p>Our audit procedures to assess loss allowances of loans and financial investments measured at amortized cost included the following:</p> <ul style="list-style-type: none"> <li>• understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and financial investments measured at amortized cost, the credit grading process and the measurement of provisions for impairment;</li> <li>• assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments;</li> <li>• assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original loan agreements, we compared the total balance of the loan and financial investment list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing individual loan and investment information with the underlying agreements and other related documentation to assess the accuracy amounts and related information of the loan and investment. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources;</li> <li>• for key parameters involving judgement, critically assessing input parameters. As part of these procedures, we challenged management's revisions to estimates and input parameters compared with prior period and considered the consistency of judgement.</li> </ul>



## Chapter 12 Independent Auditor's Report

### Key audit matters (Continued)

<b>Loss allowances of loans and financial investments measured at amortized cost (Continued)</b>	
<i>Refer to note 20 and 21 to the consolidated financial statements and the accounting policies in note 2(9)(ii). (Continued)</i>	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of loss allowances as at the end of the reporting period.</p> <p>We identified the impairment of loans and advances to customers and financial investments measured at amortized cost as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.</p>	<ul style="list-style-type: none"> <li>• comparing the forward-looking economic factors used in the models to market information to assess whether they were aligned with market and economic development;</li> <li>• for key parameters used in the expected credit loss model which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis. In addition, we involved our IT specialists to assess the logics and compilation of the overdue information of corporate customers for selected samples;</li> <li>• evaluating the validity of management's assessment on whether the credit risk of the loan has, or has not, increased significantly since initial recognition and whether the loan is credit-impaired by selecting samples in industries more vulnerable to the current economic situation and checking the loan overdue information, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses;</li> <li>• for selected samples of loans and advances to customers and financial investments measured at amortized cost that are credit-impaired, evaluating management's assessment of the value of any property collateral held by comparison with market prices based on the location and use of the property and the prices of neighbouring properties. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows, challenged the viability of the Group's recovery plans and evaluated other credit enhancements that are integral to the contract terms; and</li> <li>• assessing the reasonableness of the disclosures on impairment of loans and financial investments measured at amortized cost against prevailing accounting standards.</li> </ul>

# Chapter 12 Independent Auditor's Report

## Key audit matters (Continued)

<b>Fair value of financial instruments</b>	
<i>Refer to note 47 to the consolidated financial statements and the accounting policies in note 2(9)(iv).</i>	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>Financial instruments carried at fair value account for a significant part of the Group's assets. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income.</p> <p>The valuation of the Group's financial instruments, carried at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from active market readily available data. For level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques use quoted market prices and observable inputs, respectively. As in the case of level 3 financial instruments measured at fair value, where such observable data is not readily available, estimates need to be developed which can involve extensive management judgement.</p> <p>The Group has developed its own models to value certain financial instruments, which also involve significant management judgement.</p> <p>Global economic uncertainty influenced movements in market rates including interest rates and foreign exchange rates. Increased market volatility resulted in greater ranges of values in management's assessment of the valuation of financial instruments held.</p> <p>We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation models.</p>	<p>Our audit procedures to assess the fair value of financial instruments included the following:</p> <ul style="list-style-type: none"> <li>• understanding and assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments;</li> <li>• involving our internal valuation specialists to assist us in performing independent valuations, on a sample basis, of financial instruments and comparing our valuations with the Group's valuations. Our procedures included comparing the valuation models of the Group with our valuation methods, and developing parallel models to value the financial instruments, obtaining and verifying the inputs independently, assessing the appropriateness of the inputs applied;</li> <li>• assessing the reasonableness of the disclosures in the consolidated financial statements in relation to fair value of financial instruments against prevailing accounting standards.</li> </ul>



## Chapter 12 Independent Auditor's Report

### Key audit matters (Continued)

<b>Consolidation of structured entities</b>	
<i>Refer to note 41 to the consolidated financial statements and the accounting policies in note 2(4).</i>	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to a structured entity through issuing a wealth management product, or act as an investor to a structured entity through investing in an asset management plan, a trust plan or an asset-backed security.</p> <p>In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and the Group's exposure to and ability to influence its own returns from the entity. In certain circumstances the Group may be required to consolidate a structured entity even though it has no equity interest therein.</p> <p>We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement to determine whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement of financial position and relevant regulatory capital requirements could be significant.</p>	<p>Our audit procedures to assess the consolidation of structured entities included the following:</p> <ul style="list-style-type: none"> <li>• making enquiries of management and inspecting documents relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard;</li> <li>• selecting significant structured entities of each key product type and performing the following procedures for each entity selected: <ul style="list-style-type: none"> <li>– inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity;</li> <li>– reviewing the risk and reward structure of the structured entity to assess management's judgement as to exposure, or rights, to variable returns from the Group's involvement in such an entity;</li> <li>– reviewing management's analyses of the structured entity to assess management's judgement over the Group's ability to influence its own returns from the structured entity;</li> <li>– assessing management's judgement over whether the structured entity should be consolidated or not;</li> </ul> </li> <li>• assessing the reasonableness of the disclosures in the consolidated financial statements in relation to structured entities against prevailing accounting standards.</li> </ul>

## Chapter 12 Independent Auditor's Report

### Key audit matters (Continued)

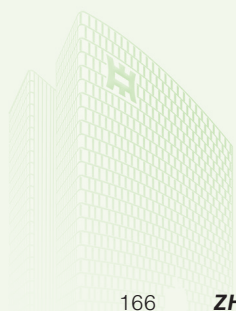
<b>Accounting for merger by absorption and impairment assessment of goodwill</b>	
<i>Refer to note 24 and 27 to the consolidated financial statements and the accounting policies in note 2(6).</i>	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>On May 25, 2022, the Group acquired 100% equity interest in Bank of Luoyang Co., Ltd., Bank of Pingdingshan Co., Ltd. and Bank of Jiaozuo China Travel Service Co., Ltd. (collectively “the Target Banks”) by issuing domestic shares as the consideration and completed the merger by absorption of the Target Banks. The fair value of the consideration for the merger by absorption was RMB16,656.03 million.</p> <p>The Group engaged an external appraiser to assess the fair value of the net identifiable assets of the Target Banks, which is heavily dependent on the amount of loss allowance of loans and financial investments measured at amortized cost and the fair value of financial instruments recorded in the Target Banks as at the acquisition date.</p> <p>The Group recognized the excess of the fair value of the consideration over the fair value of the net identifiable assets acquired as goodwill. As at December 31, 2022, the carrying amount of goodwill arising from the merger by absorption amounted to RMB1,011.27 million.</p>	<p>Our audit procedures to assess the accounting for merger by absorption and impairment assessment of goodwill included the following:</p> <ul style="list-style-type: none"> <li>– In respect of the accounting for merger by absorption: <ul style="list-style-type: none"> <li>• evaluating the design, implementation and operating effectiveness of key internal controls related to accounting treatment of the merger by absorption;</li> <li>• assessing the competence, capabilities and objectivity of external appraiser appointed by the Group;</li> <li>• with the assistance of our internal valuation specialist, evaluating the appropriateness of the valuation model with reference to the prevailing accounting standards and the reasonableness of the key assumptions used in determining the loss allowance of loans and financial investments measured at amortized cost and fair value of financial instruments. The evaluation of the reasonableness of the assumptions included, but are not limited to, assessing management’s identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors;</li> </ul> </li> </ul>



## Chapter 12 Independent Auditor's Report

### Key audit matters (Continued)

<b>Accounting for merger by absorption and impairment assessment of goodwill (Continued)</b>	
<i>Refer to note 24 and 27 to the consolidated financial statements and the accounting policies in note 2(6). (Continued)</i>	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>Management performs goodwill impairment assessment annually. In performing an impairment assessment, management calculates the recoverable amount for each of the Group's cash generating units ("CGUs"), by applying a discounted cash flow model to determine the value in use, and involves the use of key assumptions and inputs, including forecasted revenue, the average long-term growth rate, forecasted profit margins and risk-adjusted discount rates, which requires significant management judgement.</p> <p>We identified the accounting for merger by absorption and impairment assessment of goodwill as a key audit matter because of the financial significance of the merger to the Group and because the determination of the fair value of the net identifiable assets of the acquired business and the impairment assessment of goodwill involved significant management judgement and estimates.</p>	<ul style="list-style-type: none"> <li>• assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model as part of the evaluation of loss allowance;</li> <li>• involving our internal valuation specialists to assist us in performing independent valuations, on a sample basis, of financial instruments and comparing our valuations with the Group's valuations. Our procedures included comparing the valuation models of the Group with our valuation methods, and developing parallel models to value the financial instruments, obtaining and verifying the inputs independently, assessing the appropriateness of the inputs applied;</li> <li>• assessing the reasonableness of the disclosures in the consolidated financial statements in relation to the merger by absorption with reference to the requirements of the prevailing accounting standards;</li> </ul> <p>– In respect of impairment assessment of goodwill:</p>



# Chapter 12 Independent Auditor's Report

## Key audit matters (Continued)

<b>Accounting for merger by absorption and impairment assessment of goodwill (Continued)</b>	
<i>Refer to note 24 and 27 to the consolidated financial statements and the accounting policies in note 2(6). (Continued)</i>	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
	<ul style="list-style-type: none"> <li>evaluating the design, implementation and operating effectiveness of key internal controls related to goodwill impairment assessment;</li> <li>evaluating the appropriateness of the methodology applied by management with reference to the requirements of the prevailing accounting standards and the reasonableness of key assumptions applied in the goodwill impairment assessment, including forecasted revenue, the average long-term growth rate, forecasted profit margins and risk-adjusted discount rates with historical information and market information of similar banks;</li> <li>obtaining management's sensitivity analysis for the key assumptions adopted in the discounted cash flow forecast and assessing the impact of changes in the key assumptions to the conclusions reached by management in its goodwill impairment assessment and whether there were any indicators of management bias;</li> <li>assessing the reasonableness of the disclosures in the consolidated financial statements in relation to goodwill impairment assessment with reference to the requirements of the prevailing accounting standards.</li> </ul>





## Chapter 12 Independent Auditor's Report

### **Information other than the consolidated financial statements and our auditor's report thereon**

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include 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.

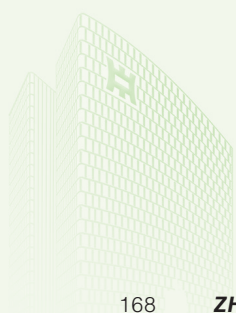
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the directors for the consolidated financial statements**

The directors 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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





## Chapter 12 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. This 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 HKSA's 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 HKSA's, 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.
- 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.



## Chapter 12 Independent Auditor's Report

### **Auditor's responsibilities for the audit of the consolidated financial statements (Continued)**

We communicate with those charged with governance 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.

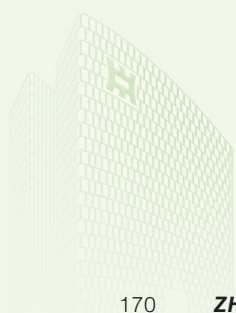
We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate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

*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

March 31, 2023



# Consolidated statement of profit or loss and other comprehensive income

for the year ended December 31, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2022	2021
Interest income		43,614,018	31,868,391
Interest expense		(22,337,759)	(15,175,422)
<b>Net interest income</b>	4	<b>21,276,259</b>	16,692,969
Fee and commission income		2,779,444	2,478,034
Fee and commission expense		(996,370)	(545,554)
<b>Net fee and commission income</b>	5	<b>1,783,074</b>	1,932,480
Net trading gains	6	957,659	132,050
Net gains arising from investment securities	7	1,449,387	468,009
Other operating income	8	144,818	57,324
<b>Operating income</b>		<b>25,611,197</b>	19,282,832
Operating expenses	9	(10,278,008)	(7,143,545)
Impairment losses on assets	12	(11,189,527)	(7,640,181)
Share of gains of joint venture	23	164,075	99,265
<b>Profit before tax</b>		<b>4,307,737</b>	4,598,371
Income tax	13	(482,615)	(965,118)
<b>Net profit for the year</b>		<b>3,825,122</b>	3,633,253
<b>Net profit attributable to:</b>			
Equity shareholders of the Bank		3,650,171	3,565,013
Non-controlling interests		174,951	68,240
		<b>3,825,122</b>	3,633,253
Basic and diluted earnings per share (in RMB)	14	0.10	0.15

The notes on pages 180 to 303 form part of these financial statements.



# Consolidated statement of profit or loss and other comprehensive income

for the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2022	2021
<b>Net profit for the year</b>		<b>3,825,122</b>	3,633,253
<b>Other comprehensive income</b>			
<i>Other comprehensive income net of tax attributable to equity shareholders of the Bank</i>			
Items that may be reclassified subsequently to profit or loss:			
– Financial assets at fair value through other comprehensive income: net movement in the fair value reserve	38(d)(i)	<b>262,648</b>	(232,711)
– Financial assets at fair value through other comprehensive income: net movement in impairment losses	38(d)(ii)	<b>(565,741)</b>	180,576
Items that will not be reclassified subsequently to profit or loss:			
– Remeasurement of net defined benefit liability	38(d)(iii)	<b>(21,573)</b>	(1,286)
<i>Other comprehensive income net of tax attributable to non-controlling interests</i>		<b>1,123</b>	14,541
<b>Other comprehensive income, net of tax</b>		<b>(323,543)</b>	(38,880)
<b>Total comprehensive income</b>		<b>3,501,579</b>	3,594,373
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Bank		<b>3,325,505</b>	3,511,592
Non-controlling interests		<b>176,074</b>	82,781
		<b>3,501,579</b>	3,594,373

The notes on pages 180 to 303 form part of these financial statements.

# Consolidated statement of financial position

as at December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2022	2021
<b>Assets</b>			
Cash and deposits with the central bank	15	77,587,949	63,641,621
Deposits with banks and other financial institutions	16	21,186,979	10,696,529
Placements with banks and other financial institutions	17	30,768,528	34,354,006
Derivative financial assets	18	93,255	31,506
Financial assets held under resale agreements	19	65,217,612	11,794,368
Loans and advances to customers	20	666,892,425	378,116,534
Financial investments:	21		
Financial investments at fair value through profit or loss		35,752,312	22,036,414
Financial investments at fair value through other comprehensive income		94,427,751	56,092,112
Financial investments at amortised cost		243,257,466	136,985,777
Lease receivables	22	60,314,068	33,862,349
Interest in joint venture	23	1,347,307	1,183,232
Property and equipment	25	8,232,995	4,244,294
Deferred tax assets	26	10,205,981	5,773,126
Goodwill	27	1,982,050	970,780
Other assets	28	9,469,804	8,450,700
<b>Total assets</b>		<b>1,326,736,482</b>	768,233,348
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Borrowing from the central bank	30	42,660,996	47,654,025
Deposits from banks and other financial institutions	31	30,116,036	27,400,343
Placements from banks and other financial institutions	32	51,806,431	33,229,671
Derivative financial liabilities	18	562,679	30,993
Financial assets sold under repurchase agreements	33	101,706,083	34,014,348
Deposits from customers	34	845,257,154	455,692,186
Income tax payable		81,078	858,635
Debt securities issued	35	145,158,732	96,843,899
Other liabilities	36	15,752,749	10,129,616
<b>Total liabilities</b>		<b>1,233,101,938</b>	705,853,716

The notes on pages 180 to 303 form part of these financial statements.



# Consolidated statement of financial position

as at December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2022	2021
<b>Equity</b>			
Share capital	37	<b>36,549,823</b>	20,075,000
Other equity instruments	40	<b>13,632,510</b>	9,632,791
Reserves	38	<b>35,962,840</b>	26,792,284
Retained earnings	39	<b>3,083,265</b>	4,710,067
<b>Total equity attributable to equity shareholders of the Bank</b>		<b>89,228,438</b>	61,210,142
Non-controlling interests		<b>4,406,106</b>	1,169,490
<b>Total equity</b>		<b>93,634,544</b>	62,379,632
<b>Total liabilities and equity</b>		<b>1,326,736,482</b>	768,233,348

Approved and authorised for issue by the board of directors on March 31, 2023.

**Xu Nuojin**

*Chairman of the Board of Directors  
Executive Director*

**Liu Kai**

*President  
Executive Director*

**Wang Le**

*President Assistant in charge of  
accounting affairs*

**Tong Qi**

*General Manager of the  
Financial and Accounting Department*

(Company chop)

The notes on pages 180 to 303 form part of these financial statements.

# Consolidated statement of changes in equity

for the year ended December 31, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

Note	Attributable to equity shareholders of the Bank								Non-controlling interests	Total	
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings	Subtotal			
<b>Balance at January 1, 2022</b>	<b>20,075,000</b>	<b>9,632,791</b>	<b>14,317,981</b>	<b>2,424,709</b>	<b>9,705,709</b>	<b>343,885</b>	<b>4,710,067</b>	<b>61,210,142</b>	<b>1,169,490</b>	<b>62,379,632</b>	
Changes in equity for the year:											
Net profit for the year	-	-	-	-	-	-	3,650,171	3,650,171	174,951	3,825,122	
Other comprehensive income	-	-	-	-	-	(324,666)	-	(324,666)	1,123	(323,543)	
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(324,666)</b>	<b>3,650,171</b>	<b>3,325,505</b>	<b>176,074</b>	<b>3,501,579</b>	
Issuance of H shares	37	3,150,000	-	1,696,208	-	-	-	4,846,208	-	4,846,208	
Issuance of shares for merger by absorption	37	13,324,823	-	3,331,206	-	-	-	16,656,029	-	16,656,029	
Arising from merger by absorption	40(b)	-	3,999,719	-	-	-	-	3,999,719	2,907,659	6,907,378	
Acquisition of subsidiary		-	-	-	-	-	-	-	236,086	236,086	
Appropriation to surplus reserve	39	-	-	-	379,591	-	(379,591)	-	-	-	
Appropriation to general reserve	39	-	-	-	-	4,088,217	(4,088,217)	-	-	-	
Cash dividends on common shares		-	-	-	-	-	-	-	(83,203)	(83,203)	
Cash dividends on preference shares	39	-	-	-	-	-	(617,165)	(617,165)	-	(617,165)	
Cash interests on perpetual bond	39	-	-	-	-	-	(192,000)	(192,000)	-	(192,000)	
<b>Balance at December 31, 2022</b>		<b>36,549,823</b>	<b>13,632,510</b>	<b>19,345,395</b>	<b>2,804,300</b>	<b>13,793,926</b>	<b>19,219</b>	<b>3,083,265</b>	<b>89,228,438</b>	<b>4,406,106</b>	<b>93,634,544</b>

The notes on pages 180 to 303 form part of these financial statements.





# Consolidated statement of changes in equity

for the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

Note	Attributable to equity shareholders of the Bank							Subtotal	Non-controlling interests	Total
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings			
<b>Balance at January 1, 2021</b>	20,075,000	9,632,791	14,317,963	2,115,521	9,660,324	397,306	2,062,639	58,261,544	1,093,717	59,355,261
Changes in equity for the year:										
Net profit for the year	-	-	-	-	-	-	3,565,013	3,565,013	68,240	3,633,253
Other comprehensive income	-	-	-	-	-	(53,421)	-	(53,421)	14,541	(38,880)
<b>Total comprehensive income</b>	-	-	-	-	-	(53,421)	3,565,013	3,511,592	82,781	3,594,373
Subsidiary increase share capital	-	-	18	-	-	-	-	18	(18)	-
Appropriation to surplus reserve	39	-	-	309,188	-	-	(309,188)	-	-	-
Appropriation to general reserve	39	-	-	-	45,385	-	(45,385)	-	-	-
Cash dividends on common shares	-	-	-	-	-	-	-	-	(6,990)	(6,990)
Cash dividends on preference shares	39	-	-	-	-	-	(563,012)	(563,012)	-	(563,012)
<b>Balance at December 31, 2021</b>	20,075,000	9,632,791	14,317,981	2,424,709	9,705,709	343,885	4,710,067	61,210,142	1,169,490	62,379,632

The notes on pages 180 to 303 form part of these financial statements.

# Consolidated cash flow statement

for the year ended December 31, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

	2022	2021
<b>Cash flows from operating activities</b>		
Profit before tax	<b>4,307,737</b>	4,598,371
Adjustments for:		
– Impairment losses on assets	<b>11,189,527</b>	7,640,181
– Depreciation and amortization	<b>1,428,068</b>	979,558
– Depreciation of investment properties	<b>2,207</b>	747
– Unrealized foreign exchange (gains)/losses	<b>(2,183,825)</b>	423,577
– Net losses on disposal of property and equipment	<b>84,402</b>	2,250
– Net trading losses/(gains)	<b>149,416</b>	(69,714)
– Net losses arising from changes fair value of derivatives	<b>469,936</b>	13,515
– Net gains on disposal of investment securities	<b>(1,449,387)</b>	(468,009)
– Share of gains of joint venture	<b>(164,075)</b>	(99,265)
– Interest expense on debts securities issued	<b>3,188,237</b>	2,426,986
– Interest expense on lease liabilities	<b>57,416</b>	41,239
	<b>17,079,659</b>	15,489,436
<i>Changes in operating assets</i>		
Net decrease in deposits with the central bank	<b>3,703,074</b>	1,637,490
Net decrease/(increase) in deposits and placements with banks and other financial institutions	<b>4,085,926</b>	(2,479,506)
Net decrease in financial assets held for trading	<b>4,806,174</b>	3,238,894
Net increase in loans and advances to customers	<b>(67,136,887)</b>	(34,735,002)
Net increase in lease receivables	<b>(3,058,304)</b>	(3,056,819)
Net decrease/(increase) in other operating assets	<b>13,135,716</b>	(2,109,238)
	<b>(44,464,301)</b>	(37,504,181)

The notes on pages 180 to 303 form part of these financial statements.



# Consolidated cash flow statement

for the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	2022	2021
<b>Cash flows from operating activities</b>		
<i>Changes in operating liabilities</i>		
Net (decrease)/increase in borrowing from the central bank	<b>(15,593,636)</b>	3,593,557
Net decrease in deposits from banks and other financial institutions	<b>(2,146,074)</b>	(31,812,459)
Net (decrease)/increase in placements from banks and other financial institutions	<b>(321,193)</b>	1,904,441
Net increase/(decrease) in financial assets sold under repurchase agreements	<b>67,662,664</b>	(12,116,334)
Net increase in deposits from customers	<b>30,821,190</b>	23,442,656
Net increase in other operating liabilities	<b>3,274,112</b>	2,054,557
	<b>83,697,063</b>	(12,933,582)
<b>Net cash flows generated from/(used in) operating activities before income tax paid</b>	<b>56,312,421</b>	(34,948,327)
Income tax paid	<b>(1,168,944)</b>	(1,760,174)
<b>Net cash flows generated from/(used in) operating activities</b>	<b>55,143,477</b>	(36,708,501)
<b>Cash flows from investing activities</b>		
Cash and cash equivalents from merger by absorption	<b>24,947,128</b>	–
Cash and cash equivalents from acquisition of subsidiary	<b>518,928</b>	–
Proceeds from disposal and redemption of investments	<b>296,152,418</b>	266,156,552
Proceeds from disposal of property and equipment, intangible assets and other assets	<b>54,023</b>	31,322
Payments on acquisition of investments	<b>(345,202,977)</b>	(246,362,089)
Payments on acquisition of property and equipment, intangible assets and other assets	<b>(974,666)</b>	(622,572)
<b>Net cash flows (used in)/generated from investing activities</b>	<b>(24,505,146)</b>	19,203,213

The notes on pages 180 to 303 form part of these financial statements.

# Consolidated cash flow statement

for the year ended December 31, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2022	2021
<b>Cash flows from financing activities</b>			
Proceeds from issued shares		4,846,208	–
Proceeds from issued debt securities		242,228,105	162,834,483
Repayment of debts securities issued		(220,283,385)	(143,166,125)
Interest paid on debts securities issued		(3,267,764)	(1,306,065)
Dividends paid		(936,949)	(670,835)
Capital element of lease liabilities paid		(354,781)	(231,062)
Interest element of lease liabilities paid		(49,190)	(31,913)
<b>Net cash flows generated from financing activities</b>		<b>22,182,244</b>	17,428,483
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>1,180,704</b>	(182,706)
<b>Net increase/(decrease) in cash and cash equivalents</b>	43(a)	<b>54,001,279</b>	(259,511)
<b>Cash and cash equivalents as at January 1</b>		<b>71,891,805</b>	72,151,316
<b>Cash and cash equivalents as at December 31</b>	43(b)	<b>125,893,084</b>	71,891,805
Interest received		43,462,808	31,575,586
Interest paid (excluding interest expense on debts securities issued)		(16,553,399)	(11,919,127)

The notes on pages 180 to 303 form part of these financial statements.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 1 Background information

The Bank was established in Zhengzhou, Henan Province, the People's Republic of China (the "PRC") on December 23, 2014 with the approval of the former China Banking Regulatory Commission (the former "CBRC"). Prior to its establishment, the banking business (the "Business") was carried out by thirteen city commercial banks (the "Predecessor Entities"), each being located in Henan Province.

Pursuant to the reorganization initiated by the People's Government of Henan Province (the "Henan Government"), the Bank was established through the merger and reorganization of the Predecessor Entities.

The Bank obtained its financial institution license No. B0615H241010001 from the former CBRC, and obtained its business license with unified social credit code 9141000031741675X6 from the State Administration for Industry and Commerce of the PRC. The Bank is regulated by China Banking Insurance Regulatory Commission (the "CBIRC") authorized by the State Council.

In July 2017, the Bank's H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 01216).

On May 25, 2022, the Bank received the approval for the merger by absorption of Bank of Luoyang Co., Ltd. ("Bank of Luoyang"), Bank of Pingdingshan Co., Ltd. ("Bank of Pingdingshan") and Bank of Jiaozuo China Travel Service Co., Ltd. ("Bank of JZCTS") from the CBIRC and completed the merger by absorption.

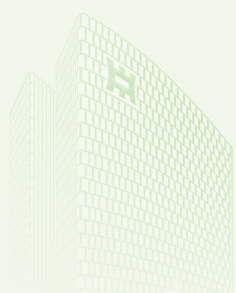
The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") are the provision of corporate and personal deposits, loans and advances, settlement, financial market business, financial leasing and other financial services as approved by the former CBRC.

## 2 Significant accounting policies

### (1) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (the "IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirement of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(3) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.





# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### (2) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2022 comprise the Bank and its subsidiaries and the Group's interest in a joint venture.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future years if the revision affects both current and future years.

Judgments made by management in the application of IFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2(28).

The measurement basis used in the preparation of the financial statements is the historical basis, except that the financial instruments classified as fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL) and derivative financial instruments (see Note 2(9)(iii)) are stated at their fair value as explained in the accounting policies.

The financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Group.

### (3) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. The principal effects of new and revised IFRSs (including International Accounting Standards ("IASs")) are as follows:

#### ***Amendments to IAS 16, Property, plant and equipment: Proceeds before intended use***

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss.

The adoption will not have any material impact on the financial position and the financial result of the Group.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### (3) Changes in accounting policies (Continued)

#### **Amendments to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract**

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous.

The adoption will not have any material impact on the financial position and the financial result of the Group.

### (4) Subsidiaries and non-controlling interests

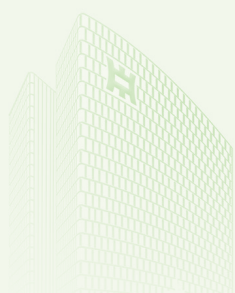
Subsidiaries (including structured entities) are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income between non-controlling interests and the equity shareholders of the Bank.





# Notes to the consolidated financial statements

*(Expressed in thousands of Renminbi, unless otherwise stated)*

## 2 Significant accounting policies (Continued)

### (4) Subsidiaries and non-controlling interests (Continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(5)).

In the Bank's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(18)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

### (5) Associates and joint ventures

An associate is an entity in which the Group or the Bank has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Bank and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(18)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.





# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### (5) Associates and joint ventures (Continued)

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(9)).

In the Bank's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

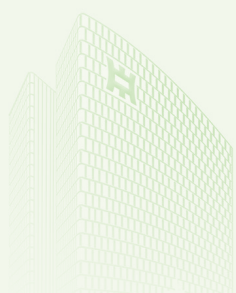
### (6) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase. Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(18)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### (7) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of each reporting period. The resulting exchange differences are recognized in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognized in profit or loss, except for the exchange differences arising from the translation of non-monetary financial investments at fair value through other comprehensive income which are recognized in capital reserve.

### (8) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits and placements with banks and other financial institutions, financial assets held under resale agreements and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(9)(ii).

### (9) Financial instruments

#### (i) Recognition and measurement of financial assets and liabilities

A financial asset or financial liability is recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument. The financial instruments are initially stated at fair value plus directly attributable transaction costs, except for those financial instruments measured at FVTPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 47. These financial instruments are subsequently accounted for as follows, depending on their classification.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### (9) Financial instruments (Continued)

#### (i) Recognition and measurement of financial assets and liabilities (Continued)

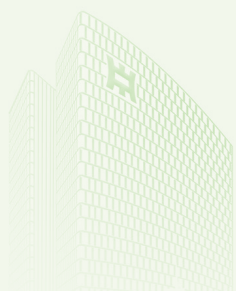
##### *Financial instruments other than equity investments*

Non-equity financial instruments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the financial instrument is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the financial instrument is calculated using the effective interest method (see Note 2(23)(a)).
- fair value through other comprehensive income (FVOCI) (recycling), if the contractual cash flows of the financial instrument comprise solely payments of principal and interest and the financial instrument is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the financial instrument is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value through profit or loss (FVTPL), if the financial instrument does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the financial instrument (including interest) are recognised in profit or loss.

##### *Equity investments*

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI, are recognised in profit or loss.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### (9) Financial instruments (Continued)

#### (ii) Credit losses and impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, loans and advances to customers, and financial investments at amortised cost);
- debt securities measured at FVOCI (recycling);
- loan commitments issued, which are not measured at FVTPL.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVTPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

#### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### (9) Financial instruments (Continued)

#### (ii) Credit losses and impairment of financial assets (Continued)

##### *Measurement of ECLs (Continued)*

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

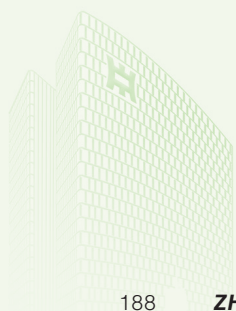
For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

##### *Significant increases in credit risk*

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.





# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### (9) Financial instruments (Continued)

#### (ii) Credit losses and impairment of financial assets (Continued)

##### *Significant increases in credit risk (Continued)*

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

##### *Basis of calculation of interest income*

Interest income recognised in accordance with Note 2(23)(a) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### (9) Financial instruments (Continued)

#### (ii) Credit losses and impairment of financial assets (Continued)

*Basis of calculation of interest income (Continued)*

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

*Write-off policy*

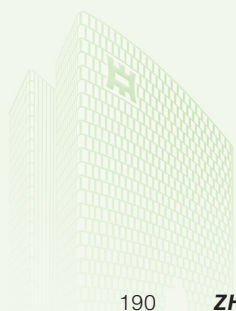
The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

#### (iii) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives embedded in financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value through profit or loss.





# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### (9) Financial instruments (Continued)

#### **(iii) Derivative financial instruments (Continued)**

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised directly in profit or loss.

For less complex derivative products, the fair values are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.

#### **(iv) Fair value measurement principles**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, it is the current asking price. The quoted prices from an active market are prices that are readily and regularly available from an exchange, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of each reporting period. Where other pricing models are used, inputs are based on market data at the end of each reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.





# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### (9) Financial instruments (Continued)

#### (v) *Derecognition of financial assets and financial liabilities*

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

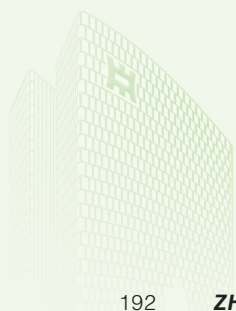
- the contractual rights to the cash flows from the financial asset expire; or
- the Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognize the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

The financial liability (or part of it) is derecognized only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognized financial liability and the consideration paid is recognized in profit or loss.

#### (vi) *Offsetting*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.





# Notes to the consolidated financial statements

*(Expressed in thousands of Renminbi, unless otherwise stated)*

## 2 Significant accounting policies (Continued)

### (10) Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statements of financial position at amortized cost. Financial assets held under resale agreements are assessed for ECLs in accordance with the policy set out in note 2(9)(ii).

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the consolidated 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 amortized cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognized respectively as interest income and interest expense over the life of each agreement using the effective interest method.

### (11) Preference share

Preference shares or their components are initially recognised as financial assets, financial liabilities or equity instruments according to the terms and the economic substance combined with the definition of financial assets, financial liabilities and equity instruments.

When the issued preference shares contain equity and liability components, the Group follows the same accounting policy as for convertible bonds with equity components. For the issued preference shares which do not contain equity component, the Group follows the accounting policy as accounting for the convertible bonds only with liability component.

For the issued preference shares that should be classified as equity instruments, will be recognised as equity in actual amount received. Interest and dividends payables are recognised as distribution of profits. Redemption before maturity will write down equity as redemption price.

### (12) Investment in subsidiaries

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 2(4).

In the Bank's financial statements, investments in subsidiaries are accounted for using the cost method. An investment in a subsidiary acquired other than through a business combination is initially recognized at actual payment cost if the Bank acquires the investment by cash. The investment is stated at cost less impairment loss (Note 2(18)) in the statements of financial position. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognizes its share of the cash dividends or profit distribution declared by the investees as investment income.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### (13) Investment property

Investment property is a property held either for earning rental income or for capital appreciation or for both. Investment property is accounted for using the cost model and stated in the statements of financial position at cost less accumulated depreciation and impairment loss (Note 2(18)). Investment property is depreciated using the straight-line method over its estimated useful life after taking into account its estimated residual value.

	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	20 years	3%	4.85%

### (14) Property and equipment and construction in progress

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment loss (Note 2(18)). Construction in progress is stated in the consolidated statement of financial position at cost less impairment loss (Note 2(18)).

The cost of a purchased property and equipment comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. Construction in progress is transferred to property and equipment when the item being constructed is ready for its intended use. No depreciation is provided against construction in progress.

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognized as a separate property and equipment.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognized in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Items may be produced while bringing an item of property and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### (14) Property and equipment and construction in progress (Continued)

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

Asset category	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	20 years	3%	4.85%
Motor vehicles	4 years	3%	24.25%
Others	3 – 10 years	3%	9.70% – 32.33%

Useful lives, residual values and depreciation methods are reviewed at least at each year-end.

### (15) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

#### (i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability. Lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### (15) Leases (Continued)

#### (i) As a lessee (Continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses (Note 2(18)), if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

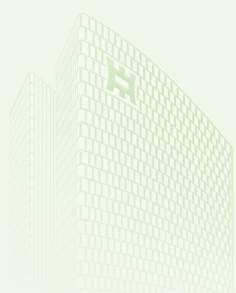
#### (ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### (15) Leases (Continued)

#### (ii) As a lessor (Continued)

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note 2(9). Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases is recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

### (16) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortization and impairment loss (Note 2(18)). The cost of intangible assets less residual value and impairment loss is amortized on the straight-line method over the estimated useful lives.

The respective amortization periods for intangible assets are as follows:

Land use rights	40 years
Computer software	5-10 years
Trademark right and others	10 years

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

### (17) Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### (18) Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of each reporting period based on the internal and external sources of information to determine whether there is any indication of impairment:

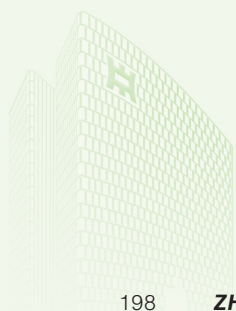
- property and equipment;
- construction in progress;
- right-of-use asset;
- intangible assets;
- investment property measured using a cost model;
- investments in subsidiaries and joint ventures; and
- goodwill.

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A cash-generating unit (“CGU”) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU 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. In identifying an asset group, the Group also considers how management monitors the Group’s operations and how management makes decisions about continuing or disposing of the Group’s assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called “asset”) is the higher of its fair value less costs to sell and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; 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 assets belongs.

An asset’s fair value less costs to sell is the amount determined by the price of a sale agreement in an arm’s length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects expected future cash flows, the useful life and the discount rate specific to the asset.





# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### (18) Provision for impairment losses on non-financial assets (Continued)

An impairment loss is recognized in profit or loss if the carrying amount of an asset exceeds its recoverable amount. A provision for an impairment loss of the asset is recognized accordingly.

In respect of assets other than goodwill, if in a subsequent period, the amount of impairment loss of the non-financial asset decreases and the decrease can be linked objectively to an event occurring after impairment was recognized, the previously recognized 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 had no impairment loss been recognized in prior periods.

### (19) Employee benefits

#### (i) **Short-term employee benefits and contributions to defined contribution retirement plans**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The defined contribution retirement plans of the Group include the social pension schemes.

##### *Social pension schemes*

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the government. The contributions are charged to the profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

##### *Housing fund and other social insurances*

In addition to the retirement benefits above, the Group has joined social security contributions schemes for employees pursuant to the relevant laws and regulations of the PRC. These schemes include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances schemes at the applicable rates based on the amounts stipulated by the relevant government authorities. The contributions are charged to profit or loss on an accrual basis.





# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### (19) Employee benefits (Continued)

#### (ii) Supplementary retirement benefits

##### *Early retirement plan*

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire early for the period from the date of early retirement to the regulated retirement date. The benefit is discounted to determine the present value based on certain assumptions. The calculation is performed by a qualified actuary using the projected unit credit method. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

##### *Supplementary retirement plan*

The Group provides a supplementary retirement plan to its eligible employees. The Group's obligations in respect of the supplementary retirement plan are calculated by estimating the present value of the total amount of future benefits that the Group is committed to pay to the employees after their retirement. The calculation is performed by a qualified actuary using the projected unit credit method. Such obligations were discounted at the interest yield of government bonds with similar duration at the reporting date. The related service cost and net interest from the retirement plan are recognised in profit or loss, and the actuarial gains and losses arising from remeasurements are recognised in other comprehensive income.

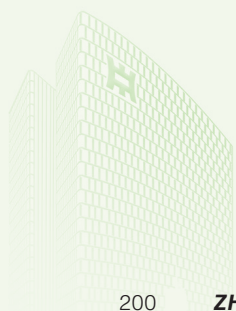
Early retirement plan and supplementary retirement plan thereafter collectively referred to as "supplementary retirement benefits". Except for the above mentioned, the Group has no significant responsibilities to pay any other retirement benefits to employees.

### (20) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.





# Notes to the consolidated financial statements

*(Expressed in thousands of Renminbi, unless otherwise stated)*

## 2 Significant accounting policies (Continued)

### (20) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### (20) Income tax (Continued)

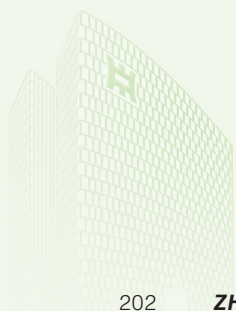
Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Bank or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Bank or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

### (21) Financial guarantees, provisions and contingent liabilities

#### (i) Financial guarantees

Financial guarantees are contracts that require the issuer (the “guarantor”) to make specified payments to reimburse the beneficiary of the guarantee (“holder”) for a loss that the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognized as deferred income in other liabilities. The deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognized in the consolidated statement of financial position as stated in Note 2(21)(ii) if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the carrying amount of the deferred income.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### (21) Financial guarantees, provisions and contingent liabilities (Continued)

#### (ii) Other provisions and contingent liabilities

A provision is recognized for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

For a possible obligation resulting from a past transaction or event whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

### (22) 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 amount. No provision for impairment loss is made for entrusted loans.

### (23) Income recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### (a) Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the book value of the financial asset, or the amortised cost of financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not expected credit losses.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### (23) Income recognition (Continued)

#### (a) Interest income (Continued)

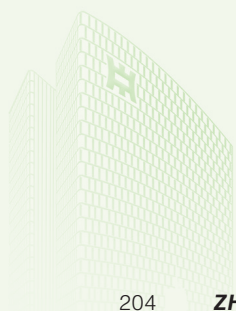
Interest income is calculated by applying the effective interest rate to the book value of financial assets and is included in interest income, except for:

- (i) For purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit adjusted effective interest rate to their amortised cost; and
- (ii) Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their book value.

#### (b) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognised by the Group reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to customers, and income is recognised when its performance obligation in contracts is satisfied.

- (i) The Group recognises income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:
  - The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
  - The customer controls the service provided by the Group in the course of performance; or
  - The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.
- (ii) In other cases, the Group recognises revenue at a point in time at which a customer obtains control of the promised services.





# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### (23) Income recognition (Continued)

#### (c) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

#### (d) Net trading income

Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities that are held for trading.

#### (e) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

### (24) Expenses recognition

#### (i) Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortized cost and the applicable effective interest rate.

#### (ii) Other expenses

Other expenses are recognized on an accrual basis.

### (25) Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorized and declared after the end of each reporting period are not recognized as a liability at the end of each reporting period but disclosed separately in the notes to the financial statements.



# Notes to the consolidated financial statements

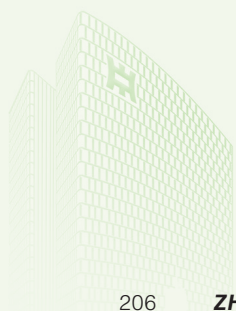
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### (26) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.





# Notes to the consolidated financial statements

*(Expressed in thousands of Renminbi, unless otherwise stated)*

## 2 Significant accounting policies (Continued)

### (27) Segment reporting

Operating segments are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

### (28) Significant accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Except for accounting estimates relating to depreciation and amortisation of assets such as property and equipment and intangible assets (see Notes 25 and 28(d)) and provision for impairment of various types of assets (see Notes 16, 17, 19, 20, 21(b), 21(c), 22, 25, 27 and 28). Other significant accounting estimates and judgements are as follows:

- Note 26: Recognition of deferred tax assets;
- Note 36(a): Supplementary retirement benefits payable;
- Note 41: Equity in a structured entity not included in the consolidation scope; and
- Note 47: Fair value measurements of financial instruments.





# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 3 Taxes

The Group's main applicable taxes and tax rates are as follows:

Tax type	Tax basis	Tax rate
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue. The basis for VAT payable is to deduct input VAT from the output VAT for the period	3% – 6%
City maintenance and construction tax	Based on VAT paid	5% – 7%
Corporate income tax	Based on taxable profits	25%

## 4 Net interest income

	2022	2021
<b>Interest income arising from</b>		
Deposits with the central bank	665,415	497,092
Deposits with banks and other financial institutions	281,379	116,637
Placements with banks and other financial institutions	1,359,284	1,034,964
Loans and advances to customers		
– Corporate loans and advances	15,585,736	8,375,239
– Personal loans and advances	11,850,706	10,115,294
– Discounted bills	1,100,081	1,025,679
Financial assets held under resale agreements	387,786	352,519
Financial investments	8,996,661	7,780,363
Lease receivables	3,386,970	2,570,604
Sub-total	43,614,018	31,868,391
<b>Interest expenses arising from</b>		
Borrowing from the central bank	(1,252,987)	(1,063,186)
Deposits from banks and other financial institutions	(597,856)	(1,552,171)
Placements from banks and other financial institutions	(1,284,179)	(1,026,458)
Deposits from customers	(15,461,584)	(8,387,767)
Financial assets sold under repurchase agreements	(552,916)	(718,854)
Debts securities issued	(3,188,237)	(2,426,986)
Sub-total	(22,337,759)	(15,175,422)
<b>Net interest income</b>	<b>21,276,259</b>	16,692,969

The interest income and expenses are related to financial instruments which are not measured at fair value through profit or loss.

# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 5 Net fee and commission income

	2022	2021
<b>Fee and commission income</b>		
Underwriting fees	<b>256,105</b>	513,320
Wealth management business fees	<b>963,277</b>	587,841
Bank card services fees	<b>715,678</b>	523,636
Settlement and clearing services fees	<b>414,168</b>	333,459
Advisory and consulting fees	<b>196,159</b>	181,911
Agency services fees	<b>136,316</b>	136,903
Acceptance and guarantee services fees	<b>88,623</b>	128,448
Custodial services fees	<b>9,118</b>	72,516
Sub-total	<b>2,779,444</b>	2,478,034
<b>Fee and commission expense</b>	<b>(996,370)</b>	(545,554)
<b>Net fee and commission income</b>	<b>1,783,074</b>	1,932,480

## 6 Net trading gains

	Note	2022	2021
Net (losses)/gains from debt securities	(a)	<b>(91,151)</b>	86,074
Net foreign exchange gains	(b)	<b>1,044,566</b>	34,309
Net gains from interest rate swaps		<b>4,244</b>	11,667
Total		<b>957,659</b>	132,050

- (a) Net (losses)/gains from debt securities include gains arising from the buying and selling of, and changes in the fair value of debt securities held for trading.
- (b) Net foreign exchange gains mainly included gains from foreign currency derivatives, the purchase and sale of foreign currency spot, and translation of foreign currency monetary assets and liabilities into Renminbi.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 7 Net gains arising from investment securities

	Note	2022	2021
Net gains of financial investments at fair value through profit or loss	(a)	911,212	141,659
Net gains of financial investments at fair value through other comprehensive income		538,173	326,442
Others		2	(92)
<b>Total</b>		<b>1,449,387</b>	468,009

(a) Net gains of financial investments at fair value through profit or loss include the investment income and fair value changes of financial investments at fair value through profit or loss except for debt securities held for trading.

## 8 Other operating income

	2022	2021
Government grants	114,248	9,704
Rental income	14,933	27,328
Net losses on disposal of property and equipment	(84,402)	(2,250)
Others	100,039	22,542
<b>Total</b>	<b>144,818</b>	57,324

## 9 Operating expenses

	2022	2021
Staff costs		
– Salaries, bonuses and allowances	4,439,937	2,849,596
– Social insurance and annuity	851,168	562,756
– Staff welfares	407,840	275,717
– Housing allowances	340,176	240,917
– Employee education expenses and labor union expenses	154,436	99,776
– Supplementary retirement benefits	11,472	174,004
– Others	62,677	54,910
<b>Sub-total</b>	<b>6,267,706</b>	4,257,676
Office expenses	1,525,280	1,028,699
Depreciation and amortization	970,120	700,749
Depreciation charge for the right-of-use assets	457,948	278,809
Taxes and surcharges	277,758	211,188
Interest expense on lease liabilities	57,416	41,239
Property management expenses	47,611	31,156
Other general and administrative expenses	674,169	594,029
<b>Total</b>	<b>10,278,008</b>	7,143,545

# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 10 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:

		2022						
Note	Fees	Salaries	Discretionary bonus	Actual amount of salaries, discretionary bonus and fees payable (pre-tax)	Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	Total	Of which payment deferred <sup>(a)</sup>	Actual amount of remuneration paid <sup>(b)</sup>
<b>Executive directors</b>								
Xu Nuojin	(2)/(3)	-	-	-	-	-	-	-
Wang Jiong		-	1,282	2,619	3,901	85	3,986	1,310
Li Yulin		-	609	1,181	1,790	49	1,839	590
Wei Jie	(4)	-	327	129	456	46	502	-
<b>Non-executive directors</b>								
Zhang Qiuyun	(7)	-	-	-	-	-	-	-
Mi Hongjun		10	-	-	10	-	10	-
<b>Independent non-executive directors</b>								
Pang Hong		310	-	-	310	-	310	-
Li Hongchang		355	-	-	355	-	355	-
Jia Tingyu		315	-	-	315	-	315	-
Chan Ngai Sang		300	-	-	300	-	300	-
<b>Supervisors</b>								
Jia Jihong	(5)	-	589	284	873	78	951	-
Zhang Yixian		-	500	499	999	85	1,084	-
Li Weizhen	(5)	35	-	-	35	-	35	-
Li Wanbin		-	-	-	-	-	-	-
Li Xiaojian		185	-	-	185	-	185	-
Han Wanghong		165	-	-	165	-	165	-
Sun Xuemin		180	-	-	180	-	180	-
Pan Xinmin		195	-	-	195	-	195	-
<b>Total</b>		<b>2,050</b>	<b>3,307</b>	<b>4,712</b>	<b>10,069</b>	<b>343</b>	<b>10,412</b>	<b>1,900</b>



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 10 Directors' and supervisors' emoluments (Continued)

		2021							
	Note	Fees	Salaries	Discretionary bonus	Actual amount of salaries, discretionary bonus and fees payable (pre-tax)	Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	Total	Of which payment deferred <sup>(B)</sup>	Actual amount of remuneration paid <sup>(1)</sup>
<b>Executive directors</b>									
Xu Nuojin	(2)/(3)	-	-	-	-	-	-	-	-
Dou Rongxing	(3)	-	-	-	-	-	-	-	-
Wang Jiong		-	1,314	2,822	4,136	87	4,223	1,411	2,812
Li Yulin		-	1,042	2,086	3,128	85	3,213	1,043	2,170
Wei Jie	(4)	-	782	1,350	2,132	83	2,215	675	1,540
<b>Non-executive directors</b>									
Zhang Qiuyun	(7)	-	-	-	-	-	-	-	-
Mi Hongjun		40	-	-	40	-	40	-	40
Li Xipeng	(7)	10	-	-	10	-	10	-	10
<b>Independent non-executive directors</b>									
Pang Hong		395	-	-	395	-	395	-	395
Li Hongchang		450	-	-	450	-	450	-	450
Jia Tingyu		425	-	-	425	-	425	-	425
Chan Ngai Sang		370	-	-	370	-	370	-	370
<b>Supervisors</b>									
Hao Jingtao	(6)	-	-	-	-	-	-	-	-
Jia Jihong	(5)	-	672	1,227	1,899	83	1,982	614	1,368
Zhang Yixian		-	503	1,007	1,510	82	1,592	403	1,189
Li Weizhen	(5)	55	-	-	55	-	55	-	55
Li Wanbin		35	-	-	35	-	35	-	35
Li Xiaojian		240	-	-	240	-	240	-	240
Han Wanghong		220	-	-	220	-	220	-	220
Sun Xuemin		215	-	-	215	-	215	-	215
Pan Xinmin		230	-	-	230	-	230	-	230
<b>Total</b>		<b>2,685</b>	<b>4,313</b>	<b>8,492</b>	<b>15,490</b>	<b>420</b>	<b>15,910</b>	<b>4,146</b>	<b>11,764</b>

Notes:

- (1) The total amount includes contribution by the employer to social insurance and welfare plans, housing allowance, etc.
- (2) The final remunerations for Xu Nuojin are still pending relevant regulatory approval. The amount of the remunerations are not expected to have any significant impact on the Group's consolidated financial statements for the year ended December 31, 2022.

# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 10 Directors' and supervisors' emoluments (Continued)

- (3) Mr. Dou Rongxing resigned as Chairman of the Bank on 15 August 2021 and Mr. Xu Nuojin assumed the position of Chairman of the Bank on 12 November 2021.
- (4) Mr. Wei Jie resigned as executive directors of the Bank on 17 June 2022.
- (5) Ms Jia Jihong and Ms Li Weizhen resigned as the Board of Supervisors of the Bank on 3 January 2023 and 22 February 2023 respectively.
- (6) Mr. Hao Jingtao resigned as Chairman of the Board of Supervisors on August 15, 2021.
- (7) Mr. Li Xipeng resigned as non-executive directors of the Bank on 2 June 2021, and Ms. Zhang Qiuyun assumed the position of non-executive director of the Bank on 21 January 2021 and was not paid remuneration for 2021.
- (8) The actual amount of payment deferred will be deducted according to the operation of the Bank, taking full account of asset quality, risk and other factors.

There was no amount paid during the years ended December 31, 2022 and 2021 to the directors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join the Group. There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the years ended December 31, 2022 and 2021.

## 11 Individuals with highest emoluments

For the year ended December 31, 2022, the five individuals with highest emoluments included 1 director of the Bank (2021: 2 directors). Their emoluments are disclosed in Note 10. The emoluments for the other highest paid individuals is as follows:

	2022	2021
Salaries and other emoluments	3,533	2,757
Discretionary bonuses	7,838	5,522
Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	408	305
Total	11,779	8,584

The individual's emoluments before individual income tax is within the following bands:

	2022	2021
RMB2,500,001 – 3,000,000	3	2
RMB3,000,001 – 3,500,000	1	1
Total	4	3



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 12 Impairment losses on assets

	2022	2021
Loans and advances to customers	<b>7,291,092</b>	4,347,720
Financial investments	<b>2,372,270</b>	1,489,746
Credit commitments	<b>(312,421)</b>	263,902
Deposits with banks and other financial institutions	<b>1,473</b>	348
Placements with banks and other financial institutions	<b>(12,918)</b>	2,258
Financial assets held under resale agreements	<b>4,120</b>	(792)
Lease receivables	<b>670,438</b>	501,398
Repossessed assets	<b>85,227</b>	516,493
Others	<b>1,090,246</b>	519,108
<b>Total</b>	<b>11,189,527</b>	7,640,181

## 13 Income tax

### (a) Income tax:

	Note	2022	2021
Current tax		<b>126,369</b>	1,844,298
Deferred tax	26(b)	<b>324,107</b>	(867,868)
Adjustment for prior years		<b>32,139</b>	(11,312)
<b>Total</b>		<b>482,615</b>	965,118

### (b) Reconciliations between income tax and accounting profit are as follows:

	Note	2022	2021
Profit before tax		<b>4,307,737</b>	4,598,371
Statutory tax rate		<b>25%</b>	25%
Income tax calculated at statutory tax rate		<b>1,076,934</b>	1,149,593
Non-deductible expenses			
– Staff welfare expenses		<b>22,740</b>	9,297
– Impairment losses and write-offs		<b>444,564</b>	493,135
– Others		<b>45,773</b>	17,418
Non-taxable income	(i)	<b>(1,139,535)</b>	(693,013)
Adjustment for prior years		<b>32,139</b>	(11,312)
<b>Income tax</b>		<b>482,615</b>	965,118

(i) The non-taxable income mainly represents the interest income from the PRC government bonds and the dividend from security investment funds.

# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 14 Basic and diluted earnings per share

	Note	2022	2021
Earnings:			
Net profit attributable to equity shareholders of the Bank		3,650,171	3,565,013
Less: Profit for the year attributable to other equity instruments holders of the Bank		(809,165)	(563,012)
Net profit attributable to ordinary shareholders of the Bank		2,841,006	3,002,001
Shares:			
Weighted average number of ordinary shares (in thousands)	(i)	29,685,313	20,075,000
Basic and diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB)		0.10	0.15

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

### (i) Weighted average number of ordinary shares (in thousands)

	2022	2021
Number of ordinary shares as at January 1	20,075,000	20,075,000
New added weighted average number of ordinary shares	9,610,313	–
Weighted average number of ordinary shares	29,685,313	20,075,000

## 15 Cash and deposits with the central bank

	Note	2022	2021
Cash on hand		2,301,915	1,200,161
Deposits with the central bank			
– Statutory deposit reserves	(a)	42,493,783	27,409,899
– Surplus deposit reserves	(b)	31,600,103	34,505,343
– Fiscal deposits		1,162,359	511,897
Sub-total		75,256,245	62,427,139
Accrued interest		29,789	14,321
Total		77,587,949	63,641,621

(a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at December 31, 2022 and December 31, 2021, the statutory deposit reserve ratios applicable to the Bank were as follows:

	2022	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 Bank's daily business. The subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

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





# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 16 Deposits with banks and other financial institutions

### Analyzed by type and location of counterparty

	2022	2021
Deposits in mainland China		
– Banks	<b>7,987,995</b>	3,895,863
– Other financial institutions	<b>1,376,672</b>	726,698
Sub-total	<b>9,364,667</b>	4,622,561
Deposits outside mainland China		
– Banks	<b>11,671,928</b>	6,073,784
Total	<b>21,036,595</b>	10,696,345
Accrued interest	<b>157,603</b>	3,532
Less: Provision for impairment losses	<b>(7,219)</b>	(3,348)
Net carrying amount	<b>21,186,979</b>	10,696,529

## 17 Placements with banks and other financial institutions

### Analyzed by type and location of counterparty

	2022	2021
Placements in mainland China		
– Banks	<b>1,023,936</b>	1,483,196
– Other financial institutions	<b>26,944,958</b>	32,544,959
Sub-total	<b>27,968,894</b>	34,028,155
Outside mainland China		
– Banks	<b>2,298,318</b>	–
Total	<b>30,267,212</b>	34,028,155
Accrued interest	<b>524,853</b>	357,033
Less: Provision for impairment losses	<b>(23,537)</b>	(31,182)
Net carrying amount	<b>30,768,528</b>	34,354,006

# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 18 Derivative financial instruments

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, commodity price, foreign exchange rate, or other similar variables. The Group uses derivative financial instruments mainly including forwards and swaps.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at measured date.

	Notional amount	2022	
		Fair value	
		Assets	Liabilities
Interest rate swaps	4,760,000	19,119	18,308
Foreign exchange forwards	17,713,715	71,695	542,882
Currency swaps	168,730	2,441	1,489
Total		93,255	562,679

	Notional amount	2021	
		Fair value	
		Assets	Liabilities
Interest rate swaps	7,060,000	31,292	30,614
Foreign exchange forwards	389,705	–	–
Currency swaps	19,375	214	–
Precious metal derivatives	20,088	–	379
Total		31,506	30,993

## 19 Financial assets held under resale agreements

### (a) Analyzed by type and location of counterparty

	2022	2021
In mainland China		
– Banks	4,400,685	4,381,669
– Other financial institutions	60,785,139	7,412,262
Total	65,185,824	11,793,931
Accrued interest	36,658	1,187
Less: Provision for impairment losses	(4,870)	(750)
Net carrying amount	65,217,612	11,794,368



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 19 Financial assets held under resale agreements (Continued)

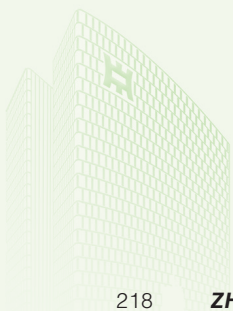
### (b) Analyzed by type of security held

	2022	2021
Debt securities	65,185,824	11,793,931
Accrued interest	36,658	1,187
Less: Provision for impairment losses	(4,870)	(750)
Net carrying amount	65,217,612	11,794,368

## 20 Loans and advances to customers

### (a) Analyzed by nature

	2022	2021
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	358,110,380	172,662,953
Personal loans and advances		
– Residential mortgage	110,005,149	89,511,886
– Personal consumption loans	40,204,885	30,763,359
– Personal business loans	65,251,482	44,907,494
– Others	22,024,647	18,930,239
Sub-total	237,486,163	184,112,978
Accrued interest	3,488,455	2,487,565
Less: Provision for loans and advances to customers measured at amortised cost	(20,670,715)	(12,530,545)
Sub-total	578,414,283	346,732,951
Loans and advances to customers measured at fair value through other comprehensive income		
Corporate loans and advances	14,465,836	988,405
Discounted bills	74,012,306	30,395,178
Sub-total	88,478,142	31,383,583
Net loans and advances to customers	666,892,425	378,116,534



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 20 Loans and advances to customers (Continued)

### (b) Analyzed by economic sector

	2022		
	Amount	Percentage	Loans and advances secured by collaterals
Renting and business activities	121,232,536	17.71%	33,926,555
Manufacturing	57,044,502	8.34%	14,367,555
Wholesale and retail trade	41,586,599	6.08%	16,516,966
Construction	34,358,003	5.02%	14,525,914
Real estate	26,929,650	3.94%	20,018,641
Water, environment and public utility	26,099,964	3.82%	10,039,084
Production and supply of electric power, gas and water	13,350,374	1.95%	2,706,084
Transportation, storage and postal services	9,528,057	1.39%	4,416,528
Mining	8,993,712	1.31%	774,490
Education	6,421,474	0.94%	3,187,549
Agriculture, forestry, animal husbandry and fishery	6,103,110	0.89%	2,429,688
Accommodation and catering	3,003,969	0.44%	1,984,902
Others	17,924,266	2.62%	7,332,090
Sub-total of corporate loans and advances	372,576,216	54.45%	132,226,046
Personal loans and advances	237,486,163	34.72%	183,622,045
Discounted bills	74,012,306	10.83%	73,906,495
Gross loans and advances to customers	684,074,685	100.00%	389,754,586



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

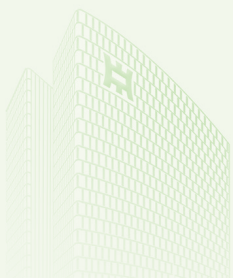
## 20 Loans and advances to customers (Continued)

### (b) Analyzed by economic sector (Continued)

	2021		Loans and advances secured by collaterals
	Amount	Percentage	
Renting and business activities	49,190,662	12.67%	18,376,443
Manufacturing	23,774,495	6.12%	7,679,971
Real estate	17,157,111	4.42%	13,732,781
Wholesale and retail trade	16,816,107	4.33%	9,575,691
Construction	15,627,581	4.03%	6,850,570
Water, environment and public utility	14,369,136	3.70%	7,108,569
Transportation, storage and postal services	6,218,530	1.60%	3,372,947
Production and supply of electric power, gas and water	6,200,702	1.60%	1,516,991
Education	4,774,592	1.23%	2,330,480
Mining	3,446,081	0.89%	608,767
Agriculture, forestry, animal husbandry and fishery	2,899,288	0.75%	870,921
Accommodation and catering	2,613,439	0.67%	1,729,318
Others	10,563,634	2.72%	2,634,355
Sub-total of corporate loans and advances	173,651,358	44.73%	76,387,804
Personal loans and advances	184,112,978	47.43%	152,570,194
Discounted bills	30,395,178	7.84%	27,526,358
Gross loans and advances to customers	388,159,514	100.00%	256,484,356

### (c) Analysed by type of collateral

	2022	2021
Unsecured loans	<b>116,432,467</b>	47,176,476
Guaranteed loans	<b>177,887,632</b>	84,498,682
Collateralised	<b>261,486,605</b>	193,717,462
Pledged	<b>128,267,981</b>	62,766,894
Gross loans and advances to customers	<b>684,074,685</b>	388,159,514
Accrued interest	<b>3,488,455</b>	2,487,565
Less: Provision for loans and advances to customers measured at amortised cost	<b>(20,670,715)</b>	(12,530,545)
Net loans and advances to customers	<b>666,892,425</b>	378,116,534



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 20 Loans and advances to customers (Continued)

### (d) Overdue loans analyzed by overdue period

	2022				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	1,441,363	1,115,015	971,169	78,500	3,606,047
Guaranteed loans	4,485,192	2,467,101	1,154,011	142,394	8,248,698
Collateralised	6,044,171	2,480,234	2,113,505	567,699	11,205,609
Pledged	1,220,891	248,725	30,448	10,000	1,510,064
<b>Total</b>	<b>13,191,617</b>	<b>6,311,075</b>	<b>4,269,133</b>	<b>798,593</b>	<b>24,570,418</b>
As a percentage of gross loans and advances to customers	1.93%	0.92%	0.62%	0.12%	3.59%

	2021				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	177,785	517,888	286,783	11,858	994,314
Guaranteed loans	2,091,193	2,177,847	1,301,956	241,340	5,812,336
Collateralised	3,827,730	1,249,776	1,315,667	470,132	6,863,305
Pledged	760,880	24,269	35,840	211,189	1,032,178
<b>Total</b>	<b>6,857,588</b>	<b>3,969,780</b>	<b>2,940,246</b>	<b>934,519</b>	<b>14,702,133</b>
As a percentage of gross loans and advances to customers	1.77%	1.02%	0.76%	0.24%	3.79%

Overdue loans represented loan, of which the whole or part of the principal or interest were overdue for one day or more.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 20 Loans and advances to customers (Continued)

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

	2022			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Total loans and advances to customers measured at amortised cost	564,599,145	17,800,515	13,196,883	595,596,543
Accrued interest	3,488,455	–	–	3,488,455
Less: Provision for impairment losses	(8,433,119)	(3,794,333)	(8,443,263)	(20,670,715)
Carrying amount of loans and advances to customers measured at amortised cost	559,654,481	14,006,182	4,753,620	578,414,283
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	88,468,142	–	10,000	88,478,142
Total carrying amount of loans and advances to customers	648,122,623	14,006,182	4,763,620	666,892,425
	2021			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
Total loans and advances to customers measured at amortised cost	337,256,833	11,008,429	8,510,669	356,775,931
Accrued interest	2,487,565	–	–	2,487,565
Less: Provision for impairment losses	(4,021,330)	(2,565,993)	(5,943,222)	(12,530,545)
Carrying amount of loans and advances to customers measured at amortised cost	335,723,068	8,442,436	2,567,447	346,732,951
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	31,383,583	–	–	31,383,583
Total carrying amount of loans and advances to customers	367,106,651	8,442,436	2,567,447	378,116,534

# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 20 Loans and advances to customers (Continued)

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

- (i) Movements of provision for impairment of loans and advances to customers measured at amortised cost:

	2022			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at January 1	4,021,330	2,565,993	5,943,222	12,530,545
Arising from merger by absorption	6,160,979	1,759,740	3,561,034	11,481,753
Acquisition of subsidiary	93,788	14,009	127,270	235,067
Transferred:				
– to expected credit losses over the next 12 months	1,150,051	(551,111)	(598,940)	–
– to lifetime expected credit losses: not credit-impaired loans	(216,609)	1,110,877	(894,268)	–
– to lifetime expected credit losses: credit-impaired loans	(120,853)	(768,770)	889,623	–
(Release)/charge for the year	(2,655,567)	(336,405)	10,226,039	7,234,067
Recoveries	–	–	247,659	247,659
Write-offs and disposals	–	–	(11,058,376)	(11,058,376)
As at December 31	8,433,119	3,794,333	8,443,263	20,670,715
	2021			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
As at January 1	4,406,550	2,295,558	5,016,863	11,718,971
Transferred:				
– to expected credit losses over the next 12 months	365,875	(248,165)	(117,710)	–
– to lifetime expected credit losses: not credit-impaired loans	(63,705)	466,064	(402,359)	–
– to lifetime expected credit losses: credit-impaired loans	(41,855)	(349,024)	390,879	–
(Release)/charge for the year	(645,535)	401,560	4,478,186	4,234,211
Recoveries	–	–	254,464	254,464
Write-offs and disposals	–	–	(3,677,101)	(3,677,101)
As at December 31	4,021,330	2,565,993	5,943,222	12,530,545





# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 20 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:

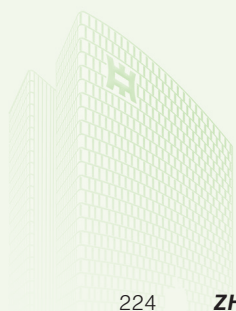
	2022			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at January 1	6,139	–	473,981	480,120
Charge for the year	47,025	–	10,000	57,025
Write-offs and disposals	–	–	(473,981)	(473,981)
As at December 31	53,164	–	10,000	63,164

	2021			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at January 1	11,125	–	355,486	366,611
(Release)/charge for the year	(4,986)	–	118,495	113,509
As at December 31	6,139	–	473,981	480,120

### (g) Disposal of loans and advances to customers

In 2022, the Group disposed loans and advances with gross amount of RMB15,669 million. The total consideration received by the Group amounted to RMB6,828 million.

In 2021, the Group disposed loans and advances with gross amount of RMB3,317 million. The total consideration received by the Group amounted to RMB1,906 million.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 21 Financial investments

	Note	2022	2021
Financial investments at fair value through profit or loss	(a)	<b>35,752,312</b>	22,036,414
Financial investments at fair value through other comprehensive income	(b)	<b>94,427,751</b>	56,092,112
Financial investments at amortised cost	(c)	<b>243,257,466</b>	136,985,777
<b>Total</b>		<b>373,437,529</b>	215,114,303

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

	Note	2022	2021
Debt securities	(i)		
– Government		<b>1,049,043</b>	43,162
– Policy banks		<b>577,341</b>	–
– Banks and other financial institutions		<b>4,549,968</b>	2,158,001
– Corporate		–	1,089,280
<b>Sub-total</b>		<b>6,176,352</b>	3,290,443
Listed		<b>1,049,043</b>	43,162
Unlisted		<b>5,127,309</b>	3,247,281
<b>Sub-total</b>		<b>6,176,352</b>	3,290,443
Investment fund managed by public fund manager		<b>27,132,037</b>	18,343,633
Investment management products managed by securities companies		<b>1,918,277</b>	–
Investment management products managed by trust plans		<b>171,330</b>	–
<b>Sub-total</b>		<b>29,221,644</b>	18,343,633
Equity investments		<b>354,316</b>	402,338
<b>Total</b>		<b>35,752,312</b>	22,036,414

- (i) As at the reporting period, certain debt securities were pledged for repurchase agreements (Note 29(a)). No other investment was subject to material restrictions in the realization.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

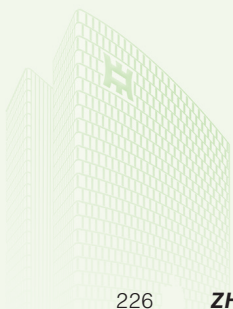
## 21 Financial investments (Continued)

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

	Note	2022	2021
Debt securities	(i)		
– Government		<b>67,285,715</b>	36,516,163
– Policy banks		<b>20,671,563</b>	16,065,614
– Banks and other financial institutions		<b>1,627,167</b>	1,371,713
– Corporate		<b>3,527,901</b>	1,392,873
Sub-total		<b>93,112,346</b>	55,346,363
Listed		<b>68,466,405</b>	36,704,987
Unlisted		<b>24,645,941</b>	18,641,376
Sub-total		<b>93,112,346</b>	55,346,363
Accrued interest		<b>1,190,526</b>	721,853
Equity investments	(ii)	<b>124,879</b>	23,896
Total		<b>94,427,751</b>	56,092,112

(i) As at the reporting period, certain debt securities were pledged for repurchase agreements (Note 29(a)). No other investment was subject to material restrictions in the realization.

(ii) The Group designates non-trading equity investments as financial investments at fair value through other comprehensive income. The Group did not dispose of any such equity investment, nor transfer any cumulative gain or loss from other comprehensive income to retained earnings during the reporting period.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 21 Financial investments (Continued)

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

(iii) Movements of provision for impairment of financial investments at fair value through other comprehensive income are as follows:

	2022			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at January 1	10,364	75,035	160,678	246,077
Charge for the period	4,743	7,150	6,295	18,188
Write-offs and disposal	–	–	(166,973)	(166,973)
Balance at December 31	15,107	82,185	–	97,292

	2021			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at January 1	37,831	13,678	127,501	179,010
Transfers:				
– to lifetime expected credit losses: not credit-impaired	(6,750)	6,750	–	–
(Release)/charge for the year	(20,717)	54,607	33,177	67,067
Balance at December 31	10,364	75,035	160,678	246,077



# Notes to the consolidated financial statements

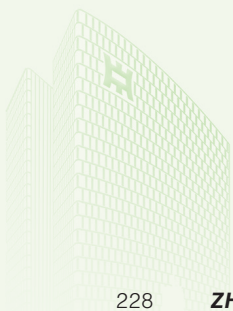
(Expressed in thousands of Renminbi, unless otherwise stated)

## 21 Financial investments (Continued)

### (c) Financial investments at amortised cost

	Note	2022	2021
Debt securities	(i)		
– Government		127,474,950	45,027,682
– Policy banks		52,573,707	28,106,520
– Banks and other financial institutions		1,020,339	120,000
– Corporate		9,700,349	8,218,455
Sub-total		190,769,345	81,472,657
Listed		127,037,986	44,487,844
Unlisted		63,731,359	36,984,813
Sub-total		190,769,345	81,472,657
Investment management products managed by trust plans		38,245,480	24,563,251
Debt investment plans		11,773,381	23,384,621
Investment fund managed by private fund manager		3,835,995	7,671,337
Investment management products managed by securities companies		1,196,320	3,028,950
Investment fund managed by financial institutions		–	701,327
Others		400,000	–
Sub-total		55,451,176	59,349,486
Accrued interest		3,614,376	1,808,262
Less: Provision for impairment losses	(ii)	(6,577,431)	(5,644,628)
Total		243,257,466	136,985,777

(i) As at the reporting period, certain debt securities were pledged for repurchase agreements (Note 29(a)). No other investment was subject to material restrictions in the realization.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 21 Financial investments (Continued)

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

(ii) Movements of provision for impairment of financial investments at amortised cost are as follows:

	2022			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at January 1	99,140	370,685	5,174,803	5,644,628
Arising from merger by absorption	300,476	2,416,754	2,600,964	5,318,194
Transfers:				
– to lifetime expected credit losses: not credit-impaired	(1,573)	1,573	–	–
– to lifetime expected credit losses: credit-impaired	(2,063)	(324,278)	326,341	–
(Release)/charge for the year	(38,980)	(1,735,242)	4,128,304	2,354,082
Recoveries	–	–	130,149	130,149
Write-offs and disposal	–	–	(6,869,622)	(6,869,622)
Balance at December 31	357,000	729,492	5,490,939	6,577,431

	2021			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at January 1	132,621	212,770	3,600,876	3,946,267
Transfers:				
– to lifetime expected credit losses: not credit-impaired	(2,022)	2,022	–	–
– to lifetime expected credit losses: credit-impaired	(4,078)	(107,287)	111,365	–
(Release)/charge for the year	(27,381)	263,180	1,186,880	1,422,679
Recoveries	–	–	375,682	375,682
Write-offs	–	–	(100,000)	(100,000)
Balance at December 31	99,140	370,685	5,174,803	5,644,628

### (d) Disposal of financial investments

In the year of 2022, the Group disposed financial investments with gross amount of RMB9,795.06 million. The consideration received by the Group amounted to RMB3,595.84 million.

In the year of 2021, the Group disposed financial investments with gross amount of RMB441.18 million. The consideration received by the Group amounted to RMB391.83 million.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 22 Lease receivables

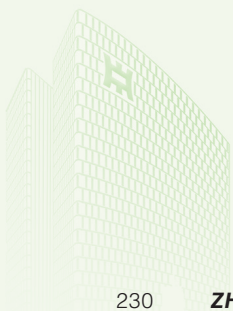
	Note	2022	2021
Minimum finance lease receivables	(i)	<b>1,929,772</b>	648,395
Less: unearned finance lease income	(i)	<b>(287,846)</b>	(11,248)
Present value of finance lease receivables	(i)	<b>1,641,926</b>	637,147
Receivables from sale-and-leaseback transactions		<b>61,251,467</b>	34,948,701
Sub-total		<b>62,893,393</b>	35,585,848
Less: provision for impairment losses	(ii)	<b>(2,579,325)</b>	(1,723,499)
Total		<b>60,314,068</b>	33,862,349

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

	2022		
	Minimum finance lease receivables	Unearned finance leases income	Present value of finance lease receivables
1 year to 2 year	<b>70,922</b>	<b>(2,388)</b>	<b>68,534</b>
2 year to 3 year	<b>213,955</b>	<b>(756)</b>	<b>213,199</b>
3 year to 5 year	<b>249,273</b>	<b>(46,236)</b>	<b>203,037</b>
More than 5 year	<b>1,395,622</b>	<b>(238,466)</b>	<b>1,157,156</b>
Total	<b>1,929,772</b>	<b>(287,846)</b>	<b>1,641,926</b>

	2021		
	Minimum finance lease receivables	Unearned finance income	Present value of finance lease receivables
Less than 1 year	14,913	(1,484)	13,429
1 year to 2 year	72,913	(5,724)	67,189
2 year to 3 year	44,880	(3,523)	41,357
More than 5 year	515,689	(517)	515,172
Total	648,395	(11,248)	637,147



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 22 Lease receivables (Continued)

(ii) Movements of provision for impairment losses:

	2022			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at January 1	1,031,496	379,196	312,807	1,723,499
Arising from merger by absorption	569,653	227,508	666,749	1,463,910
Transfers:				
– to expected credit losses over the next 12 months	416,545	(287,339)	(129,206)	–
– to lifetime expected credit losses: not credit-impaired	(24,878)	24,878	–	–
– to lifetime expected credit losses: credit-impaired	(70,252)	(30,072)	100,324	–
(Release)/charge for the year	(552,238)	455,969	766,707	670,438
Recoveries	–	–	11,472	11,472
Write-offs	–	–	(1,289,994)	(1,289,994)
Balance at December 31	1,370,326	770,140	438,859	2,579,325

	2021			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at January 1	973,417	213,666	197,058	1,384,141
Transfers:				
– to expected credit losses over the next 12 months	379,469	(211,913)	(167,556)	–
– to lifetime expected credit losses: not credit-impaired	(42,669)	42,669	–	–
– to lifetime expected credit losses: credit-impaired	(13,525)	–	13,525	–
(Release)/charge for the year	(265,196)	334,774	431,820	501,398
Recoveries	–	–	2,000	2,000
Write-offs	–	–	(164,040)	(164,040)
Balance at December 31	1,031,496	379,196	312,807	1,723,499





# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 23 Investments in subsidiaries and interest in joint venture

### (a) Investment in subsidiaries

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

Subsidiary	Note	Amount invested by the Bank		Percentage of equity interest		Voting rights	Registered capital	Establishment date	Place of incorporation registration	Principal activity
		2022	2021	2022 %	2021 %	2022 %	2022 million			
AB Leasing Co., Ltd. (“邦銀金融租賃股份有限公司”)		4,525,199	4,525,199	90.00	90.00	90.00	3,000.00	August 16, 2013	Zhengzhou, Henan Province	Leasing
BOL Financial Leasing Co., Ltd. (“洛銀金融租賃股份有限公司”)	(i)	2,228,739	-	57.50	-	57.50	2,000.00	December 18, 2014	Luoyang, Henan Province	Leasing
Xiping Zhongyuan County Bank Co., Ltd. (“西平中原村鎮銀行股份有限公司”)	(ii)	176,686	176,686	43.69	43.69	67.64	208.52	December 17, 2009	Zhumadian, Henan Province	Banking
Xinyang Pingqiao Zhongyuan County Bank Co., Ltd. (“信陽平橋中原村鎮銀行股份有限公司”)		38,341	38,341	51.73	51.73	51.73	83.52	December 13, 2010	Xinyang, Henan Province	Banking
Qixian Zhongyuan County Bank Co., Ltd. (“淇縣中原村鎮銀行股份有限公司”)		41,531	41,531	51.00	51.00	51.00	50.00	December 23, 2010	Hebi, Henan Province	Banking
Xinxiang Zhongyuan County Bank Co., Ltd. (“新鄉中原村鎮銀行股份有限公司”)		150,306	150,306	78.46	78.46	78.46	130.00	March 23, 2010	Xinxiang, Henan Province	Banking
Linzhou Zhongyuan County Bank Co., Ltd. (“林州中原村鎮銀行股份有限公司”)		29,771	29,771	51.00	51.00	51.00	75.00	September 30, 2011	Linzhou, Henan Province	Banking
Puyang Zhongyuan County Bank Co., Ltd. (“濮陽中原村鎮銀行股份有限公司”)		30,736	30,736	51.00	51.00	51.00	58.75	March 16, 2012	Puyang, Henan Province	Banking
Lushi Zhongyuan County Bank Co., Ltd. (“盧氏中原村鎮銀行股份有限公司”)		32,497	32,497	51.00	51.00	51.00	60.00	May 15, 2012	Sanmenxia, Henan Province	Banking
Xiangcheng Zhongyuan County Bank Co., Ltd. (“襄城中原村鎮銀行股份有限公司”)		38,044	38,044	51.00	51.00	51.00	61.00	October 27, 2011	Xuchang, Henan Province	Banking
Suiping Zhongyuan County Bank Co., Ltd. (“遂平中原村鎮銀行股份有限公司”)		35,084	35,084	51.02	51.02	51.02	56.15	March 12, 2012	Zhumadian, Henan Province	Banking
Jiaxian Guangtian County Bank Co., Ltd. (“郟縣廣天村鎮銀行股份有限公司”)	(iii)	-	-	51.28	-	51.28	78.00	October 23, 2009	Pingdingshan, Henan Province	Banking
Henan Luanchuan Minfeng County Bank Co., Ltd. (“河南樂川民豐村鎮銀行股份有限公司”)	(iv)	180,854	-	30.33	-	55.69	152.40	June 12, 2008	Luanchuan, Henan Province	Banking
Mengjin Minfeng County Bank Co., Ltd. (“孟津民豐村鎮銀行股份有限公司”)	(v)	140,376	-	34.58	-	60.35	150.00	November 23, 2011	Mengjin, Henan Province	Banking
Shenzhen Nanshan Baosheng County Bank Co., Ltd. (“深圳南山寶生村鎮銀行股份有限公司”)	(vi)	419,510	-	42.05	-	50.81	713.50	March 15, 2011	Nanshan, Shenzhen City	Banking
Luhe Yancheng Development County Bank Co., Ltd. (“漯河市郟城發展村鎮銀行有限責任公司”)	(vii)	245,201	-	51.00	-	51.00	300.00	July 12, 2011	Luhe, Henan Province	Banking
Total		8,312,875	5,098,195							



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 23 Investments in subsidiaries and interest in joint venture (Continued)

Notes:

- (i) The Bank assumed the equity of BOL Financial Leasing Co., Ltd. (“BOL Leasing”) held by the former Bank of Luoyang after the Bank completed merger by absorption of Bank of Luoyang on May 25, 2022. The Bank holds 57.5% of equity interest and voting rights of BOL Leasing as at December 31, 2022. The fair value of the 57.5% of equity interest in BOL leasing is RMB2,228.74 million as at May 25, 2022.
- (ii) The Bank holds 43.69% of equity interest of Xiping Zhongyuan County Bank Co., Ltd. (“Xiping Zhongyuan”) as at December 31, 2022 (2021: 43.69%). According to the acting in concert arrangement between the Bank and certain other shareholders with 23.95% equity interest of Xiping, Xiping Zhongyuan was deemed to be controlled by the Bank and was a subsidiary of the Bank since 2014.
- (iii) The Bank holds 51.28% of equity interest of Jiaxian Guangtian County Bank Co., Ltd. (“Jiaxian Guangtian”) as at December 31, 2022. Jiaxian Guangtian was initiated and established by the former Bank of Pingdingshan. The Bank assumed the equity of Jiaxian Guangtian held by the former Bank of Pingdingshan after the Bank completed merger by absorption of Bank of Pingdingshan on May 25, 2022. The fair value of the 51.28% of equity interest in Jiaxian Guangtian is zero as at May 25, 2022.
- (iv) Henan Luanchuan Minfeng County Bank Co., Ltd. (“Luanchuan Minfeng”) was initiated and established by the former Bank of Luoyang. The Bank assumed the equity of Luanchuan Minfeng held by the former Bank of Luoyang after the Bank completed merger by absorption of Bank of Luoyang on May 25, 2022. As at December 31, 2022, the Bank held 30.33% of the equity of Luanchuan Minfeng, and according to the concerted action agreement signed by the former Bank of Luoyang and other shareholders who owned 25.36% of the equity of Luanchuan Minfeng. Luanchuan Minfeng is deemed to be controlled by the Bank, and the voting rights ratio of the Bank and the shareholders combined is 55.69%.
- (v) Mengjin Minfeng County Bank Co., Ltd. (“Mengjin Minfeng”) was initiated and established by the former Bank of Luoyang. The Bank assumed the equity of Mengjin Minfeng held by the former Bank of Luoyang after the Bank completed merger by absorption of Bank of Luoyang on May 25, 2022. As at December 31, 2022, the Bank held 34.58% of the equity of Mengjin Minfeng, and according to the concerted action agreement signed by the former Bank of Luoyang and other shareholders who owned 25.77% of the equity of Mengjin Minfeng. Mengjin Minfeng is deemed to be controlled by the Bank, and the voting rights ratio of the Bank and the shareholders combined is 60.35%.
- (vi) Shenzhen Nanshan Baosheng County Bank Co., Ltd. (“Nanshan Baosheng”) was initiated and established by the former Bank of Luoyang. The Bank assumed the equity of Nanshan Baosheng held by the former Bank of Luoyang after the Bank completed merger by absorption of Bank of Luoyang on May 25, 2022. As at December 31, 2022, the Bank held 42.05% of the equity of Nanshan Baosheng, and according to the concerted action agreement signed by the former Bank of Luoyang and other shareholders who owned 8.76% of the equity of Nanshan Baosheng. Nanshan Baosheng is deemed to be controlled by the Bank, and the voting rights ratio of the Bank and the shareholders combined is 50.81%.
- (vii) On June 29, 2022, the Bank received the Approval for changing of shareholder of Luohe Yancheng Development County Bank Co., Ltd. (Yu Yin Bao Jian Fu [2022] No. 200). The Bank fully paid consideration and the above acquisition was completed on July 1, 2022. The Bank held 51.00% of the shares and voting interest in Luohe Yancheng Development County Bank Co., Ltd. As the consideration is equal to the fair value of identifiable net assets acquired at the acquisition date, the Bank did not recognize the goodwill.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 23 Investments in subsidiaries and interest in joint venture (Continued)

### (b) Interest in joint venture

	Note	2022	2021
Interest in joint venture	(i)	<b>1,347,307</b>	1,183,232

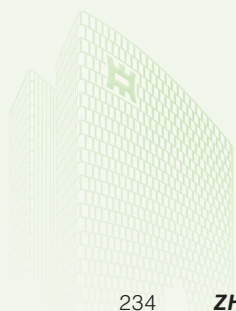
Note:

- (i) Henan Zhongyuan Consumer Finance Co., Ltd. ("Consumer Finance") is a joint venture in which the Bank has joint control and a 49.25% ownership interest. Consumer Finance is not publicly listed.

Name	Percentages of equity/voting rights%		Place of incorporation/registration	Business sector
	2022	2021		
Consumer Finance	<b>49.25%</b>	49.25%	Zhengzhou, China	Consumer credit

The following table illustrates the aggregate information of the Bank's joint venture:

	2022	2021
Aggregate carrying amount of the joint venture in the consolidated statements of financial position of the Bank	<b>1,347,307</b>	1,183,232
Aggregate amounts of the Bank's share of results of the joint venture		
– Gains from continuing operations	<b>164,075</b>	99,265
– Other comprehensive income	–	–
– Total comprehensive income	<b>164,075</b>	99,265



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 24 The Merger by Absorption

Pursuant to the Merger and Absorption Agreement entered by the Bank, Bank of Luoyang, Bank of Pingdingshan and Bank of JZCTS (collectively “the Target Banks”) and the approval from CBIRC on May 25, 2022, the Bank issued 13,324,823,322 ordinary shares to the shareholders in the Target Banks as the consideration to acquire all the assets and liabilities of the Target Banks. After the completion of acquisition, the Target Banks had been merged and absorbed into the Bank. The fair value of the consideration amounted to approximately RMB16,656.03 million which was measured by a qualified independent valuer. The Bank obtained the control of the Target Banks on May 25, 2022 and is in process of changing business registration of the Target Banks.

Pursuant to the entire arrangement of merger by absorption, the merger by absorption can only be considered completed when all the three Target Banks have been merged into the Bank. The acquisition of the three Target Banks forms a single transaction designed to achieve an overall commercial effect. Therefore, the Bank considers the acquisition of the Target Banks to be a single transaction as a whole and recognizes the goodwill accordingly.

### (a) Consideration transferred

	Amount
Equity instruments	16,656,029

### (b) Identifiable assets acquired and liabilities assumed

	Note	May 25, 2022
Cash and deposits with central bank		41,044,719
Deposits with banks and other financial institutions		3,085,890
Placements with banks and other financial institutions		8,354,593
Loans and advances to customers		228,032,583
Financial investments:		
Financial investments at fair value through profit or loss		16,086,527
Financial investments at amortised cost		48,985,721
Financial investments at fair value through other comprehensive income		47,959,862
Property and equipment	25	4,059,369
Deferred tax assets		4,850,870
Intangible assets	28(d)	414,334
Lease receivables		24,063,854
Other assets		13,886,166
Borrowing from the central bank		(10,000,910)
Deposits from banks and other financial institutions		(4,990,957)
Placements from banks and other financial institutions		(19,096,669)
Deposits from customers		(352,121,805)
Income tax payable		(158,154)
Debt securities issued		(26,449,640)
Other liabilities		(5,454,216)
<b>Total identifiable net assets acquired</b>		<b>22,552,137</b>

The intangible assets contain the leasing license amounting to RMB184.58 million, identified from the merger by absorption (28(d)).



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 24 The Merger by Absorption (Continued)

### (c) Goodwill

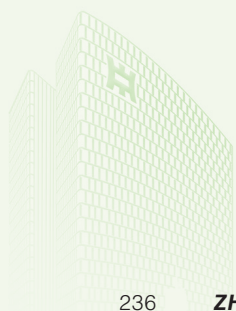
Goodwill arising from the merger by absorption has been recognised as follows:

	May 25, 2022
Consideration transferred	<b>16,656,029</b>
Plus: Non-controlling interests of the Target Banks	<b>2,907,659</b>
Plus: Equity of Perpetual bondholders of the Target Banks	<b>3,999,719</b>
Less: Net identifiable assets acquired	<b>(22,552,137)</b>
Goodwill	<b>1,011,270</b>

Goodwill arose from benefit of expected synergies, revenue growth and future market development after the merger by absorption. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

### (d) Impact of the merger by absorption on the results of the Group

If the acquisition had occurred on January 1, 2022, management estimates that the Group's consolidated operating income would have been RMB28,761.56 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2022.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 25 Property and equipment

	Premises	Investment properties	Electronic equipments	Motor vehicles	Office equipment & others	Construction in progress	Total
<b>Cost</b>							
At January 1, 2021	5,173,166	10,095	1,316,374	26,552	517,119	1,019,284	8,062,590
Additions	139,310	-	122,711	1,684	26,662	317,141	607,508
Disposals	(15,367)	-	(81,732)	(4,150)	(26,481)	-	(127,730)
Transfers out of construction in progress	-	-	-	-	-	(175,557)	(175,557)
As at December 31, 2021	5,297,109	10,095	1,357,353	24,086	517,300	1,160,868	8,366,811
Arising from acquisition	3,614,357	21,496	298,519	13,336	89,521	22,140	4,059,369
Acquisition of subsidiary	44,768	-	540	740	91	-	46,139
Additions	49,348	4,961	70,694	3,755	17,711	570,121	716,590
Disposals	(32,999)	-	(22,650)	(2,774)	(7,224)	-	(65,647)
Transfers out of construction in progress	-	-	-	-	-	(209,378)	(209,378)
As at December 31, 2022	8,972,583	36,552	1,704,456	39,143	617,399	1,543,751	12,913,884
<b>Accumulated depreciation</b>							
At January 1, 2021	(2,297,000)	(7,296)	(1,117,832)	(18,887)	(343,108)	-	(3,784,123)
Additions	(291,818)	(747)	(84,274)	(2,195)	(47,892)	-	(426,926)
Disposals	11,953	-	56,617	4,057	25,951	-	98,578
As at December 31, 2021	(2,576,865)	(8,043)	(1,145,489)	(17,025)	(365,049)	-	(4,112,471)
Additions	(389,313)	(2,207)	(141,086)	(5,833)	(72,417)	-	(610,856)
Disposals	25,537	-	20,131	1,087	4,897	-	51,652
As at December 31, 2022	(2,940,641)	(10,250)	(1,266,444)	(21,771)	(432,569)	-	(4,671,675)
<b>Impairment</b>							
At January 1, 2021	(6,626)	-	(1,891)	(229)	(1,843)	-	(10,589)
Disposals	-	-	522	-	21	-	543
As at December 31, 2021	(6,626)	-	(1,369)	(229)	(1,822)	-	(10,046)
Disposals	-	-	719	-	113	-	832
As at December 31, 2022	(6,626)	-	(650)	(229)	(1,709)	-	(9,214)
<b>Net book value</b>							
As at December 31, 2021	2,713,618	2,052	210,495	6,832	150,429	1,160,868	4,244,294
As at December 31, 2022	6,025,316	26,302	437,362	17,143	183,121	1,543,751	8,232,995

The carrying amount of the premises with incomplete title deeds as December 31, 2022 was RMB1,119.28 million (2021: RMB1,097.75 million). The Group is still in the progress of application for the outstanding title deeds for the above premises. The directors of the Group are of the opinion that there would be no significant cost in obtaining the title deeds.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 25 Property and equipment (Continued)

The net book values of premises as at December 31 are analyzed by the remaining terms of the leases as follows:

	2022	2021
Held in mainland China		
– Long-term leases (over 50 years)	<b>700,749</b>	752,241
– Medium-term leases (10 – 50 years)	<b>4,375,627</b>	1,564,020
– Short-term leases (less than 10 years)	<b>948,940</b>	397,357
<b>Total</b>	<b>6,025,316</b>	2,713,618

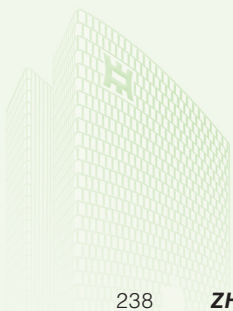
The net book value of investment properties as at December 31 are analyzed by the remaining terms of the leases as follows:

	2022	2021
Held in mainland China		
– Medium-term leases (10 – 50 years)	<b>26,302</b>	2,052

## 26 Deferred tax assets

### (a) Analyzed by nature

	2022		2021	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets/(liabilities):				
Allowance for impairment losses	<b>33,285,316</b>	<b>8,321,329</b>	21,382,372	5,345,593
Accrued staff cost payable	<b>2,335,432</b>	<b>583,858</b>	1,101,344	275,336
Supplemental retirement benefits	<b>276,804</b>	<b>69,201</b>	232,884	58,221
Fair value changes of financial assets	<b>1,572,292</b>	<b>393,073</b>	767,100	191,775
Deferred income	<b>490,404</b>	<b>122,601</b>	526,792	131,698
Assets appraisal and related depreciation	<b>(4,519,100)</b>	<b>(1,129,775)</b>	(1,298,248)	(324,562)
Deductible losses	<b>6,852,292</b>	<b>1,713,073</b>	66,560	16,640
Others	<b>530,484</b>	<b>132,621</b>	313,700	78,425
<b>Net balances</b>	<b>40,823,924</b>	<b>10,205,981</b>	23,092,504	5,773,126



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 26 Deferred tax assets (Continued)

### (b) Movements of deferred tax assets

	Allowance for impairment losses	Staff cost payable	Supplemental retirement benefits	Change in fair value	Deferred income	Assets appraisal and related depreciation	Deductible losses	Others	Net balance of deferred tax assets
January 1, 2021	4,456,176	331,533	19,266	74,752	178,168	(355,010)	16,697	110,953	4,832,535
Recognized in profit or loss	889,417	(56,197)	38,955	44,300	(46,470)	30,448	(57)	(32,528)	867,868
Recognized in other comprehensive income	-	-	-	72,723	-	-	-	-	72,723
December 31, 2021 and January 1, 2022	<b>5,345,593</b>	<b>275,336</b>	<b>58,221</b>	<b>191,775</b>	<b>131,698</b>	<b>(324,562)</b>	<b>16,640</b>	<b>78,425</b>	<b>5,773,126</b>
Arising from merger by absorption	<b>5,417,199</b>	<b>140,422</b>	<b>12,053</b>	<b>92,493</b>	<b>(14,718)</b>	<b>(850,366)</b>	<b>728,951</b>	<b>(675,164)</b>	<b>4,850,870</b>
Recognized in profit or loss	<b>(2,441,463)</b>	<b>168,100</b>	<b>(1,073)</b>	<b>202,713</b>	<b>5,621</b>	<b>45,153</b>	<b>967,482</b>	<b>729,360</b>	<b>(324,107)</b>
Recognized in other comprehensive income	-	-	-	<b>(93,908)</b>	-	-	-	-	<b>(93,908)</b>
December 31, 2022	<b>8,321,329</b>	<b>583,858</b>	<b>69,201</b>	<b>393,073</b>	<b>122,601</b>	<b>(1,129,775)</b>	<b>1,713,073</b>	<b>132,621</b>	<b>10,205,981</b>

## 27 Goodwill

	Note	Goodwill
<b>Cost:</b>		
At January 1, 2021, December 31, 2021		970,780
Arising from merger by absorption	24(c)	1,011,270
At December 31, 2022		1,982,050
<b>Accumulated impairment losses:</b>		
At January 1, 2021, December 31, 2021 and December 31, 2022		-
<b>Carrying amount:</b>		
At December 31, 2021		970,780
At December 31, 2022		1,982,050





# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 27 Goodwill (Continued)

### Impairment testing on goodwill

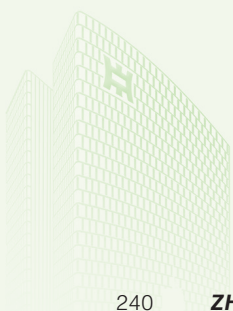
For the purpose of impairment testing, goodwill has been allocated to three individual cash generating units (CGUs), including corporate banking, retail banking and financial markets business. The carrying amounts of goodwill at the end of the reporting period allocated to these units are as follows:

	2022	2021
Corporate banking	<b>1,432,016</b>	811,602
Retail banking	<b>426,501</b>	97,029
Financial markets business	<b>123,533</b>	62,149
Total	<b>1,982,050</b>	970,780

The recoverable amounts of corporate banking unit, retail banking unit and financial markets business unit have been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and the discount rate at December 31, 2022. Cash flows beyond five-year period are extrapolated using an estimated weighted average growth rate. The cash flows are discounted using a discount rate which is used are pre-tax and reflect specific risks relating to the CGUs.

At the end of the reporting period, the directors of the Bank determine that there is no impairment of any of its CGUs containing goodwill.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of each of these CGUs to exceed its recoverable amount.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 28 Other assets

	Note	2022	2021
Interests receivable	(a)	<b>1,692,012</b>	1,245,518
Continuing involvement assets	(b)	<b>1,623,703</b>	1,680,283
Repossessed assets	(c)	<b>1,346,985</b>	1,172,906
Intangible assets	(d)	<b>1,212,291</b>	669,725
Right-of-use assets	(e)	<b>924,500</b>	696,945
Land use rights		<b>919,611</b>	905,233
Advanced payment of income tax		<b>390,381</b>	–
Leasehold improvements		<b>328,853</b>	370,897
Receivables from disposal of loans		–	726,884
Other receivables		<b>1,031,468</b>	982,309
<b>Total</b>		<b>9,469,804</b>	8,450,700

### (a) Interests receivable

	2022	2021
Interests receivable arising from:		
Investments	<b>1,780,248</b>	590,260
Loans and advances to customers	<b>486,384</b>	864,372
<b>Total</b>	<b>2,266,632</b>	1,454,632
Less: Provision for impairment losses	<b>(574,620)</b>	(209,114)
<b>Net carrying amount</b>	<b>1,692,012</b>	1,245,518

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



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 28 Other assets (Continued)

### (b) Continuing involvement assets

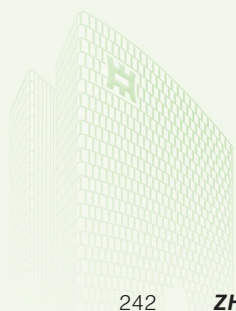
In 2020 and 2021, the Bank entered into securitization transactions by which it transferred its loans to the structured entities which issued asset-backed securities to investors at China Credit Assets Registration & Exchange Co., Ltd. The total loans amounted to RMB7,523.92 million. The total consideration amounted to RMB7,523.92 million and the Bank held the RMB1,680.28 million tranche.

The Bank retains part of interests in the form of senior and subordinated tranche which gives rise to the Bank's continuing involvement in the transferred assets. The financial asset is recognized on the statements of financial position to the extent of the Bank's continuing involvement. The extent of the Bank's continuing involvement is the extent to which the Bank is exposed to the changes in the value of the transferred assets.

As at December 31, 2022, arising from this continuing involvement, the Bank recognized continuing involvement assets and liabilities of RMB1,623.70 million each (2021: RMB1,680.28 million).

### (c) Repossessed assets

	2022	2021
Repossessed assets	<b>2,178,521</b>	1,865,409
Less: Provision for impairment losses	<b>(831,536)</b>	(692,503)
Net carrying amount	<b>1,346,985</b>	1,172,906



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 28 Other assets (Continued)

### (d) Intangible assets

	Leasing license	Computer software & others	Total
<b>Cost</b>			
As at January 1, 2021	173,305	1,189,248	1,362,553
Additions	–	166,211	166,211
Disposals	–	(24,815)	(24,815)
As at December 31, 2021 and January 1, 2022	173,305	1,330,644	1,503,949
Arising from acquisition	184,575	229,759	414,334
Acquisition of subsidiary	–	550	550
Additions	–	439,040	439,040
Disposals	–	(147,749)	(147,749)
As at December 31, 2022	357,880	1,852,244	2,210,124
<b>Accumulated amortization</b>			
As at January 1, 2021	–	(720,677)	(720,677)
Additions	–	(134,905)	(134,905)
Disposals	–	21,358	21,358
As at December 31, 2021 and January 1, 2022	–	(834,224)	(834,224)
Additions	–	(188,158)	(188,158)
Disposals	–	24,549	24,549
As at December 31, 2022	–	(997,833)	(997,833)
<b>Impairment</b>			
As at January 1, 2021	–	(1,310)	(1,310)
Disposals	–	1,310	1,310
As at December 31, 2021 and January 1, 2022 and December 31, 2022	–	–	–
<b>Net book value</b>			
As at December 31, 2022	357,880	854,411	1,212,291
As at December 31, 2021	173,305	496,420	669,725



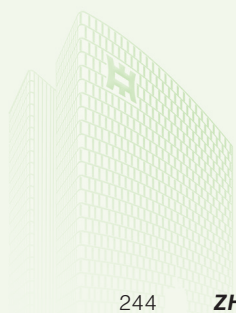
# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 28 Other assets (Continued)

### (e) Right-of-use assets

	Leased properties and buildings	Leased other equipments	Total
<b>Cost</b>			
As at January 1, 2021	1,354,792	24,015	1,378,807
Additions	158,191	4,619	162,810
Disposals	(235,900)	(10,006)	(245,906)
As at December 31, 2021	1,277,083	18,628	1,295,711
Arising from acquisition	384,863	1,082	385,945
Acquisition of subsidiary	3,142	-	3,142
Additions	283,714	12,702	296,416
Disposals	(267,015)	(19,189)	(286,204)
As at December 31, 2022	1,681,787	13,223	1,695,010
<b>Accumulated depreciation</b>			
As at January 1, 2021	(552,318)	(13,545)	(565,863)
Additions	(272,946)	(5,863)	(278,809)
Disposals	235,900	10,006	245,906
As at December 31, 2021	(589,364)	(9,402)	(598,766)
Additions	(441,088)	(16,860)	(457,948)
Disposals	267,015	19,189	286,204
As at December 31, 2022	(763,437)	(7,073)	(770,510)
<b>Net book value</b>			
As at January 1, 2022	687,719	9,226	696,945
As at December 31, 2022	918,350	6,150	924,500



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 29 Pledged assets

### (a) Assets pledged as collateral

	Note	2022	2021
For repurchase agreements			
– Discounted bills		5,995,267	877,540
– Financial investments at fair value through profit or loss	21(a)	229,633	–
– Financial investments at fair value through other comprehensive income	21(b)	30,240,076	23,004,451
– Financial investments at amortised cost	21(c)	69,712,291	11,737,549
Total		106,177,267	35,619,540

Financial assets pledged by the Group as collaterals for liabilities which are for repurchase agreements.

### (b) Received pledged assets

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. As at December 31, 2022, the carrying amounts of the received pledged assets is RMB71,282.22 million (2021: RMB13,004.82 million).

## 30 Borrowing from the central bank

	2022	2021
Due to central bank	42,396,477	47,386,779
Interest accrued	264,519	267,246
Total	42,660,996	47,654,025

Borrowing from the central bank mainly includes for two business: borrowing from the central bank and rediscount to the central bank.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 31 Deposits from banks and other financial institutions

### Analyzed by type and location of counterparty

	2022	2021
In mainland China		
– Banks	4,990,904	2,418,959
– Other financial institutions	25,001,594	24,854,394
Sub-total	29,992,498	27,273,353
Accrued interest	123,538	126,990
Total	30,116,036	27,400,343

## 32 Placements from banks and other financial institutions

	2022	2021
In mainland China		
– Banks	45,085,261	25,754,908
– Other financial institutions	5,277,000	5,470,000
Sub-total	50,362,261	31,224,908
Outside mainland China		
– Banks	1,051,509	1,667,149
Sub-total	51,413,770	32,892,057
Accrued interest	392,661	337,614
Total	51,806,431	33,229,671

# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 33 Financial assets sold under repurchase agreements

### (a) Analyzed by type and location of counterparty

	2022	2021
In mainland China		
– PBOC	30,970,000	3,260,000
– Banks	68,402,438	30,034,795
– Other financial institutions	300,771	713,750
Sub-total	99,673,209	34,008,545
Outside mainland China		
– Banks	1,998,000	–
Sub-total	101,671,209	34,008,545
Accrued interest	34,874	5,803
Total	101,706,083	34,014,348

### (b) Analyzed by collateral

	2022	2021
Debt securities	95,678,141	33,131,850
Discounted bills	5,993,068	876,695
Sub-total	101,671,209	34,008,545
Accrued interest	34,874	5,803
Total	101,706,083	34,014,348



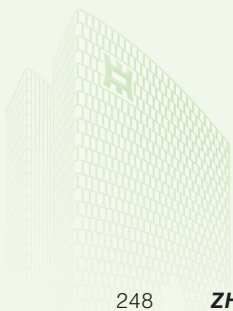


# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 34 Deposits from customers

	2022	2021
Demand deposits		
– Corporate customers	<b>154,193,374</b>	123,646,175
– Individual customers	<b>94,524,624</b>	65,623,653
Sub-total	<b>248,717,998</b>	189,269,828
Time deposits		
– Corporate customers	<b>137,680,484</b>	71,718,043
– Individual customers	<b>369,528,609</b>	152,572,126
Sub-total	<b>507,209,093</b>	224,290,169
Pledged deposits	<b>71,057,449</b>	34,780,452
Inward and outward remittances	<b>335,403</b>	84,098
Sub-total	<b>827,319,943</b>	448,424,547
Accrued interest	<b>17,937,211</b>	7,267,639
Total	<b>845,257,154</b>	455,692,186



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 35 Debt securities issued

	Note	2022	2021
Interbank deposits issued	(a)	<b>118,759,807</b>	82,613,779
Financial bonds	(b)	<b>13,994,121</b>	3,996,912
Tier-two capital bonds	(c)	<b>11,999,640</b>	9,999,588
Sub-total		<b>144,753,568</b>	96,610,279
Accrued interest		<b>405,164</b>	233,620
Total		<b>145,158,732</b>	96,843,899

Notes:

- (a) In 2022, the Bank issued a number of certificates of interbank deposits with total nominal amount of RMB222,100.00 million and duration between 1-12 months. The coupon rates ranged from 1.35% to 3.30% per annum.

In 2021, the Bank issued a number of certificates of interbank deposits with total nominal amount of RMB163,900.00 million and duration between 1-12 months. The coupon rates ranged from 2.00% to 3.25% per annum.

As at December 31, 2022, the fair value of interbank deposits issued was RMB119,640.00 million (2021: RMB83,520.00 million).

- (b) Fixed rate financial bonds of RMB3 billion with a term of three years was issued by the Bank in May 2022. The coupon rate is 2.95% per annum.

Fixed rate micro-business financial bonds of RMB2 billion with a term of three years was issued by the Bank in June 2022. The coupon rate is 2.90% per annum.

Fixed rate financial bonds of RMB3 billion with a term of three years was issued by former Bank of Luoyang in September 2020. The bond has inherited by the Bank after the completion of the merger by absorption. The coupon rate is 3.68% per annum.

Fixed rate financial bonds of RMB2 billion with a term of three years was issued by the Bank in March 2021. The coupon rate is 3.60% per annum.

Fixed rate micro-business financial bonds of RMB2 billion with a term of three years was issued by the Bank in June 2021. The coupon rate is 3.48% per annum.

Fixed rate financial bonds of RMB2 billion with a term of three years was issued by BOL Leasing in November 2020. The coupon rate is 4.30% per annum.

As at December 31, 2022, the fair value of financial bonds issued was RMB14,029.62 million (2021: RMB4,054.30 million).

- (c) Fixed rate tier-two capital bonds of RMB2 billion with a term of 10 years was issued by Bank of JZCTS in August 2019. The bond has inherited by the Bank after the completion of the merger by absorption. The coupon rate is 5.40% per annum.

Fixed rate tier-two capital bonds of RMB10 billion with a term of 10 years was issued by the Bank in September 2018. The coupon rate is 5.20% per annum.

As at December 31, 2022, the fair value of tier-two capital bonds issued was RMB12,086.64 million (2021: RMB10,682.39 million).



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 36 Other liabilities

	Note	2022	2021
Finance lease deposits		<b>4,376,771</b>	2,972,163
Accrued staff cost	(a)	<b>3,885,445</b>	2,329,431
Payment and collection clearance accounts		<b>1,929,239</b>	712,909
Continuing involvement in liabilities		<b>1,623,703</b>	1,680,283
Lease liabilities		<b>956,256</b>	727,233
Other tax payable		<b>676,005</b>	497,974
Provisions	(b)	<b>157,100</b>	367,607
Dividend payable		<b>184,620</b>	198,185
Other payable		<b>1,963,610</b>	643,831
<b>Total</b>		<b>15,752,749</b>	10,129,616

### (a) Accrued staff cost

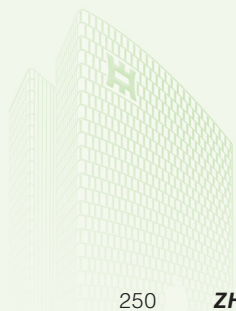
	Note	2022	2021
Salary, bonuses and allowances payable		<b>3,086,208</b>	1,921,533
Supplementary retirement benefits payable	(1)	<b>488,939</b>	234,629
Labor union fee, staff and workers' education fee		<b>195,403</b>	132,151
Social insurance payable		<b>107,513</b>	39,849
Housing allowances payable		<b>7,382</b>	1,269
<b>Total</b>		<b>3,885,445</b>	2,329,431

### (1) Supplementary retirement benefits

The supplementary retirement benefits of the Bank include early retirement plan and supplementary retirement plan. The early retirement benefits is 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 Bank's eligible employees.

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

	2022	2021
Present value of early retirement plan	<b>80,616</b>	57,893
Supplementary retirement plan	<b>408,323</b>	176,736
<b>Total</b>	<b>488,939</b>	234,629



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 36 Other liabilities (Continued)

### (a) Accrued staff cost (Continued)

#### (1) Supplementary retirement benefits (Continued)

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

	2022	2021
As at January 1	234,629	79,759
Absorbed and consolidated subsidiaries	253,367	–
Benefits paid during the year	(32,102)	(20,420)
Defined benefit cost recognized in profit or loss	11,472	174,004
Defined benefit cost recognized in other comprehensive income	21,573	1,286
As at December 31	488,939	234,629

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

Early retirement plan	2022	2021
Discount rate	2.50%	2.50%
Annual increase rate of internal salary	4.50%	4.50%
Supplementary retirement plan	2022	2021
Discount rate	3.00%	3.25%

### (b) Provisions

	Note	2022	2021
Litigations and disputes provision		13,788	11,993
Credit commitments provision	(i)	143,312	355,614
Total		157,100	367,607



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 36 Other liabilities (Continued)

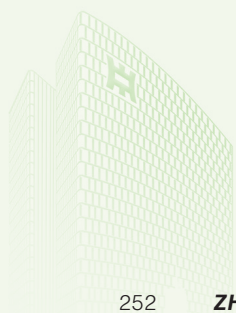
### (b) Provisions (Continued)

#### (i) Movements of credit commitments provision are as follows:

	2022			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at January 1	97,336	5,787	252,491	355,614
Arising from merger by absorption	64,154	7,858	28,107	100,119
Transfers:				
– to expected credit losses over the next 12 months	37	(28)	(9)	–
– to lifetime expected credit losses not credit-impaired	(411)	425	(14)	–
– to lifetime expected credit losses credit-impaired	(13)	(156)	169	–
(Release)/charge for the year	(53,959)	7,751	(266,213)	(312,421)
Balance at December 31	107,144	21,637	14,531	143,312

	2021			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at January 1	88,091	463	3,158	91,712
Transfers:				
– to expected credit losses over the next 12 months	45	(39)	(6)	–
– to lifetime expected credit losses not credit-impaired	(12)	12	–	–
– to lifetime expected credit losses credit-impaired	(36)	(179)	215	–
Charge for the year	9,248	5,530	249,124	263,902
Balance at December 31	97,336	5,787	252,491	355,614



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 37 Share capital

### Authorised and issued share capital

	Note	2022	2021
Ordinary shares in Mainland China	(a)	<b>29,604,823</b>	16,280,000
Ordinary shares listed in Hong Kong (H-share)	(b)	<b>6,945,000</b>	3,795,000
Total		<b>36,549,823</b>	20,075,000

Notes:

- (a) As disclosed in Note 24, on May 25, 2022, the Bank issued 13,324,823,322 ordinary shares to the shareholders of the Target Banks as the consideration to complete the merger by absorption of the Target Banks. After the completion of the merger by absorption, the registered capital and share capital of the Bank increased to RMB36,549.82 million. The capital contribution was verified by KPMG Huazhen LLP.
- (b) On July 19, 2017, the Bank issued 3,000.00 million H-shares with a par value of RMB1.00 at an offering price of HKD2.45 per share (the "H-share offering"). On August 15, 2017, the Bank exercised the over-allotment option and issued 450.00 million H-shares with a nominal value of RMB1.00 at HKD2.45 per share. The capital contribution was verified by KPMG Huazhen LLP.

Immediately following the H-share offering, 345 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.

On May 10, 2022, the Bank issued 3,150.00 million H-shares with a par value of RMB1.00 at an offering price of HKD1.80 per share, the registered capital and share capital of the Bank increased to RMB23,225 million. The capital contribution was verified by KPMG Huazhen LLP.

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

## 38 Reserves

### (a) Capital reserve

	2022	2021
Share premium	<b>19,504,885</b>	14,477,471
Changes in ownership in subsidiaries without changes in control	<b>(159,490)</b>	(159,490)
Total	<b>19,345,395</b>	14,317,981



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 38 Reserves (Continued)

### (a) Capital reserve (Continued)

(i) Movements of Capital reserve are as follows:

	2022	2021
As at January 1	<b>14,317,981</b>	14,317,963
Issuance of H shares (1)	<b>1,696,208</b>	–
Issuance of domestic shares for merger by absorption (2)	<b>3,331,206</b>	–
Capital injection of a subsidiary	–	18
<b>Total</b>	<b>19,345,395</b>	14,317,981

- (1) On May 10, 2022, the increase of share premium amounting to RMB1,696.21 million was resulted from non-public issuance of H shares of the Bank on The Stock Exchange of Hong Kong Limited.
- (2) On May 25, 2022, the increase of share premium amounting to RMB3,331.21 million was resulted from issuance of domestic shares as the consideration to complete the merger by absorption.

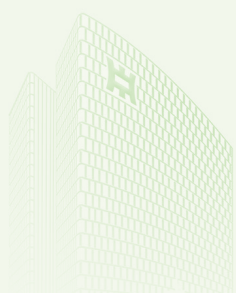
### (b) Surplus reserve

The surplus reserve at the end of 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.

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

### (c) General reserve

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. If this is difficult to reach 1.5% at one time, general reserve could be set aside by years, which should not exceed 5 years in principle.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 38 Reserves (Continued)

### (d) Other reserves

	Note	2022	2021
Investment revaluation reserve	(i)	<b>(115,682)</b>	(378,330)
Impairment reserve	(ii)	<b>160,456</b>	726,197
Deficit on remeasurement of net defined benefit liability	(iii)	<b>(25,555)</b>	(3,982)
Total		<b>19,219</b>	343,885

#### (i) Investment revaluation reserve

	2022	2021
As at January 1	<b>(378,330)</b>	(145,619)
Changes in fair value recognised in other comprehensive income	<b>458,427</b>	417,771
Transfer to profit or loss upon disposal	<b>(108,230)</b>	(728,052)
Less: deferred income tax	<b>(87,549)</b>	77,570
Total	<b>(115,682)</b>	(378,330)

#### (ii) Impairment reserve

	2022	2021
As at January 1	<b>726,197</b>	545,621
Impairment losses recognized in other comprehensive income	<b>(565,741)</b>	180,576
Total	<b>160,456</b>	726,197

#### (iii) Deficit on remeasurement of net defined benefit liability

Deficit on 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 January 1	<b>(3,982)</b>	(2,696)
Changes in fair value recognised in other comprehensive income	<b>(21,573)</b>	(1,286)
Total	<b>(25,555)</b>	(3,982)





# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 Retained earnings

### (a) Appropriation of profits

In accordance with the resolution of the Bank's board of directors meeting held on March 31, 2023, the proposed profit appropriations for the year ended December 31, 2022 is listed as follows:

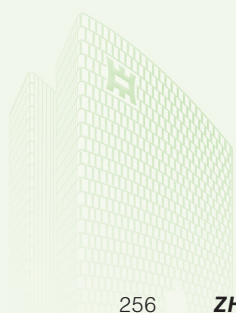
- Appropriation of statutory surplus reserve amounted to RMB379.59 million;
- Appropriation of general reserve amounted to RMB3,700.00 million; and
- The Bank will not distribute cash dividend to common shareholders.

The profit appropriation resolution mentioned above has yet to be approved by the Bank's shareholders.

In accordance with the resolution of the Bank's board of directors meeting held on March 30, 2022, the proposed profit appropriations for the year ended December 31, 2021 is listed as follows:

- Appropriation of statutory surplus reserve amounted to RMB309.19 million;
- Appropriation of general reserve amounted to RMB29.93 million; and
- The Bank would not distribute cash dividend to common shareholders.

- (b)** As at December 31, 2022, the consolidated retained profits attributable to equity shareholders of the Bank included an appropriation of RMB582.22 million of surplus reserve made by subsidiaries (2021: RMB215.71 million).



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 Retained earnings (Continued)

### (c) Movements in components of equity

Details of the changes in the Bank's individual components of equity for the year 2022 and 2021 are set out below.

	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings	Total
Balance at January 1, 2022	20,075,000	9,632,791	14,477,471	2,424,709	9,082,754	345,901	4,498,124	60,536,750
Changes in equity for the year:								
Net profit for the year	-	-	-	-	-	-	3,795,911	3,795,911
Other comprehensive income	-	-	-	-	-	(325,269)	-	(325,269)
Total comprehensive income	-	-	-	-	-	(325,269)	3,795,911	3,470,642
Issuance of H shares	3,150,000	-	1,696,208	-	-	-	-	4,846,208
Issuance of shares for merger by absorption	13,324,823	-	3,331,206	-	-	-	-	16,656,029
Arising from merger by absorption	-	3,999,719	-	-	-	-	-	3,999,719
Appropriation to surplus reserve	-	-	-	379,591	-	-	(379,591)	-
Appropriation to general reserve	-	-	-	-	3,700,000	-	(3,700,000)	-
Cash dividends on preference shares	-	-	-	-	-	-	(617,165)	(617,165)
Cash interests on perpetual bond	-	-	-	-	-	-	(192,000)	(192,000)
Balance at December 31, 2022	36,549,823	13,632,510	19,504,885	2,804,300	12,782,754	20,632	3,405,279	88,700,183
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings	Total
Balance at January 1, 2021	20,075,000	9,632,791	14,477,471	2,115,521	9,052,817	410,982	2,308,389	58,072,971
Changes in equity for the year:								
Net profit for the year	-	-	-	-	-	-	3,091,872	3,091,872
Other comprehensive income	-	-	-	-	-	(65,081)	-	(65,081)
Total comprehensive income	-	-	-	-	-	(65,081)	3,091,872	3,026,791
Appropriation to surplus reserve	-	-	-	309,188	-	-	(309,188)	-
Appropriation to general reserve	-	-	-	-	29,937	-	(29,937)	-
Cash dividends on preference shares	-	-	-	-	-	-	(563,012)	(563,012)
Balance at December 31, 2021	20,075,000	9,632,791	14,477,471	2,424,709	9,082,754	345,901	4,498,124	60,536,750



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 Other equity instruments

### (a) Preference Shares

#### (i) Preference shares outstanding

Financial instrument outstanding	Time issued	Classifications	Dividend		Issue price	Quantities	In original currency		Maturity	Conversion conditions
			yield ratio/ Interest rate				million	In RMB million		
Offshore preference shares	21/11/2018	Equity	5.60%		USD20/ share	69,750,000	1,395	9,688	None	Mandatory conversion trigger events
Less: issuing cost								(55)		
Book value								9,633		

#### (ii) Main clause

##### (1) Dividend

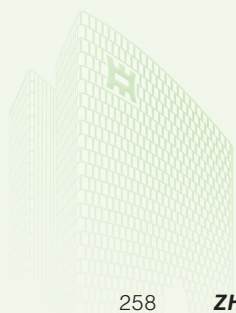
Fixed rate for a certain period after issuance. Dividend reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread. The fixed spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The fixed spread will remain unchanged 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 general meeting. Any cancellation of all or part of the dividends on the offshore preference shares shall be subject to the consideration and approval by the general meeting. If the Bank cancels all or part of the distribution of dividends on the offshore preference shares, the Bank shall not distribute any dividends to the ordinary shareholders from the next day following the resolution being approved at the general meeting until the resumption of payment of dividends in full.

##### (2) Dividend accumulation

The dividends on the offshore preference shares will be non-cumulative (namely, in the event of any cancellation 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).



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 Other equity instruments (Continued)

### (a) Preference Shares (Continued)

#### (2) Main clause (Continued)

##### (3) Distribution of residual profits

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

##### (4) Mandatory conversion trigger events

Upon the occurrence of an additional tier 1 capital trigger event (namely, the core tier 1 capital adequacy ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert, without the approval of the offshore preference shareholders, all or part of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares in order to restore the core tier 1 capital adequacy ratio of the Bank to above 5.125%. In case of partial conversion, the offshore preference shares shall be converted ratably and 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 former CBRC 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 former CBRC 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.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 Other equity instruments (Continued)

### (b) Perpetual Bond

#### (i) Perpetual Bond outstanding

Financial instrument outstanding	Time issued	Classifications	Dividend yield ratio/Interest rate	Issue price	Quantities	In original currency million	In RMB million
Perpetual Bonds	December 2, 2020	Equity	4.80%	100CNY	10,000,000	1,000	1,000
Perpetual Bonds	June 25, 2021	Equity	4.80%	100CNY	10,000,000	1,000	1,000
Perpetual Bonds	June 25, 2021	Equity	4.80%	100CNY	20,000,000	2,000	2,000
Less: issuing cost							(0.29)
Book value							3,999.71

#### (ii) Main clause

With the approvals of relevant regulatory authorities, Bank of Pingdingshan issued RMB1,000 million and RMB1,000 million of Perpetual Bonds on December 2, 2020 and June 25, 2021 respectively in the National Interbank Bond Market. Bank of Luoyang issued RMB2,000 million of Perpetual Bond on June 25, 2021 in the National Interbank Bond Market. The Bank inherited the Perpetual Bond after the completion of the merger by absorption.

##### (1) Interest

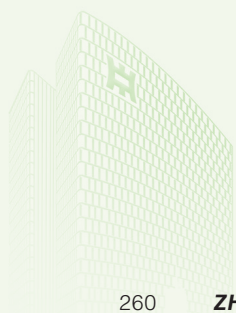
Each Perpetual Bond has a par value of RMB100, and the interest rate of the bonds for the first five years are 4.8% for Perpetual Bond, resetting every 5 years. The rates are determined by a benchmark rate plus a fixed spread.

##### (2) Interest stopper and setting mechanism

The interest payment for Perpetual Bonds is non-cumulative. The Bank shall have the right to cancel, in whole or in part, distributions on the interest payment and any such cancellation shall not constitute an event of default. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. However, the Bank shall not distribute profits to ordinary shareholders until resumption of full interest payment.

##### (3) Order of distribution and liquidation method

The claims in respect of Perpetual Bonds will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that rank senior to Perpetual Bonds, and will rank in priority to all classes of shares held by shareholders of the Bank. Perpetual Bond 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 Perpetual Bonds.





# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 Other equity instruments (Continued)

### (b) Perpetual Bond (Continued)

#### (ii) Main clause (Continued)

##### (4) Write down conditions

Upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write down all or part of the nominal amount of the outstanding Perpetual Bonds without the need for the consent of the bond holders.

##### (5) Redemption

The duration of the Perpetual Bonds is the same as the continuing operation of the Bank. Five years after the issuance date of the Perpetual Bonds, the Bank shall have the right to redeem them in whole or in part on each distribution payment date (including the fifth distribution payment date since the issuance). In the event that the Perpetual Bond is not classified as additional tier 1 capital due to unpredicted changes in regulations, the Bank shall have the right to redeem Perpetual Bonds fully instead of partly.

## 41 Involvement with unconsolidated structured entities

### (a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include investment management products under trust scheme, investment management products managed by securities companies and wealth management products issued by financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 41 Involvement with unconsolidated structured entities (Continued)

### (a) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the consolidated statements of financial position in which relevant assets are recognized as at December 31:

	2022	
	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	29,221,644	29,221,644
Financial investments at amortised cost	41,768,635	41,768,635
<b>Total</b>	<b>70,990,279</b>	<b>70,990,279</b>

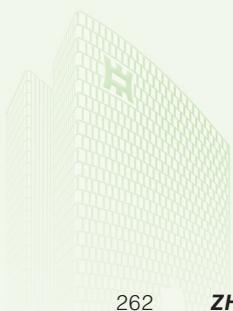
	2021	
	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	18,343,633	18,343,633
Financial investments at amortised cost	32,878,661	32,878,661
<b>Total</b>	<b>51,222,294</b>	<b>51,222,294</b>

As at December 31, 2022 and 2021, the carrying amounts of the unconsolidated structural entities are equal to the maximum exposures.

### (b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at December 31, 2022 and 2021, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognized are not material in the statement of financial positions.

As at December 31, 2022, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, was RMB93,268.96 million (2021: RMB95,598.11 million).





# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 41 Involvement with unconsolidated structured entities (Continued)

### (c) Unconsolidated structure entities sponsored by the Group during the years which the Group does not consolidate but have an interest in as at December 31

For the year ended December 31, 2022, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, but matured before December 31 amounted to RMB445.00 million (2021: RMB7,356.02 million).

## 42 Capital management

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the former CBRC. The capital of the Group is divided into core tier-one capital, other tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

The Group calculates its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the former CBRC.

The former CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The on-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, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP.





# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 42 Capital management (Continued)

The Group's capital adequacy ratios as at December 31 calculated in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the former CBRC are as follows:

	2022	2021
Total core tier-one capital		
– Share capital	<b>36,549,823</b>	20,075,000
– Qualifying portion of capital reserve	<b>19,345,395</b>	14,317,981
– Qualifying portion of other reserve	<b>(43,945)</b>	(136,235)
– Surplus reserve	<b>2,804,300</b>	2,424,709
– General reserve	<b>13,793,926</b>	9,705,709
– Retained earnings	<b>3,083,265</b>	4,710,067
– Qualifying portions of non-controlling interests	<b>1,970,929</b>	626,043
Core tier-one capital deductions	<b>(3,194,341)</b>	(1,640,505)
Net core tier-one capital	<b>74,309,352</b>	50,082,769
Other tier-one capital	<b>13,893,485</b>	9,716,263
Net tier-one capital	<b>88,202,837</b>	59,799,032
Tier-two capital		
– Instruments issued and share premium	<b>11,999,640</b>	9,999,588
– Surplus provision for loan impairment	<b>9,414,698</b>	6,588,625
– Qualifying portions of non-controlling interests	<b>524,910</b>	164,507
Net capital base	<b>110,142,085</b>	76,551,752
Total risk weighted assets	<b>930,901,630</b>	575,596,985
Core tier-one capital adequacy ratio	<b>7.98%</b>	8.70%
Tier-one capital adequacy ratio	<b>9.47%</b>	10.39%
Capital adequacy ratio	<b>11.83%</b>	13.30%

## 43 Notes to the consolidated cash flow statement

### (a) Net increase/(decrease) in cash and cash equivalents

	2022	2021
Cash and cash equivalents as at December 31	<b>125,893,084</b>	71,891,805
Less: Cash and cash equivalents as at January 1	<b>71,891,805</b>	72,151,316
Net increase/(decrease) in cash and cash equivalents	<b>54,001,279</b>	(259,511)

# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Notes to the consolidated cash flow statement (Continued)

### (b) Cash and cash equivalents

	2022	2021
Cash on hand	2,301,915	1,200,161
Deposits with the central bank	31,600,103	34,505,343
Deposits with banks and other financial institutions	15,108,605	10,653,343
Financial assets held under resale agreements	65,185,824	11,793,931
Placements with banks and other financial institutions	11,696,637	13,739,027
<b>Total</b>	<b>125,893,084</b>	<b>71,891,805</b>

### (c) Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Debt securities issued	Lease liabilities	Total
At January 1, 2022	96,843,899	727,233	97,571,132
Proceeds from merger by absorption	26,449,640	341,458	26,791,098
<b>Changes from financing cash flow</b>			
Proceeds received from debt securities issued	242,228,105	–	242,228,105
Interest paid on debt securities issued	(3,267,764)	–	(3,267,764)
Repayment of debt securities issued	(220,283,385)	–	(220,283,385)
Capital element of lease liabilities paid	–	(354,781)	(354,781)
Interest element of lease liabilities paid	–	(49,190)	(49,190)
<b>Total changes from financing cash flows</b>	<b>18,676,956</b>	<b>(403,971)</b>	<b>18,272,985</b>
<b>Other changes:</b>			
Interest expense	3,188,237	57,416	3,245,653
Increase in lease liabilities	–	234,120	234,120
<b>Total other changes</b>	<b>3,188,237</b>	<b>291,536</b>	<b>3,479,773</b>
At December 31, 2022	145,158,732	956,256	146,114,988



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Notes to the consolidated cash flow statement (Continued)

### (c) Reconciliation of movements of liabilities to cash flows arising from financing activities: (Continued)

	Debt securities issued	Lease liabilities	Total
At January 1, 2021	76,054,620	843,723	76,898,343
<b>Changes from financing cash flow</b>			
Proceeds received from debt securities issued	162,834,483	–	162,834,483
Interest paid on debt securities issued	(1,306,065)	–	(1,306,065)
Repayment of debt securities issued	(143,166,125)	–	(143,166,125)
Capital element of lease liabilities paid	–	(231,062)	(231,062)
Interest element of lease liabilities paid	–	(31,913)	(31,913)
Total changes from financing cash flows	18,362,293	(262,975)	18,099,318
<b>Other changes:</b>			
Interest expense	2,426,986	41,239	2,468,225
Increase in lease liabilities	–	105,246	105,246
Total other changes	2,426,986	146,485	2,573,471
At December 31, 2021	96,843,899	727,233	97,571,132

# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 44 Related party relationships and transactions

### (a) Relationship of related parties:

#### (i) Major shareholders

Major shareholders include shareholders of the Bank with direct or indirect 5% or above shareholding, or with the right to appoint a director in the Bank.

Shareholding in the Bank:

	2022	2021
Henan Investment Group Co., Ltd.	6.20%	10.25%

#### (ii) Subsidiaries and joint venture of the Bank

The detailed information of the Bank's subsidiaries and joint venture are set out in Note 23.

#### (iii) Other related parties

Other related parties can be individuals or enterprises, which include: members of the board of directors 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 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 44(a) or their controlling shareholders.

### (b) Related party transactions and balances:

#### (i) Transactions between the Bank and major shareholders:

	2022	2021
Transactions during the year:		
Interest income	58,701	60,473
Interest expense	319	912
Operating expenses	233	–
Balances at end of the year:		
Loans and advances to customers	1,253,262	–
Financial investments	–	1,399,118
Right-of-use assets	116	–
Deposits from customers	55,583	177,029
Lease liabilities	349	–



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 44 Related party relationships and transactions (Continued)

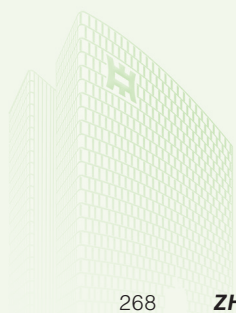
### (b) Related party transactions and balances: (Continued)

#### (ii) Transactions between the Bank and subsidiaries:

The subsidiaries of the Bank are its related parties. The transactions between the Bank and its subsidiaries and among the subsidiaries are eliminated on combination and therefore are not disclosed in this note.

#### (iii) Transactions between the Bank and other related parties and joint venture:

	2022	2021
Transactions during the year:		
Interest income	<b>832,057</b>	361,561
Interest expense	<b>19,081</b>	36,817
Operating expense	<b>8,965</b>	7,860
Assets disposal	<b>30,100</b>	309,613
	2022	2021
Balances at end of the year:		
Loans and advances to customers	<b>8,604,902</b>	2,722,124
Lease receivables	<b>330,776</b>	-
Financial investments	<b>4,087,697</b>	213,629
Placements with banks and other financial institutions	<b>2,580,576</b>	4,977,980
Right-of-use assets	<b>17,436</b>	25,185
Deposits from customers	<b>1,013,770</b>	1,511,634
Deposits from banks and other financial institutions	<b>2,849,005</b>	2,648,393
Lease liabilities	<b>19,714</b>	29,697
	2022	2021
Balances of items off the consolidated statement of financial position outstanding at the end of the year:		
Letters of credit	<b>11,250</b>	-
Bank acceptances	-	1,405,999



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 44 Related party relationships and transactions (Continued)

### (c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

#### (i) Transactions between the Bank and key management personnel

	2022	2021
Transactions during the year:		
Interest income	1,169	1,002
Interest expense	641	388
Balances at end of the year:		
Loans and advances to customers	21,938	18,974
Deposits from customers	23,929	16,360

#### (ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	2022	2021
Salaries and other emoluments	12,100	11,746
Discretionary bonuses	19,579	17,844
Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	1,218	971
Total	32,897	30,561

### (d) Loans and advances to directors, supervisors and officers

Loans and advances to directors, supervisors and officers of the Group 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:

	2022	2021
Aggregate amount of relevant loans outstanding at the end of the year	6,466	8,648
Maximum aggregate amount of relevant loans outstanding during the year	6,466	8,648

There was no amount due but unpaid, nor any impairment provision made against the principal or interest on these loans at December 31, 2022 and 2021.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 45 Segment reporting

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

### Corporate banking

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

### 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 and remittance services.

### Financial markets business

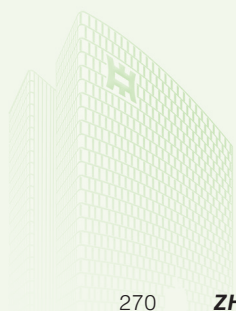
This segment covers the Group's financial markets business operations. The financial markets business enters into inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities. The financial markets business segment also covers management of the Group's overall liquidity position, including the issuance of debts.

### Others

These represent assets, liabilities, income and expenses which cannot directly attributable or cannot be allocated to a segment on a reasonable basis.

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 income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 45 Segment reporting (Continued)

### Others (Continued)

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. 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 year 2022 and 2021 to acquire property and equipment, intangible assets and other long-term assets.

	2022				Total
	Corporate banking	Retail banking	Financial markets business	Others	
Operating income					
External net interest income	15,540,825	1,819,487	3,915,947	–	21,276,259
Internal net interest (expense)/income	(3,000,557)	4,167,619	(1,167,062)	–	–
Net interest income	12,540,268	5,987,106	2,748,885	–	21,276,259
Net fee and commission income	636,297	291,054	855,723	–	1,783,074
Net trading gains	767,251	–	190,408	–	957,659
Net (losses)/gains arising from investment securities	(129,736)	–	1,579,123	–	1,449,387
Other operating income	42,681	4,284	19,890	77,963	144,818
Operating income	13,856,761	6,282,444	5,394,029	77,963	25,611,197
Operating expenses	(4,479,497)	(3,625,024)	(1,331,921)	(841,566)	(10,278,008)
Impairment losses on assets	(6,903,550)	(2,874,981)	(1,410,769)	(227)	(11,189,527)
Share of profits of joint venture	–	–	164,075	–	164,075
Profit/(loss) before tax	2,473,714	(217,561)	2,815,414	(763,830)	4,307,737
Segment assets	549,371,006	271,541,714	490,860,811	4,756,970	1,316,530,501
Deferred tax assets	–	–	–	10,205,981	10,205,981
Total assets	549,371,006	271,541,714	490,860,811	14,962,951	1,326,736,482
Segment liabilities	363,009,783	487,077,726	373,321,826	9,692,603	1,233,101,938
Total liabilities	363,009,783	487,077,726	373,321,826	9,692,603	1,233,101,938
Other segment information					
– Depreciation and amortization	713,891	357,588	343,308	13,281	1,428,068
– Capital expenditure	487,236	244,056	234,310	9,064	974,666





# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 45 Segment reporting (Continued)

### Others (Continued)

	2021				Total
	Corporate banking	Retail banking	Financial markets business	Others	
Operating income					
External net interest income	10,760,563	4,486,020	1,446,386	–	16,692,969
Internal net interest (expense)/income	(2,484,465)	1,710,557	773,908	–	–
Net interest income	8,276,098	6,196,577	2,220,294	–	16,692,969
Net fee and commission income	1,001,493	495,628	435,359	–	1,932,480
Net trading gains	90,889	–	41,161	–	132,050
Net (losses)/gains arising from investment securities	(844)	–	468,853	–	468,009
Other operating (losses)/income	(428)	339	126	57,287	57,324
Operating income	9,367,208	6,692,544	3,165,793	57,287	19,282,832
Operating expenses	(2,739,028)	(3,229,226)	(553,365)	(621,926)	(7,143,545)
Impairment losses on assets	(5,536,811)	(1,488,265)	(413,828)	(201,277)	(7,640,181)
Share of profits of joint venture	–	–	99,265	–	99,265
Profit/(loss) before tax	1,091,369	1,975,053	2,297,865	(765,916)	4,598,371
Segment assets	309,024,607	213,512,187	237,719,212	2,204,216	762,460,222
Deferred tax assets	–	–	–	5,773,126	5,773,126
Total assets	309,024,607	213,512,187	237,719,212	7,977,342	768,233,348
Segment liabilities	232,870,229	226,903,864	239,488,390	6,591,233	705,853,716
Total liabilities	232,870,229	226,903,864	239,488,390	6,591,233	705,853,716
Other segment information					
– Depreciation and amortization	439,039	364,982	172,402	3,135	979,558
– Capital expenditure	279,037	231,970	109,573	1,992	622,572



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Risk management

The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

The Group's risk management policies were established to identify and analyze the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Internal Audit Department of the Group undertakes both regular and ad hoc reviews of the compliance of internal control implementation with risk management policies.

### (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 bond investment portfolios and guarantees granted.

#### **Credit business**

The board of directors is responsible for setting the Group's risk management strategy 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. The board gives advice on internal controls relating to risk management. The responsible departments for credit risk management include the Credit Approval Department, Credit Management Department, and Risk Management Department. The Risk Management Department is responsible for implementing the Group's overall risk management system. Besides risk monitoring and control, the Risk Management Department is also responsible for formulating risk management policies. To ensure the independence of credit approval, the Credit Approval Department is independent from customer relationship and product management departments. Front office departments of branches carry out credit businesses according to the Group's risk management policies and procedures.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Risk management (Continued)

### (a) Credit risk (Continued)

#### **Credit business (Continued)**

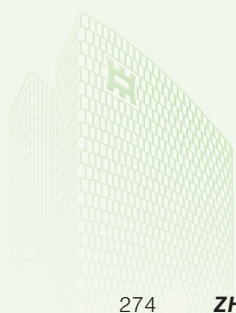
For corporate and institutional businesses, the Group has established industry-specific limits for credit approval. It has put in place continuous monitoring mechanism, with regular reporting of credit exposures to the board. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks.

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and their recommendations to the loan-approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process according to standardized loan recovery procedures.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.

#### **Financial markets business**

The Group sets credit limits for financial markets business operations based on the credit risk inherent in the products, counterparties and geographical areas. Credit risk exposure is closely monitored on a systematic, real-time basis, and credit risk limits are reviewed and updated regularly.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Risk management (Continued)

### (a) Credit risk (Continued)

#### **Credit risk management**

The financial assets are categorised by the Group into the following stages to manage its financial assets' credit risk:

#### *Stage 1*

Financial assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months expected credit losses.

#### *Stage 2*

Financial assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.

#### *Stage 3*

Financial assets that are in default and considered credit-impaired.

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 assets has increased significantly.

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

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

The Group uses watch lists to monitor credit risk of financial assets 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.

As at December 31, 2022, the Group has not considered that any of its financial assets has lower credit risk and no longer compared the credit risk at the balance sheet date with that at the initial recognition to identify whether there was a significant increase in credit risk.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Risk management (Continued)

### (a) Credit risk (Continued)

#### **Credit risk management (Continued)**

##### *Stage 3 (Continued)*

Definition of “default” and “credit-impaired assets”

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;
- the disappearance of an active market for a security because of financial difficulties of the issuer; or
- overdue more than 90 days.

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

Measurement of expected credit losses (“ECL”)

The Group adopts ECL model to measure provision for loss of financial assets based on the stages categorised above.

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 collaterals or other credit support.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Risk management (Continued)

### (a) Credit risk (Continued)

#### **Credit risk management (Continued)**

##### *Stage 3 (Continued)*

Measurement of expected credit losses (“ECL”) (Continued)

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

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

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

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

Both the assessment of the significant increase in credit risk and the measurement of ECL involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and ECL of all asset portfolios, including GDP, Import amount, Fixed investments cumulative year-on-year, etc. The impact of these economic variables on the PD and LGD has been determined by performing statistical regression analysis to understand the correlations among the historical changes of the economic variables, PD and LGD. Forecasts of these economic indicators are provided quarterly by the Group and provide the best estimate view of the economy over the next year.

When calculating the weighted average ECL, the optimism, neutral and pessimism scenarios and its weightings determined by a combination of macro-statistical analysis and expert judgment are taken into account by the Group.

As at December 31, 2022, the Group has taken into account different macroeconomic scenarios, combined with the impact of factors such as the COVID-19 epidemic on economic development trends, and made forward-looking forecasts of macroeconomic indicators. Including: quarter-on-quarter GDP growth, used to estimate ECL, ranges from 2.95% to 6.99% in the neutral scenario 2022.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Risk management (Continued)

### (a) Credit risk (Continued)

#### **Credit risk management (Continued)**

##### *Stage 3 (Continued)*

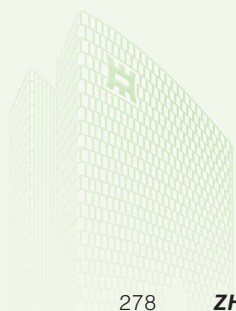
Assessing credit risk of financial assets after the amendment of contractual cash flows

In order to achieve maximum collection, the Group may modify the contractual terms of loans due to business negotiations or financial difficulties of the borrowers at times.

Such rescheduling activities include extended payment term arrangements, payment holidays and payment forgiveness. Rescheduling policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. The restructuring of loans is most common in the management of medium and long-term loans. The risk stage can only be adjusted lower if the rescheduled loans are reviewed for at least 6 consecutive months and the corresponding stage classification criteria is reached.

#### **(i) Maximum credit risk exposure**

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as at the end of each reporting period.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Risk management (Continued)

### (a) Credit risk (Continued)

(ii) *Financial assets (excluding accrued interest) analyzed by credit quality are summarized as follows:*

	2022							
	Balance				Provision for impairment losses			
	Assessed for expected credit losses over the next 12 months	Not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired and assessed for lifetime expected credit loss	Total	Assessed for expected credit losses over the next 12 months	Not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired and assessed for lifetime expected credit loss	Total
<b>Financial assets measured at amortised cost</b>								
Cash and deposits with the central bank	75,256,245	-	-	75,256,245	-	-	-	-
Deposits/Placements with banks and other financial institutions	51,284,780	-	19,027	51,303,807	(11,729)	-	(19,027)	(30,756)
Financial assets held under resale agreements	65,185,824	-	-	65,185,824	(4,870)	-	-	(4,870)
Loans and advances to customers	564,599,145	17,800,515	13,196,883	595,596,543	(8,433,119)	(3,794,333)	(8,443,263)	(20,670,715)
Financial investments	221,239,810	8,312,424	16,668,287	246,220,521	(357,000)	(729,492)	(5,490,939)	(6,577,431)
Lease receivables	59,994,360	2,141,372	757,661	62,893,393	(1,370,326)	(770,140)	(438,859)	(2,579,325)
<b>Total</b>	<b>1,037,560,164</b>	<b>28,254,311</b>	<b>30,641,858</b>	<b>1,096,456,333</b>	<b>(10,177,044)</b>	<b>(5,293,965)</b>	<b>(14,392,088)</b>	<b>(29,863,097)</b>
<b>Financial assets at fair value through other comprehensive income</b>								
Loans and advances to customers	88,468,142	-	10,000	88,478,142	(53,164)	-	(10,000)	(63,164)
Financial investments	92,434,685	740,000	-	93,174,685	(15,107)	(82,185)	-	(97,292)
<b>Total</b>	<b>180,902,827</b>	<b>740,000</b>	<b>10,000</b>	<b>181,652,827</b>	<b>(68,271)</b>	<b>(82,185)</b>	<b>(10,000)</b>	<b>(160,456)</b>





# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Risk management (Continued)

### (a) Credit risk (Continued)

#### (ii) Financial assets (excluding accrued interest) analyzed by credit quality are summarized as follows: (Continued)

	2021							
	Balance			Provision for impairment losses				
	Assessed for expected credit losses over the next 12 months	Not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired and assessed for lifetime expected credit loss	Total	Assessed for expected credit losses over the next 12 months	Not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired and assessed for lifetime expected credit loss	Total
<b>Financial assets measured at amortised cost</b>								
Cash and deposits with the central bank	62,427,139	-	-	62,427,139	-	-	-	-
Deposits/Placements with banks and other financial institutions	44,705,473	-	19,027	44,724,500	(15,503)	-	(19,027)	(34,530)
Financial assets held under resale agreements	11,793,931	-	-	11,793,931	(750)	-	-	(750)
Loans and advances to customers	337,256,833	11,008,429	8,510,669	356,775,931	(4,021,330)	(2,565,993)	(5,943,222)	(12,530,545)
Financial investments	124,542,574	2,759,017	13,520,552	140,822,143	(99,140)	(370,685)	(5,174,803)	(5,644,628)
Lease receivables	33,870,127	1,215,619	500,102	35,585,848	(1,031,496)	(379,196)	(312,807)	(1,723,499)
<b>Total</b>	<b>614,596,077</b>	<b>14,983,065</b>	<b>22,550,350</b>	<b>652,129,492</b>	<b>(5,168,219)</b>	<b>(3,315,874)</b>	<b>(11,449,859)</b>	<b>(19,933,952)</b>
<b>Financial assets at fair value through other comprehensive income</b>								
Loans and advances to customers	31,383,583	-	473,981	31,857,564	(6,139)	-	(473,981)	(480,120)
Financial investments	54,762,046	550,000	170,000	55,482,046	(10,364)	(75,035)	(160,678)	(246,077)
<b>Total</b>	<b>86,145,629</b>	<b>550,000</b>	<b>643,981</b>	<b>87,339,610</b>	<b>(16,503)</b>	<b>(75,035)</b>	<b>(634,659)</b>	<b>(726,197)</b>

As at December 31, 2022, the fair value of collaterals held against loans and advances that are not credit-impaired and assessed for lifetime expected credit losses amounted to RMB29,537.27 million (2021: RMB18,062.28 million). The fair value of collaterals held against credit-impaired loans and advances that are assessed for lifetime expected credit loss amounted to RMB3,948.86 million (2021: RMB1,411.44 million). The collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals was estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Risk management (Continued)

### (a) Credit risk (Continued)

#### (iii) Amounts due from banks and other financial institutions

The 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. Neither overdue nor credit-impaired amounts due from banks and non-bank financial institutions are rated with reference to major rating agencies accepted by the People's Bank of China.

	2022	2021
Neither overdue nor credit-impaired		
Ratings		
– A to AAA	<b>64,866,423</b>	39,357,160
– unrated	<b>52,306,696</b>	17,487,743
Total	<b>117,173,119</b>	56,844,903

#### (iv) Debt securities

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analyzed by the rating agency designations as at December 31 are as follows:

	2022	2021
Neither overdue nor credit-impaired		
Ratings		
– AAA	<b>275,829,307</b>	132,187,962
– AA – to AA+	<b>5,834,027</b>	1,193,216
– BB – to BB+	<b>26,834</b>	103,967
– B – to B+	<b>298,202</b>	213,930
– unrated	<b>9,255,105</b>	6,463,513
Overdue but not credit-impaired		
– unrated	<b>837,984</b>	–
Overdue and credit-impaired		
– unrated	<b>692,910</b>	781,993
Total	<b>292,774,369</b>	140,944,581



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Risk management (Continued)

### (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, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk and Internal Control Management Committee monitors the market risk management process within the scope authorized by the board of directors, which include review and approval of market risk management strategies, policies and procedures. The Group is primarily exposed to market risk in its financial markets business. The Financial Market Department is responsible for carrying out capital investments and transactions, as well as monitoring and managing the foreign exchange risk on a daily basis. The Asset and Liability Management Department is responsible for monitoring and managing the interest rate risk in bank account. The Risk Management Department is responsible for formulating the market risk management policies and procedures, as well as identifying, measuring and monitoring the Group's market risk.

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

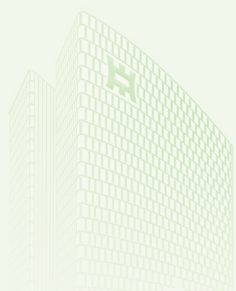
Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

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.

Sensitivity 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 categorizing each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

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.





# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Risk management (Continued)

### (b) Market risk (Continued)

#### ***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 financial markets business position.

#### *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 timing causes the Group’s income or its inherent economic value to vary with the movement in interest rates.

The Asset and Liability Management Department is responsible for 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.

#### *Trading interest rate risk*

Trading interest rate risk mainly arises from the financial markets business’ investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios’ fair value given a 100 basis points (1%) movement in the interest rates.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Risk management (Continued)

### (b) Market risk (Continued)

#### Interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities as at December 31 by the expected next repricing dates or by maturity dates, depending on which is earlier:

	2022					Total
	Within three months	Three months to one year	One year to five years	More than five years	Non-interest bearing	
<b>Assets</b>						
Cash and deposits with the central bank	75,256,245	-	-	-	2,331,704	77,587,949
Deposits with banks and other financial institutions	10,717,228	10,312,148	-	-	157,603	21,186,979
Placement with banks and other financial institutions	11,676,699	18,566,976	-	-	524,853	30,768,528
Derivative financial assets	-	-	-	-	93,255	93,255
Financial assets held under resale agreements	65,180,954	-	-	-	36,658	65,217,612
Loans and advances to customers (Note (1))	317,733,635	201,162,950	111,630,609	32,876,776	3,488,455	666,892,425
Financial investments (Note (2))	47,987,633	42,302,003	143,835,890	98,629,910	40,682,093	373,437,529
Lease receivables (Note (3))	31,679,709	2,261,356	25,847,756	525,247	-	60,314,068
Others	-	-	-	-	31,238,137	31,238,137
<b>Total assets</b>	<b>560,232,103</b>	<b>274,605,433</b>	<b>281,314,255</b>	<b>132,031,933</b>	<b>78,552,758</b>	<b>1,326,736,482</b>
<b>Liabilities</b>						
Borrowing from the central bank	8,112,027	34,284,450	-	-	264,519	42,660,996
Deposits from banks and other financial institutions	29,992,498	-	-	-	123,538	30,116,036
Placement from banks and other financial institutions	23,069,609	27,002,021	1,342,140	-	392,661	51,806,431
Derivative financial liabilities	-	-	-	-	562,679	562,679
Financial assets sold under repurchase agreements	101,671,209	-	-	-	34,874	101,706,083
Deposits from customers	374,428,493	194,905,167	257,986,283	-	17,937,211	845,257,154
Debt securities issued	63,212,509	60,547,298	8,994,121	11,999,640	405,164	145,158,732
Others	71,484	229,300	471,019	167,497	14,894,527	15,833,827
<b>Total liabilities</b>	<b>600,557,829</b>	<b>316,968,236</b>	<b>268,793,563</b>	<b>12,167,137</b>	<b>34,615,173</b>	<b>1,233,101,938</b>
<b>Asset-liability gap</b>	<b>(40,325,726)</b>	<b>(42,362,803)</b>	<b>12,520,692</b>	<b>119,864,796</b>	<b>43,937,585</b>	<b>93,634,544</b>

# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Risk management (Continued)

### (b) Market risk (Continued)

#### Interest rate risk (Continued)

(i) (Continued)

	2021					Total
	Within three months	Three months to one year	One year to five years	More than five years	Non-interest bearing	
<b>Assets</b>						
Cash and deposits with the central bank	62,427,139	–	–	–	1,214,482	63,641,621
Deposits with banks and other financial institutions	10,649,997	43,000	–	–	3,532	10,696,529
Placement with banks and other financial institutions	13,717,702	20,279,271	–	–	357,033	34,354,006
Derivative financial assets	–	–	–	–	31,506	31,506
Financial assets held under resale agreements	11,793,181	–	–	–	1,187	11,794,368
Loans and advances to customers (Note (1))	224,604,049	91,897,939	33,229,688	25,897,293	2,487,565	378,116,534
Financial investments (Note (2))	21,113,545	31,248,892	93,204,074	44,957,367	24,590,425	215,114,303
Lease receivables (Note (3))	18,818,765	1,875,186	13,168,398	–	–	33,862,349
Others	–	–	–	–	20,622,132	20,622,132
<b>Total assets</b>	<b>363,124,378</b>	<b>145,344,288</b>	<b>139,602,160</b>	<b>70,854,660</b>	<b>49,307,862</b>	<b>768,233,348</b>
<b>Liabilities</b>						
Borrowing from the central bank	11,401,269	35,985,818	–	–	266,938	47,654,025
Deposits from banks and other financial institutions	27,273,353	–	–	–	126,990	27,400,343
Placement from banks and other financial institutions	13,899,053	18,553,015	439,990	–	337,613	33,229,671
Derivative financial liabilities	–	–	–	–	30,993	30,993
Financial assets sold under repurchase agreements	34,008,545	–	–	–	5,803	34,014,348
Deposits from customers	247,805,001	86,047,069	106,822,186	–	15,017,930	455,692,186
Debt securities issued	31,586,054	51,027,725	3,996,912	9,999,588	233,620	96,843,899
Others	71,333	146,980	457,301	47,493	10,265,144	10,988,251
<b>Total liabilities</b>	<b>366,044,608</b>	<b>191,760,607</b>	<b>111,716,389</b>	<b>10,047,081</b>	<b>26,285,031</b>	<b>705,853,716</b>
<b>Asset-liability gap</b>	<b>(2,920,230)</b>	<b>(46,416,319)</b>	<b>27,885,771</b>	<b>60,807,579</b>	<b>23,022,831</b>	<b>62,379,632</b>



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Risk management (Continued)

### (b) Market risk (Continued)

#### Interest rate risk (Continued)

##### (i) (Continued)

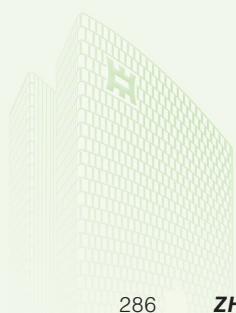
Notes:

- (1) As at December 31, 2022, for loans and advances to customers, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB13,881.89 million (2021: RMB7,692.55 million).
- (2) As at December 31, 2022, for financial investments, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB16,174.39 million (2021: RMB7,714.80 million).
- (3) As at December 31, 2022, for lease receivables, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB835.17 million (2021: RMB1,023.94 million).

##### (ii) Interest rate sensitivity analysis

	31 December 2022	31 December 2021
	Increase/ (decrease)	Increase/ (decrease)
Changes in net interest income		
Up 100 bps parallel shift in yield curves	<b>(540,734)</b>	(282,994)
Down 100 bps parallel shift in yield curves	<b>540,734</b>	282,994

	31 December 2022	31 December 2021
	Increase/ (decrease)	Increase/ (decrease)
Changes in equity		
Up 100 bps parallel shift in yield curves	<b>(3,734,641)</b>	(1,778,752)
Down 100 bps parallel shift in yield curves	<b>4,091,216</b>	1,912,409



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Risk management (Continued)

### (b) Market risk (Continued)

#### **Interest rate risk (Continued)**

##### *(ii) Interest rate sensitivity analysis (Continued)*

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized net profit or loss 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:

- Interest rate movements at the end of each of the reporting period apply to non-derivative financial instruments of the Group;
- At the end of each of the reporting period, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next 12 months;
- 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;
- Other variables (including exchange rates) remain unchanged; 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 profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.





# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Risk management (Continued)

### (b) Market risk (Continued)

#### Foreign currency risk

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

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

	2022				
	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>					
Cash and deposits with the central bank	77,516,384	70,062	557	946	77,587,949
Deposits with banks and other financial institutions	8,229,865	11,295,389	1,606,066	55,659	21,186,979
Placement with banks and other financial institutions	27,462,607	3,305,921	–	–	30,768,528
Financial assets held under resale agreements	65,217,612	–	–	–	65,217,612
Loans and advances to customers	665,556,902	1,335,523	–	–	666,892,425
Financial investments	364,649,836	8,119,539	668,154	–	373,437,529
Lease receivables	60,314,068	–	–	–	60,314,068
Derivative financial assets	93,255	–	–	–	93,255
Others	30,749,835	398,427	89,875	–	31,238,137
<b>Total assets</b>	<b>1,299,790,364</b>	<b>24,524,861</b>	<b>2,364,652</b>	<b>56,605</b>	<b>1,326,736,482</b>
<b>Liabilities</b>					
Borrowing from the central bank	42,660,996	–	–	–	42,660,996
Deposits from banks and other financial institutions	30,116,035	1	–	–	30,116,036
Placement from banks and other financial institutions	48,108,422	3,698,009	–	–	51,806,431
Financial assets sold under repurchase agreements	101,706,083	–	–	–	101,706,083
Deposits from customers	844,162,607	1,061,237	982	32,328	845,257,154
Debt securities issued	145,158,732	–	–	–	145,158,732
Derivative financial liabilities	562,679	–	–	–	562,679
Others	15,625,124	156,558	51,750	395	15,833,827
<b>Total liabilities</b>	<b>1,228,100,678</b>	<b>4,915,805</b>	<b>52,732</b>	<b>32,723</b>	<b>1,233,101,938</b>
<b>Asset-liability gap</b>	<b>71,689,686</b>	<b>19,609,056</b>	<b>2,311,920</b>	<b>23,882</b>	<b>93,634,544</b>

# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Risk management (Continued)

### (b) Market risk (Continued)

#### Foreign currency risk (Continued)

	2021				
	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>					
Cash and deposits with the central bank	63,472,140	168,324	249	908	63,641,621
Deposits with banks and other financial institutions	3,348,985	5,813,266	1,453,061	81,217	10,696,529
Placement with banks and other financial institutions	34,334,892	19,114	–	–	34,354,006
Financial assets held under resale agreements	11,794,368	–	–	–	11,794,368
Loans and advances to customers	374,614,630	3,420,680	–	81,224	378,116,534
Financial investments	205,937,883	7,178,620	1,997,800	–	215,114,303
Lease receivables	33,862,349	–	–	–	33,862,349
Derivative financial assets	31,506	–	–	–	31,506
Others	19,526,975	356,792	738,315	50	20,622,132
<b>Total assets</b>	<b>746,923,728</b>	<b>16,956,796</b>	<b>4,189,425</b>	<b>163,399</b>	<b>768,233,348</b>
<b>Liabilities</b>					
Borrowing from the central bank	47,654,025	–	–	–	47,654,025
Deposits from banks and other financial institutions	27,400,342	1	–	–	27,400,343
Placement from banks and other financial institutions	31,247,270	1,901,107	–	81,294	33,229,671
Financial assets sold under repurchase agreements	34,014,348	–	–	–	34,014,348
Deposits from customers	453,954,931	1,737,255	–	–	455,692,186
Debt securities issued	96,843,899	–	–	–	96,843,899
Derivative financial liabilities	30,993	–	–	–	30,993
Others	10,704,554	164,986	44,571	74,140	10,988,251
<b>Total liabilities</b>	<b>701,850,362</b>	<b>3,803,349</b>	<b>44,571</b>	<b>155,434</b>	<b>705,853,716</b>
<b>Asset-liability gap</b>	<b>45,073,366</b>	<b>13,153,447</b>	<b>4,144,854</b>	<b>7,965</b>	<b>62,379,632</b>



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Risk management (Continued)

### (b) Market risk (Continued)

#### Foreign currency risk (Continued)

	2022 Increase/ (decrease)	2021 Increase/ (decrease)
Change in profit after taxation and equity		
Up 100 bps change of foreign exchange rate	<b>41,078</b>	52,164
Down 100 bps change of foreign exchange rate	<b>(41,078)</b>	(52,164)

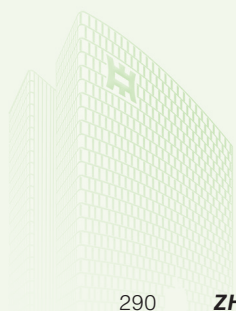
The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions as set out below:

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB based on the closing rate of reporting date;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously;
- 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.

### (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 sustain its asset business or meet repayment obligations. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.





# Notes to the consolidated financial statements

*(Expressed in thousands of Renminbi, unless otherwise stated)*

## 46 Risk management (Continued)

### (c) Liquidity risk (Continued)

The Asset and Liability Management Committee (“ALMC”) is responsible for managing the Group’s overall liquidity risk. The ALMC is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and
- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximization and cost minimization to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Bank’s funds.

The Asset and Liability Management Department takes the lead to execute liquidity management policies and is responsible for formulating and revising the liquidity management strategies, and for identifying, measuring, monitoring and releasing the liquidity risk of the Bank. It is also responsible for managing and forecasting the working capital on a regular basis and ensuring the liquidity of working capital meets management requirements based on the liquidity strategies. The Finance Market Department is responsible for performing the operation following the instructions of the Asset and Liability Management Department. Significant disbursement or portfolio changes must be reported to the ALMC on a timely basis.

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

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Risk management (Continued)

### (c) Liquidity risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment as at December 31:

	2022							Total
	Indefinite Note (i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>								
Cash and deposits with the central bank	43,656,142	33,902,018	29,789	-	-	-	-	77,587,949
Deposits with banks and other financial institutions	-	10,303,550	167,977	254,959	10,460,493	-	-	21,186,979
Placements with banks and other financial institutions	-	-	3,140,161	8,767,825	18,860,542	-	-	30,768,528
Derivative financial assets	-	-	45,221	27,480	2,114	18,440	-	93,255
Financial assets held under resale agreements	-	-	65,217,612	-	-	-	-	65,217,612
Loans and advances to customers	9,090,576	5,570,759	44,404,556	71,464,053	216,909,223	155,915,245	163,538,013	666,892,425
Financial investments	13,142,311	29,547,006	5,750,955	27,675,402	44,580,456	149,260,218	103,481,181	373,437,529
Lease receivables	808,928	219,802	351,836	306,377	4,356,657	50,118,518	4,151,950	60,314,068
Others	18,483,954	-	90,230	620,446	920,956	9,795,222	1,327,329	31,238,137
<b>Total assets</b>	<b>85,181,911</b>	<b>79,543,135</b>	<b>119,198,337</b>	<b>109,116,542</b>	<b>296,090,441</b>	<b>365,107,643</b>	<b>272,498,473</b>	<b>1,326,736,482</b>
<b>Liabilities</b>								
Borrowing from the central bank	-	544,691	4,146,118	3,427,348	34,542,839	-	-	42,660,996
Deposits from banks and other financial institutions	-	4,087,964	1,617,723	18,791,036	5,619,313	-	-	30,116,036
Placements from banks and other financial institutions	-	-	8,709,658	14,527,869	27,201,922	1,366,982	-	51,806,431
Derivative financial liabilities	-	-	542,882	1,489	-	18,308	-	562,679
Financial assets sold under repurchase agreements	-	-	101,706,083	-	-	-	-	101,706,083
Deposits from customers	-	262,253,340	49,776,245	70,516,932	199,130,927	263,579,710	-	845,257,154
Debt securities issued	-	-	9,017,965	54,254,312	60,892,694	8,994,121	11,999,640	145,158,732
Others	-	3,154,126	812,896	303,409	5,428,953	4,593,296	1,541,147	15,833,827
<b>Total liabilities</b>	<b>-</b>	<b>270,040,121</b>	<b>176,329,570</b>	<b>161,822,395</b>	<b>332,816,648</b>	<b>278,552,417</b>	<b>13,540,787</b>	<b>1,233,101,938</b>
Long/(short) position	85,181,911	(190,496,986)	(57,131,233)	(52,705,853)	(36,726,207)	86,555,226	258,957,686	93,634,544

# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Risk management (Continued)

### (c) Liquidity risk (Continued)

	2021							Total
	Indefinite Note (i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>								
Cash and deposits with the central bank	27,921,796	35,705,504	14,321	-	-	-	-	63,641,621
Deposits with banks and other financial institutions	-	4,744,650	5,686,581	222,061	43,237	-	-	10,696,529
Placements with banks and other financial institutions	-	-	6,473,250	7,373,583	20,507,173	-	-	34,354,006
Derivative financial assets	-	-	27	33	1,504	29,942	-	31,506
Financial assets held under resale agreements	-	-	11,794,368	-	-	-	-	11,794,368
Loans and advances to customers	3,887,065	3,420,997	33,127,705	28,437,838	104,792,950	75,231,835	129,218,144	378,116,534
Financial investments	8,999,536	17,910,807	1,873,807	11,772,403	33,375,759	94,023,461	47,158,530	215,114,303
Lease receivables	658,588	365,356	106,154	313,794	3,440,368	28,266,413	711,676	33,862,349
Others	14,849,006	-	-	275,336	468,538	5,029,252	-	20,622,132
<b>Total assets</b>	<b>56,315,991</b>	<b>62,147,314</b>	<b>59,076,213</b>	<b>48,395,048</b>	<b>162,629,529</b>	<b>202,580,903</b>	<b>177,088,350</b>	<b>768,233,348</b>
<b>Liabilities</b>								
Borrowing from the central bank	-	52,786	5,279,341	6,103,951	36,217,947	-	-	47,654,025
Deposits from banks and other financial institutions	-	2,860,716	3,101,288	16,800,172	4,638,167	-	-	27,400,343
Placements from banks and other financial institutions	-	-	7,370,756	6,653,459	18,758,857	446,599	-	33,229,671
Derivative financial liabilities	-	-	27	33	1,669	29,264	-	30,993
Financial assets sold under repurchase agreements	-	-	34,014,348	-	-	-	-	34,014,348
Deposits from customers	-	210,696,521	16,081,028	28,895,248	86,879,501	113,139,888	-	455,692,186
Debt securities issued	-	-	9,452,611	22,193,213	51,201,574	3,996,913	9,999,588	96,843,899
Others	-	2,694,469	511,241	1,122,927	3,234,481	3,256,796	168,337	10,988,251
<b>Total liabilities</b>	<b>-</b>	<b>216,304,492</b>	<b>75,810,640</b>	<b>81,769,003</b>	<b>200,932,196</b>	<b>120,869,460</b>	<b>10,167,925</b>	<b>705,853,716</b>
Long/(short) position	56,315,991	(154,157,178)	(16,734,427)	(33,373,955)	(38,302,667)	81,711,443	166,920,425	62,379,632

Note:

- (i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers and lease receivables includes all the credit-impaired loans and lease receivables, as well as those overdue more than one month. Loans and advances to customers and lease receivables with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of investments represents credit-impaired investments or those overdue more than one month. Financial investments with no impairment but overdue within one month are classified into the category of repayable on demand. Equity investments is listed in the category of indefinite.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Risk management (Continued)

### (c) Liquidity risk (Continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and loan commitments as at December 31:

	2022							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Non-derivative financial liabilities</b>								
Borrowing from the central bank	42,660,996	43,290,388	544,908	4,150,172	3,437,259	35,158,049	-	-
Deposits from banks and other financial institutions	30,116,036	30,162,205	4,088,163	1,618,560	18,816,756	5,638,726	-	-
Placements from banks and other financial institutions	51,806,431	52,640,123	-	8,734,940	14,674,894	27,785,607	1,444,682	-
Financial assets sold under repurchase agreements	101,706,083	101,735,923	-	101,735,923	-	-	-	-
Deposits from customers	845,257,154	864,915,676	262,294,254	49,807,022	70,804,622	201,767,326	280,242,452	-
Debt securities issued	145,158,732	150,411,646	-	9,070,476	54,537,127	62,121,443	11,946,600	12,736,000
Lease liabilities	956,256	998,621	-	26,618	51,677	237,917	499,778	182,631
<b>Total non-derivative financial liabilities</b>	<b>1,217,661,688</b>	<b>1,244,154,582</b>	<b>266,927,325</b>	<b>175,143,711</b>	<b>162,322,335</b>	<b>332,709,068</b>	<b>294,133,512</b>	<b>12,918,631</b>
Loan commitments	-	12,552,210	-	12,552,210	-	-	-	-
	2021							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Non-derivative financial liabilities</b>								
Borrowing from the central bank	47,654,025	48,378,255	52,805	5,282,535	6,116,395	36,926,520	-	-
Deposits from banks and other financial institutions	27,400,343	27,416,290	2,860,762	3,102,077	16,810,491	4,642,960	-	-
Placements from banks and other financial institutions	33,229,671	33,970,380	-	7,406,649	6,741,177	19,347,670	474,884	-
Financial assets sold under repurchase agreements	34,014,348	34,078,768	-	34,078,768	-	-	-	-
Deposits from customers	455,692,186	465,089,742	210,728,581	16,094,417	28,992,662	87,978,485	121,295,597	-
Debt securities issued	96,843,899	101,745,653	-	9,470,383	22,324,307	52,027,763	6,363,200	11,560,000
Lease liabilities	727,233	774,107	-	16,682	62,411	180,520	466,399	48,095
<b>Total non-derivative financial liabilities</b>	<b>695,561,705</b>	<b>711,453,195</b>	<b>213,642,148</b>	<b>75,451,511</b>	<b>81,047,443</b>	<b>201,103,918</b>	<b>128,600,080</b>	<b>11,608,095</b>
Loan commitments	-	12,231,637	-	12,231,637	-	-	-	-

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Risk management (Continued)

### (c) Liquidity risk (Continued)

The following tables analyse the Group's contractual undiscounted cash flows of derivative financial instruments to be settled on a net and gross basis as at the end of the reporting period:

	2022							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Derivatives settled on net basis</b>								
Foreign exchange forwards	(471,187)	(469,217)	-	(497,787)	28,570	-	-	-
Interest rate swaps	811	856	-	406	-	277	173	-
<b>Derivatives settled on gross basis</b>								
Currency swaps								
- cash outflow	(2,596,810)	(2,604,357)	-	(1,392,320)	(510,049)	(701,988)	-	-
- cash inflow	2,597,762	2,607,827	-	1,392,920	510,960	703,947	-	-
Total	(469,424)	(464,891)	-	(496,781)	29,481	2,236	173	-
<b>2021</b>								
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Derivatives settled on net basis</b>								
Foreign exchange forwards	-	-	-	-	-	-	-	-
Interest rate swaps	678	661	-	-	-	-	661	-
<b>Derivatives settled on gross basis</b>								
Currency swaps								
- cash outflow	(19,373)	(19,375)	-	-	-	(19,375)	-	-
- cash inflow	19,587	19,842	-	-	-	19,842	-	-
<b>Precious metal derivatives</b>								
- cash outflow	(20,102)	(20,356)	-	-	-	(20,356)	-	-
- cash inflow	19,723	19,969	-	-	-	19,969	-	-
Total	513	741	-	-	-	80	661	-

The Group's derivatives include foreign exchange forwards and currency swaps which will be settled on a net basis, and interest rate swaps which will be settled on a gross basis.

This analysis of the derivative financial instruments by contractual undiscounted cash flow might diverge from actual results.





# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Risk management (Continued)

### (d) Operational risk

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

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, trading, corporate finance, settlement, intermediary business, asset management and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

- A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;
- A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;
- An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;
- An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and
- An independent risk assessment framework based on the internal audit and the compliance review.

## 47 Fair value

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

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

#### (i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of each reporting period.

#### (ii) Investments 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 the reporting period.

#### (iii) 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 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 the reporting period. The Group has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.

# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 47 Fair value (Continued)

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

#### (iv) *Derivative financial liabilities*

The fair values of foreign currency forward and swaps contracts are determined by the difference between the present value of the forward price and the contractual price at the end of the reporting period, or is based on quoted market prices. The fair values of interest rate swaps are estimated as the present value of estimated future cash flows.

### (b) Fair value measurement

#### (i) *Financial assets*

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, loans and advances to customers, lease receivables and investments.

Deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers and lease receivables are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values. The fair values of Loans and advances to customers measured at fair value through other comprehensive income, are based on valuation techniques.

Financial investments at fair value through other comprehensive income and financial investments at fair value through profit or loss are stated at fair value. The carrying amount of financial investments at amortised cost is the reasonable approximations of its fair values because, for example, it is short-term in nature or repriced at current market rates frequently.

#### (ii) *Financial liabilities*

The Group's financial liabilities mainly include payables to banks and other financial institutions, deposits from customers and subordinated debt securities issued.

Financial liabilities designated at fair value through profit or loss is presented with fair value. The book value and fair value of debt securities issued is presented in Note 35. The carrying amounts of other financial liabilities approximate their fair value.



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 47 Fair value (Continued)

### (c) Fair value hierarchy

The following table presents the fair value of the Bank'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

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis. The inputs used in valuation techniques include risk-free and benchmark interest rates, and credit spreads. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

	2022			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss	318,558	35,373,532	60,222	35,752,312
Derivative financial assets	–	93,255	–	93,255
Financial investments at fair value through other comprehensive income	–	94,302,872	124,879	94,427,751
Loans and advances to customers measured at fair value through other comprehensive income	–	88,478,142	–	88,478,142
<b>Total</b>	<b>318,558</b>	<b>218,247,801</b>	<b>185,101</b>	<b>218,751,460</b>
Liabilities				
Derivative financial liabilities	–	562,679	–	562,679
<b>Total</b>	<b>–</b>	<b>562,679</b>	<b>–</b>	<b>562,679</b>

# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 47 Fair value (Continued)

### (c) Fair value hierarchy (Continued)

	2021			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss	356,365	21,634,076	45,973	22,036,414
Derivative financial assets	–	31,506	–	31,506
Financial investments at fair value through other comprehensive income	–	56,068,216	23,896	56,092,112
Loans and advances to customers measured at fair value through other comprehensive income	–	31,857,564	–	31,857,564
<b>Total</b>	<b>356,365</b>	<b>109,591,362</b>	<b>69,869</b>	<b>110,017,596</b>
Liabilities				
Derivative financial liabilities	–	30,993	–	30,993
<b>Total</b>	<b>–</b>	<b>30,993</b>	<b>–</b>	<b>30,993</b>

During the reporting period, there were no significant transfers among instruments in Level 1, Level 2 and Level 3.

## 48 Entrusted lending business

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognized in the statement of financial position. Surplus funding is accounted for as deposits from customers.

	2022	2021
Entrusted loans	<b>29,168,758</b>	15,101,156
Entrusted funds	<b>29,168,758</b>	15,101,156



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 49 Commitments and contingent liabilities

### (a) Credit commitments

The Group's credit commitments take the form of approved loans with signed contracts, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loans 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. 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 the customers.

	2022	2021
Bank acceptances	<b>106,432,704</b>	59,432,191
Letters of credit	<b>30,175,851</b>	12,547,853
Loan commitments	<b>12,552,210</b>	12,231,637
Letters of guarantees	<b>4,412,017</b>	3,854,189
<b>Total</b>	<b>153,572,782</b>	88,065,870

The Group may be exposed to credit risk in all the above credit businesses. Group 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.

### (b) Credit risk-weighted amount

	2022	2021
Credit risk-weighted amount	<b>52,389,406</b>	33,870,665

The credit risk-weighted amount represents the amount calculated with reference to the guidelines issued by the former CBRC.

### (c) Capital commitments

As at December 31, the Group's authorized capital commitments are as follows:

	2022	2021
Contracted but not paid for	<b>907,518</b>	1,001,842
Approved but not contracted for	<b>31,392</b>	17,678
<b>Total</b>	<b>938,910</b>	1,019,520

# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 49 Commitments and contingent liabilities (Continued)

### (d) Outstanding litigations and disputes

As at December 31, 2022, the Group was the defendant in certain pending litigation and disputes with an estimated gross amounts of RMB1,300.32 million (2021: RMB724.06 million). The Group recognised the related litigation provision, which they believed to be reasonable and sufficient.

## 50 Company-level statement of financial position

	Note	2022	2021
<b>Assets</b>			
Cash and deposits with the central bank		<b>74,864,813</b>	62,253,376
Deposits with banks and other financial institutions		<b>16,657,217</b>	8,410,950
Placements with banks and other financial institutions		<b>38,203,869</b>	37,069,269
Derivative financial assets		<b>93,255</b>	31,506
Financial assets held under resale agreements		<b>65,217,612</b>	11,794,368
Loans and advances to customers		<b>644,433,048</b>	368,740,727
Financial investments:			
Financial investments at fair value through profit or loss		<b>35,728,852</b>	22,036,414
Financial investments at fair value through other comprehensive income		<b>93,288,574</b>	54,475,849
Financial investments at amortised cost		<b>242,498,652</b>	136,985,777
Investments in subsidiaries and joint venture	23	<b>9,660,182</b>	6,281,427
Property and equipment		<b>7,938,050</b>	4,089,317
Deferred tax assets		<b>9,559,907</b>	5,302,127
Goodwill		<b>1,479,667</b>	468,397
Other assets		<b>8,454,970</b>	8,013,586
<b>Total assets</b>		<b>1,248,078,668</b>	725,953,090



# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 50 Company-level statement of financial position (Continued)

	2022	2021
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
Borrowing from the central bank	41,617,202	46,911,596
Deposits from banks and other financial institutions	32,997,324	29,321,322
Placements from banks and other financial institutions	11,706,950	8,187,985
Derivative financial liabilities	562,679	30,993
Financial assets sold under repurchase agreements	101,706,083	34,014,348
Deposits from customers	816,916,451	442,505,429
Income tax payable	—	843,807
Debt securities issued	143,190,608	96,843,899
Other liabilities	10,681,188	6,756,961
<b>Total liabilities</b>	<b>1,159,378,485</b>	665,416,340
<b>Equity</b>		
Share capital	36,549,823	20,075,000
Other equity instruments	13,632,510	9,632,791
Reserves	35,112,571	26,330,835
Retained earnings	3,405,279	4,498,124
<b>Total equity</b>	<b>88,700,183</b>	60,536,750
<b>Total liabilities and equity</b>	<b>1,248,078,668</b>	725,953,090

# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 51 Comparative figures

Certain comparative figures have been adjusted to conform current year's presentation and to provide comparative amounts in respect of items disclosed in 2022.

## 52 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended December 31, 2022

Up to the date of issue of these financial statements, a number of amendments, new standards and interpretations are issued which are not yet effective for the year ended December 31, 2022 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	<b>Effective for accounting period beginning on or after</b>
IFRS 17, Insurance contracts	January 1, 2023
Amendments to IAS 1, Classification of liabilities as current or non-current	January 1, 2023
Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies	January 1, 2023
Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates	January 1, 2023
Amendments to IAS 12, Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

## 53 Subsequent events

The Group had no material events for disclosure subsequent to December 31, 2022 and up to the date of this Financial Statements.





# Unaudited supplementary financial information

(Expressed in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial report, and is included herein for information purpose only.

## 1 Liquidity coverage ratio and leverage ratio

	2022	Average for 2022
Liquidity coverage ratio (RMB and foreign currency)	612.97%	343.45%
	2021	Average for 2021
Liquidity coverage ratio (RMB and foreign currency)	357.50%	200.90%

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018. During the transitional period, such ratio shall reach 60%, 70%, 80% and 90% by the end of 2014, 2015, 2016 and 2017, respectively.

### Leverage ratio

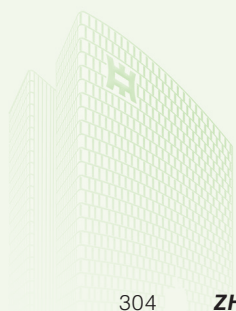
	December 31, 2022	December 31, 2021
Leverage ratio	6.03%	7.09%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the former CBRC and was effective since April 1, 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.

## 2 Net stable funding ratio

	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Available stable funding	778,502,226	774,417,713	760,538,335	467,978,368	433,390,768
Required stable funding	584,570,290	592,171,151	571,089,482	384,734,707	368,303,103
Net stable funding ratio	133.18%	130.78%	133.17%	121.64%	117.67%



# Unaudited supplementary financial information

(Expressed in thousands of Renminbi, unless otherwise stated)

## 3 Currency concentrations

	December 31, 2022			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	24,524,861	2,364,652	56,605	26,946,118
Spot liabilities	(4,915,805)	(52,732)	(32,723)	(5,001,260)
Net position	19,609,056	2,311,920	23,882	21,944,858

	December 31, 2021			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	16,956,796	4,189,425	163,399	21,309,620
Spot liabilities	(3,803,349)	(44,571)	(155,434)	(4,003,354)
Net position	13,153,447	4,144,854	7,965	17,306,266

The Group has no structural position at the end of reporting periods.

## 4 International claims

The Bank 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 amounts due from banks and other financial institutions and financial investments.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	December 31, 2022			Total
	Banks and other financial institutions	Public sector entities	Non-bank private sectors	
Asia Pacific	13,654,594	–	8,771,532	22,426,126
North America	88,427	–	–	88,427
Others	436,188	–	–	436,188
	14,179,209	–	8,771,532	22,950,741



# Unaudited supplementary financial information

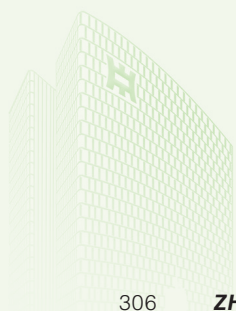
(Expressed in thousands of Renminbi, unless otherwise stated)

## 4 International claims (Continued)

	December 31, 2021			Total
	Banks and other financial institutions	Public sector entities	Non-bank private sectors	
Asia Pacific	7,243,369	–	8,252,211	15,495,580
North America	218,213	–	–	218,213
Others	44,938	–	–	44,938
	7,506,520	–	8,252,211	15,758,731

## 5 Gross amount of overdue loans and advances

	December 31, 2022	December 31, 2021
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	<b>2,534,810</b>	1,467,402
– between 6 months and 1 year (inclusive)	<b>3,776,265</b>	2,502,378
– over 1 year	<b>5,067,726</b>	3,874,765
Total	<b>11,378,801</b>	7,844,545
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	<b>0.37%</b>	0.38%
– between 6 months and 1 year (inclusive)	<b>0.55%</b>	0.64%
– over 1 year	<b>0.74%</b>	1.00%
Total	<b>1.66%</b>	2.02%



## Definitions

“14 County Banks”	Linzhou Zhongyuan County Bank Co., Ltd. (林州中原村鎮銀行股份有限公司), Qixian Zhongyuan County Bank Co., Ltd. (淇縣中原村鎮銀行股份有限公司), Xinxiang Zhongyuan County Bank Co., Ltd. (新鄉中原村鎮銀行股份有限公司), Puyang Zhongyuan County Bank Co., Ltd. (濮陽中原村鎮銀行股份有限公司), Lushi Zhongyuan County Bank Co., Ltd. (盧氏中原村鎮銀行股份有限公司), Xiangcheng Zhongyuan County Bank Co., Ltd. (襄城中原村鎮銀行股份有限公司), Xinyang Pingqiao Zhongyuan County Bank Co., Ltd. (信陽平橋中原村鎮銀行股份有限公司), Xiping Zhongyuan County Bank Co., Ltd. (西平中原村鎮銀行股份有限公司), Suiping Zhongyuan County Bank Co., Ltd. (遂平中原村鎮銀行股份有限公司), Shenzhen Nanshan Baosheng County Bank Co., Ltd. (深圳南山寶生村鎮銀行股份有限公司), Henan Luanchuan Minfeng County Bank Co., Ltd. (河南樂川民豐村鎮銀行股份有限公司), Mengjin Minfeng County Bank Co., Ltd. (孟津民豐村鎮銀行股份有限公司), Jiaxian Guangtian County Bank Co., Ltd. (郊縣廣天村鎮銀行股份有限公司), Luohe Yancheng Development County Bank Co., Ltd. (漯河市鄭城發展村鎮銀行有限責任公司)
“AB Leasing”	AB Leasing Co., Ltd. (邦銀金融租賃股份有限公司), a joint stock company incorporated in the PRC with limited liability and a subsidiary of the Bank
“Articles of Association” or “Bank’s Articles of Association”	articles of association of the Bank as may be amended, supplemented or otherwise modified from time to time
“Bank”, “we”, “us”, “Company” or “Zhongyuan Bank”	Zhongyuan Bank Co., Ltd. (中原銀行股份有限公司), a joint stock company established on December 23, 2014 in the PRC with limited liability pursuant to the relevant PRC laws and regulations, and, if the context requires, includes its predecessors, branches and sub-branches and all subsidiaries
“Bank of Luoyang” or “the former Bank of Luoyang”	Bank of Luoyang Co., Ltd., a company principally engaged in banking business
“Bank of Pingdingshan”	Bank of Pingdingshan Co., Ltd., a company principally engaged in banking business
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“BOL Financial Leasing”	BOL Financial Leasing Co., Ltd. (洛銀金融租賃股份有限公司), a joint stock company incorporated in the PRC with limited liability and a subsidiary of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBIRC Henan Office”	China Banking and Insurance Regulatory Commission Henan Office
“CBRC”	China Banking Regulatory Commission, the predecessor of CBIRC
“China” or “PRC”	the People’s Republic of China, but for the purpose of this annual report only, excluding Hong Kong, Macau Special Administrative Region and Taiwan of the PRC
“CIRC”	China Insurance Regulatory Commission, the predecessor of CBIRC
“Consumer Finance Company”	Henan Zhongyuan Consumer Finance Co., Ltd. (河南中原消費金融股份有限公司), a joint stock company established in the PRC on December 29, 2016 and a subsidiary of our Bank
“Corporate Governance Code”	the Code on Corporate Governance and the Report on Corporate Governance under Appendix 14 to the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission



## Definitions



“Directors”	directors of the Bank
“Domestic Shares”	ordinary shares of RMB1.00 each in the share capital of the Bank, which are subscribed for or credited as paid up in Renminbi
“H Shares”	ordinary shares of RMB1.00 each in the share capital of the Bank, which are listed on the Hong Kong Stock Exchange
“HK\$”	the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Jiaozuo Bank of China Travel Service”, “Bank of JZCTS” or “the former Jiaozuo Bank of China Travel Service”	Jiaozuo Bank of China Travel Service Co., Ltd., a company principally engaged in banking business
“Listing Date”	July 19, 2017, the date on which dealings in the H Shares commenced on the Main Board of Hong Kong Stock Exchange
“Lushi Zhongyuan County Bank”	Lushi Zhongyuan County Bank Co., Ltd. (盧氏中原村鎮銀行股份有限公司), a joint stock company established in the PRC on May 15, 2012 and a subsidiary of the Bank
“Main Board”	the stock market operated by the Hong Kong Stock Exchange (excluding the option market), independent of and operated in parallel with the GEM Board of the Hong Kong Stock Exchange
“Merger by Absorption”	the merger by absorption of each of Bank of Luoyang, Bank of Pingdingshan and Bank of JZCTS by the Bank
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
“PBOC” or “Central Bank”	The People’s Bank of China (中國人民銀行)
“Reporting Period”	the 12 months ended December 31, 2022
“Preference Shares” or “Offshore Preference Shares”	69,750,000 shares of non-cumulative perpetual offshore preference shares with a nominal value of RMB100 each issued by the Bank and listed on the Hong Kong Stock Exchange
“RMB” or “Renminbi”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	the holder(s) of the Shares
“Shares”	ordinary shares in the share capital with a nominal value of RMB1.00 each of the Bank, including Domestic Shares and H Shares
“Supervisors”	the supervisors of the Bank