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中原銀行股份有限公司*
ZHONGYUAN BANK CO., LTD.*

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1216)

**ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS
ENDED JUNE 30, 2024**

The board of directors (the “**Board**”) of Zhongyuan Bank Co., Ltd. (the “**Bank**”) is pleased to announce the unaudited consolidated interim results (the “**Interim Results**”) of the Bank and its subsidiaries for the six months ended June 30, 2024 (the “**Reporting Period**”) which were prepared in accordance with the International Financial Reporting Standards. The Board and the audit committee of the Board have reviewed and confirmed the Interim Results.

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Bank (www.zybank.com.cn). The interim report for the six months ended June 30, 2024 will be published and will be available on the above websites in due course.

On behalf of the Board
ZHONGYUAN BANK CO., LTD.*
GUO Hao
Chairman

Zhengzhou, the People's Republic of China
August 29, 2024

As at the date of this announcement, the Board comprises Mr. GUO Hao as executive director; Ms. ZHANG Qiuyun, Mr. FENG Ruofan and Ms. ZHANG Shu as non-executive directors; Mr. XU Yiguo, Ms. ZHAO Zijian, Mr. WANG Maobin, Mr. PAN Xinmin and Mr. GAO Pingyang as independent non-executive directors.

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

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2024

I. Corporate Information

Legal Name of the Company

中原銀行股份有限公司¹ (abbreviated as 中原銀行)

English Name of the Company

ZHONGYUAN BANK CO., LTD.¹ (abbreviated as ZYBANK)

Registered Office

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

Headquarters in China

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

Principal Business Place in Hong Kong

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

Board of Directors

Executive Director:

Mr. GUO Hao (Chairman)

Non-executive Directors:

Ms. ZHANG Qiuyun

Mr. FENG Ruofan

Ms. ZHANG Shu

Independent non-executive Directors:

Mr. XU Yiguo

Ms. ZHAO Zijian

Mr. WANG Maobin

Mr. PAN Xinmin

Mr. GAO Pingyang

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

I. Corporate Information

Legal Representative

Mr. GUO Hao

Authorized Representatives

Mr. GUO Hao
Ms. CHAN Yin Wah

Company Secretary

Ms. CHAN Yin Wah

Unified Social Credit Code

9141000031741675X6

Financial License Institution Number

B0615H241010001

Auditors

PRC Auditor

Baker Tilly China Certified Public Accountants
Building 12, Sci-tech Cultural Park for Global Communication, 19 Chegongzhuang West Road,
Haidian District, Beijing, China

International Auditor

Baker Tilly Hong Kong Limited
8/F, 728 King's Road, Quarry Bay, Hong Kong

I. Corporate Information

Legal Advisor as to PRC mainland Laws

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

Legal Advisor as to Hong Kong Laws

Clifford Chance
27th Floor, Jardine House, One Connaught Place, Central, Hong Kong

H Share Registrar

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

Domestic Shares Trustee Agency

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

H Share Stock Code

1216

Investor's Enquiry

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Fax: (86) 0371-85519888
Email: dongshihui@zybank.com.cn

II. Summary of Accounting Information and Financial Indicators

	For the six months ended June 30,		
	2024	2023	Change over the corresponding period of last year
<i>(Expressed in millions of Renminbi, unless otherwise stated, except percentages)</i>			
Operating Results			Rate of Change (%)
Net interest income	10,704.2	10,892.9	(1.7)
Net fee and commission income	1,277.5	1,013.4	26.1
Operating income	13,992.1	13,551.2	3.3
Operating expenses	(4,396.3)	(4,406.6)	(0.2)
Impairment losses on assets	(8,096.3)	(7,013.2)	15.4
Profit before tax	1,574.3	2,213.1	(28.9)
Net profit	2,118.4	2,061.9	2.7
Net profit attributable to equity shareholders of the Bank	2,049.5	2,002.0	2.4
Calculated on a per share basis (RMB)			Rate of Change (%)
Net assets per share attributable to equity shareholders of the Bank ⁽¹⁾	2.21	2.13	3.8
Earnings per share ⁽²⁾	0.05	0.05	0.0
Profitability Indicators (%)			Change
Return on average total assets ⁽³⁾	0.31	0.31	0.00
Return on average equity ⁽⁴⁾	4.96	5.03	(0.07)
Net interest spread ⁽⁵⁾	1.55	1.55	0.00
Net interest margin ⁽⁶⁾	1.66	1.70	(0.04)
Net fee and commission income to operating income	9.13	7.48	1.65
Cost-to-income ratio ⁽⁷⁾	30.20	31.20	(1.00)

II. Summary of Accounting Information and Financial Indicators

	June 30, 2024	December 31, 2023	Change over the end of last year
<i>(Expressed in millions of Renminbi, unless otherwise stated, except percentages)</i>			
Capital adequacy ratio indicators⁽⁸⁾ (%)			Change
Calculated based on the Administrative Measures for the Capital of Commercial Banks			
Core Tier-1 capital adequacy ratio	8.89	8.10	0.79
Tier-1 capital adequacy ratio	11.54	10.44	1.10
Capital adequacy ratio	12.98	11.64	1.34
Total equity to total assets	7.26	7.20	0.06
Asset quality indicators (%)			Change
Non-performing loans to total loans ⁽⁹⁾	2.08	2.04	0.04
Allowance for loan impairment losses to non-performing loans ⁽¹⁰⁾	159.59	154.06	5.53
Allowance for loan impairment losses to total loans ⁽¹¹⁾	3.32	3.15	0.17
Other indicators (%)			
Loan-to-deposit ratio	77.98	84.47	(6.49)
Scale indicators			Rate of Change (%)
Total assets	1,361,667.9	1,346,446.5	1.1
Of which: Net loans and advances to customers	682,136.9	689,869.4	(1.1)
Total liabilities	1,262,835.0	1,249,558.3	1.1
Of which: deposits from customers	918,067.3	859,783.8	6.8
Share capital	36,549.8	36,549.8	-
Equity attributable to equity shareholders of the Bank	94,919.2	92,504.6	2.6
Non-controlling interests	3,913.7	4,383.6	(10.7)
Total equity	98,832.9	96,888.2	2.0

II. Summary of Accounting Information and Financial Indicators

Notes:

- (1) Calculated by dividing equity attributable to equity holders of the parent company after deduction of other equity instruments at the end of the reporting period by the total number of ordinary shares at the end of the reporting period.
- (2) The ratio of net profit (net of dividends of preference shares distributed during the year) attributable to shareholders of the Bank to weighted average number of ordinary shares.
- (3) Represents net profit for the period as a percentage of average balance of total assets at the beginning and the end of the period.
- (4) Calculated based on the “Rules on the Preparation and Submission of Information Disclosed by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share” (Revision 2010) issued by China Securities Regulatory Commission. Represents net profit attributable to shareholders of the Bank for the period as a percentage of weighted average balance attributable to shareholders of the Bank for the period.
- (5) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities, calculated based on daily average of the interest-earning assets and the interest-bearing liabilities.
- (6) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.
- (7) Calculated by dividing operating expenses after deduction of taxes and surcharges by operating income.
- (8) The Administrative Measures for the Capital of Commercial Banks was issued on October 26, 2023 and came into effect on January 1, 2024 by replacing the Administrative Measures for the Capital of Commercial Banks (Provisional).
- (9) Calculated by dividing total non-performing loans and advances to customers by gross loans and advances to customers. Gross loans and advances to customers are exclusive of accrued interest.
- (10) Calculated by dividing allowance for impairment losses on loans and advances to customers by total non-performing loans. Total allowance for impairment losses on loans and advances to customers included allowance for impairment losses on loans at amortized cost and allowance for impairment losses on loans at fair value through other comprehensive income.
- (11) Calculated by dividing allowance for impairment losses on loans and advances to customers by gross loans and advances to customers.

III. Management Discussion and Analysis

1. Past Economic and Financial Environment and Future Prospects

During the Reporting Period, the global economy generally maintained the momentum of recovery with the growth showing differentiation in different regions. Inflationary pressures in developed economies were eased, the labor market moderated, the Federal Reserve maintained its benchmark interest rate, and certain developed economies began to lower interest rates. In the future, the increase in global geopolitical risks and decline in demands may have a negative impact on world trade and investment growth. There are risks of recurring inflationary pressures, with significant uncertainty in currency policy.

During the Reporting Period, the domestic economy operation generally remained stable, with steady improvement in production and continuous recovery in demands. The employment and consumer prices were generally stable and the resident income continued to increase, which promoted high-quality development. Gross domestic product (GDP) amounted to RMB61,683.6 billion, representing a year-on-year increase of 5.0% at constant price. Market sales saw a stable growth, with total retail sales of consumer goods amounting to RMB23,596.9 billion, representing a year-on-year increase of 3.7%. The scale of investment continued to expand, with fixed asset investment (excluding rural households) amounting to RMB24,539.1 billion, representing a year-on-year increase of 3.9%. The import and export of goods increased rapidly, with a total import and export volume of RMB21,168.8 billion, representing a year-on-year increase of 6.1%. The overall consumer prices recovered moderately, with the consumer price index (CPI) rising by 0.1% year-on-year. Resident income continued to increase, with nationwide per capita disposable income of RMB20,733, representing an increase of 5.3% in real terms after excluding price factors. Looking ahead, the favorable conditions will be stronger than the adverse factors for China's development, and a steady and long-term positive development trend will not change.

During the Reporting Period, with the accelerated release of macro policy effects, the economy of Henan Province showed steady progress and a continuously positive trend. The GDP of Henan Province was RMB3,123.144 billion, representing a year-on-year increase of 4.9% at constant price. As the industrial production continued to pick up speed, the value added of industrial enterprises above the designated size in the province increased by 7.8% year-on-year. With the investment scale rapidly increasing, the fixed asset investment (excluding rural households) increased by 6.5% year-on-year, 2.6 percentage points higher than that of the whole country. The demand in the consumer market was gradually released, with total retail sales of consumer goods amounting to RMB1,324.417 billion, representing a year-on-year increase of 5.6%. The provincial consumer price index remained stable on the whole, with a year-on-year increase of 0.1%. The resident income increased steadily with a per capita disposable income of RMB14,962, representing a year-on-year increase of 5.7%. In the future, the economy of Henan Province is expected to show a trend of "steadily improving, stepping forward towards optimization and innovation, and rising on a quarterly basis".

During the Reporting Period, the Central Bank implemented a prudent monetary policy that was flexible, moderate, precise and effective, and strengthened counter-cyclical adjustment, creating a favorable monetary and financial environment for economic and social development. The monetary aggregate recorded reasonable growth. The balance of the broad money supply (M2) amounted to RMB305.0 trillion, representing a year-on-year increase of 6.2%. The total credit recorded reasonable growth, with the balance of RMB and foreign currency loans of financial institutions reaching RMB255.3 trillion, representing a year-on-year increase of 8.3%. The scale of public financing maintained a reasonable growth with existing public financing amounting to RMB395.1 trillion, representing a year-on-year increase of 8.1%. The RMB exchange rate basically remained stable, cross-border capital flows were stable and orderly, and the supply and demand in the foreign exchange market were basically balanced. In the future, prudent monetary policy will focus on balancing the relationships between short term and long term, stable growth and risk prevention, internal equilibrium and external equilibrium, enhancing the consistency of macro policy orientation and strengthening counter-cyclical adjustment, thus providing financial support for the economic upturn.

III. Management Discussion and Analysis

2. Overall Operation Overview

During the Reporting Period, in the face of numerous internal and external difficulties and challenges, the Bank adhered to doing a good job in the “Five Target Areas” of finance, namely technology finance, green finance, inclusive finance, pension finance and digital finance, by focusing on the goal of building a first-class city commercial bank and becoming the vanguard in the Henan financial army, strove to promote characteristic operation and differentiated development based on a new stage of high-quality development, and put efforts in building core competitiveness to accelerate the formation of new competitive advantages, with the business development generally showing a continuously positive trend. The Bank ranked 144th amongst the Top 1,000 World Banks 2024 published by The Banker (UK), one place higher than the previous year.

The Bank adhered to seeking progress while maintaining stability, upholding integrity and innovation, and making continuous efforts in structural adjustment, quality improvement and efficiency increase, thus maintaining a steady and positive development trend in all businesses. As of the end of the Reporting Period, the Bank’s total assets amounted to RMB1,361,668 million, representing an increase of RMB15,222 million or 1.1% as compared to the end of last year, among which, the total loans (excluding accrued interest) amounted to RMB699,563 million. The total liabilities amounted to RMB1,262,835 million, representing an increase of RMB13,277 million or 1.1% as compared to the end of last year, of which, the total deposits from customers (excluding accrued interest) amounted to RMB897,061 million. The operating income was RMB13,992 million, representing a year-on-year increase of RMB441 million or 3.3%. The net profit was RMB2,118 million, representing a year-on-year increase of RMB56 million or 2.7%. The non-performing loan ratio was 2.08%, the allowance coverage ratio was 159.59%, representing an increase of 5.53 percentage points as compared to the end of last year. The core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio were 8.89%, 11.54% and 12.98%, respectively, indicating a continuous improvement in the capital adequacy ratio.

III. Management Discussion and Analysis

3. Analysis on Income Statement

For the six months ended June 30, 2024, the Bank achieved operating income of RMB13,992 million, representing a year-on-year increase of RMB441 million or 3.3%, and achieved net profit of RMB2,118 million, representing a year-on-year increase of RMB56 million or 2.7%.

	For the six months ended June 30,			
	2024	2023	Change	Rate of change
	(in millions of RMB, except percentages)			
Interest income	24,363.8	25,113.7	(749.9)	(3.0%)
Interest expense	(13,659.6)	(14,220.8)	561.2	(3.9%)
Net interest income	10,704.2	10,892.9	(188.7)	(1.7%)
Fee and commission income	1,635.7	1,679.7	(44.0)	(2.6%)
Fee and commission expense	(358.2)	(666.3)	308.1	(46.2%)
Net fee and commission income	1,277.5	1,013.4	264.1	26.1%
Net trading gains	492.7	597.7	(105.0)	(17.6%)
Net gains arising from investment securities	1,388.8	843.0	545.8	64.7%
Other operating income ⁽¹⁾	128.9	204.2	(75.3)	(36.9%)
Operating income	13,992.1	13,551.2	440.9	3.3%
Operating expenses	(4,396.3)	(4,406.6)	10.3	(0.2%)
Impairment losses on assets	(8,096.3)	(7,013.2)	(1,083.1)	15.4%
Share of profits of associate and joint venture	74.8	81.7	(6.9)	(8.4%)
Operating profit	1,574.3	2,213.1	(638.8)	(28.9%)
Profit before tax	1,574.3	2,213.1	(638.8)	(28.9%)
Income tax	544.1	(151.2)	695.3	N/A
Net profit	2,118.4	2,061.9	56.5	2.7%
Net profit attributable to equity shareholders of the Bank	2,049.5	2,002.0	47.5	2.4%
Non-controlling interests	68.9	59.9	9.0	15.0%

Note:

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

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

For the six months ended June 30, 2024, the Bank recorded net interest income of RMB10,704 million, representing a year-on-year decrease of RMB189 million or 1.7%. Among this, a year-on-year decrease of net interest income of RMB167 million was attributable to the changes in the Bank's business scale and a year-on-year decrease of net interest income of RMB22 million was attributable to the changes in yield or cost rate.

The following table sets forth the average balance of the Bank's interest-earning assets and interest-bearing liabilities, interest income and expense from these assets and liabilities, and the average yield of these interest-earning assets and the average cost rate of these interest-bearing liabilities for the six months ended June 30, 2024 and 2023.

III. Management Discussion and Analysis

For the six months ended June 30,

	2024			2023		
	Average balance	Interest income/expense	Average yield/cost ⁽¹⁾	Average balance	Interest income/expense	Average yield/cost ⁽¹⁾
(in millions of RMB, except percentages)						
Interest-earning assets						
Loans and advances to customers	710,008.6	16,164.6	4.55%	708,120.6	16,699.5	4.72%
Investment securities and other financial assets ⁽²⁾	319,883.1	4,419.5	2.76%	342,144.4	4,753.2	2.78%
Lease receivables	77,675.4	2,016.1	5.19%	72,123.1	2,029.3	5.63%
Deposits with the Central Bank	52,409.7	369.2	1.41%	56,088.8	380.6	1.36%
Deposits with banks and other financial institutions	37,848.6	348.4	1.84%	28,490.1	316.6	2.22%
Financial assets held under resale agreements	52,179.2	517.9	1.99%	34,709.0	372.5	2.15%
Placements with banks and other financial institutions	38,512.3	528.1	2.74%	39,402.2	562.0	2.85%
Total interest-earning assets	1,288,516.9	24,363.8	3.78%	1,281,078.2	25,113.7	3.92%
Interest-bearing liabilities						
Deposits from customers	877,240.0	9,459.7	2.16%	868,071.6	9,883.5	2.28%
Financial assets sold under repurchase agreements	60,826.7	581.1	1.91%	52,233.4	524.3	2.01%
Placements from banks and other financial institutions	64,526.9	966.0	2.99%	57,121.0	863.4	3.02%
Borrowings from the Central Bank	66,744.6	767.7	2.30%	48,576.6	601.4	2.48%
Deposits from banks and other financial institutions	35,252.7	358.0	2.03%	30,353.6	380.4	2.51%
Debt securities issued ⁽³⁾	121,577.2	1,527.1	2.51%	141,453.7	1,967.8	2.78%
Total interest-bearing liabilities	1,226,168.1	13,659.6	2.23%	1,197,809.9	14,220.8	2.37%
Net interest income		10,704.2			10,892.9	
Net interest spread⁽⁴⁾			1.55%			1.55%
Net interest margin⁽⁵⁾			1.66%			1.70%

Notes:

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

III. Management Discussion and Analysis

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

For the six months ended June 30,			
2024 vs 2023			
Reasons for increase/(decrease)			
	Volume⁽¹⁾	Rate⁽²⁾	Net increase/ (decrease)⁽³⁾
	(in millions of RMB)		
Interest-earning assets			
Loans and advances to customers	44.5	(579.4)	(534.9)
Investment securities and other financial assets	(309.3)	(24.4)	(333.7)
Lease receivables	156.2	(169.4)	(13.2)
Deposits with the Central Bank	(25.0)	13.6	(11.4)
Deposits with banks and other financial institutions	104.0	(72.2)	31.8
Financial assets held under resale agreements	187.5	(42.1)	145.4
Placements with banks and other financial institutions	(12.7)	(21.2)	(33.9)
Changes in interest income	145.2	(895.1)	(749.9)
Interest-bearing liabilities			
Deposits from customers	104.4	(528.2)	(423.8)
Financial assets sold under repurchase agreements	86.3	(29.5)	56.8
Placements from banks and other financial institutions	111.9	(9.3)	102.6
Borrowings from the Central Bank	224.9	(58.6)	166.3
Deposits from banks and other financial institutions	61.4	(83.8)	(22.4)
Debt securities issued	(276.5)	(164.2)	(440.7)
Changes in interest expense	312.4	(873.6)	(561.2)

Notes:

- (1) Represents the average balance for the Reporting Period minus the average balance for the same period last year multiplied by the average yield/cost for the last period.
- (2) Represents the average yield/cost for the Reporting Period minus the average yield/cost for the same period last year multiplied by the average balance for the current period.
- (3) Represents the interest income/expense for the Reporting Period minus the interest income/expense for last year.

III. Management Discussion and Analysis

3.2 Interest income

For the six months ended June 30, 2024, the Bank's interest income decreased by RMB750 million or 3.0% to RMB24,364 million as compared to the same period of last year.

3.2.1 Interest income from loans and advances to customers

For the six months ended June 30, 2024, the Bank's interest income from loans and advances to customers decreased by RMB535 million or 3.2% to RMB16,165 million as compared to the same period of last year, primarily attributable to the impact of the downward trend in market interest rates, the decrease in the average yield of loans and advances to customers.

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

	For the six months ended June 30,					
	Average balance	2024 Interest income	Average yield	2023 Average balance	2023 Interest income	Average yield
	(in millions of RMB, except percentages)					
Corporate loans	409,014.8	9,967.5	4.87%	395,629.5	9,877.8	4.99%
Discounted bills	43,190.2	318.2	1.47%	67,907.5	555.7	1.64%
Personal loans	257,803.6	5,878.9	4.56%	244,583.6	6,266.0	5.12%
Total	710,008.6	16,164.6	4.55%	708,120.6	16,699.5	4.72%

3.2.2 Interest income from investment securities and other financial assets

For the six months ended June 30, 2024, the Bank's interest income from investment securities and other financial assets decreased by RMB334 million or 7.0% to RMB4,420 million as compared to the same period of last year, primarily attributable to the decrease in the average balance of investment securities and other financial assets.

3.2.3 Interest income from lease receivables

For the six months ended June 30, 2024, the Bank's interest income from lease receivables was RMB2,016 million, representing a year-on-year decrease of RMB13 million or 0.7%, primarily attributable to the decrease in the average yield of lease receivables.

3.2.4 Interest income from deposits with the Central Bank

For the six months ended June 30, 2024, the Bank's interest income from deposits with the Central Bank decreased by RMB11 million or 3.0% to RMB369 million as compared to the same period of last year, primarily attributable to the decrease in the average balance from deposits with the Central Bank.

III. Management Discussion and Analysis

3.2.5 Interest income from deposits with banks and other financial institutions

For the six months ended June 30, 2024, the Bank's interest income from deposits with banks and other financial institutions increased by RMB32 million or 10.0% to RMB348 million as compared to the same period of last year, primarily attributable to the increase in the average balance of deposits with banks and other financial institutions.

3.2.6 Interest income from financial assets held under resale agreements

For the six months ended June 30, 2024, the Bank's interest income from financial assets held under resale agreements increased by RMB145 million or 39.0% to RMB518 million as compared to the same period of last year, primarily attributable to the increase in the average balance of financial assets held under resale agreements.

3.2.7 Interest income from placements with banks and other financial institutions

For the six months ended June 30, 2024, the Bank's interest income from placements with banks and other financial institutions decreased by RMB34 million or 6.0% to RMB528 million as compared to the same period of last year, primarily attributable to the decrease in the average yield of placements with banks and other financial institutions.

3.3 Interest expense

For the six months ended June 30, 2024, the Bank's interest expense decreased by RMB561 million or 3.9% to RMB13,660 million as compared to the same period of last year, primarily attributable to the decrease in interest expenses on deposits from customers and debt securities issued.

3.3.1 Interest expense on deposits from customers

For the six months ended June 30, 2024, the Bank's interest expense on deposits from customers decreased by RMB424 million or 4.3% to RMB9,460 million as compared to the same period of last year, primarily attributable to the decrease in the average cost of deposits from customers of the Bank.

	For the six months ended June 30,					
	Average balance	2024 Interest expense	Average cost	Average balance	2023 Interest expense	Average cost
	(in millions of RMB, except percentages)					
Corporate deposits						
Demand	142,667.9	489.8	0.69%	142,676.3	556.1	0.78%
Time	186,710.8	2,210.2	2.37%	211,233.2	2,523.9	2.39%
Sub-total	329,378.7	2,700.0	1.64%	353,909.5	3,080.0	1.74%
Personal deposits						
Demand	100,949.9	107.2	0.21%	93,822.6	122.9	0.26%
Time	446,911.4	6,652.5	2.98%	420,339.5	6,680.6	3.18%
Sub-total	547,861.3	6,759.7	2.47%	514,162.1	6,803.5	2.65%
Total deposits from customers	877,240.0	9,459.7	2.16%	868,071.6	9,883.5	2.28%

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3.3.2 Interest expense on debt securities issued

For the six months ended June 30, 2024, the Bank's interest expense on debt securities issued decreased by RMB441 million or 22.4% to RMB1,527 million as compared to the same period of last year, primarily attributable to the decrease in the average balance of debt securities issued.

3.3.3 Interest expense on placements from banks and other financial institutions

For the six months ended June 30, 2024, the Bank's interest expense on placements from banks and other financial institutions increased by RMB103 million or 11.9% to RMB966 million as compared to the same period of last year, primarily attributable to the increase in the average balance of placements from banks and other financial institutions.

3.3.4 Net interest spread and net interest margin

The Bank's net interest spread was 1.55%, remained stable as compared to the same period of last year. The Bank's net interest margin decreased from 1.70% for the same period of last year to 1.66% for the current period. The decrease in net interest margin was mainly due to (i) the decline in loan yield as a result of the decline in the loan prime rate (LPR) and the implementation of the national profit-concession policies by the Bank; and (ii) the decrease in the yield of investment and financing businesses as a result of the overall decline in market interest rates under the guide of more flexible and appropriate monetary policies.

3.4 Non-interest income

3.4.1 Net fee and commission income

For the six months ended June 30, 2024, the Bank's net fee and commission income increased by RMB264 million or 26.1% to RMB1,278 million as compared to the same period of last year, primarily attributable to the decrease in fee and commission expense as compared to the same period of last year as the Bank has further strengthened its cost management.

	For the six months ended June 30,			
	2024	2023	Change	Rate of change
	(in millions of RMB, except percentages)			
Fee and commission income				
Bank card services fees	214.5	376.9	(162.4)	(43.1%)
Settlement and clearing services fees	474.3	381.6	92.7	24.3%
Agency services fees	128.3	122.7	5.6	4.6%
Underwriting fees	151.4	187.0	(35.6)	(19.0%)
Acceptance and guarantee services fees	190.9	51.7	139.2	269.2%
Advisory and consulting fees	206.2	234.2	(28.0)	(12.0%)
Custodial services fees	4.3	9.6	(5.3)	(55.2%)
Wealth management business fees	265.8	316.0	(50.2)	(15.9%)
Sub-total	1,635.7	1,679.7	(44.0)	(2.6%)
Fee and commission expense	(358.2)	(666.3)	308.1	(46.2%)
Net fee and commission income	1,277.5	1,013.4	264.1	26.1%

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3.4.2 Net trading gains

For the six months ended June 30, 2024, the Bank's net trading gains were RMB493 million, representing a decrease of RMB105 million or 17.6% as compared to the same period of last year, primarily attributable to the large exchange rate fluctuations under the influence of global economy.

3.4.3 Net gains arising from investment securities

For the six months ended June 30, 2024, the Bank's net gains arising from investment securities amounted to RMB1,389 million, representing an increase of RMB546 million or 64.7% as compared to the same period of last year, primarily attributable to the increase in the investment gains on financial assets at fair value through profit or loss.

3.5 Operating expenses

For the six months ended June 30, 2024, the Bank's operating expenses decreased by RMB10 million or 0.2% to RMB4,396 million as compared to the same period of last year, primarily attributable to the Bank's commitment to the concept of stringent cost saving and revenue determines expenditure, strengthening the cost control of the whole chain and continuously improving the efficiency of resource use.

	For the six months ended June 30,			
	2024	2023	Change	Rate of change
	(in millions of RMB, except percentages)			
Staff costs				
Salaries, bonuses and allowances	1,753.5	1,683.0	70.5	4.2%
Staff welfare	74.0	74.4	(0.4)	(0.5%)
Social insurance and annuity	519.6	467.8	51.8	11.1%
Housing fund	202.5	197.7	4.8	2.4%
Employee education expenses and labor union expenses	58.8	87.2	(28.4)	(32.6%)
Others ⁽¹⁾	9.3	74.3	(65.0)	(87.5%)
Sub-total of staff costs	2,617.7	2,584.4	33.3	1.3%
Tax and surcharges	171.2	179.2	(8.0)	(4.5%)
Depreciation and amortisation	792.7	882.1	(89.4)	(10.1%)
Other general and administrative expenses	814.7	760.9	53.8	7.1%
Total	4,396.3	4,406.6	(10.3)	(0.2%)

Note:

(1) Primarily included dispatched labor fees and supplementary retirement benefits.

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3.6 Impairment losses

For the six months ended June 30, 2024, the Bank's impairment losses increased by RMB1,083 million or 15.4% to RMB8,096 million as compared to the same period of last year, primarily due to the efforts of the Bank to make continuous provisions and the improvement in the risk mitigation capability of the Bank.

	For the six months ended June 30,			
	2024	2023	Change	Rate of change
	(in millions of RMB, except percentages)			
Loans and advances to customers	2,950.2	4,127.6	(1,177.4)	(28.5%)
Investment securities and other financial assets ⁽¹⁾	4,638.3	1,520.5	3,117.8	205.1%
Lease receivables	377.1	335.4	41.7	12.4%
Other assets ⁽²⁾	130.7	1,029.7	(899.0)	(87.3%)
Total impairment losses	8,096.3	7,013.2	1,083.1	15.4%

Notes:

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

3.7 Income tax

For the six months ended June 30, 2024, the Bank's income tax decreased by RMB695 million to RMB-544 million as compared to the same period of last year, primarily attributable to the impact of the increase in deductible amount for the current period and the taxable temporary differences.

	For the six months ended June 30,			
	2024	2023	Change	Rate of change
	(in millions of RMB, except percentages)			
Current income tax	1,060.1	442.2	617.9	139.7%
Deferred income tax	(1,670.9)	(322.0)	(1,348.9)	418.9%
Prior year income tax adjustments	66.7	31.0	35.7	115.2%
Total income tax	(544.1)	151.2	(695.3)	N/A

III. Management Discussion and Analysis

4. Analysis on Major Items of Assets and Liabilities

4.1 Assets

As of June 30, 2024, the Bank's total assets increased by RMB15,222 million or 1.1% to RMB1,361,668 million as compared to the end of last year. The principal components of the Bank's assets consist of (i) loans and advances to customers (net); and (ii) investment securities and other financial assets (net), representing 50.1% and 29.3% of the Bank's total assets as of June 30, 2024, respectively.

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

	As of June 30, 2024		As of December 31, 2023	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Gross loans and advances to customers	704,704.2	51.8%	711,680.1	52.9%
Allowance for impairment losses	(22,567.3)	(1.7%)	(21,810.7)	(1.6%)
Net loans and advances to customers	682,136.9	50.1%	689,869.4	51.3%
Lease receivables	69,448.0	5.1%	65,327.5	4.9%
Investment securities and other financial assets	398,700.4	29.3%	386,840.8	28.7%
Financial assets held under resale agreements	41,436.5	3.0%	56,302.7	4.2%
Cash and deposits with Central Bank	70,118.7	5.1%	67,033.1	5.0%
Deposits with banks and other financial institutions	30,389.6	2.2%	16,712.5	1.2%
Placements with banks and other financial institutions	38,105.7	2.8%	35,591.8	2.6%
Derivative financial assets	102.5	0.0%	33.5	0.0%
Interest in associate and joint venture	1,992.0	0.1%	1,542.5	0.1%
Other assets ⁽¹⁾	29,237.6	2.3%	27,192.7	2.0%
Total assets	1,361,667.9	100.0%	1,346,446.5	100.0%

Note:

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

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4.1.1 Loans and advances to customers

As of June 30, 2024, the Bank's gross loans and advances to customers (excluding accrued interest) decreased by RMB7,899 million or 1.1% to RMB699,563 million as compared to the end of last year, primarily attributable to the continuous optimization of the Bank's credit asset structure, increased lending, and suppression of the scale of discounted bills.

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

	As of June 30, 2024		As of December 31, 2023	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Corporate loans	415,958.1	59.1%	397,457.5	55.8%
Personal loans	262,332.1	37.2%	259,501.3	36.5%
Discounted bills	21,272.8	3.0%	50,503.4	7.1%
Sub-total	699,563.0	99.3%	707,462.2	99.4%
Accrued interest	5,141.2	0.7%	4,217.9	0.6%
Total loans and advances to customers	704,704.2	100.0%	711,680.1	100.0%

(1) Corporate loans

As of June 30, 2024, the Bank's corporate loans increased by RMB18,501 million or 4.7% to RMB415,958 million as compared to the end of last year, representing 59.1% of the Bank's gross loans and advances to customers, primarily attributable to the Bank's fulfilling the social responsibility as a provincial incorporated bank and continuously increasing support to the real economy.

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

	As of June 30, 2024		As of December 31, 2023	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Unsecured loans	87,088.8	20.9%	80,899.1	20.4%
Guaranteed loans	177,719.8	42.8%	178,127.7	44.8%
Collateralised loans	86,211.1	20.7%	81,547.1	20.5%
Pledged loans	64,938.4	15.6%	56,883.6	14.3%
Total corporate loans	415,958.1	100.0%	397,457.5	100.0%

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(2) Personal loans

As of June 30, 2024, the Bank's personal loans increased by RMB2,831 million or 1.1% to RMB262,332 million (representing 37.2% of the total loans and advances granted by the Bank) as compared to the end of last year, primarily attributable to the Bank's persistence in being a good citizen bank, serving the development of the local economy, and continuing to strengthen its support for residents' self-owned housing, business, consumption and other needs.

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

	As of June 30, 2024		As of December 31, 2023	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Personal residential mortgage	120,975.1	46.1%	119,302.0	46.0%
Personal business loans	70,317.9	26.8%	69,160.1	26.7%
Personal consumption loans	49,980.2	19.1%	50,113.3	19.3%
Credit card loans	21,058.9	8.0%	20,925.9	8.0%
Total personal loans	262,332.1	100.0%	259,501.3	100.0%

(3) Discounted bills

As of June 30, 2024, the Bank's discounted bills decreased by RMB29,231 million or 57.9% to RMB21,273 million as compared to the end of last year, primarily due to the Bank's adjustment of the size of the discounted bills after taking comprehensive consideration of market price and the allocation demand for assets and liabilities.

4.1.2 Investment securities and other financial assets

As of June 30, 2024, the Bank's net investment securities and other financial assets increased by RMB11,859 million or 3.1% to RMB398,700 million as compared to the end of last year, primarily attributable to an increase in the Bank's holding of the corporate bonds by way of multi-channel supporting the development of the real economy.

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

	As of June 30, 2024		As of December 31, 2023	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Financial assets at fair value through profit or loss	88,611.4	21.6%	61,148.2	15.5%
Financial assets at fair value through other comprehensive income	75,723.1	18.4%	76,325.7	19.4%
Financial assets at amortized cost	246,570.2	60.0%	256,443.3	65.1%
Total investment securities and other financial assets	410,904.7	100.0%	393,917.2	100.0%
Accrued interest	3,667.9		4,882.7	
Impairment provisions	(15,872.2)		(11,959.1)	
Net investment securities and other financial assets	398,700.4		386,840.8	

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

	As of June 30, 2024		As of December 31, 2023	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Debt securities				
Debt securities issued by the PRC government	183,101.5	46.0%	187,580.9	48.5%
Debt securities issued by PRC policy banks and other financial institutions	98,277.7	24.6%	95,375.5	24.7%
Debt securities issued by corporates	36,215.3	9.1%	11,450.0	3.0%
Sub-total	317,594.5	79.7%	294,406.4	76.2%
Other financial assets				
Asset management plans	3,353.9	0.8%	5,247.1	1.4%
Trust plans	19,794.1	5.0%	27,558.3	7.0%
Others	54,290.0	13.6%	54,746.3	14.1%
Sub-total	77,438.0	19.4%	87,551.7	22.5%
Accrued interest	3,667.9	0.9%	4,882.7	1.3%
Net investment securities and other financial assets	398,700.4	100.0%	386,840.8	100.0%

4.1.3 Other components of the Bank's assets

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

As of June 30, 2024, the total financial assets held under resale agreements decreased by RMB14,866 million or 26.4% to RMB41,437 million as compared to the end of last year, primarily attributable to the Bank's adjustment of the size of the financial assets held under resale agreements after taking comprehensive consideration of market price and the allocation demand of assets and liabilities.

As of June 30, 2024, the total cash and deposits with the Central Bank increased by RMB3,086 million or 4.6% to RMB70,119 million as compared to the end of last year, primarily attributable to the Bank's cash and deposits with the Central Bank remained stable.

As of June 30, 2024, the total deposits with banks and other financial institutions increased by RMB13,677 million or 81.8% to RMB30,390 million as compared to the end of last year, primarily attributable to the Bank's adjustment of the size of the deposits with banks and other financial institutions after consideration of market price and the allocation demand of assets and liabilities.

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As of June 30, 2024, the total placements with banks and other financial institutions increased by RMB2,514 million or 7.1% to RMB38,106 million as compared to the end of last year, primarily attributable to the Bank's adjustment of the size of the placements with banks and other financial institutions according to market demands.

As of June 30, 2024, the balance of lease receivables increased by RMB4,121 million or 6.3% to RMB69,448 million as compared to the end of last year. The increase was mainly due to the increased support of AB Leasing and BOL Financial Leasing (both are subsidiaries of the Bank) for the real economy, resulting in an increase in the balance of lease receivables.

4.2 Liabilities

As of June 30, 2024, the Bank's total liabilities increased by RMB13,277 million or 1.1% to RMB1,262,835 million as compared to the end of last year.

	As of June 30, 2024		As of December 31, 2023	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Deposits from customers	918,067.3	72.7%	859,783.8	68.8%
Deposits from banks and other financial institutions	16,600.5	1.3%	38,704.0	3.1%
Debt securities issued	118,053.9	9.3%	131,990.6	10.6%
Financial assets sold under repurchase agreements	64,135.5	5.1%	73,121.3	5.9%
Placements from banks and other financial institutions	65,815.4	5.2%	64,482.8	5.2%
Borrowings from the Central Bank	66,547.4	5.3%	68,055.9	5.4%
Income tax payable	1,061.6	0.1%	130.3	0.0%
Derivative financial liabilities	26.5	0.0%	335.6	0.0%
Financial liabilities at fair value through profit or loss	91.3	0.0%	–	0.0%
Other liabilities ⁽¹⁾	12,435.6	1.0%	12,954.0	1.0%
Total liabilities	1,262,835.0	100.0%	1,249,558.3	100.0%

Note:

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

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4.2.1 Deposits from customers

As of June 30, 2024, the Bank's total deposits from customers (excluding accrued interest) increased by RMB59,539 million or 7.1% to RMB897,061 million as compared to the end of last year, primarily attributable to the Bank's efforts to deepen service philosophy of "customer-centered" and accelerate product innovation and iteration, and continued efforts to improve quality and efficiency of services, which effectively derived an increase in deposits.

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

	As of June 30, 2024		As of December 31, 2023	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Corporate deposits				
Demand	128,054.8	13.9%	144,137.3	16.8%
Time	208,177.1	22.7%	173,618.7	20.2%
Sub-total	336,231.9	36.6%	317,756.0	37.0%
Personal deposits				
Demand	111,370.9	12.1%	107,862.1	12.5%
Time	449,458.5	49.0%	411,903.5	47.9%
Sub-total	560,829.4	61.1%	519,765.6	60.4%
Accrued interest	21,006.0	2.3%	22,262.2	2.6%
Total deposits from customers	918,067.3	100.0%	859,783.8	100.0%

4.2.2 Deposits from banks and other financial institutions

As of June 30, 2024, the Bank's balance of deposits from banks and other financial institutions decreased by RMB22,104 million or 57.1% to RMB16,601 million as compared to the end of last year, primarily because of the Bank's adjustment of the size of deposits from banks and other financial institutions according to capital demands.

4.2.3 Placements from banks and other financial institutions

As of June 30, 2024, the Bank's balance of placements from banks and other financial institutions increased by RMB1,333 million or 2.1% to RMB65,815 million as compared to the end of last year, primarily because of the Bank's adjustment of the size of placements from banks and other financial institutions according to market liquidity and the Bank's capital demands at the end of the Reporting Period.

4.2.4 Debt securities issued

As of June 30, 2024, the Bank's balance of debt securities issued decreased by RMB13,937 million or 10.6% to RMB118,054 million as compared to the end of last year, mainly due to a decrease in the balance of interbank certificates of deposit issued by the Bank at the end of the Reporting Period as compared with the end of last year.

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4.2.5 Financial assets sold under repurchase agreements

As of June 30, 2024, the Bank's balance of financial assets sold under repurchase agreements decreased by RMB8,986 million or 12.3% to RMB64,136 million as compared to the end of last year, primarily due to the decrease in the balance of bills sold under repurchase agreements by the Bank as compared to the end of last year.

4.3 Shareholders' Equity

As of June 30, 2024, the Bank's total shareholders' equity increased by RMB1,945 million or 2.0% to RMB98,833 million as compared to the end of last year; the total equity attributable to shareholders of the Bank increased by RMB2,415 million or 2.6% to RMB94,919 million as compared to the end of last year.

	As of June 30, 2024		As of December 31, 2023	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Share capital	36,549.8	37.0%	36,549.8	37.7%
Other equity instrument	13,998.9	14.2%	13,998.9	14.4%
Capital reserve	19,004.4	19.2%	19,022.0	19.6%
Surplus reserve	3,105.1	3.1%	3,107.8	3.2%
General reserve	16,570.1	16.8%	16,547.7	17.1%
Other reserves	1,373.5	1.4%	846.7	0.9%
Retained earnings	4,317.4	4.4%	2,431.7	2.5%
Equity attributable to shareholders of the Bank	94,919.2	96.1%	92,504.6	95.4%
Non-controlling interests	3,913.7	3.9%	4,383.6	4.6%
Total shareholders' equity	98,832.9	100.0%	96,888.2	100.0%

5. Off-balance Sheet Commitments

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

	As of	As of
	June 30, 2024	December 31, 2023
(in millions of RMB)		
Credit commitments		
Loan commitments	17,376.5	14,369.8
Bank acceptances	89,195.7	70,913.6
Letters of credit	40,356.7	37,114.6
Letters of guarantees	3,605.4	3,386.7
Total	150,534.3	125,784.7

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6. Analysis on Loan Quality

In 2024, in the face of the complicated economic and financial situation, the Bank further deepened the adjustment of credit structure, continued to strengthen credit risk management, optimized credit procedures and strengthened post-loan management measures to step up its efforts on collection and disposal of non-performing loans, so as to keep the loan quality at a generally manageable level. As of June 30, 2024, the balance of non-performing loans of the Bank amounted to RMB14,547 million, representing an increase of RMB95 million as compared to the end of 2023. The non-performing loan ratio was 2.08%, representing an increase of 0.04 percentage point as compared to the end of 2023. Special mention loan accounted for 3.08%, representing a decrease of 0.17 percentage point as compared to the end of 2023.

6.1 Distribution of Loans by Five-Category Loan Classification

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

	As of June 30, 2024		As of December 31, 2023	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Normal	663,484.3	94.84%	669,984.0	94.71%
Special mention	21,531.4	3.08%	23,025.9	3.25%
Substandard	3,998.9	0.57%	3,104.3	0.44%
Doubtful	1,348.2	0.19%	1,716.7	0.24%
Loss	9,200.2	1.32%	9,631.3	1.36%
Total loans and advances to customers	699,563.0	100.00%	707,462.2	100.00%
Non-performing loans and non-performing loan ratio ⁽¹⁾	14,547.3	2.08%	14,452.3	2.04%

Note:

- (1) Non-performing loan ratio is calculated by dividing non-performing loans by total loans to customers.

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

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

	As of June 30, 2024				As of December 31, 2023			
	Loan amount	% of total	NPL amount	NPL ratio ⁽⁴⁾	Loan amount	% of total	NPL amount	NPL ratio
(in millions of RMB, except percentages)								
Corporate loans								
Short-term loans ⁽¹⁾	121,946.8	17.5%	2,068.8	1.70%	147,430.9	20.8%	2,884.9	1.96%
Medium-to-long-term loans ⁽²⁾	294,011.3	42.0%	4,459.8	1.52%	250,026.6	35.4%	4,174.7	1.67%
Sub-total	415,958.1	59.5%	6,528.6	1.57%	397,457.5	56.2%	7,059.6	1.78%
Personal loans								
Personal residential mortgage loans	120,975.1	17.3%	2,090.3	1.73%	119,302.0	16.8%	1,695.7	1.42%
Personal consumption loans	49,980.2	7.1%	1,442.0	2.89%	50,113.3	7.1%	1,482.0	2.96%
Personal business loans	70,317.9	10.1%	3,471.2	4.94%	69,160.1	9.8%	3,376.3	4.88%
Others ⁽³⁾	21,058.9	3.0%	1,015.2	4.82%	20,925.9	3.0%	838.7	4.01%
Sub-total	262,332.1	37.5%	8,018.7	3.06%	259,501.3	36.7%	7,392.7	2.85%
Discounted bills	21,272.8	3.0%	–	0.00%	50,503.4	7.1%	–	–
Total	699,563.0	100.00%	14,547.3	2.08%	707,462.2	100.00%	14,452.3	2.04%

Notes:

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

As at June 30, 2024, the balance of corporate non-performing loans of the Bank amounted to approximately RMB6,529 million, representing a decrease of approximately RMB531 million as compared with the end of 2023. The non-performing loan ratio was 1.57%, representing a decrease of approximately 0.21 percentage point as compared with the end of 2023. The decrease in corporate non-performing loans of the Bank was primarily because the Bank stepped up efforts on risk prevention and disposals of non-performing asset this year.

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The balance of personal non-performing loans of the Bank amounted to approximately RMB8,019 million, representing an increase of approximately RMB626 million as compared with the end of 2023. The non-performing loan ratio was 3.06%, representing an increase of approximately 0.21 percentage point as compared with the end of 2023. The increase in personal non-performing loans of the Bank was mainly due to the repayment abilities of certain individual customers were deteriorated as a result of a significant decrease in income caused by the economic environment.

6.3 Distribution of Loans and Non-Performing Loans by Industry

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

	As of June 30, 2024				As of December 31, 2023			
	Loan amount	% of total	NPL amount	NPL ratio ⁽¹⁾	Loan amount	% of total	NPL amount	NPL ratio
(in millions of RMB, except percentages)								
Manufacturing	55,230.3	7.9%	1,434.4	2.60%	51,855.2	7.3%	1,790.9	3.45%
Leasing and business services	146,767.6	21.0%	313.3	0.21%	142,568.9	20.2%	308.2	0.22%
Wholesale and retail	46,001.7	6.6%	1,537.3	3.34%	41,659.5	5.9%	1,256.0	3.01%
Real estate	28,386.8	4.1%	1,158.4	4.08%	27,906.3	3.9%	1,272.1	4.56%
Construction	42,031.5	6.0%	839.7	2.00%	39,878.0	5.6%	941.8	2.36%
Water, environment and public facility management	28,800.8	4.1%	6.1	0.02%	27,202.0	3.9%	29.8	0.11%
Electricity, gas and water production and supply	15,703.1	2.2%	67.4	0.43%	14,336.9	2.0%	75.2	0.52%
Agriculture, forestry, animal husbandry and fishery	8,678.1	1.2%	329.4	3.80%	6,525.6	0.9%	484.2	7.42%
Accommodation and catering	2,672.8	0.4%	128.2	4.80%	2,980.2	0.4%	111.6	3.74%
Education	8,172.0	1.2%	23.7	0.29%	6,952.1	1.0%	25.0	0.36%
Health, social security and social welfare	8,503.2	1.2%	86.8	1.02%	7,998.8	1.1%	80.9	1.01%
Mining	7,231.0	1.0%	159.4	2.20%	7,689.5	1.1%	169.3	2.20%
Transportation, storage and postal services	9,265.4	1.3%	102.6	1.11%	9,110.0	1.3%	196.0	2.15%
Others	8,513.8	1.3%	341.9	4.02%	10,794.5	1.6%	318.6	2.95%
Total corporate loans	415,958.1	59.5%	6,528.6	1.57%	397,457.5	56.2%	7,059.6	1.78%
Total personal loans	262,332.1	37.5%	8,018.7	3.06%	259,501.3	36.7%	7,392.7	2.85%
Discounted bills	21,272.8	3.0%	–	0.00%	50,503.4	7.1%	–	0.00%
Total	699,563.0	100.0%	14,547.3	2.08%	707,462.2	100.0%	14,452.3	2.04%

Note:

- (1) Non-performing loan ratio of an industry is calculated by dividing the balance of non-performing loans of the industry by the balance of loans granted to the industry.

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As of June 30, 2024, the industries where the non-performing loan ratios of the corporate loans of the Bank were relatively high, mainly concentrated in the accommodation and catering, real estate and others, with non-performing loan ratios of approximately 4.80%, 4.08% and 4.02%, respectively, of which:

- (i) the balance of non-performing loans in the accommodation and catering increased by approximately RMB17 million as compared with the end of 2023, with an increase of approximately 1.06 percentage points in the non-performing loan ratio.
- (ii) the balance of non-performing loans in the real estate industry decreased by approximately RMB114 million as compared with the end of 2023, with a decrease of approximately 0.48 percentage point in the non-performing loan ratio.
- (iii) the balance of non-performing loans in others increased by approximately RMB23 million as compared with the end of 2023, with an increase of approximately 1.07 percentage points in the non-performing loan ratio.

6.4 Distribution of Loans and Non-Performing Loans by Collateral

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

	As of June 30, 2024				As of December 31, 2023			
	Loan amount	% of total	NPL amount	NPL ratio ⁽¹⁾	Loan amount	% of total	NPL amount	NPL ratio
(in millions of RMB, except percentages)								
Unsecured loans	150,121.0	21.5%	2,777.9	1.85%	135,525.9	19.2%	2,817.8	2.08%
Guaranteed loans	187,683.1	26.8%	4,137.4	2.20%	190,607.4	26.9%	4,309.3	2.26%
Collateralised loans	279,846.8	40.0%	7,347.5	2.63%	274,963.1	38.9%	6,841.7	2.49%
Pledged loans	81,912.1	11.7%	284.5	0.35%	106,365.8	15.0%	483.5	0.45%
Total	699,563.0	100.0%	14,547.3	2.08%	707,462.2	100.0%	14,452.3	2.04%

Note:

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

As of June 30, 2024, the balance of our guaranteed non-performing loans decreased by approximately RMB172 million as compared with the end of 2023, representing a decrease of approximately 0.06 percentage point in the non-performing loan ratio, mainly due to the Bank's active efforts to resolve non-performing loans through write-off, cash collection, loan restructuring and other means.

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As of June 30, 2024, the balance of our pledged non-performing loans decreased by approximately RMB199 million as compared with the end of 2023, representing a decrease of approximately 0.1 percentage point in the non-performing loan ratio, mainly due to the fact that the non-performing ratio remained stable as a result of the overall recovery of macroeconomic situation in China, and the recovery in the operating conditions of certain customers of the Bank.

6.5 Borrowers Concentration

As of June 30, 2024, the balance of loans to any single borrower of the Bank did not exceed 10% of the Bank's net capital.

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

Industry		As of June 30, 2024		
		Balance	% of total loans	% of net capital
(in millions of RMB, except percentages)				
Borrower A	L-Leasing and commercial services	8,055.70	1.1%	7.3%
Borrower B	L-Leasing and commercial services	4,977.60	0.7%	4.6%
Borrower C	L-Leasing and commercial services	4,499.30	0.6%	4.1%
Borrower D	F-Wholesale and retail	3,890.00	0.5%	3.6%
Borrower E	L-Leasing and commercial services	3,263.85	0.5%	3.0%
Borrower F	L-Leasing and commercial services	2,702.96	0.4%	2.5%
Borrower G	L-Leasing and commercial services	2,650.98	0.4%	2.4%
Borrower H	C-Manufacturing	2,494.38	0.4%	2.3%
Borrower I	L-Leasing and commercial services	2,469.73	0.4%	2.3%
Borrower J	L-Leasing and commercial services	2,207.20	0.3%	2.0%
Total		37,211.70	5.3%	34.1%

As of June 30, 2024, the loan balance of the largest single borrower of the Bank was approximately RMB8,056 million, accounting for approximately 1.1% of the total amount of loans of the Bank, and the total amount of loans to the top ten single borrowers was approximately RMB37,212 million, accounting for approximately 5.3% of the total amount of loans of the Bank.

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6.6 Overdue Loans

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

	As of June 30, 2024		As of December 31, 2023	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Current loans	672,743.2	96.17%	679,317.8	96.02%
Overdue loans ⁽¹⁾				
Up to 3 months	13,147.4	1.88%	14,943.8	2.11%
Over 3 months up to 1 year	4,864.7	0.70%	4,207.1	0.60%
Over 1 year up to 3 years	7,444.2	1.06%	8,075.9	1.14%
Over 3 years	1,363.5	0.19%	917.6	0.13%
Sub-total	26,819.8	3.83%	28,144.4	3.98%
Total loans	699,563.0	100.00%	684,074.7	100.00%

Note:

- (1) Overdue loans represent the principal amount of the loans on which principal or interest is overdue.

As of June 30, 2024, the amount of overdue loans of the Bank totaled approximately RMB26,820 million, representing a decrease of approximately RMB1,325 million as compared with the end of 2023. Overdue loans accounted for approximately 3.83% of the total loans, representing a decrease of approximately 0.15 percentage point as compared with the end of 2023.

7. Business Operation Segment Report

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

	For the six months ended June 30, 2024		For the six months ended June 30, 2023	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Corporate banking business	7,991.7	57.1%	8,399.0	62.0%
Retail banking business	3,383.6	24.2%	3,018.2	22.3%
Treasury business	2,575.3	18.4%	2,087.5	15.4%
Other businesses	41.5	0.3%	46.5	0.3%
Total operating income	13,992.1	100.0%	13,551.2	100.0%

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8. Analysis on Capital Adequacy Ratio

As of June 30, 2024, the core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio of the Bank were 8.89%, 11.54% and 12.98% respectively, representing an increase of 0.79 percentage point, 1.10 percentage points and 1.34 percentage points respectively, as compared to the end of the last year. The measurement of capital and risk-weighted assets fulfilled the regulatory requirements of the National Financial Regulatory Administration on the Administrative Measures for the Capital of Commercial Banks.

In accordance with the Administrative Measures for the Capital of Commercial Banks of the National Financial Regulatory Administration, the capital adequacy ratio of the Bank was calculated as follows:

	As of June 30, 2024	As of December 31, 2023 ⁽¹⁾
	(in millions of RMB, except percentages)	
Share capital	36,549.8	36,549.8
Valid portion of capital reserve	18,536.0	19,022.0
Valid portion of other reserve	1,373.5	392.1
Surplus reserve	3,105.1	3,107.8
General reserve	16,570.1	16,547.7
Retained earnings	4,317.4	2,431.7
Valid portion of minority interests	2,108.1	2,041.1
Total core tier-1 capital	82,560.0	80,092.2
Core tier-1 capital regulatory deductions	7,850.5	(3,186.7)
Net core tier-1 capital	74,709.5	76,905.5
Other tier-1 capital	22,280.0	22,265.7
Net tier-1 capital	96,989.5	99,171.2
Tier-2 capital	12,154.0	11,456.2
Net capital	109,143.5	110,627.4
Total risk-weighted assets	840,679.3	950,017.4
Core tier-1 capital adequacy ratio	8.89%	8.10%
Tier-1 capital adequacy ratio	11.54%	10.44%
Capital adequacy ratio	12.98%	11.64%

Note:

- (1) The capital adequacy ratio indicators as of December 31, 2023 were calculated in accordance with the regulatory requirements of the former CBIRC on the Administrative Measures for the Capital of Commercial Banks (Provisional).

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9. Business Review

9.1 Corporate Banking Business

9.1.1 Corporate deposits

During the Reporting Period, in strict compliance with the regulatory requirements, the Bank continued to optimize the business structure of corporate debts and product service system, and vigorously consolidated its deposit base. By seizing market opportunities and securing large funds from key customers, the Bank increased the coverage over strategic customers. The Bank focused on following up the marketing opportunities for the bidding of the local government funds, special bonds services and other institutional businesses, carried out chain marketing of financial funds, deepened the comprehensive operation of credit customers, and enhanced the contribution of settlement deposits of basic customer groups, etc., thus effectively promoting the operation of deposits in large size.

As of June 30, 2024, the balance of corporate deposits of the Bank was RMB336.232 billion, and the market share ranked first in Henan Province, representing an increase of RMB18.476 billion or 5.81% as compared to the end of 2023.

9.1.2 Corporate loans

During the Reporting Period, adhering to the fundamental purpose of finance serving the real economy, the Bank focused on “ensuring the high-quality building of modernization and high-level realization of modernization (兩個確保)” and “Ten Strategies (十大戰略)”, continued to deepen the cooperation among governments, banks and enterprises, constantly optimized financial services, and strived to improve the quality and efficiency of finance serving the real economy, based on its role as a provincial corporate bank. The Bank constantly implemented the Three-year Action Plan and Service Plan of Zhongyuan Bank to Support the “Ten Strategies” of Henan Province (《中原銀行支持河南省“十大戰略”三年行動計劃及服務方案》), sorted out the strategic service direction and target customer group, and formulated financial service plans to support the achievement of “ensuring high-quality building of modernization and high-level realization of modernization” of Henan Province; firmly built an industrial bank, increased supports to the manufacturing industry by consistently taking the high-quality development of the manufacturing industry with financial support as the top priority of serving real economy, and enhanced the quality and efficiency of finance serving the real economy and expanded to the service industry scenario, on the basis of industry, with a focus on the path of high-quality economic development and the planning and layout of industry system of Henan Province, as well as the pulse of the regional economy, to provide all-around, full cycle, whole chain, full spectrum of comprehensive financial services to the leading enterprises, upstream and downstream and ecological partners of industry chain; in combination with seven major industrial clusters and 28 industrial chains being built by Henan Province, the Bank focused on improving the advanced and modern level of key industry chain base, to intensify and solidify the financial services of real enterprises in the industry chain. The Bank deeply implemented the spirits of the 20th National Congress of CPC and the Second Plenary Session of the 20th Central Committee of the Party, fully implemented the important speeches and instructions of General Secretary XI Jinping upon inspection of Henan Province, and closely grasped the strategic opportunities of constructing new development pattern, policy opportunities

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of promoting high-quality development of the central region in the new era and historic opportunities of ecological protection and high-quality development of the Yellow River basin, to implement the arrangement and deployment of the Provincial Party Committee and the Provincial People's Government of Henan Province. The Bank adhered to "projects first (項目為王)", and made strategic support to financial service areas.

As of June 30, 2024, the balance of corporate loans of the Bank was RMB415.958 billion, and the market share ranked third, representing an increase of RMB18.501 billion or 4.65% as compared to the end of 2023.

9.1.3 Corporate customers

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

As of June 30, 2024, the Bank had 466,000 corporate customers. During the Reporting Period, the Bank had 31,100 new accounts, with 13,200 new accounts meeting specified standards, representing 42.44% of the new accounts; and the Bank had 44,400 valid basic accounts, representing an increase of 950 as compared to the end of 2023.

9.1.3.1 Strategic customers

During the Reporting Period, the Bank earnestly practised the financial mission of returning to its origins and serving entities, adhered to a customer-centered approach and consistently oriented by value creation for customers, and continued to enhance the ability of category-based service and in-depth operation of customer base. The Bank provided list-based services for strategic customers, formulated the service plan of "one policy for one household (一戶一策)"; established a mechanism of integrated services, setting up dedicated service teams and offering dedicated resources and conducting special campaigns. The headquarters and branches synergised the collaboration between the corporate and retail sectors to provide an "all around, full cycle, whole chain, full spectrum" of comprehensive financial services to enable strategic customers' business development in all aspects. The Bank deeply engaged in the equity chain and supply chain of strategic customers, helping enterprises meet the financial and non-financial needs in all processes of production, operation, investment and financing, so as to expand the breadth and depth of cooperation with strategic customers and help enterprises grow bigger, stronger and better.

As of June 30, 2024, the balance of credit assets of strategic customers at the head office level of the Bank increased by RMB14.657 billion as compared with the end of 2023.

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9.1.3.2 Institutional customers

During the Reporting Period, with a focus on the major decisions and arrangements of the Provincial Party Committee and the Provincial People's Government of Henan Province, the Bank actively gave play to the role and advantages of provincial corporate banks, actively aligned with the financial needs of economy development in local areas, continuously deepened the cooperation between banks and governments, formulated dedicated comprehensive service plans based on the needs of institutional customers at all levels, and deeply integrated into key economic works of governments at all levels. The Bank positively affected the improvement of the efficiency of government fund management and financing, the centralized treasury payment, the issuance of specialized debt and the promotion of the smart construction of the government. The Bank aligned with the major strategic local arrangements and major project promotion through financial support and built a good reputation of being based on local economic development and serving local economic development, and established a good relationship of mutual benefit and win-win and sustainable development with governments at all levels.

As of June 30, 2024, the Bank provided issuance services of local government special debt to 18 cities and 173 counties in Henan Province, with its market share ranking at the top among the banks and at the first tier in Henan Province in terms of the fund amount generated from serving centralized treasury payment agency. The Bank won the bid on the provincial agent of special accounts of social insurance and finance for the first time, which marked the Bank's achievement of making a new breakthrough in serving the economic and social development of Henan Province and was of great significance in improving the comprehensive financial service level and promoting high-quality development.

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9.1.3.3 *Sci-tech innovation customer groups*

During the Reporting Period, the Bank adjusted strategies rapidly, closely grasped development opportunities, innovated products and service modes and formulated action plans by thoroughly implementing the spirit of the Central Financial Work Conference and firmly fulfilling the material deployment for developing sci-tech finance put forward by the Provincial Party Committee and the Provincial People's Government of Henan Province, to provide specialized financial services to sci-tech enterprises with greater efforts, more precise investment, broader coverage, more comprehensive products and better services, promoting the "increment, expansion, price reduction and quality improvement" of sci-tech finance. Firstly, the Bank continued to improve policy-based sci-tech finance systems and mechanisms to build a pattern of policy-based sci-tech finance in Henan Province. The Bank established long-term and steady policy-based fund sourcing mechanisms, and strengthened the direction and leading role of policy-based specialized funds to support precisely major fields, key links and key enterprises of technology innovation. The Bank also enhanced support for sci-tech enterprises in start-up and initial stages to accelerate the incubation and cultivation of sci-tech enterprises. Secondly, the Bank reinforced settings of exclusive institutions and built professional teams for sci-tech finance. The Bank also accelerated the establishment of special science and technology sub-branches or technology-focused teams in each branch, to constantly improve the multilevel and specialized service systems with "sci-tech finance centers + science and technology sub-branches/technology-focused teams" as core. Thirdly, the whole industry chain was connected to provide financial support for all links and all entities in the industry chain. Focusing on the layout of the "7+28+N" industry chain, the Bank drew the industry chain map, studied and formulated product and service strategies, and formed the ability to serve the core enterprises and upstream and downstream and help the core enterprises extend the upstream and downstream relationships, realizing the financial support for the whole industry chain. Fourthly, the Bank improved the mechanism of technology financial services and enhanced the quality and efficiency of technology financial services. The Bank conducted differentiated assessment on technology finance, set up a special review mechanism for technology finance, allocated full-time review and approval personnel, delegated the approval authority of technology enterprise loans to comprehensively improve the efficiency of approval, gave exclusive pricing preferences for technology enterprise loans to effectively reduce the financing cost of technology enterprises, further promoted the transformation of digital intelligence, continuously updated the online approval model, strengthened the construction of online platforms to improve the efficiency and accuracy of services for technology enterprises.

As of June 30, 2024, the Bank served 11,908 technology-based enterprises, representing an increase of 4.45%; 2,380 borrowers, representing an increase of 7.74%. The balance of sci-tech financial business loans amounted to RMB77.060 billion, representing an increase of RMB11.771 billion or 18.03% as compared with the end of 2023.

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9.1.4 Key areas

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

9.1.4.1 *Sci-tech innovation finance*

During the Reporting Period, the Bank continued to strengthen its awareness of opportunities, deeply cultivated key areas, and built an all-around, whole chain, full cycle, full spectrum characteristic financial service system around key industries, core enterprises and various links of the industrial chain. The Bank established a unique brand for sci-tech financial services, and its key products continued to lead the industry in the province. As of June 30, 2024, the key product "Loan to Enterprises that Apply Special, Sophisticated Techniques to Produce Unique and Novel Products" realized cumulative loans of RMB5.515 billion, with a balance of RMB3.270 billion, ranking first in the province; the "Science and Technology Loan" realized cumulative loans of RMB3.710 billion, with a balance of RMB1.307 billion, ranking second in the province.

During the Reporting Period, the Bank accelerated the research and development of innovative products, established the "Technology R&D Loan", improved the R&D capabilities of technology enterprises, and enhanced the quality and efficiency of the transformation of scientific and technological achievements, so as to assist traditional enterprises to transform and upgrade. The Bank strengthened the investment-loan linkage, and signed long-term strategic cooperation agreements with leading fund companies, to create a new benchmark for investment-loan linkage in serving technology enterprises.

9.1.4.2 *Green Finance*

During the Reporting Period, the Bank firmly established the concept of "lucid waters and lush mountains are invaluable assets", actively implemented the national goal of "Carbon Peak and Carbon Neutrality", and closely focused on the strategy of "green and low-carbon transition" put forward by the Provincial Party Committee and the Provincial People's Government of Henan Province. The Bank kept closer interconnection with the government, integrated resources, gathered joint efforts for development, and provided targeted green finance services and support according to the industrial layout and policy orientation of the province. Focusing on six major green areas, such as the green and low-carbon transition of traditional sectors and the green upgrading of infrastructure, the Bank built a "Zhongyuan Green Finance" Green financial product system covering financing, investment, inclusion, industrial chain and financial intelligence, and continuously increased the innovation of green financial products and service models. It actively explored transformation finance, successfully granted the first loan for the Sustainable Development Linkage Loan in the province, and effectively accelerated the realization of dual carbon goal of our province. The Bank supported the implementation of the plant project of China's first and the world's largest carbon dioxide hydrogenation to make green low-carbon methanol, which was successfully selected as "Typical Cases for Chinese Inclusive Finance (2023)". The Bank will combine the industrial

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structure of our province, focusing on emerging industries such as new energy and new manufacturing, financial fields for high-emission industries transforming, environmental protection, resource recycling, etc., to strengthen product innovation and industry frontier research, and continue to innovate new models and new products of green financial services in Henan Province.

As of June 30, 2024, the green credit of the Bank invested a total of RMB13.5 billion, with a green credit balance of RMB41.744 billion, representing an increase of RMB8.053 billion as compared with the end of 2023.

9.1.4.3 Transaction Banking

During the Reporting Period, the transaction banking of our Bank strengthened product innovation and online system construction, in-depth industry research, and promoted the implementation of key businesses. During the Reporting Period, with the help of financial technology, the Bank vigorously developed transaction banking businesses such as treasury management, supply chain finance, international business and electronic channels, and continued to improve the product system of transaction banking.

Treasury management Focusing on the business needs of customers for payment, settlement and capital appreciation in their daily operations, the Bank continuously improved the product and service capabilities in account management, collection and payment management, liquidity management, investment and financing management and risk management, which can provide standardized and personalized cash management service solutions for various types of customers such as enterprises, governments, and public institutions. As of June 30, 2024, the Bank had 28,111 customers for treasury management products and services, representing an increase of 1,640 as compared with the end of 2023.

Supply chain finance The Bank adhered to the customer-oriented principle, created new service models, continuously improved the level of digital and intelligent service of products, enriched comprehensive service solutions under supply chain scenarios, and shifted credit users from core enterprises to upstream and downstream small and medium-sized enterprises based on the real trade background of the industrial chain to provide differentiated comprehensive service solutions for industry chain participants. During the Reporting Period, the Bank provided enterprises with convenient and efficient supply chain financing of RMB107.7 billion in total.

International business The Bank practiced digital transformation to improve automation level; built an intelligent blacklist system to increase screening accuracy; met the requirements of sanctions compliance management to enhance customer experience; standardized and boosted the online automation level of international settlement business to improve business processing efficiency and customer service capabilities. As of June 30, 2024, the international business recorded cross-border foreign exchange collection and payment of USD2.01 billion, which indicated that the international business is moving towards the goal of zero risk, high efficiency and high-quality development while maintaining stable operation.

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Corporate digital channels The Bank further gave play to the value of online service as the main strength, fully enhanced the digital and intelligent service capabilities of online channels, formed an open approach to customer acquisition by focusing on the Company's Yidiantong and integrating customer-facing channels, enhanced customer experience, strengthened security defenses, and create a one-stop online service platform for corporate customers, to help the Company's business transformation and development. As of June 30, 2024, the cumulative number of customers for corporate digital channels was 294,200.

9.1.4.4 *Investment banking*

During the Reporting Period, the Bank vigorously promoted the steady transformation and development of investment banking business. The Bank actively expanded innovative business products such as non-financial corporate debt financing instrument underwriting, asset securitization, syndicated loan, merger and acquisition loan, and fund matching, continued to enrich investment banking business products, and positively provided more comprehensive and professional financial service solutions. In particular, it successfully underwrote 13 non-financial corporate debt financing instruments, with a total scale of RMB10.835 billion. The Bank enhanced the ability to serve key customers through the debt-loan portfolio, and helped enterprises achieve financing with a scale of nearly RMB32.000 billion during the Reporting Period.

The Bank tapped into the channels of bond market investment institutions, continued to strengthen the construction of financial industry circles, and improved the "headquarters-to-headquarters" communication mechanism. On the one hand, the Bank built a communication bridge between provincial enterprises and national investment institutions through online and offline exchanges and roadshows, etc. to "bring in investment for Henan". On the other hand, the Bank tracked and researched the latest developments in the bond market, giving full play to its primary role in serving the bond market of Henan, promoting economic development, and optimizing resource allocation.

The Bank actively leveraged the channel advantages established with other banks, insurance, trust, and leasing financial institutions, met the differentiated demands of our customers, and provided comprehensive and multi-channel integration financial services for customers within the province through syndicated loans, merger and acquisition loans, and fund matching, etc.

9.1.4.5 *Auto finance*

During the Reporting Period, the Bank firmly held the development direction of industrial finance, closely followed such policy opportunities as the automobile "trade-in" (以舊換新) and the "taking the lead by changing tracks" (換道領跑) in the new energy vehicle industry in Henan Province, to cultivate and optimize differentiated competitive advantages, and consolidate the foundation for high-quality development in multiple dimensions. The first is to accelerate the transformation and deepen the layout. The Bank promoted the strategy for regional deep cultivation, sorted out the charts of the new energy vehicle industry chain, continuously enriched the cooperation modes of auto finance by adhering to the positioning of serving the entire industry

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chain, and increased resource allocation and policy support to create a highland of industrial financial services. The Bank also introduced a financial service plan to support the automobile trade-in program, continued to lay out the new energy vehicles field and launched the “Huanxin Car Loan” (焕新車貸) product, to promote the automobile trade-in. The second is to focus on refined management and improve service quality and efficiency. By utilizing such methods as the whole process development, total costs control and post evaluation and analysis of auto finance business, the Bank integrated the effectiveness analysis throughout the entire process of business development, so as to dynamically grasp, supervise and promote, and efficiently implement the entire business process. The third is to deepen risk control and consolidate the foundation of development. Facing the intensification of internal competition in the car market and the backlog of inventory in some dealers, the Bank comprehensively reviewed the existing businesses, formulated credit policies for each brand in 2024, strengthened maturity management by focusing on verifying the status of collateral, and identified and mitigated business risks in advance.

As of June 30, 2024, the Bank provided auto finance loans of RMB25.486 billion in total, serving 282,500 customers, and facilitating the transactions of RMB58.594 billion in auto supply chain finance.

9.2 Retail Banking Business

9.2.1 Retail deposits

During the Reporting Period, the Bank expanded customer reach, improved customer coverage, and drove growth in savings deposits, by constantly strengthening the promotion of branded products. Meanwhile, the Bank constantly enhanced its capacity to offer comprehensive service to customers, expanded customer AUM, and added naturally-derived deposits.

As of June 30, 2024, the balance of savings deposits of the Bank was RMB560.829 billion, representing an increase of RMB41.064 billion or 7.90% as compared with the end of 2023; the AUM balance was RMB643.895 billion, representing an increase of RMB44.476 billion or 7.42% as compared with the end of 2023.

9.2.2 Retail loans

During the Reporting Period, the Bank adhered to product innovation, focused on people-oriented finance, and continuously iterated and optimized key products in terms of efficiency, interest rate and availability, to enhance customer experience. By resolutely implementing the “trade in” policy, with a focus on the trade-in scenarios of consumer goods such as furniture, home decorations, home appliances, automobiles and real estates, the Bank launched the “Huanxin e-Loan (焕新e貸)”, “Huanxin Car Loan (焕新車貸)”, and “Huanxin Housing Loan (焕新房貸)” series of products to enhance the brand influence of retail loans; the Bank insisted on the collaborative mechanism, jointly carried out the activities about promoting the Four Thousand Spirits (四千精神), and enhanced the ability of linked marketing; the Bank persisted in channel expansion, strengthened the cooperation and management of key products and channels, and enhanced the customer acquisition capability

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of retail loans; the Bank adhered to control new issues while governing what happened in the past, opened up the personal loan approval and transfer channel, implemented the first batch of bulk transfers of online non-performing loans across the Bank, and enhanced the ability to resolve retail loan risks. As of June 30, 2024, the Bank's self-operated retail loan balance was RMB262.332 billion, representing an increase of RMB2.831 billion or 1.09% as compared with the end of 2023.

9.2.3 Retail customers

During the Reporting Period, with a focus on the full life-cycle of customers, the Bank implemented a comprehensive combination of online and offline strategies, continuously optimized and innovated customer business activities, and fully covered the needs of customers at all levels and all groups through targeted marketing, customized services, cross-border cooperation and other means to effectively expand and deeply explore retail customers. As of June 30, 2024, the total number of retail customers of the Bank reached 34,629,400, representing an increase of 798,300 or 2.36% as compared to the end of 2023.

For the customer group in the payment agency business, the Bank built a comprehensive service system for the "Kai Xin (開薪)" brand of payment agency services, and met the financial and non-financial needs of the B terminal + C terminal of the agency units with a package of services of "platform, products, activities and rights"; for the elderly customer group, we took advantage of the network covering the entire province to provide convenient and aging-friendly services for the elderly customer group, and deepened the entire industry chain of elderly care services; for the new citizen customer base, we continued to focus on the needs of new citizens in key fields such as housing, automobiles, entrepreneurship and consumption, and took multiple measures to help new citizens live and work in peace and contentment.

During the Reporting Period, the Bank continuously optimized scenario-based services to promote customer experience. It built a localized points rights and interests system, optimized the payment product function and increased the coverage rate of payment business. As of June 30, 2024, the Bank had a total of 11,879,000 registered users of payment and mall business, representing an increase of 335,000 as compared to the end of 2023; through the establishment of the Zhongyuan Acquiring Alliance, the whole Bank has served a total of 501,000 customers, providing a total of 198 million clearing services to acquiring customers for the year, and the transaction amount was RMB71.858 billion.

9.2.4 Wealth and private banking business

During the Reporting Period, the Bank adhered to the customer-centric approach, selected excellent product managers across the market and continued to enrich the high-net-worth product system. In the first half of the year, the Bank issued 17 tranches of high-net-worth exclusive products and 15 tranches of private wealth management products. As of June 30, 2024, the Bank's business scale of high-net-worth exclusive products such as trust on a commission basis and asset management plans continued to grow, and the cumulative sales of high-net-worth products amounted to RMB11.015 billion, and maintained its position as a tier-1 bank among 28 banks in Henan Province.

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The Bank's business scale of wealth inheritance business continued to grow. As of June 30, 2024, the business scale has reached RMB287 million, and the business volume was three times the total business volume in the past five years.

9.2.5 Credit card business

During the Reporting Period, the Bank actively responded to the national policy call of exchanging old consumer goods for new ones, gradually adjusted its development focus, focused on the release of interest-earning assets, devoted to differentiated operation, and provided customers with better credit card products and service experience. The Bank researched and launched new products to diversify product shelves, refined customer management, continuously carried out "Liuliu Daji (六六大集)" brand activity to constantly improve the customer service capability, strengthened the data drive to form the segmented customer group channel and differentiated policy execution, whole-process and independent digital risk control system combining risk control and value-added credit, continuously improved the internal control system, and enhanced the protection of consumer rights and interests. As of June 30, 2024, the Bank issued a total of 4,316,200 credit cards, representing an increase of 167,400 as compared with the end of 2023.

9.3 Financial market business

9.3.1 Treasury business

During the Reporting Period, the Bank followed the principle of steady development and carried out monetary market business in a compliant and prudent manner. Based on ensuring its liquidity safety, the Bank actively assumed the responsibility as a "dealer in the monetary market". The Bank has provided a cumulative liquidity support of RMB4.27 trillion for financial institutions in and out of Henan Province, and fully played the role of a market stabilizer, thus making an important contribution to the smooth operation of the inter-bank market. Meanwhile, the Bank actively promoted the application of innovative instruments in the inter-bank market, deeply participated in the innovative business of RFQ transactions, and ranked among the top 30 companies in "innovative and active dealers in repurchase" for the six consecutive months, thus maintaining its high market activity and continuously improving its market influence.

During the Reporting Period, while the domestic economic fundamentals rebounded and improved, it faced challenges such as insufficient effective demand and weak social expectations. The bond market yield fell down with fluctuations, hitting a new low in recent years. The yield curve was overall flat, and the term spread and credit spread continued to narrow. The Bank gave full play to its investment and research capabilities, grasped the law of the bond market, actively adjusted its position with the overall focus on increasing the allocation of bond assets, adopted a dumbbell-shaped allocation strategy to boost bond yields while preventing interest rate risk, and adopted a swing trade strategy to steadily obtain interest spread income, leaving room for strategic response in the future. Meanwhile, the Bank actively tracked the changes in exchange rate trends, effectively researched and judged the market trends, and chose the opportunity to conduct NDF operations. While effectively reducing the exchange rate risk exposure of overseas assets, it saved financial costs, increased actual returns, ensured the safety of the Bank's foreign exchange assets, and realized asset appreciation.

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9.3.2 Interbank business

During the Reporting Period, the interbank business of the Bank closely focused on the overall operation of the Bank, and strengthened its actions in enhancing revenue and profit generation, boosting business operation and serving interbank customers. The Bank actively built a favorable financial interbank cooperation ecosystem, continuously improved the customer service system, and promoted the management of customers by levels and categories. The Bank's influence in the industry has been constantly improved, with a significant increase in the credit granted by external institutions. The Bank achieved remarkable results in customer expansion and service work. Continuously deepening brand building, the Bank organized and carried out various interbank strategy analysis and exchange activities and endeavored to become one of the best partners of small and medium-sized interbank institutions and build a brand for the interbank customer service of Zhongyuan Bank.

The Bank conducted a prospective study on the market and regulatory policies and optimized the structure of interbank assets and liabilities. By strengthening market research and judgment, the Bank reasonably arranged its business lines and terms, and cooperated with online and offline channels to better serve customers. As the major participating institution of CFETS interbank deposits, the Bank has been awarded awards in the interbank domestic currency market by the China Foreign Exchange Trading System for four consecutive years.

9.3.3 Bill business

During the Reporting Period, the Bank actively performed its responsibility and mission of serving the regional economic and social development. Adhering to the purpose of serving the real economy and small and medium-sized enterprises, the Bank continuously promoted product innovation and process optimization so as to improve service efficiency and enhance customer experience. The Bank actively responded to market changes and effectively reduced the discount rate of enterprises by relying on the advantages of technology empowerment and direct transfer and linkage. By focusing on the original E-discount products, the Bank promoted the online provision of buyers' interest-bearing products to meet the diversified bill financing needs of enterprises. The Bank gave great support for the development of advanced manufacturing, scientific and technological innovation, green and low-carbon industries which are in line with the national policy orientation. With the focus on supporting the financing needs of micro, small and medium-sized enterprises, the Bank served nearly 90% of the total number of micro, small and medium-sized enterprises, so as to provide customers with convenient and efficient discount services.

The Bank actively supported the People's Bank of China in implementing monetary policy instruments including rediscount, gave full play to the function of monetary policies as transmission channels, so as to facilitate more low-cost funds from the central bank to reach key areas of private economic development, such as scientific and technological innovation, green and low-carbon development, rural revitalization, and inclusive development of small and micro enterprises, reduce financing costs of enterprises and practise the philosophy of inclusive finance.

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9.3.4 Asset management

During the Reporting Period, our wealth management business thoroughly implemented the high-quality development concepts, strictly implemented regulatory requirements, adhered to our original aspiration of “being entrusted by customers and making wealth management on behalf of customers”, clarified development ideas based on the Bank’s strategic deployment and development goals, and comprehensively promoted the sustained and stable development of wealth management business. As of June 30, 2024, the scale of the Bank’s wealth management products was RMB68.987 billion, all of which were net-worth products that met the requirements of the new asset management regulations.

Adhering to the customer demand-oriented approach, the Bank continuously optimized its product structure, and created distinctive wealth management products to meet the diversified and differentiated investment demands of customers. The Bank strengthened the development of investment and research system, continuously optimized investment strategies, and fully analyzed the market to enhance the differentiated management of product strategy. At the same time, with an aim to enhance the service effectiveness for customer base, the Bank continuously conducted online and offline product roadshows, strategy explanations and other training for wealth management managers to improve the professional competence and comprehensive service level of wealth management managers.

9.4 Inclusive finance business

9.4.1 Small and micro finance

During the Reporting Period, the Bank thoroughly implemented the decisions and plans of the Party Central Committee, the State Council, and the Provincial Party Committee and the Provincial People’s Government on financial support for the development of private enterprises, adhered to the positioning of serving real economies and supporting small and micro enterprises, optimized the service structure, improved the accuracy of services in key areas. It developed a financial service system on small and micro enterprises which is suitable for the development of real economies, actively met the reasonable financial needs of inclusive small and micro enterprises, established a long-term mechanism for boosting the Bank’s confidence, willingness, capability, and expertise of loans, and practically enhanced the sense of small and micro enterprises in obtaining financial services.

The Bank served real economies and comprehensively completed regulatory targets on inclusive small and micro enterprises. During the Reporting Period, the Bank provided inclusive small and micro loans of RMB41.118 billion for small and micro customers in total, with a weighted average rate of 4.06%. As of June 30, 2024, the balance of inclusive small and micro loans was RMB91.038 billion, representing an increase of RMB7.261 billion or 8.67% as compared with the end of 2023. The Bank had 167,700 inclusive small and micro customers with loan balance, representing an increase of 9,500 as compared with the end of 2023. The Bank has comprehensively completed regulatory targets on inclusive small and micro enterprises.

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The Bank expanded and increased the business and optimized the supply of small and micro credit. During the Reporting Period, through boosting credit resources to small and micro customers and expanding diversified financing channels, the Bank increased the effective credit supply to small and micro enterprises to meet the financing demands of customers. The Bank established and improved the differentiated risk pricing mechanism, reasonably determined loan interest rates based on the risk characteristics of customers and realized the pricing of loan interest rates with the control of risks as the bottom line and market competitiveness.

The Bank increased the iteration of small and micro standard credit products and enhanced the availability of loans for small and micro customers. The Bank built a model for the renewal of loans for small and micro online products. The Shangyi Loan (商易贷) (for individuals) launched an advance estimation of credit line and renewal of loans model and renewal of loans without repayment of the principal model for outstanding business, and the Shangyi Loan (商易贷) (for enterprises) realized the pre-screening of pending business renewals, which ensured customers' financing continuity by customers' support for outstanding renewal of loans and exclusive renewal of loans. Based on invoice data from upstream and downstream of the supply chain, the Bank designed inclusive loan products for the supply chain to provide online loans with guarantees for small and micro customers in the upstream and downstream of the supply chain.

The Bank conducted precise marketing and strengthened financial support to small and micro enterprises in key areas. The Bank focused on key industries in Henan Province, relying on the Ten Strategies of Henan Province, deeply explored with a focus on seven major selected industries and 28 industry chains, and added new credit policy guidelines for six characteristic industries, including food processing, textiles and clothing, wholesale markets, private gas stations, renewable resources, homestays, etc. The Bank provided clear customer base access, credit strategies, and guarantee methods, as well as clear marketing guidelines and approval expectations, to ensure that the business can be implemented and executed. The Bank deeply explored key customer groups in the region, combined local resource endowments and regional characteristics, and conducted face-to-face communication with small and micro enterprise owners through visits, research, and symposiums to explore regional characteristic customer groups, deeply understood the current operation situation, market demand, conducted risk pre-research throughout the whole process, jointly formulated customer group credit schemes, and signed 14 plans for featured customer groups.

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9.4.2 Rural Revitalization and Finance

During the Reporting Period, the Bank closely concentrated on the national strategy of rural revitalization, continuously strengthened its support for “agriculture, rural areas and farmers (三農)”, and adhered to the principle of promoting rural revitalization through industrial revitalization. Led by industrial finance, the Bank built a financial ecology of the whole grain industry chain, provided credit allocation for Henan’s top ten advantageous industries and county-level characteristic industries, constantly heightened the management, business empowerment and target advancement of rural revitalization finance, and further deepened the online, intelligent and scenario-based construction of rural revitalization loan products, thus rendering more convenient, fast and high-quality financial services for farmers, returning groups and personnel from the agricultural industry. As of June 30, 2024, the balance of agricultural loans was RMB172.925 billion, representing an increase of RMB12.154 billion or 7.56% as compared to the end of 2023.

9.5 Distribution Channels

Adhering to the people-oriented concept and with people’s livelihood as the starting point, the Bank aimed to create value for customers through the “Internet” advantage during the Reporting Period. Focused on customer wealth management, the Bank achieved refined customer management, optimized the online and offline synergies, continued to broaden its service radius, expedited the service response speed, and constantly optimized the customer experience. It strengthened the operating service support, consolidated the building of platform capabilities, and strived to create an intelligent and convenient one-stop financial service circle to achieve a further upgrade of the intelligent service experience of customers.

9.5.1 Mobile banking

During the Reporting Period, mobile banking continued to optimize its business, completing diagnosis through experiencing and processing for 80% of the platform’s business and the optimization and launching of 50% of the modules, effectively improving online customers’ service experience; mobile banking helped enhance online wealth management capabilities, and complete the standardization transformation of the whole process of wealth products in seven major categories (deposits, wealth management, private enjoyment, funds, insurance, and precious metals), bringing customers a smoother wealth process experience; mobile banking helped improve online services, complete the optimization of digital services such as message center, intelligent search, and intelligent customer service, and improve intelligent capabilities; it improved the platform’s digital and intelligent business decision-making capabilities, built a dynamic intelligent orchestration and digital decision-making system to support differentiated customer service, and help achieve the growth of the service customer base; there was a close linkage between online and offline to continuously promote the online migration of retail customers, and achieve the growth of the scale of service customers. Through the formulation of three major categories of online activities for new customers, festivals, and product experience improvement, the number of participants exceeded 1.26 million, which strongly supported the growth and activity of online customers. As of June 30, 2024, the number of registered users of the Bank’s mobile banking reached 16.7194 million, representing a new increase of 798,400 as compared with the end of 2023, and the number of customers of the Bank’s mobile banking reached 14.3149 million, representing a new increase of 642,100 as compared with the end of 2023.

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9.5.2 WeChat banking

During the Reporting Period, the Bank continued to improve multi-channel collaboration planning and enhanced the attraction and transformation of customers through the channel. WeChat official account has sent 149 tweets in 24 issues in aggregate, which have been viewed for 3.3315 million times, and the brand influence has been further enhanced. As of June 30, 2024, the number of followers of the official account of the Bank's WeChat banking reached 9.4634 million, representing a new increase of 575.4 thousand as compared to the end of 2023, of which there were 6.2875 million card binding customers, representing a new increase of 530.9 thousand as compared to the end of 2023.

9.5.3 Personal online banking

During the Reporting Period, the Bank continued to enhance customers' online service experience by providing customers with convenient and fast personal account inquiries, reporting of loss, transfer, wealth management, online payment and other businesses to ensure that the customers obtained timely financial information and professional wealth management services. During the Reporting Period, the Bank's personal online banking attracted 6.2 thousand new users, with the total number of users reaching 1.6699 million; and the total number of transactions reached 6.4039 million, and the total transaction amount reached RMB318.581 billion.

9.5.4 Remote service center

During the Reporting Period, the Bank was committed to continuously optimizing the remote service system and technology platform, constantly improving the customer service process, further enhancing quality and efficiency of service, and striving to better meet the diversified needs of customers and improve customer service experience. During the Reporting Period, the Bank's customer service center of remote Banking received a total of 1,978,900 incoming customer calls, including 731,200 calls transferred to automated voice service, accounting for 53% and 929,900 calls transferred to manual service, accounting for 46.99%. 96.60% of calls were received, with a customer satisfaction of 99.75% during the Reporting Period; 2,316,700 customer calls, including 207,600 calls transferred to manual service, were received by online customer service, and 91.03% of the calls were transferred to intelligent text service, with a customer satisfaction of 96.08%.

9.5.5 Joint innovation

During the Reporting Period, the Bank kept on implementing the new concept of initiating open and win-win cooperation, devoted to promoting the jointly innovative business of perpetual loans and optimized the services to cooperative banks to support them in providing housing mortgage services for individuals and small and micro merchants in the areas where they conducted businesses. As of June 30, 2024, a total of 39 cooperative banks have signed agreements with us on jointly innovative business of perpetual loans. The cooperative banks have granted RMB61.434 billion of loans in total, establishing a good brand image and word-of-mouth effect in the industry. At the same time, the Bank continued to enrich the product variety of jointly innovative products and launched four new products, i.e. model training ground, big data use cases, digital courses, and new and second-hand residential property mortgages.

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9.6 Information Technology

During the Reporting Period, the Bank focused on the work goal of “creating differentiated core competitiveness and serving high-quality development of business”, deeply promoted the implementation of the digital and intelligent transformation strategy, continuously laid a solid foundation for science and technology development, and deepened the empowerment of digital and intelligent applications to facilitate the steady development of business.

9.6.1 Deepening digital and intelligent transformation

Strengthening overall management and further promoting digital transformation.

The Bank coordinated the formulation of the 2024 digital transformation plan, launched the implementation of 16 key transformation projects, and implemented the project management and assessment and evaluation mechanism. In terms of digital operation, the Bank distributed 450 million leads of big data use cases, and served 167,900 small and micro customers through the enhanced digital operation for the whole process of small and micro business, with the balance of small and micro loans under the standard of dual growth in speed and accounts reaching RMB91.038 billion, representing an increase of RMB7.26 billion as compared to the beginning of the year. In terms of digital and intelligent risk control, the credit characteristic derivative platform enabled the switching of more than 10 products and the anti-fraud models for 3 products were optimized and upgraded; the Bank initiated the construction of the risk-weighted assets (RWA) measurement system, completed the design of the risk measurement scheme for the new capital regulations, and launched the first phase function of the business fusion model. In terms of intelligent operation, by conducting the process optimization, the Bank completed the improvement of online processes for 2 scenarios and the optimization of 4 online processes, which helped improve the quality and efficiency of business operation.

Building an evaluation system, doing a good job in digital finance. By actively responding to national policies and the requirements of the digital transformation guidelines of regulatory agencies, the Bank has completed the establishment of the Digital Transformation Evaluation System of Zhongyuan Bank (《中原銀行數字化轉型評價體系》) to measure the development level of digital transformation in a more scientific and comprehensive manner and promote the high-quality development of digital finance of the Bank. The Bank conducted in-depth research on practical cases in the field of digital finance, clarified work priorities and formulated corresponding action plans based on the strategic orientation of the Bank. The Bank has currently completed the initial draft of the Implementation Opinions of Zhongyuan Bank on Promoting the High-Quality Development of Digital Finance (Draft for Comments) (《中原銀行推進數字金融高質量發展的實施意見(徵求意見稿)》).

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Focusing on business value, strengthening digital and intelligent empowerment.

The Bank formulated the Special Work Plan for Zhongyuan Bank on Digital Transformation to Empower the Business Development of Branches (《中原銀行數字化轉型賦能分支行業務發展的專項工作方案》), established a “matrix” mechanism for digital and intelligent empowerment of the head office and branches, responded to the needs of digital transformation of 19 branches, and promoted the implementation of 47 solutions. The Bank established a digital transformation community “Yuan Zhi She (原智社)”, which developed 406 community members and held the first offline activity in Zhengzhou around process optimization. The Bank built a digital and intelligent course system and an internal communication platform, “Ran Liu Dian (燃六點)”, and successfully organized the first lesson of “WO” Lecture, “The President’s Speech on Transformation”, which was viewed by more than 3,000 employees online. The Bank launched the construction of the digital and intelligent course system in the digital academy to strengthen the value of the courses in empowering the frontline of branches.

9.6.2 Consolidating infrastructure construction

Accomplishing enterprise-level structure planning. The Bank has carried out sorting, confirmation, and analysis of business areas, products, and high-level requirements, cumulatively planned 123 business components across the Bank, and formed a SPECIAL enterprise structure system with 265 sets of target systems in 7 layers and 26 groups, providing top-level specifications and scientific guidance for the construction of application system. The Bank promoted the construction of enterprise-level data architecture and technical architecture systems to ensure proper data distribution, enhance the ability to share technical components, and facilitate cost reduction and efficiency improvement in R&D.

Deepening the construction of intermediate platform capabilities. As for the technology intermediate platform, the construction of dedicated cloud for middleware and cache proxy layer has been completed with a total of 15 sets of business systems migrated and accessed. The Bank completed the first phase of integration between the SQL verification platform and the ladder platform, and implemented the mini-program analysis and alarm capabilities and security analysis microservices, further deepening governance and monitoring capabilities. Our mobile development platform completed the development of 15 basic capabilities and 33 business functions of HarmonyOS system, supporting the launch of mobile banking with HarmonyOS version. The front-end development platform completed the introduction of the new front-end construction engine Vite tool, promoted the use of 5 sets of business systems, and shortened the start-up time for the project by more than 5 times on average. The back-end development platform released a new version of IDE and the foundation framework 3.0 official version to achieve strong management and control over API design. As for the business intermediate

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platform, the Bank improved the construction of payment intermediate platform, adopted domestic infrastructure, reconstructed large and small payment systems based on cloud-native and distributed architecture, and successfully launched the second phase of the new payment system project. The system is currently running smoothly, marking the full completion of the Bank's payment intermediate platform system and the payment service to a new level. The Bank perfected the construction of intermediate platform of retail channels, initiated the microservice retrofit of the WeChat banking, and completed the launch of the public microservice system on WeChat, significantly optimizing the average response time for login and other transactions. As for the data intermediate platform, the upgrade of domestic big data clusters has been completed, and the average execution efficiency of batch processing tasks of relevant systems has increased by more than 50%. The intelligent decision-making platform increased 39 new models, supported 340 times of model optimization iterations, processed 4.58 billion transactions of credit granting business, and handled 644,000 pieces of anti-fraud data. The one-stop data analysis platform added the cloud Excel function to support multi-person collaborative work, launch 578 business reports, and complete the development of 34 data statistics automation requirements, assisting in improving business statistics efficiency. The platform had 5,744 average monthly active users, representing an increase of 6.4% over the end of 2023, and had 965 senior analysts, representing an increase of 22% over the end of 2023.

Consolidating infrastructure fundamentals. The Bank completed the migration and upgrading of 22 sets of system databases in the production center, the migration of 31 sets of new and old resource pools for information systems, the replacement and upgrading of 9 sets of network equipment, and the construction of a 390TB historical data storage resource pool based on the existing ones, so as to strengthen the business support capacity. The Bank completed the release-to-production of the cloud business cluster for middleware dedicated container, which strongly supported the cloud-native deployment and operation for the Bank's middleware. The Bank also completed the upgrading of 3 sets of homemade Qingyun resource pools and the upgrading of 15 sets of cloud business cluster transitions for containers, which enhanced the effectiveness of resource management.

Reinforcing data governance applications. By amending such regulations as the Measures for the Administrative Measures on Collection Standards for Behavioral Data (《行為數據採集標準管理辦法》), the Implementing Rules for the Management of Indicator Data (《指標數據管理實施細則》) and the Implementing Rules for the Management of External Data Testing (《外部數據測試管理實施細則》), the Bank further optimized the working mechanism of data governance and promoted the implementation of data governance responsibilities of all parties. The Bank carried out special management of indicator data, and completed the sorting of the mainline assessment indicators, the cockpit indicators for chief executives and the public indicators of the statements of three major business lines, namely retail, corporate and interbank business, thus laid a good foundation for the formulation of the standard for data indicators, ensuring transparency, consistency and accuracy of indicator data, and better serving the business decision-making.

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Strictly holding the line of defense on scientific and technological risks. The Bank carried out 7*24h security defense and protection operations, blocked more than 90,000 domestic and overseas attacks in a timely manner to ensure the safe and stable operation of more than 50 Internet systems, including personal mobile banking and corporate online banking. The Bank organized the whole bank and its subsidiaries to carry out the normalized vulnerability investigation and attack and defense practice, and accumulated the elimination of more than 360 risk hazards to avoid the leakage of customers' information and the loss of funds. It effectively blocked incidents of illegal attacks and illegal equipment, effectively intercepted new types of attacks such as 3D masks, and did not have any incidents of customer complaints for illegal theft of funds. The Bank deepened the construction of data security and launched more than 100 business application scenarios online to achieve safe and efficient application.

9.6.3 Strengthening digital intelligent applications

The Bank strengthened technological innovation applications such as big data and artificial intelligence (AI), as well as realized the implementation of innovation application achievements in various fields such as business operations, knowledge questions and intelligent risk control. Firstly, it promoted the application practice of large model technology. The Bank initially completed the planning of the AI arithmetic construction system, and the expansion of AI arithmetic resources increased by 37%. The intelligent credit assistant was launched to realize the automatic generation rate of up to 60% of the universal version of the due diligence report, and contribute to the efficiency of credit business processing. The Knowledge Questions Assistant 2.0 was introduced and implemented in business scenarios such as companies, small and micro, operation and credit, etc. While providing professional question and answer services for employees, it promoted the accumulation, dissemination, acquisition and sharing of the knowledge assets of the Bank. Secondly, it explored the construction of smart BI applications. The Bank built an intelligent data analysis framework based on large model technology to support the implementation of interactive data analysis applications. It completed the framework design of the large model smart BI application, to actively promote the construction of the intelligent indicator platform. Thirdly, it strengthened the application construction of visual risk control. The Bank utilized computer vision technology to explore potential fraud risk features and identify fraud attacks such as deep forgery and illegal intermediaries to effectively prevent online fraud risks. The license type testing model was independently developed to realize automatic testing of ID cards and business license types with an accuracy rate of up to 95%. The license quality detection model was independently developed to realize the risk detection of ID cards and business licenses such as reprinting, copying and screenshotting, with an accuracy rate of more than 90%.

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9.7 Investment business of subsidiaries, interest in associate and joint venture

9.7.1 Village bank business

9.7.1.1 Shareholding percentages of village banks

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

9.7.1.2 Business development during the Reporting Period

The 14 county banks provide local small and micro enterprises and retail banking customers with a broad range of financial products and services, including business and consumer loans, deposits from customers and fee-based and commission-based products and services, such as settlement services, remittance services and bank card services. With the focus on promoting the reform to defuse risks and transformation and development of its subsidiaries, the Bank continued to strengthen the control of risk, finance and personnel, and provided support for strategic synergy, technology, liquidity and personnel empowerment. It strengthened the management of county banks, and supervised them to firmly adhere to their market positions and return to their financial origins for high-quality development.

III. Management Discussion and Analysis

During the Reporting Period, the 14 county banks always adhered to their market positioning of “supporting the agriculture and small and micro enterprises (支農支小)” and upheld the principles of “micro and disperse (小額、分散)”. They focused on the actual financial needs of the rural customer groups of “agriculture, rural areas, farmers, and migrant workers (四農)” within their jurisdiction, continued to optimize their products and processes, further brought their staff and services down to the primary level, kept improving their ability to serve rural revitalization, deeply practised inclusive finance, and strived to promote business structure optimization and comprehensive transformation and development, along with intensified support to agriculture and small and micro enterprises. They adhered to seeking progress while maintaining stability in performance and followed the path of high-quality development featured with scientific governance, strict internal control, controllable risks and outstanding services.

9.7.2 Consumer Finance Company

During the Reporting Period, Consumer Finance Company always adhered to the guidance of the Party building, always adhered to the people-centered value orientation, strictly implemented the requirements of high-quality development, actively responded to regulatory requirements and changes in the industry, vigorously practised inclusive finance, set up a firm bottom line for risks, strengthened the foundation of compliance, and continuously promoted high-quality development.

9.7.3 Financial Leasing Companies

During the Reporting Period, AB Leasing comprehensively enhanced the leadership of the Party, carried out thematic education in high standard and quality by taking in-depth study and implementation of the spirit of the 20th National Congress of the Party as the main line, strengthened strategic planning, carried forward transformation and development, intensified control over asset quality, and improved refined management, so as to effectively prevent and dissolve business risks, steadily improve its operating results, continuously make breakthroughs in business transformation, and create a new situation of steady progress in all work.

Following the company’s working idea of “stabilizing the conduct of business on the basis of implementing business transformation, solidifying asset quality on the basis of strict control over new non-performing assets and reducing financing costs on the basis of guaranteeing capital demand”, BOL Financial Leasing maintained its enthusiasm for work, made great efforts to return to the original leasing business, actively expanded its business, accelerated the pace of business transformation, and maintained a pressing attitude toward risk resolution, to promote the company’s high-quality development in a deep and practicable manner.

III. Management Discussion and Analysis

10. Risk Management

The Bank always maintains its prudent risk preference, continuously improves the risk management system covering all institutions, all employees, all processes and all products, comprehensively promotes the digital and intelligent construction of risk management, boosts the implementation of new capital regulation program and constantly displays the value of risk management to facilitate the high-quality development of the Bank. During the Reporting Period, the Bank maintained the strategic determination of risk management, strengthened the research and judgment on risks, carried out the identification, measurement, monitoring, appraisal, reporting, control or releasing of various risks in an orderly manner, promoted the construction of a comprehensive risk management platform to form a panoramic view of risks, and continuously improved professional and targeted risk management, effectively preventing various risks and ensuring the steady development of the Bank.

10.1 Credit Risk Management

The Bank improved credit risk management strategies and enhanced the guiding role of policies. The Bank planned its annual risk preference, formulated credit policies on key industries, products and areas based on internal and external situation to lead the steady business development and improve the control and guiding role on the credit business. It strengthened the management of large amount risk exposure and strictly controlled the level of concentration. In strict compliance with the requirements of regulatory authorities on the management of large amount risk exposure, the Bank regularly carried out the measurement, monitoring and reporting of large amount risk exposure and effectively implemented the management of various risk limits.

The Bank promoted the reform of the credit approval system, optimized the unified credit management system and improved the management of the credit business under all standards and in all processes. It promoted the optimization and improvement of credit approval processes, advanced standardized and intelligent management of due diligence on credit, after-approval monitoring, post-credit management and other key links in an orderly manner to comprehensively improve the whole-process credit management capabilities.

The Bank strengthened early warning and inspection management and guaranteed the steady operation of the quality of assets. It formulated annual targets and plans on the management and control of the quality of assets under all standards and in all processes, optimized the appraisal system on the quality of assets and maintained management and control efforts on the quality of assets. The Bank optimized the early warning and management system, strengthened the application of early warning and developed management chains on the early identification, continuous monitoring, accurate judgment and vigorous disposal of risks. It organized rolling risk inspections on asset businesses, continuously improved inspection mechanisms with internal and external linkage and carried out targeted inspections on key customers and key businesses. The Bank stepped up the efforts on recovery and disposal of non-performing assets, comprehensively used various means including litigation recovery, transfer of debts, writing-off bad debts and activation by restructuring to dispose of non-performing assets and fully promoted the mitigation for key projects to ensure the steady operation of the quality of assets.

III. Management Discussion and Analysis

The Bank continued to empower the construction of online, digital, intelligent risk management. It was fully committed to promoting the implementation of new capital regulation projects, completed basic works such as measurement plan design, asset data sorting, and data governance, as well as the Pillar 2 ICAAP Report, and promoted the construction of the risk-weighted asset measurement system. The Bank strengthened the building of anti-fraud capabilities, jointly modelled, optimized the risk characteristic identification algorithm, and improved the application of the intelligent anti-fraud technology. It iterated and optimized its internal non-retail rating model and continuously deepened the implementation of internal rating application results to improve the risk identification capability of customers. The Bank refined risk data management, optimized the functions of the first phase of the characteristic derivative platform, and promoted the project establishment of the second phase of the characteristic derivative platform to access external data. It improved the model management platform and managed the risk models for the Bank as a whole consistently and effectively to improve the risk control capabilities of the models and the efficiency to serve operations. The Bank improved the implementation and management system on the expected credit loss method and regularly conducted stress testing on credit risk to constantly enhance the refined and quantitative management of credit risk.

During the Reporting Period, the Bank's large amount risk exposure indicators all met the regulatory requirements, and the credit risk was stable and controllable.

10.2 Market risk management

The Bank adjusted and optimized the separation criteria of books in accordance with the requirements of the new capital regulations. It amended and completed the Administrative Measures for Zhongyuan Bank on the Separation of Books (《中原銀行賬簿劃分管理辦法》), and adjusted the separation structure of books, optimized the capital layout and reduced capital loss based on the capital saving orientation, and completed the relevant book conversion in accordance with regulatory requirements.

The Bank promoted the implementation of the new standardized method of market risk. The Bank completed gap analysis in line with regulatory requirements and advanced practices in the industry, and gradually optimized such analysis based on the gap analysis. It designed the measurement plan for the new standardized method of market risk, the automatic calculation template of the new standardized method and the measurement plan for counterparty credit risk.

The Bank standardized the daily management of market risk. The Bank carried out the data governance of the market risk management system, verified the logic of investment portfolio mapping, and improved the quality and efficiency of market risk measurement. It formulated an annual management plan of secondary limits of market risk and refined the granularity of limit management. The Bank completed the validation of the valuation model of the market risk management system to ensure the accuracy of the model and improve the measurement precision. It improved the batch processing efficiency of the market risk management system, optimized the batch processing structure of the system, and improved the management efficiency of the system.

III. Management Discussion and Analysis

The Bank constantly conducted market risk monitoring and reporting and strengthened risk analysis and management and control. It enhanced high-frequency measurement, monitoring and analysis on risk exposure and level based on the risk characteristics of different types of financial market businesses and improved the timeliness and effectiveness of market risk monitoring and control.

During the Reporting Period, the Bank's overall market risk was stable and controllable.

10.3 Operational and compliance risk management

During the Reporting Period, by leveraging the internal control compliance and operational risk management system, the Bank continued to enhance its refined management capabilities for operational risks. On the basis of strengthening internal control and implementing compliance management, focusing on internal inspection and system construction, and with the backing of internal audit supervision, the Bank strengthened risk monitoring and prevention in key positions and key areas to ensure that the operational risk identification, assessment, control, monitoring and reporting are carried out effectively, and built a long-term mechanism for internal control and compliance management.

During the Reporting Period, the Bank continuously deepened the application of operational risk management tools. It reviewed and optimized the library of key risk indicators for operational risk, improved the sensitivity and effectiveness of indicator monitoring and carried out key risk indicator monitoring on operational risk, the collection of loss events and other work on a normalized basis. It optimized and improved procedures as well as self-appraisal methods for operational risk and control, constantly identified control defects and hidden risks in key procedures and strengthened the rectification of problems identified. Meanwhile, the Bank continued to strengthen business continuity management during critical periods, deeply carried out the inspection and renovation of risks on business continuity and vigorously guaranteed the continuous stability of financial services during critical periods. It continued to improve the outsourcing risk management, business continuity and emergency management mechanisms to ensure that the Bank could take effective measures to minimize the impact and loss in the event of an emergency.

During the Reporting Period, the Bank's overall operation was standardized and orderly, and there was no major operational risk event.

10.4 Liquidity risk management

During the Reporting Period, the Bank constantly strengthened liquidity risk management and continuously improved the construction of the liquidity risk system, so the overall liquidity was relatively sufficient, major liquidity indicators satisfied the supervision requirements and were optimized and improved continuously.

III. Management Discussion and Analysis

During the Reporting Period, the Bank continued to optimize and improve the organizational structure of liquidity risk management, strengthened the three-level linkage among the head office, branches and sub-branches, clarified the responsibilities of all levels, established the coordinated management and control mechanism of the liquidity risk from the group level, guiding and assisting subsidiaries to strengthen liquidity management, regularly monitoring its operating conditions and liquidity risk levels to ensure the safety of the Group's liquidity; strengthening active asset-liability structure management and duration management, and rationally adjusting the business term structure. The level of overall term mismatch was controlled within a reasonable range; the active liability tools were rationally used to improve the diversity and stability of liability sources; the management of intraday positions was refined, and the online and intelligent level of the management of intraday positions and liquidity monitoring was improved through continuously improving liquidity management information system to ensure sufficient intraday liquidity to fully meet the needs of various business developments; it continued to improve the macro-level research and discussion mechanism, established and improved the joint work system on liquidity pricing, continued to improve its macroeconomic analysis capabilities, enhanced the forward-looking and proactive nature of liquidity management, and dynamically adjusted liquidity management strategies to guide the Bank's business development.

During the Reporting Period, the liquidity risk of the Bank was safe and controllable.

10.5 Information technology risk management

During the Reporting Period, firstly, the Bank constantly improved its information technology risk management system and actively implemented the coordinated and common management of the three lines of defense of IT management. For various risk points in eight areas for information technology risk and their control measures, the Bank conducted self-appraisal on the control of information technology risk, carried out inspections and improvement on network security, data safety, information technology outsourcing and other key regulatory industries currently and further consolidated the line of defense for the management of information technology risk. Secondly, it continuously optimized information technology key risk indicators and reasonably adjusted indicator thresholds and warning value to improve the effectiveness of risk monitoring and alarming. The Bank regularly monitored information technology key risk indicators, established the information technology risk periodic reporting mechanism, and formed an effective risk management process system that supports risk identification, assessment, control/release, and monitoring/reporting. Thirdly, the Bank continuously optimized the construction of disaster recovery system for infrastructure, promoted the construction of disaster recovery system of two places and three centers for IT rooms and high availability of external data; the Bank deepened the transformation of distributed technology architecture, enhanced the administration of research and development and strengthened the independent control, improved the construction of network security defense system in depth, kept on improving the application security ability system and intensified the life cycle management of data security. Fourthly, the Bank comprehensively carried out network security guarantee during critical periods. The Bank organized self-inspections and appraisals on network security guarantee, deeply identified problems and conducted rectification and improvement in a timely manner. Meanwhile, it carried out 7*24h duty, conducted the monitoring and disposal of network security events from various dimensions of "cloud-network-terminal" based on the safe operation platform and strictly implemented the work requirements on network security guarantee during critical periods.

During the Reporting Period, the information technology risk of the Bank was stable and controllable.

III. Management Discussion and Analysis

10.6 Reputational risk management

During the Reporting Period, the Bank continued to enhance the construction of its reputational risk management system and continuously increased the level of reputational risk management.

The Bank improved the reputational risk working mechanism, strictly implemented accountability on appraisal. It fully displayed the role of appraisal as the “baton” and the “weathervane”, clarified the responsibilities of entities at all levels and conducted accountability and investigation of responsibilities on the responsible persons resulting in reputational events, significant losses or significant adverse effects due to improper prevention and disposal. It strengthened the monitoring on public opinions, enhanced the prevention awareness. The Bank conducted all-process monitoring and real-time tracking on network information to effectively improve its capacity in handling online public opinions and implement category-based and classified disposal. The Bank regularly made investigations into the potential reputational risk to dig deep into the material potential risks that may have a negative impact on the Bank’s reputation and established normalized warning mechanisms to achieve early identification, warning, and solution for risk signs. For important time nodes and sensitive periods, the Bank implemented special monitoring, formulated emergency plans in advance, responded and disposed of them quickly and properly to avoid, eliminate or reduce the adverse effects of relevant events to the maximum extent and ensure the orderly progress and steady operation of all operational work of the Bank. It strengthened team building and improved the handling capability. The Bank established the contact person system on reputational risk management covering the head office, branches, sub-branches and subsidiaries, clarified the responsibilities of positions, stepped up efforts in reputational risk training and enhanced its skills and capability on reputational risk management from different dimensions. At the same time, the Bank regularly organized reputational risk exercises, improved the capabilities of cadres and staff on reputational risk management and response, and established coordinated and efficient emergency linkage and quick response mechanisms.

During the Reporting Period, the reputational risk of the Bank was safe and controllable.

10.7 Exchange rate risk management

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

During the Reporting Period, the Bank’s exchange rate risk was stable and controllable.

III. Management Discussion and Analysis

10.8 ESG risk management

During the Reporting Period, the Bank strengthened the significant decision-making function of the Board of Directors and special committees in ESG management, prepared the 2023 Environmental, Social and Governance (ESG) Report of Zhongyuan Bank Co., Ltd. and disclosed it on the official websites of the Hong Kong Stock Exchange and the Bank, displaying the sound ESG management capabilities and corporate image of the Bank to investors.

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

11. Corporate Strategies and Outlook

In the first half of 2024, China's gross domestic product (GDP) reached RMB61,683.6 billion, representing a year-on-year increase of 5%, with overall economic operations remaining stable. Externally, the global economic recovery has exceeded expectations, and international trade is steadily rebounding, which has driven Chinese exports to grow beyond forecasts. Internally, macroeconomic policies have been intensified, with their effects becoming increasingly apparent. Initiatives for trading in old consumer goods for new ones and for large-scale equipment upgrades in key sectors are being accelerated. Investments in the manufacturing industry remain strong. Monetary policy, through measures such as reserve requirement ratio cuts, interest rate reductions, and the optimization of structural policy tools, supports the development of the real economy. Various regions are speeding up the development of new productive forces, industrial production has noticeably rebounded, and the intrinsic momentum of economic growth has been enhanced. Looking ahead to the second half of the year, exports are expected to remain resilient. Policies to stabilize growth will be further strengthened to expand domestic demand and consolidate the economic foundation. The strategic deployment made by the Third Plenary Session of the 20th Central Committee of the Party aims to further comprehensively deepen reforms and advance Chinese-style modernization, fully stimulating the enthusiasm and vitality of micro-entities such as residents, businesses, and local governments. These factors provide strong support for the continued economic recovery and improvement. However, challenges remain, such as insufficient effective demand and disruptions in the domestic economic cycle.

In 2024, the Bank, adhering to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, will fully and thoroughly implement the directives from the Central Economic Work Conference and the Central Financial Work Conference, while diligently executing the key decisions and strategies set forth by the Provincial Party Committee and the Provincial Government. With a commitment to our strategic focus, the Bank will embrace the principle of achieving progress while maintaining stability, uphold integrity and innovation, and persist in exploring a path of differentiated development characterized by the unique operational approach.

III. Management Discussion and Analysis

Firstly, the Bank will maintain strategic focus and strengthen the development foundation.

Firstly, the Bank will adhere to the direction of transformation, benchmark against first-class commercial banks, actively explore a path of differentiated development characterized by our unique operational approach, and vigorously promote the transformation towards light capital, light assets and light costs. **Secondly**, the Bank will adhere to performance orientation, focus on improving performance, highlight the value contribution and enhance work efficiency. **Thirdly**, the Bank will persist in structural optimization. The Bank aims to refine its asset-liability structure, cost structure and income structure, to ensure a stable income from interest spread and achieve higher comprehensive income. **Fourthly**, the Bank will emphasize efficiency. By leveraging its strengths, the Bank will strive to provide rapid responses to customer needs, accelerate product innovation and iteration, and facilitate fast communication in business decision processes. Our goal is to make efficiency the “winning formula” for the Bank in a competitive market. **Fifthly**, the Bank will commit to technology empowerment. By focusing on “empowering business, improving efficiency and facilitating management,” the Bank will comprehensively solidify its foundational scientific and technological capabilities.

Secondly, the Bank will grasp the strategic focus and create differentiated competitive advantages.

Firstly, the Bank will consolidate the Company’s business advantages, solidify an industrial bank, and explore the development path of the industrial bank through the full-chain, full-region, full-cycle, full-spectrum, all-round, and full-process systematic methods around the key industries in cities and counties; optimize a government bank and focus on key areas such as five aspects of finance including technology finance, green finance, inclusive finance, pension finance and digital finance, new productive forces, and “Ten Strategies”, seven major industrial clusters and 28 key industrial chains of Henan Province around the strategic orientation of the state and governments, to constantly improve the comprehensive service capability. **Secondly**, the Bank will enhance its competitive advantages of retail business and strengthen a citizen bank. Adhering to the customer-oriented principle, the Bank will constantly improve products and services to meet the needs of customers throughout the life cycle, continue to enhance the value contribution of retail business, and lay the cornerstone for business development; develop a rural revitalization bank, adhere to the Internetization and Ruralization of Banking Services (上網下鄉), further give play to its own advantages, improve the online service system, strengthen the integration of resources, and strive to build a new business model by integrating into the grass-roots governance system. **Thirdly**, the Bank will improve the quality of inter-bank business, improve market investment and research capabilities, trading capabilities and risk control capabilities, grasp market opportunities in a timely and accurate manner, enhance the efficiency of capital allocation, and achieve a balance among security, liquidity and profitability.

III. Management Discussion and Analysis

Thirdly, the Bank will strengthen risk control and compliance construction to enhance risk resistance capability. **Firstly**, the Bank will improve credit policies, strengthen comprehensive analysis and research on the economic and financial situation, macro policies, industrial structure, etc., and scientifically establish clear and stable credit strategies, risk appetites, and risk limits. **Secondly**, the Bank will strictly adhere to the “three lines of defense”, consolidate the risk responsibilities of each line of defense, strengthen the rigidity of the systems, and strictly prevent moral risks; strengthen review analysis, and regularly conduct systematic analysis and summary of the risk control system, system and mechanism, credit policies, product structure, working methods, etc., identify weak links to update and iterate in a timely manner. **Thirdly**, the Bank will strengthen the construction of digital risk control, and continuously improve the intelligent risk control system that integrates “data mining + anti-fraud application + model group construction + monitoring and surveillance” to enhance its risk management capabilities. **Fourthly**, the Bank will adhere to its commitment to strict control over the entire bank, improve the internal control and compliance system, strengthen the internal control, and ensure that the concept of “compliance creating value” is deeply ingrained in everyone’s mind.

Fourthly, the Bank will optimize the systems and mechanisms to comprehensively enhance management effectiveness. **Firstly**, the Bank will perfect the evaluation and incentive constraint mechanisms, optimize and refine the performance evaluation system, and strengthen the application of evaluation results; enhance the remuneration management system to further improve the internal fairness and incentivization of remuneration management. **Secondly**, the Bank will optimize resource allocation, strengthen the integration of budget management, resource allocation and evaluation to achieve management synergy; adhere to “revenue determines expenditure”, highlight the performance contribution and build a resource allocation system with value creation as the core. **Thirdly**, the Bank will deepen collaborative development, further enhance the coordination between headquarters and branches, strengthen the sense of “unity” across the Bank, and further break down “barriers between business lines and departments”. Additionally, the Bank will reinforce group synergy, improve the parent-subsidiary system, and guide subsidiaries towards healthy development.

IV. Changes in Share Capital and Information on Shareholders

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

As of the end of the Reporting Period, the total issued ordinary share capital of the Bank was 36,549,823,322 Shares¹, comprising 6,945,000,000 H Shares and 29,604,823,322 Domestic Shares.

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

As of June 30, 2024, there was no controlling Shareholder and actual controller of the Bank. As at June 30, 2024, the shareholdings of the Bank's top ten non-overseas listed domestic Shareholders of ordinary shares were as follows:

No.	Name of Shareholders	Nature of Shareholders	Number of Shares held at the end of the Reporting Period	Approximate percentage of the total share capital of issued ordinary shares of the Bank at the end of the Reporting Period
1	Henan Investment Group Co., Ltd. (河南投資集團有限公司)	State-owned Legal Person Shares	2,444,738,403	6.69%
2	Luoyang Municipal Finance Bureau (洛陽市財政局)	State Shares	1,361,571,120	3.73%
3	China Tourism Group Corporation Limited (中國旅遊集團有限公司)	State-owned Legal Person Shares	1,061,521,911	2.90%
4	Zhongyuan Trust Co., Ltd. (中原信託有限公司)	State-owned Legal Person Shares	791,131,350	2.16%
5	Henan Zhaoteng Investment Group Co., Ltd. (河南省兆騰投資集團有限公司)	Privately-owned Legal Person Shares	683,252,415	1.87%
6	Henan State-owned Capital Operation Group Investment Co., Ltd. (河南國有資本運營集團投資有限公司)	State-owned Legal Person Shares	506,751,425	1.39%
7	Luoyang Urban and Rural Construction Investment Group Co., Ltd. (洛陽城鄉建設投資集團有限公司)	State-owned Legal Person Shares	504,435,685	1.38%
8	Bank of Jiujiang Co., Ltd. (九江銀行股份有限公司)	Privately-owned Legal Person Shares	500,000,000	1.37%
9	Jiaozuo Construction Investment (Holdings) Co., Ltd. (焦作市建設投資(控股)有限公司)	State-owned Legal Person Shares	433,237,588	1.19%
10	Jiangsu Wuzhong Group Co., Ltd. (江蘇吳中集團有限公司)	Privately-owned Legal Person Shares	420,238,000	1.15%
Total			8,706,877,897	23.82%

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

IV. Changes in Share Capital and Information on Shareholders

3. Interests and Short Positions of Substantial Shareholders and Other Persons in the Shares and Underlying Shares

To the best knowledge of the Bank and the Directors, as of June 30, 2024, substantial Shareholders of the Bank and other persons (other than Directors, Supervisors and chief executives of the Bank) who had interests and short positions in the Shares and underlying Shares of the Bank which were required to be notified to the Bank or the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Bank under Section 336 of the SFO were as follows:

Name of Shareholders	Class of Shares	Nature of interests	Number of Shares ⁽¹⁾	Approximate percentage of the total issued share capital of the relevant class of the Bank (%) ⁽²⁾	Approximate percentage of the total issued share capital of ordinary shares of the Bank (%) ⁽²⁾
Henan Investment Group Co., Ltd. ⁽³⁾ (河南投資集團有限公司)	Domestic Shares	Beneficial owner	2,444,738,403(L)	8.26	6.69
	Domestic Shares	Interest in controlled corporation	1,046,246,733(L)	3.53	2.86
AMTD Group Company Limited ⁽⁴⁾	H Shares	Interest in controlled corporation	482,288,000(L)	6.94	1.32
L.R. Capital Management Company (Cayman) Limited ⁽⁴⁾	H Shares	Interest in controlled corporation	482,288,000(L)	6.94	1.32
Piramide Park Co., Ltd. ⁽⁵⁾	H Shares	Beneficial owner	999,831,000(L)	14.40	2.74
XU Yan (徐雁)	H Shares	Interest in controlled corporation	999,831,000(L)	14.40	2.74

Notes:

- (1) (L) represents the long position, (S) represents short position.
- (2) As at June 30, 2024, the number of total issued Shares of the Bank was 36,549,823,322, comprising 6,945,000,000 H Shares and 29,604,823,322 Domestic Shares. As of the date of this report, the registration for change with the competent authority of industry and commerce is still in progress.
- (3) Henan Investment Group Co., Ltd. (河南投資集團有限公司) is wholly owned by the Finance Department of Henan Province (河南省財政廳). Henan Investment Group Co., Ltd. directly holds 2,444,738,403 Domestic Shares of the Bank (long positions), indirectly holds 17,696,926 Domestic Shares of the Bank (long positions) through its controlled corporation, Henan Investment Group Guarantee Co., Ltd. (河南投資集團擔保有限公司), and indirectly holds 791,131,350 Domestic Shares of the Bank (long positions) through its controlled corporation, Zhongyuan Trust Co., Ltd. (中原信託有限公司), and indirectly holds 237,418,457 Domestic Shares of the Bank (long positions) through its controlled corporation, Henan Asset Management Co., Ltd. (河南資產管理有限公司).
- (4) L.R. Capital Management Company (Cayman) Limited, through its controlled corporations, namely L.R. Capital Financial Holdings Limited, AMTD Group Company Limited and AMTD Asia (Holdings) Limited, indirectly holds 482,288,000 H Shares of the Bank (long positions) held by AMTD Asia Limited. Therefore, by virtue of the SFO, each of L.R. Capital Management Company (Cayman) Limited, L.R. Capital Financial Holdings Limited, AMTD Group Company Limited and AMTD Asia (Holdings) Limited is deemed to be interested in the H Shares of the Bank (long positions) held by AMTD Asia Limited.
- (5) Piramide Park Co., Ltd is wholly owned by XU Yan (徐雁).

IV. Changes in Share Capital and Information on Shareholders

Save as disclosed above, to the knowledge of the Bank, none of the substantial Shareholders or other persons had, as at June 30, 2024, any interests or short positions in the Shares or underlying Shares of the Bank as recorded in the register required to be kept under Section 336 of the SFO.

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

As of June 30, 2024, the top ten Shareholders of the Bank together held 41.38% of the Bank's total share capital. Among the top ten Shareholders, the largest Shareholder of Non-overseas Listed Domestic Shares was Henan Investment Group Co., Ltd. (河南投資集團有限公司), which held 6.69% of the total share capital; the second largest Shareholder was Luoyang Municipal Finance Bureau (洛陽市財政局), which held 3.73% of the total share capital; and the third largest Shareholder was China Tourism Group Corporation Limited (中國旅遊集團有限公司), which held 2.90% of the total share capital. The first and third largest Shareholders of Non-overseas Listed Domestic Shares are wholly state-owned enterprises, the second largest Shareholder is a local finance department.

The shareholdings of the top ten Shareholders were as follows:

No.	Name of Shareholders	Class of Shares	Nature of Shareholders	Number of Shares held as at June 30, 2024	Approximate percentage of the total share capital of issued ordinary shares of the Bank as at June 30, 2024 ⁽¹⁾
1	HKSCC Nominees Limited ⁽²⁾	H Shares	Other	6,836,755,900	18.71%
2	Henan Investment Group Co., Ltd. (河南投資集團有限公司)	Domestic Shares	State-owned Legal Person Shares	2,444,738,403	6.69%
3	Luoyang Municipal Finance Bureau (洛陽市財政局)	Domestic Shares	State Shares	1,361,571,120	3.73%
4	China Tourism Group Corporation Limited (中國旅遊集團有限公司)	Domestic Shares	State-owned Legal Person Shares	1,061,521,911	2.90%
5	Zhongyuan Trust Co., Ltd. (中原信託有限公司)	Domestic Shares	State-owned Legal Person Shares	791,131,350	2.16%
6	Henan Zhaoteng Investment Group Co., Ltd. (河南省兆騰投資集團有限公司)	Domestic Shares	Privately-owned Legal Person Shares	683,252,415	1.87%
7	Henan State-owned Capital Operation Group Investment Co., Ltd. (河南國有資本運營集團投資有限公司)	Domestic Shares	State-owned Legal Person Shares	506,751,425	1.39%
8	Luoyang Urban and Rural Construction Investment Group Co., Ltd. (洛陽城鄉建設投資集團有限公司)	Domestic Shares	State-owned Legal Person Shares	504,435,685	1.38%
9	Bank of Jiujiang Co., Ltd. (九江銀行股份有限公司)	Domestic Shares	Privately-owned Legal Person Shares	500,000,000	1.37%
10	Jiaozuo Construction Investment (Holdings) Co., Ltd. (焦作市建設投資(控股)有限公司)	Domestic Shares	State-owned Legal Person Shares	433,237,588	1.19%
Total				15,123,395,797	41.38%

Notes:

- (1) It was calculated on the basis of the total share capital of the Bank of 36,549,823,322 Shares.
- (2) HKSCC Nominees Limited, as a nominee, held 6,836,755,900 H Shares in aggregate of the Bank on behalf of several clients, representing 18.71% of the issued share capital of the Bank. As a member of the Central Clearing and Settlement System, HKSCC Nominees Limited conducts registration and custodian business for clients.

IV. Changes in Share Capital and Information on Shareholders

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

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

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

As of June 30, 2024, according to the Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》) issued by the former CBIRC, in addition to the one Shareholder mentioned above, namely Henan Investment Group Co., Ltd. (河南投資集團有限公司), the following three Shareholders are also substantial Shareholders of the Bank.

- (1) China Tourism Group Corporation Limited (中國旅遊集團有限公司), holding 1,061,521,911 Domestic Shares of the Bank, was incorporated in Haikou Integrated Free Trade Zone, Hainan Province on January 3, 1987 with a registered capital of RMB15,800 million. The company’s business scope includes the operation and management of state-owned assets within the scope authorized by the State Council; development and operation of tourism, steel and real estate, and investment and management of logistics trade; construction, planning design and operation management of tourist attractions, theme parks and resorts, golf clubs, and tourism infrastructure; tourist information services; retail and wholesale of tourist goods; organizing cultural and artistic exchange activities; hosting conferences and exhibitions; various ticket agency services; advertising production and publishing; hotels investment and operation management, entrusted management and consulting; real estate development and operation; property leasing and management; leasing commercial buildings; international and domestic freight forwarding; goods subcontracting and warehousing; technology development, sales, service and consulting; import and export business. The company assigned a supervisor, namely YAN Yongfu (閔永夫), to the Bank.
- (2) Jiangsu Wuzhong Group Co., Ltd. (江蘇吳中集團有限公司), holding 420,238,000 Domestic Shares of the Bank, was incorporated in Wuzhong District, Suzhou City, Jiangsu Province on May 26, 1992 with a registered capital of RMB100 million. The company’s business scope includes construction of municipal public facilities; investment in education, tourism and other industries; business management; domestic trade (where the business scope involves special approval stipulated by the state, approvals should be obtained prior to the commencement of operation); house leasing; property management; investment management consulting services; sales of gold, gold jewelry, handicrafts and non-ferrous metal materials; setting up branches operating in the design, production, agency and publishing of various domestic and foreign advertisements; real estate development and operation; (for projects subject to approval in accordance with law, approvals from the relevant authorities must be obtained prior to the commencement of operation) general projects: sales of building materials; sales of ecological environment materials; sales of specialized equipment for environmental protection; sales of mechanical and electrical equipment (except for projects subject to the approval, the business activities shall be conducted independently with the business licences in accordance with the laws). The company assigned a director, namely ZHANG Shu (張姝), to the Bank.

IV. Changes in Share Capital and Information on Shareholders

- (3) Henan Rebecca Hair Products, Inc. (河南瑞貝卡髮製品股份有限公司), holding 109,125,598 Domestic Shares of the Bank, was incorporated in Jian'an District, Xuchang City on October 24, 1999 with a registered capital of RMB1,131,985,440. The company's business scope includes manufacture and sales of hair products series and technical services; manufacture and sales of composite fiber material (fiber hair) products and services; operation of export business of the enterprise's self-produced products and related technologies; operation of import business of raw and auxiliary materials, mechanical equipment, instruments, spare parts and related technologies required for the enterprise's production and scientific research; operation of the enterprise's processing of imported materials and three categories of processing and one category of compensation business; sales business of textiles, beauty and hairdressing commodities; conference services. The company assigned a supervisor, namely LU Suyue (陸素月), to the Bank.

7. Equity Pledge and Freezing

As of the end of the Reporting Period, so far as is known to the Bank, the Bank's 5,160,591,750 Domestic Shares were subject to pledge, accounting for 14.12% of the total number of issued ordinary shares (of which, the Domestic Shares pledged by the Bank's substantial Shareholders accounted for 1.15% of the total number of issued ordinary shares). In addition, there were 877,468,322 Domestic Shares that were judicially frozen.

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

During the Reporting Period, neither the Bank nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Bank (including the sale of treasury shares (as defined in the Hong Kong Listing Rules)).

As of the end of the Reporting Period, the Bank did not hold treasury shares (as defined in the Hong Kong Listing Rules).

V. Directors, Supervisors, Senior Management and Employees

1. Existing Directors, Supervisors and Senior Management

The composition of the Board of Directors, the Board of Supervisors and the senior management of the Bank as of the date of this report is as follows:

The Board of Directors of the Bank consisted of a total of 9 Directors, including 1 executive Director, namely Mr. GUO Hao; 3 non-executive Directors, namely Ms. ZHANG Qiuyun, Mr. FENG Ruofan and Ms. ZHANG Shu; and 5 independent non-executive Directors, namely Mr. XU Yiguo, Ms. ZHAO Zijian, Mr. WANG Maobin, Mr. PAN Xinmin and Mr. GAO Pingyang.

The Board of Supervisors of the Bank consisted of a total of 8 Supervisors, including 2 employee representative Supervisors, namely Mr. ZHANG Ke and Ms. DAN Limin; 3 Shareholder representative Supervisors, namely Ms. WANG Xiaoyan, Mr. YAN Yongfu and Ms. LU Suyue; and 3 external Supervisors, namely Mr. LI Xingzhi, Ms. GU Xiujuan and Ms. LIU Xia.

The senior management of the Bank consisted of a total of 12 members, including 1 president, namely Mr. LIU Kai; 1 vice president, namely Mr. ZHOU Litao; 7 assistants to the president, namely Mr. LIU Qingfen, Mr. SHAO Qiang, Mr. WANG Tianqi, Mr. WANG Le, Ms. LIU Juan, Mr. YAO Hongbo and Ms. SUO Jia; 1 chief information officer, namely Mr. HU Hao; 1 business director, namely Mr. NIE Guoqing; and 1 secretary to the Board, namely Mr. PAN Wenyao.

2. Changes in the Information of Directors, Supervisors and Senior Management

During the Reporting Period, there was no change in the information of Directors, Supervisors and senior management.

3. Changes of Directors, Supervisors and Senior Management

On August 12, 2024, Mr. YOU Xiang, Chairman of the Board of Supervisors, resigned as the Chairman of the Board of Supervisors, Supervisor of the Bank, the member of the Nomination Committee of the Board of Supervisors and the member of the Supervision Committee of the Board of Supervisors, with effect from August 12, 2024. For more details, please refer to the Bank's announcement dated August 12, 2024.

Save as disclosed above, during the Reporting Period and as of the date of this report, there was no change in the Directors, Supervisors and senior management members.

4. Interests and Short Positions of Directors, Supervisors and Chief Executives in Shares, Underlying Shares and Debentures

As of June 30, 2024, none of the Directors, Supervisors or chief executives of the Bank had interests and short positions in the shares, underlying shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Bank under Section 352 of the SFO, or which were required to be notified to the Bank and the Hong Kong Stock Exchange under Divisions 7 and 8 of Part XV of the SFO and the Model Code.

V. Directors, Supervisors, Senior Management and Employees

5. Securities Transactions by Directors, Supervisors and Relevant Employees

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

6. Employees' Remuneration Policies and Training Programs

6.1 Information of Employees

As of June 30, 2024, we had 18,431 employees in total, of which 1,982 employees at our head office and 16,449 employees at our branches and sub-branches (including direct sub-branches). We had 239 dispatched labor staff, who normally held non-key positions in the Bank. As of June 30, 2024, 15,962 employees or 87% of the total employees had bachelor's degrees or above, with an average age of 38. There were 9,346 male employees (accounting for approximately 50.70% of the total employees) and 9,085 female employees (accounting for approximately 49.30% of the total employees) overall in the Bank with a reasonable gender structure.

6.2 Remuneration Policies

The remuneration management of the Bank adheres to employee-centered, efficiency-oriented and performance-based principles with due consideration to fairness. According to the relevant laws and regulations and industry regulatory requirements, the remuneration structure has been designed based on the concept of paying for capabilities, responsibilities and contributions (為能力付薪、為責任付薪、為貢獻付薪), and a sound remuneration management system and a scientific and reasonable incentive and restraint mechanism have been established.

The Bank gave full play to the guiding role of remuneration in operation and risk management and control. In accordance with the principle of combining immediate incentives with long-term incentives and combining effective incentives and responsibility constraints, the Bank implemented deferred payment of performance-based remuneration for applicable personnel, and improved the management measures of relevant performance recovery and deduction, so as to further motivate the senior management and employees' stable operation and sustainable long-term development of the Bank. The Bank did not have performance-based resource deductions during the Reporting Period.

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

V. Directors, Supervisors, Senior Management and Employees

6.3 Training Programs

Adhering to its talent-driven growth strategy, the Bank linked the value of talents with the high-quality development of the Bank together, set the goal of “building a strong talent base and realizing talent-driven growth”, focused on development needs, highlighted practical direction, and built a category-based, professional and digitalized training system. By adopting online and offline trainings together, the Bank provided various trainings to its employees of different hierarchies, categories and levels.

During the Reporting Period, the Bank held a total of 64 level 1 training sessions with a total of 25,800 participants; 18 branches held 350 level 2 training sessions with a total of 40,600 participants; 54 persons from 28 departments of the head office attended external open classes. 3,896 online courses were provided through online learning platforms, the total number of courses attended by the trainees reached 1,420,000 and the total learning time reached 480,000 hours. The Bank strives to build a distinctive training brand and has formed the “Leading Plan” and “Voyage Plan” for management personnel, the “Piloting Plan” for outstanding employees, the “Sailing Plan” for new employees, and the “Spark Plan” for internal trainers. The Bank advocates the combination of internal training and employee self-learning, encourages employees to use fragmented spare time to obtain external qualifications and certificates according to the business knowledge updating requirements, broadens the career development path, and improves the initiative of employees to learn. By identifying key positions, ensuring that key positions are offered to outstanding talents, and adopting differentiated “selection, use, cultivation, retention, and remuneration” management methods, the Bank strives to maximize the value and potential of the employees, thus providing talent support for building a first-class bank.

V. Directors, Supervisors, Senior Management and Employees

7. Basic Information of Institutions under the Bank

As of June 30, 2024, the Bank had 18 branches and 1 directly affiliated branch, with a total of 674 business outlets. Among them, there are 421 urban branches; 165 county branches; 80 township sub-branches; 6 community branches and 2 small and micro branches.

No.	Region	Name of Branch	Business Address	Remarks
1	Zhengzhou, Henan	Headquarters	Zhongke Golden Tower, No. 23 Shangwu Waihuan Road, Zhengdong New District CBD, Zhengzhou, Henan Province	In charge of one directly affiliated sub-branch, one sub-branch institution
2	Zhengzhou, Henan	Zhengzhou branch	No. 6, Fengyi Road, Jinshui District, Zhengzhou City, Henan Province	In charge of one business department, 60 sub-branch institutions
3	Luoyang, Henan	Luoyang branch	Intersection of Kaiyuan Avenue and Tongji Street, Luolong District, Luoyang City, Henan Province	In charge of one business department, 76 sub-branch institutions
4	Kaifeng, Henan	Kaifeng branch	No. 246, West Daliang Road, Kaifeng City, Henan Province	In charge of one business department, 29 sub-branch institutions
5	Xinyang, Henan	Xinyang branch	Xinshi Street, Yangshan New District, Xinyang City, Henan Province	In charge of one business department, 33 sub-branch institutions
6	Anyang, Henan	Anyang branch	Northwest Corner, Intersection of Wenfeng Avenue and Guangming Road, Wenfeng District, Anyang City, Henan Province	In charge of one business department, 27 sub-branch institutions
7	Hebi, Henan	Hebi branch	Finance Centre, Northeast Corner, Intersection of Qishui Avenue and Chaoge Road, Qibin District, Hebi City, Henan Province	In charge of one business department, 15 sub-branch institutions
8	Luohe, Henan	Luohe branch	Intersection of Huangshan Road and Songjiang Road, Yancheng District, Luohe City, Henan Province	In charge of one business department, 17 sub-branch institutions
9	Nanyang, Henan	Nanyang branch	Diyuan Garden, No. 1 Zhongzhou East Road, Wancheng District, Nanyang City, Henan Province	In charge of one business department, 48 sub-branch institutions
10	Pingdingshan, Henan	Pingdingshan branch	No. 7, Yaodian Avenue, Zhanhe District, Pingdingshan City, Henan Province	In charge of one business department, 64 sub-branch institutions
11	Puyang, Henan	Puyang branch	No. 444, Shenglizhong Road, Puyang City, Henan Province	In charge of one business department, 23 sub-branch institutions
12	Sanmenxia, Henan	Sanmenxia branch	No. 2 Commercial Street South, Yingbin Avenue West, Central Business District, Sanmenxia City, Henan Province	In charge of one business department, 33 sub-branch institutions
13	Shangqiu, Henan	Shangqiu branch	No. 195, Middle Wenhua Road, Suiyang District, Shangqiu City, Henan Province	In charge of one business department, 44 sub-branch institutions
14	Xinxiang, Henan	Xinxiang branch	No. 599 Pingyuan Road, Hongqi District, Xinxiang City, Henan Province	In charge of one business department, 34 sub-branch institutions
15	Xuchang, Henan	Xuchang branch	East Jianan Avenue, Xuchang City, Henan Province	In charge of one business department, 31 sub-branch institutions
16	Zhoukou, Henan	Zhoukou branch	Changjian MOCO New World Business Office Building, Intersection of Qingfeng East Road and Zhoukou Avenue, Zhoukou City, Henan Province	In charge of one business department, 29 sub-branch institutions
17	Zhumadian, Henan	Zhumadian branch	No. 168, Wenming Road, Zhumadian City, Henan Province	In charge of one business department, 38 sub-branch institutions
18	Jiaozuo, Henan	Jiaozuo branch	No. 1, Yingbin Road, Jiaozuo City, Henan Province	In charge of one business department, 49 sub-branch institutions
19	Jiyuan, Henan	Jiyuan branch	No. 481, Middle Yellow River Road, Jiyuan City, Henan Province	In charge of one business department, 4 sub-branch institutions

VI. Corporate Governance

1. Compliance with the Corporate Governance Code

During the Reporting Period, the Bank has complied with all the code provisions in the Corporate Governance Code in Appendix C1 to the Hong Kong Listing Rules, and adopted most of the recommended best practices set out therein.

2. Information Regarding the Convening of the Shareholders' General Meetings

The Bank held one Shareholders' general meeting during the Reporting Period.

On June 21, 2024, the Bank held the 2023 Annual General Meeting in Zhengzhou, Henan, at which 9 proposals were considered and approved, including "Proposal on the Work Report of the Board of Directors of Zhongyuan Bank Co., Ltd. for 2023", "Proposal on the Work Report of the Board of Supervisors of Zhongyuan Bank Co., Ltd. for 2023", "Proposal on the Final Account Report of Zhongyuan Bank Co., Ltd. for 2023", and "Proposal on Profit Distribution Plan of Zhongyuan Bank Co., Ltd. for 2023".

3. Information Regarding the Convening of Meetings of the Board of Directors and its Special Committees

During the Reporting Period, six meetings of the Board of Directors were held, at which 79 items of business were heard or considered; the Strategic Development Committee of the Board of Directors met 3 times and heard or considered 22 items of business; the Related Party Transactions Control Committee of the Board of Directors met 3 times and heard or considered 9 items of business; the Consumer Rights Protection Committee of the Board of Directors met twice and heard or considered 5 items of business; the Risk Management Committee of the Board of Directors met 5 times and heard or considered 28 items of business; the Nomination and Remuneration Committee of the Board of Directors met twice and heard or considered 6 items of business; and the Audit Committee of the Board of Directors met 4 times and heard or considered 14 items of business.

4. Information Regarding the Convening of Meetings of the Board of Supervisors and its Special Committees

During the Reporting Period, 5 meetings of the Board of Supervisors were held, at which 56 items of business were heard or considered. The Supervisory Committee of the Board of Supervisors met 3 times and heard or considered 48 items of business; the Nomination Committee of the Board of Supervisors met 2 times and heard or considered 3 items of business.

5. Public Float

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

VI. Corporate Governance

6. Internal Control

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

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

During the Reporting Period, the Bank, following the principle of "prudential operation with risk-based supervision", continued to improve internal control compliance and management tools for operational risks, optimize and upgrade the information integration system for internal control, compliance and operational risk management, and to realize the effective integration of internal control management, compliance risk management and operational risk management. The Bank continued to optimize its regulatory framework by establishing a three-tier system comprising basic norms, administrative measures and operational rules. The Bank had established a mechanism to assess internal control system and continued to modify and improve its internal control system in accordance with the changing requirements of the external laws and regulations and the regulatory requirements, to ensure compliance with external laws and regulations and regulatory requirements, and to provide a basis and support for the Bank's operational management, business operations and effective risk prevention and control.

The Bank continues to promote the culture building of internal control compliance and actively organizes compliance training courses and publicity activities for all of its staff, with a view to refining its long-term policy on compliance education, and further enhancing the effectiveness of its internal control through continuously organizing case warning and education activities, compliance speech competitions and special trainings on compliance and campaigns in different levels throughout the Bank.

VII. Important Events

1. Use of Proceeds

On August 15, 2023, the Bank publicly issued the 2023 undated capital bonds (the first tranche) in the national inter-bank bond market, with an issuance size of RMB10 billion, an issue price of RMB100, and a coupon rate of 4.6% for the first 5 years, which will be reset every 5 years, and the issuer shall have a conditional redemption right on every dividend payment date from the fifth year onwards. The proceeds have been fully used to replenish other tier-1 capital of the Bank in accordance with applicable laws and the approval of the regulatory authorities. Please refer to the announcement of the Bank dated August 15, 2023 for details.

As of the end of the Reporting Period, the Bank has entered into the convertible negotiated deposit agreement with Zhengzhou Finance Bureau as designated by the Finance Department of Henan Province, and has received RMB8 billion from Zhengzhou Finance Bureau in the form of convertible negotiated deposit, which has been fully used to replenish other tier-1 capital. Please refer to the announcement of the Bank dated February 6, 2023 for details.

On June 9, 2022, the Bank publicly issued special financial bonds for small and micro enterprises in the national inter-bank bond market, with an issuance size of RMB2 billion, an issue price of RMB100, a term of three years, and a coupon rate of 2.9%. The proceeds have been fully used to support small and micro enterprise credit loans and provide financial services for small and micro enterprises in accordance with applicable laws and the approval of the regulatory authorities. Please refer to the announcement of the Bank dated June 9, 2022 for details.

On May 12, 2022, the Bank publicly issued financial bonds in the national inter-bank bond market, with an issuance size of RMB3 billion, an issue price of RMB100, a term of three years, and a coupon rate of 2.95%. The proceeds have been fully used to support the ecological protection and high-quality development of the Yellow River Basin in accordance with applicable laws and the approval of the regulatory authorities, including credit supply in areas such as ecological protection, pollution prevention, efficient use of water resources, high-quality development and cultural tourism. Please refer to the announcement of the Bank dated May 12, 2022 for details.

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

2. Profits and Dividends

The Board has not made any proposal on the payment of an interim dividend for the six months ended June 30, 2024.

As approved at the Board meeting of the Bank on March 28, 2024, it is proposed that no final dividend for 2023 be declared to all Shareholders. Such proposal for no distribution of dividends has been approved at the Bank's 2023 annual general meeting held on June 21, 2024.

VII. Important Events

3. Related Party (Connected) Transactions

3.1 Related party transactions under the requirements of the former CBIRC (National Financial Regulatory Administration)

According to Measures for the Administration of Related Party Transactions of Banking and Insurance Institutions (《銀行保險機構關聯交易管理辦法》), the overall situation of related party transactions under the regulatory standards of the Bank during the Reporting Period is as follows:

3.1.1 Related parties

As of the end of the Reporting Period, the Bank has a total of 4,729 related parties, including 1,308 related legal persons and 3,421 related natural persons.

3.1.2 The implementation of supervision proportion

As of the end of the Reporting Period, the maximum credit balance of a single related party of the Bank accounted for 3.28% of the net capital of the Bank at the end of the previous quarter; the maximum credit balance of a group customer that includes a single related legal person or an unincorporated organization accounted for 10.38% of the net capital of the Bank; and the credit balance of all related parties accounted for 25.37% of the net capital of the Bank. None of the above indicators exceeds the following limits specified by the regulatory authorities: the balance of credit granted by the banking institution to a single related party shall not exceed 10% of the net capital of the banking institution at the end of the previous quarter; the total balance of credit granted by the banking institution to a group customer that includes a single related legal person or an unincorporated organization shall not exceed 15% of the net capital of the banking institution at the end of the previous quarter; and the balance of credit granted by the banking institution to all related parties shall not exceed 50% of the net capital of the banking institution at the end of the previous quarter.

3.2 Connected transactions under the Hong Kong Listing Rules

In the ordinary and usual course of business, the Bank offers commercial banking services and products to the public in China, including certain connected persons of the Bank such as the Shareholders, Directors, Supervisors, President and/or their respective associates. Pursuant to the Hong Kong Listing Rules, such transactions, being conducted on normal commercial terms in the ordinary and usual course of business of the Bank, shall be exempt from the reporting, annual review, disclosure and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Bank has reviewed all its connected transactions and acknowledged that it had complied with the requirements under Chapter 14A of the Hong Kong Listing Rules. During the Reporting Period, there were no other events that constituted material connected transactions of the Bank.

3.3 Related party transactions under the International Accounting Standards

For further details, please refer to the note 41 to the financial statements in this report. The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under the International Accounting Standard, and its interpretations by the International Accounting Standards Board. Some of the related party transactions set out in the notes to the financial statements also constitute connected transactions or continuing connected transactions as defined under the Hong Kong Listing Rules, but none of them constitutes a disclosable connected transaction as defined under the Hong Kong Listing Rules.

VII. Important Events

4. Material Litigations and Arbitrations

As of June 30, 2024, the disputed amounts involved in the outstanding litigation cases in which the Bank was the defendant were RMB1,431.27 million and HK\$27.29 million. The Bank does not expect such litigation to have a material adverse effect on the Bank's business, financial condition and results of operations.

5. Penalties for the Bank and its Directors, Supervisors and Senior Management

During the Reporting Period, none of the Bank, its Directors, Supervisors and senior management had been subject to any material administrative penalty by the regulatory authorities that would affect the Bank's normal operations.

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

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

7. Material Contracts and their Performance

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

8. Significant Investment, Acquisitions and Disposals of Assets and Business Mergers

No significant investment, acquisitions and disposals of assets and business mergers has occurred during the Reporting Period.

VII. Important Events

9. Replenishment of Other Tier-1 Capital through a Convertible Negotiated Deposit

In order to actively implement the government's special debt policy of RMB8 billion, enhance the Bank's capital strength and risk resistance level, the Bank carried out the convertible negotiated deposit business to replenish its other tier-1 capital. The extraordinary general meeting, the domestic Share class meeting and the H Share class meeting held by the Bank on November 11, 2022 reviewed and approved the Bank's replenishment of other tier-1 capital through a convertible negotiated deposit. The Bank has entered into convertible negotiated deposit agreement (the "**Agreement**") with Zhengzhou Finance Bureau, an authority designated by the Finance Department of Henan Province, under which special bonds of RMB8 billion undertaken through a convertible negotiated deposit by the Bank were all used to replenish the Bank's other tier-1 capital.

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

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

If the above conditions are satisfied, all or part of the convertible negotiated deposit placed in the Bank by Zhengzhou Finance Bureau will be converted into the Shares of the Bank. Their shareholding ratios will be determined based on the conversion price standards set out in the Agreement. When the core tier-1 capital adequacy ratio of the Bank is lower than 5.125% while the above conditions (2) and (3) are not satisfied, Zhengzhou Finance Bureau shall not convert the Shares in a mandatory manner. The convertible negotiated deposit can be converted into a maximum of 8,000,000,000 H Shares of the Bank (taking up approximately 17.96% of the enlarged total share capital of the Bank), with a par value of RMB1.00 per Share, provided that the conditions for conversion are satisfied. Based on that and the conversion price of RMB1.00 per Share, the conversion will not result in a theoretical dilution effect. The Bank has complied with the theoretical dilution effect requirement in accordance with Rule 7.27B of the Listing Rules at the time of entering into the Agreement and will also ensure to comply with the theoretical dilution effect requirement in accordance with Rule 7.27B of the Listing Rules at the time of implementation of the convertible negotiated deposit.

As of the date of this report, the conditions for conversion set out in the Agreement were not satisfied, and the Bank has not issued any shares in accordance with the Agreement. Please refer to the Bank's circular dated October 5, 2022 and announcement dated February 6, 2023 for details on supplementing other tier-1 capital with convertible negotiated deposit.

VII. Important Events

10. Implementation of Share Schemes during the Reporting Period

During the Reporting Period, the Bank had not implemented any share schemes.

11. Appointment and Dismissal of Auditors

According to the Administrative Measures for the Selection and Appointment of Accounting Firms by State-owned Financial Enterprises (Cai Jin [2020] No. 6) (《國有金融企業選聘會計師事務所管理辦法》(財金[2020]6號)) of the Ministry of Finance, since the Bank has engaged KPMG Huazhen LLP and KPMG to provide audit services for eight years, in order to comply with above requirement, the Bank has reached a consensus with KPMG Huazhen LLP and KPMG on the non-renewal of the appointment. After consideration and approval in the 2023 annual general meeting convened on June 21, 2024, the Bank has appointed Baker Tilly China Certified Public Accountants and Baker Tilly Hong Kong Limited as the Bank's domestic and overseas auditors in 2024 respectively, with term of office till the end of the 2024 annual general meeting. Please refer to the Bank's announcements dated May 17, 2024, May 31, 2024 and June 21, 2024 and circular dated May 31, 2024 for details.

12. Events after the End of the Reporting Period

On July 10, 2024, the Bank issued 2024 tier-2 capital bonds of Zhongyuan Bank Co., Ltd. (the first tranche) in the national inter-bank bond market. The total issuance size of the bonds is RMB8 billion and the type is fixed rate bonds for a term of 10 years. The issuer shall have a conditional redemption right at the end of the fifth year with a coupon rate of 2.35%. All proceeds from the issuance of the bonds will be used to replenish the Bank's tier-2 capital in accordance with applicable laws and approvals by the regulatory authorities. Please refer to the Bank's announcements dated August 30, 2023, September 21, 2023, October 12, 2023 and July 11, 2024, and circular dated September 21, 2023 for details.

Save as disclosed above, as of the date of this report, there are no significant subsequent events that need to be disclosed.

13. Review of the Interim Report

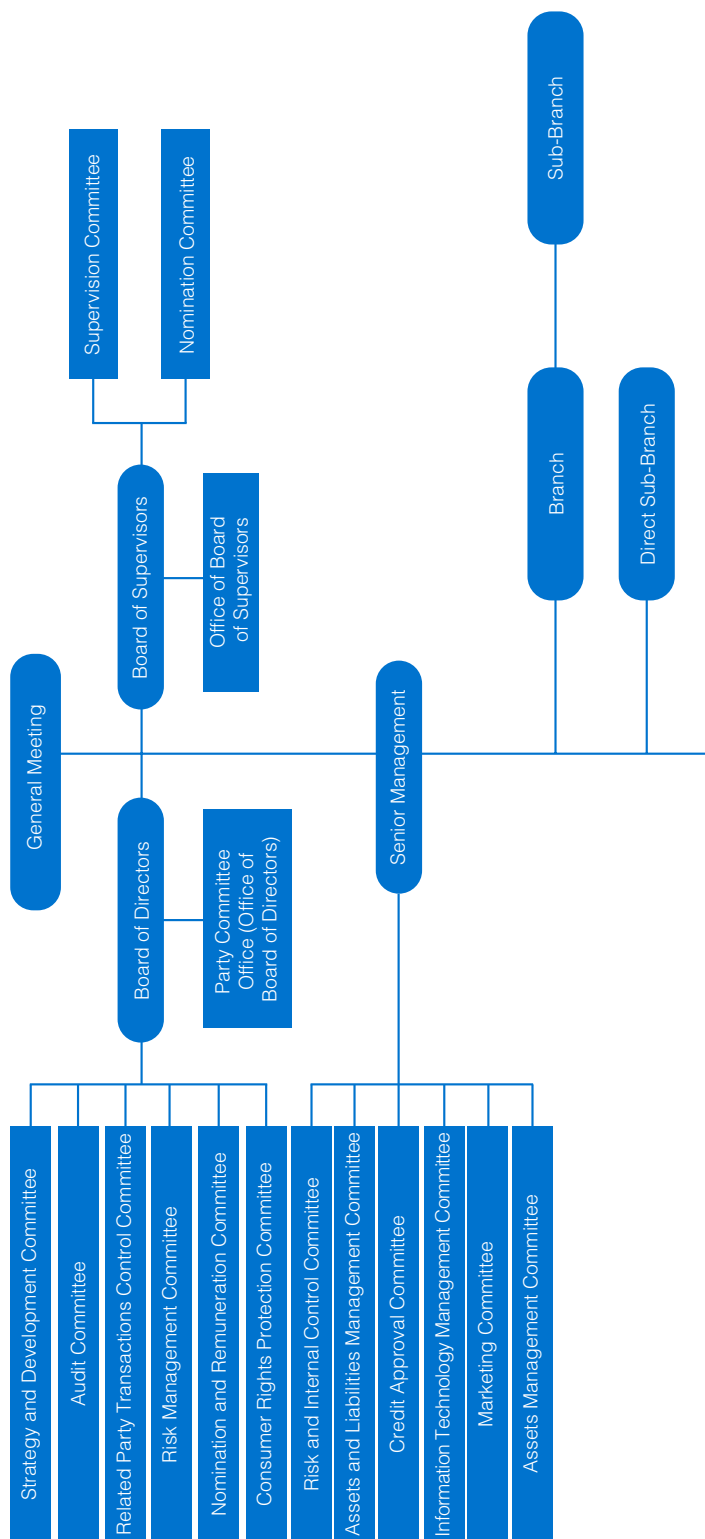
The interim financial statements disclosed in this report have not been audited. Baker Tilly Hong Kong Limited has reviewed the interim financial statements of the Bank for the six months ended June 30, 2024, which were prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, pursuant to the Hong Kong Standards on Review Engagements.

On August 26, 2024, the Audit Committee of the Board of Directors has reviewed and confirmed the interim results announcement of the Group for the six months ended June 30, 2024, the 2024 interim report and the unaudited interim financial statements for the six months ended June 30, 2024 prepared in accordance with the requirements of the International Accounting Standards.

14. Interim Results

The interim results announcement of the Group for the six months ended June 30, 2024 has been published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Bank's website (www.zybank.com.cn) on August 29, 2024.

VIII. Organizational Structure



Administration Management Department (Safety and Guardian Department)
Operation Management Department
Internal Control and Compliance Department (Consumer Rights Protection Department)
Equity Investment Management Department (Township Bank Management Department)
Financial and Accounting Department
Asset and Liability Management Department
Strategy and Development Department
Audit Department
Digital Intelligence Financial Innovation Laboratory
Data and Information Department
Software Research and Development Center
Finance Technology Department
Legal Security Department
Credit Management Department
Credit Granting Management Department
Risk Management Department
Wealth Management Department
Financial Markets Department
Financial Interbank Department
Rural Revitalization Finance Department (County Finance Department)
Credit Card Center
Wealth and Private Banking Department
Internet Banking Department
Retail Credit Department
Retail Finance Department
Auto Finance Center
Technology and Finance Center
Inclusive Finance Department (Small and Micro Finance Department)
Investment Banking Department
Transaction Banking Department (International Financial Business Center)
Strategy and Institutional Customers Department
Corporate Finance Department
CPC Discipline Inspection Office
CPC Inspection Office
Party Affairs Department (Labor Union Office)
CPC Publicity Department (Office)
CPC Organization Department (Human Resources Department)

IX. Review Report to the Board of Directors



Review report to the board of directors of Zhongyuan Bank Co., Ltd.

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

Introduction

We have reviewed the interim financial report set out on page 79 to 171 which comprises the consolidated statement of financial position of Zhongyuan Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2024 and the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the 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 an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making enquiries, 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 Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 is not prepared, in all material respects, in accordance with International Accounting Standard 34.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 29 August 2024

Gao Yajun

Practising certificate number P06391

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2024
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2024 (Unaudited)	2023 (Unaudited)
Interest income		24,363,756	25,113,717
Interest expense		(13,659,575)	(14,220,830)
Net interest income	4	10,704,181	10,892,887
Fee and commission income		1,635,712	1,679,655
Fee and commission expense		(358,198)	(666,268)
Net fee and commission income	5	1,277,514	1,013,387
Net trading gains	6	492,653	597,675
Net gains arising from investment securities	7	1,388,812	842,958
Other operating income	8	128,972	204,292
Operating income		13,992,132	13,551,199
Operating expenses	9	(4,396,287)	(4,406,597)
Impairment losses on assets	10	(8,096,335)	(7,013,173)
Share of profits of associate and joint venture		74,827	81,714
Profit before tax		1,574,337	2,213,143
Income tax	11	544,037	(151,223)
Profit for the period		2,118,374	2,061,920
Attributable to:			
Equity shareholders of the Bank		2,049,467	2,002,020
Non-controlling interests		68,907	59,900
Profit for the period		2,118,374	2,061,920
Basic and diluted earnings per share (in RMB)	12	0.05	0.05

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2024

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2024 (Unaudited)	2023 (Unaudited)
Profit for the period		2,118,374	2,061,920
Other comprehensive income for the period			
<i>Other comprehensive income attributable to equity shareholders of the Bank, net of tax</i>			
Items that may be reclassified subsequently to profit or loss:			
– Financial assets at fair value through other comprehensive income: net movement in fair value reserve	35(d)(i)	527,972	448,211
– Financial assets at fair value through other comprehensive income: net movement in impairment losses	35(d)(ii)	29,000	(17,274)
		556,972	430,937
Item that will not be reclassified subsequently to profit or loss:			
– Remeasurement of net defined benefit liability	35(d)(iii)	(30,109)	(14,823)
<i>Other comprehensive income attributable to non-controlling interests, net of tax</i>			
		2,816	3,988
Other comprehensive income for the period, net of tax		529,679	420,102
Total comprehensive income for the period		2,648,053	2,482,022
Attributable to:			
Equity shareholders of the Bank		2,576,330	2,418,134
Non-controlling interests		71,723	63,888
Total comprehensive income for the period		2,648,053	2,482,022

The notes on pages 87 to 171 form part of this interim financial report.

Consolidated Statement of Financial Position

as at 30 June 2024

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2024 (Unaudited)	31 December 2023 (Audited)
ASSETS			
Cash and deposits with the central bank	13	70,118,662	67,033,080
Deposits with banks and other financial institutions	14	30,389,624	16,712,507
Placements with banks and other financial institutions	15	38,105,679	35,591,827
Derivative financial assets	16	102,507	33,450
Financial assets held under resale agreements	17	41,436,487	56,302,673
Loans and advances to customers	18	682,136,935	689,869,369
Financial investments:	19		
– Financial investments at fair value through profit or loss		88,611,271	61,148,133
– Financial investments at fair value through other comprehensive income		76,541,950	77,296,226
– Financial investments at amortised cost		233,547,051	248,396,468
Lease receivables	20	69,447,978	65,327,514
Interest in associate	21(b)	326,326	–
Interest in joint venture	21(c)	1,665,673	1,542,548
Property and equipment	22	7,442,243	7,750,183
Deferred tax assets	23	12,092,631	10,797,078
Goodwill	24	1,982,050	1,982,050
Other assets	25	7,720,832	6,663,391
TOTAL ASSETS		1,361,667,899	1,346,446,497
LIABILITIES AND EQUITY			
Liabilities			
Borrowing from the central bank	27	66,547,380	68,055,912
Deposits from banks and other financial institutions	28	16,600,490	38,703,963
Placements from banks and other financial institutions	29	65,815,432	64,482,788
Derivative financial liabilities	16	26,460	335,589
Financial liabilities at fair value through profit or loss		91,260	–
Financial assets sold under repurchase agreements	30	64,135,481	73,121,287
Deposits from customers	31	918,067,289	859,783,781
Income tax payable		1,061,573	130,303
Debt securities issued	32	118,053,860	131,990,578
Other liabilities	33	12,435,793	12,954,125
Total liabilities		1,262,835,018	1,249,558,326

Consolidated Statement of Financial Position

as at 30 June 2024

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Equity			
Share capital	34	36,549,823	36,549,823
Other equity instruments	37	13,998,937	13,998,937
Reserves	35	40,053,106	39,524,179
Retained earnings	36	4,317,377	2,431,639
Total equity attributable to equity shareholders of the Bank		94,919,243	92,504,578
Non-controlling interests		3,913,638	4,383,593
Total equity		98,832,881	96,888,171
TOTAL LIABILITIES AND EQUITY		1,361,667,899	1,346,446,497

Approved and authorised for issue by the board of directors on 29 August 2024.

Guo Hao

*Chairman of the Board of Directors
Executive Director*

Liu Kai

President

Wang Le

*President Assistant in charge of
accounting affairs*

Tong Qi

*General Manager of the Planning and
Finance Department*

Zhongyuan Bank Co., Ltd.

(Company Chop)

The notes on pages 87 to 171 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2024
(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank								Non-controlling interests	Total
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings	Sub-total		
Balance at 1 January 2024 (audited)	36,549,823	13,998,937	19,022,039	3,107,811	16,547,644	846,685	2,431,639	92,504,578	4,383,593	96,888,171
Changes in equity for the six months ended 30 June 2024:										
Profit for the period	-	-	-	-	-	-	2,049,467	2,049,467	68,907	2,118,374
Other comprehensive income	-	-	-	-	-	526,863	-	526,863	2,816	529,679
Total comprehensive income	-	-	-	-	-	526,863	2,049,467	2,576,330	71,723	2,648,053
Appropriation to general reserve	-	-	-	-	67,765	-	(67,765)	-	-	-
Distribution of interest on perpetual bonds	-	-	-	-	-	-	(144,000)	(144,000)	-	(144,000)
Loss of control of a subsidiary	-	-	(17,665)	(2,712)	(45,324)	-	48,036	(17,665)	(541,678)	(559,343)
Balance at 30 June 2024 (unaudited)	36,549,823	13,998,937	19,004,374	3,105,099	16,570,085	1,373,548	4,317,377	94,919,243	3,913,638	98,832,881

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2024

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank									Non-controlling interests	Total
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings	Sub-total			
Balance at 1 January 2023 (audited)	36,549,823	13,632,510	19,345,395	2,804,300	13,793,926	19,219	3,083,265	89,228,438	4,406,106	93,634,544	
Changes in equity for the six months ended 30 June 2023:											
Profit for the period	-	-	-	-	-	-	2,002,020	2,002,020	59,900	2,061,920	
Other comprehensive income	-	-	-	-	-	416,114	-	416,114	3,988	420,102	
Total comprehensive income	-	-	-	-	-	416,114	2,002,020	2,418,134	63,888	2,482,022	
Distribution of interest on perpetual bonds	-	-	-	-	-	-	(144,000)	(144,000)	-	(144,000)	
Balance at 30 June 2023 and 1 July 2023 (unaudited)	36,549,823	13,632,510	19,345,395	2,804,300	13,793,926	435,333	4,941,285	91,502,572	4,469,994	95,972,566	
Changes in equity for the six months ended 31 December 2023:											
Profit for the period	-	-	-	-	-	-	1,218,946	1,218,946	(74,539)	1,144,407	
Other comprehensive income	-	-	-	-	-	411,352	-	411,352	5,705	417,057	
Total comprehensive income	-	-	-	-	-	411,352	1,218,946	1,630,298	(68,834)	1,561,464	
Issuance of perpetual bond	-	9,999,217	-	-	-	-	-	9,999,217	-	9,999,217	
Redemption of offshore preference shares	-	(9,632,790)	(323,356)	-	-	-	-	(9,956,146)	-	(9,956,146)	
Appropriation to surplus reserve	-	-	-	303,511	-	-	(303,511)	-	-	-	
Appropriation to general reserve	-	-	-	-	2,753,718	-	(2,753,718)	-	-	-	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(17,567)	(17,567)	
Distribution of dividend on preference shares	-	-	-	-	-	-	(623,363)	(623,363)	-	(623,363)	
Distribution of interest on perpetual bonds	-	-	-	-	-	-	(48,000)	(48,000)	-	(48,000)	
Balance at 31 December, 2023 (audited)	36,549,823	13,998,937	19,022,039	3,107,811	16,547,644	846,685	2,431,639	92,504,578	4,383,593	96,888,171	

The notes on pages 87 to 171 form part of this interim financial report.

Consolidated Cash Flow Statement

for the six months ended 30 June 2024
(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Operating activities		
Profit before tax	1,574,337	2,213,143
Adjustments for:		
– Impairment losses on assets	8,096,335	7,013,173
– Depreciation and amortisation	792,679	882,053
– Depreciation of investment properties	1,310	1,597
– Unrealised foreign exchange gains	(62,492)	(844,585)
– Net gains on disposal of property and equipment	(39,430)	(2,406)
– Net trading gains	(764,568)	(134,058)
– Net (gains)/losses arising from fair value changes of derivatives	(378,186)	2,380
– Net gains arising from investment securities	(1,388,812)	(842,958)
– Share of profits of associate and joint venture	(74,827)	(81,714)
– Interest expense on debt securities issued	1,527,080	1,967,774
– Interest expense on lease liabilities	45,594	25,704
	9,329,020	10,200,103
<i>Changes in operating assets:</i>		
Increase in deposits with the central bank	(2,120,827)	(353,741)
Increase in deposits and placements with banks and other financial institutions	(3,003,127)	(3,297,561)
Increase in financial assets held for trading	(27,397,118)	(10,780,045)
Decrease/(increase) in loans and advances to customers	5,899,747	(40,829,853)
Increase in lease receivables	(4,497,568)	(6,911,917)
Increase in other operating assets	(2,594,084)	(2,597,112)
	(33,712,977)	(64,770,229)
<i>Changes in operating liabilities:</i>		
(Decrease)/increase in borrowing from the central bank	(1,675,971)	10,856,399
Decrease in deposits from banks and other financial institutions	(22,047,149)	(16,050,675)
Increase in placements from banks and other financial institutions	1,320,152	14,192,983
Decrease in financial assets sold under repurchase agreements	(8,979,751)	(24,487,479)
Increase in deposits from customers	59,539,723	49,591,728
Decrease in other operating liabilities	(1,677,133)	(964,277)
	26,479,871	33,138,679

Consolidated Cash Flow Statement

for the six months ended 30 June 2024

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2024 (Unaudited)	2023 (Unaudited)
Operating activities (continued)			
Cash generated from/(used in) operations		2,095,914	(21,431,447)
Income tax paid		(162,579)	(131,087)
Net cash generated from/(used in) operating activities		1,933,335	(21,562,534)
Investing activities			
Proceeds from disposal and redemption of investments		240,190,985	208,051,913
Proceeds from disposal of property and equipment, intangible assets and other assets		304,571	187,475
Payments on acquisition of investments		(227,026,487)	(209,878,049)
Payments on acquisition of property and equipment, intangible assets and other assets		(143,114)	(544,023)
Net cash generated from/(used in) investing activities		13,325,955	(2,182,684)
Financing activities			
Proceeds from issued debt securities		134,394,033	133,179,175
Repayment of debt securities issued		(148,340,056)	(132,825,025)
Interest paid on debt securities issued		(1,517,775)	(1,702,411)
Dividends paid		(12,330)	(135,617)
Capital element of lease liabilities paid		(388,276)	(222,491)
Interest element of lease liabilities paid		(45,594)	(17,028)
Net cash used in financing activities		(15,909,998)	(1,723,397)
Effect of foreign exchange rate changes		38,341	414,928
Net decrease in cash and cash equivalents	40(a)	(612,367)	(25,053,687)
Cash and cash equivalents at 1 January		101,193,704	125,893,084
Cash and cash equivalents at 30 June	40(b)	100,581,337	100,839,397
Interest received		23,776,479	24,947,551
Interest paid (excluding interest expense on debt securities issued)		(13,271,158)	(10,697,712)

The notes on pages 87 to 171 form part of this interim financial report.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Background information

Zhongyuan Bank Co., Ltd. (the “Bank”) was established in Zhengzhou, Henan Province, the People’s Republic of China (the “PRC”) on 23 December 2014 with the approval of the former China Banking Regulatory Commission (the former “CBRC”). Prior to its establishment, the banking business (the “Business”) was carried out by thirteen city commercial banks (the “Predecessor Entities”), each being located in Henan Province.

Pursuant to the reorganisation initiated by the People’s Government of Henan Province (the “Henan Government”), the Bank was established through the merger and reorganisation of the Predecessor Entities.

The Bank obtained its financial institution license No. B0615H241010001 from the former CBRC, and obtained its business license with unified social credit code 9141000031741675X6 from the State Administration for Industry and Commerce of the PRC. The Bank is regulated by the National Financial Regulatory Administration authorised by the State Council.

In July 2017, the Bank’s H-shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 01216).

On 25 May 2022, the Bank received the approval for the merger by absorption of Bank of Luoyang Co., Ltd. (“Bank of Luoyang”), Bank of Pingdingshan Co., Ltd. (“Bank of Pingdingshan”) and Bank of Jiaozuo China Travel Service Co., Ltd. (“Bank of JZCTS”) from the former China Banking and Insurance Regulatory Commission (the former “CBIRC”) and completed the merger by absorption.

The principal activities of the Bank and its subsidiaries (collectively referred to as the “Group”) are the provision of corporate and personal deposits, loans and advances, settlement, financial market business, financial leasing and other financial services as approved by the former CBRC.

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the “IASB”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual consolidated financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual consolidated financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The interim financial report does not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Basis of preparation (Continued)

The interim financial report is unaudited, but has been reviewed by Baker Tilly Hong Kong Limited in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

3 Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to this interim financial report for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* (“2020 amendments”)
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants* (“2022 amendments”)
- Amendments to IFRS 16, *Lease: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

The changes in accounting policies are also expected to be reflected in the Group’s annual consolidated financial statements for the year ending 31 December 2024.

None of the 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.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Net interest income

	Six months ended 30 June	
	2024	2023
Interest income arising from		
Deposits with the central bank	369,245	380,587
Deposits with banks and other financial institutions	348,420	316,579
Placements with banks and other financial institutions	528,140	562,008
Loans and advances to customers		
– Corporate loans and advances	9,967,411	9,877,821
– Personal loans and advances	5,878,852	6,266,010
– Discounted bills	318,164	555,704
Financial assets held under resale agreements	517,939	372,535
Financial investments	4,419,502	4,753,203
Lease receivables	2,016,083	2,029,270
Sub-total	24,363,756	25,113,717
Interest expenses arising from		
Borrowing from the central bank	(767,702)	(601,411)
Deposits from banks and other financial institutions	(358,042)	(380,353)
Placements from banks and other financial institutions	(965,982)	(863,366)
Deposits from customers	(9,459,700)	(9,883,580)
Financial assets sold under repurchase agreements	(581,069)	(524,346)
Debt securities issued	(1,527,080)	(1,967,774)
Sub-total	(13,659,575)	(14,220,830)
Net interest income	10,704,181	10,892,887

The above interest income and expenses are related to financial instruments which are not measured at fair value through profit or loss.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

5 Net fee and commission income

	Six months ended 30 June	
	2024	2023
Fee and commission income		
Underwriting fees	151,398	187,004
Wealth management business fees	265,848	316,029
Bank card services fees	214,471	376,794
Settlement and clearing services fees	474,332	381,596
Advisory and consulting fees	206,192	234,176
Acceptance and guarantee services fees	190,883	51,706
Agency services fees	128,254	122,723
Custodial services fees	4,334	9,627
Sub-total	1,635,712	1,679,655
Fee and commission expense	(358,198)	(666,268)
Net fee and commission income	1,277,514	1,013,387

6 Net trading gains

	Note	Six months ended 30 June	
		2024	2023
Net gains from debt securities	(a)	320,896	114,400
Net foreign exchange gains	(b)	172,116	486,176
Net losses from interest rate swaps		(359)	(2,901)
Total		492,653	597,675

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

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

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

7 Net gains arising from investment securities

	Note	Six months ended 30 June	
		2024	2023
Net gains of financial investments at fair value through profit or loss	(a)	771,661	427,928
Net gains of financial investments at fair value through other comprehensive income		262,524	210,489
Net gains of financial investments at amortised cost		354,854	204,564
Others		(227)	(23)
Total		1,388,812	842,958

(a) Net gains of financial investments at fair value through profit or loss include the investment income and fair value changes of financial investments at fair value through profit or loss except for debt securities held for trading.

8 Other operating income

	Six months ended 30 June	
	2024	2023
Government grants	41,336	163,747
Rental income	11,916	6,195
Net gains on disposal of property and equipment	39,430	2,406
Others	36,290	31,944
Total	128,972	204,292

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

9 Operating expenses

	Six months ended 30 June	
	2024	2023
Staff costs		
– Salaries, bonuses and allowances	1,753,542	1,683,023
– Social insurance and annuity	519,569	467,750
– Staff welfares	73,956	74,358
– Housing allowances	202,458	197,733
– Employee education expenses and labour union expenses	58,849	87,222
– Supplementary retirement benefits	8,736	16,156
– Others	572	58,162
Sub-total	2,617,682	2,584,404
Office expenses	479,539	585,406
Depreciation and amortisation	619,047	696,575
Depreciation charge for right-of-use assets	173,632	185,478
Taxes and surcharges	171,180	179,152
Interest expense on lease liabilities	45,594	25,704
Other general and administrative expenses	289,613	149,878
Total	4,396,287	4,406,597

10 Impairment losses on assets

	Six months ended 30 June	
	2024	2023
Loans and advances to customers	2,950,173	4,127,636
Financial investments	4,638,302	1,520,531
Credit commitments	24,807	(3,169)
Others	483,053	1,368,175
Total	8,096,335	7,013,173

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

11 Income tax

	Six months ended 30 June	
	2024	2023
Current tax	1,060,141	442,227
Deferred tax	(1,670,870)	(321,960)
Adjustment for prior years	66,692	30,956
Total	(544,037)	151,223

12 Basic and diluted earnings per share

	Note	Six months ended 30 June	
		2024	2023
Earnings:			
Net profit attributable to equity shareholders of the Bank		2,049,467	2,002,020
Less: Profit for the year attributable to other equity instruments holders of the Bank		(144,000)	(144,000)
Net profit attributable to ordinary shareholders of the Bank		1,905,467	1,858,020
Shares:			
Weighted average number of ordinary shares (in thousands)	(i)	36,549,823	36,549,823
Basic and diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB)		0.05	0.05

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

(i) Weighted average number of ordinary shares (in thousands)

	Six months ended 30 June	
	2024	2023
Number of ordinary shares as at 1 January	36,549,823	36,549,823
New added weighted average number of ordinary shares	–	–
Weighted average number of ordinary shares	36,549,823	36,549,823

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

13 Cash and deposits with the central bank

	Note	30 June 2024	31 December 2023
Cash on hand		2,036,435	1,963,752
Deposits with the central bank			
– Statutory deposit reserves	(a)	44,688,798	42,023,528
– Surplus deposit reserves	(b)	22,689,813	21,796,813
– Fiscal deposits		682,418	1,226,861
Sub-total		68,061,029	65,047,202
Accrued interest		21,198	22,126
Total		70,118,662	67,033,080

- (a) The Group places statutory deposit reserves with the People's Bank of China ("PBOC") in accordance with relevant regulations. As at 30 June 2024 and 31 December 2023, the statutory deposit reserve ratios applicable to the Bank were as follows:

	30 June 2024	31 December 2023
Reserve ratio for RMB deposits	5.00%	5.00%
Reserve ratio for foreign currency deposits	4.00%	4.00%

The above statutory deposit reserves are not available for the Bank's daily business. The subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

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

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

14 Deposits with banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2024	31 December 2023
Deposits in mainland China		
– Banks	25,843,691	8,833,342
– Other financial institutions	3,467,337	3,916,814
Sub-total	29,311,028	12,750,156
Deposits outside mainland China		
– Banks	1,019,047	3,892,252
Total	30,330,075	16,642,408
Accrued interest	66,788	75,730
Less: Provision for impairment losses	(7,239)	(5,631)
Net carrying amount	30,389,624	16,712,507

15 Placements with banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2024	31 December 2023
Placements in mainland China		
– Banks	441,677	1,328,580
– Other financial institutions	37,474,958	34,004,958
Sub-total	37,916,635	35,333,538
Accrued interest	216,580	280,437
Less: Provision for impairment losses	(27,536)	(22,148)
Net carrying amount	38,105,679	35,591,827

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

16 Derivative financial instruments

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, commodity price, foreign exchange rate, or other similar variables. The Group's derivative financial instruments mainly include foreign exchange forwards, currency swaps and interest rate swaps.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at measured date.

	Notional amount	30 June 2024 Fair value	
		Assets	Liabilities
Interest rate swaps	3,980,000	23,958	26,460
Foreign exchange forwards	4,632,420	42,015	–
Currency swaps	3,414,190	36,534	–
Total	12,026,610	102,507	26,460

	Notional amount	31 December 2023 Fair value	
		Assets	Liabilities
Interest rate swaps	3,980,000	24,911	27,018
Foreign exchange forwards	8,995,029	1,152	304,340
Currency swaps	699,798	7,387	–
Precious metal derivatives	958,020	–	4,231
Total	14,632,847	33,450	335,589

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

17 Financial assets held under resale agreements

(a) Analysed by type and location of counterparty

	30 June 2024	31 December 2023
In mainland China		
– Banks	13,184,240	6,987,304
– Other financial institutions	28,246,001	49,288,624
Total	41,430,241	56,275,928
Accrued interest	10,673	30,460
Less: Provision for impairment losses	(4,427)	(3,715)
Net carrying amount	41,436,487	56,302,673

(b) Analysed by type of collateral

	30 June 2024	31 December 2023
Debt securities	40,010,901	56,275,928
Bills	1,419,340	–
Sub-total	41,430,241	56,275,928
Accrued interest	10,673	30,460
Less: Provision for impairment losses	(4,427)	(3,715)
Net carrying amount	41,436,487	56,302,673

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Loans and advances to customers

(a) Analysed by nature

	30 June 2024	31 December 2023
Loans and advances to customers measured at amortised cost:		
Corporate loans and advances	394,289,518	382,387,729
Personal loans and advances		
– Residential mortgage	120,975,082	119,301,979
– Personal consumption loans	49,980,184	50,113,275
– Personal business loans	70,317,923	69,160,160
– Others	21,058,922	20,925,874
Sub-total	262,332,111	259,501,288
Accrued interest	5,141,193	4,217,864
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(22,567,308)	(21,810,666)
Sub-total	639,195,514	624,296,215
Loans and advances to customers measured at fair value through other comprehensive income:		
Corporate loans and advances	21,668,588	15,069,755
Discounted bills	21,272,833	50,503,399
Sub-total	42,941,421	65,573,154
Net loans and advances to customers	682,136,935	689,869,369

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Loans and advances to customers (Continued)

(b) Analysed by economic sector

	30 June 2024		
	Amount	Percentage	Loans and advances secured by collaterals
Renting and business activities	146,767,599	20.98%	43,847,564
Manufacturing	55,230,277	7.89%	16,195,755
Wholesale and retail trade	46,001,658	6.58%	15,063,562
Construction	42,031,540	6.01%	19,918,901
Real estate	28,386,843	4.06%	19,820,209
Water, environment and public utility	28,800,786	4.12%	11,090,436
Production and supply of electric power, gas and water	15,703,136	2.24%	4,726,824
Transportation, storage and postal services	9,265,443	1.32%	2,317,978
Mining	7,230,975	1.03%	1,121,426
Education	8,172,001	1.17%	4,623,799
Agriculture, forestry, animal husbandry and fishery	8,678,099	1.24%	1,614,320
Accommodation and catering	2,672,784	0.38%	1,757,989
Others	17,016,965	2.44%	9,050,751
Sub-total of corporate loans and advances	415,958,106	59.46%	151,149,514
Personal loans and advances	262,332,111	37.50%	194,229,973
Discounted bills	21,272,833	3.04%	16,379,516
Gross loans and advances to customers	699,563,050	100.00%	361,759,003

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Loans and advances to customers (Continued)

(b) Analysed by economic sector (Continued)

	31 December 2023		
	Amount	Percentage	Loans and advances secured by collaterals
Renting and business activities	142,568,855	20.15%	39,284,767
Manufacturing	51,855,189	7.33%	14,805,275
Wholesale and retail trade	41,659,548	5.89%	14,916,015
Construction	39,877,989	5.64%	16,037,573
Real estate	27,906,280	3.94%	19,638,686
Water, environment and public utility	27,201,976	3.85%	10,837,924
Production and supply of electric power, gas and water	14,336,904	2.03%	3,604,735
Transportation, storage and postal services	9,110,016	1.29%	2,438,973
Mining	7,689,542	1.09%	1,006,080
Education	6,952,118	0.98%	3,653,238
Agriculture, forestry, animal husbandry and fishery	6,525,620	0.92%	2,017,375
Accommodation and catering	2,980,200	0.42%	2,020,780
Others	18,793,247	2.65%	8,169,244
Sub-total of corporate loans and advances	397,457,484	56.18%	138,430,665
Personal loans and advances	259,501,288	36.68%	193,811,254
Discounted bills	50,503,399	7.14%	49,086,896
Gross loans and advances to customers	707,462,171	100.00%	381,328,815

(c) Analysed by type of collateral

	30 June 2024	31 December 2023
Unsecured loans	150,120,948	135,525,928
Guaranteed loans	187,683,099	190,607,428
Collateralised loans	279,846,810	274,963,060
Pledged loans	81,912,193	106,365,755
Gross loans and advances to customers	699,563,050	707,462,171
Accrued interest	5,141,193	4,217,864
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(22,567,308)	(21,810,666)
Net loans and advances to customers	682,136,935	689,869,369

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Loans and advances to customers (Continued)

(d) Overdue loans analysed by overdue period

	30 June 2024				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	1,333,077	1,256,241	1,230,841	238,300	4,058,459
Guaranteed loans	5,054,754	1,406,802	2,257,351	320,481	9,039,388
Collateralised loans	6,015,033	2,186,820	3,718,183	796,395	12,716,431
Pledged loans	744,535	14,883	237,829	8,368	1,005,615
Total	13,147,399	4,864,746	7,444,204	1,363,544	26,819,893
As a percentage of gross loans and advances to customers	1.88%	0.70%	1.06%	0.19%	3.83%

	31 December 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	1,384,138	1,158,225	1,474,237	145,851	4,162,451
Guaranteed loans	5,738,600	1,051,734	2,631,554	197,988	9,619,876
Collateralised loans	7,114,339	1,778,711	3,715,973	573,653	13,182,676
Pledged loans	706,737	218,426	254,100	118	1,179,381
Total	14,943,814	4,207,096	8,075,864	917,610	28,144,384
As a percentage of gross loans and advances to customers	2.11%	0.59%	1.14%	0.13%	3.98%

Overdue loans represented loans, of which the whole or part of the principal or interest were overdue for one day or more.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Loans and advances to customers (Continued)

(e) Loans and advances and provision for impairment losses

	30 June 2024			Total
	Loans and advances that are assessed for 12-month expected credit losses	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Total loans and advances to customers measured at amortised cost	616,626,349	25,312,756	14,682,524	656,621,629
Accrued interest	5,141,193	–	–	5,141,193
Less: Provision for impairment losses	(5,846,058)	(4,949,986)	(11,771,264)	(22,567,308)
Carrying amount of loans and advances to customers measured at amortised cost	615,921,484	20,362,770	2,911,260	639,195,514
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	42,941,421	–	–	42,941,421
Total carrying amount of loans and advances to customers	658,862,905	20,362,770	2,911,260	682,136,935
	31 December 2023			
	Loans and advances that are assessed for 12-month expected credit losses	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
Total loans and advances to customers measured at amortised cost	604,410,800	23,025,889	14,452,328	641,889,017
Accrued interest	4,217,864	–	–	4,217,864
Less: Provision for impairment losses	(6,304,298)	(4,174,994)	(11,331,374)	(21,810,666)
Carrying amount of loans and advances to customers measured at amortised cost	602,324,366	18,850,895	3,120,954	624,296,215
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	65,573,154	–	–	65,573,154
Total carrying amount of loans and advances to customers	667,897,520	18,850,895	3,120,954	689,869,369

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Loans and advances to customers (Continued)

(f) Movements of provision for impairment losses

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

	Six months ended 30 June 2024			
	Loans and advances that are assessed for 12-month expected credit losses	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
As at 1 January 2024	6,304,298	4,174,994	11,331,374	21,810,666
Transfers:				
– to 12-month expected credit losses	348,713	(306,555)	(42,158)	–
– to lifetime expected credit losses:				
– not credit-impaired loans	(1,742,034)	1,796,301	(54,267)	–
– credit-impaired loans	(330,692)	(1,113,389)	1,444,081	–
Charge for the period	1,271,295	507,185	977,536	2,756,016
Recoveries	–	–	352,784	352,784
Write-offs and disposals	–	–	(2,174,291)	(2,174,291)
Loss of control of a subsidiary	(5,522)	(108,550)	(63,795)	(177,867)
As at 30 June 2024	5,846,058	4,949,986	11,771,264	22,567,308
	Year ended 31 December 2023			
	Loans and advances that are assessed for 12-month expected credit losses	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
As at 1 January 2023	8,433,119	3,794,333	8,443,263	20,670,715
Transfers:				
– to 12-month expected credit losses	910,595	(783,586)	(127,009)	–
– to lifetime expected credit losses:				
– not credit-impaired loans	(203,429)	489,853	(286,424)	–
– credit-impaired loans	(44,862)	(683,686)	728,548	–
(Release)/charge for the year	(2,791,125)	1,358,080	4,586,811	3,153,766
Recoveries	–	–	1,040,341	1,040,341
Write-offs and disposals	–	–	(3,054,156)	(3,054,156)
As at 31 December 2023	6,304,298	4,174,994	11,331,374	21,810,666

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Loans and advances to customers (Continued)

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

- (ii) Movements of provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income:

	Six months ended 30 June 2024			Total
	Loans and advances that are assessed for 12-month expected credit losses	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at 1 January 2024	454,567	–	–	454,567
Charge for the period	194,157	–	–	194,157
As at 30 June 2024	648,724	–	–	648,724

	Year ended 31 December 2023			Total
	Loans and advances that are assessed for 12-month expected credit losses	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at 1 January 2023	53,164	–	10,000	63,164
Charge for the year	401,403	–	–	401,403
Write-offs and disposals	–	–	(10,000)	(10,000)
As at 31 December 2023	454,567	–	–	454,567

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Financial investments

	Note	30 June 2024	31 December 2023
Financial investments at fair value through profit or loss	(a)	88,611,271	61,148,133
Financial investments at fair value through other comprehensive income	(b)	76,541,950	77,296,226
Financial investments at amortised cost	(c)	233,547,051	248,396,468
Total		398,700,272	386,840,827

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

	Note	30 June 2024	31 December 2023
Debt securities	(i)		
– Government		4,139,911	665,573
– Policy banks		3,895,058	142,275
– Banks and other financial institutions		28,047,250	7,785,993
Sub-total		36,082,219	8,593,841
Investment management products under public funds		48,703,259	47,682,408
Investment management products managed by securities companies		3,178,949	4,656,861
Investment management products managed by trust plans		43,754	43,754
Sub-total		51,925,962	52,383,023
Equity investments		603,090	171,269
Total		88,611,271	61,148,133
		30 June 2024	31 December 2023
Analysed into:			
Debt securities:			
Listed		4,139,911	665,573
Unlisted		31,942,308	7,928,268
Sub-total		36,082,219	8,593,841
Funds and other investment management products:			
Unlisted		51,925,962	52,383,023
Equity investments:			
Listed		70,079	171,269
Unlisted		533,011	–
Sub-total		603,090	171,269
Total		88,611,271	61,148,133

(i) As at the end of the reporting period, certain debt securities were pledged for repurchase agreements (Note 26(a)). No other investment was subject to material restrictions in the realisation.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Financial investments (Continued)

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

	Note	30 June 2024	31 December 2023
Debt securities	(i)		
– Government		41,173,664	48,334,622
– Policy banks		13,831,799	15,411,982
– Banks and other financial institutions		17,237,293	6,754,628
– Corporate		3,325,284	5,669,453
Sub-total		75,568,040	76,170,685
Accrued interest		818,856	970,487
Equity investments	(ii)	155,054	155,054
Total		76,541,950	77,296,226
Analysed into:			
Debt securities:			
Listed		42,945,954	50,953,132
Unlisted		33,440,942	26,188,040
Sub-total		76,386,896	77,141,172
Equity investments:			
Unlisted		155,054	155,054
Total		76,541,950	77,296,226

- (i) As at the end of the reporting period, certain debt securities were pledged for repurchase agreements (Note 26(a)). No other investment was subject to material restrictions in the realisation.
- (ii) The Group designates non-trading equity investments as financial investments at fair value through other comprehensive income. The Group did not dispose of any such equity investment, nor transfer any cumulative gain or loss from other comprehensive income to retained earnings during the reporting period.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Financial investments (Continued)

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

(iii) Movements of provision for impairment losses on financial investments at fair value through other comprehensive income are as follows:

	Six months ended 30 June 2024			Total
	12-month expected credit losses	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at 1 January 2024	19,239	–	–	19,239
Charge for the period	2,445	–	–	2,445
Balance at 30 June 2024	21,684	–	–	21,684

	Year ended 31 December 2023			Total
	12-month expected credit losses	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at 1 January 2023	15,107	82,185	–	97,292
Charge/(release) for the year	4,132	(82,185)	–	(78,053)
Balance at 31 December 2023	19,239	–	–	19,239

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Financial investments (Continued)

(c) Financial investments at amortised cost

	Note	30 June 2024	31 December 2023
Debt securities	(i)		
– Government		137,816,779	138,604,078
– Policy banks		61,863,410	64,012,525
– Banks and other financial institutions		1,098,168	1,279,274
– Corporate		6,973,119	7,504,916
Sub-total		207,751,476	211,400,793
Investment management products under trust plans		31,732,171	35,433,267
Private debt financing plans		4,435,033	6,315,002
Investment fund managed by private fund manager		1,894,150	2,138,350
Investment management products managed by securities companies		357,410	755,900
Others		400,000	400,000
Sub-total		38,818,764	45,042,519
Accrued interest		2,849,040	3,912,207
Less: Provision for impairment losses	(ii)	(15,872,229)	(11,959,051)
Total		233,547,051	248,396,468
Analysed into:			
Debt securities:			
Listed		139,408,893	140,240,443
Unlisted		69,266,988	72,443,913
Sub-total		208,675,881	212,684,356
Other investments:			
Unlisted		24,871,170	35,712,112
Total		233,547,051	248,396,468

- (i) As at the end of the reporting period, certain debt securities were pledged for repurchase agreements (Note 26(a)). No other investment was subject to material restrictions in the realisation.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Financial investments (Continued)

(c) Financial investments at amortised cost (Continued)

(ii) Movements of provision for impairment losses on financial investments at amortised cost are as follows:

	Six months ended 30 June 2024			Total
	12-month expected credit losses	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at 1 January 2024	214,323	97,480	11,647,248	11,959,051
Transfers:				
– to lifetime expected credit losses:				
– not credit-impaired	(21,607)	21,607	–	–
– credit-impaired	(3,357)	(42,455)	45,812	–
(Release)/charge for the period	(4,883)	344,786	4,295,954	4,635,857
Recoveries	–	–	232,363	232,363
Write-offs and disposals	–	–	(955,042)	(955,042)
Balance at 30 June 2024	184,476	421,418	15,266,335	15,872,229
	Year ended 31 December 2023			
	12-month expected credit losses	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	Total
Balance at 1 January 2023	357,000	729,492	5,490,939	6,577,431
Transfers:				
– to lifetime expected credit losses:				
– not credit-impaired	(11,998)	11,998	–	–
– credit-impaired	(47,285)	(647,417)	694,702	–
(Release)/charge for the year	(83,394)	3,407	6,300,390	6,220,403
Recoveries	–	–	486	486
Write-offs and disposals	–	–	(839,269)	(839,269)
Balance at 31 December 2023	214,323	97,480	11,647,248	11,959,051

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Lease receivables

	Note	30 June 2024	31 December 2023
Minimum finance lease receivables	(a)	5,943,998	3,823,138
Less: unearned finance lease income	(a)	(1,405,615)	(824,947)
Present value of finance lease receivables	(a)	4,538,383	2,998,191
Receivables from sale-and-leaseback transactions		67,558,521	64,821,202
Sub-total		72,096,904	67,819,393
Less: provision for impairment losses	(b)	(2,648,926)	(2,491,879)
Total		69,447,978	65,327,514

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

	30 June 2024		
	Minimum finance lease receivables	Unearned finance income	Present value of finance lease receivables
Less than 1 year	77,162	(2,392)	74,770
1 year to 2 year	311,231	(17,296)	293,935
2 year to 3 year	702,770	(69,212)	633,558
3 year to 5 year	832,467	(105,963)	726,504
More than 5 year	4,020,368	(1,210,752)	2,809,616
Total	5,943,998	(1,405,615)	4,538,383

	31 December 2023		
	Minimum finance lease receivables	Unearned finance income	Present value of finance lease receivables
Less than 1 year	66,474	(938)	65,536
1 year to 2 year	242,216	(12,538)	229,678
2 year to 3 year	237,954	(17,702)	220,252
3 year to 5 year	412,359	(43,344)	369,015
More than 5 year	2,864,135	(750,425)	2,113,710
Total	3,823,138	(824,947)	2,998,191

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Lease receivables (Continued)

(b) Movements of provision for impairment losses:

	Six months ended 30 June 2024			Total
	12-month expected credit losses	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at 1 January 2024	1,190,670	376,920	924,289	2,491,879
Transfers:				
– to 12-month expected credit losses	1,270	(913)	(357)	–
– to lifetime expected credit losses:				
– not credit-impaired	(66,375)	66,375	–	–
– credit-impaired	(1,283)	(82,659)	83,942	–
Charge for the period	162,490	202,182	12,432	377,104
Recoveries	–	–	112,549	112,549
Write-offs and disposals	–	–	(332,606)	(332,606)
Balance at 30 June 2024	1,286,772	561,905	800,249	2,648,926

	Year ended 31 December 2023			Total
	12-month expected credit losses	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at 1 January 2023	1,370,326	770,140	438,859	2,579,325
Transfers:				
– to 12-month expected credit losses	877	(877)	–	–
– to lifetime expected credit losses:				
– not credit-impaired	(25,562)	119,029	(93,467)	–
– credit-impaired	(24,597)	(301,815)	326,412	–
(Release)/charge for the year	(130,374)	(209,557)	1,124,866	784,935
Recoveries	–	–	93,477	93,477
Write-offs and disposals	–	–	(965,858)	(965,858)
Balance at 31 December 2023	1,190,670	376,920	924,289	2,491,879

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Investments in subsidiaries, interest in associate and joint venture

(a) Investment in subsidiaries

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

Subsidiary	Note	Amount invested by the Bank		Percentage of equity interest		Voting rights	Registered capital	Establishment date	Place of incorporation/ registration	Principal activity
		30 June 2024	31 December 2023	30 June 2024	31 December 2023	30 June 2024	30 June 2024			
				%	%	%	RMB million			
AB Leasing Co., Ltd. (“邦銀金融租賃股份有限公司”)		4,525,199	4,525,199	90.00	90.00	90.00	3,000.00	16 August 2013	Zhengzhou, Henan Province	Leasing
BOL Financial Leasing Co., Ltd. (“洛銀金融租賃股份有限公司”)		2,228,739	2,228,739	57.50	57.50	57.50	2,000.00	18 December 2014	Luoyang, Henan Province	Leasing
Xiping Zhongyuan County Bank Co., Ltd. (“西平中原村鎮銀行股份有限公司”)	(i)	176,686	176,686	43.69	43.69	67.64	208.52	17 December 2009	Zhumadian, Henan Province	Banking
Xinyang Pingqiao Zhongyuan County Bank Co., Ltd. (“信陽平橋中原村鎮銀行股份有限公司”)		38,341	38,341	51.73	51.73	51.73	89.95	13 December 2010	Xinyang, Henan Province	Banking
Qixian Zhongyuan County Bank Co., Ltd. (“淇縣中原村鎮銀行股份有限公司”)		41,531	41,531	51.00	51.00	51.00	50.00	23 December 2010	Hebi, Henan Province	Banking
Xinxiang Zhongyuan County Bank Co., Ltd. (“新鄉中原村鎮銀行股份有限公司”)		150,306	150,306	78.46	78.46	78.46	130.00	23 March 2010	Xinxiang, Henan Province	Banking
Linzhou Zhongyuan County Bank Co., Ltd. (“林州中原村鎮銀行股份有限公司”)		29,771	29,771	51.00	51.00	51.00	75.00	30 September 2011	Linzhou, Henan Province	Banking
Puyang Zhongyuan County Bank Co., Ltd. (“濮陽中原村鎮銀行股份有限公司”)		30,736	30,736	51.00	51.00	51.00	58.75	16 March 2012	Puyang, Henan Province	Banking
Lushi Zhongyuan County Bank Co., Ltd. (“盧氏中原村鎮銀行股份有限公司”)		32,497	32,497	51.00	51.00	51.00	60.00	15 May 2012	Sanmenxia, Henan Province	Banking
Xiangcheng Zhongyuan County Bank Co., Ltd. (“襄城中原村鎮銀行股份有限公司”)		38,044	38,044	51.00	51.00	51.00	61.00	27 October 2011	Xuchang, Henan Province	Banking
Suiping Zhongyuan County Bank Co., Ltd. (“遂平中原村鎮銀行股份有限公司”)		35,084	35,084	51.02	51.02	51.02	56.15	12 March 2012	Zhumadian, Henan Province	Banking
Jiaxian Guangtian County Bank Co., Ltd. (“郟縣廣天村鎮銀行股份有限公司”)		-	-	51.28	51.28	51.28	78.00	23 October 2009	Pingdingshan, Henan Province	Banking
Henan Luanchuan Minfeng County Bank Co., Ltd. (“河南樂川民豐村鎮銀行股份有限公司”)	(i)	180,854	180,854	30.33	30.33	55.69	152.40	12 June 2008	Luanchuan, Henan Province	Banking
Mengjin Minfeng County Bank Co., Ltd. (“孟津民豐村鎮銀行股份有限公司”)	(i)	140,376	140,376	34.58	34.58	61.08	150.00	23 November 2011	Mengjin, Henan Province	Banking
Luohe Yancheng Zhongyuan County Bank Co., Ltd. (“漯河鄆城中原村鎮銀行有限責任公司”)		245,201	245,201	51.00	51.00	51.00	300.00	12 July 2011	Luohe, Henan Province	Banking

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Investments in subsidiaries, interest in associate and joint venture (Continued)

(a) Investment in subsidiaries (Continued)

Note:

- (i) As at 30 June 2024 and 31 December 2023, the Bank holds 43.69%, 30.33% and 34.58% of equity interest of Xiping Zhongyuan County Bank Co., Ltd. (“Xiping Zhongyuan”), Henan Luanchuan Minfeng County Bank Co., Ltd. (“Luanchuan Minfeng”) and Mengjin Minfeng County Bank Co., Ltd. (“Mengjin Minfeng”) respectively. According to the concerted action arrangement between the Bank and other shareholders, as at 30 June 2024, the voting rights ratio of the Bank for Xiping Zhongyuan, Luanchuan Minfeng and Mengjin Minfeng is 67.64%, 55.69% and 61.08% respectively (31 December 2023: 67.64%, 55.69% and 61.08%), the above county banks are deemed to be controlled by the Bank.
- (ii) As at 31 December 2023, the Bank holds 42.05% of equity interest of Shenzhen Nanshan Baosheng County Bank Co., Ltd. (“Nanshan Baosheng”). According to the concerted action arrangement between the Bank and other shareholders, as at 31 December 2023, the voting rights ratio of the Bank for Nanshan Baosheng is 50.67%, and deemed to be controlled by the Bank and thus, a subsidiary. The registered capital of Nanshan Baosheng amounts to RMB713.50 million and the Bank has invested RMB419.51 million into Nanshan Baosheng.

On 29 February 2024, the Group’s act in concert arrangements with other shareholders who hold 8.62% ownership and voting power of Nanshan Baosheng have expired. Hence, the Group lost control over this bank as the Group did not obtain more than half of the voting power in the shareholder meetings of Nanshan Baosheng. Details please refer to Note 21(b).

(b) Interest in associate

	Note	30 June 2024	31 December 2023
Interest in associate	(i)	326,326	–

Note:

- (i) After expiration of the act in concert contracts, the Group holds 42.05% equity interest in and has significant influence in Nanshan Baosheng. As a result, it is classified as an associate of the Group. The Group recognised its retained interest in the associate at fair value of RMB374.62 million at the date it lost control.

Name	Percentages of voting rights		Place of incorporation/ registration	Business sector
	30 June 2024	31 December 2023		
Nanshan Baosheng	42.05%	50.67%	Nanshan, Shenzhen	Banking

The following table illustrates the aggregate information of the Bank’s associate:

	30 June 2024	31 December 2023
Aggregate carrying amount of the associate in the consolidated interim statements of financial position of the Bank	326,326	–
Fair value of interest in associate upon loss of control of a subsidiary	374,624	–
Aggregate amounts of the Bank’s share of results of the associate		
– Loss from continuing operations	(48,298)	–
– Other comprehensive income	–	–
– Total comprehensive expense	(48,298)	–

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Investments in subsidiaries, interest in associate and joint venture (Continued)

(c) Interest in joint venture

	Note	30 June 2024	31 December 2023
Interest in joint venture	(i)	1,665,673	1,542,548

Note:

- (i) Henan Zhongyuan Consumer Finance Co., Ltd. (“Consumer Finance”) is a joint venture in which the Bank has joint control and a 49.25% ownership interest. Consumer Finance is not publicly listed.

Name	Percentages of equity/voting rights		Place of incorporation/ registration	Business sector
	30 June 2024	31 December 2023		
Consumer Finance	49.25%	49.25%	Zhengzhou, China	Consumer credit

The following table illustrates the aggregate information of the Bank’s joint venture:

	30 June 2024	31 December 2023
Aggregate carrying amount of the joint venture in the consolidated interim statements of financial position of the Bank	1,665,673	1,542,548
Aggregate amounts of the Bank’s share of results of the joint venture		
– Profits from continuing operations	123,125	195,241
– Other comprehensive income	–	–
– Total comprehensive income	123,125	195,241

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Property and equipment

	Premises	Investment properties	Electronic equipments	Motor vehicles	Office equipment & others	Construction in progress	Total
Cost							
As at 1 January 2023	8,972,583	36,552	1,704,456	39,143	617,399	1,543,751	12,913,884
Additions	31,924	–	111,473	5,330	30,526	303,374	482,627
Disposals	(41,749)	–	(50,379)	(9,644)	(18,218)	(4,304)	(124,294)
Transfers out of construction in progress	–	–	–	–	–	(39,085)	(39,085)
As at 31 December 2023	8,962,758	36,552	1,765,550	34,829	629,707	1,803,736	13,233,132
Additions	268,550	–	13,556	291	11,012	79,782	373,191
Disposals	(125,675)	–	(1,489)	(703)	(3,509)	(1,258)	(132,634)
Transfers out of construction in progress	–	–	–	–	–	(272,602)	(272,602)
Loss of control of a subsidiary	–	–	(13,008)	(2,027)	(2,072)	–	(17,107)
As at 30 June 2024	9,105,633	36,552	1,764,609	32,390	635,138	1,609,658	13,183,980
Accumulated depreciation							
As at 1 January 2023	(2,940,641)	(10,250)	(1,266,444)	(21,771)	(432,569)	–	(4,671,675)
Additions	(554,678)	(3,189)	(228,974)	(12,258)	(68,938)	–	(868,037)
Disposals	8,656	–	42,988	8,359	5,781	–	65,784
As at 31 December 2023	(3,486,663)	(13,439)	(1,452,430)	(25,670)	(495,726)	–	(5,473,928)
Additions	(258,997)	(1,310)	(105,369)	(3,970)	(30,501)	–	(400,147)
Disposals	122,203	–	1,438	666	2,819	–	127,126
Loss of control of a subsidiary	–	–	10,877	1,843	1,337	–	14,057
As at 30 June 2024	(3,623,457)	(14,749)	(1,545,484)	(27,131)	(522,071)	–	(5,732,892)
Impairment							
As at 1 January 2023	(6,626)	–	(650)	(229)	(1,709)	–	(9,214)
Disposals	6	–	159	–	28	–	193
As at 31 December 2023	(6,620)	–	(491)	(229)	(1,681)	–	(9,021)
Disposals	176	–	–	–	–	–	176
As at 30 June 2024	(6,444)	–	(491)	(229)	(1,681)	–	(8,845)
Net book value							
As at 30 June 2024	5,475,732	21,803	218,634	5,030	111,386	1,609,658	7,442,243
As at 31 December 2023	5,469,475	23,113	312,629	8,930	132,300	1,803,736	7,750,183

The carrying amount of the premises with incomplete title deeds as 30 June 2024 was RMB3,721.96 million (31 December 2023: RMB3,852.27 million). The Group is still in the progress of application for the outstanding title deeds for these premises. The Group expects that there would be no significant cost in obtaining the title deeds.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Property and equipment (Continued)

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

	30 June 2024	31 December 2023
Held in mainland China		
– Long-term leases (over 50 years)	611,375	640,125
– Medium-term leases (10 – 50 years)	3,167,707	3,410,952
– Short-term leases (less than 10 years)	1,696,650	1,418,398
Total	5,475,732	5,469,475

The net book value of investment properties as at the end of the reporting period are analysed by the remaining terms of the leases as follows:

	30 June 2024	31 December 2023
Held in mainland China		
– Medium-term leases (10 – 50 years)	21,803	23,113

23 Deferred tax assets

	30 June 2024		31 December 2023	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets/(liabilities):				
Provision for impairment losses	48,483,152	12,120,788	41,381,088	10,345,272
Accrued staff cost payable	1,496,616	374,154	2,278,724	569,681
Supplementary retirement benefits	280,476	70,119	260,632	65,158
Fair value changes of financial assets	(1,920,320)	(480,080)	(431,748)	(107,937)
Deferred income	(67,168)	(16,792)	(101,016)	(25,254)
Assets appraisal and related depreciation	(3,715,652)	(928,913)	(4,157,312)	(1,039,328)
Deductible losses	3,296,464	824,116	3,298,208	824,552
Others	516,956	129,239	659,736	164,934
Net balances	48,370,524	12,092,631	43,188,312	10,797,078

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

24 Goodwill

Cost:

At 1 January 2023, 31 December 2023 and 30 June 2024 1,982,050

Accumulated impairment losses:

At 1 January 2023, 31 December 2023 and 30 June 2024 –

Carrying amount:

At 31 December 2023 and 30 June 2024 1,982,050

As there were no indicators for impairment of goodwill, the Group determined that no impairment provision on goodwill was required as at 30 June 2024.

25 Other assets

	Note	30 June 2024	31 December 2023
Reposessed assets	(a)	1,328,853	1,324,697
Interests receivable	(b)	1,596,969	1,205,756
Intangible assets	(c)	1,084,797	1,204,630
Land use rights		881,588	884,052
Right-of-use assets	(d)	558,895	763,173
Leasehold improvements		267,239	281,050
Advanced payment of income tax		32,983	166,438
Other receivables		1,969,508	833,595
Total		7,720,832	6,663,391

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

25 Other assets (Continued)

(a) Repossessed assets

	30 June 2024	31 December 2023
Repossessed assets	2,177,786	2,068,457
Less: Provision for impairment losses	(848,933)	(743,760)
Net carrying amount	1,328,853	1,324,697

(b) Interests receivable

	30 June 2024	31 December 2023
Interests receivable arising from:		
Financial investments	1,546,499	888,106
Loans and advances to customers	779,322	1,046,123
Total	2,325,821	1,934,229
Less: Provision for impairment losses	(728,852)	(728,473)
Net carrying amount	1,596,969	1,205,756

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.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

25 Other assets (Continued)

(c) Intangible assets

	Leasing license	Computer software	Total
Cost			
As at 1 January 2023	357,880	1,852,244	2,210,124
Additions	–	317,470	317,470
Disposals	–	(2,891)	(2,891)
As at 31 December 2023 and 1 January 2024	357,880	2,166,823	2,524,703
Additions	–	42,525	42,525
Disposals	–	(116)	(116)
As at 30 June 2024	357,880	2,209,232	2,567,112
Accumulated amortisation			
As at 1 January 2023	–	(997,833)	(997,833)
Additions	–	(325,131)	(325,131)
Disposals	–	2,891	2,891
As at 31 December 2023 and 1 January 2024	–	(1,320,073)	(1,320,073)
Additions	–	(162,301)	(162,301)
Disposals	–	59	59
As at 30 June 2024	–	(1,482,315)	(1,482,315)
Impairment			
As at 1 January 2023, 31 December 2023 and 30 June 2024	–	–	–
Net book value			
As at 30 June 2024	357,880	726,917	1,084,797
As at 31 December 2023	357,880	846,750	1,204,630

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

25 Other assets (Continued)

(d) Right-of-use assets

	Leased properties and buildings	Leased equipments	Total
Cost			
As at 1 January 2023	1,681,787	13,223	1,695,010
Additions	213,088	999	214,087
Disposals	(253,053)	(902)	(253,955)
As at 31 December 2023 and 1 January 2024	1,641,822	13,320	1,655,142
Additions	244,184	211	244,395
Disposals	(344,490)	–	(344,490)
As at 30 June 2024	1,541,516	13,531	1,555,047
Accumulated depreciation			
As at 1 January 2023	(763,437)	(7,073)	(770,510)
Additions	(374,054)	(1,360)	(375,414)
Disposals	253,053	902	253,955
As at 31 December 2023 and 1 January 2024	(884,438)	(7,531)	(891,969)
Additions	(172,541)	(1,091)	(173,632)
Disposals	69,449	–	69,449
As at 30 June 2024	(987,530)	(8,622)	(996,152)
Net book value			
As at 30 June 2024	553,986	4,909	558,895
As at 31 December 2023	757,384	5,789	763,173

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

26 Pledged assets

(a) Assets pledged as collateral

	Note	30 June 2024	31 December 2023
For repurchase agreements			
– Discounted bills		–	6,597,165
– Financial investments at fair value through profit or loss	19(a)	75,019	7,362
– Financial investments at fair value through other comprehensive income	19(b)	14,139,700	17,635,933
– Financial investments at amortised cost	19(c)	52,994,128	52,782,205
Total		67,208,847	77,022,665

The above financial assets are pledged by the Group as collaterals for liabilities under repurchase agreements.

(b) Received pledged assets

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. As at 30 June 2024, fair value of the received pledged assets is RMB44,700.86 million (31 December 2023: RMB61,956.95 million).

27 Borrowing from the central bank

	30 June 2024	31 December 2023
Due to central bank	65,968,880	67,644,851
Interest accrued	578,500	411,061
Total	66,547,380	68,055,912

Borrowing from the central bank mainly includes borrowing from the central bank and rediscounting with the central bank.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

28 Deposits from banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2024	31 December 2023
In mainland China		
– Banks	2,334,730	8,069,249
– Other financial institutions	14,166,207	30,478,837
Sub-total	16,500,937	38,548,086
Accrued interest	99,553	155,877
Total	16,600,490	38,703,963

29 Placements from banks and other financial institutions

	30 June 2024	31 December 2023
In mainland China		
– Banks	58,103,077	56,258,797
– Other financial institutions	4,637,000	6,129,999
Sub-total	62,740,077	62,388,796
Outside mainland China		
– Banks	2,494,380	1,525,509
Sub-total	65,234,457	63,914,305
Accrued interest	580,975	568,483
Total	65,815,432	64,482,788

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

30 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparty

	30 June 2024	31 December 2023
In mainland China		
– Banks	63,018,325	73,097,326
– Other financial institutions	499,250	–
Outside mainland China		
– Banks	600,000	–
Sub-total	64,117,575	73,097,326
Accrued interest	17,906	23,961
Total	64,135,481	73,121,287

(b) Analysed by type of collateral

	30 June 2024	31 December 2023
Debt securities	64,117,575	66,520,545
Bills	–	6,576,781
Sub-total	64,117,575	73,097,326
Accrued interest	17,906	23,961
Total	64,135,481	73,121,287

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

31 Deposits from customers

	Note	30 June 2024	31 December 2023
Demand deposits			
– Corporate customers		122,207,161	135,256,293
– Individual customers		111,099,471	107,851,870
Sub-total		233,306,632	243,108,163
Time deposits			
– Corporate customers		152,102,437	122,541,134
– Individual customers		449,729,978	411,903,209
Sub-total		601,832,415	534,444,343
Pledged deposits		53,436,491	51,360,909
Convertible negotiated deposits	(a)	8,000,000	8,000,000
Inward and outward remittances		485,727	608,127
Sub-total		897,061,265	837,521,542
Accrued interest		21,006,024	22,262,239
Total		918,067,289	859,783,781

Notes:

- (a) On 19 January 2023, after obtaining the proceeds from issuance of Local Government Special Debt by Henan Provincial Department of Finance, Zhengzhou Finance Bureau deposited the relevant funds in the form of negotiated deposit into the special RMB deposit account opened in the Bank. With Henan Provincial Department of Finance's consents to the conversion, when the core tier-1 capital adequacy ratio of the Bank is lower than 5.125%, and upon the satisfaction of specific requirements on the Minimum Public Float prescribed by The Stock Exchange of Hong Kong Limited, Zhengzhou Finance Bureau shall convert the negotiated deposits into ordinary shares of the Bank in accordance with laws and regulations. If the conversion conditions are not satisfied, the principal of the convertible negotiated deposit is repayable by equal annual installments based on the total par value of the convertible negotiated deposit from 2028, i.e. 20% of the principal is repaid annually, amounting to RMB1.6 billion.

During the term of the convertible negotiated deposits, the Bank shall report the changes in the core tier-1 capital adequacy ratio of the previous quarter by the twentieth day of the first month of each quarter to Zhengzhou Finance Bureau. When the core tier-1 capital adequacy ratio of the Bank drops to 7.50%, and early warning is triggered, the Bank shall promptly inform Zhengzhou Finance Bureau of the situation, formulate emergency plans, and actively take emergency measures to improve the ability to resist risks and avoid the occurrence of triggering events.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

32 Debt securities issued

	Note	30 June 2024	31 December 2023
Interbank deposits issued	(a)	110,949,222	120,772,690
Financial bonds	(b)	4,998,772	8,997,157
Tier-2 capital bonds	(c)	2,000,000	2,000,000
Sub-total		117,947,994	131,769,847
Accrued interest		105,866	220,731
Total		118,053,860	131,990,578

Notes:

- (a) For the six months ended 30 June 2024, the Bank issued a number of certificates of interbank deposits with total nominal amount of RMB135,750.00 million and duration between 1-12 months. The coupon rates ranged from 1.83% to 2.55% per annum.

For the year ended 31 December 2023, the Bank issued a number of certificates of interbank deposits with total nominal amount of RMB268,110.00 million and duration between 1-12 months. The coupon rates ranged from 1.80% to 2.95% per annum.

As at 30 June 2024, the fair value of interbank deposits issued was RMB110,945.00 million (31 December 2023: RMB120,149.00 million).

- (b) On 4 March 2021, 28 June 2021, 12 May 2022 and 9 June 2022, the Bank issued four fixed-rate financial bonds with a total notional amount of RMB9 billion. Pursuant to the agreement, all of the four bonds have a term of 3 years. The coupon rate were 3.60%, 3.48%, 2.95% and 2.90% per annum respectively.

The bank had two financial bonds with a total notional amount of RMB4 billion redeemed in the first half of 2024.

As at 30 June 2024, the fair value of financial bonds issued was RMB5,014.39 million (31 December 2023: RMB9,038.84 million).

- (c) Fixed rate tier-2 capital bonds of RMB2 billion with a term of 10 years was issued by Bank of JZCTS in August 2019. The bond has inherited by the Bank after the completion of the merger by absorption. The coupon rate is 5.40% per annum.

As at 30 June 2024, the fair value of tier-2 capital bonds issued was RMB2,090.25 million (31 December 2023: RMB2,031.40 million).

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

33 Other liabilities

	Note	30 June 2024	31 December 2023
Finance lease deposits		3,344,930	3,939,482
Accrued staff cost	(a)	2,412,547	3,019,447
Payment and collection clearance accounts		804,266	1,623,739
Lease liabilities		587,437	731,318
Other tax payable		708,003	703,205
Provisions	(b)	461,868	515,664
Dividend payable		318,690	187,020
Other payable		3,798,052	2,234,250
Total		12,435,793	12,954,125

(a) Accrued staff cost

	30 June 2024	31 December 2023
Salary, bonuses and allowances payable	1,513,356	2,230,973
Supplementary retirement benefits payable	512,032	492,187
Labour union fee, staff and workers' education fee	208,723	196,307
Social insurance payable	175,042	95,182
Housing allowances payable	3,394	4,798
Total	2,412,547	3,019,447

(b) Provisions

	Note	30 June 2024	31 December 2023
Litigations and disputes provision		100,243	178,366
Credit commitments provision	(i)	361,625	337,298
Total		461,868	515,664

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

33 Other liabilities (Continued)

(b) Provisions (Continued)

(i) *Movements of credit commitments provision are as follows:*

	Six months ended 30 June 2024			Total
	12-month expected credit losses	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at 1 January 2024	328,776	1,716	6,806	337,298
Transfers:				
– to 12-month expected credit losses	14	(14)	–	–
– to lifetime expected credit losses				
– not credit-impaired	(73)	73	–	–
– credit-impaired	(26)	(1)	27	–
Charge/(release) for the period	30,152	183	(5,528)	24,807
Loss of control of a subsidiary	(533)	–	–	(533)
Exchange differences and others	53	–	–	53
Balance at 30 June 2024	358,363	1,957	1,305	361,625
	Year ended 31 December 2023			
	12-month expected credit losses	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January 2023	107,144	21,637	14,531	143,312
Transfers:				
– to 12-month expected credit losses	345	(273)	(72)	–
– to lifetime expected credit losses				
– not credit-impaired	(33)	53	(20)	–
– credit-impaired	(28)	(959)	987	–
Charge/(release) for the year	221,348	(18,742)	(8,620)	193,986
Balance at 31 December 2023	328,776	1,716	6,806	337,298

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

34 Share capital

The share capital of the Group as at 30 June 2024 and 31 December 2023 represents the paid-up share capital of the Bank.

	Note	30 June 2024	31 December 2023
Ordinary shares in Mainland China		29,604,823	29,604,823
Ordinary shares listed in Hong Kong (H-share)	(a)	6,945,000	6,945,000
Total		36,549,823	36,549,823

Note:

- (a) On 19 July 2017, the Bank issued 3,000 million H-shares with a par value of RMB1 at an offering price of HKD2.45 per share (the “H-share offering”). On 15 August 2017, the Bank exercised the over-allotment option and issued 450 million H-shares with a nominal value of RMB1.00 at HKD2.45 per share. The capital contribution was verified by an independent auditor.

Immediately following the H-share offering, 345 million ordinary shares in Mainland China were transferred to the National Council for Social Security Fund and converted to H-shares pursuant to the relevant PRC regulations relating to the reduction of state-owned shares.

On 10 May 2022, the Bank issued 3,150 million H-shares with a par value of RMB1 at an offering price of HKD1.80 per share, the registered capital and share capital of the Bank increased to RMB23,225 million. The capital contribution was verified by an independent auditor.

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

35 Reserves

(a) Capital reserve

	30 June 2024	31 December 2023
Share premium	19,181,529	19,181,529
Changes in ownership in subsidiaries without changes in control	(177,155)	(159,490)
Total	19,004,374	19,022,039

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

35 Reserves (Continued)

(b) Surplus reserve

The surplus reserve at the end of reporting period represented statutory surplus reserve fund and discretionary surplus reserve fund. Pursuant to the Company Law of the PRC and the Article of Association of the Bank, the Bank is required to appropriate 10% of its net profit as on an annual basis determined under the Chinese Accounting Standards for Business Enterprises, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

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

(c) General reserve

Pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis. If this is difficult to reach 1.5% at one time, general reserve could be set aside by years, which should not exceed 5 years in principle.

(d) Other reserves

	Note	30 June 2024	31 December 2023
Investment revaluation reserve	(i)	945,827	417,855
Impairment reserve	(ii)	502,806	473,806
Deficit on remeasurement of net defined benefit liability	(iii)	(75,085)	(44,976)
Total		1,373,548	846,685

(i) Investment revaluation reserve

	30 June 2024	31 December 2023
As at 1 January	417,855	(115,682)
Changes in fair value recognised in other comprehensive income	710,882	427,861
Transfer to profit or loss upon disposal	(1,228)	283,521
Less: deferred income tax	(181,682)	(177,845)
As at 30 June/31 December	945,827	417,855

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

35 Reserves (Continued)

(d) Other reserves (Continued)

(ii) Impairment reserve

	30 June 2024	31 December 2023
As at 1 January	473,806	160,456
Impairment losses recognised in other comprehensive income	29,000	313,350
As at 30 June/31 December	502,806	473,806

(iii) Deficit on remeasurement of net defined benefit liability

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

	30 June 2024	31 December 2023
As at 1 January	(44,976)	(25,555)
Changes in fair value recognised in other comprehensive income	(30,109)	(19,421)
As at 30 June/31 December	(75,085)	(44,976)

36 Retained earnings

As at 30 June 2024, the consolidated retained profits attributable to equity shareholders of the Bank included an appropriation of RMB629.39 million of surplus reserve made by subsidiaries (31 December 2023: RMB629.39 million).

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Other equity instruments

Perpetual Bond

(a) Perpetual Bond outstanding:

Financial instrument outstanding	Time issued	Classifications	Dividend yield ratio/ Interest rate	Issue Price (RMB)	Quantities	In RMB million
Perpetual Bonds	2 December 2020	Equity	4.80%	100	10,000,000	1,000.00
Perpetual Bonds	25 June 2021	Equity	4.80%	100	10,000,000	1,000.00
Perpetual Bonds	25 June 2021	Equity	4.80%	100	20,000,000	2,000.00
Perpetual Bonds	15 August 2023	Equity	4.60%	100	100,000,000	10,000.00
Less: issuing cost						(1.06)
Book value						13,998.94

(b) Main clause

With the approvals of relevant regulatory authorities, former Bank of Pingdingshan issued RMB1,000 million and RMB1,000 million of Perpetual Bonds on 2 December 2020 and 25 June 2021 respectively in the National Inter-bank Bond Market. Former Bank of Luoyang issued RMB2,000 million of Perpetual Bond on 25 June 2021 in the National Inter-bank Bond Market. The Bank inherited the above Perpetual Bonds after the completion of the merger by absorption.

With the approvals of relevant regulatory authorities, the Bank issued RMB10 billion of Perpetual Bonds on 15 August 2023 in the National Inter-bank Bond Market. The funds raised by the Bank from the bonds are used to supplement other tier-1 capital of the Bank in accordance with the relevant laws and approvals by regulatory authorities.

(i) Interest

The unit coupon amount of the perpetual bonds is RMB100. The first 5-year coupon rate of the perpetual bonds inherited by the Bank in 2022 is 4.80%, with the interest rate resettable every 5 years. The first 5-year coupon rate of the perpetual bonds issued by the Bank in 2023 is 4.60%, with the interest rate resettable every 5 years. The coupon rate of the bonds consists of two components: a base rate and a fixed spread.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Other equity instruments (Continued)

Perpetual Bond (Continued)

(b) Main clause (Continued)

(ii) Interest stopper and setting mechanism

The interest payment for Perpetual Bonds is non-cumulative. The Bank shall have the right to cancel, in whole or in part, distributions on the interest payment and any such cancellation shall not constitute an event of default. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. However, the Bank shall not distribute profits to ordinary shareholders until resumption of full interest payment.

(iii) Order of distribution and liquidation method

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

(iv) Write down conditions

Upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write down all or part of the nominal amount of the outstanding Perpetual Bonds without the need for the consent of the bond holders.

(v) Redemption

The duration of the Perpetual Bonds is the same as the continuing operation of the Bank. Five years after the issuance date of the Perpetual Bonds, the Bank shall have the right to redeem them in whole or in part on each distribution payment date (including the fifth distribution payment date since the issuance). In the event that the Perpetual Bond is not classified as other tier-1 capital instruments due to unpredicted changes in regulations, the Bank shall have the right to redeem the Perpetual Bonds fully instead of partly.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

38 Involvement with unconsolidated structured entities

(a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include investment management products under trust scheme, investment management products managed by securities companies and wealth management products issued by financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

The following tables set out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the consolidated statements of financial position in which relevant assets are recognised as at 30 June 2024 and 31 December 2023:

	30 June 2024	
	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	51,925,962	51,925,962
Financial investments at amortised cost	21,622,936	21,622,936
Total	73,548,898	73,548,898

	31 December 2023	
	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	52,383,023	52,383,023
Financial investments at amortised cost	30,927,881	30,927,881
Total	83,310,904	83,310,904

As at 30 June 2024 and 31 December 2023, the maximum exposures in the unconsolidated structural entities are equal to their carrying amounts.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

38 Involvement with unconsolidated structured entities (Continued)

(b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged for providing management services.

As at 30 June 2024 and 31 December 2023, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised are not material in the statement of financial positions.

As at 30 June 2024, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, was RMB68,987,19 million (31 December 2023: RMB70,671.55 million).

(c) Unconsolidated structure entities sponsored by the Group during the reporting periods which the Group does not consolidate but have an interest in

For the six months ended 30 June 2024, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January, but matured before 30 June amounted to RMB1,245 million (31 December 2023: RMB5,225 million).

39 Capital management

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

The Group calculates the capital adequacy ratios from 1 January 2024 in accordance with the Administrative Measures for the Capital of Commercial Banks issued by the National Financial Regulatory Administration (NFRA) in 2023.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

39 Capital management (Continued)

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

	30 June 2024	31 December 2023
Core tier-1 capital adequacy ratio	8.89%	8.10%
Tier-1 capital adequacy ratio	11.54%	10.44%
Capital adequacy ratio	12.98%	11.64%
	30 June 2024	31 December 2023
Core tier-1 capital	82,560,014	80,092,221
Core tier-1 capital deductions	(7,850,556)	(3,186,680)
Net core tier-1 capital	74,709,458	76,905,541
Other tier-1 capital	22,280,018	22,265,699
Net tier-1 capital	96,989,476	99,171,240
Tier-2 capital	12,154,062	11,456,163
Net capital base	109,143,538	110,627,403
Total risk weighted assets	840,679,250	950,017,363

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

40 Notes to the consolidated cash flow statement

(a) Net decrease in cash and cash equivalents

	Six months ended 30 June	
	2024	2023
Cash and cash equivalents as at 30 June	100,581,337	100,839,397
Less: Cash and cash equivalents as at 1 January	101,193,704	125,893,084
Net decrease in cash and cash equivalents	(612,367)	(25,053,687)

(b) Cash and cash equivalents

	30 June	
	2024	2023
Cash on hand	2,036,435	2,022,568
Deposits with the central bank	22,689,813	31,823,107
Deposits with banks and other financial institutions	24,497,240	11,433,637
Financial assets held under resale agreements	41,430,241	55,560,085
Placements with banks and other financial institutions	9,927,608	–
Total	100,581,337	100,839,397

41 Related party relationships and transactions

(a) Relationship of related parties

(i) Major shareholders

Major shareholders include shareholders of the Bank with direct or indirect 5% or above shareholding, or with the right to appoint a director in the Bank.

Shareholding in the Bank:

	30 June 2024	31 December 2023
Henan Investment Group Co., Ltd.	6.69%	6.20%
Jiangsu Wuzhong Group Co., Ltd.	1.15%	1.15%

(ii) Subsidiaries, associate and joint venture of the Bank

The detailed information of the Bank's subsidiaries, associate and joint venture are set out in Note 21.

(iii) Other related parties

Other related parties can be individuals or enterprises, which include: members of the board of directors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 41(a) or their controlling shareholders.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

41 Related party relationships and transactions (Continued)

(b) Related party transactions and balances

(i) Transactions between the Bank and major shareholders:

	Six months ended 30 June	
	2024	2023
Transactions during the reporting period:		
Interest income	8,518	20,752
Interest expense	539	470
	30 June 2024	31 December 2023
Balances at end of the reporting period/year:		
Loans and advances to customers	1,304,742	1,243,252
Right-of-use assets	3,263	2,909
Deposits from customers	201,945	181,825
Lease liabilities	3,048	2,796

(ii) Transactions between the Bank and subsidiaries:

The subsidiaries of the Bank are its related parties. The transactions between the Bank and its subsidiaries and among the subsidiaries are eliminated on consolidation and therefore are not disclosed in this interim financial report.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

41 Related party relationships and transactions (Continued)

(b) Related party transactions and balances (Continued)

(iii) Transactions between the Bank and other related parties, associate and joint venture:

	Six months ended 30 June	
	2024	2023
Transactions during the reporting period:		
Interest income	292,874	173,999
Interest expense	63,275	6,886
Assets disposal	246	17,265
	30 June 2024	31 December 2023
Balances at end of the reporting period/year:		
Loans and advances to customers	16,827,298	14,963,389
Financial investments	1,537,094	332,353
Lease receivables	764,495	671,563
Deposits with banks and other financial institutions	505,666	79,289
Placements with banks and other financial institutions	6,982,395	2,024,213
Deposits from customers	6,527,950	5,193,948
Deposits from banks and other financial institutions	5,704,355	1,864,827
	30 June 2024	31 December 2023
Balances of items off the consolidated statement of financial position outstanding at the end of the reporting period/year:		
Bank acceptances	2,834,326	1,938,287
Letters of credit	251,300	457,080
Letters of guarantees	480	3,010

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

41 Related party relationships and transactions (Continued)

(c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

(i) Transactions between the Bank and key management personnel

	Six months ended 30 June	
	2024	2023
Transactions during the reporting period:		
Interest income	54	404
Interest expense	30	211
	30 June 2024	31 December 2023
Balances at end of the reporting period/year:		
Loans and advances to customers	7,631	12,565
Deposits from customers	12,506	9,855

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	Six months ended 30 June	
	2024	2023
Salaries and other emoluments	6,665	8,068
Discretionary bonuses	2,437	3,835
Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	820	775
Total	9,922	12,678

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Segment reporting

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

Corporate banking

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

Retail banking

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

Financial markets business

This segment covers the Group's financial markets business operations. The financial markets business enters into inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities. The financial markets business segment also covers management of the Group's overall liquidity position, including the issuance of debts.

Others

These represent assets, liabilities, income and expenses which cannot directly attributable or cannot be allocated to a segment on a reasonable basis.

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

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

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the six months ended 30 June 2024 and 2023 to acquire property and equipment, intangible assets and other long-term assets.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Segment reporting (Continued)

	Six months ended 30 June 2024				
	Corporate banking	Retail banking	Financial market business	Others	Total
Operating income					
External net interest income/(expense)	9,608,897	(880,943)	1,976,227	–	10,704,181
Internal net interest (expense)/income	(2,613,527)	4,112,869	(1,499,342)	–	–
Net interest income	6,995,370	3,231,926	476,885	–	10,704,181
Net fee and commission income	842,818	144,844	289,852	–	1,277,514
Net trading gains	73,555	–	419,098	–	492,653
Net gains arising from investment securities	3,808	–	1,385,004	–	1,388,812
Other operating income	76,156	6,800	4,473	41,543	128,972
Sub-total	7,991,707	3,383,570	2,575,312	41,543	13,992,132
Operating expenses	(1,641,548)	(1,845,685)	(541,515)	(367,539)	(4,396,287)
Impairment losses on assets	(6,732,550)	(1,136,581)	(208,632)	(18,572)	(8,096,335)
Share of profits of associate and joint venture	–	–	74,827	–	74,827
(Loss)/profit before tax	(382,391)	401,304	1,899,992	(344,568)	1,574,337
Other segment information					
– Depreciation and amortisation	348,302	267,054	175,658	1,665	792,679
– Capital expenditure	62,884	48,215	31,714	301	143,114

	30 June 2024				
	Corporate banking	Retail banking	Financial market business	Others	Total
Segment assets	589,158,986	294,710,893	458,789,543	6,915,846	1,349,575,268
Deferred tax assets	–	–	–	12,092,631	12,092,631
Total assets	589,158,986	294,710,893	458,789,543	19,008,477	1,361,667,899
Segment liabilities	343,047,463	578,402,054	332,429,929	8,955,572	1,262,835,018
Total liabilities	343,047,463	578,402,054	332,429,929	8,955,572	1,262,835,018

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(Expressed in thousands of Renminbi, unless otherwise stated)

42 Segment reporting (Continued)

	Six months ended 30 June 2023				
	Corporate banking	Retail banking	Financial market business	Others	Total
Operating income					
External net interest income/(expense)	9,424,694	(542,966)	2,011,159	-	10,892,887
Internal net interest (expense)/income	(2,255,421)	3,576,807	(1,321,386)	-	-
Net interest income	7,169,273	3,033,841	689,773	-	10,892,887
Net fee and commission income/(expense)	632,118	(16,283)	397,552	-	1,013,387
Net trading gains	440,858	-	156,817	-	597,675
Net gains arising from investment securities	262	-	842,696	-	842,958
Other operating income	156,479	644	662	46,507	204,292
Sub-total	8,398,990	3,018,202	2,087,500	46,507	13,551,199
Operating expenses	(1,967,382)	(1,642,630)	(461,876)	(334,709)	(4,406,597)
Impairment losses on assets	(5,624,656)	(1,049,643)	(338,673)	(201)	(7,013,173)
Share of profits of joint venture	-	-	81,714	-	81,714
Profit/(loss) before tax	806,952	325,929	1,368,665	(288,403)	2,213,143
Other segment information					
- Depreciation and amortisation	460,167	206,400	212,134	3,352	882,053
- Capital expenditure	283,816	127,301	130,838	2,067	544,022
31 December 2023					
	Corporate banking	Retail banking	Financial market business	Others	Total
Segment assets	575,343,116	289,311,070	465,676,702	5,318,531	1,335,649,419
Deferred tax assets	-	-	-	10,797,078	10,797,078
Total assets	575,343,116	289,311,070	465,676,702	16,115,609	1,346,446,497
Segment liabilities	323,859,027	539,268,617	378,234,960	8,195,722	1,249,558,326
Total liabilities	323,859,027	539,268,617	378,234,960	8,195,722	1,249,558,326

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Risk management

The Group has exposure to the following risks from its financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of these risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

The Group's risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Internal Audit Department of the Group undertakes both regular and ad hoc reviews of the compliance of internal control implementation with risk management policies.

(a) Credit risk

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

Credit business

The board of directors is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies. The board gives advice on internal controls relating to risk management. The responsible departments for credit risk management include the Credit Approval Management Department, Credit Management Department, and Risk Management Department. The Risk Management Department is responsible for implementing the Group's overall risk management system. Besides risk monitoring and control, the Risk Management Department is also responsible for formulating risk management policies. To ensure the independence of credit approval, the Credit Approval Department is independent from customer relationship and product management departments. Front office departments of branches carry out credit businesses according to the Group's risk management policies and procedures.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

For corporate and institutional businesses, the Group has established industry-specific limits for credit approval. It has put in place continuous monitoring mechanism, with regular reporting of credit exposures to the board. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Risk management (Continued)

(a) Credit risk (Continued)

Credit business (Continued)

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and their recommendations to the loan-approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process according to standardised loan recovery procedures.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.

Financial markets business

The Group sets credit limits for financial markets business operations based on the credit risk inherent in the products, counterparties and geographical areas. Credit risk exposure is closely monitored on a systematic, real-time basis, and credit risk limits are reviewed and updated regularly.

Credit risk management

The financial assets are categorised by the Group into the following stages to manage its financial assets' credit risk:

Stage 1

Financial assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12-month expected credit losses.

Stage 2

Financial assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.

Stage 3

Financial assets that are in default and considered credit-impaired.

Significant increase in credit risk

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

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Risk management (Continued)

(a) Credit risk (Continued)

Credit risk management (Continued)

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

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

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

As at 30 June 2024, the Group has not considered that any of its financial assets has lower credit risk and no longer compared the credit risk at the balance sheet date with that at the initial recognition to identify whether there was a significant increase in credit risk.

Definition of "default" and "credit-impaired assets"

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Risk management (Continued)

(a) Credit risk (Continued)

Credit risk management (Continued)

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

- the disappearance of an active market for a security because of financial difficulties of the issuer; or
- overdue more than 90 days.

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

Measurement of expected credit losses (“ECL”)

The Group adopts ECL model to measure provision for loss of financial assets based on the stages categorised above.

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

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

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

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

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

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

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Risk management (Continued)

(a) Credit risk (Continued)

Credit risk management (Continued)

Measurement of expected credit losses ("ECL") (Continued)

Both the assessment of the significant increase in credit risk and the measurement of ECL involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and ECL of all asset portfolios, including GDP, import amount, fixed investments cumulative year-on-year, etc. The impact of these economic variables on the PD and LGD has been determined by performing statistical regression analysis to understand the correlations among the historical changes of the economic variables, PD and LGD. Forecasts of these economic indicators are provided quarterly by the Group and provide the best estimate view of the economy over the next year.

When calculating the weighted average ECL, the optimism, neutral and pessimism scenarios and its weightings determined by a combination of macro-statistical analysis and expert judgment are taken into account by the Group.

In estimating the ECL, as at 30 June 2024, the Group has taken into account different macroeconomic scenarios and the impact of factors on economic development trends, and made forward-looking forecasts of macroeconomic indicators, including quarter-on-quarter GDP growth ranging from 4.5% to 5.2% in the neutral scenario for the second half of 2024.

Assessing credit risk of financial assets after the amendment of contractual cash flows

In order to achieve maximum collection, the Group may modify the contractual terms of loans due to business negotiations or financial difficulties of the borrowers at times.

Such rescheduling activities include extended payment term arrangements, payment holidays and payment forgiveness. Rescheduling policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. The restructuring of loans is most common in the management of medium and long-term loans. The risk stage can only be adjusted lower if the rescheduled loans are reviewed for at least 6 consecutive months and the corresponding stage classification criteria is reached.

(i) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as at the end of each reporting period.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Risk management (Continued)

(a) Credit risk (Continued)

(ii) Financial assets analysed by credit quality are summarised as follows:

	At 30 June 2024							
	Balance			Provision for impairment losses				
	Assessed for 12-month expected credit losses	Not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired and assessed for lifetime expected credit loss	Total	Assessed for 12-month expected credit losses	Not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired and assessed for lifetime expected credit loss	Total
Financial assets measured at amortised cost (not including accrued interest)								
Cash and deposits with the central bank	68,061,029	-	-	68,061,029	-	-	-	-
Deposits/Placements with banks and other financial institutions	68,227,683	-	19,027	68,246,710	(15,748)	-	19,027	(34,775)
Financial assets held under resale agreements	41,430,241	-	-	41,430,241	(4,427)	-	-	(4,427)
Loans and advances to customers	616,626,349	25,312,756	14,682,524	656,621,629	(5,846,058)	(4,949,986)	(11,771,264)	(22,567,308)
Financial investments	215,811,210	3,394,023	27,365,007	246,570,240	(184,476)	(421,418)	(15,266,335)	(15,872,229)
Lease receivables	68,673,795	2,180,686	1,242,423	72,096,904	(1,286,772)	(561,905)	(800,249)	(2,648,926)
Total	1,078,830,307	30,887,465	43,308,981	1,153,026,753	(7,337,481)	(5,933,309)	(27,856,875)	(41,127,665)
Financial assets at fair value through other comprehensive income (not including accrued interest)								
Loans and advances to customers	42,941,421	-	-	42,941,421	(648,724)	-	-	(648,724)
Financial investments	75,568,040	-	-	75,568,040	(21,684)	-	-	(21,684)
Total	118,509,461	-	-	118,509,461	(670,408)	-	-	(670,408)

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Risk management (Continued)

(a) Credit risk (Continued)

(ii) Financial assets analysed by credit quality are summarised as follows: (Continued)

At 31 December 2023								
	Balance			Total	Provision for impairment losses			Total
	Assessed for 12-month expected credit losses	Not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired and assessed for lifetime expected credit loss		Assessed for 12-month expected credit losses	Not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired and assessed for lifetime expected credit loss	
Financial assets measured at amortised cost (not including accrued interest)								
Cash and deposits with the central bank	65,047,202	-	-	65,047,202	-	-	-	-
Deposits/Placements with banks and other financial institutions	51,956,919	-	19,027	51,975,946	(8,752)	-	(19,027)	(27,779)
Financial assets held under resale agreements	56,275,928	-	-	56,275,928	(3,715)	-	-	(3,715)
Loans and advances to customers	604,410,800	23,025,889	14,452,328	641,889,017	(6,304,298)	(4,174,994)	(11,331,374)	(21,810,666)
Financial investments	226,466,623	2,250,335	27,726,354	256,443,312	(214,323)	(97,480)	(11,647,248)	(11,959,051)
Lease receivables	65,008,048	1,362,155	1,449,190	67,819,393	(1,190,670)	(376,920)	(924,289)	(2,491,879)
Total	1,069,165,520	26,638,379	43,646,899	1,139,450,798	(7,721,758)	(4,649,394)	(23,921,938)	(36,293,090)
Financial assets at fair value through other comprehensive income (not including accrued interest)								
Loans and advances to customers	65,573,154	-	-	65,573,154	(454,567)	-	-	(454,567)
Financial investments	76,170,685	-	-	76,170,685	(19,239)	-	-	(19,239)
Total	141,743,839	-	-	141,743,839	(473,806)	-	-	(473,806)

As at 30 June 2024, the fair value of collaterals held against loans and advances that are not credit-impaired and assessed for lifetime expected credit losses amounted to RMB28,431.88 million (31 December 2023: RMB29,354.22 million). The fair value of collaterals held against loans and advances that are credit-impaired and assessed for lifetime expected credit losses amounted to RMB4,550.99 million (31 December 2023: RMB2,193.41 million). The collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals was estimated by the Bank based on the latest external valuations, adjusted in light of disposal experience and current market conditions.

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(Expressed in thousands of Renminbi, unless otherwise stated)

43 Risk management (Continued)

(a) Credit risk (Continued)

(iii) Amounts due from banks and other financial institutions

The amounts due from banks and non-bank financial institutions including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions. Amounts due from banks and non-bank financial institutions are rated with reference to major rating agencies accepted by the People's Bank of China.

	30 June 2024	31 December 2023
Neither overdue nor credit-impaired		
Ratings		
– A to AAA	77,075,149	54,969,396
– unrated	32,856,641	53,637,611
Total	109,931,790	108,607,007

(iv) Debt securities

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations at the end of the reporting period are as follows:

	30 June 2024	31 December 2023
Neither overdue nor credit-impaired		
Ratings		
– AAA	292,844,757	277,842,315
– AA-to AA+	4,679,643	3,297,118
– BB-to BB+	220,299	22,920
– B-to B+	–	31,251
– unrated	22,565,988	16,517,773
Overdue and credit impaired		
– unrated	834,309	707,992
Total	321,144,996	298,419,369

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(Expressed in thousands of Renminbi, unless otherwise stated)

43 Risk management (Continued)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk and Internal Control Management Committee monitors the market risk management process within the scope authorised by the board of directors, which include review and approval of market risk management strategies, policies and procedures. The Group is primarily exposed to market risk in its financial markets business. The Financial Market Department is responsible for carrying out capital investments and transactions, as well as monitoring and managing the foreign exchange risk on a daily basis. The Asset and Liability Management Department is responsible for monitoring and managing the interest rate risk in bank account. The Risk Management Department is responsible for formulating the market risk management policies and procedures, as well as identifying, measuring and monitoring the Group's market risk.

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

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

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

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

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

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

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Risk management (Continued)

(b) Market risk (Continued)

Interest rate risk

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

Repricing risk

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

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

Trading interest rate risk

Trading interest rate risk mainly arises from the financial markets business’ investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios’ fair value given a 100 basis points (1%) movement in the interest rates.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

- (i) The following tables indicate the assets and liabilities at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

	At 30 June 2024					Total
	Within three months	Three months to one year	One year to five years	More than five years	Non-interest bearing	
Assets						
Cash and deposits with the central bank	68,061,029	-	-	-	2,057,633	70,118,662
Deposits with banks and other financial institutions	27,021,119	3,301,717	-	-	66,788	30,389,624
Placement with banks and other financial institutions	13,562,511	24,326,588	-	-	216,580	38,105,679
Derivative financial assets	-	-	-	-	102,507	102,507
Financial assets held under resale agreements	41,425,814	-	-	-	10,673	41,436,487
Loans and advances to customers (Note (1))	304,320,260	186,027,698	125,677,910	60,969,874	5,141,193	682,136,935
Financial investments (Note (2))	24,797,690	29,808,377	137,267,427	114,392,558	92,434,220	398,700,272
Lease receivables (Note (3))	21,378,717	3,889,648	42,658,985	1,520,628	-	69,447,978
Others	-	-	-	-	31,229,755	31,229,755
Total assets	500,567,140	247,354,028	305,604,322	176,883,060	131,259,349	1,361,667,899
Liabilities						
Borrowing from the central bank	18,637,083	47,331,797	-	-	578,500	66,547,380
Deposits from banks and other financial institutions	11,497,937	5,003,000	-	-	99,553	16,600,490
Placement from banks and other financial institutions	25,520,390	39,235,000	479,067	-	580,975	65,815,432
Derivative financial liabilities	-	-	-	-	26,460	26,460
Financial liabilities at fair value through profit or loss	-	-	-	-	91,260	91,260
Financial assets sold under repurchase agreements	64,117,575	-	-	-	17,906	64,135,481
Deposits from customers	360,759,314	280,976,978	248,924,252	6,400,721	21,006,024	918,067,289
Debt securities issued	50,786,238	65,161,756	-	2,000,000	105,866	118,053,860
Others	281,027	876,626	2,891,023	162,945	9,285,745	13,497,366
Total liabilities	531,599,564	438,585,157	252,294,342	8,563,666	31,792,289	1,262,835,018
Asset-liability gap	(31,032,424)	(191,231,129)	53,309,980	168,319,394	99,467,060	98,832,881

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(Expressed in thousands of Renminbi, unless otherwise stated)

43 Risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) (Continued)

	At 31 December 2023					
	Within three months	Three months to one year	One year to five years	More than five years	Non-interest bearing	Total
Assets						
Cash and deposits with the central bank	65,047,202	-	-	-	1,985,878	67,033,080
Deposits with banks and other financial institutions	13,918,710	2,718,067	-	-	75,730	16,712,507
Placement with banks and other financial institutions	27,512,645	7,798,745	-	-	280,437	35,591,827
Derivative financial assets	-	-	-	-	33,450	33,450
Financial assets held under resale agreements	56,272,213	-	-	-	30,460	56,302,673
Loans and advances to customers (Note (1))	387,640,643	153,770,554	115,229,916	29,010,392	4,217,864	689,869,369
Financial investments (Note (2))	34,450,034	30,198,429	169,181,976	86,824,507	66,185,881	386,840,827
Lease receivables (Note (3))	24,804,842	3,902,619	36,364,056	255,997	-	65,327,514
Others	-	-	-	-	28,735,250	28,735,250
Total assets	609,646,289	198,388,414	320,775,948	116,090,896	101,544,950	1,346,446,497
Liabilities						
Borrowing from the central bank	15,899,337	51,745,514	-	-	411,061	68,055,912
Deposits from banks and other financial institutions	31,462,086	7,086,000	-	-	155,877	38,703,963
Placement from banks and other financial institutions	19,734,354	43,819,304	360,647	-	568,483	64,482,788
Derivative financial liabilities	-	-	-	-	335,589	335,589
Financial assets sold under repurchase agreements	73,097,326	-	-	-	23,961	73,121,287
Deposits from customers	383,117,313	198,822,186	249,182,043	6,400,000	22,262,239	859,783,781
Debt securities issued	63,920,315	60,851,880	4,997,652	2,000,000	220,731	131,990,578
Others	84,296	315,850	298,401	18,017	12,367,864	13,084,428
Total liabilities	587,315,027	362,640,734	254,838,743	8,418,017	36,345,805	1,249,558,326
Asset-liability gap	22,331,262	(164,252,320)	65,937,205	107,672,879	65,199,145	96,888,171

Notes:

- (1) As at 30 June 2024, for loans and advances to customers, the category "Within three months" includes overdue amounts (net of provision for impairment losses) of RMB13,571.23 million (31 December 2023: RMB13,846.16 million).
- (2) As at 30 June 2024, for financial investments, the category "Within three months" includes overdue amounts (net of provision for impairment losses) of RMB10,220.22 million (31 December 2023: RMB17,143.71 million).
- (3) As at 30 June 2024, for lease receivables, the category "Within three months" includes overdue amounts (net of provision for impairment losses) of RMB350.97 million (31 December 2023: RMB449.05 million).

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis

	30 June 2024 (Decrease)/ increase	31 December 2023 (Decrease)/ increase
Changes in net profit		
Up 100 basis points ("bps") parallel shift in yield curves	(741,488)	(756,435)
Down 100 bps parallel shift in yield curves	741,488	756,435
Changes in equity		
Up 100 bps parallel shift in yield curves	(1,331,911)	(3,260,928)
Down 100 bps parallel shift in yield curves	1,512,855	3,422,743

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

- Interest rate movements at the end of each of the reporting period apply to non-derivative financial instruments of the Group;
- At the end of each of the reporting period, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

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

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Risk management (Continued)

(b) Market risk (Continued)

Foreign currency risk

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

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

	At 30 June 2024				
	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets					
Cash and deposits with the central bank	70,013,327	105,298	37	–	70,118,662
Deposits with banks and other financial institutions	28,071,453	987,722	1,280,112	50,337	30,389,624
Placement with banks and other financial institutions	37,677,609	428,070	–	–	38,105,679
Financial assets held under resale agreements	41,436,487	–	–	–	41,436,487
Loans and advances to customers	679,735,640	2,401,295	–	–	682,136,935
Financial investments	393,491,986	4,906,730	301,556	–	398,700,272
Lease receivables	69,447,978	–	–	–	69,447,978
Derivative financial assets	102,507	–	–	–	102,507
Others	31,124,420	105,298	37	–	31,229,755
Total assets	1,351,101,407	8,934,413	1,581,742	50,337	1,361,667,899
Liabilities					
Borrowing from the central bank	66,547,380	–	–	–	66,547,380
Deposits from banks and other financial institutions	16,592,200	–	–	8,290	16,600,490
Placement from banks and other financial institutions	62,181,108	3,634,324	–	–	65,815,432
Financial assets sold under repurchase agreements	63,957,154	178,327	–	–	64,135,481
Financial liabilities at fair value through profit or loss	91,260	–	–	–	91,260
Deposits from customers	915,400,848	2,636,140	1,024	29,277	918,067,289
Debt securities issued	118,053,860	–	–	–	118,053,860
Derivative financial liabilities	26,460	–	–	–	26,460
Others	13,643,117	9,154	25,095	–	13,497,366
Total liabilities	1,256,313,387	6,457,945	26,119	37,567	1,262,835,018
Asset-liability gap	94,788,020	2,476,468	1,555,623	12,770	98,832,881

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Risk management (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

	At 31 December 2023				
	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets					
Cash and deposits with the central bank	66,953,478	78,446	183	973	67,033,080
Deposits with banks and other financial institutions	11,501,579	3,885,253	1,272,341	53,334	16,712,507
Placement with banks and other financial institutions	34,777,572	814,255	–	–	35,591,827
Financial assets held under resale agreements	56,161,073	141,600	–	–	56,302,673
Loans and advances to customers	687,903,909	1,965,460	–	–	689,869,369
Financial investments	380,192,139	6,127,079	521,609	–	386,840,827
Lease receivables	65,327,514	–	–	–	65,327,514
Derivative financial assets	33,450	–	–	–	33,450
Others	28,392,567	297,630	44,911	142	28,735,250
Total assets	1,331,243,281	13,309,723	1,839,044	54,449	1,346,446,497
Liabilities					
Borrowing from the central bank	68,055,912	–	–	–	68,055,912
Deposits from banks and other financial institutions	38,703,962	1	–	–	38,703,963
Placement from banks and other financial institutions	62,001,843	2,480,945	–	–	64,482,788
Financial assets sold under repurchase agreements	73,121,287	–	–	–	73,121,287
Deposits from customers	857,766,114	1,990,146	1,100	26,421	859,783,781
Debt securities issued	131,990,578	–	–	–	131,990,578
Derivative financial liabilities	335,589	–	–	–	335,589
Others	13,051,758	7,752	24,916	2	13,084,428
Total liabilities	1,245,027,043	4,478,844	26,016	26,423	1,249,558,326
Asset-liability gap	86,216,238	8,830,879	1,813,028	28,026	96,888,171

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Risk management (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

	30 June 2024	31 December 2023
	Increase/ (decrease)	Increase/ (decrease)
Changes in profit after taxation and equity		
Up 100 bps change of foreign exchange rate	30,336	80,039
Down 100 bps change of foreign exchange rate	(30,336)	(80,039)

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

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

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

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 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 sustain its asset business or meet repayment obligations. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and
- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximisation and cost minimisation to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

The Asset and Liability Management Department takes the lead to execute liquidity management policies and is responsible for formulating and revising the liquidity management strategies, and for identifying, measuring, monitoring and releasing the liquidity risk of the Bank. It is also responsible for managing and forecasting the working capital on a regular basis and ensuring the liquidity of working capital meets management requirements based on the liquidity strategies. The Finance Market Department is responsible for performing the operation following the instructions of the Asset and Liability Management Department. Significant disbursement or portfolio changes must be reported to the ALMC on a timely basis.

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

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Risk management (Continued)

(c) Liquidity risk (Continued)

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

	Six months ended 30 June 2024							Total
	Indefinite (Note (i))	On demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	45,371,216	24,726,248	-	21,198	-	-	-	70,118,662
Deposits with banks and other financial institutions	83,175	10,872,778	7,988,252	8,143,702	3,301,717	-	-	30,389,624
Placements with banks and other financial institutions	-	-	117,643	13,487,246	24,500,790	-	-	38,105,679
Derivative financial assets	-	-	36,534	-	44,245	21,728	-	102,507
Financial assets held under resale agreements	-	-	41,436,487	-	-	-	-	41,436,487
Loans and advances to customers	2,236,757	5,567,756	55,998,876	46,714,349	211,120,644	174,461,052	186,037,501	682,136,935
Financial investments	10,415,008	29,557,161	4,408,168	12,848,859	55,111,917	156,867,306	129,491,853	398,700,272
Lease receivables	1,799,538	709,962	132,517	896,660	6,315,385	53,781,780	5,812,136	69,447,978
Others	16,911,882	-	2,152,837	6,252	17,256	12,123,541	17,987	31,229,755
Total assets	76,817,576	71,433,905	112,271,314	82,118,266	300,411,954	397,255,407	321,359,477	1,361,667,899
Liabilities								
Borrowing from the central bank	-	921	4,656,268	14,177,973	47,712,218	-	-	66,547,380
Deposits from banks and other financial institutions	-	2,251,744	5,099,408	4,230,776	5,018,562	-	-	16,600,490
Placements from banks and other financial institutions	-	-	13,389,430	12,459,724	39,464,044	502,234	-	65,815,432
Derivative financial liabilities	-	-	-	-	1,942	24,518	-	26,460
Financial liabilities at fair value through profit or loss	-	-	91,260	-	-	-	-	91,260
Financial assets sold under repurchase agreements	-	-	64,135,481	-	-	-	-	64,135,481
Deposits from customers	-	257,531,123	34,311,553	72,751,752	288,390,283	258,681,848	6,400,730	918,067,289
Debt securities issued	-	-	18,686,218	32,190,267	65,177,375	-	2,000,000	118,053,860
Others	-	9,471,012	116,175	188,285	959,166	2,651,308	111,420	13,497,366
Total liabilities	-	269,254,800	140,485,793	135,998,777	446,723,590	261,859,908	8,512,150	1,262,835,018
Long/(short) position	76,817,576	(197,820,895)	(28,214,479)	(53,880,511)	(146,311,636)	135,395,499	312,847,327	98,832,881

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(Expressed in thousands of Renminbi, unless otherwise stated)

43 Risk management (Continued)

(c) Liquidity risk (Continued)

	Year ended 31 December 2023							Total
	Indefinite (Note (i))	On demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	43,250,389	23,760,565	-	21,951	175	-	-	67,033,080
Deposits with banks and other financial institutions	-	12,400,965	1,393,500	172,755	2,745,287	-	-	16,712,507
Placements with banks and other financial institutions	-	-	4,473,315	23,249,286	7,869,226	-	-	35,591,827
Derivative financial assets	-	-	1,152	7,387	-	24,911	-	33,450
Financial assets held under resale agreements	-	-	56,302,673	-	-	-	-	56,302,673
Loans and advances to customers	8,332,507	6,119,824	60,847,375	94,195,316	164,898,535	178,362,076	177,113,736	689,869,369
Financial investments	17,133,312	1,094,599	4,306,070	15,410,709	39,310,145	169,967,995	139,617,997	386,840,827
Lease receivables	708,814	73,385	465,903	451,476	5,404,207	53,197,027	5,026,702	65,327,514
Others	17,174,999	-	30,152	627,627	248,088	10,617,243	37,141	28,735,250
Total assets	86,600,021	43,449,338	127,820,140	134,136,507	220,475,663	412,169,252	321,795,576	1,346,446,497
Liabilities								
Borrowing from the central bank	-	960	5,085,846	10,899,339	52,069,767	-	-	68,055,912
Deposits from banks and other financial institutions	-	2,591,489	7,704,666	21,254,386	7,153,422	-	-	38,703,963
Placements from banks and other financial institutions	-	-	7,149,454	12,818,472	44,147,242	367,620	-	64,482,788
Derivative financial liabilities	-	-	304,340	-	4,231	27,018	-	335,589
Financial assets sold under repurchase agreements	-	-	68,214,978	4,906,309	-	-	-	73,121,287
Deposits from customers	-	261,538,717	54,257,696	77,504,577	204,277,216	255,805,575	6,400,000	859,783,781
Debt securities issued	-	-	19,975,116	44,004,918	61,012,892	4,997,652	2,000,000	131,990,578
Others	-	3,574,517	549,827	347,644	4,609,684	3,908,740	94,016	13,084,428
Total liabilities	-	267,705,683	163,241,923	171,735,645	373,274,454	265,106,605	8,494,016	1,249,558,326
Long/(short) position	86,600,021	(224,256,345)	(35,421,783)	(37,599,138)	(152,798,791)	147,062,647	313,301,560	96,888,171

Note:

- (i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers and lease receivables includes all the credit-impaired loans and lease receivables, as well as those overdue more than one month. Loans and advances to customers and lease receivables with no impairment but overdue within one month are classified into the category of recoverable on demand. Indefinite amount of investments represents credit-impaired investments or those overdue more than one month. Financial investments with no impairment but overdue within one month are classified into the category of recoverable on demand. Equity investments is listed in the category of indefinite.

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(Expressed in thousands of Renminbi, unless otherwise stated)

43 Risk management (Continued)

(c) Liquidity risk (Continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and loan commitments at the end of the reporting period:

	At 30 June 2024							
	Carrying amount	Contractual undiscounted cash flow	On demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowing from the central bank	66,547,380	67,187,456	921	4,781,597	14,387,403	48,017,535	-	-
Deposits from banks and other financial institutions	16,600,490	16,774,293	2,251,744	5,158,784	4,273,197	5,090,568	-	-
Placements from banks and other financial institutions	65,815,432	67,429,833	-	13,690,397	12,738,406	40,463,325	537,705	-
Financial assets sold under repurchase agreements	64,135,481	64,158,847	-	64,158,847	-	-	-	-
Financial liabilities at fair value through profit or loss	91,260	91,260	-	91,260	-	-	-	-
Deposits from customers	918,067,289	948,794,416	257,531,123	34,355,500	73,130,206	296,304,571	280,406,871	7,066,145
Debt securities issued	118,053,860	121,495,564	-	18,813,846	32,558,226	67,583,492	432,000	2,108,000
Lease liabilities	587,437	609,763	-	31,287	75,813	171,970	304,522	26,171
Total non-derivative financial liabilities	1,249,898,629	1,286,541,432	259,783,788	141,081,518	137,163,251	457,631,461	281,681,098	9,200,316
Loan commitments	-	17,376,479	-	17,376,479	-	-	-	-

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(Expressed in thousands of Renminbi, unless otherwise stated)

43 Risk management (Continued)

(c) Liquidity risk (Continued)

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

	At 31 December 2023							
	Carrying amount	Contractual undiscounted cash flow	On demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowing from the central bank	68,055,912	68,992,684	960	5,091,212	10,945,782	52,954,730	-	-
Deposits from banks and other financial institutions	38,703,963	38,897,984	2,591,489	7,709,508	21,356,693	7,240,294	-	-
Placements from banks and other financial institutions	64,482,788	66,281,354	-	7,338,401	13,079,819	45,470,103	393,031	-
Financial assets sold under repurchase agreements	73,121,287	73,170,888	-	68,245,494	4,925,394	-	-	-
Deposits from customers	859,783,781	881,157,348	261,538,717	54,420,841	77,808,988	207,267,774	272,998,589	7,122,439
Debt securities issued	131,990,578	133,793,121	-	20,010,908	44,213,432	61,882,281	5,578,500	2,108,000
Lease liabilities	731,318	778,185	-	35,270	53,290	343,064	327,422	19,139
Total non-derivative financial liabilities	1,236,869,627	1,263,071,564	264,131,166	162,851,634	172,383,398	375,158,246	279,297,542	9,249,578
Loan commitments	-	14,369,815	-	14,369,815	-	-	-	-

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

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(Expressed in thousands of Renminbi, unless otherwise stated)

43 Risk management (Continued)

(c) Liquidity risk (Continued)

The following tables analyse the Group's contractual undiscounted cash flows of derivative financial instruments to be settled on a net and gross basis as at the end of the reporting period:

	At 30 June 2024							
	Carrying amount	Contractual undiscounted cash flow	On demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Derivatives settled on net basis								
Foreign exchange forwards	42,015	44,428	-	-	-	44,428	-	-
Interest rate swaps	(2,502)	(2,613)	-	-	-	-	(2,613)	-
Derivatives settled on gross basis								
Currency swaps								
- cash outflow	(3,333,723)	(3,372,438)	-	(3,372,438)	-	-	-	-
- cash inflow	3,370,257	3,378,103	-	3,378,103	-	-	-	-
Total	76,047	47,480	-	5,665	-	44,428	(2,613)	-

	At 31 December 2023							
	Carrying amount	Contractual undiscounted cash flow	On demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Derivatives settled on net basis								
Foreign exchange forwards	(303,188)	(316,077)	-	(316,077)	-	-	-	-
Interest rate swaps	(2,107)	(2,259)	-	-	-	-	(2,259)	-
Derivatives settled on gross basis								
Currency swaps								
- cash outflow	(664,045)	(672,579)	-	-	(672,579)	-	-	-
- cash inflow	671,432	679,939	-	-	679,939	-	-	-
Precious metal derivatives								
- cash outflow	(959,828)	(968,649)	-	-	-	(968,649)	-	-
- cash inflow	955,597	964,380	-	-	-	964,380	-	-
Total	(302,139)	(315,245)	-	(316,077)	7,360	(4,269)	(2,259)	-

The Group's derivatives include foreign exchange forwards and currency swaps which will be settled on a net basis, and interest rate swaps which will be settled on a gross basis.

This analysis of the derivative financial instruments by contractual undiscounted cash flow might diverge from actual results.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Risk management (Continued)

(d) Operational risk

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

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, trading, corporate finance, settlement, intermediary business, asset management and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

- A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;
- A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;
- An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;
- An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and
- An independent risk assessment framework based on the internal audit and the compliance review.

44 Fair value

(a) Methods and assumptions for measurement of fair value

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

(i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of each reporting period.

(ii) Investments and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices at the end of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period. The Group has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

44 Fair value (Continued)

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

(iv) Derivative financial instruments

The fair values of foreign currency forward and swaps contracts are determined by the difference between the present value of the forward price and the contractual price at the end of the reporting period, or is based on quoted market prices. The fair values of interest rate swaps are estimated as the present value of estimated future cash flows.

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, loans and advances to customers, lease receivables and investments.

Deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers and lease receivables are mostly priced at floating rates close to the Loan Prime Rate (LPR). Accordingly, the carrying amounts of loans and advances to customers measured at amortised cost and lease receivables approximate the fair values. The fair values of Loans and advances to customers measured at fair value through other comprehensive income, are based on valuation techniques.

Financial investments at fair value through other comprehensive income and financial investments at fair value through profit or loss are stated at fair value. The carrying amount of financial investments at amortised cost is the reasonable approximations of its fair values because, in general, these investments are short-term in nature or repriced at current market rates frequently.

(ii) Financial liabilities

The Group's financial liabilities mainly include payables to banks and other financial institutions, deposits from customers and subordinated debt securities issued.

Financial liabilities designated at fair value through profit or loss are carried at fair value. The carrying amount and fair value of debt securities issued are disclosed in Note 32. The carrying amounts of other financial liabilities approximate their fair value.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

44 Fair value (Continued)

(c) Fair value hierarchy

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

Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and

Level 3: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis. The inputs used in valuation techniques include risk-free and benchmark interest rates, and credit spreads. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

	30 June 2024			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss	70,079	87,964,427	576,765	88,611,271
Derivative financial assets	–	102,507	–	102,507
Financial investments at fair value through other comprehensive income	–	76,386,896	155,054	76,541,950
Loans and advances to customers measured at fair value through other comprehensive income	–	42,941,421	–	42,941,421
Total	70,079	207,395,251	731,819	208,197,149
Liabilities				
Financial liabilities at fair value through profit or loss	–	91,260	–	91,260
Derivative financial liabilities	–	26,460	–	26,460
Total	–	117,720	–	117,720

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

44 Fair value (Continued)

(c) Fair value hierarchy (Continued)

	31 December 2023			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss	171,269	60,933,110	43,754	61,148,133
Derivative financial assets	–	33,450	–	33,450
Financial investments at fair value through other comprehensive income	–	77,141,172	155,054	77,296,226
Loans and advances to customers measured at fair value through other comprehensive income	–	65,573,154	–	65,573,154
Total	171,269	203,680,886	198,808	204,050,963
Liabilities				
Derivative financial liabilities	–	335,589	–	335,589
Total	–	335,589	–	335,589

During the reporting period, there were no significant transfers among instruments in Level 1, Level 2 and Level 3.

Movement of Level 3 fair value measurements of financial assets is as follows:

	2024	
	Financial assets at fair value through profit or loss	Financial investments at fair value through other comprehensive income
As at 1 January 2024	43,754	155,054
Additions	533,011	–
As at 30 June 2024	576,765	155,054

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

44 Fair value (Continued)

(c) Fair value hierarchy (Continued)

Movement of Level 3 fair value measurements of financial assets is as follows: (Continued)

	2023	
	Financial assets at fair value through profit or loss	Financial investments at fair value through other comprehensive income
As at 1 January 2023	60,222	124,879
Total fair value changes recognised in – Profit or loss	(7,972)	–
Additions	26,237	30,175
Disposals and settlements	(34,733)	–
As at 31 December 2023	43,754	155,054

45 Entrusted lending business

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the consolidated statement of financial position. Surplus funding is accounted for as deposits from customers.

	30 June 2024	31 December 2023
Entrusted loans	21,489,215	22,175,488
Entrusted funds	21,489,215	22,175,488

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

46 Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments take the form of loan commitments, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loans commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	30 June 2024	31 December 2023
Bank acceptances	89,195,709	70,913,639
Letters of credit	40,356,729	37,114,548
Loan commitments	17,376,479	14,369,815
Letters of guarantees	3,605,428	3,386,677
Total	150,534,345	125,784,679

The Group may be exposed to credit risk in all the above credit businesses. Group Management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

46 Commitments and contingent liabilities (Continued)

(b) Capital commitments

As at 30 June 2024 and 31 December 2023, the Group's authorised capital commitments are as follows:

	30 June 2024	31 December 2023
Contracted but not paid for	579,999	1,035,620
Total	579,999	1,035,620

(c) Outstanding litigations and disputes

As at 30 June 2024, the Group was the defendant in certain pending litigation and disputes with an estimated gross amounts of RMB1,456.18 million (31 December 2023: RMB1,506.05 million). The Group recognised the related litigation provision (see Note 33) based on the board of directors' best estimates.

47 Non-adjusting subsequent events

On 10 July 2024, the Bank issued the 2024 tier-2 capital bonds of Zhongyuan Bank Co., Ltd. (the first tranche) (the "Bonds") in the National Inter-Bank Bond Market. The total issuance size of the Bonds is RMB8 billion and the type is fixed rate bonds for a term of 10 years. The issuer shall have a conditional redemption right at the end of the fifth year with the coupon rate of 2.35%. The proceeds from the Bonds will be used to replenish the Bank's tier-2 capital in accordance with applicable laws and approvals by the regulatory authorities.

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial report, and is included herein for information purpose only.

1 Liquidity coverage ratio and leverage ratio

	June 30 2024	Average for the period ended June 30, 2023
Qualified high-quality liquid assets	145,900,989	
Net cash outflow	73,637,902	
Liquidity coverage ratio (RMB and foreign currency)	198.13%	589.17%
	December 31 2023	Average for the year ended 2023
Qualified high-quality liquid assets	152,352,397	
Net cash outflow	48,096,031	
Liquidity coverage ratio (RMB and foreign currency)	316.77%	437.67%

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018. During the transitional period, such ratio shall reach 60%, 70%, 80% and 90% by the end of 2014, 2015, 2016 and 2017, respectively.

Liquidity ratio

	June 30 2024	December 31 2023
Liquidity ratio	45.92%	48.44%

Leverage ratio

	June 30 2024	December 31 2023
Leverage ratio	6.28%	6.87%

The group has calculated the Leverage Ratio in accordance with the Administrative Measures for the Capital of Commercial Banks (《商業銀行資本管理辦法》) issued by the National Financial Regulatory Administration and was effective since January 1, 2024.

2 Net stable funding ratio

	June 30 2024	March 31 2024	December 31 2023
Available stable funding	841,497,116	830,071,376	800,867,812
Required stable funding	683,565,108	691,534,631	675,859,200
Net stable funding ratio	123.10%	120.03%	118.50%

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Currency concentrations

	June 30, 2024			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	8,934,413	1,581,742	50,337	10,566,492
Spot liabilities	(6,457,945)	(26,119)	(37,567)	(6,521,631)
Net position	2,476,468	1,555,623	12,770	4,044,861

	December 31, 2023			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	13,309,723	1,839,044	54,449	15,203,216
Spot liabilities	(4,478,844)	(26,016)	(26,423)	(4,531,283)
Net position	8,830,879	1,813,028	28,026	10,671,933

The Group has no structural position at the end of reporting period.

4 International claims

The Bank is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include amounts due from banks and other financial institutions and financial investments.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	June 30, 2024			
	Banks and other financial institutions	Public sector entities	Non-bank private sectors	Total
Asia Pacific	659,001	–	4,046,472	4,705,473
North America	331,491	–	–	331,491
Others	28,555	–	332,109	360,664
	1,019,047	–	4,378,581	5,397,628

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

4 International claims (Continued)

	December 31, 2023			Total
	Banks and other financial institutions	Public sectors entities	Non-bank private sector	
Asia Pacific	5,419,511	–	6,994,785	12,414,296
North America	1,167,778	–	–	1,167,778
Others	20,083	–	–	20,083
	6,607,372	–	6,994,785	13,602,157

5 Gross amount of overdue loans and advances

	June 30 2024	December 31 2023
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	1,428,059	1,473,141
– between 6 months and 1 year (inclusive)	3,436,688	2,733,955
– over 1 year	8,807,748	8,993,474
Total	13,672,495	13,200,570
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.20%	0.21%
– between 6 months and 1 year (inclusive)	0.49%	0.39%
– over 1 year	1.26%	1.27%
Total	1.95%	1.87%

X. Definitions

“14 County Banks”	Linzhou Zhongyuan County Bank Co., Ltd. (林州中原村鎮銀行股份有限公司), Qixian Zhongyuan County Bank Co., Ltd. (淇縣中原村鎮銀行股份有限公司), Xinxiang Zhongyuan County Bank Co., Ltd. (新鄉中原村鎮銀行股份有限公司), Puyang Zhongyuan County Bank Co., Ltd. (濮陽中原村鎮銀行股份有限公司), Lushi Zhongyuan County Bank Co., Ltd. (盧氏中原村鎮銀行股份有限公司), Xiangcheng Zhongyuan County Bank Co., Ltd. (襄城中原村鎮銀行股份有限公司), Xinyang Pingqiao Zhongyuan County Bank Co., Ltd. (信陽平橋中原村鎮銀行股份有限公司), Xiping Zhongyuan County Bank Co., Ltd. (西平中原村鎮銀行股份有限公司), Suiping Zhongyuan County Bank Co., Ltd. (遂平中原村鎮銀行股份有限公司), Shenzhen Nanshan Baosheng County Bank Co., Ltd. (深圳南山寶生村鎮銀行股份有限公司), Henan Luanchuan Minfeng County Bank Co., Ltd. (河南樂川民豐村鎮銀行股份有限公司), Mengjin Minfeng County Bank Co., Ltd. (孟津民豐村鎮銀行股份有限公司), Jiaxian Guangtian County Bank Co., Ltd. (郊縣廣天村鎮銀行股份有限公司), Luohe Yancheng Zhongyuan County Bank Co., Ltd. (漯河鄭城中原村鎮銀行有限責任公司)
“AB Leasing”	AB Leasing Co., Ltd. (邦銀金融租賃股份有限公司), a joint stock company incorporated in the PRC with limited liability and a subsidiary of the Bank
“Articles of Association”, or “Bank’s Articles of Association”	the articles of association of the Bank as may be amended, supplemented or otherwise modified from time to time
“Bank”, “we”, “us”, or “Zhongyuan Bank”	Zhongyuan Bank Co., Ltd. (中原銀行股份有限公司), a joint stock company established on December 23, 2014 in the PRC with limited liability pursuant to the relevant PRC laws and regulations, and, if the context requires, includes its predecessors, branches and sub-branches and all subsidiaries
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“BOL Financial Leasing”	BOL Financial Leasing Co., Ltd. (洛銀金融租賃股份有限公司), a joint stock company incorporated in the PRC with limited liability and a subsidiary of the Bank
“CBIRC”	the China Banking and Insurance Regulatory Commission, a former name of the National Financial Regulatory Administration
“China” or “PRC”	the People’s Republic of China, but for the purpose of this interim report only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan of the PRC
“Consumer Finance Company”	Henan Zhongyuan Consumer Finance Co., Ltd. (河南中原消費金融股份有限公司), a joint stock company established in the PRC on December 29, 2016 and a joint venture of our Bank
“Corporate Governance Code”	the Corporate Governance Code under Appendix C1 to the Hong Kong Listing Rules
“Director(s)”	director(s) of the Bank
“Domestic Shares”	ordinary shares of RMB1.00 each in the share capital of the Bank, which are subscribed for or credited as paid up in Renminbi
“H Shares”	ordinary shares of RMB1.00 each in the share capital of the Bank, which are listed on the Hong Kong Stock Exchange
“HK\$”	the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

X. Definitions

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules
“PBOC” or “Central Bank”	The People’s Bank of China (中國人民銀行)
“Reporting Period”	the 6 months ended June 30, 2024
“RMB” or “Renminbi”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	the holder(s) of the Shares
“Shares”	ordinary shares in the share capital with a nominal value of RMB1.00 each of the Bank, including Domestic Shares and H Shares
“Supervisors”	the supervisors of the Bank