



鄭州銀行股份有限公司

BANK OF ZHENGZHOU CO., LTD.

(於中華人民共和國註冊成立的股份有限公司)

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

股份代號 Stock Code: 6196



2023

INTERIM REPORT

中期報告



This interim report is printed on
environment-friendly paper

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



IMPORTANT NOTICE

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

The 2023 interim report (the “**Report**”) and the announcement of interim results were reviewed and approved at the Bank’s tenth meeting of the seventh session of the Board of Directors held on 29 August 2023; 9 Directors were eligible to attend the meeting and 9 of them attended in person, with all Supervisors of the Bank being in attendance.

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

The 2023 interim financial report prepared in accordance with China Accounting Standards for Business Enterprises and International Financial Reporting Standards by the Bank was unaudited. Ernst & Young Hua Ming LLP and Ernst & Young had reviewed the Report in accordance with the PRC and International Review Standards, respectively.

Mr. ZHAO Fei, the president of the Bank, Mr. SUN Haigang, the person-in-charge of accounting, and Ms. YUAN Dongyun, the head of accounting department of the Bank hereby declare and warrant the truthfulness, accuracy, and completeness of the financial statements in this Report.

The Bank had no plan to distribute cash dividend, bonus share, or issue new shares by way of conversion of capital reserve for the first half of 2023.

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

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



DEFINITIONS



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

“2022 AGM”	the annual general meeting of the Bank convened on 15 June 2023
“Articles of Association”	the articles of association of the Bank, as amended from time to time
“A Share(s)”	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Bank, which are listed and traded on the SZSE (stock code: 002936)
“A Shareholder(s)”	holder(s) of A Share(s)
“Bank”, “Bank of Zhengzhou”, or “we”	Bank of Zhengzhou Co., Ltd.* (鄭州銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability on 16 November 1996 in accordance with the PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“Capitalization Issue”	the issue of one new Share for every 10 Shares held by way of capitalization of capital reserve in June 2023 as the dividend distribution plan of the Bank for the year ended 31 December 2022
“Company Law”	the Company Law of the People’s Republic of China
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Stock Exchange Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Bank
“Former CBIRC”	former China Banking and Insurance Regulatory Commission
“Former CBIRC Henan Office”	former China Banking and Insurance Regulatory Commission Henan Office
“Fugou Zhengyin County Bank”	Fugou Zhengyin County Bank Co., Ltd. (扶溝鄭銀村鎮銀行股份有限公司)
“Group”	the Bank and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“H Share(s)”	overseas-listed foreign share(s) in the share capital of the Bank, with a nominal value of RMB1.00 each, which are listed and traded on the Main Board of the Hong Kong Stock Exchange (stock code: 6196)
“H Shareholder(s)”	holder(s) of H Share(s)
“Jiuding Financial Leasing Company”	Henan Jiuding Financial Leasing Co., Ltd. (河南九鼎金融租賃股份有限公司)
“Latest Practicable Date”	29 August 2023, being the latest practicable date prior to the printing of this Report for the purpose of ascertaining certain information contained hereof
“Law on Commercial Banks”	Law on Commercial Banks of the People’s Republic of China
“Macao”	the Macao Special Administrative Region of the PRC
“MOF”	the Ministry of Finance of the People’s Republic of China
“PRC” or “China”	the People’s Republic of China, and for the purpose of this Report only, excluding Hong Kong, Macao and Taiwan regions
“Queshan Zhengyin County Bank”	Queshan Zhengyin County Bank Co., Ltd. (確山鄭銀村鎮銀行股份有限公司)
“Reporting Period”	the six months from 1 January 2023 to 30 June 2023
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)” or “Ordinary Share(s)”	the A Share(s) and the H Share(s)
“Shareholders” or “Ordinary Shareholders”	the holders of Ordinary Shares
“Stock Exchange Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Bank
“SZSE”	the Shenzhen Stock Exchange
“SZSE Listing Rules”	the Rules Governing the Listing of Stocks on the SZSE



DEFINITIONS



“Xinmi Zhengyin County Bank”	Xinmi Zhengyin County Bank Co., Ltd. (新密鄭銀村鎮銀行股份有限公司)
“Xinzheng Zhengyin County Bank”	Xinzheng Zhengyin County Bank Co., Ltd. (新鄭鄭銀村鎮銀行股份有限公司)
“Xunxian Zhengyin County Bank”	Xunxian Zhengyin County Bank Co., Ltd. (浚縣鄭銀村鎮銀行股份有限公司)
“Yanling Zhengyin County Bank”	Yanling Zhengyin County Bank Co., Ltd. (鄆陵鄭銀村鎮銀行股份有限公司)
“Zhongmu Zhengyin County Bank”	Zhongmu Zhengyin County Bank Co., Ltd. (中牟鄭銀村鎮銀行股份有限公司)

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

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

1 BASIC INFORMATION

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

Note:

1. On 11 July 2023, Mr. XIA Hua resigned as the executive Director, vice chairman of and secretary to the seventh session of the Board, as well as joint company secretary and authorized representative of the Bank under Rule 3.05 of the Stock Exchange Listing Rules due to job adjustment. The Board appointed Mr. ZHAO Fei as the acting secretary to the Board and authorized representative of the Bank. Dr. NGAI Wai Fung, another joint company secretary of the Bank who meets Rule 3.28 of the Stock Exchange Listing Rules and possesses recognised academic and professional qualifications, will remain in office and serve as the company secretary of the Bank.

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

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

2 MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

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

Unit: RMB'000

Major accounting data	For the six months ended 30 June			
	2023	2022	Increase/ decrease for the Reporting Period as compared to the same period of the previous year (%)	2021
Operating results				
Operating income ⁽¹⁾	6,903,597	7,564,388	(8.74)	6,944,864
Total profit	2,526,990	3,245,690	(22.14)	3,161,181
Net profit attributable to Shareholders of the Bank	2,046,633	2,531,066	(19.14)	2,453,871
Net cash flow generated from operating activities	(467,243)	(18,129,194)	(97.42)	(5,563,807)
Calculated on a per Share basis (RMB/Share)				
Basic earnings per Share ⁽²⁾	0.23	0.28	(17.86)	0.27
Diluted earnings per Share ⁽²⁾	0.23	0.28	(17.86)	0.27
Scale indicators	As at 30 June 2023	As at 31 December 2022	Increase/ decrease as at the end of the Reporting Period as compared to the end of the previous year (%)	As at 31 December 2021
Total assets	616,859,397	591,513,618	4.28	574,979,662
Gross loans and advances to customers (excluding accrued interest)	351,144,063	330,921,097	6.11	289,027,668
Provision for impairment losses on loans and advances to customers ⁽³⁾	10,977,669	10,311,525	6.46	8,369,541
Total liabilities	561,945,824	538,888,382	4.28	515,568,122
Total deposits from customers (excluding accrued interest)	353,415,379	337,708,162	4.65	318,813,450
Share capital	9,092,091	8,265,538	10.00	8,265,538
Shareholders' equity	54,913,573	52,625,236	4.35	59,411,540
Including: equity attributable to Shareholders of the Bank	52,993,053	50,772,566	4.37	57,766,182
Net assets per Share attributable to Ordinary Shareholders of the Bank ⁽⁴⁾ (RMB/Share)	4.73	4.93	(4.06)	4.83
Net capital ⁽⁵⁾	57,196,340	55,291,681	3.44	63,166,634
Including: net tier-one capital ⁽⁵⁾	52,199,817	50,566,245	3.23	57,931,340
Total risk-weighted assets ⁽⁵⁾	447,781,750	434,769,547	2.99	421,013,820

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	As at 30 June 2023	As at 31 December 2022	Change as at the end of the Reporting Period as compared to the end of the previous year	As at 31 December 2021
Major financial indicators				
Capital adequacy ratio (%)				
Core tier-one capital adequacy ratio ⁽⁵⁾	9.38	9.29	0.09	9.49
Tier-one capital adequacy ratio ⁽⁵⁾	11.66	11.63	0.03	13.76
Capital adequacy ratio ⁽⁵⁾	12.77	12.72	0.05	15.00
Asset quality indicators (%)				
Non-performing loan ratio ⁽⁶⁾	1.87	1.88	(0.01)	1.85
Allowance to non-performing loans ⁽⁶⁾	167.45	165.73	1.72	156.58
Allowance to total loans ⁽⁶⁾	3.13	3.12	0.01	2.90
For the six months ended 30 June				
	2023	2022	Change for the Reporting Period as compared to the same period of the previous year	2021
Profitability indicators (%)				
Weighted average return on net assets ⁽²⁾ (annualized)	9.77	12.27	(2.50)	12.88
Return on total assets ⁽⁷⁾ (annualized)	0.70	0.91	(0.21)	0.91
Cost-to-income ratio ⁽⁸⁾	20.93	16.98	3.95	18.75
Net interest spread ⁽⁹⁾ (annualized)	2.06	2.22	(0.16)	2.20
Net interest margin ⁽¹⁰⁾ (annualized)	2.13	2.35	(0.22)	2.24

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

	As at 30 June 2023	As at 31 December 2022	Change as at the end of the Reporting Period as compared to the end of the previous year	As at 31 December 2021
Other financial indicators (%)				
Leverage ratio ⁽¹¹⁾	7.73	7.69	0.04	8.72
Liquidity ratio ⁽¹¹⁾	63.61	72.34	(8.73)	63.72
Liquidity coverage ratio ⁽¹¹⁾	205.17	300.13	(94.96)	339.61
Loan-to-deposit ratio ⁽¹¹⁾	99.36	97.99	1.37	90.66
Percentage of loans to the single largest customer ⁽¹¹⁾	4.37	5.18	(0.81)	4.75
Percentage of loans to the top ten single customers ⁽¹¹⁾	33.39	34.06	(0.67)	27.66
Percentage of credit granted to the single largest group customer ⁽¹¹⁾	8.79	5.63	3.16	4.93
Normal loan migration ratio ⁽¹¹⁾	1.13	1.33	(0.20)	4.58
Special mention loan migration ratio ⁽¹¹⁾	20.28	16.92	3.36	48.26
Substandard loan migration ratio ⁽¹¹⁾	-	25.19	(25.19)	1.35
Doubtful loan migration ratio ⁽¹¹⁾	-	9.33	(9.33)	4.27

Notes:

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

In June 2023, the Bank issued one new Share for every 10 Shares to Ordinary Shareholders by way of Capitalization Issue. After the implementation of the Capitalization Issue, the number of Ordinary Shares of the Bank increased from 8,265,537,599 to 9,092,091,358. Basic earnings per Share and diluted earnings per Share during the comparison period were recalculated on the basis of the number of Shares after the Capitalization Issue. Other equity instruments were deducted from the weighted average net assets.

During the Reporting Period, the Bank did not distribute interests on the indefinite-term capital bonds. No interests on the indefinite-term capital bonds had to be deducted from the “net profit attributable to Shareholders of the Bank”, and net proceeds raised from the indefinite-term capital bonds issuance were deducted from the “weighted average net assets”.

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

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

3 DIFFERENCE IN ACCOUNTING DATA UNDER DOMESTIC AND INTERNATIONAL ACCOUNTING STANDARDS

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

1 REVIEW OF THE ECONOMIC ENVIRONMENT AND THE INDUSTRY

In the first half of 2023, global economic recovery lost some steam. Affected by Federal Reserve's rate hikes and the banking turmoil in the U.S. and Europe, China's economy was developing in a complex external environment. Confronted with various challenges from the external environment, China adhered to the general principle of seeking progress while maintaining stability, focused on promoting high-quality development, and demonstrated tremendous resilience in economic development. First, the overall economy continued recovering. In the first half of 2023, the gross domestic product amounted to RMB59,303.4 billion, representing a year-on-year increase of 5.5%. The primary, secondary and tertiary sectors recorded a year-on-year growth of 3.7%, 4.3% and 6.4%, respectively. Second, the industrial production was generally stable. Most industries and products achieved growth. In the first half of the year, 26 of the 41 major industrial sectors grew, with a growth coverage of 63.4%. Further driven by innovation, new energy and new kinetic energy products recorded continuous rapid growth in production. In the first half of the year, the production of new energy vehicles, carbon fiber and its composites increased by 35% and 65.2%, respectively. Third, the service industry continued the positive trend of recovery. In the first half of the year, the service industry continued to pick up as consumption recovered, and saw a year-on-year increase of 6.4% in the added value. The contact-intensive service sectors, such as accommodation, catering, wholesale and retail, significantly rebounded. Fourth, the consumption and investment gradually recovered. In the first half of the year, market sales continued to rise, with the total retail sales of consumer goods increasing by 8.2% year-on-year; and the scale of investment continued to expand, with fixed assets investment (excluding rural households) increasing by 3.8% year-on-year. Fifth, the foreign trade imports and exports remained stable with improvement in quality, meeting expectations. In the first half of the year, China's total import and export of goods increased by 2.1% year-on-year, in stark contrast to the decline in foreign trade of certain emerging economies. Sixth, consumer prices remained generally stable, and residents' income grew steadily. In the first half of the year, China's Consumer Price Index ("CPI") rose by 0.7% year-on-year. China's per capita disposable income of residents was RMB19,672, representing an increase of 6.5% in nominal terms as compared to the same period of the previous year. At present, the international environment is still severe; global economic growth is sluggish; and there is room for improvement in market demand. In the second half of the year, China's economic growth will mainly rely on the recovery of domestic demand.

In the first half of 2023, the overall economy of Henan registered a stable performance with good momentum for growth as the province united efforts to promote high-quality development. First, the industrial production grew steadily, with the manufacturing industry providing strong support. In the first half of the year, the added value of industries above designated size in the province increased by 3.3% year-on-year. The supporting role of the manufacturing industry further enhanced. In the first half of the year, the value added of manufacturing enterprises above designated size in the province increased by 4.0%, contributing 3.1 percentage points to the growth of industries above designated size. Second, the service sector showed a rapid recovery trend. In the first half of the year, the total value added of the service sector in the province grew by 4.5% year-on-year. Third, the effective investment increased steadily. Major project investments played a greater role in driving growth. In the first half of the year, the total investment in major projects of over RMB100 million in the province grew by 8.0% year-on-year, contributing a 4.5 percentage points to the increase in the total investment. Fourth, the consumer market continued to rally. In the first half of the year, the province's total retail sales of consumer goods grew by 5.8% year-on-year. The contact-intensive service sectors such as accommodation and catering significantly improved, with the revenue of catering enterprises above the designated size increasing

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

by 6.4%. Fifth, the market price remained stable in general. Particularly, CPI rose marginally, with the province's CPI increased year-on-year by 0.3% in the first half of the year, while Producer Price Index ("PPI") decreased year-on-year, with the province's PPI decreased year-on-year by 2.1% in the first half of the year. Sixth, production factors were generally stable. In the first half of the year, factors such as energy production, transportation and employment in the province increased steadily.

In the first half of 2023, the overall financial operations in China remained stable. Liquidity was reasonably ample, with the social financing scale increasing by RMB21.55 trillion, up RMB475.4 billion year-on-year; RMB loans increased by RMB15.73 trillion, up RMB2.02 trillion year-on-year. The credit structure continued to improve, and the support for the key areas and weak links of the national economy continued to increase. At the end of the Reporting Period, the balance of medium- and long-term loans to the manufacturing industry, loans to small and medium enterprises producing unique, sophisticated, special and novel products, and inclusive micro-loans increased by 40.3%, 20.4%, and 26.1% year-on-year, respectively, significantly higher than the growth rate of all loans. The financing cost for the real economy remained steady with slight decline, with the weighted average interest rate of new enterprise loans in the first half of the year at 3.96%, down 25 basis points compared with the same period last year and the weighted average interest rate of new personal housing loans at 4.18%, down 107 basis points as compared to the same period last year.

In the first half of 2023, in the face of various uncertainties and operational pressures, the banking industry adhered to the purpose of serving the real economy, and took multiple measures to serve the real economy better and more efficiently. Thus, the banking industry saw a stable increase in the scale of assets and liabilities, and has been operating steadily with major business and risk indicators in a reasonable range. The scale of China's banking industry grew steadily. At the end of the first half of the year, the total assets of banking institutions amounted to RMB406.2 trillion, representing a year-on-year increase of 10.5%. The quality of assets kept improving. As at the end of the first half of the year, the balance of non-performing loans (NPLs) of banking institutions was RMB4 trillion, representing an NPL ratio of 1.68%, down 0.08 percentage point from the beginning of the year; and the allowance to NPL ratio was 206.1%, remaining at a high level. The financial sector continued to increase support for key areas and weak links, and continued to enhance the quality and efficiency of services to the real economy. In the first half of the year, loans to the manufacturing industry, inclusive loans to small and medium-sized enterprises, and loans to private enterprises increased by RMB3.5 trillion, RMB3.8 trillion, and RMB5.5 trillion, respectively. The year-on-year growth rates of medium- and long-term loans to enterprises and credit loans both exceeded the average growth rate of all loans. The financial sector actively supported technological innovation and green development. At the end of the first half of the year, the balance of loans to high-tech manufacturing industry increased by 26% year-on-year, and the balance of green financing by banks and financial institutions increased by 33.9% year-on-year. The financial sector continued to increase its support for improving people's livelihood. Issuance of personal housing loans increased, 92% of which was used to support the purchase of homes by first-time buyers. At the end of the first half of the year, retirement wealth management products grew by 75.1% year-on-year, with specific retirement savings deposits reaching RMB37.7 billion.

2 BUSINESS REVIEW

2.1 Principal Business

Bank of Zhengzhou is a regional joint-stock commercial bank established in November 1996. It went public on the Hong Kong Stock Exchange in December 2015 and was listed on the SZSE in September 2018, becoming the first domestic city commercial bank to be listed on both the A-share and H-share markets. In April 2022, the Bank was approved by the Henan Provincial Party Committee and the Provincial Government as the principal operator of policy-based technological innovation finance in Henan Province. The Bank is positioned to serve the local economy, urban and rural residents and small and medium-sized enterprises (SMEs). To this end, the Bank proactively implements national strategies and major strategic decisions and arrangements of the province and city, upholds its unique positioning as “a commerce and logistics bank, an SME financial service expert, and a boutique bank for residents”, and deepens reforms and business transformation, in an effort to provide customers with high-quality, convenient and efficient integrated financial services.

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

2.2 Operational Performance

During the Reporting Period, the Bank upheld the business philosophy of “focusing on the main business and serving the real economy”, and fully supported the high-quality development of key areas and key industries such as green and inclusive SMEs, advanced manufacturing, science and technology, and private enterprises. As at the end of the Reporting Period, the Bank’s total assets amounted to RMB616,859 million, representing an increase of RMB25,346 million or 4.28% from the beginning of the year; its gross deposits from customers amounted to RMB353,415 million, representing an increase of RMB15,707 million or 4.65% from the beginning of the year; its total loans and advances to customers amounted to RMB351,144 million, representing an increase of RMB20,223 million or 6.11% from the beginning of the year. The business scale grew steadily.

During the Reporting Period, the Bank resolutely implemented the provincial and municipal policies and measures to support economic stability and growth and constantly improved the financial service system by further carrying out the “10,000 people helping 10,000 enterprises” and “President visiting enterprises” activities, carrying out bank-enterprise liaison on a regular basis, and striving to solve the financing difficulties for enterprises. The Bank continued to implement preferential internal pricing policies for loans to private enterprises and inclusive loans to SMEs, and reduced or waived more than 10 types of fees charged on businesses such as online banking and SME verification letters, minimizing the burden on enterprises. The Bank implemented various arrangements of the central, provincial and municipal governments to support the stable and healthy development of the real estate market, and provided policies on extension of repayment of principal and interest for mortgage customers. The Bank thoroughly implemented the requirements of “ensuring home delivery, people’s livelihood and stability”, and guaranteed the construction of key projects. Its “ensuring home delivery” work continued to rank first in Zhengzhou.

During the Reporting Period, the Bank implemented the strategy of high-quality development and steadily promoted the transformation of the retail business. For “citizen finance”, focusing on implementing the policies of the provincial and municipal governments to expand consumption, the Bank built self-operated core products around citizens’ food, clothing, housing and transportation, optimized the online and offline consumer loan experience, deepened cooperation with Internet and consumer finance companies, and continuously enriched and upgraded comprehensive financial services. Focusing on the financial needs of new citizens, rural and middle- and high-end target customers, the Bank, driven by digital financial innovation, strengthened the construction of high-quality scenarios and continuously deepened the building and management of customer base, achieving the addition of more than 30,000 customers with a quality level of high or above, and serving 190,000 rural residents and individual businesses.

During the Reporting Period, as the principal operator of policy-based technological innovation finance in Henan Province, the Bank continued to optimize its organizational management mechanism and enrich its product mix that serves the entire lifecycle of technological innovation enterprises under a low-interest, long-term and low-guarantee policy. The Bank focused on the development of mechanisms such as government-bank coordination, list of technological innovation enterprises, and risk sharing, in an effort to connect the ecological chain of technological innovation finance and stimulate the endogenous driving force which supports the development of technological innovation enterprises. As at the end of the Reporting Period, the balance of the Bank's policy-based technological innovation financial loans was RMB29,310 million, representing an increase of RMB5,250 million compared to that at the beginning of the year.

2.3 Analysis of Core Competitiveness

With clear strategic objectives, distinctive business characteristics and the strategic vision of building a “value-leading bank with high-quality development”, the Bank adheres to the path of characteristic and differentiated development and the unique positioning as “a commerce and logistics bank, an SME financial service expert, and a boutique bank for residents”. The Bank adheres to the concept of innovation-driven development, and accelerates the innovation-driven transformation and deep integration of retail and corporate businesses. In addition, the Bank firmly embraces the digital economy, grasps opportunities from the “Digital China” strategy, and makes full use of financial technology to promote digital transformation and provide better, more convenient and efficient financial services for the real economy.

Leveraging regional advantages to build a “commerce and logistics bank” and against the backdrop of promoting domestic and international dual circulation, the Bank leverages Zhengzhou's geographical advantages as an important national transportation hub, a national central city, a core city in the Central Plains Economic Zone and an important node city in the Belt and Road Initiative to build a financial, transactional and service-oriented commerce and logistics banking platform under the guideline of building a commerce and logistics bank. Based on its transaction banking business, the Bank integrates the commerce flow, information flow, cash flow and logistics, strives to optimize the “Five Clouds” online service platforms and integrate system functions, and promotes the integration of “supply chain finance + logistics finance + commercial finance”, ushering in a new stage of commercial and logistics finance development and creating a platform-based financial eco-system.

Undertaking social responsibility and becoming an “SME financial service expert”, the Bank unswervingly follows the “digital, online and intelligent” development path, and fulfils the vision of becoming a comprehensive financial service expert for small and medium-sized enterprises with “high quality + refinement”. By enhancing the small and micro finance model, the Bank reverts to its function of conducting small and micro credit business. With building popular products as the core purpose, the Bank accelerates innovation of small and micro products; establishes a cultural system for small and micro credit risks and builds an intelligent risk control system backed by big data platforms to manage and control risks throughout the entire process; prudently implements credit-loan joint operations and proactively establishes sound strategic cooperation mechanism with Internet technology giants to maximize synergies and jointly build a new inclusive finance ecosystem.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Leveraging the advantages of citizen-oriented finance to help build a “boutique bank for residents”, the Bank adheres to the customer-centred principle and constantly diversifies and upgrades comprehensive financial services catering to citizens’ basic necessities, so as to meet the financial needs of customers in all aspects. To implement the national requirements for strengthening financial services for new citizens, the Bank focuses on the financial needs of new citizens and innovates products and services according to local conditions, so as to provide differentiated financial services for new citizens that are more inclusive and convenient, in a drive to build a “boutique bank for residents” with the mission of “providing heart-warming financial services for better life”.

Focusing on the strategy of policy-based technological innovation finance and creating a role model of “finance supporting technology”, the Bank develops policy-based technological innovation finance as its primary strategy. Through measures such as developing the “six-in-one” mechanism, innovating product mix, optimizing credit approval, and building an innovation ecosystem, the Bank has accelerated the upgrading of professional services of policy-based technological innovation finance. With more professional, efficient, and inclusive financial services, the Bank fully empowers technology innovation enterprises in the province to grow larger and stronger, and fully assists in building Henan Province into a national innovation highland.

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

Developing innovative thinking to accelerate innovation output, the Bank integrates innovative concepts into its core values, internalizes them as key behavioral norms, and carries them out through the entire process of transformation and development. The Bank optimizes the innovation system and establishes an efficient and clear innovation management mechanism and an innovation assessment and reward mechanism with equal rights and responsibilities to stimulate the innovation passion of all departments and employees and promote the implementation of high-quality innovation ideas and projects. Moreover, the Bank strengthens the integration of technology and business to accelerate innovation output, and builds a two-wheeled innovation model driven by “agile innovation & steady innovation”; intensifies external cooperation, and leverages fintech including big data and artificial intelligence to improve its capabilities in risk control and comprehensive financial services, actively embracing change with ambition and desire for innovation and seeking high-quality development with innovation.

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

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

2.4 Major Awards

In January 2023, the Bank was awarded the title of “2020-2021 Advanced Unit for Preventing and Dealing with Illegal Fundraising” by the People’s Government of Zhengzhou;

In January 2023, the Bank was awarded the title of “Excellent Financial Bond Issuer” by China Central Depository & Clearing Co., Ltd.;

In June 2023, the Bank received the “2022 Henan Socially Responsible Enterprise of the Year” Award jointly issued by Henan Daily, Henan State-owned Assets Supervision and Administration Commission of the People’s Government of Henan Province, Financial Supervision and Administration Bureau of Henan Province, Henan Provincial Department of Industry and Information Technology, and Henan Provincial Charity Federation.

3 FINANCIAL STATEMENTS ANALYSIS

3.1 Income Statement Analysis

During the Reporting Period, the Bank continued to practice inclusive finance and support the real economy, which, coupled with the impact of the narrowing interest spread and other factors, resulted in a decrease in net interest income as compared to the same period of the previous year. Meanwhile, as a result of changes in foreign currency asset size and fluctuation in foreign currency exchange rates, foreign exchange gains/losses for the current period decreased as compared to the same period of the previous year, and operating income decreased as compared with the same period of the previous year, resulting in a decrease in net profit as compared to the same period of the previous year. During the Reporting Period, the Bank recorded net profit of RMB2,114 million, representing a year-on-year decrease of 19.67%; and net profit attributable to Shareholders of the Bank of RMB2,047 million, representing a year-on-year decrease of 19.14%. Major items of and changes in the Bank's income statement are set out as follows:

Unit: RMB'000

Item	For the six months ended 30 June			
	2023	2022	Change	Rate of change (%)
Net interest income	5,925,783	6,245,713	(319,930)	(5.12)
Non-interest income	977,814	1,318,675	(340,861)	(25.85)
Operating income	6,903,597	7,564,388	(660,791)	(8.74)
Less: Operating expenses	1,522,801	1,362,293	160,508	11.78
Less: Credit impairment loss	2,877,516	2,959,345	(81,829)	(2.77)
Operating profit	2,503,280	3,242,750	(739,470)	(22.80)
Share of profits of associates	23,710	2,940	20,770	706.46
Profit before taxation	2,526,990	3,245,690	(718,700)	(22.14)
Less: Income tax expenses	412,507	613,474	(200,967)	(32.76)
Net profit	2,114,483	2,632,216	(517,733)	(19.67)
Including: Shareholders of the Bank	2,046,633	2,531,066	(484,433)	(19.14)
Non-controlling interests	67,850	101,150	(33,300)	(32.92)

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

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

During the Reporting Period, the Bank recorded net interest income of RMB5,926 million, representing a year-on-year decrease of RMB320 million or 5.12% and accounted for 85.84% of the operating income. In particular, business scale adjustment resulted in an increase of RMB418 million in net interest income and changes in yield or cost rate resulted in a decrease of RMB738 million in net interest income.

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

Unit: RMB'000

Item	For the six months ended 30 June					
	Average balance ⁽⁶⁾	2023 Interest income/expense	Average yield/cost rate (%)	Average balance ⁽⁶⁾	2022 Interest income/expense	Average yield/cost rate (%)
Interest-earning assets						
Loans and advances to customers	340,135,651	8,294,709	4.88	302,402,393	8,186,819	5.41
Investment in securities and other financial assets ⁽¹⁾	143,465,490	2,707,964	3.78	154,075,586	3,192,031	4.14
Deposits with the central bank	22,572,657	151,509	1.34	24,357,360	154,270	1.27
Amounts due from banks and other financial institutions ⁽²⁾	17,514,310	174,634	1.99	20,947,549	155,161	1.48
Lease receivables	32,163,518	1,068,706	6.65	30,265,662	1,023,294	6.76
Total interest-earning assets	555,851,626	12,397,522	4.46	532,048,550	12,711,575	4.78
Interest-bearing liabilities						
Deposits from customers	342,558,156	3,910,149	2.28	314,721,102	3,756,740	2.39
Amounts due to banks and other financial institutions ⁽³⁾	75,619,659	1,000,195	2.65	77,969,034	1,142,640	2.93
Debt securities issued	98,341,377	1,259,136	2.56	91,804,451	1,288,650	2.81
Due to the central bank	23,203,534	302,259	2.61	21,568,769	277,832	2.58
Total interest-bearing liabilities	539,722,726	6,471,739	2.40	506,063,356	6,465,862	2.56
Net interest income		5,925,783			6,245,713	
Net interest spread ⁽⁴⁾ (annualized)			2.06			2.22
Net interest margin ⁽⁵⁾ (annualized)			2.13			2.35

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

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

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	For the six months ended 30 June		
	2023 vs. 2022		
	Increase/(decrease) due to Volume ⁽¹⁾	Interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
Interest-earning assets			
Loans and advances to customers	1,021,537	(913,647)	107,890
Investment in securities and other financial assets	(219,813)	(264,254)	(484,067)
Deposits with the central bank	(11,304)	8,543	(2,761)
Amounts due from banks and other financial institutions	(25,430)	44,903	19,473
Lease receivables	64,167	(18,755)	45,412
Changes in interest income	829,157	(1,143,210)	(314,053)
Interest-bearing liabilities			
Deposits from customers	332,283	(178,874)	153,409
Amounts due to banks and other financial institutions	(34,430)	(108,015)	(142,445)
Debt securities issued	91,758	(121,272)	(29,514)
Due to the central bank	21,058	3,369	24,427
Changes in interest expenses	410,669	(404,792)	5,877

Notes:

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Net interest spread and net interest margin

During the Reporting Period, the Bank's net interest spread amounted to 2.06%, representing a decrease of 0.16 percentage point as compared to the same period of the previous year, while the Bank's net interest margin amounted to 2.13%, representing a decrease of 0.22 percentage point as compared to the same period of the previous year. The main reasons for the decrease in net interest spread and net interest margin are that the Bank continued to practice inclusive finance to support the real economy, and interest rate spreads kept narrowing as affected by the change in market interest rates.

3.1.2 Interest Income

During the Reporting Period, the Bank achieved interest income of RMB12,398 million, representing a year-on-year decrease of RMB314 million or 2.47%, mainly due to the decrease in the yield on interest-earning assets.

Interest income from loans and advances to customers

During the Reporting Period, the Bank steadily promoted credit granting. The average balance of loans and advances to customers issued by the Bank increased by RMB37,733 million as compared to the same period of the previous year. The interest income from loans amounted to RMB8,295 million, representing an increase of RMB108 million or 1.32% as compared to the same period of the previous year. Set out below are the average balance, interest income and average yield for each component of the Bank's loans and advances to customers during the Reporting Period:

Unit: RMB'000

Item	For the six months ended 30 June					
	2023			2022		
	Average balance	Interest income	Annualized average yield (%)	Average balance	Interest income	Annualized average yield (%)
Corporate loans	237,643,267	6,328,947	5.33	211,062,003	6,093,856	5.77
Personal loans	81,922,002	1,753,430	4.28	77,274,018	1,918,345	4.97
Discounted bills	20,570,382	212,332	2.06	14,066,372	174,618	2.48
Gross loans and advances to customers	340,135,651	8,294,709	4.88	302,402,393	8,186,819	5.41

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Interest income from investment in securities and other financial assets

During the Reporting Period, interest income from investment in securities and other financial assets of the Bank amounted to RMB2,708 million, representing a year-on-year decrease of RMB484 million or 15.16%, which was principally attributable to the combined effects of the decrease in investment in securities and other financial assets and drop in average yield.

Interest income from deposits with the central bank

During the Reporting Period, interest income from deposits with the central bank of the Bank was RMB152 million, representing a year-on-year decrease of RMB3 million or 1.79%, mainly attributable to the decrease in the scale of RMB statutory deposit reserve during the Reporting Period.

Interest income from amounts due from banks and other financial institutions

During the Reporting Period, the Bank's interest income from amounts due from banks and other financial institutions increased by RMB19 million or 12.55% year-on-year to RMB175 million, which was primarily attributable to the combined effects of the decrease in amounts due from banks and other financial institutions and increase in average yield during the Reporting Period.

Interest income from lease receivables

During the Reporting Period, interest income from lease receivables of the Bank increased by RMB45 million or 4.44% as compared to the same period of the previous year to RMB1,069 million, which was primarily attributable to the increase in the scale of lease receivables of Jiuding Financial Leasing Company, a subsidiary of the Bank.

3.1.3 Interest Expense

During the Reporting Period, the Bank's interest expense amounted to RMB6,472 million, representing an increase of RMB6 million or 0.09% as compared to the same period of the previous year.

Interest expense on deposits from customers

During the Reporting Period, the Bank's interest expense on deposits from customers amounted to RMB3,910 million, representing a year-on-year increase of RMB153 million or 4.08%, and accounted for 60.42% of all interest expenses.

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Unit: RMB'000

Item	2023			2022		
	Average balance	Interest expense	Annualized average cost rate (%)	Average balance	Interest expense	Annualized average cost rate (%)
For the six months ended 30 June						
Corporate deposits						
Demand	80,617,772	278,233	0.69	79,948,067	308,437	0.77
Time	72,892,820	990,378	2.72	75,959,049	1,253,757	3.30
Subtotal	153,510,592	1,268,611	1.65	155,907,116	1,562,194	2.00
Personal deposits						
Demand	35,515,676	74,703	0.42	31,505,831	122,712	0.78
Time	117,752,983	2,220,610	3.77	92,249,671	1,786,199	3.87
Subtotal	153,268,659	2,295,313	3.00	123,755,502	1,908,911	3.08
Others	35,778,905	346,225	1.94	35,058,484	285,635	1.63
Total deposits from customers	342,558,156	3,910,149	2.28	314,721,102	3,756,740	2.39

Interest expense on amounts due to banks and other financial institutions

During the Reporting Period, the Bank's interest expense on amounts due to banks and other financial institutions amounted to RMB1,000 million, representing a year-on-year decrease of RMB142 million or 12.47%, which was primarily attributable to the decrease in both the scale and average cost rate of amounts due to banks and other financial institutions of the Bank during the Reporting Period.

Interest expense on debt securities issued

During the Reporting Period, the Bank's interest expense on debt securities issued amounted to RMB1,259 million, representing a decrease of RMB30 million or 2.29% as compared to the same period of the previous year, which was primarily attributable to the decrease in average cost rate of deposits in inter-banks of the Bank during the Reporting Period.

Interest expense arising from amounts due to the central bank

During the Reporting Period, interest expense arising from amounts due to the central bank amounted to RMB302 million, representing an increase of RMB24 million or 8.79% as compared to the same period of the previous year, which was primarily attributable to the increase in scale and rate of refinancing of the central bank during the Reporting Period as compared to the same period of the previous year.

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3.1.4 Non-interest Income

During the Reporting Period, the Bank achieved non-interest income of RMB978 million, representing a decrease of RMB341 million or 25.85% as compared to the same period of the previous year and accounted for 14.16% of the operating income. Such income includes net fee and commission income of RMB322 million, representing a decrease of RMB97 million as compared to the same period of the previous year; other non-interest income of RMB656 million, representing a decrease of RMB244 million as compared to the same period of the previous year.

Net fee and commission income

Unit: RMB'000

Item	For the six months ended 30 June			
	2023	2022	Change	Rate of change (%)
Fee and commission income				
Agency and custody services fees	203,306	271,811	(68,505)	(25.20)
Underwriting and advisory fees	72,055	101,180	(29,125)	(28.79)
Acceptance and guarantee services fees	38,881	63,849	(24,968)	(39.10)
Bank card services fees	55,312	57,637	(2,325)	(4.03)
Others	26,558	18,231	8,327	45.67
Subtotal	396,112	512,708	(116,596)	(22.74)
Fee and commission expenses	74,015	93,402	(19,387)	(20.76)
Net fee and commission income	322,097	419,306	(97,209)	(23.18)

During the Reporting Period, the Bank's net fee and commission income amounted to RMB322 million, representing a decrease of RMB97 million or 23.18% as compared to the same period of the previous year, which was primarily attributable to the decrease in the scale of agency and securities underwriting business.

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Other non-interest income

Unit: RMB'000

Item	For the six months ended 30 June			
	2023	2022	Change	Rate of change (%)
Net trading gains	401,244	694,185	(292,941)	(42.20)
Net gains arising from investment	193,646	176,205	17,441	9.90
Other operating income	60,827	28,979	31,848	109.90
Total	655,717	899,369	(243,652)	(27.09)

During the Reporting Period, other non-interest income amounted to RMB656 million, representing a decrease of RMB244 million or 27.09% as compared to the same period of the previous year, which was primarily due to the change in fair value of financial investments at fair value through profit or loss of the Bank and the change in the exchange rate of US dollar during the Reporting Period.

3.1.5 Operating Expenses

During the Reporting Period, the Bank strengthened financial resources allocation to record operating expenses of RMB1,523 million, representing an increase of RMB161 million, or 11.78%, from the corresponding period of previous year.

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Unit: RMB'000

Item	For the six months ended 30 June			
	2023	2022	Change	Rate of change (%)
Staff costs	828,921	712,574	116,347	16.33
Depreciation and amortization	230,240	227,427	2,813	1.24
Rental and property management expenses	34,375	37,397	(3,022)	(8.08)
Office expenses	16,618	23,569	(6,951)	(29.49)
Tax and surcharges	78,008	78,028	(20)	(0.03)
Others	334,639	283,298	51,341	18.12
Total operating expenses	1,522,801	1,362,293	160,508	11.78

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3.1.6 Credit Impairment Losses

During the Reporting Period, the Bank provided for credit impairment losses of RMB2,878 million based on changes in market operating environment and asset risks, representing a decrease of RMB82 million or 2.77% from the same period of the previous year. The impairment losses of loans and advances to customers was RMB2,486 million, representing an increase of RMB518 million or 26.30% as compared to the same period of the previous year.

Unit: RMB'000

Item	For the six months ended 30 June			
	2023	2022	Change	Rate of change (%)
Impairment losses on loans and advances to customers	2,485,862	1,968,202	517,660	26.30
Impairment losses on financial investments measured at amortized cost	(106,315)	683,624	(789,939)	N/A
Impairment losses on lease receivables	338,869	210,027	128,842	61.35
Impairment losses on off-balance sheet credit commitments	28,508	4,237	24,271	572.83
Impairment losses on financial investments at fair value through other comprehensive income	(23,727)	(4,213)	(19,514)	463.19
Others ^(Note)	154,319	97,468	56,851	58.33
Total provision for credit impairment losses	2,877,516	2,959,345	(81,829)	(2.77)

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

3.1.7 Income Tax Expenses

During the Reporting Period, the Bank's income tax expenses amounted to RMB413 million, representing a decrease of RMB201 million or 32.76% as compared to the same period of the previous year. During the Reporting Period, the Bank's effective tax rate was 16.32%, which is lower than the statutory tax rate of 25% and was mainly due to the fact that the interest income from state-owned bonds and local government bonds held by the Bank was tax-exempt income according to the relevant PRC tax law.

Unit: RMB'000

Item	For the six months ended 30 June			
	2023	2022	Change	Rate of change (%)
Current tax	950,949	1,405,916	(454,967)	(32.36)
Deferred tax	(538,442)	(792,442)	254,000	(32.05)
Total income tax expenses	412,507	613,474	(200,967)	(32.76)

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.2 Balance Sheet Analysis

3.2.1 Assets

As at the end of the Reporting Period, the Bank's total assets amounted to RMB616,859 million, representing an increase of RMB25,346 million or 4.28% from the end of the previous year. The increase in total assets was mainly due to the increase in placements with banks and other financial institutions, loans and advances to customers, financial investments at fair value through other comprehensive income and lease receivables. The balances (after provision) of the components of the Bank's total assets and their respective percentages are as follows:

Unit: RMB'000

Item	As at 30 June 2023		As at 31 December 2022		Change	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Assets						
Cash and deposits with the central bank	25,900,554	4.20	26,487,450	4.48	(586,896)	(0.28)
Deposits with banks and other financial institutions	1,813,047	0.29	1,922,266	0.32	(109,219)	(0.03)
Placements with banks and other financial institutions	4,762,309	0.77	2,410,452	0.41	2,351,857	0.36
Financial assets held under resale agreements	6,858,583	1.11	12,386,501	2.09	(5,527,918)	(0.98)
Loans and advances to customers	342,086,543	55.46	322,207,034	54.47	19,879,509	0.99
Lease receivables	32,227,169	5.22	30,633,447	5.18	1,593,722	0.04
Financial investments						
– Financial investments at fair value through profit or loss	41,565,782	6.74	44,441,710	7.51	(2,875,928)	(0.77)
– Financial investments at fair value through other comprehensive income	24,220,133	3.93	17,150,060	2.90	7,070,073	1.03
– Financial investments at amortized cost	122,903,139	19.92	121,679,176	20.57	1,223,963	(0.65)
Investments in associates	645,461	0.10	273,881	0.05	371,580	0.05
Property and equipment	3,286,900	0.53	3,049,807	0.52	237,093	0.01
Deferred tax assets	5,359,608	0.87	4,880,568	0.83	479,040	0.04
Other assets	5,230,169	0.86	3,991,266	0.67	1,238,903	0.19
Total assets	616,859,397	100.00	591,513,618	100.00	25,345,779	–

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Loans and advances to customers

As at the end of the Reporting Period, the Bank's total loans and advances to customers amounted to RMB351,144 million, representing an increase of RMB20,223 million or 6.11% from the end of the previous year. The Bank's loans and advances to customers were mainly composed of corporate loans, personal loans and discounted bills. Set out below is a breakdown of the Bank's loans by business line:

Unit: RMB'000

Item	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total (%)	Amount	% of total (%)
Corporate loans ⁽¹⁾	248,318,690	70.72	232,762,479	70.34
Personal loans	82,562,389	23.51	81,316,327	24.57
Discounted bills	20,262,984	5.77	16,842,291	5.09
Total loans and advances to customers	351,144,063	100.00	330,921,097	100.00
Add: Accrued interest	1,916,292		1,594,573	
Less: Provision for impairment losses ⁽²⁾	10,973,812		10,308,636	
Book value of loans and advances to customers	342,086,543		322,207,034	

Notes:

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

(1) Corporate loans

Corporate loan is the largest component of the Bank's loans and advances to customers. As at the end of the Reporting Period, the Bank's corporate loans amounted to RMB248,319 million, accounting for 70.72% of the Bank's total loans and advances to customers and representing an increase of RMB15,556 million or 6.68% from the end of the previous year. During the Reporting Period, the Bank closely focused on the "Five & Four Strategy" and ramped up credit issuance, thereby achieving steady growth in corporate loans.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: RMB'000

Item	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total (%)	Amount	% of total (%)
Unsecured loans	58,063,703	23.38	53,689,230	23.06
Guaranteed loans	140,891,227	56.74	130,382,438	56.02
Loans secured by mortgages	28,008,654	11.28	30,372,238	13.05
Pledged loans	21,355,106	8.60	18,318,573	7.87
Total corporate loan principal	248,318,690	100.00	232,762,479	100.00

(2) *Personal loans*

As at the end of the Reporting Period, the Bank's personal loans amounted to RMB82,562 million, accounting for 23.51% of the Bank's total loans and advances to customers and representing an increase of RMB1,246 million or 1.53% from the end of the previous year, which was primarily attributable to the increase in the size of the personal consumption loan business compared with the beginning of the year.

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

Unit: RMB'000

Item	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total (%)	Amount	% of total (%)
Personal business loans	34,690,231	42.02	33,478,008	41.17
Personal residential mortgage loans	34,937,367	42.32	37,743,240	46.42
Personal consumption loans	9,748,605	11.81	7,037,730	8.65
Credit card loans	3,186,186	3.85	3,057,349	3.76
Total personal loan principal	82,562,389	100.00	81,316,327	100.00

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

(3) Discounted bills

As at the end of the Reporting Period, the Bank's discounted bills amounted to RMB20,263 million, representing an increase of RMB3,421 million or 20.31% from the end of the previous year. During the Reporting Period, the Bank flexibly adjusted the scale of bill financing according to the needs of business development and the financing needs of customers.

Investments in securities and other financial assets

As at the end of the Reporting Period, the Bank's total investments in securities and other financial assets amounted to RMB190,702 million, representing an increase of RMB5,643 million or 3.05% from the end of the previous year. Details are set out as follows:

Unit: RMB'000

Item	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total (%)	Amount	% of total (%)
Financial investments at amortized cost	125,163,290	65.63	123,665,511	66.83
Financial investments at fair value through other comprehensive income	23,972,590	12.57	16,951,438	9.16
Financial investments at fair value through profit or loss	41,565,782	21.80	44,441,710	24.01
Total investments in securities and other financial assets	190,701,662	100.00	185,058,659	100.00
Add: Accrued interest	1,958,114		2,289,324	
Less: Provision for impairment losses ^(Note)	3,970,722		4,077,037	
Book value of investments in securities and other financial assets	188,689,054		183,270,946	

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: RMB'000

Item	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total (%)	Amount	% of total (%)
Debt securities investments				
Government bonds	62,269,296	32.82	56,960,628	30.94
Debt securities issued by policy banks	35,316,441	18.61	34,820,599	18.92
Debt securities issued by banks and other financial institutions	7,321,717	3.86	5,536,762	3.01
Debt securities issued by corporate issuers	7,695,880	4.06	4,563,609	2.48
Subtotal	112,603,334	59.35	101,881,598	55.35
Investment products under trust scheme	39,333,126	20.73	38,816,875	21.09
Investment products managed by securities companies	31,545,820	16.63	35,163,657	19.10
Others ^(Note)	6,260,943	3.29	8,208,466	4.46
Total debt instruments	189,743,223	100.00	184,070,596	100.00
Equity instruments	958,439		988,063	
Total investments in securities and other financial assets	190,701,662		185,058,659	

Note: Others consist of debt financing schemes

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: RMB'000

No.	Type of bonds	Nominal value balance	Interest rate (%)	Maturity date	Impairment
1	2016 financial bonds	3,250,000	3.33	2026/02/22	–
2	2016 financial bonds	2,490,000	3.33	2026/01/06	–
3	2020 financial bonds	2,440,000	3.09	2030/06/18	–
4	2020 financial bonds	2,220,000	3.07	2030/03/10	–
5	2020 financial bonds	1,870,000	3.79	2030/10/26	–
6	2019 financial bonds	1,360,000	3.45	2029/09/20	–
7	2019 financial bonds	1,170,000	3.74	2029/07/12	–
8	2016 financial bonds	1,150,000	3.18	2026/04/05	–
9	2023 financial bonds	1,110,000	2.11	2024/05/15	–
10	2020 financial bonds	1,050,000	2.93	2025/03/02	–

Derivative financial instruments

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

Unit: RMB'000

Derivative financial instrument	As at 30 June 2023			As at 31 December 2022		
	Contractual/ notional amount	Fair value of assets	Fair value of liabilities	Contractual/ notional amount	Fair value of assets	Fair value of liabilities
Foreign exchange forwards	433,548	–	(2,331)	1,392,920	–	(100,456)
Total	433,548	–	(2,331)	1,392,920	–	(100,456)

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.2.2 Liabilities

As at the end of the Reporting Period, the Bank's total liabilities amounted to RMB561,946 million, representing an increase of RMB23,057 million or 4.28% from the end of the previous year, which was mainly due to the increase in liabilities such as deposits from customers, debt securities issued and due to the central bank.

Unit: RMB'000

Item	As at 30 June 2023		As at 31 December 2022		Change	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Due to the central bank	26,168,771	4.66	20,105,825	3.73	6,062,946	0.93
Deposits from banks and other financial institutions	17,845,640	3.18	29,541,040	5.48	(11,695,400)	(2.30)
Placements from banks and other financial institutions	32,931,730	5.86	29,548,795	5.48	3,382,935	0.38
Derivative financial liabilities	2,331	-	100,456	0.02	(98,125)	(0.02)
Financial assets sold under repurchase agreements	19,294,399	3.43	19,098,195	3.54	196,204	(0.11)
Deposits from customers	357,912,589	63.69	341,797,766	63.43	16,114,823	0.26
Tax payable	952,122	0.17	557,405	0.10	394,717	0.07
Debt securities issued	103,726,692	18.46	94,992,906	17.63	8,733,786	0.83
Other liabilities ^(Note)	3,111,550	0.55	3,145,994	0.59	(34,444)	(0.04)
Total	561,945,824	100.00	538,888,382	100.00	23,057,442	-

Note: Other liabilities primarily consist of estimated liabilities, staff costs payable, other payables, agency services payable, etc.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Deposits from customers

As at the end of the Reporting Period, the Bank's gross deposits from customers amounted to RMB353,415 million, representing an increase of RMB15,707 million or 4.65% from the end of the previous year. The steady growth in the Bank's deposits from customers was mainly attributable to the overall growth of the deposit business as a result of the Bank's vigorous efforts in building its customer base. Set out below is a breakdown of the Bank's deposits from customers by product type and maturity profile:

Unit: RMB'000

Item	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total (%)	Amount	% of total (%)
Corporate deposits				
Demand	84,357,170	23.87	84,238,516	24.94
Time	72,533,103	20.52	74,836,500	22.16
Subtotal	156,890,273	44.39	159,075,016	47.10
Personal deposits				
Demand	36,564,717	10.35	36,396,552	10.78
Time	123,729,057	35.01	104,666,313	30.99
Subtotal	160,293,774	45.36	141,062,865	41.77
Other deposits	36,231,332	10.25	37,570,281	11.13
Gross principal of deposits from customers	353,415,379	100.00	337,708,162	100.00
Add: Accrued interest	4,497,210		4,089,604	
Total deposits from customers	357,912,589		341,797,766	

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.2.3 Shareholders' Equity

As at the end of the Reporting Period, the Bank's total Shareholders' equity amounted to RMB54,914 million, representing an increase of RMB2,288 million or 4.35% from the end of the previous year. The total equity attributable to Shareholders of the Bank amounted to RMB52,993 million, representing an increase of RMB2,220 million or 4.37% from the end of the previous year. The increase in Shareholders' equity was mainly due to sustained profit of the Bank.

Unit: RMB'000

Item	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total (%)	Amount	% of total (%)
Shareholders' equity				
Share capital	9,092,091	16.56	8,265,538	15.71
Capital reserve	5,985,102	10.90	6,811,655	12.94
Surplus reserve	3,505,562	6.38	3,505,562	6.66
General reserve	7,797,453	14.20	7,767,704	14.76
Fair value reserve	52,042	0.09	(126,163)	(0.24)
Remeasurement of net defined benefit liability	(72,986)	(0.13)	(68,635)	(0.13)
Retained earnings	16,634,934	30.29	14,618,050	27.78
Other equity instruments	9,998,855	18.21	9,998,855	19.00
Total equity attributable to Shareholders of the Bank	52,993,053	96.50	50,772,566	96.48
Non-controlling interests	1,920,520	3.50	1,852,670	3.52
Total Shareholders' equity	54,913,573	100.00	52,625,236	100.00

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.2.4 Off-balance Sheet Commitments

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

Unit: RMB'000

Item	As at 30 June 2023	As at 31 December 2022
Bank acceptances	69,879,926	80,492,970
Letters of credit	8,625,465	7,898,683
Guarantees	1,083,946	1,045,264
Unused credit card commitments	7,165,161	5,740,253
Loan commitments	1,847,169	696,099
Total	88,601,667	95,873,269

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

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

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

3.3 Loan Quality Analysis

During the Reporting Period, the Bank continuously strengthened its credit risk management and the disposal of non-performing assets, thus keeping the overall quality of loans under control. As at the end of the Reporting Period, the balance of non-performing loans amounted to RMB6,556 million and the non-performing loan ratio was 1.87%, decreased by 0.01 percentage point from the end of the previous year.

3.3.1 Distribution of Loans by Five-Category Loan Classification

Unit: RMB'000

Item	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total (%)	Amount	% of total (%)
Normal	337,067,475	95.99	318,041,852	96.11
Special mention	7,520,875	2.14	6,657,470	2.01
Substandard	5,493,824	1.56	4,706,514	1.42
Doubtful	970,884	0.28	1,336,681	0.40
Loss	91,005	0.03	178,580	0.06
Total loans and advances to customers	351,144,063	100.00	330,921,097	100.00
NPLs and NPL ratio^(Note)	6,555,713	1.87	6,221,775	1.88

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

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: RMB'000

Item	As at 30 June 2023				As at 31 December 2022			
	Amount	% of total (%)	NPL amount	NPL ratio (%)	Amount	% of total (%)	NPL amount	NPL ratio (%)
Corporate loans								
Short-term loans	75,603,341	21.53	1,852,965	2.45	62,010,088	18.74	1,350,389	2.18
Medium and long-term loans	172,715,349	49.19	2,785,247	1.61	170,752,391	51.60	2,850,516	1.67
Subtotal	248,318,690	70.72	4,638,212	1.87	232,762,479	70.34	4,200,905	1.80
Discounted bills	20,262,984	5.77	-	-	16,842,291	5.09	-	-
Personal loans								
Personal business loans	34,690,231	9.88	1,094,458	3.15	33,478,008	10.11	1,131,942	3.38
Personal residential mortgage loans	34,937,367	9.94	581,987	1.67	37,743,240	11.41	622,760	1.65
Personal consumption loans	9,748,605	2.78	176,176	1.81	7,037,730	2.13	202,344	2.88
Credit card balance	3,186,186	0.91	64,880	2.04	3,057,349	0.92	63,824	2.09
Subtotal	82,562,389	23.51	1,917,501	2.32	81,316,327	24.57	2,020,870	2.49
Total	351,144,063	100.00	6,555,713	1.87	330,921,097	100.00	6,221,775	1.88

During the Reporting Period, the Bank adhered to high-quality development, intensified risk management, and strengthened the effort on the collection and disposal of non-performing assets. As at the end of the Reporting Period, the NPL ratio of corporate loans (excluding discounted bills) was 1.87%, increased by 0.07 percentage point from the end of the previous year; the NPL ratio of personal loans was 2.32%, decreased by 0.17 percentage point from the end of the previous year.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3.3 Distribution of Loans and Non-Performing Loans by Industry

Unit: RMB'000

Item	As at 30 June 2023				As at 31 December 2022			
	Amount	% of total (%)	NPL amount	NPL ratio (%)	Amount	% of total (%)	NPL amount	NPL ratio (%)
Wholesale and retail	48,151,311	13.71	1,291,305	2.68	42,745,773	12.92	1,074,433	2.51
Manufacturing	18,020,883	5.13	1,037,187	5.76	17,083,735	5.16	720,438	4.22
Construction	21,228,938	6.05	251,149	1.18	19,312,773	5.84	449,170	2.33
Real estate	30,175,475	8.59	1,263,200	4.19	32,880,776	9.94	1,334,922	4.06
Leasing and commercial services	59,395,386	16.91	420,953	0.71	50,077,579	15.13	17,218	0.03
Water, environment and public facility management	41,057,464	11.69	4,369	0.01	43,469,733	13.14	6,276	0.01
Agriculture, forestry, animal husbandry and fishery	2,331,020	0.66	179,916	7.72	2,794,692	0.84	205,313	7.35
Transportation, storage and postal services	6,232,028	1.77	88,800	1.42	5,704,680	1.72	86,152	1.51
Production and supply of electricity, heating power, gas and water	3,140,487	0.89	722	0.02	2,796,526	0.85	280	0.01
Accommodation and catering	1,160,316	0.33	32,905	2.84	1,341,304	0.41	149,333	11.13
Mining	3,779,946	1.08	4,000	0.11	2,655,116	0.80	4,000	0.15
Culture, sports and entertainment	1,841,024	0.52	861	0.05	1,884,035	0.57	108,014	5.73
Others	11,804,412	3.39	62,845	0.53	10,015,757	3.02	45,356	0.45
Total corporate loans	248,318,690	70.72	4,638,212	1.87	232,762,479	70.34	4,200,905	1.80
Total personal loans	82,562,389	23.51	1,917,501	2.32	81,316,327	24.57	2,020,870	2.49
Discounted bills	20,262,984	5.77	-	-	16,842,291	5.09	-	-
Total	351,144,063	100.00	6,555,713	1.87	330,921,097	100.00	6,221,775	1.88

As at the end of the Reporting Period, the non-performing corporate loans of the Bank were mainly concentrated in (1) the wholesale and retail industry, (2) the real estate industry and (3) the manufacturing industry, with NPL ratios of 2.68%, 4.19% and 5.76%, respectively.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3.4 Distribution of Loans and Non-Performing Loans by Collateral

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

Unit: RMB'000

Item	As at 30 June 2023				As at 31 December 2022			
	Amount	% of total (%)	NPL amount	NPL ratio (%)	Amount	% of total (%)	NPL amount	NPL ratio (%)
Unsecured loans	67,564,720	19.24	466,424	0.69	61,617,398	18.62	380,480	0.62
Guaranteed loans	144,282,478	41.09	2,396,082	1.66	133,810,471	40.43	1,756,403	1.31
Loans secured by mortgages	95,432,708	27.18	3,406,782	3.57	97,978,701	29.61	4,057,015	4.14
Pledged loans	43,864,157	12.49	286,425	0.65	37,514,527	11.34	27,877	0.07
Total	351,144,063	100.00	6,555,713	1.87	330,921,097	100.00	6,221,775	1.88

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3.5 Borrower Concentration

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

Unit: RMB'000

Item	Industry	As at 30 June 2023		
		Principal balance	% of total loans (%)	% of net capital (%)
Borrower A	Leasing and commercial service	2,498,000	0.71	4.37
Borrower B	Water, environment and public facility	2,453,400	0.70	4.29
Borrower C	Leasing and commercial service	2,171,000	0.62	3.80
Borrower D	Construction	2,097,000	0.60	3.67
Borrower E	Real estate	1,755,000	0.50	3.07
Borrower F	Water, environment and public facility	1,699,745	0.48	2.97
Borrower G	Leasing and commercial service	1,624,772	0.46	2.84
Borrower H	Water, environment and public facility	1,616,137	0.46	2.83
Borrower I	Construction	1,605,000	0.46	2.81
Borrower J	Transportation, storage and postal services	1,568,600	0.45	2.74
Total		19,088,654	5.44	33.39

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3.3.6 Overdue Loans

Unit: RMB'000

Item	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total (%)	Amount	% of total (%)
Current loans	340,456,914	96.96	321,081,891	97.03
Loans past due for ^(Note)				
3 months or less	4,592,080	1.31	4,208,634	1.27
Over 3 months to 1 year	2,556,712	0.73	2,620,352	0.79
Over 1 year	3,538,357	1.00	3,010,220	0.91
Subtotal	10,687,149	3.04	9,839,206	2.97
Gross loan principal	351,144,063	100.00	330,921,097	100.00

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

As at the end of the Reporting Period, the Bank's overdue loans amounted to RMB10,687 million, representing an increase of RMB848 million or 8.62% as compared to the end of the previous year. Overdue loans accounted for 3.04% of the total loans, up by 0.07 percentage point as compared to the end of the previous year.

3.3.7 Repossessed Assets and Provision for Impairment

As at the end of the Reporting Period, the total amount of Bank's repossessed assets was RMB89 million, and the net amount thereof was RMB89 million.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

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

During the Reporting Period, the Bank made a loan loss reserve of RMB2,486 million, with RMB2,485 million provided for loans and advances to customers measured at amortized cost, and RMB1 million for loans and advances to customers measured at fair value through other comprehensive income. RMB2,103 million of non-performing loans was written off or disposed of, and RMB283 million of written-off loans was recovered. As at the end of the Reporting Period, the balance of the Bank's loan loss reserve was RMB10,978 million, of which the balance of impairment losses on loans and advances to customers measured at amortized cost was RMB10,974 million and the balance of impairment losses on loans and advances to customers measured at fair value through other comprehensive income was RMB4 million.

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

Unit: RMB'000

Item	As at 30 June 2023	As at 31 December 2022
Opening balance	10,308,636	8,068,364
Provision for the period	2,484,894	6,717,971
Write-off and disposal for the period	(2,103,118)	(4,693,576)
Recovery of written-off loans	283,400	215,877
Closing balance	10,973,812	10,308,636

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

Unit: RMB'000

Item	As at 30 June 2023	As at 31 December 2022
Opening balance	2,889	301,177
Provision for the period	968	115,957
Write-off and disposal for the period	–	(414,245)
Closing balance	3,857	2,889

3.4 Cash Flow Statement Analysis

During the Reporting Period, the Bank's net cash outflow from operating activities was RMB467 million, where the cash inflow was RMB44,653 million, representing an increase of RMB12,587 million from the same period of the previous year, mainly due to the net increase in the net increment of deposits from customers and due to the central bank as compared to the same period of the previous year; and the cash outflow was RMB45,120 million, representing a decrease of RMB5,075 million as compared to the same period of the previous year, mainly due to decrease in the net increment of loans and advances to customers and net increment of financial assets held for trading as compared to the same period of the previous year.

During the Reporting Period, the Bank's net cash outflow from investing activities was RMB6,427 million, where the cash inflow was RMB58,266 million, representing a decrease of RMB13,078 million from the same period of the previous year, mainly due to the decrease in cash flow received from the recovery of investments; the cash outflow was RMB64,693 million, representing an increase of RMB5,248 million from the same period of the previous year, mainly due to the increase in cash outflow for investment payments.

During the Reporting Period, the Bank's net cash inflow from financing activities was RMB7,421 million, where the cash inflow was RMB78,110 million, representing an increase of RMB16,143 million from the same period of the previous year, mainly due to the increase in cash inflows received from the issuance of interbank deposits; the cash outflow was RMB70,689 million, representing an increase of RMB7,823 million from the same period of the previous year, mainly due to the increase in cash outflows for the repayment of the interbank deposits due.

Unit: RMB'000

Item	For the six months ended 30 June		
	2023	2022	Year-on-year change
Subtotal of cash inflows from operating activities	44,653,187	32,065,841	12,587,346
Subtotal of cash outflows from operating activities	45,120,430	50,195,035	(5,074,605)
Net cash flows generated from operating activities	(467,243)	(18,129,194)	17,661,951
Subtotal of cash inflows from investing activities	58,265,582	71,343,758	(13,078,176)
Subtotal of cash outflows from investing activities	64,692,820	59,444,582	5,248,238
Net cash flows generated from investing activities	(6,427,238)	11,899,176	(18,326,414)
Subtotal of cash inflows from financing activities	78,109,875	61,966,736	16,143,139
Subtotal of cash outflows from financing activities	70,688,513	62,866,010	7,822,503
Net cash flows generated from financing activities	7,421,362	(899,274)	8,320,636
Effect of exchange rate changes on cash and cash equivalents	10,414	107,507	(97,093)
Net increase/(decrease) in cash and cash equivalents	537,295	(7,021,785)	7,559,080

3.5 Business Segment Report

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

Unit: RMB'000

Item	For the six months ended 30 June			
	2023		2022	
	Amount	% of total (%)	Amount	% of total (%)
Corporate banking business	4,318,812	62.56	3,831,745	50.66
Retail banking business	1,162,010	16.83	1,183,818	15.65
Treasury business	1,361,948	19.73	2,519,846	33.31
Others ^(Note)	60,827	0.88	28,979	0.38
Total operating income	6,903,597	100.00	7,564,388	100.00

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

3.6 Significant Accounting Policies, Accounting Estimates and Accounting Methods

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

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

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

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

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

Compared with the financial statements for the previous accounting period, the scope of the consolidated financial statements has changed in this period, with Xinzheng Zhengyin County Bank changing from an associate to a subsidiary and being included in the scope of the consolidated financial statements.

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3.7 Assets and Liabilities at Fair Value

Unit: RMB'000

Item	Opening balance	Gains and losses from changes in fair value for the Reporting Period	Accumulated changes in fair value recognised in equity	Impairment accrued during the Reporting Period	Closing balance
Financial investments at fair value through profit or loss (excluding derivative financial assets)	44,441,710	(50,124)	-	-	41,565,782
Financial investments at fair value through other comprehensive income	17,150,060	-	(570)	23,727	24,220,133
Subtotal of financial assets	61,591,770	(50,124)	(570)	23,727	65,785,915
Derivative financial liabilities	100,456	(98,125)	-	-	2,331
Subtotal of financial liabilities	100,456	(98,125)	-	-	2,331

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

Unit: RMB'000

Item	For the six months ended 30 June			Analysis of major reasons
	2023	2022	Change compared to the same period of the previous year (%)	
Net trading gains	401,244	694,185	(42.20)	Mainly due to changes in net foreign exchange gains and losses.
Other operating income	60,827	28,979	109.90	Mainly due to the increase in government subsidies during the Reporting Period as compared to the same period last year.
Share of profits of associates	23,710	2,940	706.46	Mainly due to the increase in profits from associates during the Reporting Period as compared to the same period last year.
Income tax expense	(412,507)	(613,474)	(32.76)	Mainly due to the decrease in profit before tax during the Reporting Period as compared to the same period last year.

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Unit: RMB'000

Item	As at 30 June 2023	As at 31 December 2022	Changes compared to the end of the previous year (%)	Analysis of major reasons
Placements with banks and other financial institutions	4,762,309	2,410,452	97.57	Due to the fact that the Bank adjusted the structure of such assets after comprehensive consideration of asset and liability matching and market liquidity situation.
Financial assets held under resale agreements	6,858,583	12,386,501	(44.63)	
Deposits from banks and other financial institutions	17,845,640	29,541,040	(39.59)	
Financial investments at fair value through other comprehensive income	24,220,133	17,150,060	41.22	Mainly due to the significant increase in the Bank's bond investments as compared to the beginning of the period.
Investments in associates	645,461	273,881	135.67	Mainly due to the increase in investments in associates during the Reporting Period.
Other assets	5,230,169	3,991,266	31.04	Mainly due to an increase in the settlement of fund transactions as compared to the beginning of the year.
Due to the central bank	26,168,771	20,105,825	30.16	Mainly due to the increase in the Bank's medium-term loan facility as compared to the beginning of the year.
Tax payable	952,122	557,405	70.81	Mainly due to increase in income tax payable at the end of the Reporting Period as compared to the beginning of the year.
Fair value reserve	52,042	(126,163)	N/A	Mainly due to changes in the fair value of financial assets at fair value through other comprehensive income.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

4 INVESTMENT ANALYSIS

4.1 Overview

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

Unit: RMB'000

Item	As at 30 June 2023	As at 31 December 2022	The Bank's share of the interest in the investee (%)
Jiuding Financial Leasing Company	1,020,000	1,020,000	51.00
Fugou Zhengyin County Bank	30,120	30,120	50.20
Xinmi Zhengyin County Bank	64,000	64,000	51.20
Xunxian Zhengyin County Bank	51,000	51,000	51.00
Queshan Zhengyin County Bank	25,500	25,500	51.00
Xinzheng Zhengyin County Bank	53,960	53,960	51.00
Zhongmu Zhengyin County Bank ⁽¹⁾	555,870	208,000	49.51
Yanling Zhengyin County Bank	34,950	34,950	49.58
China UnionPay Co., Ltd.	8,000	8,000	0.27
Funds Clearing Center for City Commercial Banks	400	400	1.29
Total	1,843,800	1,495,930	

Note:

- In March 2023, upon consideration and approval at the 2021 third extraordinary general meeting of Zhongmu Zhengyin County Bank and the 12th meeting of the sixth session of the Board of the Bank, and upon approval by the Former CBIRC Henan Office and State-owned Assets Supervision and Administration Commission of Zhengzhou Municipal People's Government, the Bank acquired the equity from 78 shareholders of Zhongmu Zhengyin County Bank. The number of shares held by the Bank increased from 208.00 million shares to 555.87 million shares, and the percentage of shareholding increased from 18.53% to 49.51%.

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

4.2 Significant Equity Investments Made During the Reporting Period

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

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

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

4.4 Use of Proceeds

During the Reporting Period, there was no use of proceeds by the Bank. The Bank did not retain any unused proceeds from past periods for use in the Reporting Period.

4.5 Operations of Subsidiaries

4.5.1 Operations of Subsidiaries

Jiuding Financial Leasing Company

As at the end of the Reporting Period, the Bank held 51.00% equity interest in Jiuding Financial Leasing Company, a subsidiary of the Bank with a registered capital of RMB2 billion. Jiuding Financial Leasing Company was established in the PRC where it carries out its business. Its principal businesses include: (1) financial leasing business; (2) outward or inward transfer of financial leasing assets; (3) fixed income securities investment business; (4) acceptance of leasing deposits from lessees; (5) taking time deposits with a term of three months or more from non-banking shareholders; (6) interbank lending; (7) borrowing from financial institutions; (8) offshore borrowing; (9) sale and disposal of leased assets; (10) economic consultancy; (11) other business approved by the CBIRC (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Jiuding Financial Leasing Company had total assets of RMB34,047 million, net assets of RMB3,600 million, and total financial leasing of RMB32,988 million. During the Reporting Period, it recorded operating income of RMB600 million, operating profit of RMB223 million and net profit of RMB173 million.

Fugou Zhengyin County Bank

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

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Xinmi Zhengyin County Bank

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

Xunxian Zhengyin County Bank

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

Queshan Zhengyin County Bank

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

Xinzheng Zhengyin County Bank

As at the end of the Reporting Period, the Bank held 51.00% equity interest in Xinzheng Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB105.8 million. Xinzheng Zhengyin County Bank was established in the PRC where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) interbank lending; (6) banking card business; (7) acting as issuing agent, cashing agent and underwriter of government bonds; (8) acting as collection and payment agent; (9) other business approved by the banking regulatory authority (business activities subject to approval according to law may be carried out only after being approved by the competent authorities).

4.5.2 Operations of Investee Companies

As at the end of the Reporting Period, the Bank held 49.51% and 49.58% equity interest in Zhongmu Zhengyin County Bank and Yanling Zhengyin County Bank, respectively. Zhengyin county banks have always committed to serving “agriculture, farmers and rural areas” and supporting rural and small enterprises. They adhere to the prudent business philosophy, continuously enhance compliance awareness, and gradually improve the ability to prevent risks. They return to their original functions, take root in the rural areas, and strive to connect the “last mile” of rural financial services, contributing more from Zhengyin banks to the comprehensive promotion of rural revitalization.

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

During the Reporting Period, the Bank did not have material acquisitions and disposals of subsidiaries, associates and joint ventures.

4.6 Structured Entities Controlled by the Bank

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

5 CAPITAL MANAGEMENT

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



CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS



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

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

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

5.1 Capital Adequacy Ratios Analysis

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

Unit: RMB'000

Item	As at 30 June 2023	As at 31 December 2022
Core tier-one capital		
Share capital	9,092,091	8,265,538
Valid portion of capital reserve	5,985,102	6,811,655
Fair value reserve	52,042	(126,163)
Re-measurement of net defined benefit liability	(72,986)	(68,635)
Surplus reserve	3,505,562	3,505,562
General risk reserve	7,797,453	7,767,704
Retained earnings	16,634,934	14,618,050
Valid portion of minority interests	1,452,110	1,437,897
Total core tier-one capital	44,446,308	42,211,608
Core tier-one capital deductions	(2,435,327)	(1,828,257)
Net core tier-one capital	42,010,981	40,383,351
Additional tier-one capital		
Additional tier-one capital instruments and related premium	9,998,855	9,998,855
Valid portion of minority interests	189,981	184,039
Net tier-one capital	52,199,817	50,566,245
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	–	–
Surplus provision for loan impairment	4,603,514	4,343,627
Valid portion of minority interests	393,009	381,809
Net tier-two capital	4,996,523	4,725,436
Net capital base	57,196,340	55,291,681
Total risk-weighted assets	447,781,750	434,769,547
Core tier-one capital adequacy ratio (%)	9.38	9.29
Tier-one capital adequacy ratio (%)	11.66	11.63
Capital adequacy ratio (%)	12.77	12.72

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

5.2 Leverage Ratios Analysis

Unit: RMB'000

Item	30 June 2023	31 March 2023	31 December 2022	30 September 2022
Net tier-one capital	54,771,065	53,123,456	53,412,155	63,249,653
Balance of on/off-balance sheet assets after adjustment	708,589,535	703,165,029	694,826,669	696,935,859
Leverage ratio (%)	7.73	7.55	7.69	9.08

Note: Indicators related to leverage ratio as at the end of the Reporting Period, the end of the first quarter of 2023, the end of 2022 and the end of the third quarter of 2022 are calculated based on the requirements of the Administrative Measures for Leverage Ratio Management of Commercial Banks (Amended) (《商業銀行槓桿率管理辦法(修訂)》) of the Former CBIRC and are consistent with the data reported to the regulatory authorities. For details, please refer to the column headed “Financial Summary” under the “Investor Relations” section of the Bank’s website.

6 BUSINESS OPERATION

6.1 Corporate Banking Business

6.1.1 Corporate Deposits

During the Reporting Period, the Bank adhered to the core requirements of high-quality development on the basis of bank deposits to push forward account opening by customers along the industry chain and supply chain to boost comprehensive income. The Bank strengthened the promotion and use of wealth management products and advanced the joint promotion of “financing + wealth management” products to achieve closed-loop management of settlement funds. The Bank also strengthened its daily operation and strove to become a lead bank in settlement business for small and micro customers to increase the share of settlement deposits. Taking market changes into account, the Bank reasonably managed the interest costs paid for deposits to effectively drive such costs lower gradually.

6.1.2 Corporate Loans

During the Reporting Period, the Bank firmly implemented the decisions and arrangements of the central, provincial, municipal and regulatory authorities and undertook its responsibility of serving the real economy through financial support. Through measures including boosting scale and lowering interest rates, the Bank offered greater credit support to help the real economy recovery swiftly. The Bank also offered great support to innovative enterprises such as technology SMEs, high-technology enterprises, enterprises producing unique, sophisticated, special and novel products, little giant firms, unicorns and high-growth enterprises with leap-frog development, empowering the development of technological and innovative enterprises incessantly with professional, efficient and inclusive financial services. With a high sense of political responsibility and historical mission, the Bank made every effort to better implement the special action of ensuring delivery of properties through financial support and promote the rendering of financial support for the stable and sound development of the real estate market. As at the end of the Reporting Period, the total principal of corporate loans (including advances, forfeiting and discounted bills) of the Bank amounted to RMB268,582 million, representing an increase of 7.60% from the end of the previous year.

6.1.3 Corporate Customers

During the Reporting Period, the Bank continued to strengthen customer base management, expand its customer base and enhance its customer base structure, while stepping up marketing efforts in new account opening. The Bank intensively tapped into existing customers and timely tracked potential customers, and continuously improved the system of its product and enhanced system functions to improve customer experience, boost service stickiness and reduce customer churn. The Bank intensified assessment, stressed process management and promoted customer base development in an orderly and efficient manner. During the Reporting Period, the Bank added 10,830 new corporate customers, with an increase of 4,623 active customers.

6.1.4 Institutional Business

During the Reporting Period, the Bank intensively implemented its administrative finance strategy and continuously enriched the system of its smart administrative products to seize opportunities arising from new policies and develop new products and new directions in a timely manner. The Bank strengthened the marketing of its institutional business along various chains and created a standard approach through this experience to empower and support frontline operations. Up to the end of the Reporting Period, the balance of deposits from institutional customers was RMB72,084 million, representing an increase of RMB2,919 million from the end of the previous year.

6.2 Retail Banking Business

6.2.1 Personal Deposits

The Bank always assumes its duty to safeguard the homeland and upholds its corporate spirit of sparing no efforts to strive for excellence. Based on the strategic vision to become a leading bank with high-quality development, the Bank vigorously consolidated its unique positioning as a boutique bank for residents. For personal customer business, the Bank constantly improved its service system to enhance the general customer base. The Bank innovated and upgraded its products, and deeply cultivated key customer groups; strengthened wealth management, increased customer stickiness and continuously enhanced its deposit structure. Up to the end of the Reporting Period, the balance of the Bank's personal deposits amounted to RMB160,294 million, representing an increase of 13.63% from the end of the previous year.

6.2.2 Personal Loans

During the Reporting Period, the Bank continued to enhance its product functions, stepped up efforts in product research and development, and provided customers with premium and efficient services. Specifically, the Bank constantly enhanced self-operated consumer credit products, and developed lightweight offline business processes and diverse online products. The Bank offered preferential conditions in areas such as interest rate and term for loans to improve user experience and increase market share. Meanwhile, the Bank also actively enhanced the standards of facilitative financial services for second-hand properties to lower the transaction costs under the current system by launching its assignment without mortgage discharge business for second-hand properties. The personal home mortgage product Housing e-finance (房 e 融) was constantly iterated online and the functions of convenient loan renewal and batch pre-approval of renewal of loans due in 3 months to continuously enhance service convenience, offer financial support to residents with a reasonable need for purchasing properties and facilitate the stable and sound development of the real estate market. As at the end of the Reporting Period, the Bank's personal loans amounted to RMB82,562 million, representing an increase of 1.53% from the end of the previous year.

6.2.3 Bank Cards

With Shangding Card (商鼎卡) as the basic debit card, the Bank constantly enriches debit card types and improves their functions. During the Reporting Period, the Bank issued new cards such as the Year of the Hare Card and Metro Debit Card, with the number of newly issued cards increasing steadily. As at the end of the Reporting Period, the Bank had issued a total of 7,642,000 debit cards (including electronic accounts), representing an increase of 230,100 from the end of the previous year.

The credit card business of the Bank was guided by high-quality development and focused on key initiatives including build-up of a young customer base, green and low carbon travel, business district scenarios, enhancement of risk control strategies and improvement of customer experience to continuously boost the capability in credit card customer acquisition and operation. During the Reporting Period, the Bank newly issued the Special Instalment Card, Puyang City Card and Metro Low Carbon Card. Up to the end of the Reporting Period, the Bank had issued a total of 690,900 credit cards. During the Reporting Period, credit card consumption reached RMB10,026 million, of which online credit card consumption reached RMB2,098 million, representing a year-on-year increase of 29.43%.

6.3 Treasury Business

6.3.1 Money Market Transactions

In the first half of 2023, the economy and society of China fully resumed to normal operation, but the internal and external backdrop was still complicated. The central bank monetary policy remained stable and reasonably maintained ample market liquidity by using a combination of macro-economic and structural policies to serve the real economy with financial support. Based on its business plan and market conditions, the Bank dynamically enhanced its debt maturity structure, continuously improved its ability to conduct analysis on the money market, enhanced its sensitivity to changes in market sentiment, increased its ability to predict market fluctuations and maintained stable liquidity. As at the end of the Reporting Period, the balance of the Bank's deposits with banks and other financial institutions and financial assets held under resale agreements was RMB13,434 million, accounting for 2.18% of the Bank's total assets; and the balance of deposits from banks and other financial institutions and financial assets sold under repurchase agreements was RMB70,072 million, accounting for 12.47% of the Bank's total liabilities.

6.3.2 Investment in Securities and Other Financial Assets

During the Reporting Period, the Bank paid close attention to the changes in international dynamics, changes in the domestic and international economic environment and macro policies, strengthened the study and trend analysis on the money market and bond market, promptly adjusted the investment direction and business development strategies, and seized appropriate business opportunities, so as to make steady investment while keeping risks under control. Up to the end of the Reporting Period, the Bank's total investment in bonds, trust products, investment products managed by securities companies and other securities financial assets amounted to RMB190,702 million, increased by 3.05% from the end of the previous year, of which the total investment in bonds was RMB112,603 million, representing a year-on-year increase of 10.52%; and the total investment in trust products and investment products managed by securities companies was RMB70,879 million, representing a year-on-year decrease of 4.19%.

6.3.3 Investment Banking Business

The Bank's lead underwriting business for non-financial corporate debt financing instruments developed well. During the Reporting Period, the Bank acted as lead underwriter for 22 debt financing instruments issued by 17 enterprises, with a total issuance amount of RMB13,300 million. The Bank's issuance business of non-financial corporate debt financing instruments reached a new level, as evident by the fact that it ranked among the top three in Henan Province in terms of the number of instruments issued by enterprises served and the market share in underwriting. The Bank's new products for technological innovation finance, i.e. Share Option Loan and Listing Loan, were well recognized by the market. During the Reporting Period, the Bank granted RMB610 million of credit facilities to 16 enterprises, with a view to facilitating the sound development of enterprises producing unique, sophisticated, special and novel products and technology SMEs in Henan Province. Meanwhile, the Bank strengthened its connection and cooperation with other investment banks, and channelled external funds through matchmaking to maintain and deeply tap existing large and medium sized clients. During the Reporting Period, the Bank completed 52 matchmaking transactions with a total amount of RMB9,548 million.

6.3.4 Wealth Management Business

During the Reporting Period, the Bank continued to build its Jinwutong (金梧桐) wealth management brand, constantly enhanced its net-worth product lines, strengthened capability in "fixed income+" investment research, stepped up refined wealth management, developed premium wealth management products with a stable net worth and diverse strategies, and put into practice the concepts of inclusive finance and a boutique bank for residents. During the Reporting Period, the Bank newly issued a total of 11 wealth management products, raising RMB24,234 million. As at the end of the Reporting Period, the Bank had 73 outstanding wealth management products with a total AUM of RMB42,381 million, down by 7.33% from the beginning of the year. As at the end of the Reporting Period, the balance of net-worth wealth management products was RMB42,381 million (representing 100% of the total), including the balance of RMB8,420 million in cash management net-worth products, RMB27,309 million in regular open-end net-worth products and RMB6,652 million in closed-end net-worth products.

6.4 Featured Business

6.4.1 Commerce and Logistics Finance

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

Cloud Trading

Cloud Trading integrates group cash management, cross-bank treasury management, bank-enterprise direct link and other treasury management products to provide customers with tailor-made integrated financial solutions through online channels such as corporate online banking and corporate mobile banking, so as to fully meet customers' capital management needs. During the Reporting Period, based on customer needs, the Bank continuously enhanced its products, upgraded its system and enriched its product mix to improve customer experience. The Bank steadily pushed forward the research and development of Cloud Trading 2.0, a project on building a new version of the treasury management cloud platform to meet the treasury management needs of corporate customers during various stages of development and facilitate the digital transition process of enterprises in treasury management. As at the end of the Reporting Period, the Bank had a total of 70,000 corporate e-channel (corporate online banking + corporate mobile banking) customers and handled 3.05 million e-channel transactions with a transaction amount of RMB0.73 trillion, offering solutions for key products in treasury management to nearly 400 group customers.

Cloud Financing

The Cloud Financing platform is an open online supply chain financing platform powered by innovative financial technologies such as e-signature, big data application and Internet technology. Through tailored or standard modes, it offers a full range of online supply chain financing products, including factoring, letter of credit, commercial bill and prepayment financing, to efficiently satisfy the quick financing needs of upstream and downstream customers of key enterprises, thus serving the supply chain ecosystem. During the Reporting Period, the Bank innovatively launched business including foreign trade loans and order financing, and promoted featured business such as Zhenghaofu (鄭好付) and Yidingtong (醫鼎通) for customers under various educational, medical and commerce and trade scenarios. The Cloud Financing platform helped over 1,000 upstream and downstream customers in financing, with a balance of RMB22,000 million.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Cloud Business

The Cloud Business platform is the Bank's online supply chain management and financing service platform that extends the quality credit of key enterprises to multiple tiers of upstream suppliers through the issuing of Ding-e-xin (鼎 e 信), an electronic settlement voucher, thereby addressing the financing difficulties and high financing costs of small and medium-sized suppliers. As at the end of the Reporting Period, the Bank's Cloud Business platform continued to serve suppliers in the industry chain of large and quality key enterprises. The platform completed the connection of risk control systems for big data, increasing risk control capability significantly. Meanwhile, the platform also achieved the implementation of the tenant mode for the first key enterprise in the province. The Cloud Business platform helped over a total of 2,500 upstream suppliers of key enterprises in financing, with a balance of over RMB8,500 million.

Cloud Logistics

The Cloud Logistics platform is an online platform that provides one-stop financial services for the logistics industry. It helps logistics companies use working capital and recover funds efficiently through products and services such as treasury management, financing services and logistics support. The Bank leveraged the advantages of its logistics finance team to promote the upgrade of logistics scenario-based financial products such as freight payment agency and smart acquiring with logistics parks, carriers of logistics enterprises, as the focus, and key logistics construction projects in Henan Province in the past three years, Henan Province's demonstration logistics parks and other ordinary logistics parks as the target. The Bank strengthened the sorting out of logistics park customers, and comprehensively strengthened the financial support for transport and logistics players such as road transport operators, logistics companies and individual drivers through collaboration between the head office and branches, and between corporate and retail banking. By doing so, the Bank helped maintain the stable operation of the logistics industry and ensure smooth logistics flows. As at the end of the Reporting Period, over 1.62 million payments had been made under the D+0 payment agency service in the first half of the year, with a total amount of RMB2,200 million.

Cloud Service

The Cloud Service platform provides customers with value-added and tailored financial and non-financial services based on the WeChat public account named Zhengzhou Bank Trade Finance (鄭州銀行商貿金融) and a variety of scenario-based financial service platforms. During the Reporting Period, the Bank continued to implement scenario-based escrow services, rolled out more than 10 housing pre-sale escrow projects and regulated the handling process of commodity housing pre-sale escrow business. The Bank also launched nearly 20 housing rental escrow projects to help maintain the order of Zhengzhou's housing rental transaction market. As at the end of the Reporting Period, a total of over 380 scenario-based financial projects had been launched under the Cloud Service platform.

6.4.2 Financial Services for Small and Micro Enterprises

During the Reporting Period, based on its unique positioning as an SME financial service expert, the Bank continued to improve the quality and efficiency of financial services for small and micro enterprises, and enhanced inclusive products and services for small and micro enterprise customers. The Bank followed the policy of the People's Bank of China to lower interest rates by phases and reduced interest of RMB23,340,200 by phases for 16,579 inclusive loans to small and micro enterprises. The Bank actively participated in the construction of offline financial service counters and set up a financial service counter at Zhongmu Wanbang Logistics Sub-branch of the Bank. The Bank launched policy-based products such as Technology and Innovation e-Loan (科創 e 貸), Enterprise Procurement Loan (企採貸), Order Loan (訂貨貸) and Wanbang Business Loan (萬邦經營貸). The Bank also strengthened technological support, continued to enhance its risk control model for small and micro enterprise loans, and built an intelligent risk control system. Up to the end of the Reporting Period, the balance of the Bank's outstanding inclusive loans to small and micro enterprises (exclusive of bill discounting) amounted to RMB46,686 million, representing an increase of 5.41% from the beginning of the year. The number of small and micro enterprises receiving inclusive loans stood at 67,330.

6.4.3 Financial Services for Residents

Financial Services for Residents adhered to the customer-oriented approach, starting from the basic needs of residents in their daily lives and building financial scenarios related to customers' production and living in various fields, such as clothing, food, housing, transport and entertainment. With acquiring business as the starting point, the Bank improved service quality and efficiency through acquiring and settlement, convenient transactions, value enhancement and product iteration, etc. To create a variety of environments for using cards, the Bank promoted the building of scenarios in communities, campuses and parks, explored innovative models such as business-supermarket cooperation and financial publicity stations for residents, and enriched scenarios for consumption and living as well as types of activities related to rights and interests. The Bank revived the social security customer base, and continued to offer exclusive rights, exclusive wealth management deposits and other products to social security card customers. To create scenarios for use in various ways and improve customer experience, the Bank cooperated with resident card companies to carry out activities such as Zhengzhou-Kaifeng City Life Festival (鄭開同城生活節), half-price tickets for some scenic spots and supermarket money-off shopping. Up to the end of the Reporting Period, in terms of finance for residents, the Bank facilitated a total of over 1.36 million transactions under money-off offers, recorded an increase of more than RMB278 million in personal financial assets and issued 317,000 social security cards in total.

6.4.4 *Financial Services for Technological Innovation*

During the Reporting Period, the Bank fully implemented the strategic initiatives of the Henan Provincial Party Committee and Provincial Government, particularly the Two Guarantees and the Ten Strategies. With policy-based capital preservation and meagre profits as the starting point and technology enterprises at the start-up and incubation stage as the major support targets, the Bank sent across the province a wave of development of technology and innovation finance with low interest rate, less-stringent guarantee and long-term policy-based financial products. Firstly, the Bank gave full play to the leading role of policy-based finance in business finance by using limited resource endowments, taking the initiative to give up some of its profits for the benefit of technology and innovation companies, speeding up the transition to less-stringent guarantee business and launching innovative long-term credit products compatible with technology companies. The market interest rates of loans for technology and innovation enterprises at the start-up and incubation stage continued to decline under the catfish effect of policy-based technology and innovation finance. Secondly, the Bank gave full play to the functions and roles of policy-based finance in key areas, weak aspects and critical periods. Concentrating on the ten strategic emerging industries and provincial and municipal governments' focus on guiding the industry to continue to make efforts, the Bank gave key support to a number of technology industries and enterprises represented by chip design, intelligent manufacturing, industrial robots, digital twins, digital economy, super hard materials, new materials, and big data analysis and application, so as to provide effective financial support for the transition and development of the regional economic and industrial structures. Thirdly, the Bank gave full play to the role of full life cycle cultivation and incubation of policy-based finance. The Bank committed itself to the cultivation of echelon of enterprises with technological attributes meeting the conditions of "sole proprietor to enterprise, small enterprise to enterprise above a designated size (EADS), EADS to joint-stock company, or listing" and fully deployed the resources of its peers, collaborated with scientific research institutes, fund houses, venture capital institutions and guarantee institutions to offer full life cycle financial services by exploring business models such as investment-linked loans and "equity + bond" financing in the areas of commercial application of achievements in scientific research and assistance for scientific and technological talents.

6.5 Distribution Channels

6.5.1 *Physical Outlets*

Up to the end of the Reporting Period, the Bank established its head office in Zhengzhou, Henan, 14 branches in Nanyang, Xinxiang, Luoyang, Anyang, Xuchang, Shangqiu, Luohe, Xinyang, Puyang, Pingdingshan, Zhumadian, Kaifeng, Zhoukou and Hebi of Henan Province, 167 sub-branches and one special entity. Meanwhile, the Bank enhanced the layout of its self-service equipment outlets, established a network of 166 internal and 28 external self-service equipment outlets, forming proper area coverage and providing convenient 24-hour services.

6.5.2 Electronic Banking

Personal channel

For mobile banking, the Bank continued to improve finance-related functions such as wealth management, credit cards and loans and diversify online financial products, and rolled out mobile banking targeted at merchants' various customer segments for the benefit of business. The Bank supported the implementation of strategies by building channels, continued to enrich non-financial scenarios through upgrading refueling and top-up services, and unified the brands for restaurant scenarios. For high-frequency basic functions such as wealth management, credit cards and transfers, the Bank streamlined processes and established an experience index system. The Bank also improved rules for risk control and enhanced safety by establishing new risk control systems. Up to the end of the Reporting Period, the Bank had signed up a total of 3.2 million mobile banking customers, representing an increase of 16% as compared to the end of the previous year. During the Reporting Period, the number of transactions reached 6.22 million, with a transaction amount of RMB365,200 million.

The Bank continued to improve the experience of digital services by enhancing quality with smart features and provided customers with premium remote financial services. The 95097 hotline service continued to adhere to its original aspiration, put into practice the concept of warmth and provided self-served and manual services covering the entire customer base. In respond to customers' preference for online channels and remote services, the Bank continued to boost its online service capability, and launched the new "robot + manual" and "robot + remote video + SMS" service models through multiple channels. The Bank deployed smart customer service portals for the full-featured pages of mobile banking and prompted questions in a differentiated "guess what you want to ask" manner to actively predict customer questions. The Bank also enhanced its business processes and provided remote services such as online guidance on the same screen and identity authentication. During the Reporting Period, the customer service centre served 994,100 service recipients, of which 371,400 were served through online channels, with robot services accounting for 91.13%.

Corporate channel

The Bank steadily promoted the establishment of corporate electronic channels. During the Reporting Period, more than 20 enhanced functions were launched through corporate electronic channels to continuously improve product service capability. The Bank strengthened interim risk prevention and control and prevented fraud-related account risks to help the Bank maintain customer loyalty and stability and retain customers. The Bank actively promoted the Cloud Trading 2.0 upgrade project to meet the treasury management needs of corporate customers during various stages of development by building a multi-version, one-stop treasury management cloud platform for the entire customer base. Up to the end of the Reporting Period, the Bank had signed up 62,000, 24,000 and 48,000 corporate online banking, corporate mobile banking and corporate WeChat banking customers respectively.

7 RISK MANAGEMENT

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

7.1 Credit Risk

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

Firstly, we continued to strengthen our unified credit management. We upheld the customer-centred principle and strengthened our overall control over customer credit limits, formulated risk appetite and concentration limit indicators, defined the management structure, strengthened regular monitoring, and effectively reinforced the control over customer concentration. Secondly, we strengthened our credit policy risk guidance. Taking into consideration the guidance of national macroeconomic and industrial policies, we strengthened research on key industries and key customer groups, optimized our credit extension strategies, formulated industry credit extension guidelines, and strengthened policy publicity and implementation to provide effective guidance for business development.

As at the end of the Reporting Period, the Bank’s single customer loan concentration was 4.37%, in compliance with the 10% cap requirement stipulated by the Former CBIRC; single group customer credit concentration was 8.79%, in compliance with the 15% cap requirement stipulated by the Former CBIRC; the loan concentration of the top ten customers was 33.39%; the credit concentration of a single related party customer was 2.12%, in compliance with the 10% cap regulatory requirement stipulated by the Former CBIRC; and the credit concentration of all related party customers was 25.49%, in compliance with the 50% cap requirement stipulated by the Former CBIRC.

7.2 Market Risk

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

Firstly, we completed the development of annual market risk limits. Taking into consideration the regulatory requirements and our foreign exchange exposure, we introduced limits for new cash management financial products, optimized foreign exchange-related indicators, and further strengthened limit control. Secondly, we continued to strengthen the building of our fundamental capabilities in market risk management. We strengthened our sensitivity analysis and stress testing for risk factors in financial market business, improved interest rates, exchange rates and other means for market risk identification and monitoring, optimized transaction verification, profit and loss analysis and other technical tools, and further diversified our management tools. Thirdly, we optimized the market risk reporting system. We added analyses on funds, wealth management underlying investments and other businesses, and strictly implemented the regular reporting mechanism for the professional committee on risk management of financial market business, thereby further enhancing the comprehensiveness of the risk report.

7.3 Operational Risk

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

Firstly, we arranged operational risk capital management, rationalized the distribution of operational risk loss data patterns, categories and items, advanced the establishment of the Bank's business indicators and loss data standards, conducted capital measurement and impact analysis, and laid a solid foundation for the capital measurement. Secondly, we constantly improved the construction of the lines of defence against risks, refined the performance assessment of risk and compliance management, formulated the annual plan to promote the use of operational risk tools, and strengthened the supervision and inspection of business lines, functional management departments and other "first lines of defence" to build a solid risk management framework. Thirdly, we constantly conducted operational risk identification and assessment by dynamically identifying operational risk events, risk factors and loss categories in the Bank's products and management activities, evaluating the inherent risks and the effectiveness of control measures, and identifying, preventing and controlling risks in advance. Fourthly, we improved business quality and efficiency and stepped up legal empowerment, optimized the legal review mechanism to enhance process efficiency, strengthened legal support for multi-dimensional prevention of legal risks, and conducted multiple rounds of trainings on legal matters at different levels to strengthen the legal risk prevention awareness and capabilities of all employees.

7.4 Liquidity Risk

Liquidity risk refers to the risk of failure to obtain sufficient funds in time or failure to obtain sufficient funds at a reasonable cost to pay off debts falling due, perform other payment obligations and meet other capital requirements for normal business operations. The objective of the Bank's liquidity risk management is to ensure sufficient fund positions to satisfy repayment obligations and capital requirements for business settlement. The Bank observes changes in liquidity closely, monitors the surplus and deficiency of funds on a real-time basis, sets the term structure in a rational manner, gradually enhances the allocation of assets and liabilities, achieves a balance in the asset-liability structure and steps up liquidity risk monitoring to assure liquidity is safe and under control. For liquidity risk management, we mainly adopted the following measures:

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

As at the end of the Reporting Period, the Bank's liquidity ratio was 63.61%, in compliance with the 25% minimum requirement stipulated by the Former CBIRC; its liquidity coverage rate was 205.17%, in compliance with the 100% minimum requirement stipulated by the Former CBIRC; its net stable funding ratio was 115.36%, in compliance with the 100% minimum requirement stipulated by the Former CBIRC. Overall, the Bank's key liquidity indicators met the regulatory requirements and its overall liquidity risk was under control.

7.5 Information Technology Risk

Information technology risk refers to the operational, legal, reputational and other risks caused by natural factors, human factors, technical loopholes and management flaws in the course of applying information technology. During the Reporting Period, the Bank constantly promoted the construction of an information technology risk management system and was committed to improving its information technology risk monitoring and management capabilities, scientifically organizing information system emergency drills to improve business continuity management. We mainly adopted the following measures:

Firstly, we strengthened our information technology management capabilities. We strengthened IT emergency drills at all levels, including basic environment, information security, network communication and information system, enhanced employees' ability to deal with emergencies and conflicts through regular drills, formed a standardized emergency scenario disposal plan, and constantly promoted automated disposal means to improve the timing of disposal and reduce the operational risks; we also strengthened the management of inspection and monitoring and took the initiative to identify and resolve the issues in a timely manner for effective protection of the business continuity. Secondly, we are committed to improving the quality and effectiveness of IT risk management. During the Reporting Period, we proactively promoted the online management of IT risk monitoring indicators and completed the online management of risk monitoring indicators in areas including development, testing, operation and outsourcing, and focused on the analysis of basic monitoring data to identify any potential risks that may exist. We organized on-site inspections on our important off-site outsourcers of information technology to prevent the occurrence of IT outsourcing risk events. Thirdly, we promoted the refinement of business continuity management. We planned and deployed the annual business continuity drills in advance and consolidated the business continuity management responsibilities of relevant departments and offices at the headquarters by adding a pre-drill review to ensure the quality of the drill implementation.

7.6 Reputational Risk

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

During the Reporting Period, the Bank further optimized the reputational risk prevention system covering complaints, reports, mediation and litigation. We strengthened public opinion monitoring, enhanced internal and external communication, and improved the quality and efficiency of joint prevention and control of reputational risk; proactively conducted brand publicity to create a favourable public opinion environment.

7.7 Anti-Money Laundering Management

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

Firstly, we improved our risk management policies and procedures for money laundering, revised two internal control systems, and further standardized our anti-money laundering working mechanism. Secondly, we strengthened the construction of an anti-money laundering system, optimized our risk monitoring and early warning functions, established a sound anti-money laundering and anti-terrorist financing list monitoring mechanism, and enhanced our risk identification, risk assessment and risk reporting capabilities. Thirdly, we carried out anti-money laundering inspections and supervisions, and data screening to timely identify and rectify weak links and potential hazards, and to enhance the quality and efficiency of our anti-money laundering work. Fourthly, we arranged anti-money laundering training and issued the Anti-money laundering Special Issue to comprehensively enhance the anti-money laundering capabilities of employees and to promote the anti-money laundering risk management culture. Fifthly, by continuous publicity of anti-money laundering, we promoted knowledge on anti-money laundering and anti-terrorism to the public to improve their awareness of anti-money laundering.

8 RECEIVING RESEARCH DELEGATIONS, COMMUNICATION AND INTERVIEW ACTIVITIES

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

9 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

9.1 Significant Environmental Protection Issues

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

9.2 Social Responsibility

As a financial institution based in a large agricultural province, the Bank accurately focused on “agriculture, rural areas, and farmers”, set up the Rural Finance Department at the head office level, issued the themed card for rural revitalization in the province and took multiple measures to promote the high-quality development of rural financial business. The Bank vigorously carried out the construction of “rural inclusive financial payment service stations” to promote financial services to rural areas, improve rural financial services environment and increase the supply of financial products in rural areas; held the “financial knowledge into rural areas” activity, developed and launched the “rural revitalization-version” of mobile banking, continuously optimized the sense of experience and sense of accomplishment of financial services for rural residents; continuously stepped up the issuance of themed cards for rural revitalization, carried out the promotion of the “rural revitalization version” of mobile banking App, and provided rural residents with personalized recommendations, intelligent voice recognition and other services; continued to set up “rural service sites +” scenarios, relied on the areas where service points were built to create an ecosystem of rural residents’ non-financial scenarios, such as basic necessities of life and medical care and entertainment; strengthened financial services for new agricultural business entities to resolve the issue of difficulty and high cost in obtaining financing for all kinds of new agricultural business entities within the province, and to provide financing services for all kinds of new agricultural business entities, such as professional farmer households, farmers’ cooperatives, agricultural enterprises, and agricultural social service organizations. As at the end of the Reporting Period, the balance of agriculture-related loans of the Bank was RMB85,195 million, representing an increase of 5.35% from the end of the previous year.

10 OUTLOOK

In the second half of 2023, the Bank will continue to strive for high-quality business development supported by high-quality party building under stronger party leadership, and persist in seeking progress while maintaining stability based on the strategic vision to become a “leading bank with high-quality development”. Firstly, we will continuously deepen reform, improve institutional mechanisms, and optimize structure, processes, product, marketing, management and operation to promote transformation and development. Secondly, we will further integrate business and technology, accelerate digital transformation, and enhance integrated data service capabilities to empower business transformation. Thirdly, we will strengthen team building, optimize resource allocation, and enhance our ability to serve and create value for customers, so as to lay a solid foundation for the high-quality development of the Bank in the future. Fourthly, we will comprehensively implement major national, provincial and municipal deployments, take measures to stabilize the overall economy, increase support for key areas and projects, support the stable and healthy development of real estate, and promote the development of policy-based technological innovation finance to serve the real economy with all our strength.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1 CHANGES IN ORDINARY SHARES

1.1 Table of Changes in Ordinary Shares

Unit: Shares

	As at 31 December 2022		Increase/decrease during the Reporting Period (+/-)					As at 30 June 2023	
	Number	Proportion (%)	Issuance of new shares	Bonus shares	Capitalization Issue	Others	Sub-total	Number	Proportion (%)
I. Shares subject to trading moratorium	344,097,605	4.16	-	-	+34,411,435	+16,746	34,428,181	378,525,786	4.16
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. Shares held by state-owned legal persons	188,650,000	2.28	-	-	+18,865,000	-	18,865,000	207,515,000	2.28
3. Shares held by other domestic investors	155,447,605	1.88	-	-	+15,546,435	+16,746	15,563,181	171,010,786	1.88
Including: Shares held by domestic legal persons	130,544,951	1.58	-	-	+13,054,495	-	13,054,495	143,599,446	1.58
Shares held by domestic natural persons	24,902,654	0.30	-	-	+2,491,940	+16,746	2,508,686	27,411,340	0.30
4. Shares held by foreign investors	-	-	-	-	-	-	-	-	-
Including: Shares held by overseas legal persons	-	-	-	-	-	-	-	-	-
Shares held by overseas natural persons	-	-	-	-	-	-	-	-	-
II. Shares not subject to trading moratorium	7,921,439,994	95.84	-	-	+792,142,324	-16,746	792,125,578	8,713,565,572	95.84
1. Ordinary Shares denominated in RMB	6,084,659,994	73.62	-	-	+608,464,324	-16,746	608,447,578	6,693,107,572	73.62
2. Domestically-listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas-listed foreign shares	1,836,780,000	22.22	-	-	+183,678,000	-	183,678,000	2,020,458,000	22.22
4. Others	-	-	-	-	-	-	-	-	-
III. Total	8,265,537,599	100.00	-	-	+826,553,759	-	826,553,759	9,092,091,358	100.00

Notes:

- The minor differences in the last digits are caused by rounding.
- During the Reporting Period, the Bank did not conduct any Share repurchase.

As at the end of the Reporting Period, the Bank had 9,092,091,358 issued Ordinary Shares, including 7,071,633,358 A Shares and 2,020,458,000 H Shares.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1.2 Description of Changes in Ordinary Shares

Changes in Ordinary Shares were mainly due to (1) in March 2023, the Shares subject to trading moratorium held by certain departing Directors, Supervisors, and senior management personnel changed; (2) in June 2023, upon approval by the 2022 AGM, the 2023 First A Shareholders Class Meeting, and the 2023 First H Shareholders Class Meeting of the Bank, the Bank implemented capitalization of capital reserve on the basis of one capitalization share for every 10 Shares, resulting in a total increase of 826,553,759 Shares. After the Capitalization Issue, the total number of Ordinary Shares of the Bank increased from 8,265,537,599 Shares to 9,092,091,358 Shares.

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

In June 2023, the Bank issued one new Share to the Ordinary Shareholders for every 10 Shares by way of Capitalization Issue. After the implementation of the Capitalization Issue, the number of Ordinary Shares of the Bank changed from 8,265,537,599 Shares to 9,092,091,358 Shares. Pursuant to the requirements of Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No.9): Calculation and Disclosure of Rate of Return on Equity and Earnings per Share (2010 Revision), basic earnings per Share and diluted earnings per Share for the comparison periods were recalculated based on the number of Shares after the Capitalization Issue. The above matters had no impact on net assets per Share for the previous year and latest period. The impact on earnings per Share is set out as follows:

Major financial indicators	January to	January to	January to
	June 2023	June 2022 (after restatement)	June 2021 (after restatement)
Basic earnings per Share (RMB/Share)	0.23	0.28	0.27
Diluted earnings per Share (RMB/Share) ^(Note)	0.23	0.28	0.27

Note: Diluted earnings per Share is calculated by dividing the adjusted net profit of the diluted potential Ordinary Shares attributable to Ordinary Shareholders of the Bank by the weighted average of the adjusted outstanding Ordinary Shares of the Bank. During the Reporting Period and the comparison period, there were no diluted potential Ordinary Shares of the Bank, therefore, diluted earnings per Share equals basic earnings per Share.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

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

Unit: Shares

Name of Shareholder	Number of Shares subject to trading moratorium at the beginning of the Reporting Period	Increase in the number of Shares subject to trading moratorium during the Reporting Period ⁽¹⁾	Number of Shares lifted from trading moratorium during the Reporting Period	Number of Shares subject to trading moratorium at the end of the Reporting Period	Reasons for trading moratorium	Date of lifting from trading moratorium
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	188,650,000	18,865,000	-	207,515,000	Share subscription from non-public issuance	27 November 2025
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	110,000,000	11,000,000	-	121,000,000	Share subscription from non-public issuance	27 November 2025
311 natural persons Shareholders who held more than 50,000 internal employee shares before the initial public offering of A Shares	23,960,603	2,396,060	-	26,356,663	Initial public offering	-
Directors, supervisors and senior managers of the Bank (including directors, supervisors and senior managers before the initial public offering of A Shares)	297,906 644,145	29,791 82,835 ⁽²⁾	- -	327,697 726,980	Initial public offering Locked shares held by senior management	- -
Shareholders whose Shares were still subject to trading moratorium period (excluding the above Shareholders)	20,544,951	2,054,495	-	22,599,446	Initial public offering	-
Total	344,097,605	34,428,181	-	378,525,786		

Notes:

- In June 2023, the Bank implemented capitalization of capital reserve on the basis of one capitalization share for every 10 Shares. The Shares obtained by Shareholders through the capitalization issue were locked subject to the conditions of the restricted Shares held by them.
- The Shares of Directors, Supervisors and senior management were locked and lifted from trading moratorium in accordance with the requirements of the No. 1 Self-discipline and Regulation Guideline for Listed Companies on Shenzhen Stock Exchange – Standard Operation of Listed Companies on the Main Board (深圳證券交易所上市公司自律監管指引第 1 號—主板上市公司規範運作).
- The minor differences in the last digits are caused by rounding.

2 ISSUANCE AND LISTING OF SECURITIES

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

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

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

3 INFORMATION ON ORDINARY SHAREHOLDERS

Number of Ordinary Shareholders and Their Shareholding

As at the end of the Reporting Period, the Bank had a total of 99,731 Ordinary Shareholders, of whom 99,677 were holders of A Shares and 54 were holders of H Shares.

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

Unit: Shares

Name of Shareholder	Nature of Shareholder	Shares type	Shareholdings percentage (%)	Number of Ordinary Shares held at the end of the Reporting Period	Changes over the Reporting Period (+/-)	Number of Ordinary Shares held subject to trading moratorium	Number of Ordinary Shares held not subject to trading moratorium	Pledged, labelled or frozen Status of Shares	Number
HKSCC Nominees Limited	Overseas legal person	H Shares	22.22	2,020,248,927	+183,660,203	-	2,020,248,927	Unknown	-
Zhengzhou Finance Bureau (鄭州市財政局)	State-owned	A Shares	7.23	657,246,311	+59,749,665	-	657,246,311	Pledged	93,278,900
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	State-owned legal person	A Shares	6.69	608,105,180	+55,282,269	207,515,000	400,590,180	-	-
Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	State-owned legal person	A Shares	4.24	385,930,906	+35,084,627	-	385,930,906	-	-
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Domestic non state-owned legal person	A Shares	4.24	385,930,856	+35,084,623	121,000,000	264,930,856	Pledged	264,324,500
Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)	Domestic non state-owned legal person	A Shares	3.84	348,722,000	+31,702,000	-	348,722,000	Pledged Frozen	348,722,000 26,620,000
Zhongyuan Trust Co., Ltd. (中原信託有限公司)	State-owned legal person	A Shares	3.50	318,676,633	+28,970,603	-	318,676,633	-	-
Henan Chendong Industry Co., Ltd. (河南農東實業有限公司)	Domestic non state-owned legal person	A Shares	1.76	160,372,221	+5,209,293	-	160,372,221	Pledged Frozen	160,304,992 67,229
Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)	Domestic non state-owned legal person	A Shares	1.51	137,311,246	-541,075	-	137,311,246	-	-
Henan Shengrun Holding Group Co., Ltd. (河南盛潤控股集團有限公司)	Domestic non state-owned legal person	A Shares	1.46	133,100,000	+12,100,000	-	133,100,000	Pledged Frozen	133,100,000 133,100,000
Strategic investors or ordinary legal persons becoming top 10 Shareholders by way of placing of new Shares (if any)			None						
Description of related party relationships or concerted actions of the above Shareholders	Zhengzhou Finance Bureau wholly owns Zhengzhou Investment Group Co., Ltd. (鄭州市投資集團有限公司), which in turn wholly owns Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), which in turn wholly owns Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司). The Bank is not aware of any related party relationship among the above other Shareholders or whether they are parties acting in concert under the Administrative Measures on the Acquisition of Listed Companies (《上市公司收購管理辦法》).								
Description of entrusting/being entrusted voting rights or waiving voting rights of the above Shareholders	Henan Investment Group Co., Ltd. (河南投資集團有限公司) and Zhongyuan Trust Co., Ltd. signed the Voting Rights Entrustment Agreement, entrusting the corresponding voting rights of 98,746,133 A Shares (the number of shares before the Bank implemented the capitalization issuance plan in December 2021 and June 2023) held by Henan Investment Group Co., Ltd. (河南投資集團有限公司) to Zhongyuan Trust Co., Ltd. (中原信託有限公司).								
Special description of the special accounts for repurchase held by the top 10 Shareholders	None								
Description of the top 10 Ordinary Shareholders participating in margin financing and securities lending business (if any)	Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) holds 429,905,180 A Shares through ordinary securities account and 178,200,000 A Shares through the customer credit transaction guaranteed securities account of CITIC Construction Investment Securities Co., Ltd. (中信建投證券股份有限公司), holding a total of 608,105,180 A Shares. Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司) holds 12,685 A Shares through ordinary securities account and 137,298,561 A Shares through the customer credit transaction guaranteed securities account of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司), holding a total of 137,311,246 A Shares.								

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

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

Unit: Shares

Name of Shareholder	Number of Ordinary Shares held not subject to trading moratorium at the end of the Reporting Period	Type of Shares	
		Type of Shares	Number
HKSCC Nominees Limited	2,020,248,927	H Shares	2,020,248,927
Zhengzhou Finance Bureau (鄭州市財政局)	657,246,311	A Shares	657,246,311
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	400,590,180	A Shares	400,590,180
Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	385,930,906	A Shares	385,930,906
Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)	348,722,000	A Shares	348,722,000
Zhongyuan Trust Co., Ltd. (中原信託有限公司)	318,676,633	A Shares	318,676,633
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	264,930,856	A Shares	264,930,856
Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司)	160,372,221	A Shares	160,372,221
Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)	137,311,246	A Shares	137,311,246
Henan Shengrun Holding Group Co., Ltd. (河南盛潤控股集團有限公司)	133,100,000	A Shares	133,100,000
Description of related party relationships or concerted actions among the top 10 Ordinary Shareholders not subject to trading moratorium, and between the top 10 Ordinary Shareholders not subject to trading moratorium and the top 10 Ordinary Shareholders	Please refer to the line headed "Description of related party relationships or concerted actions of the above Shareholders" in the table of the direct shareholdings of the top 10 Ordinary Shareholders.		

Notes:

- The above data are sourced from the register of members of the Bank as at 30 June 2023.
- The Shares held by HKSCC Nominees Limited are held by it in the capacity of an agent and represent the aggregate number of H Shares held by all institutional and individual investors registered in HKSCC Nominees Limited as at the end of the Reporting Period.

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

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

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

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

Name of substantial Shareholder	Class of Shares	Long/Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued Ordinary Shares (%)
Zhengzhou Finance Bureau (鄭州市財政局)	A Shares	Long	Beneficial owner and interest of controlled corporation ⁽¹⁾	1,418,761,196	20.06	15.60
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	A Shares	Long	Beneficial owner	608,105,180	8.60	6.69
Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司)	A Shares	Long	Interest of controlled corporation ⁽¹⁾	608,105,180	8.60	6.69
Zhengzhou Investment Group Co., Ltd. (鄭州市投資集團有限公司)	A Shares	Long	Interest of controlled corporation ⁽¹⁾	608,105,180	8.60	6.69
Henan Investment Group Co., Ltd. (河南投資集團有限公司)	A Shares	Long	Beneficial owner and Interest of controlled corporation ⁽²⁾	438,159,454	6.20	4.82
Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	A Shares	Long	Beneficial owner	385,930,906	5.46	4.24
SPIC Capital Holding Co., Ltd. (國家電投集團資本控股有限公司)	A Shares	Long	Interest of controlled corporation ⁽³⁾	385,930,906	5.46	4.24
SPIC Industry-Finance Holding Co., Ltd. (國家電投集團產融控股股份有限公司)	A Shares	Long	Interest of controlled corporation ⁽³⁾	385,930,906	5.46	4.24
State Power Investment Corporation Limited (國家電力投資集團有限公司)	A Shares	Long	Interest of controlled corporation ⁽³⁾	385,930,906	5.46	4.24
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	A Shares	Long	Beneficial owner	385,930,856	5.46	4.24
ZHU Zhihui (朱志暉)	A Shares	Long	Interest of controlled corporation ⁽⁴⁾	385,930,856	5.46	4.24
China Goldjoy Securities Limited (中國金洋證券有限公司)	H Shares	Long	Custodian	502,018,594	24.85	5.52
CITIC Securities Company Limited	H Shares	Short	Interest of controlled corporation ⁽⁵⁾	326,292,751	16.15	3.59
Yunnan International Holding Group Limited	H Shares	Long	Beneficial owner	302,619,651	14.98	3.33
Yunnan Energy Investment (HK) Co., Limited	H Shares	Long	Interest of controlled corporation ⁽⁶⁾	302,619,651	14.98	3.33
Yunnan Provincial Energy Investment Group Co., Ltd.	H Shares	Long	Interest of controlled corporation ⁽⁶⁾	302,619,651	14.98	3.33
Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁷⁾	171,699,000	8.50	1.89
WEI Lidong (尉立東)	H Shares	Long	Interest of controlled corporation ⁽⁷⁾	171,699,000	8.50	1.89
Hong Kong Xingrui International Investment Co., Ltd. (香港興瑞國際投資有限公司)	H Shares	Long	Beneficial owner	133,167,881	6.59	1.46

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Name of substantial Shareholder	Class of Shares	Long/Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued Ordinary Shares (%)
Henan Zhenyiyuan Industrial Co., Ltd. (河南臻益遠實業有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁹⁾	133,167,881	6.59	1.46
Zhengzhou Xingqian Trading Co., Ltd. (鄭州興謙商貿有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁹⁾	133,167,881	6.59	1.46
CHEN Xingming (陳星明)	H Shares	Long	Interest of controlled corporation ⁽⁹⁾	133,167,881	6.59	1.46
Zhengzhou Zhengdong New District Construction Development Investment Co., Ltd. (鄭州市鄭東新區建設開發投資總公司)	H Shares	Long	Beneficial owner ⁽⁹⁾	133,100,000	6.59	1.46
Goncius I Limited	H Shares	Long	Beneficial owner ⁽¹⁰⁾	115,501,859	5.72	1.27
	H Shares	Short	Beneficial owner ⁽¹⁰⁾	115,501,859	5.72	1.27

As far as the Bank is aware, the above number of Shares represents the respective Shareholders' interests and short positions as at the end of the Reporting Period, but the relevant number of Shares and information may be different from the summary of DI Forms submitted to the Hong Kong Stock Exchange by relevant Shareholders. This is mainly because the Bank made the calculation based on public information disclosed such as summary of DI Forms and the register of members of the Bank as well as each of the capitalization issue plans.

Notes:

- These 1,418,761,196 Shares are directly or indirectly held by Zhengzhou Finance Bureau (鄭州市財政局), including 657,246,311 Shares directly held by Zhengzhou Finance Bureau (鄭州市財政局), 608,105,180 Shares held by Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), 86,859,705 Shares held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), and 66,550,000 Shares held by Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司). Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) is wholly-owned by Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), which is in turn wholly-owned by Zhengzhou Investment Group Co., Ltd. (鄭州市投資集團有限公司), which is in turn wholly-owned by Zhengzhou Finance Bureau (鄭州市財政局). Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司) and Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) are directly or indirectly wholly-owned by Zhengzhou Finance Bureau (鄭州市財政局). By virtue of the SFO, Zhengzhou Investment Group Co., Ltd. (鄭州市投資集團有限公司) and Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司) are deemed to be interested in the Shares held by Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), while Zhengzhou Finance Bureau (鄭州市財政局) is deemed to be interested in the Shares held by Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), and Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司). Ms. WANG Dan (王丹), a non-executive Director, is a director of Zhengzhou Investment Group Co., Ltd. (鄭州市投資集團有限公司) and works in Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), and Mr. LIU Bingheng (劉炳恒), a non-executive Director, serves as a director of the financial operation center of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司).

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

2. These 438,159,454 Shares are directly or indirectly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司), including 119,482,821 Shares directly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司) and 318,676,633 Shares held through Zhongyuan Trust Co., Ltd. (中原信託有限公司). Zhongyuan Trust Co., Ltd. (中原信託有限公司) is held as to 58.97% by Henan Investment Group Co., Ltd. (河南投資集團有限公司). By virtue of the SFO, Henan Investment Group Co., Ltd. (河南投資集團有限公司) is deemed to be interested in the Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司). Mr. JI Hongjun (姬宏俊), a non-executive Director who resigned on 29 August 2023, served as deputy general manager of Zhongyuan Trust Co., Ltd. (中原信託有限公司).
3. Bridge Trust Co., Ltd. (百瑞信託有限責任公司) is owned as to 50.24% by SPIC Capital Holdings Co., Ltd. (國家電投集團資本控股有限公司), which is in turn wholly-owned by SPIC Industry-Finance Holding Co., Ltd. (國家電投集團產融控股股份有限公司), while SPIC Industry-Finance Holding Co., Ltd. (國家電投集團產融控股股份有限公司) is owned as to 53.25 % by State Power Investment Corporation Limited (國家電力投資集團有限公司). By virtue of the SFO, SPIC Capital Holdings Co., Ltd. (國家電投集團資本控股有限公司), SPIC Industry-Finance Holding Co., Ltd. (國家電投集團產融控股股份有限公司) and State Power Investment Corporation Limited (國家電力投資集團有限公司) are deemed to be interested in the Shares held by Bridge Trust Co., Ltd. (百瑞信託有限責任公司).
4. Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) is owned as to 90% and 10% by Mr. ZHU Zhihui (朱志暉) and his spouse Ms. WANG Linhui (王林輝), respectively. By virtue of the SFO, Mr. ZHU Zhihui (朱志暉) is deemed to be interested in the Shares held by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司). Mr. ZHU Zhihui (朱志暉), a Supervisor of the Bank, is the legal representative, executive director and general manager of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司).
5. CITIC Securities Company Limited held 326,292,751 H Shares (short position) of the Bank in aggregate through certain of its wholly-owned subsidiaries. These 326,292,751 H Shares (short position) involve derivatives in the classes below:

326,292,751 H Shares (short position) – Settled in cash (curb trading)

As the relevant interests involve derivatives, the information disclosed has not taken into account the capital reserve capitalization plan implemented in June 2023 by the Bank.
6. These 302,619,651 Shares are directly held by Yunnan International Holding Group Limited, which is owned as to 40% by Yunnan Energy Investment (HK) Co., Limited, while Yunan Energy Investment (HK) Co., Limited is wholly-owned by Yunnan Provincial Energy Investment Group Co., Ltd. By virtue of the SFO, Yunnan Energy Investment (HK) Co., Limited and Yunnan Provincial Energy Investment Group Co., Ltd. are deemed to be interested in the Shares held by Yunnan International Holding Group Limited.
7. Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司) is owned as to 99.90% by Mr. WEI Lidong (尉立東) and Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司) holds a total of 171,699,000 Shares through certain subsidiaries. By virtue of the SFO, Mr. WEI Lidong (尉立東) is deemed to be interested in the Shares held by Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司).
8. Hong Kong Xingrui International Investment Co., Ltd. (香港興瑞國際投資有限公司) is wholly-owned by Henan Zhenyiyuan Industrial Co., Ltd. (河南臻益遠實業有限公司), which is owned as to 99% and 1% by Zhengzhou Xingqian Trading Co., Ltd. (鄭州興謙商貿有限公司) and Mr. CHEN Xingming (陳星明) respectively. Zhengzhou Xingqian Trading Co., Ltd. (鄭州興謙商貿有限公司) is held as to 98% by Mr. CHEN Xingming (陳星明) and 2% by Mr. LI Jie (李傑). By virtue of the SFO, Henan Zhenyiyuan Industrial Co., Ltd. (河南臻益遠實業有限公司), Zhengzhou Xingqian Trading Co., Ltd. (鄭州興謙商貿有限公司) and Mr. CHEN Xingming (陳星明) are all deemed to be interested in the Shares held by Hong Kong Xingrui International Investment Co., Ltd. (香港興瑞國際投資有限公司).

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9. Zhengzhou Zhengdong New District Construction Development Investment Co., Ltd. (鄭州市鄭東新區建設開發投資總公司) was established by the Zhengzhou Zhengdong New District Management Committee (鄭州鄭東新區管理委員會).

10. These 115,501,859 H Shares (long position) and 115,501,859 H Shares (short position) held by Goncius I Limited involve derivatives in the classes below:

115,501,859 H Shares (long position)	– Convertible instruments (on-exchange transaction)
115,501,859 H Shares (short position)	– Settled in cash (curb trading)

As the relevant interests involve derivatives, the information disclosed has not taken into account each of the capital reserve capitalization plans of the Bank.

11. As at the end of the Reporting Period, the percentage of share interests held by Bao Xin Development Limited, Bao Xin International Group Limited, Tinmark Development Limited, True Benefit Global Limited, and Mr. LUO Yiping (羅一平) decreased to 4.90%.

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

5 INFORMATION ON CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

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

6 SUBSTANTIAL SHAREHOLDERS

6.1 Holders with 5% or More Shareholding in the Bank

Zhengzhou Finance Bureau (鄭州市財政局): Unified Social Credit Code is 11410100005252522X; the person in charge is Mr. GENG Yongjun (耿勇軍). As at the end of the Reporting Period, Zhengzhou Finance Bureau (鄭州市財政局) directly held 657,246,311 A Shares, accounting for 7.23% of the total issued Ordinary Shares of the Bank. In addition, Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), and Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) which are directly or indirectly wholly-owned by Zhengzhou Finance Bureau (鄭州市財政局) hold a total of 761,514,885 A Shares. These Shares in total accounted for 1,418,761,196 A Shares and 15.60% of the total issued Ordinary Shares of the Bank. Ms. WANG Dan (王丹), a non-executive Director, is a director of Zhengzhou Investment Group Co., Ltd. (鄭州市投資集團有限公司) and works in Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), a company held by Zhengzhou Finance Bureau (鄭州市財政局) through Zhengzhou Investment Group Co., Ltd. (鄭州市投資集團有限公司). The related parties of Zhengzhou Finance Bureau (鄭州市財政局) include Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), and Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司). The ultimate beneficiary of Zhengzhou Finance Bureau (鄭州市財政局) is itself.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司): incorporated on 25 October 2005; the registered capital is RMB3,525 million; the Unified Social Credit Code is 91410100780545414U; the main business scope covers investment and management of state-owned assets, real estate development and sales as well as house leasing. As at the end of the Reporting Period, Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) held 608,105,180 A Shares, accounting for 6.69% of the total issued Ordinary Shares of the Bank. Mr. LIU Bingheng (劉炳恒), a non-executive Director, is a director of the financial operation center of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司). The controlling shareholder of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) is Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), and the de facto controller is Zhengzhou Finance Bureau (鄭州市財政局). Related parties include Zhengzhou State-owned Holding Xicheng Construction Co., Ltd. (鄭州國控西城建設有限公司), Zhengzhou National Investment Real Estate Co., Ltd. (鄭州國投置業有限公司) and Zhengzhou Industry Development Guidance Fund Co., Ltd. (鄭州市產業發展引導基金有限公司), etc. The ultimate beneficiary of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) is itself.

6.2 Other Substantial Shareholders

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

Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司): incorporated on 5 December 2005; the registered capital is RMB200 million; the Unified Social Credit Code is 91410100783405337J; the legal representative is Mr. ZHU Zhihui (朱志暉); the main business scope covers the sales of building and decorative materials, mechanical and electrical products (excluding automobiles), hardware and electrical equipment etc.; house leasing; wholesale and retail as well as prepackaged food. As at the end of the Reporting Period, Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) held 385,930,856 A Shares, accounting for 4.24% of the total issued Ordinary Shares of the Bank. Mr. ZHU Zhihui (朱志暉), a Supervisor of the Bank, is the legal representative, executive director and general manager of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司). The controlling shareholder and de facto controller of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) is Mr. ZHU Zhihui (朱志暉). Related parties include Zhengzhou Huida Industrial Development Co., Ltd. (鄭州暉達實業發展有限公司), Henan Huida Construction & Investment Co., Ltd. (河南暉達建設投資有限公司) and Huida Holdings Co., Ltd. (暉達控股有限公司), etc. The ultimate beneficiary of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) is itself.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Zhongyuan Trust Co., Ltd. (中原信託有限公司): incorporated on 27 November 2002; the registered capital is RMB4 billion; the Unified Social Credit Code is 91410000169953018F; the legal representative is Mr. CAO Weidong (曹衛東); the main business scope covers the trusting of funds, movable property, immovable property, negotiable securities, other property or property rights; and engaging in investment fund business, etc. as an investment fund or a sponsor of a fund management company. As at the end of the Reporting Period, Zhongyuan Trust Co., Ltd. (中原信託有限公司) held 318,676,633 A Shares, accounting for 3.50% of the total issued Ordinary Shares of the Bank. Mr. JI Hongjun (姬宏俊), a non-executive Director who resigned on 29 August 2023, served as deputy general manager of Zhongyuan Trust Co., Ltd. (中原信託有限公司). The controlling shareholder of Zhongyuan Trust Co., Ltd. (中原信託有限公司) is Henan Investment Group Co., Ltd. (河南投資集團有限公司), and the de facto controller is Henan Provincial Department of Finance (河南省財政廳). Related parties include Henan Investment Group Co., Ltd. (河南投資集團有限公司), Henan Zhongyuan Expressway Co., Ltd. (河南中原高速公路股份有限公司) and Great Wall Fund Management Co., Ltd. (長城基金管理有限公司). The ultimate beneficiary of Zhongyuan Trust Co., Ltd. (中原信託有限公司) is itself.

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

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

8 PLEDGE AND FREEZING OF SHARES OF THE BANK

As at the end of the Reporting Period, to the knowledge of the Bank, 1,847,853,185 Ordinary Shares of the Bank (accounting for 20.32% of the total issued Ordinary Shares) were subject to pledges and 229,453,059 Ordinary Shares were subject to freezing. No Shares were subject to judicial auction during the Reporting Period. The Bank has no controlling Shareholders and therefore, there is no pledging of Shares of the Bank by controlling Shareholders.

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

During the Reporting Period, none of the Bank and its subsidiaries had purchased, sold or redeemed any listed securities or redeemable securities of the Bank. For details of bond issuance and redemption, please refer to “Issuance and Repurchase of Bonds” in the chapter headed “Significant Events” of this report.

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

1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR DIRECT SHAREHOLDINGS

Directors

Name	Gender	Date of birth	Position	Status	Term of office	Class of Shares	Number of Shares held as at the beginning of the Reporting Period	Increase in the number of Shares held during the Reporting Period	Decrease in the number of Shares held during the Reporting Period	Number of Shares held as at the end of the Reporting Period	Number of Shares granted	
											Number of Shares subject to trading moratorium as at the beginning of the Reporting Period	Number of Shares subject to trading moratorium as at the end of the Reporting Period
ZHAO Fei (趙飛)	Male	February 1975	Chairman	In office	2023.7.14-2024.6.16	-	-	-	-	-	-	-
			Executive Director	In office	2023.5.25-2024.6.16	-	-	-	-	-	-	-
WANG Dan (王丹)	Female	January 1978	Non-executive Director	In office	2021.11.8-2024.6.16	-	-	-	-	-	-	-
LIU Bingheng (劉炳恒)	Male	September 1969	Non-executive Director	In office	2021.11.9-2024.6.16	-	-	-	-	-	-	-
WANG Shihao (王世豪)	Male	April 1950	Non-executive Director	In office	2018.7.5-2024.6.16	A Shares	22,000	2,200	-	24,200	-	-
LI Yanyan (李燕燕)	Female	January 1968	Independent non-executive Director	In office	2018.7.5-2024.6.16	-	-	-	-	-	-	-
LI Xiaojian (李小建)	Male	August 1954	Independent non-executive Director	In office	2021.12.20-2024.6.16	-	-	-	-	-	-	-
SONG Ke (宋科)	Male	April 1982	Independent non-executive Director	In office	2022.1.19-2024.6.16	-	-	-	-	-	-	-
LI Shuk Yin Edwina (李淑賢)	Female	December 1962	Independent non-executive Director	In office	2021.12.20-2024.6.16	-	-	-	-	-	-	-
WANG Tianyu (王天宇)	Male	March 1966	Chairman	Resigned	2011.3.9-2023.3.21	A Shares	63,143	6,314	-	69,457	-	-
			Executive Director	Resigned	2005.12.16-2023.3.21	-	-	-	-	-	-	-
XIA Hua (夏華)	Male	August 1967	Vice chairman, Executive Director	Resigned	2020.7.2-2023.7.11	A Shares	51,150	5,115	-	56,265	-	-
JI Hongjun (姬宏俊)	Male	June 1963	Non-executive Director	Resigned	2012.7.12-2023.8.29	A Shares	1,870	187	-	2,057	-	-

Notes:

- The starting dates of the term of office represent the dates on which the relevant qualifications are approved by the banking regulatory authority.
- In June 2023, the Bank implemented capitalization of capital reserve on the basis of one capitalization share for every 10 Shares. The number of Shares held by Directors has changed.

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

Supervisors

Name	Gender	Date of birth	Position	Status	Term of office	Class of Shares	Number of Shares held as at the beginning of the Reporting Period	Increase in the number of Shares held during the Reporting Period	Decrease in the number of Shares held during the Reporting Period	Number of Shares held as at the end of the Reporting Period	Number of granted Shares	
											Number of Shares subject to trading moratorium as at the beginning of the Reporting Period	Number of granted Shares subject to trading moratorium as at the end of the Reporting Period
ZHU Zhihui (朱志輝)	Male	August 1969	Shareholder Supervisor	In office	2015.6.18-2024.6.16	-	-	-	-	-	-	-
XU Changsheng (徐長生)	Male	October 1963	External Supervisor	In office	2021.6.17-2024.6.16	-	-	-	-	-	-	-
GENG Mingzhai (耿明齋)	Male	February 1952	External Supervisor	In office	2023.6.15-2024.6.16	-	-	-	-	-	-	-
LI Huaibin (李懷斌)	Male	September 1969	Employee Supervisor	In office	2018.6.15-2024.6.16	A Shares	54,200	5,420	-	59,620	-	-
CHEN Xinxiu (陳新秀)	Female	June 1973	Employee Supervisor	In office	2021.6.17-2024.6.16	A Shares	47,300	4,730	-	52,030	-	-
ZHAO Lijuan (趙麗娟)	Female	September 1962	Chairlady of the Board of Supervisors	Resigned	2016.6.17-2023.3.21	A Shares	58,850	5,885	-	64,735	-	-
MA Baojun (馬寶軍)	Male	March 1963	Employee Supervisor	Resigned	2018.6.15-2023.3.21	-	-	-	-	-	-	-
			External Supervisor	Resigned	2018.1.19-2023.6.15	-	-	-	-	-	-	-

Note:

1. In June 2023, the Bank implemented capitalization of capital reserve on the basis of one capitalization share for every 10 Shares. The number of Shares held by Supervisors has changed.

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

Senior Management

Name	Gender	Date of birth	Position	Status	Term of office	Class of Shares	Number of Shares						
							held as at the beginning of the Reporting Period	Increase in the number of Shares held during the Reporting Period	Decrease in the number of Shares held during the Reporting Period	Number of Shares held as at the end of the Reporting Period	Number of Shares subject to trading moratorium as at the beginning of the Reporting Period	Number of Shares subject to trading moratorium as at the end of the Reporting Period	Number of Shares granted subject to trading moratorium as at the end of the Reporting Period
FU Chunqiao (傅春喬)	Male	October 1973	Vice President	In office	2019.3.29 to present	A Shares	48,200	4,820	-	53,020	-	-	-
GUO Zhibin (郭志彬)	Male	October 1968	Vice President	In office	2015.12.30 to present	A Shares	93,558	9,356	-	102,914	-	-	-
SUN Haigang (孫海剛)	Male	August 1977	Vice President (acting as the President)	In office	2018.2.28 to present	A Shares	47,700	4,770	-	52,470	-	-	-
SUN Runhua (孫潤華)	Male	May 1972	Vice President	In office	2022.5.20 to present	-	-	-	-	-	-	-	-
LI Lei (李磊)	Male	August 1973	Assistant to President	In office	2017.11.21 to present	A Shares	135,826	13,582	-	149,408	-	-	-
ZHANG Houlin (張厚林)	Male	June 1976	Assistant to President	In office	2017.11.21 to present	A Shares	42,020	4,202	-	46,222	-	-	-
LI Hong (李紅)	Female	February 1973	Assistant to President	In office	2019.3.29 to present	A Shares	78,563	7,856	-	86,419	-	-	-
LIU Jiuqing (劉久慶)	Male	March 1978	Assistant to President	In office	2019.3.29 to present	A Shares	49,500	4,950	-	54,450	-	-	-
JIANG Tao (姜濤)	Male	April 1972	Chief Information Officer	In office	2015.12.31 to present	A Shares	43,350	4,335	-	47,685	-	-	-
WANG Yanli (王艷麗)	Female	October 1970	Chief Risk Officer	In office	2018.2.12 to present	A Shares	174,533	17,453	-	191,986	-	-	-
WANG Zhaoqi (王兆琪)	Female	November 1967	Chief Auditor	In office	2018.3.8 to present	A Shares	123,947	12,395	-	136,342	-	-	-
XIA Hua (夏華)	Male	August 1967	Secretary to the Board	Resigned	2021.8.27 to 2023.7.11	A Shares	51,150	5,115	-	56,265	-	-	-
ZHAO Fei (趙飛)	Male	February 1975	President	Appointed and resigned	2022.11.23 to 2023.7.17	-	-	-	-	-	-	-	-

Notes:

- The starting dates of the term of office represent the dates on which the relevant qualifications are approved by the banking regulatory authority (the term of office of the secretary to the Board begins on the date when the appointment is considered and approved at the Board meeting).
- In June 2023, the Bank implemented capitalization of capital reserve on the basis of one capitalization share for every 10 Shares. The number of Shares held by senior management has changed.

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

2 CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Type	Date	Reason
ZHAO Fei	Executive Director	Elected	25 May 2023	Application for resignation due to work adjustment
	Chairman	Elected	14 July 2023	
	President	Appointed and resigned	17 July 2023	
WANG Tianyu	Chairman and executive Director	Resigned	21 March 2023	Resignation due to his intention to take on new position in accordance with the relevant work requirements for management personnel of financial corporations and the working arrangement of the organization
XIA Hua	Vice chairman, executive Director and secretary to the Board	Resigned	11 July 2023	Resignation due to work adjustment
JI Hongjun	Non-executive Director	Resigned	29 August 2023	Resignation after reaching the retirement age
ZHAO Lijuan	Chairlady of the Board of Supervisors and employee Supervisor	Resigned	21 March 2023	Resignation after reaching the retirement age
GENG Mingzhai	External Supervisor	Elected	15 June 2023	Resignation due to personal reasons
MA Baojun	External Supervisor	Resigned	15 June 2023	

On 13 September 2022, the Board agreed to nominate Mr. ZHAO Fei as a candidate for the executive Director of the seventh session of the Board of the Bank. On 14 April 2023, the election of Mr. ZHAO Fei as an executive Director of the seventh session of the Board was considered and approved at the 2023 first extraordinary general meeting of the Bank. His qualification as a Director was approved by Former CBIRC Henan Office on 25 May 2023. On 21 April 2023, the Board considered and approved the election of Mr. ZHAO Fei as the chairman of the seventh session of the Board. His qualification as the chairman was approved by Former CBIRC Henan Office on 14 July 2023. For details, please refer to the announcements dated 14 September 2022, 25 November 2022, 22 March 2023, 15 April 2023, 22 April 2023, 30 May 2023 and 15 July 2023 published by the Bank on the website of CNINFO and the announcements dated 14 September 2022, 25 November 2022, 21 March 2023, 14 April 2023, 21 April 2023, 30 May 2023 and 14 July 2023 and the circular dated 21 March 2023 published by the Bank on the website of the Hong Kong Stock Exchange.

On 17 July 2023, Mr. ZHAO Fei tendered his resignation as the president of the Bank due to work adjustment, and had been effective upon the resignation report being served on the Board. During the period of vacancy, in accordance with the Articles of Association and relevant regulations of the Bank, Mr. SUN Haigang was in charge after following necessary organizational procedures. On 29 August 2023, the Board has agreed to nominate Mr. SUN Haigang to perform the duties on behalf of the president of the Bank. The term of duty shall commence on the effective date of Mr. ZHAO Fei's resignation as the president until the date on which the qualification of the new president is approved by the regulatory authorities. For more details, please refer to the announcement dated 30 August 2023 published by the Bank on the website of CNINFO and the announcement dated 29 August 2023 on the website of the Hong Kong Stock Exchange.

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

On 21 March 2023, Mr. WANG Tianyu resigned as an executive Director and chairman of the seventh session of the Board of the Bank as he intends to take on new position in accordance with the relevant work requirements for management personnel of financial corporations and the working arrangement of the organization. For details, please refer to the announcement dated 22 March 2023 published by the Bank on the website of CNINFO and the website of the Hong Kong Stock Exchange.

On 11 July 2023, Mr. XIA Hua resigned as an executive Director and the vice chairman of, and the secretary to, the seventh session of the Board of the Bank due to work adjustment. The Board agreed to nominate Mr. ZHANG Hua as a candidate for the executive Director of the seventh session of the Board of the Bank, and proposed to the general meeting for approving his election as the executive Director of the seventh session of Board. Upon consideration and approval by the general meeting, his qualification shall be submitted to relevant regulatory authority for approval, after which he shall officially take office and hold office until the term of the seventh session of the Board expires. The Board also considered and approved to elect Mr. ZHAO Fei to perform the duties of secretary to the Board on an interim basis. For details, please refer to the announcement dated 12 July 2023 published by the Bank on the website of CNINFO and the website of the Hong Kong Stock Exchange.

On 29 August 2023, Mr. JI Hongjun resigned as a non-executive Director of the seventh session of the Board of the Bank after reaching the retirement age. The Board agreed to nominate Mr. WEI Lei as a candidate for non-executive Director, and agreed to submit the resolution to the general meeting for consideration. Upon consideration and approval at the general meeting, his qualification shall be submitted to relevant regulatory authority for approval, after which he shall officially take office, and hold office until the expiration of the term of the seventh session of the Board. For more details, please refer to the announcement dated 30 August 2023 published by the Bank on the website of CNINFO and the announcement dated 29 August 2023 on the website of the Hong Kong Stock Exchange.

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

On 16 April 2023, Mr. MA Baojun resigned as an external Supervisor of the seventh session of the Board of Supervisors of the Bank due to personal reasons. On 19 May 2023, the Board of Supervisors agreed to nominate Mr. GENG Mingzhai as a candidate for external Supervisor of the seventh session of the Board of Supervisors of the Bank. On 15 June 2023, the 2022 annual general meeting of the Bank considered and approved the election of Mr. GENG Mingzhai as an external Supervisor of the seventh session of the Board of Supervisors, with a term of office from the date of approval at the annual general meeting until the term of the seventh session of the Board of Supervisors expires. For details, please refer to the announcements dated 18 April 2023, 20 May 2023, 29 May 2023 and 16 June 2023 published by the Bank on the website of CNINFO and the announcements dated 18 April 2023, 27 April 2023, 19 May 2023, 29 May 2023 and 15 June 2023 and the circular dated 29 May 2023 published by the Bank on the website of the Hong Kong Stock Exchange.

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

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

Ms. WANG Dan, a non-executive Director, has served as a director of Zhengzhou Investment Group Co., Ltd. (鄭州市投資集團有限公司) since March 2023.

Mr. JI Hongjun, a non-executive Director, ceased to be the deputy general manager of Zhongyuan Trust Co., Ltd. (中原信託有限公司) since July 2023.

Ms. LI Shuk Yin Edwina, an independent non-executive Director, has served as an external supervisor of PICC Property and Casualty Company Limited (listed on the Hong Kong Stock Exchange, stock code: 02328) since January 2023 and as an independent non-executive director of CNOOC Limited (listed on the Hong Kong Stock Exchange (stock code: 00883) and the Shanghai Stock Exchange (stock code: 600938)) since May 2023.

Mr. ZHU Zhihui, a Shareholder Supervisor, ceased to be the chairman of Huida Holdings Co., Ltd. (暉達控股有限公司) since March 2023.

4 COMPANY SECRETARY AND AUTHORIZED REPRESENTATIVE

On 11 July 2023, Mr. XIA Hua resigned as an executive Director, the vice chairman of and secretary to the seventh session of the Board, as well as the joint company secretary and authorized representative of the Bank under Rule 3.05 of the Stock Exchange Listing Rules due to work adjustment. Dr. NGAI Wai Fung, another joint company secretary of the Bank who meets Rule 3.28 of the Stock Exchange Listing Rules and possesses recognised academic and professional qualifications, will remain in office and serve as the company secretary of the Bank. Mr. ZHAO Fei has been appointed as an authorized representative. The authorized representatives of the Bank are Mr. ZHAO Fei and Dr. NGAI Wai Fung upon the change. For details, please refer to the announcement dated 12 July 2023 published by the Bank on the website of the Hong Kong Stock Exchange.

5 SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Bank has adopted a code of conduct on terms no less exacting than the required standards in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Stock Exchange Listing Rules as its code of conduct governing securities transactions conducted by the Directors, Supervisors and relevant employees of the Bank. After having made specific inquiries to all Directors and Supervisors, all Directors and Supervisors confirmed that they had complied with the above code during the Reporting Period.

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

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

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

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

Name	Position	Class of Shares	Nature	Number of Shares held directly or indirectly (Shares) (Long position)	Percentage of the relevant class of Shares in issue (%)	Percentage of all Ordinary Shares in issue (%)
XIA Hua ⁽¹⁾	Director	A Share	Beneficial owner	56,265	0.00080	0.00062
JI Hongjun ⁽²⁾	Director	A Share	Beneficial owner	2,057	0.00003	0.00002
WANG Shihao	Director	A Share	Beneficial owner	24,200	0.00034	0.00027
ZHU Zhihui ⁽³⁾	Supervisor	A Share	Interest of controlled corporation	385,930,856	5.45745	4.24469
LI Huaibin	Supervisor	A Share	Beneficial owner	59,620	0.00084	0.00066
CHEN Xinxiu	Supervisor	A Share	Beneficial owner	52,030	0.00074	0.00057

Notes:

- On 11 July 2023, Mr. XIA Hua resigned as an executive Director, the vice chairman of and secretary to the Board as well as the joint company secretary and authorized representative of the Bank under Rule 3.05 of the Stock Exchange Listing Rules due to job reallocation.
- On 29 August 2023, Mr. JI Hongjun resigned as a non-executive Director after reaching the retirement age.
- 385,930,856 A Shares of the Bank are held directly by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司), which is owned as to 90% and 10% by Mr. ZHU Zhihui, a Supervisor of the Bank, and his spouse, Ms. WANG Linhui, respectively. By virtue of the SFO, Mr. ZHU Zhihui is deemed to be interested in the Shares held by Henan Guoyuan Trade Co., Ltd.

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

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

7 STAFF

7.1 Composition

As at the end of the Reporting Period, the Bank had 5,310 employees, and its subsidiaries had 559 employees. The Group had a total of 5,869 employees.

By department/function

Job category	Number of employees	Percentage (%)
Corporate banking	817	13.92
Retail banking	1,744	29.72
Risk management, internal audit and legal compliance	527	8.98
Finance and accounting	1,420	24.19
Information technology	287	4.89
Business management and support	1,074	18.30
Total	5,869	100.00

By age

Age group	Number of employees	Percentage (%)
30 and below	1,301	22.17
31 – 40	3,563	60.71
41 – 50	672	11.45
Above 50	333	5.67
Total	5,869	100.00

By level of education

Highest level of education	Number of employees	Percentage (%)
Master's degree or above	1,151	19.61
Bachelor's degree	4,269	72.74
Associate degree	408	6.95
Others	41	0.70
Total	5,869	100.00

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

7.2 Staff Training Plan

Based on the annual development strategy, the Bank vigorously promoted transformation, and enhanced the comprehensive and innovative abilities of all cadres and employees, so as to provide strong talent and system support to complete the Bank's various tasks with high quality. During the Reporting Period, on the one hand, we formulated and revised the training management system to continuously improve the institutional framework and lay a solid foundation for training management. The Bank formulated and released the Management Rules for Employee Education Funds (Trial), and updated and revised the Management Measures for Training, Implementation Rules for Management of Part-time Training Administrators, Management Measures for Training Effect Evaluation, Management Measures for Internal Trainers (Trial) and other measures, as amended from time to time to meet the needs of training management and business development. On the other hand, we conducted research on the training needs of cadres at all levels and initiated trainings for key talent teams. The Bank focused on conducting trainings to enhance the abilities of mid-level and senior cadres from three dimensions: political literacy, macroeconomic situation, and industry dynamics, in an effort to continuously improve the comprehensive quality of the cadre team; carried out specialized training for supervisory level cadres on the "Analysis of 2023 National Financial Situation and Spirit of Two Sessions", in order to comprehensively and systematically analyze the financial situation, gain insight into the implication on the transformation of the banking industry, and learn about the spiritual connotations of the Two Sessions; organized trainings on "simulated marketing for corporate business" and "official document writing" for reserve talents to effectively improve their financial expertise and professional literacy; conducted professional training for corporate, retail, risk and other teams to improve their professional ability, and laid a sound talent foundation for the business development of the whole bank.

7.3 Remuneration Policy for Staff

In formulating its remuneration policy, the Bank adheres to the principles of "fairness, competitiveness and incentivization" to establish a comprehensive and reasonable employee remuneration policy. The remuneration policy aims to achieve fairness while also considering efficiency. It emphasizes the principle of "payment according to work" in income distribution and implements differentiated remuneration based on the concept of more rewards for greater contributions. It shall be conducive to enhancing our market competitiveness and attractiveness to talented people. Based on the market salary level, the Bank makes corresponding adjustments for positions whose remunerations are far below that level. It shall also be able to make our salary more incentivised, namely to motivate our employees through the design of performance-based remuneration, and to provide employees at different positions with equal promotion opportunities by designing different promotion channels. In accordance with regulatory requirements and business management needs, the Bank has established mechanisms related to deferred payment of salary and recourse and deduction of bonus and salary, so as to improve the salary-based incentive and restraint mechanism and mitigate various business and management risks. The Bank makes social insurance contributions and housing provident fund contributions and provides other employee benefit packages for employees in accordance with applicable laws, rules and regulations of the PRC, and establishes a corporate annuity system and a supplementary medical fund to improve the pension payment and medical security of employees. For details of accrued staff costs, please refer to Note 30 to the financial statements in the chapter headed "Independent Auditor's Review Report" of this Report.

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

8 BASIC INFORMATION OF INSTITUTIONS UNDER THE BANK

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

Region	Name of branch	Business address (China)	Number of its affiliated institutions	Number of employees	Asset size (RMB'000)
Zhengzhou, Henan	Headquarters	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province	116 branch institutions in Zhengzhou for conducting external business and 66 institutions in other prefectural-level cities in Henan for conducting external business	5,310	579,926,949
Zhengzhou, Henan	Branch institutions in Zhengzhou for conducting external businesses directly managed by the headquarters	–	99 institutions for conducting external business	3,702	457,988,112
Zhengzhou, Henan	Small Business Financial Service Centre	Room 102, 1-2/F and Room 301-309, 3/F, 4A, North of Longhu Zhonghuan South Road and East of Jiuru Road, Zhengdong New District, Zhengzhou City, Henan Province	17 institutions for conducting external business	343	5,663,470
Nanyang, Henan	Nanyang branch	The junction of Zhongjing Road and Fanli Road, Wancheng District, Nanyang City, Henan Province	10 institutions for conducting external business	165	8,648,980
Xinxiang, Henan	Xinxiang branch	No. 278, Xiangyang Road, Xinxiang City, Henan Province	7 institutions for conducting external business	126	8,770,578
Luoyang, Henan	Luoyang branch	Room 101, 201 and 301, Building 1, No. 210 Kaiyuan Avenue, Luolong District, Luoyang City, Henan Province	8 institutions for conducting external business	132	17,850,185

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

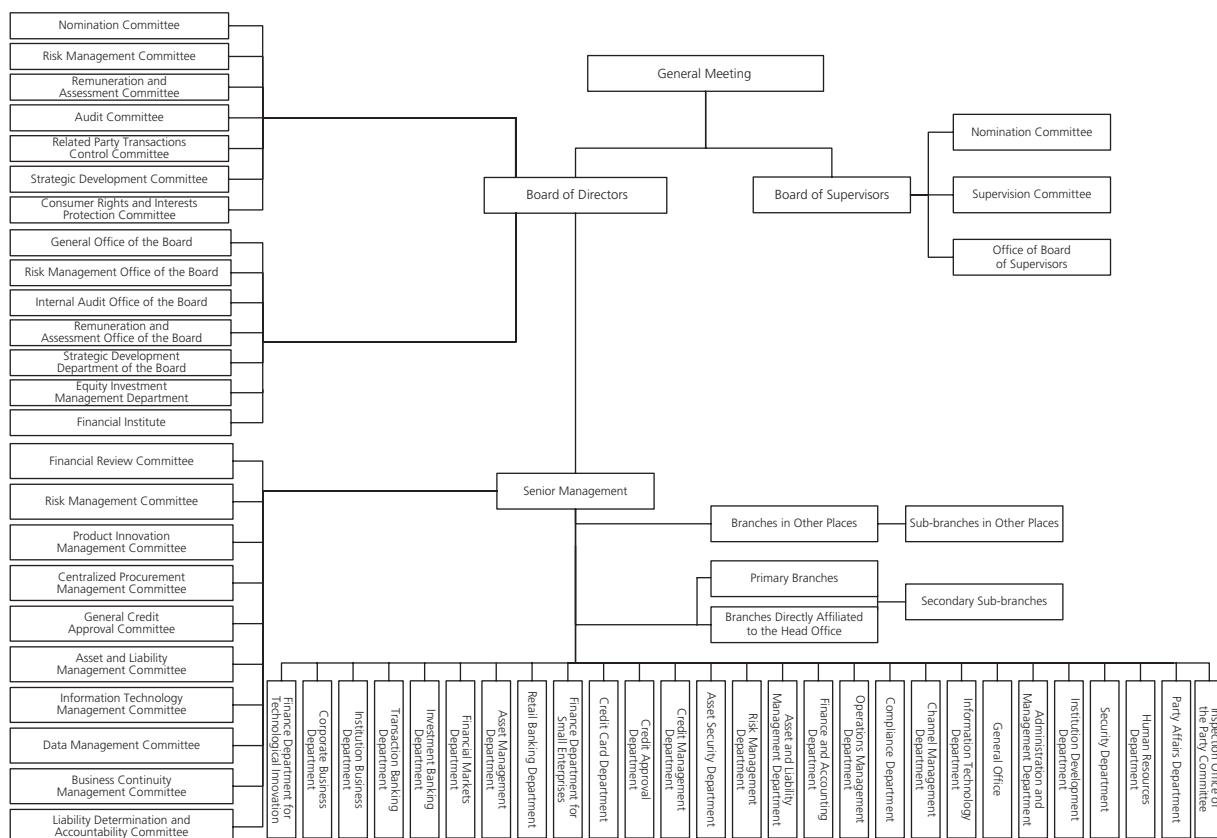
Region	Name of branch	Business address (China)	Number of its affiliated institutions	Number of employees	Asset size (RMB'000)
Anyang, Henan	Anyang branch	Yiwu International Business & Trade Mansion, the junction of Zhonghua Road and Delong Street, Andong New District, Anyang City, Henan Province	7 institutions for conducting external business	110	8,258,651
Shangqiu, Henan	Shangqiu branch	Xinfa Building (新發大廈), the northeast of the junction of Fushang Avenue and Songcheng Road, Demonstration District, Shangqiu City, Henan Province	7 institutions for conducting external business	122	8,485,559
Xuchang, Henan	Xuchang branch	Juncheng International Building (亨通君成國際大廈), the southwest of the junction of Liancheng Avenue and Weiwen Road, Weidu District, Xuchang City, Henan Province	4 institutions for conducting external business	86	11,623,405
Luohe, Henan	Luohe branch	Floor 1-5, Changjian International (昌建國際), the junction of Songshan West Branch Road and Mudanjiang Road, Yancheng District, Luohe City, Henan Province	3 institutions for conducting external business	67	5,614,367
Xinyang, Henan	Xinyang branch	Floor 1-2, Zhongle Baihua Mansion (中樂百花公館), the junction of Xinqi Avenue and Xinba Street, Yangshan New District, Xinyang City, Henan Province	5 institutions for conducting external business	98	6,594,145
Puyang, Henan	Puyang branch	The northwest of junction of Renmin Road and Kaizhou Road, Hualong District, Puyang City, Henan Province	3 institutions for conducting external business	78	6,411,410
Pingdingshan, Henan	Pingdingshan branch	The southeast of junction of Kaiyuan Road and Qinggong Road, Zhanhe District, Pingdingshan City, Henan Province	3 institutions for conducting external business	63	8,936,381
Zhumadian, Henan	Zhumadian branch	The southwest of junction of Huaihe Avenue and Tianzhongshan Avenue, Zhumadian City, Henan Province	2 institutions for conducting external business	53	5,229,805

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

Region	Name of branch	Business address (China)	Number of its affiliated institutions	Number of employees	Asset size (RMB'000)
Kaifeng, Henan	Kaifeng branch	The southeast of junction of Jinming Avenue and Hanxing Road, Kaifeng City, Henan Province	4 institutions for conducting external business	72	9,184,830
Zhoukou, Henan	Zhoukou branch	The southeast of junction of Traffic Avenue and Bayi Avenue, Zhoukou City, Henan Province	2 institutions for conducting external business	52	6,510,825
Hebi, Henan	Hebi branch	The northeast of junction of Qishui Avenue and Zihuai Lane, Qibin District, Hebi City, Henan Province	1 institution for conducting external business	41	4,156,246

CHAPTER V CORPORATE GOVERNANCE

1 COMPANY STRUCTURE DIAGRAM



2 OVERVIEW OF CORPORATE GOVERNANCE

The Bank has established a sound corporate governance structure, including the general meeting, the Board, the Board of Supervisors, and senior management, to regulate operation, specify duties and maintain effective balance, so as to fully protect and safeguard the legitimate rights and interests of domestic and international Shareholders and other stakeholders. During the Reporting Period, the Bank continued to optimize its corporate governance structure, improved various systems of corporate governance, and enhanced corporate governance level, in strict compliance with the requirements of the Company Law, the Securities Law, the Corporate Governance Guidelines for Listed Companies issued by the CSRC, the SZSE Listing Rules, No. 1 Self-discipline and Regulation Guideline for Listed Companies on Shenzhen Stock Exchange – Standard Operation of Listed Companies on the Main Board, the Stock Exchange Listing Rules, and the Corporate Governance Code together with the Bank's corporate governance practice. As at the end of the Reporting Period, there was no significant inconsistency between the Bank's actual corporate governance practice and the requirements of the Company Law and relevant provisions of the CSRC, nor did the Bank receive relevant documents on administrative or regulatory measures from the regulatory authorities requiring rectification within a time limit. Meanwhile, the Bank strictly abided by the code provisions of Part II of the Corporate Governance Code in Appendix 14 of the Stock Exchange Listing Rules and the provisions relating to inside information disclosure. Other than those disclosed in this Report and other announcements of the Bank, the Directors are not aware of any information indicating that the Bank had not complied with the code provisions set out in Part II of the Corporate Governance Code during the Reporting Period.

3 CONVENING OF GENERAL MEETING

Session and type of meeting	Investor participation ratio	Date of convening	Date of disclosure	Meeting resolution
2023 First Extraordinary General Meeting	41.45%	14 April 2023	15 April 2023	Please refer to the announcement published by the Bank on CNINFO
			14 April 2023	Please refer to the announcement published by the Bank on the website of Hong Kong Stock Exchange
2022 AGM	41.98%	15 June 2023	16 June 2023	Please refer to the announcement published by the Bank on CNINFO
			15 June 2023	Please refer to the announcement published by the Bank on the website of Hong Kong Stock Exchange
2023 First A Shareholders Class Meeting	55.45%	15 June 2023	16 June 2023	Please refer to the announcement published by the Bank on CNINFO
			15 June 2023	Please refer to the announcement published by the Bank on the website of Hong Kong Stock Exchange
2023 First H Shareholders Class Meeting	7.58%	15 June 2023	16 June 2023	Please refer to the announcement published by the Bank on CNINFO
			15 June 2023	Please refer to the announcement published by the Bank on the website of Hong Kong Stock Exchange

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

On 14 April 2023, the Bank held the 2023 First Extraordinary General Meeting in Zhengzhou, Henan Province. At the meeting, a resolution regarding the election of an executive Director was considered and approved.

On 15 June 2023, the Bank held the 2022 AGM in Zhengzhou, Henan Province. At the meeting, 12 resolutions regarding, among other things, 2022 Board of Directors work report, 2022 Board of Supervisors work report, 2022 annual financial statements, 2022 annual report and its summary, 2022 profit distribution and capital reserve capitalization plan were considered and approved.

On 15 June 2023, the Bank held the 2023 First A Shareholders Class Meeting in Zhengzhou, Henan Province. At the meeting, a resolution regarding the 2022 profit distribution and capital reserve capitalization plan was considered and approved.

On 15 June 2023, the Bank held the 2023 First H Shareholders Class Meeting in Zhengzhou, Henan Province. At the meeting, a resolution regarding the 2022 profit distribution and capital reserve capitalization plan was considered and approved.

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

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

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

As at the Latest Practicable Date, the Board of the Bank comprised a total of 8 Directors, including 1 executive Director, 3 non-executive Directors and 4 independent non-executive Directors.

Pursuant to code provision C.2.1 set out in Part 2 of the Corporate Governance Code in Appendix 14 to the Stock Exchange Listing Rules, the roles of chairman and chief executive should be separate and should not be performed by the same individual. On 17 July 2023, Mr. ZHAO Fei tendered his resignation as the president of the Bank due to work adjustment, and had been effective upon resignation report being served on the Board. During the period of vacancy, in accordance with the Articles of Association and relevant regulations of the Bank, Mr. SUN Haigang was in charge after following necessary organizational procedures. On 29 August 2023, the Board has agreed to nominate Mr. SUN Haigang to perform the duties on behalf of the president of the Bank until the qualification of new president is approved by the regulatory authorities.

During the Reporting Period, the Board held four meetings, at which 42 resolutions were considered and approved. The special committees of the Board held 15 meetings in total, at which 43 resolutions were considered and approved. In particular, the strategic development committee held one meeting, at which one resolution was considered and approved; the risk management committee held three meetings, at which 15 resolutions were considered and approved; the related party transactions control committee held three meetings, at which five resolutions were considered and approved; the audit committee held two meetings, at which seven resolutions were considered and approved; the nomination committee held three meetings, at which three resolutions were considered and approved; the remuneration and assessment committee held two meetings, at which four resolutions were considered and approved; and the consumer rights and interests protection committee held one meeting, at which eight resolutions were considered and approved.

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

As at the Latest Practicable Date, the Board of Supervisors of the Bank comprised a total of 5 Supervisors, including 1 Shareholder Supervisor, 2 external Supervisors and 2 employee Supervisors.

During the Reporting Period, the Board of Supervisors held a total of four meetings, at which 17 resolutions were considered and approved. The nomination committee of the Board of Supervisors held two meetings at which six resolutions were considered and approved; the supervision committee of the Board of Supervisors held one meeting at which two resolutions were considered and approved.

6 AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, pursuant to the Guidelines on the Articles of Association of Listed Companies (《上市公司章程指引》), the Corporate Governance Standards for Banking and Insurance Institutions (《銀行保險機構公司治理準則》), the latest requirements on the core shareholder protection standards set out in Appendix III to the Stock Exchange Listing Rules, and other relevant laws, regulations and regulatory provisions, and based on the actual situation of the Bank, it was proposed that the relevant provisions of the Articles of Association be amended. The amendments were considered and approved at the 2022 AGM, subject to the approval from banking regulatory authorities. For details about the amendments, please refer to the announcements dated 31 March 2023, 28 April 2023, 23 May 2023 and 16 June 2023 published by the Bank on the website of CNINFO and the announcements dated 31 March 2023, 28 April 2023 and 15 June 2023 and the circular dated 23 May 2023 published on the website of the Hong Kong Stock Exchange.

7 INTERNAL CONTROL AND INTERNAL AUDIT

Internal Control

During the Reporting Period, the Bank aimed at enhancing the effectiveness of internal control, constantly optimizing the internal control system, strengthening the supervision and inspection efforts, and building an internal control and compliance culture. Firstly, we formulated an annual work plan to oversee the compliance risk, case prevention and control and compliance inspection tasks throughout the year; secondly, we organized and carried out system sorting to promote the optimization and streamlining of the internal control system structure; thirdly, we constantly carried out process sorting and risk identification and assessment work to evaluate the effectiveness of control measures; fourthly, we completed the annual authorization, revised the credit operation authorization system and optimized the authorization evaluation index system; fifthly, we constantly supervised and inspected and followed up and rectified the issues, focused on new products, new businesses and the performance of the internal departments of the branches; sixthly, we strengthened the working mechanism of compliance tips, collected and circulated and followed up the suggestions for optimization of the Bank, and improved the system, process and management measures; seventhly, we developed a culture of internal control and compliance, launched the “Year of Self-discipline and Compliance Promotion” campaign, arranged for the signing of various types of responsibility and commitment letters, and carried out internal control and compliance-related training to enhance the awareness of internal control and compliance among all employees.

CHAPTER V CORPORATE GOVERNANCE

Internal Audit

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

CHAPTER VI SIGNIFICANT EVENTS

1 PROFIT DISTRIBUTION AND CAPITALISATION ISSUE DURING THE REPORTING PERIOD

The Board recommended not to distribute cash dividend in year 2022 and recommended the issuance of 1 new Share for every 10 Shares to the Ordinary Shareholders whose names appeared on the register of Shareholders as at the dividend distribution registration date by way of capitalization issue. The Profit Distribution and Capitalization Issue Plan has been considered and approved at the 2022 AGM, the 2023 First A Shareholders Class Meeting and the 2023 First H Shareholders Class Meeting, whereby the Bank issued 1 new Share for every 10 Shares to the A Shareholders whose names appeared on the register of Shareholders as at 30 June 2023 and the H Shareholders whose names appeared on the register of Shareholders on 28 June 2023 by way of Capitalization Issue, resulting in a total of 826,553,759 new Shares being issued. After the Capitalization Issue, the total number of the Ordinary Shares of the Bank increased from 8,265,537,599 to 9,092,091,358.

The Bank has no plan to distribute cash dividends and bonus shares or implement capitalization issue for the first half of 2023.

2 ISSUANCE AND REPURCHASE OF BONDS

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

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

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

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

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

CHAPTER VI SIGNIFICANT EVENTS

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

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

CHAPTER VI SIGNIFICANT EVENTS

Undertaking	Undertaking party	Undertaking type	Details of the undertaking	Date of undertakings	Term of undertakings	Performance
Undertakings made in initial public offering of A Shares	Directors, Supervisors and senior management personnel of the Bank	Undertaking on shares with selling restrictions	<p>Within 36 months since the date of the initial public offering of the Bank's A Shares on the SZSE, they shall not transfer or entrust others to manage the issued Shares of the Bank held by them before this round of issue, and shall not allow the Bank to repurchase such Shares.</p> <p>After the expiry of the lockup period, they shall transfer no more than 15% of the total number of the Shares held by them annually during the term of office, and no more than 50% of the total number of the Shares held by them within five years, they shall not repurchase in six months after selling their shares or resell in six months after purchasing Shares; they shall not transfer the Shares of the Bank held by them within six months after they leave office.</p>	2018-09-19	Refer to the details of the undertakings	During the course of performance
Undertakings made in initial public offering of A Shares	Directors, senior management personnel of the Bank	Undertaking on shares with selling restrictions	<p>If the closing price of the A Shares of the initial public offering of the Bank on the SZSE is lower than the issue price for 20 consecutive trading days within six months, or the closing price is lower than the issue price as at the end of the six-month period upon the listing, the lockup period for the Bank's Shares held by them shall be automatically extended by six months. During the extended lockup period, they shall not transfer or entrust others to manage the issued Shares of the Bank held by them before this round of issue, and shall not allow the Bank to repurchase such Shares.</p> <p>If the Shares are reduced within two years after the expiry of the lockup period, the selling price shall be no less than the issue price of the initial public offering of the Bank's A Shares.</p>	2018-09-19	Refer to the details of the undertakings	During the course of performance
Undertakings made in initial public offering of A Shares	Individuals of the Bank holding more than 50,000 internal staff Shares	Undertaking on shares with selling restrictions	<p>Within three years since the listing date of the Bank on the SZSE, they shall not transfer the Shares of the Bank of Zhengzhou held by them.</p> <p>After the expiry of the above three-year Shares transfer lockup period, they shall transfer no more than 15% of the total number of the Shares held by them annually, and no more than 50% of the total number of the Shares held by them within five years.</p>	2018-09-19	Refer to the details of the undertakings	During the course of performance

CHAPTER VI SIGNIFICANT EVENTS

Undertaking	Undertaking party	Undertaking type	Details of the undertaking	Date of undertakings	Term of undertakings	Performance
Undertakings made in initial public offering of A Shares	Zhengzhou Finance Bureau (鄭州市財政局)	Undertakings on avoiding horizontal competition	<p>During the period for being a major Shareholder of the Bank, its subsidiary enterprises (including wholly-owned, controlled subsidiaries and effectively-controlled enterprises) will not engage in, directly or indirectly, any forms of business activities that will compete or likely to compete with the Bank's principal business. Zhengzhou Finance Bureau will supervise its subsidiary enterprises in accordance with this undertaking and exercise necessary rights to ensure them to comply with this undertaking</p> <p>Zhengzhou Finance Bureau will strictly comply with the relevant laws and regulations of the CSRC and the stock exchanges where the Bank's Shares are listed and the requirements of company management policies such as the Article of Association and management policies on related party transactions of the Bank, exercise the Shareholder's rights and perform the Shareholder's obligations as equally as other Shareholders, and neither seek unfair interest by use of the position of major Shareholder, nor impair the legal interests of the Bank and other Shareholders..</p>	2018-09-19	Refer to the details of the undertakings	During the course of performance
Undertakings made in non-public offering of A Shares	Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	Undertaking on shares with selling restrictions	It shall not transfer Shares under non-public issuance of the Bank within 60 months since the date of the listing thereof.	2020-11-27	Refer to the details of the undertakings	During the course of performance
Undertakings made in non-public offering of A Shares	Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Undertaking on shares with selling restrictions	It shall not transfer Shares under non-public issuance of the Bank within 60 months since the date of the listing thereof.	2020-11-27	Refer to the details of the undertakings	During the course of performance
Whether the undertakings are performed on time			Yes			
If the undertakings are not performed when overdue, explanations on reasons and working plans for the next step shall be stated in detail			Not applicable			

CHAPTER VI SIGNIFICANT EVENTS

4 SIGNIFICANT RELATED PARTY TRANSACTIONS

In accordance with relevant provisions under the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions (《銀行保險機構關聯交易管理辦法》) of Former CBIRC, the SZSE Listing Rules, China Accounting Standards for Business Enterprises, and other laws, administrative rules, departmental regulations, and regulatory documents, the Bank formulates the Administrative Measures for Related Party Transactions (《關聯交易管理辦法》), continuously optimizes the management mechanism of related party transactions, strengthens the management of the list of the related parties, imposes strict approval procedures on related party transactions, prudently carries out related party transactions, effectively prevents the risks of related party transactions. During the Reporting Period, related party transactions between the Bank and its related parties are conducted in the ordinary course of its business with terms and prices agreed in accordance with the fair and market-oriented principles and as well as on conditions no better than non-related party transactions of the same type. Such related party transactions had no significant impact on the operation results and financial conditions of the Bank and the indicators on the control of related party transactions were in compliance with the related regulations of regulatory authorities.

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

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

4.2 Significant Related Party Transactions

According to the relevant provisions of the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions (《銀行保險機構關聯交易管理辦法》) of Former CBIRC and the Administrative Measures for Related Party Transactions (《關聯交易管理辦法》) of the Bank, related party transactions are defined as follows: “Significant related party transactions” shall refer to transactions between the Bank and a single related party that severally amount to 1% or more of the net capital of the Bank at the end of the previous quarter or collectively 5% or more of the net capital of the Bank at the end of the previous quarter. After the aggregate amount of transactions between the Bank and a single related party reaches the aforementioned standard, the subsequent related party transactions shall be redesignated as significant related party transactions for each aggregate amount of more than 1% of the net capital at the end of the previous quarter. “General related party transactions” shall refer to related party transactions other than significant related party transactions. For the specific calculation method, please refer to the Administrative Measures for Related Party Transactions of Bank of Zhengzhou Co., Ltd. (《鄭州銀行股份有限公司關聯交易管理辦法》) published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange.

4.3 Related Party Transactions

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

4.3.1 Credit grant related party transactions with general associated corporations

Unit: RMB'000

No.	Related client	Estimated quota on recurring related party transactions for 2023	Total credit granted as at the end of June 2023	Related legal persons	Credit granted as at the end of June 2023	Business line
1	Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司) and its associated corporations	1,000,000	1,282,534	Henan Zhongyuan Financial Holding Co., Ltd. (河南中原金融控股有限公司) ⁽¹⁾	1,282,534	Loan business and investment business

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No.	Related client	Estimated quota on recurring related party transactions for 2023	Total credit granted as at the end of June 2023	Related legal persons	Credit granted as at the end of June 2023	Business line
2	Zhengzhou Construction Investment Group Co., Ltd. (鄭州市建設投資集團有限公司) and its associated corporations	4,300,000	2,967,100	Zhengzhou Construction Investment Group Co., Ltd. (鄭州市建設投資集團有限公司)	765,500	Loan business
				Zhengzhou Road and Bridge Construction Investment Group Co., Ltd. (鄭州路橋建設投資集團有限公司)	1,297,000	Loan business and bill business
				Zhengzhou Songyue Highway Development Co., Ltd. (鄭州嵩岳公路開發有限公司)	604,600	Loan business and investment business
				Zhengzhou Highway Engineering Company (鄭州市公路工程公司)	300,000	Loan business and bill business
3	Zhengzhou Transportation Construction Investment Co., Ltd. (鄭州交通建設投資有限公司) and its associated corporations	800,000	116,270	Zhengzhou Trading Dikun Industrial Co., Ltd. (鄭州交投地坤實業有限公司)	116,270	Investment business
4	Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) and its associated corporations	550,000	398,767	Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司)	268,250	Bill business
				Henan Kanghui Cement Products Co., Ltd. (河南康輝水泥製品有限公司)	120,517	Loan business and bill business
				Henan Zhongyu Road and Bridge Engineering Co., Ltd. (河南中豫路橋工程有限公司)	10,000	Loan business
5	Zhengzhou Metro Group Co., Ltd. (鄭州地鐵集團有限公司) and its associated corporations	1,500,000	500,000	Zhengzhou Metro Group Co., Ltd. (鄭州地鐵集團有限公司)	500,000	Loan business

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No.	Related client	Estimated quota on recurring related party transactions for 2023	Total credit granted as at the end of June 2023	Related legal persons	Credit granted as at the end of June 2023	Business line
6	Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司) and its associated corporations	2,000,000	959,970	Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司)	720,000	Investment business
				Henan Digital Town Development and Construction Co., Ltd. (河南數字小鎮開發建設有限公司)	239,970	Loan business
7	Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) and its associated corporations	2,000,000	1,060,000	Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	1,030,000	Investment business
				Zhengzhou Jinyang Electric Co., Ltd. (鄭州金陽電氣有限公司)	30,000	Loan business
8	Henan Investment Group Co., Ltd. (河南投資集團有限公司) and its associated corporations	3,000,000	914,914	Henan Yicheng Holdings Co., Ltd. (河南頤城控股有限公司)	500,000	Loan business and investment business
				Henan Investment Group Co., Ltd. (河南投資集團有限公司)	300,000	Overdraft business
				Dahe International Trading Co., Ltd. (大河國際貿易有限公司)	99,904	Overdraft business
				Dahe Smart Logistics (Henan) Co., Ltd. (大河智運物流(河南)有限公司)	10,000	Overdraft business
				Henan Ancai Photovoltaic Advanced Material Co., Ltd. (河南安彩光伏新材料有限公司)	5,000	Loan business
				Henan Tou Wisdom Energy Co., Ltd. (河南省投智慧能源有限公司)	10	Overdraft business

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No.	Related client	Estimated quota on recurring related party transactions for 2023	Total credit granted as at the end of June 2023	Related legal persons	Credit granted as at the end of June 2023	Business line
9	Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) and its associated corporations	3,300,000	2,932,800	Henan Huida Construction Investment Co., Ltd. (河南輝達建設投資有限公司)	976,330	Loan business
				Henan Yingshuo Construction Engineering Co., Ltd. (河南盈碩建築工程有限公司)	523,800	Loan business
				Zhengzhou Huida Industrial Development Co., Ltd. (鄭州輝達實業發展有限公司)	497,370	Loan business
				Henan Kairui Real Estate Co., Ltd. (河南凱睿置業有限公司)	269,800	Loan business
				Likard (Zhengzhou) Hotel Management Co., Ltd. (麗卡德(鄭州)酒店管理有限公司)	189,500	Loan business
				Zhengzhou Yingshou Trading Co., Ltd. (鄭州盈首商貿有限公司)	147,500	Loan business
				Henan Jianyuan Decoration Engineering Co., Ltd. (河南建苑裝飾工程有限公司)	145,600	Loan business
				Henan Xincheng Real Estate Co., Ltd. (河南新城置業有限公司)	125,100	Loan business
				Xinxiang City Zhongkai Real Estate Co., Ltd. (新鄉市中開置業有限公司)	49,800	Loan business
				Zhengzhou Danshuo Trading Co., Ltd. (鄭州丹碩貿易有限公司)	8,000	Loan business

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No.	Related client	Estimated quota on recurring related party transactions for 2023	Total credit granted as at the end of June 2023	Related legal persons	Credit granted as at the end of June 2023	Business line
10	Henan Asset Management Company Limited (河南資產管理有限公司) and its associated corporations	3,000,000	999,000	Henan Asset Management Company Limited (河南資產管理有限公司)	999,000	Loan business
11	Zhongyuan Asset Management Co., Ltd. (中原資產管理有限公司) and its associated corporations ^①	3,000,000	2,498,000	Zhongyuan Asset Management Co., Ltd. (中原資產管理有限公司)	2,498,000	Loan business
12	SPIC Henan Electric Power Co., Ltd. (國家電投集團河南電力有限公司) and its associated corporations	1,400,000	1,000	SPIC Henan New Energy Co., Ltd. (國電投河南新能源有限公司)	1,000	Overdraft business

Notes:

- As at the end of the Reporting Period, the credit line of the Bank's client Henan Zhongyuan Financial Holding Co., Ltd. (河南中原金控有限公司) with the Bank was RMB1,282.53 million, of which RMB1,182.53 million was granted before the client met the related party identification standard.
- As at the end of the Reporting Period, the Bank's client Zhongyuan Asset Management Co., Ltd. (中原資產管理有限公司) and its associated corporations were no longer related parties of the Bank.

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4.3.2 Credit grant related party transactions with financial institutions

Unit: RMB'000

No.	Related client	Estimated quota on recurring related party transactions for 2023	Total credit granted as at the end of June 2023	Related legal persons	Credit granted as at the end of June 2023	Business line
1	Central China Securities Co., Ltd. (中原證券股份有限公司) and its associated corporations	300,000	300,000	Central China Securities Co., Ltd. (中原證券股份有限公司)	300,000	Interbank general credit, revolving throughout the validity period of the credit
2	Zhongyuan Trust Co., Ltd. (中原信託有限公司) and its associated corporations	500,000	500,000	Zhongyuan Trust Co., Ltd. (中原信託有限公司)	500,000	Interbank general credit, revolving throughout the validity period of the credit
3	Bridge Trust Co., Ltd. (百瑞信託有限責任公司) and its associated corporations	2,000,000	1,500,000	Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	1,500,000	Interbank general credit, revolving throughout the validity period of the credit
4	Bank of Lanzhou Co., Ltd. (蘭州銀行股份有限公司)	2,000,000	1,000,000	Bank of Lanzhou Co., Ltd. (蘭州銀行股份有限公司)	1,000,000	Interbank general credit, revolving throughout the validity period of the credit
5	Zhongyuan Bank Co., Ltd. (中原銀行股份有限公司)	3,000,000	3,000,000	Zhongyuan Bank Co., Ltd. (中原銀行股份有限公司)	3,000,000	Interbank general credit, revolving throughout the validity period of the credit
6	Great Wall Fund Management Co., Ltd. (長城基金管理有限責任公司)	300,000	300,000	Great Wall Fund Management Co., Ltd. (長城基金管理有限責任公司)	300,000	Interbank general credit, revolving throughout the validity period of the credit

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No.	Related client	Estimated quota on recurring related party transactions for 2023	Total credit granted as at the end of June 2023	Related legal persons	Credit granted as at the end of June 2023	Business line
7	Henan Jiuding Financial Leasing Co., Ltd. (河南九鼎金融租賃股份有限公司)	5,000,000	5,000,000	Henan Jiuding Financial Leasing Co., Ltd. (河南九鼎金融租賃股份有限公司)	5,000,000	Interbank general credit, revolving throughout the validity period of the credit
8	Fugou Zhengyin County Bank Co., Ltd. (扶溝鄭銀村鎮銀行股份有限公司)	500,000	300,000	Fugou Zhengyin County Bank Co., Ltd. (扶溝鄭銀村鎮銀行股份有限公司)	300,000	Interbank general credit, revolving throughout the validity period of the credit
9	Xinmi Zhengyin County Bank Co., Ltd. (新密鄭銀村鎮銀行股份有限公司)	600,000	400,000	Xinmi Zhengyin County Bank Co., Ltd. (新密鄭銀村鎮銀行股份有限公司)	400,000	Interbank general credit, revolving throughout the validity period of the credit
10	Xunxian Zhengyin County Bank Co., Ltd. (浚縣鄭銀村鎮銀行股份有限公司)	400,000	200,000	Xunxian Zhengyin County Bank Co., Ltd. (浚縣鄭銀村鎮銀行股份有限公司)	200,000	Interbank general credit, revolving throughout the validity period of the credit
11	Queshan Zhengyin County Bank Co., Ltd. (確山鄭銀村鎮銀行股份有限公司)	500,000	300,000	Queshan Zhengyin County Bank Co., Ltd. (確山鄭銀村鎮銀行股份有限公司)	300,000	Interbank general credit, revolving throughout the validity period of the credit
12	Xinzheng Zhengyin County Bank Co., Ltd. (新鄭鄭銀村鎮銀行股份有限公司)	1,200,000	1,000,000	Xinzheng Zhengyin County Bank Co., Ltd. (新鄭鄭銀村鎮銀行股份有限公司)	1,000,000	Interbank general credit, revolving throughout the validity period of the credit

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No.	Related client	Estimated quota on recurring related party transactions for 2023	Total credit granted as at the end of June 2023	Related legal persons	Credit granted as at the end of June 2023	Business line
13	Zhongmu Zhengyin County Bank Co., Ltd. (中牟鄭銀村鎮銀行股份有限公司)	500,000	500,000	Zhongmu Zhengyin County Bank Co., Ltd. (中牟鄭銀村鎮銀行股份有限公司)	500,000	Interbank general credit, revolving throughout the validity period of the credit
14	Yanling Zhengyin County Bank Co., Ltd. (鄆陵鄭銀村鎮銀行股份有限公司)	600,000	400,000	Yanling Zhengyin County Bank Co., Ltd. (鄆陵鄭銀村鎮銀行股份有限公司)	400,000	Interbank general credit, revolving throughout the validity period of the credit

4.3.3 Credit grant related party transactions with natural persons

As at the end of the Reporting Period, the credit balance of natural person related parties in the Bank was RMB96.79 million, which did not exceed the limit of RMB300 million for the aggregate quota of natural person related parties under estimated quota on recurring related party transactions for 2023.

4.3.4 Other related party transactions

In the first half of 2023, the Bank's largest single transaction of financial market transactions with open market price such as spot bond trading and pledge-style repo with each of the Bank of Lanzhou Co., Ltd. (蘭州銀行股份有限公司), Zhongyuan Bank Co., Ltd. (中原銀行股份有限公司) and Central China Securities Co., Ltd. (中原證券股份有限公司) amounted to RMB503.5 million, RMB1,000.0 million, RMB100.0 million respectively. The amount of service-related transactions including trust custody and supervision fees with Bridge Trust Co., Ltd. (百瑞信託有限責任公司) and Zhongyuan Trust Co., Ltd (中原信託有限公司) amounted to RMB3,000 and RMB37.27 million respectively. There were no financial market transactions with open market price such as spot bond trading and pledge-style repo with Zhongyuan Trust Co., Ltd. (中原信託有限公司), Bridge Trust Co., Ltd. (百瑞信託有限責任公司), Great Wall Fund Management Co., Ltd. (長城基金管理有限公司), and Jiuding Financial Leasing Company (九鼎金融租賃公司). There was no asset trading business between the Bank and Henan Asset Management Company Limited (河南資產管理有限公司) and Zhongyuan Asset Management Co., Ltd. (中原資產管理有限公司).

5 SIGNIFICANT CONTRACTS AND INFORMATION ON THEIR PERFORMANCE

5.1 Entrustment, Contracting and Leasing Matters

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

5.2 Significant Guarantees

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

5.3 Entrusted Wealth Management

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

5.4 Other Significant Contracts

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

6 LOAN AGREEMENTS OR FINANCIAL ASSISTANCE OF THE BANK

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

7 SIGNIFICANT ACQUISITION, DISPOSAL OR ABSORPTION OF ASSETS AND EQUITY

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

8 SIGNIFICANT LITIGATION AND ARBITRATION

The Bank's Minzhu Road Sub-branch filed a lawsuit with Zhengzhou Intermediate People's Court of Henan Province in August 2021 over a financial loan contract dispute with Henan Changkun Real Estate Co., Ltd. (河南長坤置業有限公司) and other parties. The court formally accepted the case. The Bank's Minzhu Road Sub-branch received the judgment of the first instance in April 2022, then appealed to Higher People's Court of Henan Province in May 2022 and received the judgment of the second instance in July 2022. Zhengzhou Intermediate People's Court of Henan Province was assigned to commence a court session for hearing. A retrial civil judgment was received in April 2023 and an appeal was filed in May 2023 with the Higher People's Court of Henan Province. For details, please refer to the announcements of the Bank dated 31 August 2021, 29 April 2022 and 29 July 2022 published on CNINFO and the website of the Hong Kong Stock Exchange.

In August 2022, the Bank published an announcement in relation to litigation and arbitration against the Bank in which the Bank acted as the plaintiff with the principal amount involved over RMB50.0 million within 12 consecutive months. For details, please refer to the announcement dated 20 August 2022 published by the Bank on CNINFO and the announcement dated 22 August 2022 published on the website of the Hong Kong Stock Exchange.

The Bank filed a lawsuit with Zhengzhou Intermediate People's Court of Henan Province in March 2023 over a financial loan contract dispute with Pingdingshan Pinglin Expressway Co., Ltd. (平頂山平臨高速公路有限責任公司) and other parties. The court formally accepted the case. The judgment of the first instance was received in June 2023. As the defendant did not appeal within the statutory time limit, the judgment of the first instance came into force. For details, please refer to the announcements of the Bank dated 31 March 2023 and 29 June 2023 published on CNINFO and the website of the Hong Kong Stock Exchange.

In April 2023, the Bank's Zhongmu Sub-branch filed a lawsuit with Zhengzhou Intermediate People's Court of Henan Province over a financial loan contract dispute with Henan Mei'er Health Industry Development Co., Ltd. (河南美爾健康產業發展有限公司) and other parties and the Bank's Xisihuan Sub-branch filed a lawsuit with Zhengzhou Intermediate People's Court of Henan Province over a financial loan contract dispute with Zhengzhou Changke Trading Co., Ltd. (鄭州暢科貿易有限公司) and other parties. The court formally accepted the case. The judgment of the first instance was received in July 2023. For details, please refer to the announcements of the Bank dated 20 April 2023, 12 July 2023 and 18 July 2023 published on CNINFO and the website of the Hong Kong Stock Exchange.

The Bank was involved in certain litigation and arbitration matters arising from its ordinary course of business due to the recovery of borrowings and other reasons. As at the end of the Reporting Period, save as the above litigations, the amount of other pending litigations and arbitrations in which the Bank acted as the plaintiff or the applicant was RMB1,561 million; while the total amount of the pending litigation and arbitration of the Bank acting as the defendant or the respondent was RMB10 million. These litigation and arbitration matters are not expected to have material adverse impacts on the financial position and operating results of the Bank.

9 OTHER SIGNIFICANT SOCIAL SECURITY ISSUES

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

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

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

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

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

12 ILLEGAL PROVISION OF EXTERNAL GUARANTEE

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

13 APPROPRIATION OF FUNDS BY THE CONTROLLING SHAREHOLDER AND OTHER RELATED PARTIES OF THE BANK FOR NON-OPERATING PURPOSES

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

14 CAPITAL FLOWS WITH CONTROLLING SHAREHOLDERS AND THEIR RELATED PARTIES

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

15 SPECIAL STATEMENT AND INDEPENDENT OPINION OF INDEPENDENT NON-EXECUTIVE DIRECTORS ON EXTERNAL GUARANTEES OF THE BANK AND APPROPRIATION OF FUNDS BY THE CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES OF THE BANK

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

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



CHAPTER VI SIGNIFICANT EVENTS



16 IMPLEMENTATION OF SHARE OPTION SCHEME, EMPLOYEE SHARE OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVE MEASURES

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

17 MATTERS RELATED TO BANKRUPTCY AND RESTRUCTURING

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

18 APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

As considered and approved at the 2022 AGM, the Bank re-appointed Ernst & Young Hua Ming LLP and Ernst & Young as its domestic and overseas auditors for year 2023, respectively, and their respective terms shall last until the conclusion of the 2023 annual general meeting of the Bank.

19 AUDIT REVIEW

The financial statements for the six months ended 30 June 2023 were prepared by the Bank according to China Accounting Standards for Business Enterprises of the PRC and International Financial Reporting Standards, and were unaudited. Ernst & Young Hua Ming LLP and Ernst & Young had reviewed such financial statements, respectively. This Report has been reviewed by the audit committee of the Board and the Board.

20 EXPLANATION ON OTHER SIGNIFICANT EVENTS

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

21 SIGNIFICANT EVENTS OF THE BANK'S SUBSIDIARIES

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

22 EVENTS AFTER THE REPORTING PERIOD

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

CHAPTER VII Independent Auditor's Review Report

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CHAPTER VII Independent Auditor's Review Report

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

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

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial information of Bank of Zhengzhou Co., Ltd. (the "Bank") and its subsidiaries (together, the "Group"), which comprises the interim condensed consolidated statement of financial position as at 30 June 2023 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting ("IAS 34") issued by the International Accounting Standards Board.

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

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong

29 August 2023

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

	Note	For the six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
Interest income		12,397,522	12,711,575
Interest expense		(6,471,739)	(6,465,862)
Net interest income	3	5,925,783	6,245,713
Fee and commission income		396,112	512,708
Fee and commission expense		(74,015)	(93,402)
Net fee and commission income	4	322,097	419,306
Net trading gains	5	401,244	694,185
Net gains arising from investments	6	193,646	176,205
Other operating income	7	60,827	28,979
Operating income		6,903,597	7,564,388
Operating expenses	8	(1,522,801)	(1,362,293)
Credit impairment losses	9	(2,877,516)	(2,959,345)
Operating profit		2,503,280	3,242,750
Share of profits of associates	19	23,710	2,940
Profit before taxation		2,526,990	3,245,690
Income tax expense	10	(412,507)	(613,474)
Net profit for the period		2,114,483	2,632,216
Net profit attributable to:			
Equity shareholders of the Bank		2,046,633	2,531,066
Non-controlling interests		67,850	101,150
		2,114,483	2,632,216

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

	Note	For the six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
Other comprehensive income	32		
Other comprehensive income net of tax attributable to equity shareholders of the Bank			
<i>Items that may be reclassified subsequently to profit or loss</i>			
– Changes in fair value/credit losses from debt investments measured at fair value through other comprehensive income		179,508	63,612
<i>Items that will not be reclassified subsequently to profit or loss</i>			
– Changes in fair value from investments in equity instruments designated as fair value through other comprehensive income		(1,303)	42,248
– Remeasurement of net defined benefit liability		(4,351)	1,438
Non-controlling interests		–	–
Other comprehensive income net of tax		173,854	107,298
Total comprehensive income		2,288,337	2,739,514
Total comprehensive income attributable to:			
Equity shareholders of the Bank		2,220,487	2,638,364
Non-controlling interests		67,850	101,150
		2,288,337	2,739,514
Basic and diluted earnings per share (in RMB)	11	0.23	0.28

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

Interim Condensed Consolidated Statement of Financial Position

30 June 2023

(In RMB thousands, unless otherwise stated)

	Note	30 June 2023 (Unaudited)	31 December 2022 (Audited)
ASSETS			
Cash and deposits with Central Bank	12	25,900,554	26,487,450
Deposits with banks and other financial institutions	13	1,813,047	1,922,266
Placements with banks and other financial institutions	14	4,762,309	2,410,452
Financial assets held under resale agreements	15	6,858,583	12,386,501
Loans and advances to customers	16	342,086,543	322,207,034
Financial investments:			
Financial investments at fair value through profit or loss	17	41,565,782	44,441,710
Financial investments at fair value through other comprehensive income	17	24,220,133	17,150,060
Financial investments measured at amortised cost	17	122,903,139	121,679,176
Lease receivables	18	32,227,169	30,633,447
Interest in associates	19	645,461	273,881
Property and equipment	20	3,286,900	3,049,807
Deferred tax assets	21	5,359,608	4,880,568
Other assets	22	5,230,169	3,991,266
Total assets		616,859,397	591,513,618
LIABILITIES			
Due to Central Bank	23	26,168,771	20,105,825
Deposits from banks and other financial institutions	24	17,845,640	29,541,040
Placements from banks and other financial institutions	25	32,931,730	29,548,795
Derivative financial liabilities	26	2,331	100,456
Financial assets sold under repurchase agreements	27	19,294,399	19,098,195
Deposits from customers	28	357,912,589	341,797,766
Tax payable		952,122	557,405
Debt securities issued	29	103,726,692	94,992,906
Other liabilities	30	3,111,550	3,145,994
Total liabilities		561,945,824	538,888,382

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

Interim Condensed Consolidated Statement of Financial Position (Continued)

30 June 2023

(In RMB thousands, unless otherwise stated)

	Note	30 June 2023 (Unaudited)	31 December 2022 (Audited)
EQUITY			
Share capital	31	9,092,091	8,265,538
Other equity instruments	34	9,998,855	9,998,855
Capital reserve	32	5,985,102	6,811,655
Surplus reserve	32	3,505,562	3,505,562
General reserve	32	7,797,453	7,767,704
Fair value reserve	32	52,042	(126,163)
Remeasurement of net defined benefit liability	32	(72,986)	(68,635)
Retained earnings	33	16,634,934	14,618,050
<hr/>			
Total equity attributable to equity shareholders of the Bank		52,993,053	50,772,566
Non-controlling interests		1,920,520	1,852,670
<hr/>			
Total equity		54,913,573	52,625,236
<hr/>			
Total liabilities and equity		616,859,397	591,513,618

Zhao Fei
Chairman of the Board of Directors

Sun Haigang
Person in Charge of Accounting Affairs

Yuan Dongyun
Head of Accounting Department

Bank of Zhengzhou Co., Ltd.
(Company Chop)

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

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

	Equity attributable to shareholders of the Bank										Total equity
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Sub-total	Non-controlling interests	
Balance at 1 January 2023 (audited)	8,265,538	9,998,855	6,811,655	3,505,562	7,767,704	(126,163)	(68,635)	14,618,050	50,772,566	1,852,670	52,625,236
Profit for the period	-	-	-	-	-	-	-	2,046,633	2,046,633	67,850	2,114,483
Other comprehensive income	-	-	-	-	-	176,205	(4,351)	-	173,854	-	173,854
Total comprehensive income	-	-	-	-	-	176,205	(4,351)	2,046,633	2,220,487	67,850	2,288,337
Appropriation of profit:											
- Appropriation to general reserve	-	-	-	-	29,749	-	-	(29,749)	-	-	-
Capital reserve converted into share capital	826,553	-	(826,553)	-	-	-	-	-	-	-	-
Subtotal	826,553	-	(826,553)	-	29,749	-	-	(29,749)	-	-	-
Balance at 30 June 2023 (unaudited)	9,092,091	9,998,855	5,985,102	3,505,562	7,797,453	52,042	(72,986)	16,634,934	52,993,053	1,920,520	54,913,573

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

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

	Equity attributable to shareholders of the Bank											
	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Sub-total	Non-controlling interests	Total Equity
Balance at 1 January 2022 (audited)		8,265,538	17,824,363	7,452,490	3,281,678	7,481,353	(173,457)	(69,255)	13,703,472	57,766,182	1,645,358	59,411,540
Profit for the period		-	-	-	-	-	-	-	2,531,066	2,531,066	101,150	2,632,216
Other comprehensive income	32(d)(e)	-	-	-	-	-	105,860	1,438	-	107,298	-	107,298
Total comprehensive income		-	-	-	-	-	105,860	1,438	2,531,066	2,638,364	101,150	2,739,514
Appropriation of profit:												
- Cash dividends on ordinary shares		-	-	-	-	-	-	-	-	-	(4,900)	(4,900)
- Appropriation to general reserve	32(c)	-	-	-	-	3,105	-	-	(3,105)	-	-	-
Subtotal		-	-	-	-	3,105	-	-	(3,105)	-	(4,900)	(4,900)
Balance at 30 June 2022 (unaudited)		8,265,538	17,824,363	7,452,490	3,281,678	7,484,458	(67,597)	(67,817)	16,231,433	60,404,546	1,741,608	62,146,154

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Cash flows from operating activities		
Profit before tax	2,526,990	3,245,690
<i>Adjustments for:</i>		
Credit Impairment losses	2,877,516	2,959,345
Depreciation and amortisation	230,240	227,427
Unrealised foreign exchange gains	(119,245)	(320,163)
Net (gains)/losses from disposal of long-term assets	(10,246)	32
Net trading (gains)/losses of financial investments at fair value through profit or loss	(40,864)	15,902
Net gains arising from investments	(193,646)	(176,205)
Share of profits of associates	(23,710)	(2,940)
Interest expense on debt securities issued	1,259,136	1,288,650
Interest income on financial investments	(2,707,964)	(3,192,031)
<i>Changes in operating assets</i>		
Net decrease/(increase) in deposits with Central Bank	593,760	(132,281)
Net increase in deposits and placements with banks and other financial institutions	(1,700,000)	(1,851,184)
Net decrease/(increase) in financial investments at fair value through profit or loss	3,194,195	(2,450,470)
Net decrease in financial assets held under resale agreements	5,528,170	7,735,912
Net increase in loans and advances to customers	(21,999,004)	(28,408,284)
Net increase in lease receivables	(2,066,015)	(2,242,376)
Net (increase)/decrease in other operating assets	(441,448)	813,102
<i>Changes in operating liability:</i>		
Net increase/(decrease) in amounts due to Central Bank	5,996,775	(1,203,025)
Net decrease in deposits and placements from banks and other financial institutions	(8,308,039)	(4,676,127)
Net increase in financial assets sold under repurchase agreements	199,731	4,932,517
Net increase in deposits from customers	14,823,400	5,650,318
Net increase in other operating liabilities	436,847	64,709
Income tax paid	(523,822)	(407,712)
Net cash flows generated from operating activities	(467,243)	(18,129,194)

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

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

	Note	For the six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		55,499,615	67,629,481
Proceeds from disposal of property and equipment and other assets		10,715	833
Payments on acquisition of investments		(64,062,174)	(59,232,702)
Return on investments		2,755,252	3,713,444
Payments on acquisition of property and equipment and other assets		(282,776)	(211,880)
Cash flows from other investing activities		(347,870)	–
Net cash flows generated from investing activities		(6,427,238)	11,899,176
Cash flows from financing activities			
Proceeds received from debt securities issued		78,109,875	61,966,736
Repayment of debt securities issued		(69,365,611)	(61,537,221)
Interest paid on debt securities issued		(1,269,614)	(1,272,770)
Cash paid from lease liabilities		(53,288)	(51,119)
Dividends paid		–	(4,900)
Net cash flows generated from financing activities		7,421,362	(899,274)
Net increase/(decrease) in cash and cash equivalents		526,881	(7,129,292)
Cash and cash equivalents as at 1 January		10,515,331	21,412,333
Effect of foreign exchange rate changes on cash and cash equivalents		10,414	107,507
Cash and cash equivalents as at 30 June	35(a)	11,052,626	14,390,548
Net cash flows generated from operating activities include:			
Interest received		9,795,885	8,657,488
Interest paid		(4,746,780)	(4,336,145)

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

1 GENERAL INFORMATION

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

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

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

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

For the information of the Bank's principal subsidiaries included in the scope of consolidation, refer to note 19 for more details.

These financial statements have been approved by the board of directors on 29 August 2023.



Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)



2 BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The principal accounting policies adopted in the preparation of the unaudited interim financial information are consistent with those used in the Group's annual financial statements for the year ended 31 December 2022 unless otherwise stated.

(a) Basis of presentation

The interim consolidated financial statements of the Group have been prepared in accordance with the International Accounting Standard 34 Interim Financial Reporting. The consolidated interim financial information should be read in conjunction with the audited financial statements for the year ended 31 December 2022.

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

(b) Significant accounting policies

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

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

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

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

In preparing the interim consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2022. Please refer to the financial statements for the year ended 31 December 2022 for details.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

3 NET INTEREST INCOME

	For the six months ended	
	2023	2022
Interest income arising from		
Deposits with Central Bank	151,509	154,270
Deposits and placements with banks and other financial institutions	74,947	38,698
Loans and advances to customers		
– Corporate loans and advances	6,328,947	6,093,856
– Personal loans and advances	1,753,430	1,918,345
– Discounted bills	212,332	174,618
Financial assets held under resale agreements	99,687	116,463
Financial investments	2,707,964	3,192,031
Lease receivables	1,068,706	1,023,294
Sub-total	12,397,522	12,711,575
Interest expense arising from		
Amounts due to Central Bank	(302,259)	(277,832)
Deposits and placements from banks and other financial institutions	(845,752)	(1,012,284)
Deposits from customers	(3,910,149)	(3,756,740)
Financial assets sold under repurchase agreements	(154,443)	(130,356)
Debt securities issued	(1,259,136)	(1,288,650)
Sub-total	(6,471,739)	(6,465,862)
Net interest income	5,925,783	6,245,713

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

4 NET FEE AND COMMISSION INCOME

	For the six months ended 30 June	
	2023	2022
Fee and commission income		
Agency and custody services fees	203,306	271,811
Underwriting and advisory fees	72,055	101,180
Acceptance and guarantee services fees	38,881	63,849
Bank card services fees	55,312	57,637
Others	26,558	18,231
Sub-total	396,112	512,708
Fee and commission expense		
Payment, settlement and agency fees	(17,479)	(23,819)
Bank card services fees	(35,883)	(32,801)
Others	(20,653)	(36,782)
Sub-total	(74,015)	(93,402)
Net fee and commission income	322,097	419,306

5 NET TRADING GAINS

	Note	For the six months ended 30 June	
		2023	2022
Net gains from debt securities and investment funds	(a)	416,132	181,084
Net foreign exchange (losses)/gains	(b)	(14,888)	513,101
Total		401,244	694,185

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

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

6 NET GAINS ARISING FROM INVESTMENTS

	For the six months ended 30 June	
	2023	2022
Net losses from debt securities	(32,659)	(72,533)
Net gains from other debt instruments	226,305	248,738
Total	193,646	176,205

7 OTHER OPERATING INCOME

	For the six months ended 30 June	
	2023	2022
Rental income	1,316	1,629
Government grants	36,825	21,580
Net gains/(losses) on disposal of property and equipment	10,246	(32)
Others	12,440	5,802
Total	60,827	28,979

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

8 OPERATING EXPENSES

	For the six months ended 30 June	
	2023	2022
Staff costs		
– Salaries, bonuses and allowances	541,918	415,229
– Social insurance and annuity	151,202	167,138
– Supplementary retirement benefits	3,878	3,098
– Staff welfare	21,343	24,817
– Housing allowances	63,723	61,270
– Others	46,857	41,022
	828,921	712,574
Depreciation and amortisation	230,240	227,427
Rental and property management expenses	34,375	37,397
Office expenses	16,618	23,569
Tax and surcharges	78,008	78,028
Interest expense of lease liabilities	5,565	7,595
Other general and administrative expenses	329,074	275,703
Total	1,522,801	1,362,293

9 CREDIT IMPAIRMENT LOSSES

	For the six months ended 30 June	
	2023	2022
Loans and advances to customers measured at amortised cost	2,484,894	1,845,369
Loans and advances to customers measured at fair value through other comprehensive income	968	122,833
Financial investments measured at amortised cost	(106,315)	683,624
Financial investments at fair value through other comprehensive income	(23,727)	(4,213)
Lease receivables	338,869	210,027
Financial assets held under resale agreements	(2,946)	659
Placements with banks and other financial institutions	2,573	23
Deposits with banks and other financial institutions	980	476
Off-balance sheet credit commitments	28,508	4,237
Other impairment losses	153,712	96,310
Total	2,877,516	2,959,345

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

10 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2023	2022
Current tax	950,949	1,405,916
Deferred tax	(538,442)	(792,442)
Total	412,507	613,474

Reconciliations between income tax and accounting profit are as follows:

	Note	For the six months ended 30 June	
		2023	2022
Profit before tax		2,526,990	3,245,690
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		631,748	811,423
Non-deductible expenses		18,130	15,668
Non-taxable income	(a)	(249,265)	(212,862)
Deductible temporary difference for unrecognised deferred tax assets		16,084	702
Adjustment for prior years		(4,190)	(1,457)
Income tax expense		412,507	613,474

(a) Non-taxable income mainly includes interest income from central and local government bonds and share of profits of associates, which are exempted from income tax under the PRC tax regulations.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

11 BASIC AND DILUTED EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2023	2022
Earnings:		
Profit for the period attributable to ordinary shareholders of the Bank	2,046,633	2,531,066
Shares:		
Weighted average number of ordinary shares (in thousand shares) (a)	9,092,091	9,092,091
Basic and diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB)	0.23	0.28

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

	For the six months ended 30 June	
	2023	2022
Number of ordinary shares as at 1 January	9,092,091	9,092,091
Increase in weighted average number of ordinary shares	–	–
Weighted average number of ordinary shares	9,092,091	9,092,091

The Bank implemented the 2022 equity distribution plan in June 2023, converting capital reserves into share capital. Therefore, the earnings per share during the comparison period were recalculated based on the adjusted number of shares.

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

12 CASH AND DEPOSITS WITH CENTRAL BANK

	30 June 2023	31 December 2022
Cash on hand	1,020,917	1,089,526
Deposits with Central Bank		
– Statutory deposit reserves (a)	17,241,827	17,952,476
– Surplus deposit reserves (b)	7,080,806	7,005,009
– Fiscal deposits	548,698	431,809
Sub-total	25,892,248	26,478,820
Interest accrued	8,306	8,630
Total	25,900,554	26,487,450

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

	30 June 2023	31 December 2022
Reserve ratio for RMB deposits	5.00%	5.25%
Reserve ratio for foreign currency deposits	6.00%	6.00%

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

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

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

13 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2023	31 December 2022
Deposits in Mainland China		
– Banks	1,305,336	1,444,091
– Other financial institutions	371,764	301,573
Sub-total	1,677,100	1,745,664
Deposits outside Mainland China		
– Banks	137,756	174,887
Sub-total	1,814,856	1,920,551
Interest accrued	117	2,661
Less: Provision for impairment losses	(1,926)	(946)
Total	1,813,047	1,922,266

At 30 June 2023, the Group's and the Bank's deposits with banks and other financial institutions were on Stage 1 (At 31 December 2022: on Stage 1).

14 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2023	31 December 2022
Placements in Mainland China		
– Banks	136,047	–
– Other financial institutions	4,600,000	2,400,000
Sub-total	4,736,047	2,400,000
Interest accrued	29,968	11,585
Less: Provision for impairment losses	(3,706)	(1,133)
Total	4,762,309	2,410,452

At 30 June 2023, the Group's and the Bank's placements with banks and other financial institutions were on Stage 1 (At 31 December 2022: on Stage 1).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

15 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	30 June 2023	31 December 2022
In Mainland China		
– Banks	2,100,080	5,925,135
– Other financial institutions	4,757,823	6,460,938
Sub-total	6,857,903	12,386,073
Interest accrued	680	3,374
Less: Provision for impairment losses	–	(2,946)
Total	6,858,583	12,386,501

(b) Analysed by type of collateral

	30 June 2023	31 December 2022
Debt securities	6,857,903	12,386,073
Interest accrued	680	3,374
Less: Provision for impairment losses	–	(2,946)
Total	6,858,583	12,386,501

At 30 June 2023, the Group's and the Bank's financial assets held under resale agreements were on Stage 1 (At 31 December 2022: on Stage 1).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	30 June 2023	31 December 2022
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	234,554,736	222,456,812
Personal loans and advances		
– Residential mortgage	34,937,367	37,743,240
– Personal business loans	34,690,231	33,478,008
– Credit card	3,186,186	3,057,349
– Personal consumption loans	9,748,605	7,037,730
Sub-total	82,562,389	81,316,327
Total amount of loans and advances to customers measured at amortised cost	317,117,125	303,773,139
Loans and advances to customers measured at fair value through other comprehensive income		
– Forfeiting	13,763,954	10,305,667
– Discounted bills	20,262,984	16,842,291
Sub-total	34,026,938	27,147,958
Gross loans and advances to customers	351,144,063	330,921,097
Interest accrued	1,916,292	1,594,573
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(10,973,812)	(10,308,636)
Net loans and advances to customers	342,086,543	322,207,034

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For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by economic sector

	30 June 2023		
	Amount	Percentage	Loans and advances secured by collateral
Leasing and commercial services	59,395,386	16.91%	5,681,720
Wholesale and retail	48,151,311	13.71%	14,568,931
Water, environment and public facility management	41,057,464	11.69%	3,458,268
Real estate	30,175,475	8.59%	11,519,004
Construction	21,228,938	6.05%	4,832,488
Manufacturing	18,020,883	5.13%	3,335,050
Transportation, storage and postal services	6,232,028	1.77%	1,697,655
Mining	3,779,946	1.08%	114,500
Production and supply of electric and heating power, gas and water	3,140,487	0.89%	254,288
Agriculture, forestry, animal husbandry and fishery	2,331,020	0.66%	730,706
Culture, sports and entertainment	1,841,024	0.52%	999,578
Accommodation and catering	1,160,316	0.33%	701,558
Others	11,804,412	3.39%	1,470,014
Sub-total of corporate loans and advances	248,318,690	70.72%	49,363,760
Personal loans and advances	82,562,389	23.51%	69,670,120
Discounted bills	20,262,984	5.77%	20,262,984
Gross loans and advances to customers	351,144,063	100.00%	139,296,864

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For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by economic sector (Continued)

	31 December 2022		Loans and advances secured by collateral
	Amount	Percentage	
Leasing and commercial services	50,077,579	15.13%	5,551,609
Water, environment and public facility management	43,469,733	13.14%	2,990,452
Wholesale and retail	42,745,773	12.92%	12,866,110
Real estate	32,880,776	9.94%	12,759,826
Construction	19,312,773	5.84%	4,494,539
Manufacturing	17,083,735	5.16%	3,359,008
Transportation, storage and postal services	5,704,680	1.72%	1,730,422
Production and supply of electric and heating power, gas and water	2,796,526	0.85%	265,431
Agriculture, forestry, animal husbandry and fishery	2,794,692	0.84%	695,352
Mining	2,655,116	0.80%	124,500
Culture, sports and entertainment	1,884,035	0.57%	1,177,484
Accommodation and catering	1,341,304	0.41%	816,225
Others	10,015,757	3.02%	1,859,853
Sub-total of corporate loans and advances	232,762,479	70.34%	48,690,811
Personal loans and advances	81,316,327	24.57%	69,960,127
Discounted bills	16,842,291	5.09%	16,842,291
Gross loans and advances to customers	330,921,097	100.00%	135,493,229

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For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Analysed by type of collateral

	30 June 2023	31 December 2022
Unsecured loans	67,564,720	61,617,398
Guaranteed loans	144,282,478	133,810,471
Loans secured by mortgages	95,432,708	97,978,701
Pledged loans	43,864,157	37,514,527
Gross loans and advances to customers	351,144,063	330,921,097
Interest accrued	1,916,292	1,594,573
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(10,973,812)	(10,308,636)
Net loans and advances to customers	342,086,543	322,207,034

(d) Overdue loans analysed by overdue period

	30 June 2023				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	1,420,602	271,713	194,265	17,283	1,903,863
Guaranteed loans	1,514,000	1,503,830	767,944	419,492	4,205,266
Loans secured by mortgages	1,235,026	750,790	1,770,195	301,009	4,057,020
Pledged loans	422,452	30,379	65,792	2,377	521,000
Total	4,592,080	2,556,712	2,798,196	740,161	10,687,149
As a percentage of gross loans and advances to customers	1.31%	0.73%	0.80%	0.20%	3.04%

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For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	31 December 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	243,204	217,256	175,750	7,958	644,168
Guaranteed loans	2,389,244	568,984	647,873	373,042	3,979,143
Loans secured by mortgages	1,529,029	1,814,831	1,404,061	327,204	5,075,125
Pledged loans	47,157	19,281	70,354	3,978	140,770
Total	4,208,634	2,620,352	2,298,038	712,182	9,839,206
As a percentage of gross loans and advances to customers	1.27%	0.79%	0.69%	0.22%	2.97%

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For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(e) Loans and advances and provision for impairment losses

	30 June 2023			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
Total loans and advances to customers measured at amortised cost	296,855,829	8,272,157	11,989,139	317,117,125
Interest accrued	1,559,782	205,748	150,762	1,916,292
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(3,150,828)	(1,992,080)	(5,830,904)	(10,973,812)
Carrying amount of loans and advances to customers measured at amortised cost	295,264,783	6,485,825	6,308,997	308,059,605
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	34,026,938	-	-	34,026,938
Total carrying amount of loans and advances to customers	329,291,721	6,485,825	6,308,997	342,086,543

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For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	31 December 2022			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
Total loans and advances to customers measured at amortised cost	284,013,582	10,937,984	8,821,573	303,773,139
Interest accrued	1,275,127	255,469	63,977	1,594,573
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(3,284,478)	(2,206,004)	(4,818,154)	(10,308,636)
Carrying amount of loans and advances to customers measured at amortised cost	282,004,231	8,987,449	4,067,396	295,059,076
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	27,147,958	–	–	27,147,958
Total carrying amount of loans and advances to customers	309,152,189	8,987,449	4,067,396	322,207,034

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For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses

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

	30 June 2023			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
As at 1 January 2023	3,284,478	2,206,004	4,818,154	10,308,636
Transferred:				
– to Stage 1	126,583	(126,583)	–	–
– to Stage 2	(19,063)	25,748	(6,685)	–
– to Stage 3	(15,068)	(544,409)	559,477	–
Increase/(decrease) for the period	(226,102)	431,320	2,279,676	2,484,894
Write-offs and disposals	–	–	(2,103,118)	(2,103,118)
Recoveries of loans previously written off	–	–	283,400	283,400
As at 30 June 2023	3,150,828	1,992,080	5,830,904	10,973,812

	31 December 2022			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
As at 1 January 2022	3,465,262	1,519,067	3,084,035	8,068,364
Transferred:				
– to Stage 1	137,846	(132,677)	(5,169)	–
– to Stage 2	(83,344)	90,575	(7,231)	–
– to Stage 3	(93,924)	(232,262)	326,186	–
Increase/(decrease) for the year	(141,362)	961,301	5,898,032	6,717,971
Write-offs and disposals	–	–	(4,693,576)	(4,693,576)
Recoveries of loans previously written off	–	–	215,877	215,877
As at 31 December 2022	3,284,478	2,206,004	4,818,154	10,308,636

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For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

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

	30 June 2023			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2023	2,889	–	–	2,889
Increase for the period	968	–	–	968
As at 30 June 2023	3,857	–	–	3,857

	31 December 2022			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2022	8,677	–	292,500	301,177
Increase/(decrease) for the year	(5,788)	–	121,745	115,957
Disposals	–	–	(414,245)	(414,245)
As at 31 December 2022	2,889	–	–	2,889

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For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

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

	30 June 2023			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
As at 1 January 2023	284,013,582	10,937,984	8,821,573	303,773,139
Transferred:				
– to Stage 1	613,947	(613,947)	–	–
– to Stage 2	(1,717,500)	1,735,625	(18,125)	–
– to Stage 3	(2,398,198)	(3,138,552)	5,536,750	–
Increase/(decrease) for the period	16,343,998	(648,953)	(242,321)	15,452,724
Write-offs and disposals	–	–	(2,108,738)	(2,108,738)
As at 30 June 2023	296,855,829	8,272,157	11,989,139	317,117,125
	31 December 2022			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
As at 1 January 2022	255,290,534	7,334,453	7,120,916	269,745,903
Business combination involving enterprises not under common control	1,794,565	410,155	441,992	2,646,712
Transferred:				
– to Stage 1	643,886	(628,844)	(15,042)	–
– to Stage 2	(5,397,255)	5,417,422	(20,167)	–
– to Stage 3	(4,841,566)	(1,348,507)	6,190,073	–
Increase/(decrease) for the year	36,523,418	(246,695)	284,739	36,561,462
Write-offs and disposals	–	–	(5,180,938)	(5,180,938)
As at 31 December 2022	284,013,582	10,937,984	8,821,573	303,773,139

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For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

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

	30 June 2023			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2023	27,147,958	–	–	27,147,958
Increase for the period	6,878,980	–	–	6,878,980
As at 30 June 2023	34,026,938	–	–	34,026,938

	31 December 2022			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2022	18,924,265	–	357,500	19,281,765
Increase for the year	8,223,693	–	–	8,223,693
Disposals	–	–	(357,500)	(357,500)
As at 31 December 2022	27,147,958	–	–	27,147,958

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17 FINANCIAL INVESTMENTS

	Note	30 June 2023	31 December 2022
Financial investments at fair value through profit or loss	(a)	41,565,782	44,441,710
Financial investments at fair value through other comprehensive income	(b)	24,220,133	17,150,060
Financial investments measured at amortised cost	(c)	122,903,139	121,679,176
Total		188,689,054	183,270,946

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

	Note	30 June 2023	31 December 2022
Debt securities			
– Debt securities held for trading purpose	(1)	12,838,046	14,972,478
Investment funds and other investments			
– Investment funds held for trading purpose		13,382,841	14,366,427
– Other financial investments at fair value through profit or loss	(2)	15,344,895	15,102,805
Total		41,565,782	44,441,710

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For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

17 FINANCIAL INVESTMENTS (CONTINUED)

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

(1) Debt securities held for trading purpose

	30 June 2023	31 December 2022
Mainland China		
– Government	9,761,829	10,792,486
– Policy banks	2,226,404	2,552,736
– Banks and other financial institutions	588,853	1,411,431
– Corporate	260,960	215,825
Total	12,838,046	14,972,478
Debt securities analysed into		
– Listed outside Hong Kong	6,271,561	5,969,024
– Unlisted	6,566,485	9,003,454
Total	12,838,046	14,972,478

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

	30 June 2023	31 December 2022
Other financial investments at fair value through profit or loss		
– Investment management products managed by securities companies	5,554,844	5,115,778
– Investment management products under trust schemes	6,635,247	6,882,696
– Others	3,154,804	3,104,331
Total	15,344,895	15,102,805

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For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

17 FINANCIAL INVESTMENTS (CONTINUED)

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

	30 June 2023	31 December 2022
Debt instruments		
– Government	12,754,397	11,008,635
– Policy banks	7,357,202	3,571,111
– Banks and other financial institutions	3,438,384	1,875,331
– Corporate	354,018	426,035
Sub-total	23,904,001	16,881,112
Interest accrued	247,543	198,622
Total of debt instruments	24,151,544	17,079,734
Equity instruments	68,589	70,326
Total	24,220,133	17,150,060
Debt securities by category		
– Listed outside Hong Kong	7,956,602	5,352,707
– Unlisted	15,947,399	11,528,405
Sub-total	23,904,001	16,881,112
Interest accrued	247,543	198,622
Total of debt instruments	24,151,544	17,079,734
Equity instrument investment by category		
– Unlisted	68,589	70,326
Total	24,220,133	17,150,060

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For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

17 FINANCIAL INVESTMENTS (CONTINUED)

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

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

	30 June 2023			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2023	794	–	66,620	67,414
Increase/(decrease) for the period	713	–	(24,440)	(23,727)
As at 30 June 2023	1,507	–	42,180	43,687

	31 December 2022			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2022	608	75,529	–	76,137
Transferred:				
– to Stage 3	–	(75,529)	75,529	–
Increase/(decrease) for the year	186	–	(8,909)	(8,723)
As at 31 December 2022	794	–	66,620	67,414

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17 FINANCIAL INVESTMENTS (CONTINUED)

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

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

	30 June 2023			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
As at 1 January 2023	16,639,824	–	241,288	16,881,112
Increase/(decrease) for the period	7,090,243	–	(67,354)	7,022,889
As at 30 June 2023	23,730,067	–	173,934	23,904,001

	31 December 2022			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
As at 1 January 2022	16,868,157	247,928	–	17,116,085
Transferred:				
– to Stage 3	–	(247,928)	247,928	–
Decrease for the year	(228,333)	–	(6,640)	(234,973)
As at 31 December 2022	16,639,824	–	241,288	16,881,112

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For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

17 FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial investments measured at amortised cost

	Note	30 June 2023	31 December 2022
Debt securities	(1)	75,861,287	70,028,008
Investment management products under the trust scheme		32,697,879	31,934,179
Investment management products managed by securities companies		12,608,135	15,681,452
Others		3,995,989	6,021,872
Sub-total		49,302,003	53,637,503
Interest accrued		1,710,571	2,090,702
Less: Provision for impairment losses	(2)	(3,970,722)	(4,077,037)
Total		122,903,139	121,679,176

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For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

17 FINANCIAL INVESTMENTS (CONTINUED)

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

(1) Debt securities:

	30 June 2023	31 December 2022
Debt securities		
– Government	39,753,070	35,159,507
– Policy banks	25,732,835	28,696,752
– Banks and other financial institutions	3,294,480	2,250,000
– Corporate	7,080,902	3,921,749
Sub-total	75,861,287	70,028,008
Interest accrued	973,922	1,146,047
Total	76,835,209	71,174,055
Debt securities analysed into:		
– Listed outside Hong Kong	29,605,746	22,728,683
– Unlisted	46,255,541	47,299,325
Sub-total	75,861,287	70,028,008
Interest accrued	973,922	1,146,047
Total	76,835,209	71,174,055

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17 FINANCIAL INVESTMENTS (CONTINUED)

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

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

	30 June 2023			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
As at 1 January 2023	566,582	44,187	3,466,268	4,077,037
Transferred:				
– to Stage 1	10,072	(10,072)	–	–
Increase/(decrease) for the period	(49,164)	1,840	(58,991)	(106,315)
As at 30 June 2023	527,490	35,955	3,407,277	3,970,722

	31 December 2022			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
As at 1 January 2022	425,701	335,640	3,795,044	4,556,385
Transferred:				
– to Stage 2	(2,907)	2,907	–	–
– to Stage 3	(5,117)	(288,762)	293,879	–
Increase/(decrease) for the year	148,905	(5,598)	1,009,953	1,153,260
Write-offs and disposals	–	–	(1,632,608)	(1,632,608)
As at 31 December 2022	566,582	44,187	3,466,268	4,077,037

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17 FINANCIAL INVESTMENTS (CONTINUED)

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

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

	30 June 2023			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
As at 1 January 2023	110,498,193	440,646	12,726,672	123,665,511
Transferred:				
– to Stage 1	67,146	(67,146)	–	–
Increase/(decrease) for the period	1,740,844	(32,000)	(211,065)	1,497,779
As at 30 June 2023	112,306,183	341,500	12,515,607	125,163,290
	31 December 2022			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
As at 1 January 2022	127,183,481	2,306,708	12,711,989	142,202,178
Transferred:				
– to Stage 2	(388,640)	388,640	–	–
– to Stage 3	(525,352)	(1,772,708)	2,298,060	–
Decrease for the year	(15,771,296)	(481,994)	(10,484)	(16,263,774)
Write-offs and disposals	–	–	(2,272,893)	(2,272,893)
As at 31 December 2022	110,498,193	440,646	12,726,672	123,665,511

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

18 LEASE RECEIVABLES

	30 June 2023	31 December 2022
Minimum Lease Receipts	37,061,459	35,461,294
Less: Unearned finance lease income	(4,073,668)	(4,173,700)
Present value of lease receivables	32,987,791	31,287,594
Interest accrued	320,591	308,699
Less: Provision for impairment losses	(1,081,213)	(962,846)
Total	32,227,169	30,633,447

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

	30 June 2023		
	Minimum lease receivables	Unearned finance lease income	Present value of lease receivables
Less than 1 year	17,580,159	(2,461,632)	15,118,527
1 year to 2 years	11,990,437	(1,107,661)	10,882,776
2 years to 3 years	5,718,473	(384,739)	5,333,734
3 years to 5 years	1,738,279	(118,364)	1,619,915
More than 5 years	34,111	(1,272)	32,839
Total	37,061,459	(4,073,668)	32,987,791

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18 LEASE RECEIVABLES (CONTINUED)

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

	31 December 2022		
	Minimum lease receivables	Unearned finance lease income	Present value of lease receivables
Less than 1 year	15,068,173	(2,398,786)	12,669,387
1 year to 2 years	12,057,822	(1,193,531)	10,864,291
2 years to 3 years	6,141,808	(425,236)	5,716,572
3 years to 5 years	2,103,807	(151,892)	1,951,915
More than 5 years	89,684	(4,255)	85,429
Total	35,461,294	(4,173,700)	31,287,594

- (b) Movements of provision for impairment losses

	30 June 2023			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
As at 1 January 2023	454,120	102,858	405,868	962,846
Transferred:				
– to Stage 3	–	(20,416)	20,416	–
Increase for the period	97,699	34,503	206,667	338,869
Write-offs	–	–	(327,202)	(327,202)
Recovery of write-offs	–	–	106,700	106,700
As at 30 June 2023	551,819	116,945	412,449	1,081,213

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(In RMB thousands, unless otherwise stated)

18 LEASE RECEIVABLES (CONTINUED)

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

	31 December 2022			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2022	336,954	138,723	347,922	823,599
Transferred:				
– to Stage 1	24,179	(24,179)	–	–
– to Stage 2	(6,734)	6,734	–	–
– to Stage 3	–	(78,734)	78,734	–
Increase for the year	99,721	60,314	293,908	453,943
Write-offs	–	–	(363,806)	(363,806)
Recovery of write-offs	–	–	49,110	49,110
As at 31 December 2022	454,120	102,858	405,868	962,846

(c) Movements of present value of lease receivables

	30 June 2023			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2023	29,732,239	677,303	878,052	31,287,594
Transferred:				
– to Stage 3	–	(160,000)	160,000	–
Increase/(decrease) for the period	2,049,778	(8,339)	(14,040)	2,027,399
Write-offs	–	–	(327,202)	(327,202)
As at 30 June 2023	31,782,017	508,964	696,810	32,987,791

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(In RMB thousands, unless otherwise stated)

18 LEASE RECEIVABLES (CONTINUED)

(c) Movements of present value of lease receivables (Continued)

	31 December 2022			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2022	26,907,112	987,785	852,270	28,747,167
Transferred:				
– to Stage 1	171,384	(171,384)	–	–
– to Stage 2	(551,958)	551,958	–	–
– to Stage 3	–	(558,080)	558,080	–
Increase/(decrease) for the year	3,205,701	(132,976)	(168,492)	2,904,233
Write-offs	–	–	(363,806)	(363,806)
As at 31 December 2022	29,732,239	677,303	878,052	31,287,594

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(In RMB thousands, unless otherwise stated)

19 INVESTMENT IN SUBSIDIARIES AND INTEREST IN ASSOCIATES

(a) Investment in subsidiaries

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

Name	Percentage of equity interest		Voting rights 30 June 2023 %	Paid-in capital 30 June 2023	Amount invested by the Bank	Place of incorporation registration	Principal activity
	30 June 2023 %	31 December 2022 %					
Fugou Zhengyin County Bank Co., Ltd.	50.20	50.20	50.20	60,000	30,120	China	Banking
Henan Jiuding Financial Leasing Co., Ltd.	51.00	51.00	51.00	2,000,000	1,020,000	China	Leasing
Xinmi Zhengyin County Bank Co., Ltd.	51.20	51.20	51.20	125,000	74,033	China	Banking
Xunxian Zhengyin County Bank Co., Ltd.	51.00	51.00	51.00	100,000	51,000	China	Banking
Queshan Zhengyin County Bank Co., Ltd.	51.00	51.00	51.00	50,000	25,500	China	Banking
Xinzheng Zhengyin County Bank Co., Ltd.	51.00	51.00	51.00	105,800	59,801	China	Banking

Fugou Zhengyin County Bank Co., Ltd. was incorporated on 3 December 2015. Henan Jiuding Financial Leasing Co., Ltd. was incorporated on 23 March 2016. Xinmi Zhengyin County Bank Co., Ltd. has become a subsidiary of the Bank since 1 January 2017. Xunxian Zhengyin County Bank Co., Ltd. was incorporated on 6 November 2017. Queshan Zhengyin County Bank Co., Ltd. was incorporated on 14 November 2017. Xinzheng Zhengyin County Bank Co., Ltd. has become a subsidiary of the Bank since 31 July 2022. The six subsidiaries have no material non-controlling interest to the Group.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

19 INVESTMENT IN SUBSIDIARIES AND INTEREST IN ASSOCIATES (CONTINUED)

(b) Interest in associates

	30 June 2023	31 December 2022
Interest in associates	645,461	273,881
Total	645,461	273,881

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

Name	Percentages of equity/ voting rights %		Place of incorporation/ registration	Business sector
	30 June 2023	31 December 2022		
Zhongmu Zhengyin County Bank Co., Ltd.	49.51	18.53	China	Banking
Yanling Zhengyin County Bank Co., Ltd.	49.58	49.58	China	Banking

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

	30 June 2023	31 December 2022
Aggregate carrying amount of the individually immaterial associates in the consolidated statements of financial position of the Group	645,461	273,881

	For the six months ended 30 June	
	2023	2022
Aggregate amounts of the Group's share of results of the associates		
– Profit from continuing operations	23,710	2,940
– Other comprehensive income	–	–
– Total comprehensive income	23,710	2,940

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(In RMB thousands, unless otherwise stated)

20 PROPERTY AND EQUIPMENT

	Premises	Electronic equipment	Vehicles	Office equipment and others	Assets under operating leases	Construction in progress	Total
Cost							
As at 1 January 2022	2,510,160	795,098	12,638	240,697	–	621,996	4,180,589
Business combination involving enterprises not under common control	17,059	2,387	2,463	2,038	–	–	23,947
Additions	1,672	50,674	–	17,062	–	255,900	325,308
Disposals	–	(15,313)	(795)	(5,884)	–	–	(21,992)
As at 31 December 2022	2,528,891	832,846	14,306	253,913	–	877,896	4,507,852
Additions	20,663	10,084	–	3,473	137,083	146,159	317,462
Disposals	–	(14,763)	(5,650)	(4,874)	–	–	(25,287)
As at 30 June 2023	2,549,554	828,167	8,656	252,512	137,083	1,024,055	4,800,027
Accumulated depreciation							
As at 1 January 2022	(464,286)	(620,819)	(9,183)	(207,862)	–	–	(1,302,150)
Additions	(84,823)	(63,582)	(3,021)	(21,242)	–	–	(172,668)
Disposals	–	14,541	755	5,481	–	–	20,777
As at 31 December 2022	(549,109)	(669,860)	(11,449)	(223,623)	–	–	(1,454,041)
Additions	(39,213)	(28,356)	(374)	(9,122)	(1,330)	–	(78,395)
Disposals	–	14,026	4,773	4,514	–	–	23,313
As at 30 June 2023	(588,322)	(684,190)	(7,050)	(228,231)	(1,330)	–	(1,509,123)
Impairment							
As at 1 January 2022/ 31 December 2022/ 30 June 2023	(1,355)	(1,893)	–	(756)	–	–	(4,004)
Net book value							
As at 31 December 2022	1,978,427	161,093	2,857	29,534	–	877,896	3,049,807
As at 30 June 2023	1,959,877	142,084	1,606	23,525	135,753	1,024,055	3,286,900

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20 PROPERTY AND EQUIPMENT (CONTINUED)

The carrying amount of premises without title deeds as at 30 June 2023 was RMB192 million (31 December 2022: RMB207 million). The Group is still in the progress of applying for the outstanding title deeds for the above premises. The Group expected that there would be no significant cost in obtaining the title deeds.

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

	30 June 2023	31 December 2022
Held in Mainland China		
– Medium-term leases (10 to 50 years)	1,950,648	1,978,017
– Short-term leases (less than 10 years)	9,229	410
Total	1,959,877	1,978,427

21 DEFERRED TAX ASSETS

(a) Analysed by nature

	30 June 2023		31 December 2022	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Allowance for impairment losses	21,170,596	5,292,649	19,019,136	4,754,784
Accrued staff costs	290,412	72,603	155,756	38,939
Fair value changes in financial instruments	(86,612)	(21,653)	322,004	80,501
Provisions	99,459	24,865	70,951	17,738
Others	(35,423)	(8,856)	(45,575)	(11,394)
Net deferred income tax assets	21,438,432	5,359,608	19,522,272	4,880,568

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21 DEFERRED TAX ASSETS (CONTINUED)

(b) Analysed by movement

	At 1 January 2023	Recognised in profit or loss	Recognised in other comprehensive income	At 30 June 2023
Allowance for impairment losses	4,754,784	532,175	5,690	5,292,649
Accrued staff costs	38,939	33,664	–	72,603
Fair value changes in financial instruments	80,501	(37,062)	(65,092)	(21,653)
Provisions	17,738	7,127	–	24,865
Others	(11,394)	2,538	–	(8,856)
Net deferred income tax assets	4,880,568	538,442	(59,402)	5,359,608

	At 1 January 2022	Recognised in profit or loss	Recognised in other comprehensive income	Others	At 31 December 2022
Allowance for impairment losses	3,694,449	955,831	76,753	27,751	4,754,784
Accrued staff costs	31,809	7,130	–	–	38,939
Fair value changes in financial instruments	122,457	50,562	(92,518)	–	80,501
Provisions	52,150	(34,412)	–	–	17,738
Others	(576)	(10,818)	–	–	(11,394)
Net deferred income tax assets	3,900,289	968,293	(15,765)	27,751	4,880,568

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22 OTHER ASSETS

	Note	30 June 2023	31 December 2022
Interest receivable	(a)	1,561,204	994,557
Other receivables		2,018,315	1,111,375
Intangible assets	(b)	736,675	788,710
Continuously involved assets	(d)	588,853	588,853
Right-of-use assets	(c)	597,991	625,778
Leasehold improvements		85,858	91,390
Prepayments		267,730	329,934
Others		89,344	30,093
Sub-total		5,945,970	4,560,690
Less: Allowance for impairment losses		(715,801)	(569,424)
Total		5,230,169	3,991,266

(a) Interest receivable

	30 June 2023	31 December 2022
Interest receivable arising from:		
– Investments	1,288,180	787,771
– Loans and advances to customers	246,177	165,087
– Others	26,847	41,699
Sub-total	1,561,204	994,557
Less: Allowance for impairment losses	(597,158)	(456,398)
Total	964,046	538,159

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

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For the six months ended 30 June 2023

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22 OTHER ASSETS (CONTINUED)

(b) Intangible assets

	For the six months ended 30 June 2023	For the year ended 31 December 2022
Cost		
As at 1 January	1,231,620	1,107,648
Business combination involving enterprises not under common control	–	5,432
Additions	9,605	118,540
As at 30 June/31 December	1,241,225	1,231,620
Accumulated amortisation		
As at 1 January	(442,910)	(329,787)
Additions	(61,640)	(113,123)
As at 30 June/31 December	(504,550)	(442,910)
Net book value		
As at 1 January	788,710	777,861
Balance at the end of the period/year	736,675	788,710

Intangible assets of the Group mainly represent computer software.

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For the six months ended 30 June 2023
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22 OTHER ASSETS (CONTINUED)

(c) Right-of-use assets

	Premises	Land use rights	Vehicles	Other equipments	Total
Cost					
As at 1 January 2022	633,566	375,830	9,725	2,318	1,021,439
Additions	68,110	–	2,340	3,804	74,254
Disposals	(147,694)	(5,614)	(1,454)	(3,984)	(158,746)
As at 31 December 2022	553,982	370,216	10,611	2,138	936,947
Additions	36,201	–	1,332	1,860	39,393
Disposals	(23,901)	(917)	(2,381)	(113)	(27,312)
As at 30 June 2023	566,282	369,299	9,562	3,885	949,028
Accumulated depreciation					
As at 1 January 2022	(251,053)	(43,461)	(3,614)	(307)	(298,435)
Additions	(136,643)	(7,121)	(3,305)	(4,517)	(151,586)
Disposals	130,563	3,040	1,265	3,984	138,852
As at 31 December 2022	(257,133)	(47,542)	(5,654)	(840)	(311,169)
Additions	(60,063)	(3,560)	(1,834)	(1,303)	(66,760)
Disposals	23,901	497	2,381	113	26,892
As at 30 June 2023	(293,295)	(50,605)	(5,107)	(2,030)	(351,037)
Allowance for impairment losses					
As at 1 January 2022	–	(145)	–	–	(145)
As at 31 December 2022	–	(145)	–	–	(145)
As at 30 June 2023	–	(145)	–	–	(145)
Net book value					
As at 31 December 2022	296,849	322,529	4,957	1,298	625,633
As at 30 June 2023	272,987	318,549	4,455	1,855	597,846

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22 OTHER ASSETS (CONTINUED)

(d) Continuously involved assets

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

During the period ended 30 June 2023, the Bank neither transferred nor retained substantially all the risks (mainly including the credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of the ownership and retained the control and has continuing involvement in these financial assets. As at 30 June 2023, the Bank continued to recognise the financial assets with a carrying amount of RMB589 million (31 December 2022 RMB589 million) based on its extent of continuing involvement in the assets, and recognised assets and liabilities with continuing involvement as other assets and other liabilities.

23 DUE TO CENTRAL BANK

	30 June 2023	31 December 2022
Medium-term lending facility	19,100,000	15,500,000
Small enterprises supporting re-lending	5,440,973	2,477,390
Rediscounting	1,200,688	1,651,067
Others	162,550	278,979
Sub-total	25,904,211	19,907,436
Interest accrued	264,560	198,389
Total	26,168,771	20,105,825

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24 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2023	31 December 2022
In Mainland China		
– Banks	9,793,995	13,383,074
– Other financial institutions	7,979,529	16,020,813
Sub-total	17,773,524	29,403,887
Interest accrued	72,116	137,153
Total	17,845,640	29,541,040

25 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2023	31 December 2022
In Mainland China		
– Banks	27,420,773	24,754,450
– Other financial institutions	4,696,000	4,040,000
Sub-total	32,116,773	28,794,450
Outside Mainland China		
– Banks	500,000	500,000
Interest accrued	314,957	254,345
Total	32,931,730	29,548,795

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26 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	30 June 2023		
	Notional amount	Fair value (assets)	Fair value (liabilities)
Non-deliverable forwards	433,548	–	(2,331)

	31 December 2022		
	Notional amount	Fair value (assets)	Fair value (liabilities)
Non-deliverable forwards	1,392,920	–	(100,456)

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27 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	30 June 2023	31 December 2022
In Mainland China		
– PBOC	9,440,000	7,238,584
– Banks	9,152,025	11,653,676
– Other financial institutions	699,466	199,500
Sub-total	19,291,491	19,091,760
Interest accrued	2,908	6,435
Total	19,294,399	19,098,195

(b) Analysed by type of collateral

	30 June 2023	31 December 2022
Debt securities	15,294,090	17,819,984
Bills	3,997,401	1,271,776
Sub-total	19,291,491	19,091,760
Interest accrued	2,908	6,435
Total	19,294,399	19,098,195

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28 DEPOSITS FROM CUSTOMERS

	30 June 2023	31 December 2022
Demand deposits		
– Corporate deposits	84,357,170	84,238,516
– Personal deposits	36,564,717	36,396,552
Sub-total	120,921,887	120,635,068
Time deposits		
– Corporate deposits	72,533,103	74,836,500
– Personal deposits	123,729,057	104,666,313
Sub-total	196,262,160	179,502,813
Pledged deposits		
– Acceptances	30,187,316	30,091,444
– Letters of guarantees	356,371	413,678
– Letters of credit	4,098,075	4,194,688
– Others	1,142,524	1,372,908
Sub-total	35,784,286	36,072,718
Others	447,046	1,497,563
Interest accrued	4,497,210	4,089,604
Total	357,912,589	341,797,766

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29 DEBT SECURITIES ISSUED

	Note	30 June 2023	31 December 2022
Financial bonds	(a)	19,397,394	14,397,271
Interbank deposits		83,965,679	80,497,196
Sub-total		103,363,073	94,894,467
Interest accrued		363,619	98,439
Total		103,726,692	94,992,906

(a) Financial bonds

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

Fixed rate green financial bonds of RMB3.0 billion with a term of three years was issued in September 2022. The coupon rate is 2.65% per annum.

Fixed rate financial bonds of RMB5.0 billion with a term of three years was issued in November 2022. The coupon rate is 2.95% per annum.

Fixed rate financial bonds of RMB5.0 billion with a term of three years was issued in March 2023. The coupon rate is 3.02% per annum.

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

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30 OTHER LIABILITIES

	Note	30 June 2023	31 December 2022
Accrued staff costs	(a)	816,763	1,082,105
Finance lease payable		251,101	266,280
Dormant accounts		38,728	39,748
Payment and collection clearance accounts		535,655	158,672
Dividend payable		26,633	26,633
Expected credit losses of credit commitments	(b)	99,459	70,951
Lease liabilities	(c)	266,008	279,903
Continuously involved liabilities	22(d)	588,853	588,853
Others		488,350	632,849
Total		3,111,550	3,145,994

(a) Accrued staff costs

	Note	30 June 2023	31 December 2022
Salaries, bonuses and allowances payable		576,839	881,078
Social insurance and annuity payable		5,116	223
Housing allowances payable		72	119
Labour union fee, staff and workers' education fee		10,385	4,182
Supplementary retirement benefits payable	(1)	196,691	194,626
Other short-term salary payable		27,660	1,877
Total		816,763	1,082,105

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30 OTHER LIABILITIES (CONTINUED)

(a) Accrued staff costs (Continued)

(1) *Supplementary retirement benefits (“SRB”)*

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

The Group has not forfeited any retirement benefit scheme contributions (i.e., contributions which are processed by the employer on behalf of the employee after the employee has withdrawn from the scheme before the relevant contributions become his/her own). At 30 June 2023, there are no forfeited contributions under the Group’s retirement benefit plans which can be used to deduct contributions payable for future years.

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

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

	30 June 2023	31 December 2022
Present value of early retirement plan	10,356	11,592
Present value of supplementary retirement plan	186,335	183,034
Total	196,691	194,626

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30 OTHER LIABILITIES (CONTINUED)

(a) Accrued staff costs (Continued)

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

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

	30 June 2023	31 December 2022
As at 1 January	194,626	196,079
Benefits paid during the period/year	(6,164)	(15,043)
Defined benefit cost recognised in profit or loss	3,878	14,210
Defined benefit cost recognised in other comprehensive income	4,351	(620)
As at 30 June/31 December	196,691	194,626

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

	30 June 2023	31 December 2022
Early retirement plan		
Discount rate	2.50%	2.50%
Retirement age		
– Male	60	60
– Female	55	55
Annual increase rate of internal salary	6.00%	6.00%
Supplementary retirement plan		
Discount rate	2.75%	3.00%
Retirement age		
– Male	60	60
– Female	55	55
Death rate for people aged 20 – 105		
	30 June 2023	31 December 2022
– Male	0.0248% -100%	0.0248% – 100%
– Female	0.012% -100%	0.012% – 100%

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30 OTHER LIABILITIES (CONTINUED)

(b) Expected credit losses of credit commitments

As at 30 June 2023 and 31 December 2022, movements of expected credit losses of credit commitments during the period/year are as follows:

	30 June 2023			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2023	68,796	305	1,850	70,951
Transferred:				
– to Stage 1	220	(142)	(78)	–
– to Stage 2	(577)	597	(20)	–
– to Stage 3	(43)	(120)	163	–
Increase for the period	26,940	1,549	19	28,508
As at 30 June 2023	95,336	2,189	1,934	99,459

	31 December 2022			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2022	194,316	177	14,107	208,600
Transferred:				
– to Stage 1	509	(68)	(441)	–
– to Stage 2	(36)	36	–	–
– to Stage 3	(48)	(36)	84	–
Increase/(decrease) for the year	(125,945)	196	(11,900)	(137,649)
As at 31 December 2022	68,796	305	1,850	70,951

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30 OTHER LIABILITIES (CONTINUED)

(c) Lease liabilities

The maturity analysis of lease liabilities – undiscounted analysis:

	30 June 2023	31 December 2022
Within one year (inclusive)	98,953	105,315
Between one year and two years (inclusive)	79,205	80,601
Between two years and three years (inclusive)	57,002	57,301
Between three years and five years (inclusive)	51,228	56,517
More than five years	14,585	8,453
Total undiscounted lease liabilities	300,973	308,187
Net book value	266,008	279,903

31 SHARE CAPITAL

Authorised and issued share capital

	30 June 2023	31 December 2022
Ordinary shares listed in Mainland China (A-share)	7,071,633	6,428,758
Ordinary shares listed in Hong Kong (H-share)	2,020,458	1,836,780
Total	9,092,091	8,265,538

In December 2015, the Bank issued 1,200 million H-shares with a par value of RMB1 at an offering price of HKD3.85 per share (the “H-share offering”). The premium arising from the H-share offering amounting to RMB2,562 million was recorded in capital reserve. Immediately following the H-share offering, RMB120 million ordinary shares in Mainland China shares held by the National Council and Social Security Fund were converted to H-shares pursuant to the relevant PRC regulations relating to the reduction of state-owned shares.

In January 2016, the Bank issued 180 million H-shares (H-shares’ over-allotment option) with a par value of RMB1 at an offering price of HKD3.85 per share. The premium arising from the offering amounting to RMB392 million was recorded in capital reserve. Immediately following the H-share offering, RMB18 million ordinary shares in Mainland China shares held by the National Council and Social Security Fund were converted to H-shares pursuant to the relevant PRC regulations relating to the reduction of state-owned shares.

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31 SHARE CAPITAL (CONTINUED)

Authorised and issued share capital (Continued)

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

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

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

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

In June 2023, the Bank converted capital reserve to share capital on the basis of 1 share for every 10 shares offered to all shareholders, and the total number of shares increased by 827 million.

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

32 RESERVES

(a) Capital reserve

	30 June 2023	31 December 2022
Share premium	5,920,487	6,747,040
Others	64,615	64,615
Total	5,985,102	6,811,655

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For the six months ended 30 June 2023

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32 RESERVES (CONTINUED)

(b) Surplus reserve

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

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

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

(c) General reserve

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

(d) Fair value reserve

	30 June 2023	31 December 2022
As at 1 January	(126,163)	(173,457)
Change in fair value/credit losses recognised in other comprehensive income	218,463	(84,918)
Transfer to profit or loss upon disposal	20,881	86,051
Less: Deferred income tax	(59,836)	(283)
Sub-total	179,508	850
Change in fair value of equity instruments recognised in other comprehensive income	(1,737)	61,926
Less: Deferred income tax	434	(15,482)
Sub-total	(1,303)	46,444
As at 30 June/31 December	52,042	(126,163)

Notes to the Unaudited Interim Condensed Consolidated Financial Information

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32 RESERVES (CONTINUED)

(e) Remeasurement of net defined benefit liability

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

	30 June 2023	31 December 2022
As at 1 January	(68,635)	(69,255)
Remeasurement of net defined benefit liability	(4,351)	620
Less: Deferred income tax	-	-
Sub-total	(4,351)	620
As at 30 June/31 December	(72,986)	(68,635)

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32 RESERVES (CONTINUED)

(f) Movements in components of equity

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

The Bank

Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2023	8,265,538	9,998,855	6,811,713	3,505,562	7,500,200	(126,163)	(68,635)	14,191,117	50,078,187
Profit for the period	-	-	-	-	-	-	-	1,976,086	1,976,086
Other comprehensive income	-	-	-	-	-	178,205	(4,351)	-	173,854
Sub-total comprehensive income	-	-	-	-	-	178,205	(4,351)	1,976,086	2,149,940
Capital reserve converted into share capital	826,553	-	(826,553)	-	-	-	-	-	-
Balance at 30 June 2023	9,092,091	9,998,855	5,985,160	3,505,562	7,500,200	52,042	(72,986)	16,167,203	52,228,127

32 RESERVES (CONTINUED)

(f) Movements in components of equity (Continued)

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

The Bank (Continued)

	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement		Total
								of net defined benefit liability	Retained earnings	
Balance at 1 January 2022		8,265,538	17,824,363	7,452,548	3,281,678	7,244,200	(178,457)	(69,255)	13,429,656	57,255,271
Profit for the year		-	-	-	-	-	-	-	2,238,836	2,238,836
Other comprehensive income		-	-	-	-	-	47,294	620	-	47,914
Sub-total comprehensive income		-	-	-	-	-	47,294	620	2,238,836	2,286,750
Capital invested by shareholders:										
- Issuance of perpetual debts		-	(7,825,508)	(640,835)	-	-	-	-	-	(8,466,343)
Appropriation of profit:										
- Appropriation to surplus reserve		-	-	-	223,884	-	-	-	(223,884)	-
- Appropriation to general reserve		-	-	-	-	256,000	-	-	(256,000)	-
- Cash dividend on preference shares	33	-	-	-	-	-	-	-	(517,491)	(517,491)
- Interest on perpetual debts	33	-	-	-	-	-	-	-	(480,000)	(480,000)
Sub-total		-	(7,825,508)	(640,835)	223,884	256,000	47,294	620	761,461	(7,177,084)
Balance at 31 December 2022		8,265,538	9,998,855	6,811,713	3,505,562	7,500,200	(126,163)	(68,635)	14,191,117	50,078,187

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Notes to the Unaudited Interim Condensed Consolidated Financial Information

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33 PROFIT DISTRIBUTION

(a) Dividends for Ordinary Shares

In accordance with the resolution of the Bank's 2022 Annual General Meeting of Shareholders held on 15 June 2023, no cash dividends will be distributed for the year ended 31 December 2022, and one new Share for every 10 Shares shall be issued to the Ordinary Shareholders whose names appeared on the register of Shareholders as at the dividend distribution registration date by way of capitalization issue.

(b) Dividends for Preference Shares

As per the resolution and authorisation of the General Meeting, the Bank reviewed and approved the Proposal on Distribution of Dividends for Preference Shares at the 2nd meeting of the seventh session of the Board of the Bank on 30 August 2022, permitting the Bank to distribute the dividends on the Bank's offshore preference shares on 18 October 2022.

Dividends on the Bank's offshore preference shares are paid annually in cash, and calculated based on the aggregate value of the offshore preference shares. Dividends on the preference shares are non-cumulative. Holders of preference shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution plan in the preference share issuance proposal, the Bank distributed a dividend of USD72.78 million, aggregating to RMB517 million at the rate on dividend declared date. In practice, the dividend was distributed in the currency of the preference share. According to relevant laws, when the Bank distributes dividends on preference shares, the enterprise income tax shall be withheld by the Bank at a rate of 10%. According to the requirements of the terms and conditions of the offshore preference shares, the Bank shall pay the relevant taxes, in addition to the dividends on offshore preference shares.

(c) Dividends for Perpetual Bond

The Bank distributed a dividend of 480 million to the perpetual bond holders in November 2022.

(d) Retained earnings

As at 30 June 2023, retained earnings of the Group included the statutory surplus reserve of RMB86 million appropriated by the subsidiaries and attributable to the Bank (31 December 2022: RMB86 million).

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34 OTHER EQUITY INSTRUMENTS

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

Financial instrument outstanding	Time issued	Classifications	Dividend	Issue price	Quantity	As at	Maturity	Conversion conditions
			yield ratio/ Interest rate			30 June 2023		
Undated additional tier 1 capital bonds (i)	2021/11/11	Equity	4.80%	RMB100	100,000,000	10,000	None	None
Less: Issuing cost						(2)		
Total						9,998		

(b) Main clause

(i) Undated additional tier 1 capital bonds

(1) Issuance

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

(2) Conditional redemption

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

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34 OTHER EQUITY INSTRUMENTS (CONTINUED)

(b) Main clause (Continued)

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

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

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

(4) *Write-down clauses*

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

(5) *Distributions*

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

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

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35 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Cash and cash equivalents comprise:

	30 June 2023	30 June 2022
Cash on hand	1,020,917	1,736,166
Surplus deposit reserves with Central Bank	7,080,806	7,912,728
Deposits with banks and other financial institutions with original maturity of three months or less	1,814,856	2,832,260
Placements with banks and other financial institutions with original maturity of three months or less	1,136,047	1,909,394
Total	11,052,626	14,390,548

36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) Major shareholders

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

Shareholdings in the Bank:

	30 June 2023	31 December 2022
Zhengzhou Finance Bureau	7.23%	7.23%
Zhengzhou Investment Holdings Co., Ltd.	6.69%	6.69%

(ii) Subsidiaries and associates of the Bank

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

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36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(a) Relationship of related parties (Continued)

(iii) Other related parties

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

(b) Related party transactions and balances

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

(i) Transactions with major shareholders

	30 June 2023	31 December 2022
Balances at the end of the period/year:		
Financial investments measured at amortised cost	1,031,678	811,560
Deposits from customers	2,116,313	1,450,795
Other liabilities	64,285	64,285
	For the six months ended 30 June	
	2023	2022
Transactions during the period:		
Interest income	1,678	26,742
Interest expense	1,708	7,100

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36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances (Continued)

(ii) Transactions with subsidiaries

	30 June 2023	31 December 2022
Balances at the end of the period/year:		
Deposits/placements with banks and other financial institutions	1,760,767	3,258,252
Deposits from banks and other financial institutions	1,299,700	1,205,175
Guarantee for subsidiaries	241,330	297,700
	For the six months ended 30 June	
	2023	2022
Transactions during the period:		
Interest income	34,912	–
Interest expense	16,978	17,068

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

(iii) Transactions with associates

	30 June 2023	31 December 2022
Balances at the end of the period/year:		
Deposits/placements with banks and other financial institutions	948	944
Deposits from banks and other financial institutions	612,097	470,818
	For the six months ended 30 June	
	2023	2022
Transactions during the period:		
Interest income	3	–
Interest expense	2,905	15,022

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36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances (Continued)

(iv) Transactions with other major related parties

	30 June 2023	31 December 2022
Balances at the end of the period/year:		
Loans and advances to customers	11,006,753	13,666,338
Financial assets held under resale agreements	300,038	–
Deposits/placements with banks and other financial institutions	44,542	–
Financial investments measured at amortised cost	1,937,072	2,051,876
Financial investments at fair value through profit or loss	342,021	342,205
Financial investments at fair value through other comprehensive income	421,493	410,417
Deposits from customers	4,550,219	3,249,613
Deposits/placements from banks and other financial institutions	1,540,296	148,289
Bank acceptances	983,588	1,509,282
Guarantees	33,350	–
Unused credit card commitments	87,880	57,165
Loan commitments	610,086	–
	For the six months ended 30 June	
	2023	2022
Transactions during the period:		
Interest income	293,721	227,147
Interest expense	49,199	33,422
Fee and commission income	37,276	51,378

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36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Key management personnel

(i) Transactions with key management personnel

	30 June 2023	31 December 2022
Balances at the end of the period/year:		
Deposits from customers	19,402	10,497
Unused credit card commitments	11,236	11,120
	30 June 2023	30 June 2022
Transactions during the period:		
Interest income	–	27
Interest expense	355	408

(ii) Key management personnel remuneration

	For the six months ended 30 June	
	2023	2022
Salaries and other emoluments	5,657	6,445
Discretionary bonuses	9,057	13,032
Social insurance and welfare plans, housing allowances	604	634
Total	15,318	20,111

The remuneration of key management personnel of the Bank for the period ended 30 June 2023 has been reviewed by the Party Committee of the Bank, approved by the Remuneration and Appraisal Committee of the Board of Directors, and approved by the Board of Directors (the period ended 30 June 2022: the same).

No post-employment benefits, termination benefits or other long-term benefits were provided to key management personnel for the period ended 30 June 2023 (the period ended 30 June 2022: the same).

(iii) Loans to key officers

The Group had no balance of loans to directors, supervisors and senior management as at the end of reporting period (31 December 2022: the same).



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37 SEGMENT REPORTING

(a) Business Segment

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

Corporate banking

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

Retail banking

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

Treasury business

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

Others

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

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

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

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

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37 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	Six months ended 30 June 2023				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	5,602,493	23,640	299,650	–	5,925,783
Internal net interest income/ (expense)	(1,438,756)	1,095,987	342,769	–	–
Net interest income	4,163,737	1,119,627	642,419	–	5,925,783
Net fee and commission income	148,979	42,383	130,735	–	322,097
Net trading gains	–	–	401,244	–	401,244
Net gains arising from investments	6,096	–	187,550	–	193,646
Other operating income	–	–	–	60,827	60,827
Operating income	4,318,812	1,162,010	1,361,948	60,827	6,903,597
Operating expenses	(896,117)	(361,904)	(246,333)	(18,447)	(1,522,801)
Credit Impairment losses	(2,570,859)	(319,419)	12,762	–	(2,877,516)
Operating profit	851,836	480,687	1,128,377	42,380	2,503,280
Share of profits of associates	–	–	–	23,710	23,710
Profit before taxation	851,836	480,687	1,128,377	66,090	2,526,990
Other segment information					
– Depreciation and amortisation	83,365	140,103	6,772	–	230,240
– Capital expenditure	164,592	68,246	47,361	2,577	282,776

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37 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	30 June 2023				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	308,407,297	97,108,037	204,326,139	1,658,316	611,499,789
Deferred tax assets					5,359,608
Total assets					616,859,397
Segment liabilities/ Total liabilities	195,548,436	163,988,290	200,491,937	1,917,161	561,945,824
Credit commitments	81,436,506	7,165,161	-	-	88,601,667

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37 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	Six months ended 30 June 2022				Total
	Corporate banking	Retail banking	Treasury business	Others	
Operating income					
External net interest income	5,147,003	476,138	622,572	–	6,245,713
Internal net interest income/ (expense)	(1,516,292)	664,728	851,564	–	–
Net interest income	3,630,711	1,140,866	1,474,136	–	6,245,713
Net fee and commission income	170,941	42,952	205,413	–	419,306
Net trading gains	–	–	694,185	–	694,185
Net gains arising from investments	30,093	–	146,112	–	176,205
Other operating income	–	–	–	28,979	28,979
Operating income	3,831,745	1,183,818	2,519,846	28,979	7,564,388
Operating expenses	(672,141)	(311,662)	(371,375)	(7,115)	(1,362,293)
Credit Impairment losses	(2,051,242)	(131,787)	(776,316)	–	(2,959,345)
Operating profit	1,108,362	740,369	1,372,155	21,864	3,242,750
Share of profits of associates	–	–	–	2,940	2,940
Profit before taxation	1,108,362	740,369	1,372,155	24,804	3,245,690
Other segment information					
– Depreciation and amortisation	83,618	126,172	17,637	–	227,427
– Capital expenditure	101,913	48,876	60,463	628	211,880

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37 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	31 December 2022				Total
	Corporate banking	Retail banking	Treasury business	Others	
Segment assets	288,829,923	94,431,801	202,126,994	1,244,332	586,633,050
Deferred tax assets					4,880,568
Total assets					591,513,618
Segment liabilities/					
Total liabilities	199,597,448	143,896,016	193,730,016	1,664,902	538,888,382
Credit commitments	90,133,016	5,740,253	–	–	95,873,269

(b) Geographical information

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

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38 RISK MANAGEMENT

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

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

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

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

(a) Credit risk

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

Credit business

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

Treasury Business

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

38 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL

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

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

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

(i) Significant increase in credit risk

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

If one or more of the following criteria are met by the borrower:

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

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

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For the six months ended 30 June 2023
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38 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

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

(1) Quantitative criterion

The financial assets are more than 90 days past due.

(2) Qualitative criterion

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

- the borrower being in the grace period for a long time
- the death of the borrower
- the borrower’s bankruptcy
- the borrower breaching (one or more) terms of the contract that the debtor shall be subject to
- the disappearance of an active market for the related financial asset because of financial difficulties faced by the borrower
- the creditor making concessions due to the economic or contracts about financial difficulties faced by the borrower, which the creditor will not make under any other circumstances
- becoming probable that the borrower will enter bankruptcy
- a higher discount was obtained during the acquisition of assets, and the assets has incurred credit loss when they are acquired

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

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38 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

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

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

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

The lifetime PD is deduced from using the maturity model with 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 relevant parameters for the measurement of expected credit losses include PD, LGD, and EAD. According to the requirements of the new financial instrument standards, the Group has established PD, LGD, and EAD models by considering quantitative analysis and forward-looking information of historical statistical data (such as counterparty ratings, guarantee methods, collateral types, and repayment methods).

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For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

38 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

- In respect of the loans with instalment repayments and bullet repayments, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on the prediction of over-limit repayment and prepayments/refinancing made by the borrower.
- In respect of the products of revolving credit agreements, the Group estimates the remaining withdrawal within the limits by using the balance of the loan after previous withdrawals and the “credit conversion factor”, so as to predict the exposure at default. Based on the Group’s analysis on recent default data, these assumptions vary based on the differences in product type and utilisation rate of the limits.
- The Group determines the 12-month LGD and lifetime LGD based on the factors that affect post-default recovery. LGD for different product types are different.
- Forward-looking economic information should be considered when determining the 12-month and lifetime PD, EAD and LGD. Forward-looking information that needs to be considered is different due to different product types.

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

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

(1) Maximum credit risk exposure

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

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38 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

(2) *Loans and advances to customers*

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

	30 June 2023	31 December 2022
Gross balance of loans and advances that are assessed for 12-month ECL		
– Overdue but not credit-impaired	2,485,659	1,618,222
– Neither overdue nor credit-impaired	328,397,108	309,543,318
Sub-total	330,882,767	311,161,540
Gross balance of loans and advances that are not credit-impaired and assessed for lifetime ECL		
– Overdue but not credit-impaired	1,117,514	1,698,022
– Neither overdue nor credit-impaired	7,154,643	9,239,962
Sub-total	8,272,157	10,937,984
Gross balance of credit-impaired loans and advances that are assessed for lifetime ECL		
– Overdue and credit-impaired	7,083,976	6,522,962
– Not overdue but credit-impaired	4,905,163	2,298,611
Sub-total	11,989,139	8,821,573
Interest accrued	1,916,292	1,594,573
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(10,973,812)	(10,308,636)
Net loans and advances to customers	342,086,543	322,207,034

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For the six months ended 30 June 2023
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38 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

(2) Loans and advances to customers (Continued)

(ii) Neither overdue nor credit-impaired

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

	30 June 2023	31 December 2022
Corporate loans and advances	256,244,387	240,503,476
Personal loans and advances	79,307,364	78,279,804
Total gross balance	335,551,751	318,783,280

(iii) Overdue but not credit-impaired

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

	30 June 2023		Total
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	
Corporate loans and advances	2,306,555	412,769	2,719,324
Personal loans and advances	364,716	519,133	883,849
Total gross balance	2,671,271	931,902	3,603,173

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38 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

(2) *Loans and advances to customers (Continued)*

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

	31 December 2022		Total
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	
Corporate loans and advances	1,432,210	1,195,145	2,627,355
Personal loans and advances	429,638	259,251	688,889
Total gross balance	1,861,848	1,454,396	3,316,244

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

	30 June 2023	31 December 2022
Fair value of collateral held against loans and advances overdue but not credit-impaired	2,064,505	2,446,861

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

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38 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

(2) Loans and advances to customers (Continued)

(iv) Credit-impaired loans

Credit-impaired loans were analysed as follows:

	30 June 2023	31 December 2022
Gross balance		
– Corporate loans and advances	9,617,962	6,473,939
– Personal loans and advances	2,371,177	2,347,634
Sub-total	11,989,139	8,821,573
Interest accrued		
– Corporate loans and advances	150,402	63,378
– Personal loans and advances	360	599
Sub-total	150,762	63,977
Provision for impairment losses		
– Corporate loans and advances	(4,888,870)	(3,846,908)
– Personal loans and advances	(942,034)	(971,246)
Sub-total	(5,830,904)	(4,818,154)
Net balance		
– Corporate loans and advances	4,879,494	2,690,409
– Personal loans and advances	1,429,503	1,376,987
Total	6,308,997	4,067,396
Fair value of collateral held against credit-impaired loans and advances	15,477,988	13,266,300

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38 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

(2) Loans and advances to customers (Continued)

(iv) Credit-impaired loans (Continued)

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

(3) Amounts due from banks and other financial institutions

The Group adopts an internal credit rating approach in managing the credit risk of amounts due from banks and other financial institutions. The distribution according to the credit rating of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

	30 June 2023	31 December 2022
Carrying amount		
– Grade A to AAA	13,103,123	7,483,953
– Unrated	330,816	9,235,266
Total	13,433,939	16,719,219

As at 30 June 2023, amounts due from banks and other financial institutions of the Group were neither overdue nor credit-impaired (31 December 2022: the same).

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38 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

(4) Debt securities investments

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held. The ratings are obtained from major rating agencies such as Wind. The gross balance amounts of debt securities investments analysed by rating as at the end of the reporting period/year are as follows:

	30 June 2023						Total
	Unrated	AAA	AA+	AA	AA-	Below A	
Debt securities							
- Government	62,825,173	-	-	-	-	-	62,825,173
- Policy banks	35,774,527	-	-	-	-	-	35,774,527
- Banks and other financial institutions	-	5,800,670	1,588,263	-	-	-	7,388,933
- Corporate	319,492	2,210,994	3,306,715	1,582,858	-	416,107	7,836,166
Total	98,919,192	8,011,664	4,894,978	1,582,858	-	416,107	113,824,799

	31 December 2022						Total
	Unrated	AAA	AA+	AA	AA-	Below A	
Debt securities							
- Government	57,494,747	-	-	-	-	-	57,494,747
- Policy banks	35,509,038	-	-	-	-	-	35,509,038
- Banks and other financial institutions	-	4,468,624	693,055	200,327	-	200,875	5,562,881
- Corporate	213,277	1,021,824	1,308,976	1,637,138	-	478,387	4,659,602
Total	93,217,062	5,490,448	2,002,031	1,837,465	-	679,262	103,226,268

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38 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

(5) Financial investments measured at amortised cost

The Group

	30 June 2023	31 December 2022
Balance of financial investments measured at amortised cost that are assessed for 12-months ECL		
– Neither overdue nor credit-impaired	112,306,183	110,498,193
Less: Provision for impairment losses	(527,490)	(566,582)
Sub-total	111,778,693	109,931,611
Balance of not credit-impaired financial investments measured at amortised cost that are assessed for lifetime ECL		
– Overdue but not credit-impaired	285,000	381,646
– Neither overdue nor credit-impaired	56,500	59,000
Less: Provision for impairment losses	(35,955)	(44,187)
Sub-total	305,545	396,459
Balance of credit-impaired financial investments measured at amortised cost that are assessed for lifetime ECL		
– Overdue and credit-impaired	12,515,607	12,726,672
Less: Provision for impairment losses	(3,407,277)	(3,466,268)
Sub-total	9,108,330	9,260,404
Interest accrued	1,710,571	2,090,702
Total	122,903,139	121,679,176
Fair value of collateral held against credit-impaired financial investments that are measured at amortised cost	15,739,012	15,663,253

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38 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

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

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

(6) Looking-forward Information

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

The Group conducts sensitivity analysis on the core economic indicators used in forward-looking measurement. As at 30 June 2023, when the predicted value of the core economic indicators in the main scenarios increase or decrease by 10%, the Group expected the respective decrease or increase in ECL will not exceed 5% (31 December 2022: Nil).

The Group also provide other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. Among them, the “central” scenario is defined as the most likely scenario in the future and serves as a basis for comparison with other scenarios. “Upside” scenarios and “downside” scenarios are better and worse than the “central” scenarios and are likely to happen. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECLs should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted Lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weightings (as opposed to weighting the inputs). As at 30 June 2023, the weights assigned to various macro scenarios were: “central” 60%, “upside” 20%, and “downside” 20% (31 December 2022: the same).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

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38 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

(6) Looking-forward Information (Continued)

The multi-scenario weight is based on the principle of the benchmark scenario and supplemented by other scenarios. According to the sensitivity analysis, at 30 June 2023, when the weight of the “upside” scenario increases by 10% and the weight of the “central” scenario decreases by 10%, or the weight of the “downside” scenario increases by 10% and the weight of the “central” scenario decreases by 10%, the Group expected the respective decrease or increase in ECL will not exceed 5% (31 December 2022: Nil).

The impact of these economic indicators on the PD and the LGD is various for different business types. The Group mainly applies external data, supplemented by internal expert judgement to determine the relationship between these economic indicators and the PD, and LGD through regression analysis.

The Group regularly updates the forecast value of macroeconomic indicators, and measures a probability weighted 12-month ECL (Stage 1), or a probability weighted Lifetime ECL (Stages 2 and 3).

(b) Market risk

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

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

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

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

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38 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

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

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

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

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

(1) Interest rate risk

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

(i) Repricing risk

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

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

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38 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

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

	30 June 2023					
	Total	Non-interest bearing	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with Central Bank	25,900,554	1,578,680	24,321,874	-	-	-
Deposits/placements with banks and other financial institutions	6,575,356	30,085	4,539,144	2,006,127	-	-
Financial assets held under resale agreements	6,858,583	680	6,857,903	-	-	-
Loans and advances to customers (1)	342,086,543	1,916,292	68,405,527	162,721,035	99,880,774	9,162,915
Investments (2)	189,334,515	3,620,654	31,841,446	35,399,855	76,693,472	41,779,088
Lease receivables (1)	32,227,169	320,591	3,881,991	10,507,905	17,484,423	32,259
Others	2,856,321	2,856,321	-	-	-	-
Total assets	605,839,041	10,323,303	139,847,885	210,634,922	194,058,669	50,974,262
Liabilities						
Due to Central Bank	26,168,771	264,560	5,129,857	20,774,354	-	-
Deposits/placements from banks and other financial institutions	50,777,370	387,073	21,563,297	28,157,000	670,000	-
Financial assets sold under repurchase agreements	19,294,399	2,908	19,291,491	-	-	-
Deposits from customers	357,912,589	4,811,329	172,266,324	97,560,927	83,274,009	-
Debt securities issued	103,726,692	363,619	28,007,207	57,357,917	17,997,949	-
Others	1,201,009	1,201,009	-	-	-	-
Total liabilities	559,080,830	7,030,498	246,258,176	203,850,198	101,941,958	-
Asset-liability gap	46,758,211	3,292,805	(106,410,291)	6,784,724	92,116,711	50,974,262

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38 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

	31 December 2022					
	Total	Non-interest bearing	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with Central Bank	26,487,450	1,530,418	24,957,032	-	-	-
Deposits/placements with banks and other financial institutions	4,332,718	14,246	3,019,010	1,299,462	-	-
Financial assets held under resale agreements	12,386,501	3,374	12,285,762	97,365	-	-
Loans and advances to customers (1)	322,207,034	1,594,573	61,746,383	147,073,816	101,925,565	9,866,697
Investments (2)	183,544,827	3,568,192	31,424,534	40,358,075	69,853,826	38,340,200
Lease receivables (1)	30,633,447	308,699	3,282,015	8,938,746	18,019,889	84,098
Others	1,520,817	1,520,817	-	-	-	-
Total assets	581,112,794	8,540,319	136,714,736	197,767,464	189,799,280	48,290,995
Liabilities						
Due to Central Bank	20,105,825	386,138	5,282,694	14,436,993	-	-
Deposits/placements from banks and other financial institutions	59,089,835	391,498	22,166,399	36,061,938	470,000	-
Financial assets sold under repurchase agreements	19,098,195	6,435	18,948,227	143,533	-	-
Deposits from customers	341,797,766	5,494,991	194,388,722	76,241,283	65,672,116	654
Debt securities issued	94,992,906	98,439	35,647,091	46,249,409	12,997,967	-
Others	993,607	993,607	-	-	-	-
Total liabilities	536,078,134	7,371,108	276,433,133	173,133,156	79,140,083	654
Asset-liability gap	45,034,660	1,169,211	(139,718,397)	24,634,308	110,659,197	48,290,341

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38 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

- (1) For the Group's loans and advances to customers, the category "Within three months (inclusive)" as at 30 June 2023 includes overdue amounts (net of allowance for impairment losses) of RMB7,180 million (31 December 2022: RMB6,119 million). For the Group's lease receivables, the category "Within three months (inclusive)" as at 30 June 2023 includes overdue amounts (net of allowance for impairment losses) of RMB366 million (31 December 2022: RMB295 million).
- (2) As at 30 June 2023, investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments measured at amortised cost and interest in associates, the category "Within three months (inclusive)" as at 30 June 2023 includes overdue amounts (net of allowance for impairment losses) of RMB8,424 million (31 December 2022: RMB7,494 million).

(ii) Interest rate sensitivity analysis

	30 June 2023 (Decrease)/ increase	31 December 2022 (Decrease)/ increase
Changes in net profit		
Up 100 bps parallel shift in yield curves	(679,235)	(1,060,789)
Down 100 bps parallel shift in yield curves	679,235	1,060,789
Changes in equity		
Up 100 bps parallel shift in yield curves	(1,402,587)	(1,597,533)
Down 100 bps parallel shift in yield curves	1,465,307	1,638,978

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38 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

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

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

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

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38 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(2) Currency risk

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

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

	30 June 2023			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with Central Bank	25,895,714	1,306	3,534	25,900,554
Deposits/placements with banks and other financial institutions	6,263,355	210,557	101,444	6,575,356
Financial assets held under resale agreements	6,858,583	-	-	6,858,583
Loans and advances to Customers	342,086,543	-	-	342,086,543
Investments (i)	186,493,853	2,840,662	-	189,334,515
Lease receivables	32,227,169	-	-	32,227,169
Others	2,855,570	751	-	2,856,321
Total assets	602,680,787	3,053,276	104,978	605,839,041
Liabilities				
Due to Central Bank	26,168,771	-	-	26,168,771
Deposits/placements from banks and other financial institutions	49,881,112	896,258	-	50,777,370
Financial assets sold under repurchase agreements	18,933,109	361,290	-	19,294,399
Deposits from customers	357,899,337	12,918	334	357,912,589
Debt securities issued	103,726,692	-	-	103,726,692
Others	1,200,698	311	-	1,201,009
Total liabilities	557,809,719	1,270,777	334	559,080,830
Net position	44,871,068	1,782,499	104,644	46,758,211
Off-balance sheet credit commitments	88,141,344	430,832	29,491	88,601,667

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(In RMB thousands, unless otherwise stated)

38 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(2) Currency risk (Continued)

	31 December 2022			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with Central Bank	26,481,997	1,792	3,661	26,487,450
Deposits/placements with banks and other financial institutions	4,151,727	133,120	47,871	4,332,718
Financial assets held under resale agreements	12,386,501	–	–	12,386,501
Loans and advances to customers	322,164,335	42,699	–	322,207,034
Investments (i)	180,653,149	2,891,678	–	183,544,827
Lease receivables	30,633,447	–	–	30,633,447
Others	1,520,110	707	–	1,520,817
Total assets	577,991,266	3,069,996	51,532	581,112,794
Liabilities				
Due to Central Bank	20,105,825	–	–	20,105,825
Deposits/placements from banks and other financial institutions	58,486,514	603,321	–	59,089,835
Financial assets sold under repurchase agreements	18,819,611	278,584	–	19,098,195
Deposits from customers	341,606,478	187,203	4,085	341,797,766
Debt securities issued	94,992,906	–	–	94,992,906
Others	993,523	84	–	993,607
Total liabilities	535,004,857	1,069,192	4,085	536,078,134
Net position	42,986,409	2,000,804	47,447	45,034,660
Off-balance sheet credit commitments	95,416,183	426,907	30,179	95,873,269

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

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38 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(2) Currency risk (Continued)

	30 June 2023	31 December 2022
	Increase/ (Decrease)	Increase/ (Decrease)
Change in net profit and equity		
Up 100 bps change of foreign currencies against RMB exchange rate	14,125	15,362
Down 100 bps change of foreign currencies against RMB exchange rate	(14,125)	(15,362)

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

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

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

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38 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

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

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

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

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

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

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

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38 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(1) Maturity analysis

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

	30 June 2023						Total
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets							
Cash and deposits with Central Bank (ii)	17,790,525	8,101,723	8,306	-	-	-	25,900,554
Deposits/placements with banks and other financial institutions	-	1,814,544	2,753,141	2,007,671	-	-	6,575,356
Financial assets held under resale agreements	-	-	6,858,583	-	-	-	6,858,583
Loans and advances to customers (iii)	6,987,482	2,633,176	43,952,884	126,324,414	116,695,647	45,492,940	342,086,543
Investments (i)	10,044,154	2,580,856	20,932,171	35,798,262	77,745,478	42,233,594	189,334,515
Lease receivables (iv)	471,059	28,781	3,702,742	10,507,905	17,484,423	32,259	32,227,169
Others	975,082	20,925	1,779,562	13,253	67,499	-	2,856,321
Total assets	36,268,302	15,180,005	79,987,389	174,651,505	211,993,047	87,758,793	605,839,041
Liabilities							
Due to Central Bank	-	-	5,214,321	20,954,450	-	-	26,168,771
Deposits/placements from banks and other financial institutions	-	529,634	21,244,128	28,325,561	678,047	-	50,777,370
Financial assets sold under repurchase agreements	-	-	19,294,399	-	-	-	19,294,399
Deposits from customers	-	122,388,537	50,955,011	99,187,991	85,381,050	-	357,912,589
Debt securities issued	-	-	28,204,357	57,524,386	17,997,949	-	103,726,692
Others	-	676,295	28,640	150,106	345,968	-	1,201,009
Total liabilities	-	123,594,466	124,940,856	206,142,494	104,403,014	-	559,080,830
Net position	36,268,302	(108,414,461)	(44,953,467)	(31,490,989)	107,590,033	87,758,793	46,758,211

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38 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(1) Maturity analysis (Continued)

	31 December 2022						Total
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets							
Cash and deposits with Central Bank (ii)	18,384,285	8,094,535	8,630	-	-	-	26,487,450
Deposits/placements with banks and other financial institutions	-	1,908,160	1,119,890	1,304,668	-	-	4,332,718
Financial assets held under resale agreements	-	-	12,289,064	97,437	-	-	12,386,501
Loans and advances to customers (iii)	5,628,967	1,813,062	44,815,542	108,820,655	112,035,269	49,093,539	322,207,034
Investments (i)	9,188,420	2,790,642	21,140,458	40,736,183	70,949,193	38,739,931	183,544,827
Lease receivables (iv)	626,624	-	3,273,293	8,860,592	17,788,840	84,098	30,633,447
Others	549,196	2,563	886,712	8,788	54,175	19,383	1,520,817
Total assets	34,377,492	14,608,962	83,533,589	159,828,323	200,827,477	87,936,951	581,112,794
Liabilities							
Due to Central Bank	-	-	5,540,214	14,565,611	-	-	20,105,825
Deposits/placements from banks and other financial institutions	-	2,959,539	19,420,413	36,231,437	478,446	-	59,089,835
Financial assets sold under repurchase agreements	-	-	18,954,007	144,188	-	-	19,098,195
Deposits from customers	-	122,729,700	74,230,754	77,377,729	67,458,896	687	341,797,766
Debt securities issued	-	-	35,647,091	46,347,848	12,997,967	-	94,992,906
Others	-	292,884	208,613	123,451	368,659	-	993,607
Total liabilities	-	125,982,123	154,001,092	174,790,264	81,303,968	687	536,078,134
Net position	34,377,492	(111,373,161)	(70,467,503)	(14,961,941)	119,523,509	87,936,264	45,034,660



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38 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(1) Maturity analysis (Continued)

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

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38 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

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

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

	30 June 2023						
	Carrying amount	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Non-derivative financial liabilities cash flows:							
Due to Central Bank	26,168,771	26,517,817	-	5,231,818	21,285,999	-	-
Deposits/placements from banks and other financial institutions	50,777,370	51,402,037	529,634	21,372,500	28,788,304	711,599	-
Financial assets sold under repurchase agreements	19,294,399	19,297,962	-	19,297,962	-	-	-
Deposits from customers	357,912,589	366,629,485	122,388,537	51,499,655	100,916,648	91,824,645	-
Debt securities issued	103,726,692	105,758,800	-	28,100,000	58,744,800	18,914,000	-
Others	1,201,009	1,201,009	676,295	28,640	150,106	345,968	-
Total	559,080,830	570,807,110	123,594,466	125,530,575	209,885,857	111,796,212	-

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38 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

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

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

	31 December 2022						
	Carrying amount	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Non-derivative financial liabilities cash flows:							
Due to Central Bank	20,105,825	20,379,292	-	5,550,890	14,828,402	-	-
Deposits/placements from banks and other financial institutions	59,089,835	59,349,861	2,959,539	19,483,125	36,421,423	485,774	-
Financial assets sold under repurchase agreements	19,098,195	19,103,083	-	18,958,098	144,985	-	-
Deposits from customers	341,797,766	350,214,392	122,729,700	75,476,174	78,651,369	73,356,313	836
Debit securities issued	94,992,906	96,615,800	-	35,760,000	47,243,800	13,612,000	-
Others	993,607	993,607	292,884	208,613	123,451	368,659	-
Total	536,078,134	546,656,035	125,982,123	155,436,900	177,413,430	87,822,746	836

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38 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

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

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

	30 June 2023						
	Carrying amount	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Derivative financial instruments cash flows:							
Derivative financial instruments settled on net basis	2,331	3,784	-	3,784	-	-	-

	31 December 2022						
	Carrying amount	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Derivative financial instruments cash flows:							
Derivative financial instruments settled on net basis	100,456	91,371	-	91,371	-	-	-

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



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38 RISK MANAGEMENT (CONTINUED)

(d) Operational risk

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

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

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

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

38 RISK MANAGEMENT (CONTINUED)

(e) Capital management

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

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

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

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

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(In RMB thousands, unless otherwise stated)

38 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

The Group calculates the capital adequacy ratios as at 30 June 2023 and 31 December 2022 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法) issued by the former CBRC in 2012 and relevant requirements promulgated by the CBRC. The calculations based on statutory financial statements of the Group prepared under Accounting Standards for Business Enterprises are as follows:

	Note	30 June 2023	31 December 2022
Total core tier-one capital			
– Share capital		9,092,091	8,265,538
– Valid portion of capital reserve		5,985,102	6,811,655
– Fair value reserve		52,042	(126,163)
– Remeasurement of net defined benefit liability		(72,986)	(68,635)
– Surplus reserve		3,505,562	3,505,562
– General reserve		7,797,453	7,767,704
– Retained earnings		16,634,934	14,618,050
– Valid portion of minority interests		1,452,110	1,437,897
Core tier-one capital		44,446,308	42,211,608
Core tier-one capital deductions		(2,435,327)	(1,828,257)
Net core tier-one capital		42,010,981	40,383,351
Additional tier-one capital			
– Additional tier-one capital instruments and related premium		9,998,855	9,998,855
– Valid portion of minority interests		189,981	184,039
Net tier-one capital		52,199,817	50,566,245
Tier two capital			
– Surplus provision for loan impairment		4,603,514	4,343,627
– Valid portion of minority interests		393,009	381,809
Net tier-two capital		4,996,523	4,725,436
Net capital base		57,196,340	55,291,681
Total risk weighted assets	(1)	447,781,750	434,769,547
Core tier-one capital adequacy ratio		9.38%	9.29%
Tier-one capital adequacy ratio		11.66%	11.63%
Capital adequacy ratio		12.77%	12.72%

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

38 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

- (1) Both the on-balance and off-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty as well as any eligible collateral or guarantees.
- (2) Pursuant to the Regulation Governing Capital of Commercial Banks (Provisional) 《商業銀行資本管理辦法(試行)》, the CBIRC requires that the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio for commercial banks shall not fall below 10.5%, 8.5% and 7.5% at 30 June 2023 and 31 December 2022.

39 FAIR VALUE

(a) Methods and assumptions for measurement of fair value

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

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

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



Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)



39 FAIR VALUE (CONTINUED)

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

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

(1) *Debt securities investments*

Regarding the fair values of debt securities investments, the Bank performs valuation by referring to prices from valuation service providers or on the basis of discounted cash flows models. Valuation parameters include market interest rates, expected future default rates, prepayment rates and market liquidity. The fair values of RMB bonds are mainly determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd.. The fair values of unlisted equity investments are estimated using comparable firm approach, after adjustment for the specific circumstances of the issuers.

(2) *Other debt investments*

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of each of the reporting period.

(3) *Debt securities issued and other non-derivative financial liabilities*

Fair values of debt securities issued are based on their quoted market prices at the end of each of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of each of the reporting period.

(4) *Derivative financial instruments*

Derivative financial instruments use valuation techniques that only include observable market data for valuation, which are forward foreign exchange contracts. The most common valuation techniques include the discounted cash flow model and the Black-Scholes Model. The model parameters include forward foreign exchange rates, foreign exchange rate volatility, and interest rate curves.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

39 FAIR VALUE (CONTINUED)

(b) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	30 June 2023			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis				
Financial investments at fair value through profit or loss				
– Debt securities	–	12,838,046	–	12,838,046
– Investment funds	–	13,382,841	–	13,382,841
– Equity investments	713,838	–	176,012	889,850
– Other financial investments	–	–	14,455,045	14,455,045
Financial investments at fair value through other comprehensive income				
– Debt instruments	–	24,151,544	–	24,151,544
– Equity investments	–	–	68,589	68,589
Loans and advances to customers measured at fair value through other comprehensive income				
– Discounted bills and forfeiting	–	34,026,938	–	34,026,938
Total	713,838	84,399,369	14,699,646	99,812,853
Liabilities measured at fair value on a recurring basis				
Derivative financial liabilities	–	2,331	–	2,331
Total	–	2,331	–	2,331

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

39 FAIR VALUE (CONTINUED)

(b) Financial instruments recorded at fair value (Continued)

	31 December 2022			Total
	Level 1	Level 2	Level 3	
Assets measured at fair value on a recurring basis				
Financial investments at fair value through profit or loss				
– Debt securities	–	14,972,478	–	14,972,478
– Investment funds	–	14,366,427	–	14,366,427
– Equity investments	736,844	–	180,893	917,737
– Other financial investments	–	–	14,185,068	14,185,068
Financial investments at fair value through other comprehensive income				
– Debt instruments	–	17,079,734	–	17,079,734
– Equity investments	–	–	70,326	70,326
Loans and advances to customers measured at fair value through other comprehensive income				
– Discounted bills and forfeiting	–	27,147,958	–	27,147,958
Total	736,844	73,566,597	14,436,287	88,739,728
Liabilities measured at fair value on a recurring basis				
Derivative financial assets	–	100,456	–	100,456
Total	–	100,456	–	100,456

During the period, there were no transfers of financial instruments between different levels (2022: Nil).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

39 FAIR VALUE (CONTINUED)

(c) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening balance and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the period/year:

	1 January 2023	Total effects of profit and loss during the period	Total effects of other comprehensive income during the period	Acquisition	Sales/settlement	Transferred from Level 3 to Level 2	30 June 2023	Profit attributable to the change in unrealised gains/(losses) recognized in profit for the period relating to assets held at the end of the period
Financial assets:								
Financial investments at fair value through profit or loss	14,185,068	207,599	-	6,180,000	(6,117,622)	-	14,455,045	40,616
- Other financial investments at fair value through profit or loss	180,893	-	-	-	(4,881)	-	176,012	-
Financial investments at fair value through other comprehensive income	70,326	-	(1,737)	-	-	-	68,589	-
- Equity investments								
Total	14,436,287	207,599	(1,737)	6,180,000	(6,122,503)	-	14,699,646	40,616

39 FAIR VALUE (CONTINUED)

(c) Movement in level 3 financial instruments measured at fair value (Continued)

The following table shows a reconciliation of the opening balance and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the period/year: (Continued)

	1 January 2022	Total effects of profit and loss during the year	Total effects of other comprehensive income during the year	Acquisition	Sales/ settlement	Transferred from Level 3 to Level 2	31 December 2022	Profit attributable to the change in unrealised gains/ (losses) recognized in profit for the year relating to assets held at the end of the year
Financial assets:								
Financial investments at fair value through profit or loss								
- Other financial investments at fair value through profit or loss	18,469,966	(63,141)	-	6,329,394	(10,551,151)	-	14,185,068	(1,833)
- Equity investments	-	-	-	180,893	-	-	180,893	-
Financial investments at fair value through other comprehensive income	8,400	-	61,926	-	-	-	70,326	-
Total	18,478,366	(63,141)	61,926	6,510,287	(10,551,151)	-	14,436,287	(1,833)

During the reporting period, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

During the reporting period, total gains or losses recorded in profit or loss are recognised in the line item “net gains arising from investments” on the face of the consolidated statement of profit or loss and other comprehensive income.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

39 FAIR VALUE (CONTINUED)

(d) Fair value of financial assets and liabilities not carried at fair value

	30 June 2023				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost					
– Debt securities	76,757,271	78,272,257	–	78,272,257	–
Total	76,757,271	78,272,257	–	78,272,257	–
Financial liabilities					
Debt securities issued					
– Financial bonds	19,761,013	19,849,074	–	19,849,074	–
– Interbank deposits	83,965,679	84,039,828	–	84,039,828	–
Total	103,726,692	103,888,902	–	103,888,902	–
	31 December 2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost					
– Debt securities	71,123,274	71,343,128	–	71,343,128	–
Total	71,123,274	71,343,128	–	71,343,128	–
Financial liabilities					
Debt securities issued					
– Financial bonds	14,495,710	14,466,845	–	14,466,845	–
– Interbank deposits	80,497,196	80,493,305	–	80,493,305	–
Total	94,992,906	94,960,150	–	94,960,150	–

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

39 FAIR VALUE (CONTINUED)

(d) Fair value of financial assets and liabilities not carried at fair value (Continued)

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods are adopted to determine the fair values of these assets and liabilities.

The fair values of debt securities in financial investments measured at amortised cost and debt securities issued are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

Financial investments measured at amortised cost with the exception of debt securities are stated at amortised cost using the effective interest method. The fair value of financial investments measured at amortised cost are estimated based on future cash flows expected to be received which is discounted at current market rates. The majority of financial investments measured at amortised cost are repriced at least annually to the market rate. Accordingly, their carrying values approximate their fair values.

The above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Those financial instruments of which the carrying amounts are the reasonable approximations of the fair values because, for example, they are short-term in nature or repriced at current market rates frequently, are as follows:

Assets	Liabilities
Cash and deposits with Central Bank	Due to Central Bank
Deposits with banks and other financial institutions	Deposits from banks and other financial institutions
Placements with banks and other financial institutions	Placements from banks and other financial institutions
Financial assets held under resale agreements	Financial assets sold under repurchase agreements
Loans and advances to customers (measured at amortised cost)	Deposits from customers
Lease receivables	Other financial liabilities
Other financial assets	

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

40 COMMITMENTS AND CONTINGENCIES

(a) Credit commitments

The Group's credit commitments take the form of bank acceptances, unused credit card limits, letters of credit and letters of guarantees.

Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from its customers. The contractual amounts of unused credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

	30 June 2023	31 December 2022
Bank acceptances	69,879,926	80,492,970
Letters of credit	8,625,465	7,898,683
Guarantees	1,083,946	1,045,264
Unused credit card commitments	7,165,161	5,740,253
Loan commitments	1,847,169	696,099
Total	88,601,667	95,873,269

The Group may be exposed to credit risk in all the above credit businesses. Management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above are not representative of expected future cash outflows.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

40 COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Credit risk-weighted amount

	30 June 2023	31 December 2022
Credit risk-weighted amount of commitments and contingencies	9,692,352	10,063,831

The credit risk weighted amount represents the amount calculated with reference to the guidelines issued by the former CBIRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights range from 0% to 150% for credit commitments.

(c) Capital commitments

As at 30 June 2023 and 31 December 2022, the authorised capital commitments of the Group are as follows:

	30 June 2023	31 December 2022
Contracted but not paid for	303,102	206,513
Approved but not contracted for	46,447	30,859
Total	349,549	237,372

(d) Outstanding litigations and disputes

As at 30 June 2023, there are no outstanding legal proceedings that have a significant impact on the financial statements against the Group (31 December 2022: Nil).

(e) Pledged assets

	30 June 2023	31 December 2022
Debt securities	42,442,111	39,234,526
Bills	5,201,973	2,927,491
Total	47,644,084	42,162,017

Some of the Group's assets are pledged as collateral under repurchase agreements and due to Central Bank.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

41 STRUCTURED ENTITIES

(a) Consolidated structured entities

The consolidated structured entities are asset-backed securities. The Group considers whether it has control over the structured entities as the sponsor of the asset-backed securities, and judges whether these structured entities should be consolidated based on the decision-making scope, the power held, the remuneration for providing management services and the variable income risk exposure faced. During the period ended 30 June 2023, the Group did not provide financial support to the consolidated structured entities (2022: Nil).

(b) Unconsolidated structured entities

(1) *Structured entities sponsored by third party institutions in which the Group holds an interest*

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include investment management products under funds, trust schemes, investment management products managed by securities companies and wealth management products issued by financial institutions. The Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and finance through the issue of notes to investors.

The following tables set out an analysis of the carrying amounts of interests held by the Group in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	30 June 2023	
	Carrying amount	Maximum exposure
Financial investments		
– Financial investments at fair value through profit or loss	25,572,932	25,572,932
– Financial investments measured at amortised cost	45,409,219	45,409,219
Sub-total	70,982,151	70,982,151
Interest accrued	736,649	736,649
Total	71,718,800	71,718,800

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

41 STRUCTURED ENTITIES (CONTINUED)

(b) Unconsolidated structured entities (Continued)

(1) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

	31 December 2022	
	Carrying amount	Maximum exposure
Financial investments		
– Financial investments at fair value through profit or loss	26,364,901	26,364,901
– Financial investments measured at amortised cost	49,611,247	49,611,247
Sub-total	75,976,148	75,976,148
Interest accrued	944,655	944,655
Total	76,920,803	76,920,803

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amount of the assets held by the Group and the related interest receivable at the end of each of the reporting period.

The interest income, net trading gains and investment gains arising from the above unconsolidated structured entities for the period ended 30 June 2023 amounted to RMB1,696 million (the six months ended 30 June 2022: RMB2,194 million).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

41 STRUCTURED ENTITIES (CONTINUED)

(b) Unconsolidated structured entities (Continued)

(2) *Structured entities sponsored by the Group in which the Group does not consolidate but holds an interest.*

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of the investments in the notes to investors. Interest held by the Group includes fees charged by providing management services.

As at 30 June 2023, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB42,381 million (31 December 2022: RMB45,731 million).

During the period ended 30 June 2023, the Group recognised net commission income from the non-principal-guaranteed wealth management products with the amount of RMB105 million through provision of asset management services (the six months ended 30 June 2022: RMB121 million). The Group expected that the variable return would be insignificant as to the structured entities.

During the period ended 30 June 2023, the Group did not provide financial support to the unconsolidated structured entities (2022: Nil).

42 FIDUCIARY ACTIVITIES

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

As at 30 June 2023, the balance of the entrusted loans of the Group is RMB22,181 million (31 December 2022: RMB20,153 million).

43 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with the presentation and disclosures in the current period.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

44 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	30 June 2023	31 December 2022
Assets		
Cash and deposits with Central Bank	25,477,731	26,061,723
Deposits with banks and other financial institutions	2,379,535	2,320,673
Placements with banks and other financial institutions	5,571,138	4,717,578
Financial assets held under resale agreements	6,858,583	12,386,501
Loans and advances to customers	336,875,866	316,991,177
Financial investments:		
Financial investments at fair value through profit or loss	40,939,770	43,610,817
Financial investments at fair value through other comprehensive income	24,220,133	17,150,060
Financial investments measured at amortised cost	122,903,139	121,679,176
Interest in associates and subsidiaries	1,878,256	1,506,676
Property and equipment	3,049,160	2,950,147
Deferred tax assets	4,996,713	4,570,082
Other assets	4,776,925	3,502,880
Total assets	579,926,949	557,447,490
Liabilities		
Due to Central Bank	25,927,351	19,903,889
Deposits from banks and other financial institutions	19,145,230	30,743,841
Placements from banks and other financial institutions	5,299,195	4,706,132
Derivative financial liabilities	2,331	100,456
Financial assets sold under repurchase agreements	19,294,399	19,098,195
Deposits from customers	352,279,846	336,350,641
Tax payable	848,981	384,670
Debt securities issued	102,291,969	93,587,482
Other liabilities	2,609,520	2,493,997
Total liabilities	527,698,822	507,369,303

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

44 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	30 June 2023	31 December 2022
Equity		
Share capital	9,092,091	8,265,538
Other financial instruments	9,998,855	9,998,855
Capital reserve	5,985,160	6,811,713
Surplus reserve	3,505,562	3,505,562
General reserve	7,500,200	7,500,200
Fair value reserve	52,042	(126,163)
Remeasurement of net defined benefit liability	(72,986)	(68,635)
Retained earnings	16,167,203	14,191,117
Total equity	52,228,127	50,078,187
Total liabilities and equity	579,926,949	557,447,490

Zhao Fei
Chairman of the Board of Directors

Sun Haigang
Person in Charge of Accounting Affairs

Yuan Dongyun
Head of Accounting Department

Bank of Zhengzhou Co., Ltd.
(Company Chop)

Unaudited Supplementary Financial Information

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

1 CURRENCY CONCENTRATIONS

	30 June 2023			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	3,053,276	33,442	71,536	3,158,254
Spot liabilities	(1,270,777)	-	(334)	(1,271,111)
Net position	1,782,499	33,442	71,202	1,887,143

	31 December 2022			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	3,069,996	30,828	20,704	3,121,528
Spot liabilities	(1,069,192)	(62)	(4,023)	(1,073,277)
Net position	2,000,804	30,766	16,681	2,048,251

The Group has no structural position at the reporting periods.

Unaudited Supplementary Financial Information

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

2 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations in Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, amounts due from banks and other financial institutions and debt investments.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	30 June 2023			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	2,564,968	–	–	2,564,968
Europe	10,730	–	–	10,730
North America	94,086	–	–	94,086
Total	2,669,784	–	–	2,669,784

	31 December 2022			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	2,487,512	–	–	2,487,512
Europe	6,723	–	–	6,723
North America	113,232	–	–	113,232
Total	2,607,467	–	–	2,607,467