



甘肅銀行股份有限公司\*

BANK OF GANSU CO., LTD.\*

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

Stock code: 2139



2023

INTERIM REPORT

\* Bank of Gansu 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/deposit-taking business in Hong Kong.

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# Chapter 1 Definitions

In this interim report, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Articles of Association” or “Articles”	the articles of association of the Bank
“Baiyin City Commercial Bank”	the former Baiyin City Commercial Bank Co., Ltd. (白銀市商業銀行股份有限公司). In May 2011, 25 legal entities, all shareholders of Baiyin City Commercial Bank and all shareholders of Pingliang City Commercial Bank jointly promoted and incorporated the Bank
“Bank” or “our Bank”	Bank of Gansu Co., Ltd. (甘肅銀行股份有限公司), a joint stock company incorporated in Gansu Province, the PRC on November 18, 2011 with limited liability in accordance with PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Banking Ordinance”	Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Board of Directors” or “Board”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission, replaced by the NAFR in March 2023
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for in Renminbi or credited as paid up
“Gansu Electric Power Investment”	Gansu Province Electric Power Investment Group Co., Ltd. (甘肅省電力投資集團有限公司), a company incorporated in the PRC on July 15, 1990, and a wholly-owned subsidiary of Gansu State-owned Assets Investment. As of the Latest Practicable Date, Gansu Electric Power Investment held approximately 4.21% of the Shares of the Bank



## Chapter 1 Definitions

“Gansu Highway Aviation Tourism”	Gansu Province Highway Aviation Tourism Investment Group Co., Ltd. (甘肅省公路航空旅遊投資集團有限公司), a company incorporated in the PRC on December 24, 1999, which is wholly-owned by Gansu SASAC. As of the Latest Practicable Date, Gansu Highway Aviation Tourism held approximately 18.30% of the Shares of the Bank. It is a substantial Shareholder and connected person of the Bank
“Gansu SASAC”	the State-owned Assets Supervision and Administration Commission of the Gansu Provincial Government (甘肅省人民政府國有資產監督管理委員會)
“Gansu State-owned Assets Investment”	Gansu Province State-owned Assets Investment Group Co., Ltd. (甘肅省國有資產投資集團有限公司), a company incorporated in the PRC on November 23, 2007, and 84% of its equity interest owned by Gansu SASAC and 16% of its equity interest owned by Jiuquan Iron & Steel. As of the Latest Practicable Date, it directly held approximately 12.67% of the Shares of the Bank, and indirectly held approximately 10.74% of the Shares of the Bank through its subsidiaries, including Gansu Electric Power Investment and Jinchuan Group. It is a substantial Shareholder and connected person of the Bank
“GDP”	gross domestic product
“H Share(s)”	ordinary shares issued by the Bank in Hong Kong pursuant to the global offering, with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed and traded on the Hong Kong Stock Exchange
“HK\$”, “HKD” or “HK dollars”	Hong Kong Dollars, the lawful currency of Hong Kong
“HKMA”	the Hong Kong Monetary Authority
“Hong Kong”	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 (《香港聯合交易所有限公司證券上市規則》), as amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards, International Accounting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
“independent third party”	a person or entity not considered a connected person or associate of a connected person of the Bank under the Hong Kong Listing Rules



## Chapter 1 Definitions

“Jinchuan Group”	Jinchuan Group Co., Ltd. (金川集團股份有限公司), a company incorporated in the PRC on September 28, 2001, of which Gansu State-owned Assets Investment is the largest shareholder, holding 47.97% of its equity interests. As of the Latest Practicable Date, Jinchuan Group held approximately 6.53% of the Shares of the Bank
“Jingning Chengji Rural Bank”	Pingliang Jingning Chengji Rural Bank Co., Ltd., a joint stock company with limited liability incorporated in the PRC on September 18, 2008 and a subsidiary of the Bank
“Jiuquan Iron & Steel”	Jiuquan Iron & Steel (Group) Co., Ltd. (酒泉鋼鐵(集團)有限責任公司), a company incorporated in the PRC on May 26, 1998, and 68.42% of its equity interest owned by Gansu SASAC and 31.58% of its equity interest owned by Gansu State-owned Assets Investment. As of the Latest Practicable Date, Jiuquan Iron & Steel held approximately 6.53% of the Shares of the Bank
“Latest Practicable Date”	August 30, 2023, the latest practicable date for ascertaining certain information in this interim report before its publication
“Listing”	the listing of our H Shares on the Hong Kong Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
“NAFR”	the National Administration of Financial Regulation, formerly known as China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“NAFR Gansu Office”	Gansu Office of the PRC National Administration of Financial Regulation, the former China Banking and Insurance Regulatory Commission Gansu Office
“NPL ratio” or “non-performing loan ratio”	the percentage ratio calculated by dividing non-performing loans by total loans
“NPLs” or “non-performing loans”	loans classified as substandard, doubtful and loss according to the five-category loan classification system of the Bank
“PBoC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Pingliang City Commercial Bank”	the former Pingliang City Commercial Bank Co., Ltd. (平涼市商業銀行股份有限公司). In May 2011, 25 legal entities, all shareholders of Baiyin City Commercial Bank and all shareholders of Pingliang City Commercial Bank jointly promoted and incorporated the Bank
“PRC” or “China”	the People’s Republic of China, but for the purpose of this interim report only, excluding Hong Kong, Macau and Taiwan Region of PRC, unless otherwise specified in the context





## Chapter 1 Definitions

“PRC GAAP”	the PRC Accounting Standards for Business Enterprises (中國企業會計準則) promulgated by MOF on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
“provincial city commercial bank(s)”	local city commercial bank(s), whose establishment was promoted by the provincial government
“Reporting Period”	the six months ended June 30, 2023 (namely from January 1, 2023 to June 30, 2023)
“RMB” or “Renminbi”	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)”	holder(s) of the Shares
“Shares”	ordinary shares in the share capital of the Bank with a nominal value of RMB1.00 each
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Supervisor(s)”	the supervisor(s) of the Bank
“United States” or “U.S.”	the United States of America
“US\$”, “USD” or “U.S. dollar(s)”	U.S. dollars, the lawful currency of the United States of America
“we”, “us”, “our”, “Group” or “our Group”	the Bank and its subsidiary on a consolidated basis

In this interim report:

- *Certain amounts and percentage figures included in this interim report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*
- *Unless the context otherwise requires, the terms “associate(s)”, “close associate(s)”, “connected person(s)”, “connected transaction(s)”, “core connected person(s)” and “substantial shareholder(s)” have the meanings given to such terms in the Hong Kong Listing Rules.*
- *For the ease of reference, in this interim report, unless otherwise indicated, the terms “gross loans and advances to customers”, “loans” and “grant of loans” are used synonymously.*
- *If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.*



## Chapter 2 Bank Profile

### I. BASIC INFORMATION OF THE BANK

Legal Name of the Company in Chinese	:	甘肅銀行股份有限公司
Legal Name of the Company in English	:	Bank of Gansu Co., Ltd.
Legal Representative	:	Liu Qing
Authorized Representatives	:	Liu Qing, Wong Wai Chiu
Secretary to the Board of Directors	:	Hao Jumei
Company Secretary	:	Wong Wai Chiu
Registered Address	:	525-1 Donggang West Road, Chengguan District, Lanzhou City, Gansu Province, the PRC
Customer Service Hotline	:	+86 400 86 96666
Telephone	:	+86 931 877 0491
Facsimile	:	+86 931 877 1877
Website of the Bank	:	<a href="http://www.gsbankchina.com">www.gsbankchina.com</a>
Principal Place of Business in Hong Kong	:	40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong
H Share Information Disclosure Website	:	<a href="http://www.hkexnews.hk">www.hkexnews.hk</a>
Stock Listing Place, Stock Short Name and Stock Code	:	The Stock Exchange of Hong Kong Limited, BANK OF GANSU, 2139
Domestic Shares Trustee Agency	:	China Securities Depository and Clearing Corporation Limited
H Share Registrar	:	Computershare Hong Kong Investor Services Limited
PRC Legal Adviser	:	Grandall Law Firm (Shanghai)
Hong Kong Legal Adviser	:	Latham & Watkins LLP
Domestic Auditor	:	Shinewing Certified Public Accountants LLP
International Auditor	:	SHINEWING (HK) CPA Limited
Place of Inspection of the Interim Report	:	Office of the Board of the Bank



## Chapter 2 Bank Profile

### II. HISTORY OF THE BANK

In light of the lack of provincial city commercial banks in Gansu province and in order to promote the economic development of Gansu province, the People's Government of Gansu Province decided to establish a provincial city commercial bank by building on the foundations of Baiyin City Commercial Bank and Pingliang City Commercial Bank. Therefore, on May 30, 2011, 25 legal entities (including large and medium-sized SOEs in Gansu province and private enterprises in and outside Gansu province) and representatives of all shareholders of both Baiyin City Commercial Bank and Pingliang City Commercial Bank jointly entered into a promoters agreement in respect of Dunhuang Bank Co., Ltd. (敦煌銀行股份有限公司). Pursuant to the agreement, the 25 legal entities contributed cash and all shareholders of both Baiyin City Commercial Bank and Pingliang City Commercial Bank contributed the appraised net assets of Baiyin City Commercial Bank and Pingliang City Commercial Bank, respectively, to jointly incorporate Dunhuang Bank Co., Ltd.. On August 24, 2011, the General Office of the People's Government of Gansu Province approved the change to the name of the Bank to be incorporated from the former "Dunhuang Bank Co., Ltd." to "Bank of Gansu Co., Ltd.". On September 27, 2011, the former CBIRC approved the establishment of the Bank. On November 18, 2011, the former CBIRC Gansu Office approved the commencement of business of the Bank and the conversion of Baiyin City Commercial Bank, Pingliang City Commercial Bank and their branches and subbranches into Baiyin Branch, Pingliang Branch and its sub-branches. On the same day, the Bank was granted the enterprise business license by the Administration for Industry and Commerce of Gansu Province and was formally incorporated under the Company Law of the People's Republic of China. The Bank is the only provincial city commercial bank in Gansu province.

The registered address of the Bank is 525-1 Donggang West Road, Chengguan District, Lanzhou City, Gansu Province, the PRC. The Bank has established a principal place of business in Hong Kong at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong and was registered as a non-Hong Kong company on June 28, 2017 under Part 16 of the Companies Ordinance. The Bank appointed Mr. Wong Wai Chiu as the Bank's authorized representative for the acceptance of service of process and notices in Hong Kong. The address for service of process on the Bank in Hong Kong is the same as the Bank's principal place of business in Hong Kong.

As the Bank was established in the PRC, the Bank's corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. The Bank carries on banking business in the PRC under the supervision and regulation of the NAFR and the PBoC. The Bank is not an authorized institution within the meaning of the Banking Ordinance, and is not subject to the supervision of the HKMA, nor authorized to carry on banking and/or deposit-taking business in Hong Kong.

The Bank's H Shares were listed on the Main Board of the Hong Kong Stock Exchange on January 18, 2018.





## Chapter 2 Bank Profile

### III. AWARDS OF THE BANK IN THE FIRST HALF YEAR OF 2023

Awards and Honors	Awarding Parties/Media
Ranked 315th among the 2023 Top 1,000 World Banks (63th among Chinese banks)	The Banker Magazine
Ranked 446th among the 2023 Top 500 Most Valuable Global Banking Brands	The Banker Magazine
Ranked 55th among the 2023 Top 100 Banks in China's Banking Industry (2023年中國銀行業100強)	China Banking Association
2022 Provincial Governor Financial Award (2022年度省長金融獎)	The People's Government of Gansu Province
UnionPay Innovative Co-operation Excellence Award (銀聯創新合作優秀獎)	The China UnionPay (中國銀聯總公司)
The "Iron-horse Award for the Best Retail Small and Medium-sized Bank Award" of the 2023 (5th) Iron-horse Selection for Small and Medium-sized Bank (2023“鐵馬”中小銀行評選榮獲第五屆“鐵馬 – 最佳零售業務中小銀行獎”)	Modern Bankers Magazine (當代銀行家雜誌社)
The Banking News Award for "Services to Three Agricultural Issues" in 2022 (2022年銀行業“服務三農”好新聞獎)	China Banking Association
The "Digital Product-Silver Award" at the 2023 Excellence in Digital Finance Competition (2023卓越數字金融大賽榮獲“數字產品 – 銀獎”)	Financial Digital Development Alliance (金融數字化發展聯盟)



## Chapter 3 Financial Highlights

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Percentage change (%)	Year ended December 31, 2022
	2023 (unaudited)	2022 (unaudited)		
<b>Results of operations</b>				
Interest income	7,081.6	6,759.8	4.8	13,788.6
Interest expenses	(4,212.2)	(4,388.3)	(4.0)	(8,720.7)
<b>Net interest income</b>	<b>2,869.4</b>	<b>2,371.5</b>	<b>21.0</b>	<b>5,067.9</b>
Fee and commission income	228.5	242.2	(5.7)	464.0
Fee and commission expenses	(21.6)	(15.6)	38.5	(64.0)
<b>Net fee and commission income</b>	<b>206.9</b>	<b>226.6</b>	<b>(8.7)</b>	<b>400.0</b>
Net trading gains	310.1	257.9	20.2	762.1
Net gains arising from investment securities	11.5	36.0	(68.1)	51.9
Net exchange gains	96.6	118.3	(18.3)	209.6
Other operating (expense)/income, net	(7.8)	(2.8)	178.6	35.3
<b>Operating income</b>	<b>3,486.7</b>	<b>3,007.5</b>	<b>15.9</b>	<b>6,526.8</b>
Operating expenses	(1,052.5)	(975.8)	7.9	(2,337.9)
Impairment losses on assets, net of reversals	(2,063.1)	(1,740.1)	18.6	(3,618.4)
<b>Operating profit</b>	<b>371.1</b>	<b>291.6</b>	<b>27.3</b>	<b>570.5</b>
Share of results of an associate	0.3	0.1	200.0	(0.1)
<b>Profit before tax</b>	<b>371.4</b>	<b>291.7</b>	<b>27.3</b>	<b>570.4</b>
Income tax credit	36.6	103.5	(64.6)	33.9
<b>Profit for the period</b>	<b>408.0</b>	<b>395.2</b>	<b>3.2</b>	<b>604.3</b>
<b>Profit for the period attributable to:</b>				
– Owners of the Bank	407.3	393.9	3.4	601.4
– Non-controlling interests	0.7	1.3	(46.2)	2.9
<b>Profit for the period</b>	<b>408.0</b>	<b>395.2</b>	<b>3.2</b>	<b>604.3</b>
Basic earnings per share (RMB)	0.03	0.03	–	0.04
Diluted earnings per share (RMB)	0.03	0.03	–	0.04

\* The financial data of the Bank for the interim period have not been audited.



## Chapter 3 Financial Highlights

(Expressed in millions of RMB, unless otherwise stated)	As at June 30, 2023 (unaudited)	As at December 31, 2022	Percentage change (%)	
<b>Major indicators of assets/liabilities</b>				
Total assets	390,027.6	377,202.5	3.4	
Of which: total loans and advances to customers (including interest accrued)	228,823.5	214,272.4	6.8	
Total liabilities	357,029.5	344,603.2	3.6	
Of which: total deposits from customers (including interest accrued)	293,271.4	279,039.2	5.1	
<b>Total equity</b>	<b>32,998.1</b>	32,599.3	1.2	
<b>Profitability indicators (%)</b>				
	Six months ended June 30, 2023 (%) (unaudited)	2022 (%) (unaudited)	Percentage change (%)	
Return on assets <sup>(1)(14)</sup>	0.21	0.22	(4.5)	
Return on equity <sup>(2)(14)</sup>	2.48	2.45	1.2	
Net interest spread <sup>(3)(14)</sup>	1.36	1.43	(4.9)	
Net interest margin <sup>(4)(14)</sup>	1.58	1.45	9.0	
Net fee and commission income to operating income ratio <sup>(5)</sup>	5.93	7.53	(21.2)	
Cost-to-income ratio <sup>(6)</sup>	28.61	30.78	(7.1)	
<b>Capital adequacy indicators (%)</b>				
	As at June 30, 2023 (%) (unaudited)	As at December 31, 2022 (%)	Percentage change (%)	As at June 30, 2022 (%) (unaudited)
Core tier-one capital adequacy ratio <sup>(7)</sup>	11.71	11.76	(0.40)	11.78
Tier-one capital adequacy ratio <sup>(8)</sup>	11.71	11.76	(0.40)	11.78
Capital adequacy ratio <sup>(9)</sup>	12.29	12.28	0.10	12.26
Shareholders' equity to total assets ratio	8.46	8.64	(2.10)	8.65
<b>Assets quality indicators (%)</b>				
Non-performing loan ratio	1.96	2.00	(2.00)	1.99
Provision coverage ratio <sup>(10)</sup>	136.82	134.73	1.60	132.21
Provision to total loan ratio <sup>(11)(12)</sup>	2.68	2.69	(0.40)	2.63
<b>Other indicators (%)</b>				
Loan to deposit ratio <sup>(13)</sup>	77.07	75.28	2.40	76.02



## Chapter 3 Financial Highlights

### Notes:

- (1) Calculated by dividing the net profit for a period by the average balance of total assets at the beginning and the end of that period.
- (2) Calculated by dividing the net profit for a period by the average balance of total equity at the beginning and the end of that period.
- (3) Represents the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing net fee and commission income by operating income.
- (6) Calculated by dividing total operating expenses (net of business tax and surcharges) by operating income.
- (7) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (8) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (9) Capital adequacy ratio = (total capital – corresponding capital deductions)/risk-weighted assets.
- (10) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans and advances.
- (11) Provision to total loan ratio = provision for impairment losses on loans/total loans and advances to customers.
- (12) In accordance with the relevant regulatory requirements, as a non-systematically important bank in China, the Bank made a provision to total loans at the minimum standard ratio of 2.5%.
- (13) Calculated by dividing total loans and advances to customers by total customer deposits, whereas total loans and advances to customers and total customer deposits had been adjusted. The loan to deposit ratio is no longer a regulatory ratio for PRC commercial banks under the amended Commercial Banking Law of the People's Republic of China, which became effective on October 1, 2015.
- (14) The ratio for the six months ended June 30, 2022 and 2023, respectively, is calculated on an annual basis.



# Chapter 4 Management Discussion and Analysis

## 1. ENVIRONMENT AND PROSPECT

In the first half of the year, faced with the complex and severe international environment and the arduous task of domestic reform, development and stability, under the strong leadership of the CPC Central Committee with Comrade XI Jinping as the core, all regions across the country and all authorities attentively implemented the decisions and plans of the CPC Central Committee and the State Council to uphold the underlying principle of pursuing progress while ensuring stability, fully, accurately and comprehensively implement the new development philosophy, and accelerate the construction of a new development pattern to strive to promote high-quality development, take into account both the domestic and the international situations, coordinate epidemic prevention and control and economic and social development, integrate development and security, and make outstanding efforts to stabilise growth, employment and prices, so that market demand gradually recovered, production and supply continued to increase, the employment and prices of goods were generally stable, the income of residents grew steadily, and the overall economic operation rebounded and improved.

In the first half of the year, China's GDP amounted to RMB59.30 trillion, representing a year-on-year increase of 5.5% at constant prices. On a quarterly basis, China's GDP increased by 4.5% year-on-year in the first quarter and by 6.3% in the second quarter. By industries, the added value of the primary, secondary and tertiary industries increased by 3.7%, 4.3% and 6.4%, respectively, year-on-year. Specifically, industrial production recovered steadily, with the added value of industries above the national scale increasing by 3.8% year-on-year, 0.8 percentage point faster than in the first quarter. The contact-based and aggregated service industries improved significantly, with the added value of the service industries increasing by 6.4% year-on-year, and the production indexes of the accommodation and catering industry, the information transmission, software and information technology service industry, and the leasing and business service industry increasing by 20.0%, 15.4% and 9.3%, respectively. Market sales showed better growth, with total retail sales of consumer goods increasing by 8.2% year-on-year. Fixed asset investment continued to grow, with a 3.8% year-on-year increase in national fixed asset investment, including an increase of 12.5% in investment in high-tech industries. Import and export of goods continued to grow, with total import and export of goods increasing by 2.1% year-on-year, while imports and exports from and to countries along the "One Belt and One Road" route increased by 9.8%. The employment situation was generally stable, with the national average urban unemployment rate at 5.3%, a decrease of 0.2 percentage point from the first quarter. Residents' income grew steadily, with nationwide disposable income per capita increasing by 6.5% year-on-year on a nominal basis.

In the first half of the year, the PBoC gave full play to the aggregate and structural functions of its monetary policy, which provided strong support for the real economy and other key areas and weak links of the national economy. From the total credit volume, the PBoC reduced the reserve requirement ratio by 0.25 percentage point in the first half of the year, releasing long-term liquidity. As at the end of June, broad money M2 grew by 11.3%, social financing scale expanded by 9%, and RMB denominated loans increased by 11.3%, all maintaining at high levels. From the perspective of structure, financial institutions optimized credit structure, and reinforced its support for inclusive finance, scientific and technological innovation, green development, infrastructure and other key areas and weak links of the national economy. As at the end of June, the balance of medium and long-term loans in the manufacturing industry increased by 40.3% year-on-year, the balance of medium and long-term loans in the infrastructure industry increased by 15.8% year-on-year, the balance of loans to "Specialized and New" small and medium-sized enterprise increased by 20.4% year-on-year, the balance of inclusive loans to micro and small enterprises increased by 26.1% year-on-year, all obviously higher than the growth rate of all loans.



## Chapter 4 Management Discussion and Analysis

In the first half of the year, by committing to the “Two New” goals, following regional development map of “One Core and Three Belts”, implementing “Four Strengths” actions and striving for excellence in “Five Measurements”, the main economic indicators of Gansu Province, where the Bank is located, were above the expectation, and the driving force of endogenous growth continued to strengthen as its economy maintained a positive and upward trend. In the first half of the year, the GDP of the province reached RMB553.91 billion, representing a year-on-year growth of 6.8%, an increase of 2.6 percentage points over the same period of the previous year and 1.3 percentage points higher than the national level. The added value of the primary, secondary and tertiary industries increased by 6.0%, 6.5% and 7.0% year-on-year, respectively. The added value of industries above designated size increased by 6.8%; fixed assets investment increased by 13.4% year-on-year, representing an increase of 2.5 percentage points over the same period of the previous year; and the total retail sales of consumer goods increased by 9.2%.

### **2. DEVELOPMENT STRATEGY**

The Bank is committed to building itself into a “listed urban commercial bank with high-quality development and a comprehensive financial service provider of the first choice in the region”, with value creation as its core mission and high quality development as its core objective, to achieve balanced development in terms of scale, profitability, risk and capital.

To achieve the aforesaid goals, the Bank plans to: (i) build government financial business into a cornerstone business for high-quality development, realize transformation and development of traditional businesses such as retail and corporate, and turn emerging businesses such as special asset operation into profit growth points. (ii) continuously improve its risk and internal control and compliance capabilities, assets and liabilities management capabilities, omni-channel management capability, digitalization and other core capabilities; (iii) strengthen risk management and control and improve asset quality; (iv) promote the transformation of light capital and optimize the revenue structure; (v) give play to the advantages of provincial urban commercial banks and take the path of characteristics; (vi) strengthen customer management and enhance profit contribution; (vii) enrich the product system effectively and enhance market competitiveness; and (viii) optimize the structure of the talent team to empower high-quality development.





## Chapter 4 Management Discussion and Analysis

### 3. OVERALL BUSINESS REVIEW

The Bank's total operating income was RMB3,486.7 million for the six months ended June 30, 2023, representing an increase of 15.9% as compared with RMB3,007.5 million for the six months ended June 30, 2022. The Bank's net profit increased by 3.2% from RMB395.2 million for the six months ended June 30, 2022 to RMB408.0 million for the six months ended June 30, 2023. The Bank's operating income recorded an increase year on year, mainly due to the Bank's active adjustment of the asset-liability structure, early investment in the asset side, and orderly reduction of debt costs in the liability side; the net profit recorded a slightly year-on-year increase.

As at June 30, 2023, the Bank's total assets amounted to RMB390,027.6 million, representing an increase of 3.4% as compared with the end of 2022; total loans and advances to customers (including interest accrued) amounted to RMB228,823.5 million, representing an increase of 6.8% as compared with the end of 2022; the non-performing loan ratio was 1.96%, representing a decrease of 0.04 percentage point as compared with the beginning of 2023; total deposits from customers (including interest accrued) amounted to RMB293,271.4 million, representing an increase of 5.1% as compared with the end of 2022.

#### (a) Analysis of the Consolidated Statements of Profit or Loss

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Percentage change (%)
	2023	2022	Increase or decrease	
<b>Interest income</b>	<b>7,081.6</b>	6,759.8	321.8	4.8
<b>Interest expenses</b>	<b>(4,212.2)</b>	(4,388.3)	176.1	(4.0)
<b>Net interest income</b>	<b>2,869.4</b>	2,371.5	497.9	21.0
<b>Fee and commission income</b>	<b>228.5</b>	242.2	(13.7)	(5.7)
<b>Fee and commission expenses</b>	<b>(21.6)</b>	(15.6)	(6.0)	38.5
<b>Net fee and commission income</b>	<b>206.9</b>	226.6	(19.7)	(8.7)
Net trading gains	<b>310.1</b>	257.9	52.2	20.2
Net gains arising from investment securities	<b>11.5</b>	36.0	(24.5)	(68.1)
Net exchange gains	<b>96.6</b>	118.3	(21.7)	(18.3)
Other operating expense, net	<b>(7.8)</b>	(2.8)	(5.0)	178.6
Operating income	<b>3,486.7</b>	3,007.5	479.2	15.9
Operating expenses	<b>(1,052.5)</b>	(975.8)	(76.7)	7.9
Impairment losses on assets, net of reversals	<b>(2,063.1)</b>	(1,740.1)	(323.0)	18.6
<b>Operating profit</b>	<b>371.1</b>	291.6	79.5	27.3
Share of results of an associate	<b>0.3</b>	0.1	0.2	200.0
<b>Profit before tax</b>	<b>371.4</b>	291.7	79.7	27.3
Income tax credit	<b>36.6</b>	103.5	(66.9)	(64.6)
<b>Profit for the period</b>	<b>408.0</b>	395.2	12.8	3.2
<b>Profit for the period attributable to:</b>				
– Owners of the Bank	<b>407.3</b>	393.9	13.4	3.4
– Non-controlling interests	<b>0.7</b>	1.3	(0.6)	(46.2)
<b>Profit for the period</b>	<b>408.0</b>	395.2	12.8	3.2



## Chapter 4 Management Discussion and Analysis

### (i) Net interest income

The net interest income was the largest component of the Bank's operating revenue, accounting for 78.9% and 82.3% of the operating income for the six months ended June 30, 2022 and 2023, respectively. The table below sets forth the Bank's interest income, interest expenses and net interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Percentage change (%)
	2023	2022	Increase or decrease	
Interest income	7,081.6	6,759.8	321.8	4.8
Interest expenses	(4,212.2)	(4,388.3)	176.1	(4.0)
Net interest income	2,869.4	2,371.5	497.9	21.0

The table below sets forth the average balances of interest-earning assets and interest-bearing liabilities, the related interest income or expenses and the average yield of related assets or average cost of related liabilities of the Bank for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2023			Six months ended June 30, 2022		
	Average balance <sup>(1)</sup>	Interest income	Average yield <sup>(2)</sup> (%)	Average balance <sup>(1)</sup>	Interest income	Average yield <sup>(2)</sup> (%)
<b>Interest-earning assets</b>						
Loans and advances to customers	218,374.5	5,430.1	4.97	197,753.6	5,094.0	5.15
Investment securities and other financial assets <sup>(3)</sup>	122,432.5	1,477.5	2.41	104,158.5	1,430.1	2.75
Deposits with banks	1,700.9	11.9	1.40	1,559.0	14.6	1.87
Financial assets held under resale agreements and placements with banks and other financial institutions	12,980.5	117.5	1.81	18,280.9	176.9	1.94
Deposits with the central bank <sup>(4)</sup>	17,018.3	120.2	1.41	18,011.2	128.6	1.43
<b>Total interest-earning assets</b>	<b>372,506.7</b>	<b>7,157.2</b>	<b>3.84</b>	<b>339,763.2</b>	<b>6,844.2</b>	<b>4.03</b>



## Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2023			Six months ended June 30, 2022		
	Average balance <sup>(1)</sup>	Interest expense	Average cost rate <sup>(2)</sup> (%)	Average balance <sup>(1)</sup>	Interest expense	Average cost rate <sup>(2)</sup> (%)
<b>Interest-bearing liabilities</b>						
Deposits from customers	275,769.5	3,351.7	2.43	267,114.9	3,412.3	2.55
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	7,384.7	90.0	2.44	3,947.9	33.7	1.71
Debt securities issued <sup>(5)</sup>	23,413.4	292.5	2.50	33,618.4	476.4	2.83
Deposits from banks and other financial institutions	25,653.1	403.6	3.15	25,633.3	392.4	3.06
Borrowings from the central bank	7,389.6	72.9	1.97	6,506.2	71.2	2.19
Lease liabilities	180.1	1.5	1.67	189.9	2.3	2.42
<b>Total interest-bearing liabilities</b>	<b>339,790.4</b>	<b>4,212.2</b>	<b>2.48</b>	<b>337,010.5</b>	<b>4,388.3</b>	<b>2.60</b>
<b>Net interest income</b>		<b>2,945.0</b>			<b>2,455.9</b>	
<b>Net interest spread<sup>(6)</sup></b>			<b>1.36</b>			<b>1.43</b>
<b>Net interest margin<sup>(7)</sup></b>			<b>1.58</b>			<b>1.45</b>

*Notes:*

- (1) The average balances of interest-earning assets and interest-bearing liabilities are derived from the unaudited management accounts of the Bank.
- (2) Calculated by dividing interest income/expense by average balance.
- (3) Primarily includes financial assets at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss. Interest income includes the interest income calculated in net trading gains of financial assets at fair value through profit or loss.
- (4) Primarily includes statutory deposit reserves, surplus deposit reserves and fiscal deposits reserves.
- (5) Primarily includes interbank certificates.
- (6) Represents the difference between the average yield of total interest-earning assets and the average cost of total interest-bearing liabilities.
- (7) Calculated by dividing net interest income by the average balance of interest-earning assets.



## Chapter 4 Management Discussion and Analysis

The table below sets forth the changes in interest income and interest expense attributable to changes in amount and interest rate of the Bank for the periods indicated. Changes in amount are measured by changes in average balances, and changes in interest rate are measured by changes in average interest rates. Changes caused by both amount and interest rate have been allocated to changes in amount.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2023 compared with 2022 Increase/(decrease)		
	Amount <sup>(1)</sup>	Interest rate <sup>(2)</sup>	Increase/ (decrease) <sup>(3)</sup>
<b>Interest-earning assets</b>			
Loans and advances to customers	512.4	(178.0)	336.1
Investment securities and other financial assets	220.2	(177.1)	47.4
Deposits with banks	1.0	(3.7)	(2.7)
Financial assets held under resale agreements and placements with banks and other financial institutions	(48.0)	(11.9)	(59.4)
Deposits with the central bank	(7.0)	(1.8)	(8.4)
<b>Change in interest income</b>	<b>628.7</b>	<b>(322.8)</b>	<b>313.0</b>
<b>Interest-bearing liabilities</b>			
Deposits from customers	105.2	(160.3)	(60.6)
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	41.9	14.4	56.3
Debt securities issued	(127.6)	(55.5)	(183.9)
Deposits from banks and other financial institutions	0.3	11.5	11.2
Borrowings from the central bank	8.7	(7.2)	1.7
Lease liabilities	(0.1)	(0.7)	(0.8)
<b>Change in interest expense</b>	<b>34.5</b>	<b>(202.2)</b>	<b>(176.1)</b>
<b>Change in net interest income</b>	<b>594.2</b>	<b>(120.6)</b>	<b>489.1</b>

*Notes:*

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



## Chapter 4 Management Discussion and Analysis

### (ii) Interest income

The table below sets forth the principal components of interest income of the Bank for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2023		2022	
	Amount	% of total (%)	Amount	% of total (%)
Loans and advances to customers	5,430.1	75.9	5,094.0	74.4
Investment securities and other financial assets <sup>(1)</sup>	1,477.5	20.6	1,430.1	20.9
Deposits with banks	11.9	0.2	14.6	0.2
Financial assets held under resale agreements and placements with other financial institutions	117.5	1.6	176.9	2.6
Deposits with the central bank	120.2	1.7	128.6	1.9
<b>Total</b>	<b>7,157.2</b>	<b>100.0</b>	<b>6,844.2</b>	<b>100.0</b>

Note:

(1) Interest income included the interest income calculated in net trading gains of financial assets at fair value through profit or loss.

Interest income increased by 4.6% from RMB6,844.2 million for the six months ended June 30, 2022 to RMB7,157.2 million for the six months ended June 30, 2023, primarily due to the average balance of interest-earning assets increased by 9.6% from RMB339,763.2 million for the six months ended June 30, 2022 to RMB372,506.7 million for the six months ended June 30, 2023, which was primarily due to the Bank's active support for the development of the real economy, which increased the asset investment to steadily grow in the size of interest-earning assets. The average yield of interest-earning assets decreased to 3.84% from 4.03% in the same period of last year.

### (A) Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 74.4% and 75.9% of total interest income for the six months ended June 30, 2022 and 2023, respectively. The table below sets forth the average balance, interest income and average yield of loans and advances to customers of the Bank by product for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Average balance <sup>(1)</sup>	Six months ended June 30,			Average yield (%)
		2023		2022	
		Interest income	Average yield (%)	Average balance <sup>(1)</sup>	Interest income
Corporate loans	142,248.1	3,894.3	5.48	127,171.8	3,665.8
Retail loans	50,009.3	1,294.7	5.18	46,794.6	1,141.6
Discounted bills	26,117.1	241.1	1.85	23,787.2	286.6
<b>Total loans and advances to customers</b>	<b>218,374.5</b>	<b>5,430.1</b>	<b>4.97</b>	<b>197,753.6</b>	<b>5,094.0</b>

Note:

(1) Represents the average of daily balances based on the unaudited management accounts of the Bank.



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### *(B) Interest income from investment securities and other financial assets*

Interest income from investment securities and other financial assets increased by 3.3% from RMB1,430.1 million for the six months ended June 30, 2022 to RMB1,477.5 million for the six months ended June 30, 2023, primarily due to the fact that the average balance increased by 17.5% from RMB104,158.5 million for the six months ended June 30, 2022 to RMB122,432.5 million for the six months ended June 30, 2023, which was mainly attributable to the new standardized investments; the average yield decreased from 2.75% for the six months ended June 30, 2022 to 2.41% for the six months ended June 30, 2023, which was mainly due to the new standardized investments and the fluctuations of market interest rates.

### *(C) Interest income from deposits with banks*

Interest income from deposits with banks decreased by 18.5% from RMB14.6 million for the six months ended June 30, 2022 to RMB11.9 million for the six months ended June 30, 2023, which was mainly due to the fact that the average yield decreased from 1.87% for the six months ended June 30, 2022 to 1.40% for the six months ended June 30, 2023, which was mainly due to the decline in market interest rates; the average balance increased by 9.1% from RMB1,559.0 million for the six months ended June 30, 2022 to RMB1,700.9 million for the six months ended June 30, 2023, which was mainly due to the increased current assets deposited with banks by the Bank.

### *(D) Interest income from financial assets held under resale agreements and placements with banks and other financial institutions*

Interest income from financial assets held under resale agreements and placements with banks and other financial institutions decreased by 33.6% from RMB176.9 million for the six months ended June 30, 2022 to RMB117.5 million for the six months ended June 30, 2023, primarily due to the decrease in the average balance by 29.0% from RMB18,280.9 million for the six months ended June 30, 2022 to RMB12,980.5 million for the six months ended June 30, 2023, which was due to the adjustment of asset-liability structure proactively made by the Bank, resulting in a reduction of financial assets held under resale agreements and placements with other financial institutions; the average yield decreased from 1.94% for the six months ended June 30, 2022 to 1.81% for the six months ended June 30, 2023, which was mainly due to the decline in market interest rates.

### *(E) Interest income from deposits with the central bank*

Interest income from deposits with the central bank decreased by 6.5% from RMB128.6 million for the six months ended June 30, 2022 to RMB120.2 million for the six months ended June 30, 2023, primarily due to fact that the average balance decreased by 5.5% from RMB18,011.2 million for the six months ended June 30, 2022 to RMB17,018.3 million for the six months ended June 30, 2023, which was primarily due to the decrease in the average daily balance of deposits with the central bank resulting from the decrease in deposit reserve ratio; the average yield in deposits with the central bank decreased from 1.43% for the six months ended June 30, 2022 to 1.41% for the six months ended June 30, 2023, representing a slight decrease.





## Chapter 4 Management Discussion and Analysis

### (iii) Interest expense

The table below sets forth the principal components of interest expense of the Bank for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2023		2022	
	Amount	% of total (%)	Amount	% of total (%)
Deposits from customers	3,351.7	79.6	3,412.3	77.8
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	90.0	2.1	33.7	0.8
Debt securities issued	292.5	6.9	476.4	10.8
Deposits from banks and other financial institutions	403.6	9.6	392.4	8.9
Borrowings from the central bank	72.9	1.7	71.2	1.6
Lease liabilities	1.5	0.1	2.3	0.1
<b>Total</b>	<b>4,212.2</b>	<b>100.0</b>	<b>4,388.3</b>	<b>100.0</b>

Interest expense decreased by 4.0% from RMB4,388.3 million for the six months ended June 30, 2022 to RMB4,212.2 million for the six months ended June 30, 2023, primarily due to a decrease in the average cost of interest-bearing liabilities, from 2.60% for the six months ended June 30, 2022 to 2.48% for the six months ended June 30, 2023, which was mainly attributable to the adjustment of liability structure proactively made by the Bank, which orderly reduced the costs of debts; the average balance of interest-bearing liabilities increased by 0.8% from RMB337,010.5 million for the six months ended June 30, 2022 to RMB339,790.4 million for the six months ended June 30, 2023, which mainly due to the fact that the Bank strengthened marketing to effectively increased the scale of debts, and the impact of the decrease in average cost on interest expense was higher than that of the increase in average balance.

#### (A) Interest expense on deposits from customers

Interest expense on deposits from customers decreased by 1.8% from RMB3,412.3 million for the six months ended June 30, 2022 to RMB3,351.7 million for the six months ended June 30, 2023, primarily due to the average cost decreased from 2.55% for the six months ended June 30, 2022 to 2.43% for the six months ended June 30, 2023, which was mainly attributable to the adjustment of structures of deposits from customers proactively made by the Bank, which orderly reduced the costs of deposits from customers. The average balance of deposits from customers increased by 3.2% from RMB267,114.9 million for the six months ended June 30, 2022 to RMB275,769.5 million for the six months ended June 30, 2023, which was mainly due to the fact that the Bank strengthened the marketing of deposits from customers to effectively increased the scale of deposits from customers.

#### (B) Interest expense on financial assets sold under repurchase agreements and placements from banks and other financial institutions

Interest expense on financial assets sold under repurchase agreements and placements from banks and other financial institutions increased by 167.1% from RMB33.7 million for the six months ended June 30, 2022 to RMB90.0 million for the six months ended June 30, 2023, primarily due to the fact that the average balance increased by 87.1% from RMB3,947.9 million for the six months ended June 30, 2022 to RMB7,384.7 million for the six months ended June 30, 2023, which was mainly due to the increase in repurchase transactions; the average cost rate increased from 1.71% for the six months ended June 30, 2022 to 2.44% for the six months ended June 30, 2023, which was mainly attributable to the structural adjustments.



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### (C) *Interest expense on debt securities issued*

Interest expense on debt securities issued decreased by 38.6% from RMB476.4 million for the six months ended June 30, 2022 to RMB292.5 million for the six months ended June 30, 2023, primarily due to a decrease of 30.4% in the average balance from RMB33,618.4 million for the six months ended June 30, 2022 to RMB23,413.4 million for the six months ended June 30, 2023, which was primarily due to the optimization of debt structures by the Bank, resulting in a reduction of allocation of business scale of debt securities in issue. The average cost rate decreased from 2.83% for the six months ended June 30, 2022 to 2.50% for the six months ended June 30, 2023, which was primarily due to the structural adjustments and the fluctuation of market interest rates.

### (D) *Interest expense on deposits from banks and other financial institutions*

Interest expense on deposits from banks and other financial institutions increased by 2.9% from RMB392.4 million for the six months ended June 30, 2022 to RMB403.6 million for the six months ended June 30, 2023, primarily due to the fact that the average cost rate increased from 3.06% for the six months ended June 30, 2022 to 3.15% for the six months ended June 30, 2023, which was primarily because of the increase in market interest rates; the average balance increased from RMB25,633.3 million for the six months ended June 30, 2022 to RMB25,653.1 million for the six months ended June 30, 2023, representing a slight increase of 0.1%.

### (E) *Interest expense on borrowings from the central bank*

Interest expense on borrowings from the central bank increased by 2.4% from RMB71.2 million for the six months ended June 30, 2022 to RMB72.9 million for the six months ended June 30, 2023, primarily due to an increase of 13.6% in the average balance from RMB6,506.2 million for the six months ended June 30, 2022 to RMB7,389.6 million for the six months ended June 30, 2023, and the increase in the average balance was due to the increase in borrowings from the central bank; the average cost rate decreased from 2.19% for the six months ended June 30, 2022 to 1.97% for the six months ended June 30, 2023, which was primarily because of the decline in interest rate on new borrowings from the central bank for the period.

### (iv) **Net interest spread and net interest margin**

Net interest spread decreased from 1.43% for the six months ended June 30, 2022 to 1.36% for the six months ended June 30, 2023, primarily due to a decrease in the average yield of interest-earning assets from 4.03% to 3.84%, which in turn was primarily due to (i) the decline in LPR and the Bank's efforts to support the development of the real economy through lower loan interest rates and fee reductions; (ii) the decline in the average yield of standardized securities business as a result of the impact of market interest rates; (iii) the Bank's proactive adjustment of its liability structure and orderly reduction in the cost of liabilities, resulting in a decline in the average cost of interest-bearing liabilities; (iv) the greater decline in the average yield of interest-earning assets than the decline in the average cost of interest-bearing liabilities, in combination resulting in a narrowing of the level of the net interest spread.

The net interest margin increased from 1.45% for the six months ended June 30, 2022 to 1.58% for the six months ended June 30, 2023, which was primarily due to the active adjustment of the debt structure and the orderly reduction of debt costs during the current period, resulting in a greater increase in net interest income than the increase in average balance of assets, leading to a year-on-year increase in net interest margin.



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### (v) Non-interest income

#### (A) Net fee and commission income

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2023	2022	Increase or decrease	Percentage change (%)
<b>Fee and commission income</b>				
Wealth management service fees	56.5	46.1	10.4	22.6
Agency service fees	32.0	36.0	(4.0)	(11.1)
Settlement and clearing fees	58.7	81.6	(22.9)	(28.1)
Bank acceptance bill service fees	7.4	5.4	2.0	37.0
Letters of guarantee fees	8.1	9.8	(1.7)	(17.3)
Others <sup>(1)</sup>	65.8	63.3	2.5	3.9
<b>Subtotal</b>	<b>228.5</b>	242.2	(13.7)	(5.7)
<b>Fee and commission expenses</b>	<b>(21.6)</b>	(15.6)	(6.0)	38.5
<b>Net fee and commission income</b>	<b>206.9</b>	226.6	(19.7)	(8.7)

Note:

(1) Primarily include guarantee fees and advisory service income.

Net fee and commission income decreased by 8.7% from RMB226.6 million for the six months ended June 30, 2022 to RMB206.9 million for the six months ended June 30, 2023, primarily due to the decrease in settlement and clearing business.

#### (B) Net trading gains

Net trading gains primarily included gains from selling, and the fair value changes of, financial assets held for trading. The Bank had net gains of RMB257.9 million for the six months ended June 30, 2022 and net gains of RMB310.1 million for the six months ended June 30, 2023. The increase was primarily due to the floating gain on fair value of investments assets during the period, resulting from the increase in the market value of investments assets.



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### (C) *Net gains arising from investment securities*

The net gains arising from investment securities and other financial assets included net gains arising from selling investment securities and other financial assets and revaluation gains arising from the reclassification of other comprehensive income to profit or loss upon the disposal of assets. The Bank had net gains arising from investment securities and other financial assets of RMB36.0 million for the six months ended June 30, 2022, and RMB11.5 million for the six months ended June 30, 2023.

### (D) *Net exchange gains*

Net exchange gains mainly included net amounts arising out of foreign exchange settlement and foreign exchange transactions. The Bank had net exchange gains of RMB118.3 million for the six months ended June 30, 2022 and net exchange gains of RMB96.6 million for the six months ended June 30, 2023, primarily due to the fluctuation of foreign exchange rate.

### (E) *Other operating income, net*

Other operating income, net, mainly included net amount of government subsidies and disposal income from fixed assets after deducting non-operating expenses. For the six months ended June 30, 2022, other operating expense of the Bank amounted to RMB2.8 million. For the six months ended June 30, 2023, the Bank recorded other operating expense of RMB7.8 million.

### (vi) **Operating expenses**

Operating expenses increased by 7.9% from RMB975.7 million for the six months ended June 30, 2022 to RMB1,052.5 million for the six months ended June 30, 2023. The increase was mainly due to the increase in staff costs and general management and administrative expenses. The table below sets forth the principal components of operating expense of the Bank for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2023	2022	Increase or decrease	Percentage change (%)
Staff costs	577.6	554.8	22.8	4.1
Premises and equipment expenses	216.3	213.1	3.2	1.5
General management and administrative expenses	203.7	157.7	46.0	29.2
Business tax and surcharges	54.9	50.1	4.8	9.6
<b>Total</b>	<b>1,052.5</b>	<b>975.7</b>	<b>76.8</b>	<b>7.9</b>
<b>Cost-to-income ratio<sup>(1)</sup> (%)</b>	<b>28.61</b>	<b>30.78</b>	<b>(2.20)</b>	<b>(7.10)</b>

Note:

(1) Calculated by dividing total operating expenses (net of business tax and surcharge) by total operating income.



## Chapter 4 Management Discussion and Analysis

### (A) Staff costs

The table below sets forth the components of staff cost for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2023	2022	Increase or decrease	Percentage change (%)
Salaries and bonuses	390.5	377.9	12.6	3.3
Social insurance	125.1	120.3	4.8	4.0
Housing allowances	45.8	41.7	4.1	9.8
Labour union and staff education expenses	6.0	3.7	2.3	62.2
Staff welfares	9.1	9.9	(0.8)	(8.1)
Others	1.1	1.3	(0.2)	(15.4)
<b>Total staff costs</b>	<b>577.6</b>	<b>554.8</b>	<b>22.8</b>	<b>4.1</b>

Staff costs increased by 4.1% from RMB554.8 million for the six months ended June 30, 2022 to RMB577.6 million for the six months ended June 30, 2023, mainly due to the increased staff.

### (B) Premises and equipment expenses

Premises and equipment expenses increased by 1.5% from RMB213.1 million for the six months ended June 30, 2022 to RMB216.3 million for the six months ended June 30, 2023, representing a slight increase.

### (C) General management and administrative expenses

General management and administrative expenses primarily included business promotion fees, administrative fees, transportation fee and repair expenses. General management and administrative expenses increased by 29.2% from RMB157.7 million for the six months ended June 30, 2022 to RMB203.7 million for the six months ended June 30, 2023. The increase of general management and administrative expenses was mainly due to the active business transformation, optimization of business structure and the enhancement of marketing effort for product expansion and support for rigid expenditures by the Bank.

### (D) Business tax and surcharges

The Bank pays taxes on interest income from loans, fee and commission income and securities trading gains. Business tax and surcharges were RMB50.1 million and RMB54.9 million for the six months ended June 30, 2022 and 2023, respectively.



## Chapter 4 Management Discussion and Analysis

### (vii) Impairment losses on credit/assets

The table below sets forth the principal components of impairment losses on credit/assets for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2023	2022	Increase or decrease	Percentage change (%)
Loans and advances to customers	<b>1,247.6</b>	1,223.6	24.0	2.0
Investment assets	<b>664.6</b>	505.5	159.1	31.5
Acceptance bills, letters of guarantees and unused credit card commitments	<b>30.2</b>	2.3	27.9	1,213.0
Others	<b>120.8</b>	8.7	112.1	1,288.5
<b>Total impairment losses on credit/assets</b>	<b>2,063.2</b>	1,740.1	323.1	18.6

Impairment losses on credit/assets increased by 18.6% from RMB1,740.1 million for the six months ended June 30, 2022 to RMB2,063.2 million for the six months ended June 30, 2023, mainly because the Bank, comprehensively taking into account uncertainties such as changes in the external economic situation, optimized its ECL model, increased the provision for asset impairment, and improved risk resilience.

Credit impairment losses on loans and advances to customers increased by 2.0% from RMB1,223.6 million for the six months ended June 30, 2022 to RMB1,247.6 million for the six months ended June 30, 2023, representing a slight increase.

Credit impairment losses of investment assets increased by 31.5% from RMB505.5 million for the six months ended June 30, 2022 to RMB664.6 million for the six months ended June 30, 2023, mainly because the Bank, comprehensively taking into account uncertainties such as changes in the external economic situation, optimized its ECL model, increased the provision for investments asset impairment, and improved risk resilience.

### (viii) Income tax credit

Income tax credit was RMB103.5 million as at June 30, 2022 and the income tax credit was RMB36.6 million as at June 30, 2023.





## Chapter 4 Management Discussion and Analysis

### (b) Analysis of the Consolidated Statement of Financial Position

#### (i) Assets

As of June 30, 2023 and December 31, 2022, the total assets of the Bank were RMB390,027.6 million and RMB377,202.5 million, respectively. Major components of total assets include (i) loans and advances to customers; (ii) investment securities and other financial assets; (iii) deposits with banks; (iv) cash and deposits with the central bank; and (v) financial assets held under resale agreements. The table below sets forth the components of total assets as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
<b>Assets</b>				
Loans and advances to customers, gross (including interest accrued)	228,823.5	58.7	214,272.4	56.8
Provision for impairment losses	(5,984.6)	(1.5)	(5,649.2)	(1.5)
Loans and advances to customers, net	222,838.9	57.1	208,623.2	55.3
Investment securities and other financial assets <sup>(1)</sup>	114,931.5	29.5	131,295.5	34.8
Deposits with banks and placements with other financial institutions	2,525.5	0.6	2,725.4	0.7
Cash and deposits with the central bank	18,673.7	4.8	20,034.6	5.3
Financial assets held under resale agreements	22,150.4	5.7	6,992.5	1.9
Other assets <sup>(2)</sup>	8,907.6	2.3	7,531.3	2.0
<b>Total assets</b>	<b>390,027.6</b>	<b>100.0</b>	<b>377,202.5</b>	<b>100.0</b>

*Notes:*

- (1) Include financial assets at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.
- (2) Primarily consist of property and equipment, other assets, deferred tax assets, interests receivables, interest in an associate and right-of-use assets.

#### (A) Loans and advances to customers

As of June 30, 2023, the total loans and advances to customers of the Bank (including interest accrued) were RMB228,823.5 million, representing an increase of 6.8% as compared with December 31, 2022. Net loans and advances to customers accounted for 57.1% of the total assets of the Bank, representing a slight increase as compared to the beginning of the year.



## Chapter 4 Management Discussion and Analysis

The table below sets forth loans and advances to customers by product as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
Corporate loans	145,423.5	63.5	137,047.9	64.0
Retail loans	50,835.3	22.2	49,983.4	23.3
Discounted bills	27,414.0	12.0	23,032.0	10.7
Interest accrued	5,150.7	2.3	4,209.1	2.0
<b>Total loans and advances to customers</b>	<b>228,823.5</b>	<b>100.0</b>	214,272.4	100.0

Loans and advances to customers are the largest component of total assets. The Bank offers a variety of loan products, substantially all of which are denominated in Renminbi. Loans and advances to customers, net of provisions for impairment losses, represented 57.1% and 55.3% of total assets as of June 30, 2023 and December 31, 2022.

The Bank's corporate loans increased by 6.1% from RMB137,047.9 million as of December 31, 2022 to RMB145,423.5 million as of June 30, 2023, representing an increase as compared with the beginning of the year, which was mainly due to the Bank's active support for the development of the real economy with an increased amount of loans granted.

The Bank's retail loans mainly comprise of personal business loans, personal consumption loans and residential and commercial mortgage loans. The Bank's retail loans increased by 1.7% from RMB49,983.4 million as of December 31, 2022 to RMB50,835.3 million as of June 30, 2023.

### *Loans and advances to customers by type of collateral*

The table below sets forth loans and advances to customers by type of collateral as of the dates indicated. If a loan is secured by multiple forms of collateral, the classification is based on the primary form of collateral.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
Collateralized loans	92,900.8	40.6	89,900.5	42.0
Pledged loans	14,383.0	6.3	13,678.6	6.4
Guaranteed loans	83,631.4	36.5	77,173.8	36.0
Unsecured loans	32,757.6	14.3	29,310.4	13.6
Interest accrued	5,150.7	2.3	4,209.1	2.0
<b>Total loans and advances to customers</b>	<b>228,823.5</b>	<b>100.0</b>	214,272.4	100.0

As of June 30, 2023 and December 31, 2022, collateralized loans, pledged loans and guaranteed loans in aggregate represented 83.4% and 84.4% of total loans and advances to customers, respectively. Collateralized loans and pledged loans are subject to loan-to-value ratio limits based on the type of collateral. The Bank usually only accepts guarantees provided by listed companies, guarantee companies or guarantor with strong guarantee capacity and in compliance with guarantee conditions. The Bank evaluates a guarantee company based on its size, credit history and risk-resistance level, as well as the value and quality of any collateral provided by the borrower.



## Chapter 4 Management Discussion and Analysis

Unsecured loans increased by 11.8% from RMB29,310.4 million as of December 31, 2022 to RMB32,757.6 million as of June 30, 2023.

### *Change to the provisions for impairment losses on loans and advances to customers*

The table below sets forth the change to the provision for impairment losses on loans and advances to customers as of the dates indicated.

<b>(Expressed in millions of RMB, unless otherwise stated)</b>	<b>As of June 30, 2023</b>	<b>As of December 31, 2022</b>
<b>As at the beginning of the Reporting Period</b>	<b>5,649.2</b>	5,354.2
Charge for the period/year	<b>1,247.6</b>	2,427.7
Write-off and others for the period/year	<b>(960.0)</b>	(2,205.1)
Recoveries of loans and advances previously written off	<b>47.8</b>	72.4
<b>As of June 30/December 31</b>	<b>5,984.6</b>	5,649.2

Provisions for impairment losses on loans and advances to customers increased by 5.9% from RMB5,649.2 million as of December 31, 2022 to RMB5,984.6 million as of June 30, 2023, mainly due to the fact that the Bank comprehensively considered uncertainties such as changes in the external economic situation and optimized the ECL model to increase impairment provided for loans and advances to customers, so as to improve risk resilience.

### *(B) Investment securities and other financial assets*

Investment securities and other financial assets primarily include debt securities, asset management plans issued by other financial institutions, trust plans, wealth management products and fund products.

Investment securities and other financial assets decreased by 12.5% from RMB131,295.5 million as of December 31, 2022 to RMB114,931.5 million as of June 30, 2023, mainly due to the reduction in the scale of investments in securities allocated by optimizing the Bank's asset structure.



## Chapter 4 Management Discussion and Analysis

### (ii) Liabilities

As of June 30, 2023 and December 31, 2022, the total liabilities of the Bank were RMB357,029.5 million and RMB344,603.2 million, respectively. Major components of the liabilities include (i) deposits from customers; (ii) deposits from banks and other financial institutions; (iii) financial assets sold under repurchase agreements; (iv) debt securities issued; (v) borrowings from the central bank; (vi) placements from banks and other financial institutions; and (vii) other liabilities. The table below sets forth the components of total liabilities as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
Total deposits from customers (including interest accrued)	293,271.4	82.1	279,039.2	81.0
Deposits from banks and other financial institutions	25,480.1	7.1	24,039.7	7.0
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	7,362.6	2.1	6,151.6	1.8
Debt securities issued	22,273.1	6.2	26,039.1	7.6
Borrowings from the central bank	6,680.3	1.9	7,631.7	2.2
Other liabilities <sup>(1)</sup>	1,962.0	0.6	1,701.9	0.4
<b>Total liabilities</b>	<b>357,029.5</b>	<b>100.0</b>	<b>344,603.2</b>	<b>100.0</b>

Note:

- (1) Primarily include interests payable, taxes payable, accrued staff costs, deferred tax liabilities, lease liabilities and other liabilities.



## Chapter 4 Management Discussion and Analysis

### (A) Deposits from customers

Deposits from customers are the largest component of total liabilities. As of June 30, 2023 and December 31, 2022, deposits from customers represented 82.1% and 81.0% of the total liabilities, respectively.

The Bank offers RMB-denominated demand and time deposit products to corporate and retail customers. The table below sets forth deposits from customers by product and customer type as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
<b>Corporate deposits</b>				
Demand deposits	52,688.9	18.0	55,875.1	20.0
Time deposits	27,515.4	9.4	20,480.0	7.3
<b>Subtotal</b>	<b>80,204.3</b>	<b>27.3</b>	76,355.1	27.3
<b>Retail deposits</b>				
Demand deposits	40,711.8	13.9	40,747.3	14.6
Time deposits	153,362.2	52.3	143,615.7	51.5
<b>Subtotal</b>	<b>194,074.0</b>	<b>66.2</b>	184,363.0	66.1
<b>Pledged deposits</b>	<b>9,365.7</b>	<b>3.2</b>	8,617.5	3.1
<b>Others</b>	<b>2,540.5</b>	<b>0.9</b>	2,171.1	0.8
<b>Interest accrued</b>	<b>7,086.8</b>	<b>2.4</b>	7,532.5	2.7
<b>Total deposits from customers</b>	<b>293,271.3</b>	<b>100.0</b>	279,039.2	100.0

Total deposits from customers increased by 5.1% from RMB279,039.2 million as of December 31, 2022 to RMB293,271.3 million as of June 30, 2023, primarily attributable to the Bank's increased marketing efforts, which effectively boosted the scale of deposits from customers.

### (B) Debts securities issued

From January 1, 2023 to June 30, 2023, the Bank issued several tranches of interbank certificates in an aggregate face value of RMB19,450 million. These interbank certificates have terms of three months to one year and bear effective interest rates between 2.15% and 2.89% per annum.



## Chapter 4 Management Discussion and Analysis

### (iii) Shareholders' equity

The table below sets forth the change in shareholders' equity of the Bank as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
Share capital	15,069.8	45.7	15,069.8	46.2
Capital reserve	5,956.6	18.0	5,956.6	18.3
Defined benefit plan reserve	(4.5)	–	(4.0)	–
Investment revaluation reserve	93.4	0.3	102.1	0.3
Surplus reserve	1,844.3	5.6	1,844.3	5.7
General reserve	5,343.1	16.2	5,343.1	16.4
Retained earnings	4,654.3	14.1	4,247.0	13.0
Non-controlling interests	41.1	0.1	40.4	0.1
<b>Total equity</b>	<b>32,998.1</b>	<b>100.0</b>	<b>32,599.3</b>	<b>100.0</b>

### (c) Asset quality analysis

#### (i) Breakdown of loans by the five-category classification

For the Bank, the non-performing loans are classified into loans and advances to customers of substandard, doubtful and loss. As of June 30, 2023, the Bank's non-performing loans amounted to RMB4,374.2 million. The table below sets forth loans and advances to customers by loan classification as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
Normal	210,467.9	94.1	197,560.4	94.0
Special mention	8,830.7	4.0	8,310.0	4.0
Substandard	1,640.9	0.7	1,150.2	0.6
Doubtful	1,129.0	0.5	1,570.2	0.7
Loss	1,604.3	0.7	1,472.6	0.7
<b>Total loans and advances to customers</b>	<b>223,672.8</b>	<b>100.0</b>	<b>210,063.4</b>	<b>100.0</b>
<b>Non-performing loans and non-performing loan ratio<sup>(1)</sup></b>	<b>4,374.2</b>	<b>1.96</b>	<b>4,193.0</b>	<b>2.00</b>

Note:

(1) Calculated by dividing non-performing loans by total loans and advances to customers.

As of June 30, 2023 and December 31, 2022, the non-performing loan ratios of the Bank were 1.96% and 2.0%, respectively, representing a decrease of 0.04 percentage point.





## Chapter 4 Management Discussion and Analysis

### (ii) Concentration of loans

#### (A) Concentration by industry and structure of non-performing loans

The table below sets forth the breakdown of loans and non-performing loans by industry as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2023				As of December 31, 2022			
	Loan amount	% of total (%)	Non-performing loan amount (%)	Non-performing loan ratio	Loan amount	% of total (%)	Non-performing loan amount (%)	Non-performing loan ratio
<b>Wholesale and retail</b>	13,248.2	5.9	907.7	6.85	12,408.3	5.9	866.3	6.98
Manufacturing	31,053.5	13.9	434.5	1.40	29,459.1	14.0	240.8	0.82
Agriculture, forestry, animal husbandry and fishing	8,576.0	3.8	187.1	2.18	7,546.6	3.6	184.1	2.44
Construction	13,303.9	5.9	202.7	1.52	12,161.7	5.8	229.4	1.89
Real estate	12,081.3	5.4	353.6	2.93	12,149.7	5.8	177.5	1.46
Mining	6,858.5	3.1	94.5	1.38	5,435.1	2.6	95.3	1.75
Water, environment and public facility management	3,971.5	1.8	0.0	0.00	3,992.4	1.9	0.0	0.00
Culture, sports and entertainment	3,515.7	1.6	0.9	0.03	3,593.9	1.7	258.8	7.20
Leasing and business services	24,185.6	10.8	17.3	0.07	23,918.7	11.4	30.5	0.13
Electricity, heating power, gas and water production and supply	3,033.5	1.3	5.8	0.19	1,992.9	0.9	4.8	0.24
Transportation, storage and postal services	12,435.9	5.6	48.6	0.39	11,207.9	5.3	37.6	0.34
Education	1,604.2	0.7	0.0	0.00	1,613.9	0.8	0.0	0.00
Accommodation and catering	2,696.6	1.2	137.5	5.10	2,700.5	1.3	168.7	6.25
Financial	5,585.0	2.5	0.0	0.00	5,653.0	2.7	0.0	0.00
Health and social services	2,168.2	1.0	0.0	0.00	2,140.1	1.0	0.0	0.00
Residents and other services	493.1	0.2	6.2	1.26	479.4	0.2	7.9	1.65
Scientific research, technical service and geological prospecting	479.5	0.2	0.2	0.04	462.3	0.2	0.2	0.05
Information transmission, computer service and software	133.3	0.1	8.5	6.38	132.5	0.1	10.9	8.25
Public administration, social security and social organizations	0.0	0.0	0.0	0.00	0.0	0.0	0.0	0.00
<b>Retail loans</b>	<b>50,835.3</b>	<b>22.7</b>	<b>1,969.1</b>	<b>3.87</b>	<b>49,983.4</b>	<b>23.8</b>	<b>1,880.2</b>	<b>3.76</b>
<b>Discounted bills</b>	<b>27,414.0</b>	<b>12.3</b>	<b>0.0</b>	<b>0.00</b>	<b>23,032.0</b>	<b>11.0</b>	<b>0.0</b>	<b>0.00</b>
<b>Total</b>	<b>223,672.8</b>	<b>100.0</b>	<b>4,374.2</b>	<b>1.96</b>	<b>210,063.4</b>	<b>100.0</b>	<b>4,193.0</b>	<b>2.00</b>

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



## Chapter 4 Management Discussion and Analysis

Loans to borrowers in the manufacturing, leasing and business services, construction, wholesale and retail, transportation, storage and postal services represented the largest components of the Bank's corporate loan portfolio. Loans to these industries accounted for 65.1% and 64.8% of total corporate loans as of December 31, 2022 and June 30, 2023, respectively.

### (B) Borrower concentration

Loans to the 10 largest single borrowers

The following table sets forth the 10 largest single borrowers (excluding group borrowers) as reported to the PRC regulator as of June 30, 2023 and the balances of loans to these borrowers. All of these loans were classified as normal.

(Expressed in millions of RMB, unless otherwise stated)		As of June 30, 2023	
Customers	Industries involved	Amount	% of total loans (%)
Borrower A	Manufacturing	8,000.0	3.6
Borrower B	Leasing and business services	3,143.0	1.4
Borrower C	Leasing and business services	2,415.0	1.1
Borrower D	Construction	2,388.0	1.1
Borrower E	Financial	2,044.0	0.9
Borrower F	Leasing and business services	2,016.5	0.9
Borrower G	Leasing and business services	1,968.0	0.9
Borrower H	Transportation, storage and postal services	1,800.0	0.8
Borrower I	Leasing and business services	1,705.7	0.8
Borrower J	Leasing and business services	1,697.0	0.8



## Chapter 4 Management Discussion and Analysis

### (C) *Non-performing loans by product*

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2023			As of December 31, 2022		
	Loan amount	Non-performing Loan amount	Non-performing loan ratio <sup>(1)</sup> (%)	Loan amount	Non-performing Loan amount	Non-performing loan ratio <sup>(1)</sup> (%)
<b>Corporate loans</b>						
Working capital loans	95,661.5	1,381.4	1.44	88,979.4	1,577.3	1.77
Fixed capital loans	49,423.4	685.1	1.39	48,068.3	735.2	1.53
Others <sup>(2)</sup>	338.6	338.6	100.00	0.3	0.3	100.00
<b>Sub-total</b>	<b>145,423.5</b>	<b>2,405.1</b>	<b>1.65</b>	<b>137,048.0</b>	<b>2,312.8</b>	<b>1.69</b>
<b>Retail loans</b>						
Personal business loans	6,124.6	1,054.1	17.21	5,688.0	1,013.1	17.81
Personal consumption loans	16,912.3	415.7	2.46	18,124.8	467.3	2.58
Residential and commercial mortgage loans	27,798.4	499.3	1.80	26,170.6	399.8	1.53
<b>Sub-total</b>	<b>50,835.3</b>	<b>1,969.1</b>	<b>3.87</b>	<b>49,983.4</b>	<b>1,880.2</b>	<b>3.76</b>
<b>Discounted bills</b>	<b>27,414.0</b>	<b>0.0</b>	<b>0.00</b>	<b>23,032.0</b>	<b>0.0</b>	<b>0.00</b>
<b>Total</b>	<b>223,672.8</b>	<b>4,374.2</b>	<b>1.96</b>	<b>210,063.4</b>	<b>4,193.0</b>	<b>2.00</b>

#### Notes:

- (1) Calculated by dividing non-performing loans by loans and advances to customers of each product category.
- (2) Primarily consist of advances for bank acceptance bill.

The non-performing loan ratio of corporate loans decreased from 1.69% as of December 31, 2022 to 1.65% as of June 30, 2023.

The non-performing loan ratio of retail loans increased from 3.76% as of December 31, 2022 to 3.87% as of June 30, 2023.



## Chapter 4 Management Discussion and Analysis

### (D) *Loan aging schedule*

The table below sets forth the loan aging of loans and advances to customers as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2023		As of June 30, 2022	
	Amount	% of total (%)	Amount	% of total (%)
<b>Loans not overdue</b>	<b>216,483.5</b>	<b>96.8</b>	199,808.5	96.3
<b>Loans past due for:</b>				
1 to 90 days	4,136.1	1.8	4,195.8	2.0
91 days to 1 year	802.6	0.4	1,178.3	0.6
1 to 3 years	1,276.6	0.6	1,678.1	0.8
3 years or more	974.0	0.4	567.8	0.3
Subtotal	7,189.3	3.2	7,620.0	3.7
<b>Total loans and advances to customers</b>	<b>223,672.8</b>	<b>100.0</b>	207,428.5	100.0

### (d) *Segments information*

#### (i) **Summary of business segment**

We operate three principal lines of business: corporate banking, retail banking and financial market operations. The table below sets forth the operating income for each of our principal business segments for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30,			
	2023		2022	
	Amount	% of total (%)	Amount	% of total (%)
Corporate banking	1,420.6	40.7	1,310.0	43.6
Retail banking	1,411.4	40.5	1,072.9	35.7
Financial market operations	500.2	14.3	445.8	14.8
Others <sup>(1)</sup>	154.5	4.5	178.8	5.9
<b>Total operating income</b>	<b>3,486.7</b>	<b>100.0</b>	3,007.5	100.0

Note:

- (1) Primarily represent assets, liabilities, income and expenses which cannot be directly attributable or cannot be allocated to a segment on a reasonable basis.



## Chapter 4 Management Discussion and Analysis

### (ii) Summary of geographical segment information

No geographical information is presented as most of the Group's operations are conducted and all non-current assets are located in Gansu Province of the PRC and therefore revenue is derived from activities in Gansu Province of the PRC.

### (e) Off-balance sheet commitments

Off-balance sheet commitments primarily consist of loan commitments, bank acceptances, letters of guarantee and capital commitments. The table below sets forth our contractual amounts of off-balance sheet commitments as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2023	As of December 31, 2022
<b>Credit commitments:</b>		
Bank acceptances <sup>(1)</sup>	10,514.9	13,074.2
Letters of guarantee <sup>(2)</sup>	2,590.3	2,650.5
Letters of credit	2,479.8	2,487.1
Unused credit card commitments	9,613.8	9,306.4
<b>Subtotal</b>	<b>25,198.8</b>	<b>27,518.2</b>
<b>Capital commitments</b>	<b>36.9</b>	<b>39.8</b>
<b>Total</b>	<b>25,235.7</b>	<b>27,558.0</b>

Notes:

- (1) Bank acceptances refer to undertakings of the Bank to pay bank bills drawn on its customers.
- (2) The Bank issues letters of credit and letters of guarantee to third parties to guarantee its customers' contractual obligations.

Off-balance sheet commitments decreased by 8.4% from RMB27,558.0 million as of December 31, 2022 to RMB25,235.7 million as of June 30, 2023. The decrease in off-balance sheet commitments was mainly due to the adjustments to off-balance businesses and reduction of the bank acceptance bills made by the Bank in an actively manner.

### (f) Miscellaneous

1. During the interim Reporting Period, the Bank launched the business related to the sub-loan ("ADB Sub-loan") of Asian Development Bank ("ADB"). ADB Sub-loan refers to the RMB denominated loans extended by the Bank to the final borrowers who meet the requirements of the ADB and the Bank leveraging on the capital funded by the ADB to the Chinese government, which shall be used to satisfy the production and operation needs of such borrowers. The ADB Sub-loan consists of two parts, with one part directly channeled from ADB funds and the other supported by the self-owned capital of the Bank. As of June 30, 2023, the Group has granted a total of RMB20.70 million ADB Sub-loan. Currently, it has applied for 18 reimbursement withdrawals totaling US\$3,144,800.
2. During the interim Reporting Period, the Bank actively promoted the development of inclusive business.



## Chapter 4 Management Discussion and Analysis

### 4. BUSINESS REVIEW

#### (a) Corporate banking

The Bank offers corporate customers a broad range of financial products and services, including loans, discounted bills, deposits and fees and commission-based products and services. The Bank's corporate customers primarily include government agencies, public organizations, SOEs, private enterprises and foreign-invested enterprises. The Bank is committed to serving local customers with a focus on small and micro enterprises.

In addition, the Bank commits to seeking to develop long-term business relationships with customers by closely monitoring their financial needs and offering tailored financial solutions. As of June 30, 2023, the Bank had 3,376 corporate borrowers with total loans of RMB145,423.5 million, and 100,284 corporate deposit customers with total deposits of RMB80,204.3 million. For the six months ended June 30, 2022 and 2023, operating income from the Bank's corporate banking business accounted for 43.6% and 40.7% of its total operating income, respectively. The table below sets forth the financial performance of the Bank's corporate banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		
	2023	2022	Percentage change (%)
External interest income, net <sup>(1)</sup>	3,142.5	2,872.9	9.4
Inter-segment interest expenses, net <sup>(2)</sup>	(1,799.2)	(1,674.7)	7.4
Net interest income	1,343.3	1,198.2	12.1
Net fees and commission income	77.3	111.8	(30.9)
<b>Operating income</b>	<b>1,420.6</b>	<b>1,310.0</b>	<b>8.4</b>
Operating expenses	(428.8)	(425.0)	0.9
Impairment loss on assets	(254.1)	(1,169.1)	(78.3)
<b>Operating profit/(loss)</b>	<b>737.7</b>	<b>(284.1)</b>	<b>(359.7)</b>
<b>Profit/(loss) before tax</b>	<b>737.7</b>	<b>(284.1)</b>	<b>(359.7)</b>

Notes:

(1) Represents net income and expenses from third parties.

(2) Represents inter-segment expenses and consideration of transfer.

#### (i) Corporate loans

Corporate loans constituted the largest component of the Bank's loan portfolio. As of June 30, 2023 and December 31, 2022, corporate loans amounted to RMB145,423.5 million and RMB137,047.9 million, accounting for 63.5% and 64.0% of the Bank's total loans and advances to customers, respectively.





## Chapter 4 Management Discussion and Analysis

### (ii) Discounted bills

The Bank purchases bank and commercial acceptance bills with remaining maturities of up to one year at discounted prices to satisfy the short-term funding needs of banks and corporate customers. As of June 30, 2023 and December 31, 2022, discounted bills totaled RMB27,414.0 million and RMB23,032.0 million, accounting for 12.0% and 10.7% of the Bank's total loans and advances to customers, respectively.

### (iii) Corporate deposits

The Bank accepts demand and time deposits denominated in Renminbi and major foreign currencies (including HKD, USD and Euros) from corporate customers. As of June 30, 2023 and December 31, 2022, corporate deposits totaled RMB80,204.3 million and RMB76,355.1 million, accounting for 27.3% and 27.3% of the Bank's total customer deposits, respectively.

### (iv) Fees and commission-based products and services

The Bank offers corporate customers a broad range of fees and commission-based products and services, primarily including wealth management services, entrusted loans, settlement services, etc.

#### (A) *Wealth management services*

The Bank offers corporate customers a broad range of wealth management products based on their risk and return preferences. The Bank invests funds from these wealth management products primarily in bonds, interbank deposits, money market instruments and other fixed income products portfolio.

For the six months ended June 30, 2022 and 2023, wealth management products sold by the Bank to corporate customers totaled RMB242.2 million and RMB135.36 million, respectively. The total amount of wealth management products recorded a decrease resulting from changes in customers investment needs and restructuring of wealth management products of the Bank.

#### (B) *Entrusted loans*

The Bank provides loans to borrowers designated by corporate customers, who determine the use of loans, principal amount and interest rates for these loans. The Bank monitors the use of entrusted loans by borrowers and assists corporate customers in recovering these loans.

The Bank charges agency fees based on the principal amount of entrusted loans. The Bank's corporate customers bear the risk of default associated with these loans. For the six months ended June 30, 2022 and 2023, service fees charged by the Bank to corporate customers for entrusted loans totaled RMB11.36 million and RMB2.66 million, respectively.

#### (C) *Settlement services*

The Bank offers corporate customers domestic and international settlement services.

**Domestic Settlement Services:** The Bank provides domestic settlement services in the form of bank acceptance bills, collections and telegraphic transfers. As of June 30, 2023 and December 31, 2022, the Bank's total domestic settlement transaction volumes were approximately RMB453.27 billion and RMB968.62 billion, respectively.

**International Settlement Services:** The Bank obtained approval to provide international settlement services in January 2014. The Bank's international settlement services primarily include remittance, collection, letters of credit and letters of guarantee. As of June 30, 2023 and December 31, 2022, the Bank's international settlement transaction volumes were US\$224 million and US\$403 million, respectively.



## Chapter 4 Management Discussion and Analysis

### (D) Other fees and commission-based products and services

The Bank offers other fees and commission-based products and services to corporate customers, such as guarantee services, foreign exchange services and bond underwriting and distribution.

### (b) Retail banking

The Bank offers retail customers a wide range of financial products and services, including loans, deposits, bank card services and fees and commission-based products and services. The Bank has a large retail customer base.

As of June 30, 2023, the Bank had 115,860 retail borrowers with total loans of RMB50,835.3 million and over 698.57 million retail deposit customers with total deposits of RMB194,074.0 million. For the six months ended June 30, 2022 and 2023, operating income from the Bank's retail banking business accounted for 35.7% and 40.5% of its total operating income, respectively.

The Bank categorizes retail banking customers into regular customers (with average financial asset balances of less than RMB50,000), wealth management customers (with average financial asset balances of RMB50,000 or more but less than RMB200,000), wealthy customers (with average financial asset balances of RMB200,000 or more but less than RMB3.0 million) and private banking customers (with average financial asset balances of RMB3.0 million or more).

As of June 30, 2023, the Bank had 309,538 wealthy customers and 2,496 private banking customers. The Bank continues to grow its wealthy customer and private banking customer base by expanding its product and service portfolio. The table below sets forth the financial performance of the Bank's retail banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		
	2023	2022	Percentage change (%)
External interest expenses, net <sup>(1)</sup>	(1,305.1)	(1,477.8)	(11.7)
Inter-segment interest income, net <sup>(2)</sup>	2,660.0	2,504.6	6.2
Net interest income	1,354.9	1,026.8	32.0
Net fee and commission income	56.5	46.1	22.6
<b>Operating income</b>	<b>1,411.4</b>	<b>1,072.9</b>	<b>31.6</b>
Operating expenses	(426.1)	(348.1)	22.4
Impairment losses on assets	(1,022.7)	(57.0)	–
<b>Operating (loss)/profit</b>	<b>(37.4)</b>	<b>667.8</b>	<b>(105.6)</b>
<b>(Loss)/profit before tax</b>	<b>(37.4)</b>	<b>667.8</b>	<b>(105.6)</b>

Notes:

- (1) Represents net income and expenses from third parties.
- (2) Represents inter-segment expenses and consideration of transfer.



## Chapter 4 Management Discussion and Analysis

### (i) Retail loans

The Bank offers retail customers personal business loans, personal consumption loans and personal residential and commercial mortgage loans. As of June 30, 2023 and December 31, 2022, total retail loans were RMB50,835.3 million and RMB49,983.4 million, accounting for 22.2% and 23.3% of the Bank's total loans and advances to customers, respectively. In the first half of the year, the Bank comprehensively considered uncertainties such as changes in the external economic situation and optimized the ECL model to increase provision of expected credit impairment for retail assets, so as to improve risk resilience.

### (ii) Retail deposits

The Bank accepts demand and time deposits denominated in Renminbi and major foreign currencies from retail customers. As of June 30, 2023 and December 31, 2022, retail deposits totaled RMB194,074.0 million and RMB184,363.0 million, accounting for 66.2% and 66.1% of the Bank's total customer deposits, respectively.

### (iii) Bank card services

#### (A) Debit cards

The Bank issues debit cards denominated in Renminbi to retail customers holding deposit accounts with it. Customers may use debit cards for a variety of purposes, such as cash deposits and withdrawals, transfers, payments, settlements, consumption, bill payments, financing and wealth management. The Bank provides cardholders with differentiated services by classifying debit cards into basic cards, gold cards, platinum cards and diamond cards based on a bank cardholder's deposit balances.

To expand its customer base and service scope, the Bank issues the following debit cards in cooperation with government agencies and public organizations:

- Social Security Card (社會保障卡): The Bank works with the Department of Human Resources and Social Security of Gansu Province (甘肅省人力資源和社會保障廳) to issue Social Security Cards, which can be used for making social security contributions and social security information inquiries.
- Housing Provident Fund Co-branded Card (公積金聯名卡): The Bank works with the local housing provident fund management center to issue Housing Provident Fund Co-branded Cards, which can be used for withdrawal and transfer of housing provident funds, loan distribution and account inquiries.
- Longyuan Transportation Card (隴原交通卡): The Bank works with the Gansu Provincial Expressway Administration to issue IC financial cards, which can be used for paying expressway tolls electronically.
- Veteran Card (退役軍人保障卡): The IC financial cards issued by the Bank in partnership with Gansu Provincial Veterans Affairs Office, which targets veterans and soldiers' dependents in the province, providing exclusive financial management, savings products, exclusive guarantees and exclusive VIP services for cardholders.
- Longjing Card (隴警卡): The IC financial cards issued by the Bank in partnership with the Gansu Public Security Department, which targets public security officers and their immediate family members in the province, providing exclusive financial management, savings products and exclusive VIP services for cardholders.



## Chapter 4 Management Discussion and Analysis

In addition, to enhance its brand recognition, the Bank cooperates with local governments to issue theme cards based on regional characteristics of Gansu Province, such as the Golden Tower Golden Poplar Card (金塔金胡楊卡), Xiongguan Card (雄關卡), the Journey of Xuanzang Card (玄奘之路卡) and Long Nan Landscape Card (隴南山水卡). The Bank also cooperates with various institutions in issuing co-branded cards, including the Gansu Police Vocational College Co-branded Card (甘肅警察職業學校聯名卡), Tianshui Reli Co-branded Card (天水熱力聯名卡) and Qingyang Labor Benefit Card (慶陽工惠卡).

As of June 30, 2023, the Bank had issued approximately 8.71 million debit cards. As of June 30, 2023 and December 31, 2022, holders of these debit cards conducted transactions of approximately RMB34,638.9 million and RMB60,871.3 million, respectively.

### *(B) Credit cards*

On the basis of a thorough investigation of the market, the Bank integrated and upgraded the credit card system by using leading financial technology and big data and officially issued credit cards with a certain credit limit to the public on November 11, 2019. Cardholders can consume by the card within the credit line first and then make payment to the Bank, and are entitled to financial services such as consumer credit, cash deposit and withdrawal and settlement by transfer of account. Credit cards issued by the Bank are classified into basic cards, gold cards and platinum cards according to different credit ratings.

As of June 30, 2023, the Bank had issued 778,842 credit cards, including 746,914 credit cards and 31,928 business cards. The revolving credit card line was RMB12.410 billion, of which RMB11.850 billion and RMB560 million were granted to credit cards and business cards, respectively. Balance of overdraft recorded was RMB2.890 billion, of which RMB2.851 billion and RMB39 million were made by holders of credit cards and business cards, respectively. Overdraft accounts reached 284,339, including 280,478 credit card accounts and 3,861 business card accounts. The total credit card income amounted to RMB103 million, of which RMB45 million was recorded by intermediary business, and RMB58 million was included in interest income.

### *(C) POS settlement services*

As a payment settlement service provider, the Bank provides selected merchants with transaction fund settlement services. As of June 30, 2023, the Bank had 112,200 merchant customers for settlement services with 143 million transactions, the total amount of transactions of merchant customers was approximately RMB39.483 billion.

### **(iv) Fees and commission-based products and services**

The Bank offers retail customers a wide range of fees and commission-based products and services, primarily including wealth management services, agency services and payroll and payment agency services.



## Chapter 4 Management Discussion and Analysis

### (A) *Wealth management services*

The Bank offers retail customers wealth management products under its Huifu (匯福) series based on their risk and return preferences. The Bank invests funds from these wealth management products primarily in bonds, interbank deposits, money market instruments and other fixed income products.

For the six months ended June 30, 2023 and 2022, wealth management products sold to retail customers totaled RMB17,472.65 million and RMB23,028.03 million, respectively. As of June 30, 2023, the Bank had 164,375 retail wealth management clients and the return rate of its retail wealth management products was between 3.6% and 4.2% for the six months ended June 30, 2023.

### (B) *Agency services*

The Bank sells insurance and precious metal products to retail customers as an agent.

Insurance Products: as of June 30, 2023, the Bank had entered into agency agreements with 3 nationwide insurance companies to promote and distribute their insurance products.

Wealth Management: as of June 30, 2023, the Bank had entered into agency agreements with 3 wealth management companies to promote and distribute their wealth management products, with sales amounts of RMB2,700.07 million during the Reporting Period.

Precious Metal Products: the Bank received approval to distribute precious metals in China in August 2015. For the six months ended June 30, 2023 and 2022, the Bank sold an aggregate of RMB53.25 million and RMB72.61 million of precious metal products, respectively.

### (C) *Payroll and payment agency services*

Payroll Services: the Bank provides payroll services to governmental agencies, public organizations and enterprises customers. As of June 30, 2023, the Bank had over 12,083 payroll units. For the six months ended June 30, 2023 and 2022, the Bank paid, in the role of paying agent, average monthly salaries of approximately RMB5,097.56 million and RMB4,386.87 million, respectively.

Payment Agency Services: the Bank offers customers payment agency services related to daily living expenses (such as utilities costs) through its broad distribution network.

### (D) *Other fees and commission-based products and services*

The Bank offers other fees and commission-based products and services to retail customers, such as fund transfer, remittance and acceptance services.



## Chapter 4 Management Discussion and Analysis

### (c) Financial market operations

The Bank's financial market operations, primarily including money market transactions, investment business and wealth management business. The financial market operations are one of its most important revenue sources. For the six months ended June 30, 2023 and 2022, operating income from financial market operations accounted for 14.3% and 14.8% of its total operating income, respectively. The table below sets forth the financial performance of the Bank's financial market operations for the periods indicated.

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30,		
	2023	2022	Percentage change (%)
Net external interest income <sup>(1)</sup>	1,032.0	976.4	5.7
Net inter-segment interest expenses <sup>(2)</sup>	(860.9)	(829.9)	3.7
Net interest income	171.1	146.5	16.8
Net fee and commission income	7.4	5.4	37.0
Net trading gains	310.1	257.9	20.2
Net income arising from investment securities	11.6	36.0	(67.8)
<b>Operating income</b>	<b>500.2</b>	445.8	12.2
Operating expenses	(151.0)	(144.6)	4.4
Impairment losses on assets	(635.4)	(503.0)	26.3
<b>Operating loss</b>	<b>(286.2)</b>	(201.8)	41.8
<b>Loss before tax</b>	<b>(286.2)</b>	(201.8)	41.8

Notes:

(1) Represents net income and expenses from third parties.

(2) Represents inter-segment expenses and consideration of transfer.

### (i) Money market transactions

The Bank adjusts its liquidity using various monetary market instruments and earns interest income from money market transactions. Money market transactions primarily include (i) interbank deposits; (ii) interbank placements; and (iii) repurchase and reverse repurchase transactions.

#### (A) Interbank deposits

The Bank deposits funds with and withdraws funds from banks and other financial institutions to manage our assets and liabilities. The Bank accepts deposits from banks and other financial institutions and deposits money in banks and other financial institutions, and also engages in other interbank transactions with certain of these banks and financial institutions.

As of June 30, 2023 and December 31, 2022, deposits from banks and other financial institutions totaled RMB25,480.1 million and RMB24,039.7 million, respectively, and deposits of the Bank at banks and other financial institutions totaled RMB1,435.4 million and RMB1,224.9 million, respectively.





## Chapter 4 Management Discussion and Analysis

### (B) *Interbank placements*

The balance of our placements with banks and other financial institutions as of June 30, 2023 and December 31, 2022 totaled RMB1,090.1 million and RMB1,500.5 million.

### (C) *Repurchase and reverse repurchase transactions*

The securities underlying the Bank's repurchase and reverse repurchase transactions are mainly RMB denominated PRC government bonds and policy financial bonds. As of June 30, 2023 and December 31, 2022, financial assets held under resale agreements totaled RMB22,150.4 million and RMB6,992.5 million, and financial assets sold under repurchase agreements totaled RMB5,889.2 million and RMB3,328.8 million, respectively.

### (ii) **Investment securities and other financial assets**

Investment securities and other financial assets primarily include debt securities and asset management plans, trust plans, wealth management products and fund products issued by other financial institutions.

### (A) *Security investment by holding purpose*

The table below sets forth investment securities and other financial assets by investment intention as of the dates indicated.

(Expressed in RMB million, unless otherwise stated)	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
Financial assets at fair value through profit or loss	27,121.7	23.6	35,706.1	27.3
Financial assets at amortized costs	79,065.8	68.8	85,368.6	65.0
Financial assets at fair value through other comprehensive income	8,429.9	7.3	9,895.2	7.5
Other equity instrument investments	314.1	0.3	325.6	0.2
<b>Total amount of investment securities and other financial assets</b>	<b>114,931.5</b>	<b>100.0</b>	131,295.5	100.0

Total amount of investment securities and other financial assets decreased by 12.5% from RMB131,295.5 million as of December 31, 2022 to RMB114,931.5 million as of June 30, 2023.



## Chapter 4 Management Discussion and Analysis

### (B) Maturity profile of the Bank's investment portfolio

The table below sets forth investment securities and other financial assets by remaining maturity as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
Repayable on demand	13,577.3	11.8	12,023.8	9.2
Due in three months or less	2,446.3	2.1	4,404.0	3.4
Due between three months and one year	9,696.7	8.4	14,509.0	11.1
Due between one year and five years	39,793.1	34.6	43,560.3	33.2
Due over five years	35,426.3	30.8	39,548.5	30.0
Indefinite <sup>(1)</sup>	13,991.8	12.3	17,249.9	13.1
<b>Total</b>	<b>114,931.5</b>	<b>100.0</b>	<b>131,295.5</b>	<b>100.0</b>

Note:

(1) Refers to impaired investments, investments overdue for more than one month and equity investments.

The Bank's securities investment with a remaining maturity between one year and five years represents the largest portion of the Bank's investment securities.

### (C) Holding of government bonds

As of June 30, 2023, the balance of face value of government bonds held by the Bank amounted to RMB33,247.20 million. The table below sets forth the top 10 government bonds with the highest face value held by the Bank as of June 30, 2023.

Name of the bond	Face value (in millions of RMB)	Interest rate per annum (%)	Maturity date
22 Gansu Bonds 18	4,320	3.29	2042/6/28
22 Gansu Bonds 24	2,840	2.86	2032/8/23
22 Gansu Bonds 22	2,314	3.29	2042/6/28
21 Gansu 13	1,780	3.10	2031/9/3
20 Gansu Bonds 16	1,420	3.57	2040/5/29
22 Gansu Bonds 01	1,180	2.93	2029/2/23
20 Gansu Bonds 06	780	2.96	2027/3/10
20 Gansu Bonds 14	770	3.57	2040/5/29
19 Coupon-bearing treasury bond 04	750	3.19	2024/4/11
19 Gansu Bonds 01	610	3.32	2026/1/31



## Chapter 4 Management Discussion and Analysis

### (D) Holding of financial bonds

As of June 30, 2023, the balance of face value of the financial bonds (mainly the financial bonds issued by policy banks, commercial banks and other financial institutions) held by the Bank amounted to RMB25,890 million. The table below sets forth the top 10 financial bonds with the highest face value held by the Bank as of June 30, 2023.

Name of the bond	Face value (in millions of RMB)	Interest rate per annum (%)	Maturity date
16 EIBC 03	2,240	3.33	2026/2/22
21 EIBC 05	1,350	3.22	2026/5/14
18 ADBC 01	1,110	4.98	2025/1/12
16 ADBC 08	1,090	3.37	2026/2/26
20 ADBC 08	1,090	3.45	2025/9/23
19 EIBC 05	1,000	3.28	2024/2/11
16 ADBC 05	980	3.33	2026/1/6
16 ADBC 18	910	3.58	2026/4/22
15 EIBC 14	800	3.87	2025/9/14
21 ADBC 08	780	2.99	2026/8/11

### (d) Distribution network

#### (i) Physical outlets

As of June 30, 2023, the Bank had 1 head office operational department, 12 branches, 181 sub-branches, 4 micro-to-small sub-branches and 1 community sub-branches. The Bank branch network covered all of Gansu's cities and prefectures and approximately 95% of its counties and districts. The details of branches are shown in the following table.

Name of organisation	Business address (PRC)	Postcode	Number of organization
Head office operational department	No. 525-1 Donggangxi Road, Chengguan District, Lanzhou City	730000	4
Baiyin Branch	No. 35 Lanzhou Road, Baiyin District, Baiyin City	730900	17
Pingliang Branch	Bank of Gansu Building, Xingbei Road Central, Kongtong District, Pingliang City	744000	21
Qingyang Branch	Gansu Bank Building, Honghua West Road, Xifeng District, Qingyang City	735000	15
Dingxi Branch	No. 13 Zhonghua Road, Anding District, Dingxi City	743000	12
Tianshui Branch	Floor 1-2, Tianlin Longcheng Mingzhu Building, Jihebei Road, Qinzhou District, Tianshui City	741000	14
Longnan Branch	No.1 Building, Jing'an Mingdu, South End of Jianshe Road, Chengguan Town, Wudu District, Longnan City	746000	12
Jiuquan Branch	No. 2 Suzhou Road, Suzhou District, Jiuquan City	735000	16
Jiayuguan Branch	No. 1289 Yingbin East Road, Jiayuguan City	735100	5
Zhangye Branch	No. 37 West Street, Ganzhou District, Zhangye City	734000	9



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Name of organisation	Business address (PRC)	Postcode	Number of organization
Wuwei Branch	No. 7 Xihuan Road, Liangzhou District, Wuwei City	733000	10
Linxia Branch	No. 49 Hongyuan Road, Linxia City	731100	11
Gannan Branch	No. 125 Dangzhou Street, Hezuo City, Gannan Prefecture	747000	5
Jinchang Sub-branch	No. 4 Tianjin Road, Jinchang City	737100	5
Lanzhou Chengguan Sub-branch	Family Accommodation, Quality Supervision Bureau, Nanchang Road, Chengguan District, Lanzhou City	730000	14
Lanzhou Jincheng Sub-branch	No. 613 Railway Station West Road, Chengguan District, Lanzhou City	730000	19
Lanzhou Anning Sub-branch	No.1952-1956 Jianning West Road, Anning District, Lanzhou City	730070	4
Lanzhou Xigu Sub-branch	No. 2 East Fourth Block, Fuli West Road, Xigu District, Lanzhou City	730060	2
Lanzhou New District Sub-branch	Security Housing B50, Weiyi Road, Lanzhou New District, Lanzhou City	730000	4
<b>Total</b>			<b>199</b>

### (ii) Electronic banking business

#### (A) Internet banking

Through the internet, the Bank offers customers account management, information inquiry, remittance and transfer, payment, investment and wealth management and other financial services. As of June 30, 2023, the Bank had over 970,600 internet banking customers, consisting of 70,600 corporate customers and over 900,000 retail customers. As of June 30, 2023, the Bank's corporate customers conducted over 2.14 million online transactions with a total transaction amount of approximately RMB272.19 billion, while retail customers conducted approximately 280,000 online transactions with a total transaction amount of approximately RMB997,000.

#### (B) Mobile phone banking

The Bank provides customers with various financial services, such as account inquiries and management, transfers, payments and loan management. As of June 30, 2023, the Bank had approximately 3.73 million mobile phone banking customers that had conducted approximately 7.91 million transactions through mobile phone banking, with total transaction amounts of approximately RMB118.9 billion.



## Chapter 4 Management Discussion and Analysis

### (C) Telephone banking

The Bank provides customers with loan and deposit account inquiries, personal debit card account transfers, bill inquiries, lost declarations and business inquiry services through an interactive self-service voice system and live customer service. As of June 30, 2023, the Bank had 642,843 registered telephone banking customers, which were all individual customers.

### (D) Self-service banking

The Bank provides convenient banking services to customers at lower operating costs through self-service facilities. The Bank's self-service banking services include balance inquiries, cash withdrawals and deposits, transfers and public utilities payments. As of June 30, 2023, the Bank had 199 outlets, 95 off-bank self-service zones, 706 self-service facilities and 373 intelligent counters.

### (E) WeChat banking

WeChat has become an important channel that provides value-added services to retail customers. Through WeChat banking, customers can access the Bank's products and services; accounts management, transaction inquiries, payment and convenience services; and the Bank's outlet locations inquiry service. As of June 30, 2023, the Bank had over 1.01 million WeChat banking customers.

### (F) E-commerce platform

In June 2017, the Bank formally launched its e-commerce platform "Longyin Commerce", which provides merchants with comprehensive services. These services include purchasing, sales and inventory management, and online B2C transactions. As of June 30, 2023, the platform had 1,061 merchants and 2.172 million users.

### (e) Information on the subsidiary

#### **Jingning Chengji Rural Bank**

In September 2008, Pingliang City Commercial Bank established Jingning Chengji Rural Bank with 4 other legal entities and 7 individuals. As of June 30, 2023, the Bank held an approximately 62.7% equity interest in Jingning Chengji Rural Bank. Jingning Chengji Rural Bank, a joint stock company with limited liability incorporated in the PRC, carries out its business in the PRC, primarily engaging in offering financial products and services, including loans, deposits and fee and commission-based products and services to local corporate and retail customers.

As of June 30, 2023, Jingning Chengji Rural Bank had 34 corporate loan customers, 704 corporate deposit customers, 7,335 retail loan customers and 108,528 retail deposit customers. As of June 30, 2023, Jingning Chengji Rural Bank had 12 outlets and 113 employees.

As of June 30, 2023, Jingning Chengji Rural Bank had total assets of RMB1,833.7 million, total deposits of RMB1,648.3 million and total loans of RMB1,150.6 million. In 2022, operating income attributable to Jingning Chengji Rural Bank totaled RMB43.9 million, accounting for 0.7% of the Bank's total operating income. For the six months ended June 30, 2023, operating income attributable to Jingning Chengji Rural Bank totaled RMB24.0 million, accounting for 0.7% of the Bank's total operating income.

The Bank assists Jingning Chengji Rural Bank by providing strategic guidance and employee training. The Bank also dispatches professional staff to improve employees' business skills, and share experience to innovate products and services to diversify its business.



## Chapter 4 Management Discussion and Analysis

### (f) Operation and safety of IT systems

The Bank further optimizes and upgrades its functions of information system to support the operation and management of its businesses. For the six months ended June 30, 2022 and 2023, investments in its information and technology totaled RMB80.7 million and RMB69.8 million, respectively.

In 2023, Bank of Gansu, in accordance with the Five-Year Strategic Plan, organized the promotion of product innovation and digital transformation. With the basic principles of “customer focus, industry-technology integration, advocating differentiated innovation, and ensuring compliance and safety”, the Bank formulated 18 innovative product plans based on five major lines, namely public, personal, retail credit, online finance, and interbank aspects. With the goal of “striving to become a listed urban commercial bank with high-quality development and a comprehensive financial service provider of the first choice in the region”, the Bank focused on three basic points of “placing top priority on experience, traffic + ecosystem, technologies + infrastructure” by taking “digitalization of business, risk control and management” as the guidance. In addition, the Bank formulated 15 digital transformation projects with focusing on the construction of five major capabilities, namely capabilities on digital customer operation, digital channel and scenario construction, digital risk control, digital operation and digital support.

In the first half of the year, Bank of Gansu promoted product innovation and digital transformation in an orderly manner, effectively enhanced its fintech support capability, stabilized the operation of its information system, continued to strengthen its information technology management capability, achieving remarkable results in business and grassroots empowerment. As at 30 June 2023, seven product innovation projects, including bond market quantitative analysis and investment consulting business and credit card alert platform, had been launched; the aggregate payment system was successfully connected to the “three-in-one (the integration of telecommunications networks, radio and television networks)” platform of ChinaNet, which made the Bank one of the first batch of accessing banks in China. Seven digital transformation projects such as Xiaogan Smart Star (小甘智慧星), Xiaogan Cloud Hall (小甘雲廳), Public CRM and Longshi Butler (隴市管家) had been put into production and optimized.





## Chapter 4 Management Discussion and Analysis

### 5. RISK MANAGEMENT

#### (a) Risk management of the Bank

The Bank is primarily exposed to credit risk, market risk, operational risk and liquidity risk in its business. It is also exposed to other risks such as reputational risk, information technology risk, money-laundering risk and legal and compliance risk.

Since its inception, the Bank has implemented comprehensive risk management strategies to enhance its risk management systems.

#### (i) Credit risk management

Credit risk is the risk of loss due to (i) failure by a debtor or counterparty to meet its contractual obligations or (ii) a decrease in credit ratings or repayment ability. The Bank's credit risks arise mainly from loans, investments, guarantees, commitments and other on- or off-balance-sheet credit risks exposures.

Taking into account the external environment, regulatory orientation, epidemic factors and the actual situation of the Bank, the industry investment direction is divided into four categories: aggressive growth, selective growth, presence sustaining and shrinking or exit, and different credit strategies are adopted.

Industries	Credit Strategies
Advanced manufacturing industry, pharmaceutical manufacturing, new energy equipment manufacturing, traditional manufacturing upgrading and transformation, railways, highways, airports, telecommunication industry, internet, hydropower generation, power supply, wind power generation, solar power generation, higher education, hospitals, software and information technology service industry, tap water production and supply, wastewater treatment and recycling industry, seed breeding and cultivation, wheat, corn, fruits, vegetables, potatoes, traditional Chinese medicine planting, cattle and sheep raising, etc. ("aggressive growth" industries)	• priority will be given to customers who have technical advantages, established markets and great development potential in the industry.
Real estate development and operation, thermal power generation, housing construction industry, civil engineering construction industry, construction and installation industry, building decoration, tourist attraction management, scenic spot management, forest park management, non-higher education, coal mining and washing industry, oil and natural gas exploitation industry, precious metal mining and processing, rare earth metal mining and processing ("selective growth" industries)	• selectively support key areas of the industry and high quality enterprises in the industry.
Traditional equipment manufacturing industry, heating industry, wholesale and retail industry ("presence maintaining" industries)	• objectively identify industry customers, prudently support with flexibility, and maintain the overall total amount unchanged under the premise of effective control on credit risk.
Coking, flat glass, calcium carbide ("shrinking or exit" industries)	• require an effective decline in overall credit balance from the beginning of the year.



## Chapter 4 Management Discussion and Analysis

### (ii) **Market risk management**

Market risk is the risk of loss in on-balance sheet and off-balance sheet arising from fluctuations in market prices. The Bank is exposed to market risks primarily through its banking book and trading book.

#### (A) *Interest rate risk management*

Interest rate risk is the exposure of the Bank's financial condition to adverse movements in interest rates. Its primary source of interest rate risk is the repricing of on- and off-balance sheet assets and liabilities due to mismatches in maturities.

Maturity or repricing date mismatches may cause changes in net interest income due to fluctuations in prevailing interest rates. The Bank is exposed to interest rate risk through its day-to-day lending and deposit-taking activities and its financial market operations.

The Bank places great emphasis on analyzing the general economic situation and policies, particularly the changes in currency policies. The Bank conducts analysis and studies on interest rate trends in financial markets, based on the results and forecast of which it formulates and adjusts interest rates, in order to better control interest rate risks and reduce losses arising from interest rate fluctuations.

The Bank manages the interest rate risk exposure of its RMB-denominated assets and liabilities on its balance sheet primarily by adjusting interest rates and optimizing the maturity profile of its assets and liabilities. The Bank seeks to reduce maturity mismatches by adjusting repricing frequency and establishing a pricing structure for corporate deposits.

The Bank uses various measures to evaluate interest rate risks arising from its banking book, including but not limited to techniques and measures such as duration analysis, sensitivity analysis, scenario analysis and stress tests, to measure its interest rate risk. For example, it regularly conducts sensitivity analysis and duration analysis on its bond business under different circumstances, to measure the potential effects on its profitability. Under unfavorable external conditions, it will also conduct special stress tests analyses on the interest rate benchmark on loans and deposits. Based on such analyses, it may adjust its terms on repricing to control interest rate risk.

#### (B) *Exchange rate risk management*

The Bank is exposed to exchange rate risks primarily derived from mismatches in the currency denominations of on- and off-balance sheet assets and liabilities and in the trading positions of foreign exchange transactions. It manages exchange rate risks by matching the sources and uses of funds.

The Bank seeks to keep the adverse impact of exchange rate fluctuations within an acceptable range by managing risk exposure limits and the currency structure of its assets and liabilities. In addition, it endeavors to limit transactions involving high exchange rate risks, monitor major indicators, and inspect the positions of major foreign currencies on a daily basis.



## Chapter 4 Management Discussion and Analysis

### (iii) **Operational risk management**

Operational risk refers to the risk of loss caused by incomplete internal control procedures, failures of employees and IT systems or external events. Operational risk events include internal and external fraud, safety accidents in the workplace, damage to tangible assets, risk relating to customers, products and operations, implementation, settlement and procedure management failures, as well as errors or malfunctions in IT systems.

The Board of Directors is ultimately responsible for monitoring the effectiveness of the Bank's operational risk management. It determines the Bank's operational risk appetite based on its overall business strategies, and reviews and oversees the implementation of operational risk management strategies and policies.

The senior management of the Bank is responsible for coordinating operational risk management through its risk management and internal control committee.

The risk management department of the Bank coordinates the formulation of operational risk management procedures for identifying, evaluating, monitoring and controlling operational risks under the supervision of the Board and senior management. The audit department supervises and evaluates the management of operational risks and is responsible for independently examining and evaluating the appropriateness, effectiveness and efficiency of operational risk management policies, systems and procedures.

The Bank has established a GRC system (the internal control, compliance and operational risk management system) for managing internal control and operational risks. Through the system, it utilizes operational risk management tools to identify, measure and monitor operational risks.

### (iv) **Liquidity Risk**

#### (A) *Liquidity risk management*

Liquidity risk refers to the risk of failing to liquidate a position in a timely manner or failing to acquire sufficient funds at a reasonable cost to fulfill payment obligations. Factors affecting the liquidity of the Bank include the term structure of its assets and liabilities and changes to financial market policies, such as changes in the requirements relating to its statutory deposit reserve ratio. The Bank is exposed to liquidity risk primarily in its lending, trading and investment activities, as well as in the management of its cash flow positions.

The organizational framework of the liquidity risk management of the Bank focuses on formulating, implementing and supervising the separation of duties in relation to liquidity risk management policies and procedures. As the ultimate decision-making body for the liquidity risk management, the Board assumes ultimate responsibility for the liquidity risk management of the Bank.



## Chapter 4 Management Discussion and Analysis

Senior management is responsible for liquidity management, and the assets and liabilities management committee is responsible for implementing liquidity management policies and procedures. The supervisory committee is responsible for supervising and evaluating the implementation of liquidity risk management by the Board of Directors and senior management. The financial planning department is responsible for the daily liquidity risk management of the Bank.

The objective of the liquidity risk management of the Bank is, by establishing timely, reasonable and effective liquidity risk management mechanisms, to identify, measure, monitor and control liquidity risks, meet the liquidity needs of its assets, liabilities and off-balance businesses on a timely basis, and control liquidity risks at an acceptable level to maintain sustained and healthy operations.

According to the Measures for the Management of Liquidity Risks of Commercial Banks (effective as from July 1, 2018) issued by the former CBIRC, the Bank continually improves liquidity risk management, strictly implements regulatory rules, closely monitors liquidity indicators, enhances maturity management of its cash flows, formulates emergency plans and enhances liquidity risk management and stress tests.

The Bank manages liquidity risks with instruments such as position provisioning and monitoring, cash flow analysis, liquidity stress tests, liquidity risk limits and liquidity risk indicators monitoring.

### (B) *Liquidity risk analysis*

*The Bank's liquidity coverage ratio*

	June 30, 2023	December 31, 2022
Liquidity coverage ratio (%)	<b>142.42</b>	148.83

*The Bank's net stable funding ratio*

(Expressed in millions of RMB, unless otherwise stated)	June 30, 2023	March 31, 2023	December 31, 2022
Closing amount of available stable funding	<b>266,941.5</b>	270,366.0	263,240.1
Closing amount of required stable funding	<b>211,800.0</b>	207,801.0	198,708.1
Net stable funding ratio (%)	<b>126.03</b>	130.11	132.48



## Chapter 4 Management Discussion and Analysis

### (v) Reputation risk management

Reputation risk refers to the risk of negative evaluation of the Bank by stakeholders, the public and the media due to the Bank's operation and management, the behavior of its employees or external events such as complaints, penalties and cases, which hurts the brand value and affects the normal operations or even the market stability. The general office of the Bank's head office is primarily responsible for the management of reputation risk, and the Board, Board of Supervisors and senior management assume the ultimate responsibility, supervisory responsibility and management responsibility for reputation risk management, respectively.

### (vi) Legal compliance risk management

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, financial losses and reputational harm resulting from the failure to comply with laws and regulations. The Bank has a three-tier legal and compliance risk management structure at its head office, branches and sub-branches.

The legal and compliance department at its head office is in charge of managing our overall legal and compliance risks. In addition, the Bank has established legal and compliance departments at the tier-one branches and sub-branches in charge of the matters in respect of legal compliance and risk management.

The Bank's risk management and internal control committee supervises and leads its legal and compliance work. The Bank systematically manages our internal control compliance and legal affairs by building a management system for internal control compliance and operational risks. The Bank manages legal and compliance risks primarily through the following measures:

- organising the formulation of our rules, systems and annual plans, and leading and urging the formulation and amendment thereof;
- enhancing the compliance review mechanism to identify and evaluate compliance risks associated with our business activities;
- developing, coordinating, reviewing and incorporating the Bank's operation authorization plans and revised plans and putting them into implementation;
- uniformly managing standard contracts and other legal documents;
- managing and tracking our legal proceedings;
- formulating an annual compliance management plan, stipulating the focus for annual compliance work;
- managing related parties and connected transactions to control connected transactions in advance;



## Chapter 4 Management Discussion and Analysis

- optimizing the management mechanism for rectifications upon inspection, and enhancing the supervision and management of our rectifications upon inspection;
- closely monitoring regulatory changes and reporting compliance information and risks to our senior management and the relevant business lines; and
- enhancing internal training on legal and compliance, and issuing compliance alerts and reminders to employees through compliance proposals and internal publications.

### **(vii) IT risk management**

IT risk refers to operational, reputational, legal and other risks arising from information technology application due to natural factors, human factors, technical constraints, management defects and other factors. The IT risk management of the Bank aims to identify, measure, monitor and control IT risks through the development of effective systems.

The IT management committee supervises and guides IT activities of the Bank. The risk management department formulates IT risk management procedures under the supervision of the Board and senior management. The audit department audits IT risks. The IT department and relevant business departments are responsible for the implementation of specific risk management measures, plans and proposals.

### **(viii) Anti-money laundering management**

The Bank has formulated comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and the regulations of the PBoC.

The Board of Directors oversees bank-wide implementation of anti-money laundering policies, supervises senior management with respect to the formulation and implementation of anti-money laundering rules and procedures, reviews reports from senior management on any major anti-money laundering matters and the overall money-laundering risk profile, and adjusts anti-money laundering policies of the Bank on a timely basis.

The Bank has established anti-money laundering leadership groups at its head office, branches and sub-branches.

The anti-money laundering leadership group at its head office leads and coordinates the bank-wide anti-money laundering efforts. It is primarily responsible for:

- formulating anti-money laundering plans;
- reviewing rules and internal controls regarding anti-money laundering;
- ensuring the effective implementation of internal controls for anti-money laundering;
- analyzing significant issues relating to anti-money laundering;





## Chapter 4 Management Discussion and Analysis

- formulating solutions and responsive measures; and
- reporting to our Board of Directors.

This leadership group is led by the president of the Bank, the members of which are comprised of the responsible person from each department of the Bank.

The Bank conducts due diligence on the customers in accordance with anti-money laundering laws and regulations. The Bank reports large-scale and suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center on a daily basis through its anti-money laundering management system. The Bank also reports major reasonably suspected money laundering activities to the local branch of the PBoC and cooperates with their investigations, and reports to local public security units when necessary.

The Bank provides bank-wide anti-money laundering training on a regular basis based on employees' position and seniority. The Bank also requires all new employees to participate in mandatory anti-money laundering training before commencing employment.

### **(ix) Internal audits**

The Bank believes internal audits are essential to its stable operations and achievement of business objectives. It conducts internal audits to monitor the compliance with laws and regulations and the implementation of its internal policies and procedures, with the objective of controlling risks at an acceptable level.

The Bank also aims to conduct effective risk management as well as optimizes internal control compliance and its corporate governance structure, in an effort to improve its operations. It adheres to the principles of independence, importance, prudence, objectiveness and relevance for internal audits.

The Bank has adopted an independent and vertical internal audit management system, consisting of the audit committee of the Board of Directors and the audit department of the head office.



## Chapter 4 Management Discussion and Analysis

### 6. ANALYSIS ON CAPITAL ADEQUACY RATIO

The Bank is required to comply with the NAFR's capital adequacy ratio requirements. It has calculated and disclosed capital adequacy ratios in accordance with the Capital Administrative Measures for Commercial Banks (Trial) (China Banking Regulatory Commission Order [2012] No.1).

The table below sets forth certain information relating to its capital adequacy ratio as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	June 30, 2023	December 31, 2022
<b>Core capital</b>		
Paid-up capital	15,069.8	15,069.8
Qualifying portion of capital reserve	5,956.6	5,956.6
Defined benefit plan reserve	(4.5)	(4.0)
Investment revaluation reserve	93.4	102.1
Surplus reserve	1,844.3	1,844.3
General risk reserve	5,343.1	5,343.1
Retained earnings	4,654.3	4,247.0
Qualifying portion of non-controlling interest	26.1	23.9
Core tier-one capital deductions <sup>(1)</sup>	(216.1)	(254.4)
<b>Net core tier-one capital</b>	<b>32,767.0</b>	<b>32,328.4</b>
Other tier-one capital <sup>(2)</sup>	3.5	3.2
<b>Net tier-one capital</b>	<b>32,770.5</b>	<b>32,331.6</b>
<b>Tier-two capital</b>		
Surplus reserve for loan impairment	1,606.9	1,444.9
Eligible portion of non-controlling interest	6.9	6.5
<b>Net capital base</b>	<b>34,384.3</b>	<b>33,783.0</b>
<b>Total risk-weighted assets</b>	<b>279,792.6</b>	<b>275,010.6</b>
<b>Core tier-one capital adequacy ratio (%)</b>	<b>11.71</b>	11.76
<b>Tier-one capital adequacy ratio (%)</b>	<b>11.71</b>	11.76
<b>Capital adequacy ratio (%)</b>	<b>12.29</b>	12.28

Notes:

(1) Primarily include computer software and intangible assets.

(2) Primarily includes tier-one capital instruments such as preference shares and their premiums.



# Chapter 5 Changes in Share Capital and Particulars of Shareholders

## I. CHANGES IN SHARE CAPITAL OF THE BANK

### (I) Share Capital

As of June 30, 2023 and the Latest Practicable Date, the share capital of the Bank was as follows:

Description of Shares	Number of Shares	Approximate Percentage of Issued Share Capital (%)
Domestic Shares	11,275,991,330	74.83
H Shares	3,793,800,000	25.17
<b>Total</b>	<b>15,069,791,330</b>	<b>100.00</b>

### (II) Changes in Share Capital

During the Reporting Period and up to the Latest Practicable Date, there have been no changes in the share capital of the Bank.

## II. PARTICULARS OF SHAREHOLDERS

### (I) Particulars of Shareholdings of the Top Ten Shareholders of the Domestic Shares of the Bank

As of June 30, 2023, the top ten Shareholders of the Domestic Shares of the Bank are set out as follows:

No.	Name of Shareholder	The Number of Shares of the Bank Held as at June 30, 2023 <sup>(1)</sup>	Shareholding Percentage as at June 30, 2023 (%)	The Number of Shares of the Bank Held as at the Latest Practicable Date <sup>(1)</sup>	Shareholding Percentage as at the Latest Practicable Date (%)	Number of Shares Pledged
1	Gansu Highway Aviation Tourism	2,657,154,433	17.63	2,657,154,433	17.63	0
2	Gansu State-owned Assets Investment	1,909,250,972	12.67	1,909,250,972	12.67	0
3	Jiuquan Iron & Steel	983,972,303	6.53	983,972,303	6.53	0
4	Jinchuan Group	983,972,303	6.53	983,972,303	6.53	0
5	Mengshang Bank Co., Ltd.	845,296,403	5.61	845,296,403	5.61	0
6	Gansu Electric Power Investment	633,972,303	4.21	633,972,303	4.21	0
7	Jingyuan Coal Industry Group Limited	239,326,800	1.59	239,326,800	1.59	0
8	Yong Xin Hua Holdings Group Co., Ltd.	239,326,800	1.59	239,326,800	1.59	239,326,800
9	Duzhe Publishing Group Limited	211,324,101	1.40	211,324,101	1.40	0
10	Ningxia Tianyuan Manganese Group Limited	201,083,333	1.33	201,083,333	1.33	0
10	Jingye Group Co., Ltd.	201,083,333	1.33	201,083,333	1.33	0

Notes:

- (1) The shareholding in this table refers to the number of Domestic Shares directly held in the Bank.
- (2) As at the end of the Reporting Period, so far as the Bank was aware, the Bank's 956,269,637 Shares, representing 6.35% of the Shares issued, were pledged.



## Chapter 5 Changes in Share Capital and Particulars of Shareholders

### (II) Interests and Short Positions of Substantial Shareholders and Other Persons

As of June 30, 2023, to the best knowledge of the Directors of the Bank after making reasonable enquiries, the following persons (other than the Bank's Directors, Supervisors and chief executive) had interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Bank under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Bank pursuant to section 336 of the SFO:

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares Directly or Indirectly Held <sup>(2)</sup>	Approximate Percentage of the Bank's Total Issued Share Capital (%)	Approximate Percentage of the Bank's Relevant Class of Shares (%)
Gansu Highway Aviation Tourism	Beneficial owner <sup>(3)</sup>	Domestic Shares	2,657,154,433(L) <sup>(1)</sup>	17.63	23.56
	Interest in controlled corporation <sup>(3)</sup>	Domestic Shares	100,541,667(L) <sup>(1)</sup>	0.67	0.89
Gansu State-owned Assets Investment	Beneficial owner <sup>(4)</sup>	Domestic Shares	1,909,250,972(L) <sup>(1)</sup>	12.67	16.93
	Interest in controlled corporation <sup>(4)</sup>	Domestic Shares	1,617,944,606(L) <sup>(1)</sup>	10.74	14.35
Jiuquan Iron & Steel	Beneficial owner	Domestic Shares	983,972,303(L) <sup>(1)</sup>	6.53	8.73
Jinchuan Group	Beneficial owner <sup>(4)</sup>	Domestic Shares	983,972,303(L) <sup>(1)</sup>	6.53	8.73
Mengshang Bank Co., Ltd.	Beneficial owner	Domestic Shares	845,296,403(L) <sup>(1)</sup>	5.61	7.50
Gansu Electric Power Investment	Beneficial owner <sup>(4)</sup>	Domestic Shares	633,972,303 (L) <sup>(1)</sup>	4.21	5.62
Gansu Financial Holding Group Co., Ltd. (甘肅金融控股集團有限公司)	Beneficial owner	H Shares	1,250,000,000(L) <sup>(1)</sup>	8.29	32.95
Gansu Province Xinye Asset Management Co. Ltd.* (甘肅省新業資產經營有限責任公司)	Beneficial owner	H Shares	577,850,000 (L) <sup>(1)</sup>	3.83	15.23
THE PACIFIC SECURITIES CO., LTD	Other <sup>(5)</sup>	H Shares	458,535,000 (L) <sup>(1)</sup>	3.04	12.09
PACIFIC SECURITIES OVERSEAS GONG YING NO. 3 SINGLE ASSET MANAGEMENT PLAN	Other <sup>(5)</sup>	H Shares	458,535,000 (L) <sup>(1)</sup>	3.04	12.09
China Foreign Economy and Trade Trust Co., Ltd. (中國對外經濟貿易信託有限公司)	The Trustee <sup>(6)</sup>	H Shares	360,577,000 (L) <sup>(1)</sup>	2.39	9.50
Harvest Ahead International Holdings Limited	Beneficial owner	H Shares	358,405,115 (L) <sup>(1)</sup>	2.38	9.45
Anar Real Estate Group Co., Ltd. (石榴置業集團股份有限公司)	Founder of a discretionary trust, who can affect the trustee how to exercise discretionary trust <sup>(7)</sup>	H Shares	282,064,000 (L) <sup>(1)</sup>	1.87	7.43
Beijing Kadapu Investment Co., Ltd. (北京卡達普投資有限公司)	Interest in controlled corporation <sup>(7)</sup>	H Shares	282,064,000 (L) <sup>(1)</sup>	1.87	7.43
Beijing Annatuoliya Investment Co., Ltd. (北京安納托利亞投資有限公司)	Interest in controlled corporation <sup>(7)</sup>	H Shares	282,064,000 (L) <sup>(1)</sup>	1.87	7.43
Cui Wei	Interest in controlled corporation <sup>(7)</sup>	H Shares	282,064,000 (L) <sup>(1)</sup>	1.87	7.43
Sang Chunhua	Interest in controlled corporation <sup>(7)</sup>	H Shares	282,064,000 (L) <sup>(1)</sup>	1.87	7.43



## Chapter 5 Changes in Share Capital and Particulars of Shareholders

### Notes:

- (1) L represents long position.
- (2) Pursuant to Part XV of the SFO, shareholders of a company are required to file disclosure of interests forms when certain criteria are fulfilled. When the shareholdings of the shareholders in the company change, it is not necessary for the shareholders to notify the company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the substantial shareholders in the Bank may be different from the shareholdings filed with the Hong Kong Stock Exchange.
- (3) Gansu Highway Aviation Tourism held 2,657,154,433 Domestic Shares of the Bank, representing approximately 17.63% of the total issued share capital of the Bank. Gansu Highway Aviation Tourism holds 100% equity interest in Gansu Financial Capital Group Co., Ltd. (甘肅金融資本集團有限公司), while Gansu Financial Capital Group Co., Ltd. held 100,541,667 Domestic Shares of the Bank, representing approximately 0.67% of the total issued share capital of the Bank. Therefore, Gansu Financial Capital Group Co., Ltd. is a controlled corporation of Gansu Highway Aviation Tourism. Pursuant to the SFO, Gansu Highway Aviation Tourism is deemed to be interested in the Shares held by Gansu Financial Capital Group Co., Ltd.
- (4) Gansu State-owned Assets Investment directly held 1,909,250,972 Domestic Shares of the Bank, representing approximately 12.67% of the total issued share capital of the Bank. Gansu SASAC and Jiuquan Iron & Steel hold 84% and 16% equity interest in Gansu State-owned Assets Investment, respectively, while Gansu State-owned Assets Investment in turn holds 31.58% equity interest in Jiuquan Iron & Steel. Gansu State-owned Assets Investment also holds 100% of the equity interest in Gansu Electric Power Investment and 47.97% of the equity interest in Jinchuan Group. Therefore, Gansu Electric Power Investment and Jinchuan Group are controlled corporations of Gansu State-owned Assets Investment. Pursuant to the SFO, Gansu State-owned Assets Investment is deemed to be interested in the Shares held by Gansu Electric Power Investment and Jinchuan Group.
- (5) Jialong Investment Group Co., Ltd. (佳龍投資集團有限公司) is the asset trustor of the PACIFIC SECURITIES OVERSEAS GONG YING No. 3 SINGLE ASSET MANAGEMENT PLAN (Wealth management product registration number: SLE891) (理財產品登記號: SLE891), and The Pacific Securities Co., Ltd. is the asset manager, of the PACIFIC SECURITIES OVERSEAS GONG YING No. 3 SINGLE ASSET MANAGEMENT PLAN. Pursuant to the SFO, The Pacific Securities Co., Ltd. is deemed as holding equity interests in the Shares of the Bank held by the PACIFIC SECURITIES OVERSEAS GONG YING No. 3 SINGLE ASSET MANAGEMENT PLAN.
- (6) China Foreign Economy and Trade Trust Co., Ltd. (中國對外經濟貿易信託有限公司) holds 360,577,000 H Shares of the Bank as a trustee, among which, "FOTIC – Wuxingbaichuan No. 26 Special Unitrust of Anar Group" (外貿信託一五行百川26號石榴集團專項單一資金信託) holds 282,064,000 H Shares of the Bank, "FOTIC – Wuxingbaichuan No. 25 Unitrust" (外貿信託一五行百川25號單一資金信託) holds 78,513,000 H Shares of the Bank.
- (7) Anar Real Estate Group Co., Ltd. (石榴置業集團股份有限公司) holds 282,064,000 H Shares of the Bank as founder of a discretionary trust who can influence the trustee how to exercise its discretion. Beijing Kadapu Investment Co., Ltd. (北京卡達普投資有限公司) holds 87.41% equity interest in Anar Real Estate Group Co., Ltd. Beijing Kadapu Investment Co., Ltd. is a wholly-owned subsidiary of Beijing Annatuoliya Investment Co., Ltd. (北京安納托利亞投資有限公司). Cui Wei holds 58.0% equity interest in Beijing Annatuoliya Investment Co., Ltd., Sang Chunhua holds 42.0% equity interest in Beijing Annatuoliya Investment Co., Ltd. According to the SFO, Beijing Kadapu Investment Co., Ltd., Beijing Annatuoliya Investment Co., Ltd., Cui Wei and Sang Chunhua are deemed to be interested in the Shares of the Bank held by Anar Real Estate Group Co., Ltd.

Save as disclosed above, as of June 30, 2023, the Bank is not aware of any other person, other than the Directors, Supervisors and chief executive of the Bank, who had interests or short positions in the Shares and underlying Shares of the Bank, which were required to be recorded in the register of interests maintained by the Bank pursuant to section 336 of Part XV of the SFO, and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### (III) Particulars of Controlling Shareholders and De Facto Controller

The Bank does not have a controlling Shareholder or de facto controller.



# Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

## I. INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

Up to the Latest Practicable Date, the information on the Directors, Supervisors and senior management members of the Bank is set out as follows:

### Directors

Name	Age	Date of joining the Bank	Date of appointment as Director <sup>(1)</sup>	Position held as of the Latest Practicable Date	Responsibilities
Mr. LIU Qing (劉青)	57	May 2011	December 3, 2018	Chairman, executive Director	Presiding over the overall operations of the Bank, and primarily responsible for matters concerning Party building, implementation of major responsibilities for fostering a clean and honest Party, the ideological and political work, as well as work concerning the Board of Directors, strategic development and assuming overall responsibility for promoting the operation and management throughout the Bank; in charge of the Office of the Board of Directors, the Strategy and Development Department and the Organization Department under the Party Committee (the Human Resources Department)
Mr. WANG Xizhen (王錫真)	49	May 2022	September 16, 2022	Executive Director, president	Responsible for the overall operation and management of the Bank, mainly responsible for coordinating and supervising other members of the management team to discharge their respective duties, coordinating and supervising the full implementation of the Bank's business plan, and promoting the mitigation, collection and disposal of risk assets; in charge of the Planning and Financial Department, Corporate Business Department, Accounting and Operation Department, Information Technology Department and Investment Banking Business Department
Ms. WU Changhong (吳長虹)	60	November 2016	November 20, 2016	Non-executive Director <sup>(2)</sup>	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which she is a member
Mr. SHI Guanglei (史光磊)	42	December 2021	December 24, 2021	Non-executive Director <sup>(3)</sup>	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member





## Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

Name	Age	Date of joining the Bank	Date of appointment as Director <sup>(1)</sup>	Position held as of the Latest Practicable Date	Responsibilities
Mr. ZHAO Xingjun (趙星軍)	54	December 2021	March 4, 2022	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member
Mr. ZHANG Youda (張有達)	50	November 2016	November 2, 2017	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member
Mr. GUO Jirong (郭繼榮)	52	November 2016	November 2, 2017	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member
Ms. YANG Chunmei (楊春梅)	45	December 2021	March 4, 2022	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which she is a member
Mr. CHEN Jinhui (陳金輝)	54	July 2012	January 18, 2023	Non-executive Director (employee Director)	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member, and responsible for auditing, security, institutional construction and logistical support; in charge of the Office of the Board of Supervisors, Audit Department, Institutional Management Department (Security Department), Administrative Affairs Department
Ms. LUO Mei (羅玫)	47	August 2017	November 12, 2017	Independent non-executive Director <sup>(4)</sup>	Responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice on finance and accounting to the Bank based on her extensive experience in finance and accounting, and performing her duties as a Director through the Board of Directors, audit committee, nomination and remuneration committee



## Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

Name	Age	Date of joining the Bank	Date of appointment as Director <sup>(1)</sup>	Position held as of the Latest Practicable Date	Responsibilities
Mr. WONG Sincere (黃誠思)	58	August 2017	November 12, 2017	Independent non-executive Director <sup>(4)</sup>	Responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice to the Bank in relation to compliance with Hong Kong laws and the Hong Kong Listing Rules based on his extensive experience in legal and compliance work, and performing his duties as a Director through the Board of Directors, audit committee, and related party transaction and risk management committee
Mr. DONG Ximiao (董希淼)	46	December 2018	March 5, 2019	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice to the Bank based on his extensive experience in finance, and performing his duties as a Director through the Board of Directors, audit committee, nomination and remuneration committee, related party transaction and risk management committee
Mr. WANG Tingting (王汀汀)	46	December 2021	March 4, 2022	Independent non-executive Director	Responsible for supervising and providing independent advice on operation and management of the Bank, particularly providing advice to the Bank based on his extensive experience in economic and financial studies, and performing his duties as a Director through the Board of Directors, nomination and remuneration committee and related party transaction and risk management committee
Mr. LIU Guanghua (劉光華)	53	December 2021	March 4, 2022	Independent non-executive Director	Responsible for supervising and providing independent advice on operation and management of the Bank, particularly providing advice to the Bank based on his extensive experience in legal works, and performing his duties as a Director through the Board of Directors, related party transaction and risk management committee and the Consumer Rights Protection Committee



## Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

*Note:*

- (1) The date of appointment as a Director represents the date on which the relevant person's qualification as a director was approved by the NAFR Gansu Office or the former CBIRC.
- (2) Due to reaching her retirement age, Ms. Wu requested to resign as a non-executive director of the Bank and a member of the audit committee under the Board of Directors, and Ms. Wu Changhong ceased to perform her duties in the Bank from June 6, 2023.
- (3) Due to the work rearrangement, Mr. Shi requested to resign as a non-executive Director and a member of the consumer rights protection committee under the Board of Directors of the Bank, and Mr. Shi Guanglei ceased to perform his duties in the Bank from June 6, 2023.
- (4) As Ms. Luo Mei and Mr. Wong Sincere have served as independent non-executive Directors of the Bank for six consecutive years, pursuant to the relevant regulatory requirements of the PRC, Ms. Luo Mei and Mr. Wong Sincere have tendered their resignations as independent non-executive Directors of the Bank and the chairman and member of the special committees of the Board in June 2023. Given that the resignation of Ms. Luo Mei and Mr. Wong Sincere will result in the number of independent non-executive Directors and the audit committee of the Bank falling below the requirements of the relevant regulatory requirements, Ms. Luo Mei and Mr. Wong Sincere will continue to perform their duties as independent non-executive Directors and relevant duties as the chairman and member of the special committees of the Board until the qualifications of the new appointment as independent non-executive Directors have been approved by the NAFR Gansu Office. The Bank has approved the resolution regarding the appointment of Mr. Hau Pak Sun and Mr. Wang Lei as independent non-executive Directors of the Bank at the 2022 Annual General Meeting, but their qualifications are still subject to the approval by the NAFR Gansu Office, and their appointments shall take effect from the date of approval of their qualifications.
- (5) The Bank has approved the resolution regarding the appointment of Mr. Zhang Junping and Ms. Zhang Tingting as non-executive Directors of the Bank at the 2022 Annual General Meeting held on June 27, 2023, but their qualifications are still subject to the approval by the NAFR Gansu Office, and their appointments shall take effect from the date of approval of their qualifications.



## Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

### Supervisors

Name	Age	Date of joining the Bank	Date of appointment as a Supervisor <sup>(1)</sup>	Position held as of the Latest Practicable Date	Responsibilities
Ms. TANG Lan (湯瀾)	60	November 2018	November 12, 2018	Chairman of the Board of Supervisors, Employee Representative Supervisor <sup>(2)</sup>	Responsible for overall work of the Board of Supervisors, primarily responsible for supervising the work of the Board of Directors and management to ensure compliance with laws and regulations, and responsible for auditing, security, institutional construction and logistical support. In charge of the Office of the Board of Supervisors, Audit Department, Institutional Management Department (Security Department), Administrative Affairs Department.
Mr. ZHANG Yanlong (張延龍)	38	December 2021	December 24, 2021	Shareholder Supervisor	Supervising the Board of Directors and the senior management
Mr. HAN Zhenjiang (韓振江)	55	December 2021	December 24, 2021	Shareholder Supervisor	Supervising the Board of Directors and the senior management
Mr. ZENG Lehu (曾樂虎)	52	June 2019	June 3, 2019	Shareholder Supervisor	Supervising the Board of Directors and the senior management
Mr. LUO Yi (羅藝)	43	June 2018	June 1, 2018	External Supervisor	Supervising the Board of Directors and the senior management
Mr. MA Runping (馬潤平)	60	December 2021	December 24, 2021	External Supervisor	Supervising the Board of Directors and the senior management
Mr. LI Zongyi (李宗義)	53	December 2021	December 24, 2021	External Supervisor	Supervising the Board of Directors and the senior management
Mr. LIU Peixun (劉培訓)	55	July 2012	December 3, 2021	Employee Representative Supervisor	Supervising the Board of Directors and the senior management on behalf of the employees of the Bank
Mr. WANG Xiaopei (王效沛)	51	March 2012	December 3, 2021	Employee Representative Supervisor	Supervising the Board of Directors and the senior management on behalf of the employees of the Bank

#### Notes:

- (1) The date of appointment as a Supervisor stated here represents the date on which the relevant person was first elected as a Supervisor by the Shareholders' general meetings or the employee representatives' meetings (for employee representative Supervisors only) of the Bank.
- (2) Ms. Tang Lan tendered her resignation to the Board of Supervisors of the Bank to resign as the chairman of the Board of Supervisors, and a member of the nomination committee under the Board of Supervisors, a member of the supervision committee under the Board of Supervisors and an employee representative Supervisor of the Bank on June 8, 2023 as she had reached her retirement age. The Bank is looking for a suitable candidate to succeed the position of Ms. Tang Lan and will make a further announcement in due course.



## Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

### Senior Management

Name	Age	Date of joining the Bank	Date of appointment as senior management <sup>(1)</sup>	Position held as of the Latest Practicable Date	Responsibilities
Mr. WANG Xizhen (王錫真)	49	May 2022	October 17, 2022	Executive Director and president	Responsible for the overall operation and management of the Bank, with primary responsibility for coordinating and supervising other members of the management team to discharge their respective duties, coordinating and supervising the overall implementation of the Bank's business plan, and promoting the mitigation, collection and disposal of risk assets; in charge of Planning and Financial Department, Corporate Business Department, Accounting and Operation Department, Information Technology Department and Investment Banking Business Department.
Mr. CAI Tong (蔡彤)	55	August 2022	January 18, 2023	Vice president	Responsible for retail business segment, three rurals, rural revitalization, financial interbank, and asset management, in charge of Individual Business Department, Credit Card Center, Inclusive Finance Department (Rural Revitalization Department), Financial Interbank Department, Asset Management Department, Retail Credit Department and Channel Management Department.
Ms. HAO Jumei (郝菊梅)	54	February 2012	March 5, 2019	Vice president, secretary to the Board of Directors	Responsible for the daily work of the Board of Directors, work of risk internal control segment, as well as the coordination and liaison with the companies held or invested by the Bank (such as rural banks). Mainly responsible for the promotion of risk assets resolution, liquidation and disposal works through the Bank. In charge of Risk Management Department, Asset Preservation Department, Special Assets Management Center, Credit Approval Department, and Legal and Compliance Department and assisting the chairman in taking charge of the Office of the Board of Directors and Strategic Development Department.



## Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

Name	Age	Date of joining the Bank	Date of appointment as senior management <sup>(1)</sup>	Position held as of the Latest Practicable Date	Responsibilities
Mr. DU Jing (杜晶)	47	December 2011	May 26, 2020	Vice president	On secondment
Mr. FENG Yuhui (馮煜輝)	59	September 2012	July 27, 2020	Chief business officer	Responsible for the operation and management of relevant business lines and being also the secretary to the Party committee and president of Lanzhou Jincheng Sub-branch.
Ms. NIE Lei (聶蕾)	48	September 2022	January 18, 2023	Chief risk officer	Assisting Ms. HAO Jumei in taking charge of Risk Management Department and Legal and Compliance Department.
Mr. DUAN Jianxing (段劍星)	53	November 2011	January 18, 2023	Chief information officer	Assisting Mr. Wang Xizhen in taking charge of Information Technology Department, and responsible for overall technical supporting, digital transformation and product innovation related work.
Ms. GUO Li (郭力)	53	February 2012	January 18, 2023	Chief compliance officer	Assisting Mr. Wang Xizhen in taking charge of Planning and Financial Department, and responsible for overall assets and liabilities management, integrated business budget, performance evaluation and financial management related work.

*Notes:*

- (1) The date of appointment as a senior management member represents the date on which relevant person's qualification for the position was approved by the CBIRC Gansu Office.





## Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

### II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

#### (I) Changes in Directors

Ms. Wu Changhong tendered her resignation as non-executive Director of the Bank and a member of the audit committee under the Board with effect from June 6, 2023 as she had reached her retirement age.

Mr. Shi Guanglei tendered his resignation as non-executive Director of the Bank and a member of the consumer rights protection committee under the Board with effect from June 6, 2023 due to work rearrangement.

As Ms. Luo Mei and Mr. Wong Sincere have served as independent non-executive Directors of the Bank for six consecutive years, pursuant to the relevant regulatory requirements of the PRC, Ms. Luo Mei and Mr. Wong Sincere have tendered their resignations as independent non-executive Directors of the Bank and the chairman and member of the special committees of the Board in June 2023. Given that the resignation of Ms. Luo Mei and Mr. Wong Sincere will result in the number of independent non-executive Directors and the audit committee of the Bank falling below the requirements of the relevant regulatory requirements, Ms. Luo Mei and Mr. Wong Sincere will continue to perform their duties as independent non-executive Directors and relevant duties as the chairman and member of the special committees of the Board until the qualifications of the new appointments as independent non-executive Directors have been approved by the NAFR Gansu Office.

The Bank has approved the resolution regarding the appointment of Mr. Zhang Junping and Ms. Zhang Tingting as non-executive Directors of the Bank and Mr. Hau Pak Sun and Mr. Wang Lei as independent non-executive Directors of the Bank at the 2022 Annual General Meeting held on June 27, 2023, but their qualifications are still subject to the approval by NAFR Gansu Office, and their appointments shall take effect from the date of approval of their qualifications.

#### (II) Changes in Supervisors

Ms. Tang Lan tendered her resignation to the Board of Supervisors of the Bank on June 8, 2023 and resigned as the Chairman of the Board of Supervisors, a member of the Nomination Committee and the supervisory committee of the Board of Supervisors and the employee representative Supervisor of the Bank due to reaching her retirement age.

#### (III) Changes in Senior Management Members

During the Reporting Period and as of the Latest Practicable Date, there was no change of senior management members of the Bank.

Save as disclosed above, no information on changes of Directors, Supervisors and senior management is required to be disclosed in accordance with Rule 13.51B(1) of the Hong Kong Listing Rules during the Reporting Period.



## Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

### III. COMPANY SECRETARY

During the Reporting Period, Mr. Wong Wai Chiu (黃偉超) was the company secretary of the Bank, and his main contact person in the Bank was Ms. Hao Jumei, the vice president and secretary to the Board of the Bank, and Ms. Hao Jumei was also required to report significant events to the chairman of the Board.

### IV. REMUNERATION POLICIES FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank endeavors to improve its performance evaluation system for Directors, Supervisors and senior management members. The remuneration system for the Directors, Supervisors and senior management members of the Bank adheres to the principle of unifying responsibilities, authorities and interests, combining incentives and restraints and focusing on both short-term and long-term incentives. The Bank insists on conducting remuneration system reform complementary with relevant reforms and promoting the marketization, monetization and standardization of the income allocation of the Bank's senior management.

The remuneration provided by the Bank for its executive Directors, employee representative Supervisors and senior management who are also the Bank's employees concurrently include salaries, discretionary bonus, social security plans, housing provident fund plans and other benefits. The remuneration provided by the Bank for its non-executive Directors, independent non-executive Directors and other Supervisors are determined by their responsibilities.

The Bank strictly adheres to relevant regulatory provisions when making remuneration payments. The Bank assesses senior management members and offers remuneration to them based on the results of the assessment.

### V. SECURITIES TRANSACTIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank has adopted in respect of securities transactions by Directors, Supervisors and senior management, a code of conduct on terms no less exacting than the required standards set out in Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Hong Kong Listing Rules. Having made specific enquiries to all Directors, Supervisors and senior management of the Bank, the Bank confirmed that they had complied with the Model Code during the Reporting Period.



## Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

### VI. POSITIONS HELD IN THE SHAREHOLDER COMPANY BY THE EXISTING DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position held with the Bank	Name of the shareholder company	Position held in the shareholder company
Mr. Zhao Xingjun	Non-executive Director	Gansu Financial Holding Group	Member of the Party committee, and deputy general manager
Mr. Guo Jirong	Non-executive Director	Jiuquan Iron & Steel	General manager of the Capital Resources International Department
Mr. Zhang Youda	Non-executive Director	Jinchuan Group	Member of the standing committee of the Party committee, and deputy general manager
Ms. Yang Chunmei	Non-executive Director	Mengshang Bank	Head of the board office
Mr. Zhang Yanlong	Shareholder Supervisor	Gansu Electric Power Investment	Deputy Director of the Capital Management Department (dispatched directors and supervisors management center)
Mr. Han Zhenjiang	Shareholder Supervisor	Gansu Energy Chemical Jingmei Company (甘肅能化股份靖煤公司)	Head of the audit department and director of the Office of the Board of Supervisors
Mr. Zeng Lehu	Shareholder Supervisor	DuZhe Publishing & Media Co., Ltd. (讀者出版傳媒有限公司)	Director and head of financial department of DuZhe Group



## Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

### VII. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK AND ITS ASSOCIATED CORPORATIONS

As at June 30, 2023, the interests of the Directors, Supervisors and chief executive of the Bank in the Shares, underlying Shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code or in accordance with Divisions 7 and 8 of Part XV under the SFO are as follows:

Name	Position in the Bank	Class of Shares	Nature of Interest	Number of Shares	Percentage of Domestic Shares of the Bank (%)	Percentage of Total Share Capital of the Bank (%)
Mr. Liu Qing	Chairman, executive Director	Domestic Shares	Beneficial owner	301,714(L) <sup>(1)</sup>	0.003	0.002
Mr. Chen Jinhui	Non-executive Director (employee representative Director)	Domestic Shares	Beneficial owner	200,000(L) <sup>(1)</sup>	0.002	0.001
Mr. Wang Xiaopei	Employee Representative Supervisor	Domestic Shares	Beneficial owner	200,000(L) <sup>(1)</sup>	0.002	0.001
Mr. Liu Peixun	Employee Representative Supervisor	Domestic Shares	Beneficial owner	200,000(L) <sup>(1)</sup>	0.002	0.001

*Notes:*

(1) L represents long position.

Save as disclosed above, none of the Directors, Supervisors and chief executives of the Bank held any interests or short positions in the shares, underlying shares or debentures of the Bank or its associated corporations as of June 30, 2023.



## Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

### VIII. EMPLOYEE, EMPLOYEE COMPENSATION POLICY AND EMPLOYEE TRAINING PROGRAM

#### (I) Staff Composition

As of June 30, 2023, the Bank had 4,356 employees. The table below sets forth its number of full-time employees by function as of the same date:

	Number of employees	Percentage (%)
Corporate banking	1,038	23.83
Retail banking	1,092	25.07
Financial market operations	19	0.44
Finance and accounting	500	11.48
Risk management, internal audit and legal compliance	364	8.35
Information technology	133	3.05
Management	202	4.64
Bank teller	726	16.67
Others	282	6.47
Total	4,356	100

The following table sets forth the number of the employees of the Bank by age as of June 30, 2023.

	Number of employees	Percentage (%)
Under 30 (inclusive) years old	1,221	28.03
31 to 40 years old	2,275	52.22
41 to 50 years old	542	12.44
51 years old or above	318	7.31
Total	4,356	100



## Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

The following table sets forth the number of the employees of the Bank by education degree as of June 30, 2023.

	Number of employees	Percentage (%)
Master's degree or higher	345	7.92
Bachelor's degree	3,603	82.71
Others	408	9.37
Total	4,356	100

### (II) Employee Remuneration

The Bank's employees participate in employee benefit plans, such as pension insurance, medical insurance, work related injury insurance, unemployment insurance, maternity insurance, housing provident funds and corporate annuity funds. The Bank conducts performance evaluations of employees on an annual basis to provide feedback based on the evaluations. Remuneration for full-time employees typically consists of a base salary and performance-based compensation.

#### **Employee Training Program**

The Bank focuses on employee career development and provides training programs for employees in different business lines. It has built a team of internal training providers under its human resources department.

### (III) Labor Union

The Bank has established a labor union in accordance with PRC laws and regulations. It believes that it has maintained a good working relationship with its employees. As of the Latest Practicable Date, the Bank had not experienced any labor strikes or other labor disturbances that materially affected its operations or public image.

## IX. THE SUBSIDIARY OF THE BANK

Jingning Chengji Rural Bank is the sole subsidiary of the Bank. The Bank holds 62.7% equity interest in Jingning Chengji Rural Bank, the financials of which have been consolidated into the Bank's consolidated financial statements. Jingning Chengji Rural Bank was established on September 18, 2008, which was originally a subsidiary of Pingliang City Commercial Bank. It offers local corporate and retail customers diversified financial products and services, including loans, deposits and fee and commission-based products and services.





# Chapter 7 Important Events

## I. CORPORATE GOVERNANCE CODE

The Bank believes that maintaining high standards of corporate governance mechanisms and high quality of corporate governance is one of the key factors to improve its core competitiveness and to build a modern urban commercial bank. Therefore, the Bank focuses on high quality of corporate governance and actively abides by the best domestic and international corporate governance practice, to ensure the rights and interests of Shareholders and improve the value of the Bank.

The Bank has established a modern corporate governance structure in line with the requirements of its Articles of Association, PRC laws and regulations and the Hong Kong Listing Rules. The Board of Directors is accountable to the Shareholders as a whole and is responsible for, among others, determining the Group's business development strategies, business plans and investment proposals, appointing or removing senior management, and deciding matters such as establishment of internal management departments. The Board of Directors has established committees to perform specified functions consisting of the strategy and development committee, audit committee, nomination and remuneration committee, related party transaction and risk management committee, and consumer rights protection committee. The Board of Supervisors is accountable to the Shareholders as a whole and has the responsibility and power to supervise the Directors and senior management and oversee the Group's financial activities, risk management and internal control.

The Bank has incorporated the Corporate Governance Code and the Guidelines on Corporate Governance of Banking and Insurance Institutions issued by the former CBIRC (the "Corporate Governance Guidelines") into the Bank's governance structure and polices. The Corporate Governance Code and the Corporate Governance Guidelines are well reflected in the Articles of Association and the terms of reference of the Shareholders' general meeting, the Board of Directors and committees under the Board of Directors. The Bank's Shareholders' general meeting, the Board of Directors and the Board of Supervisors perform their respective duties, forming good corporate governance structure. The Bank closely monitors its operation to ensure it complies with the relevant requirements under applicable laws, regulations, codes, guidelines and the Bank's internal policies.

The Bank has established and improved the corporate governance structure and established a series of corporate government system according to relevant Corporate Governance Code and the Corporate Governance Guidelines. Our Directors believe that during the Reporting Period, the Bank has complied with all code provisions contained in the Corporate Governance Code in force during the year and, where appropriate, adopted certain recommended best practices. The Bank has also strictly complied with the provisions regarding management of inside information required under applicable laws and regulations and the Hong Kong Listing Rules.

The Bank will review its corporate governance and strengthen management constantly to ensure compliance with the Corporate Governance Code and the Corporate Governance Guidelines and meet the higher expectations from its Shareholders and potential investors.



## Chapter 7 Important Events

### II. PROFITS AND DIVIDENDS

#### (1) 2022 final dividend

At the meeting of the Board of Directors of the Bank convened on March 30, 2023, the Board of Directors, after taking into consideration the need for adequate capital to support the future business development of the Bank, recommended no distribution of any 2022 final dividend or any capitalisation of capital reserve.

The proposals were considered and approved at the 2022 annual general meeting of the Bank convened on June 27, 2023.

#### (2) 2023 interim dividend

The Bank's revenue for the six months ended June 30, 2023 and the Bank's financial position as of the same date are set out in the interim financial statements of this interim report. The Board recommended no distribution of 2023 interim dividend or any capitalisation of capital reserve.

### III. ISSUANCE OF BONDS

#### Interbank certificates

During the period from January 1, 2023 to June 30, 2023, the Bank issued several tranches of interbank certificates in an aggregate principal amount of RMB19,450.00 million. The interbank certificates have terms of three months to one year and bear effective interest rates between 2.15% and 2.89% per annum.

#### Financial bonds

At the meeting of the Board convened on August 27, 2021, the Board advised the Bank to publicly issue financial bonds in an aggregate amount of not more than RMB10 billion (inclusive). The proposal was considered and approved at the 2021 annual general meeting convened by the Bank on June 24, 2022 and the authorizing resolution shall be valid for 24 months from the date of approval for the issuance of non-capital financial bonds from the People's Bank of China and other relevant regulatory authorities (if any).

As of the Latest Practicable Date, the Bank has not issued any bonds as per the aforesaid authorization. The Bank will, according to relevant applicable laws and regulations and the Hong Kong Listing Rules, disclose the progress of issuing financial bonds to the Shareholders of the Bank and potential investors in a prompt manner.



## Chapter 7 Important Events

### **IV. PURCHASE, SALE AND 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 of the Bank's listed securities.

### **V. RELATED PARTY TRANSACTIONS**

During the Reporting Period, no material related party transaction (defined under the Administrative Measures for the Related Party Transactions of Banking and Insurance Institutions 《銀行保險機構關聯交易管理辦法》) promulgated by the former CBIRC had occurred which had adverse effects on the operating results and financial position of the Bank.

### **VI. MATERIAL LAWSUITS AND ARBITRATIONS**

Legal disputes in which the Bank and its subsidiary were involved during daily businesses mainly include actions taken against the borrowers for the purpose of recovering loans. As of the Latest Practicable Date, neither the Bank nor its subsidiary had been involved in any major pending litigation as defendant.

### **VII. PUNISHMENT IMPOSED ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS**

During the Reporting Period and as at the Latest Practicable Date, neither the Bank nor its Directors, Supervisors and senior management members had been subject to investigation, administrative sanction and criticism by CSRC, public censure by Hong Kong Stock Exchange, or punishment imposed by any other regulatory authorities and having material effect on the Bank's operations.

### **VIII. PUBLIC FLOAT**

Based on the Bank's publicly available information and to the best of the Directors' knowledge, as of the Latest Practicable Date, the number of H Shares in public hands represents approximately 25.17% of the total issued share capital of the Bank, which satisfies the minimum public float requirement under Rule 8.08(1) of the Hong Kong Listing Rules.

### **IX. APPOINTMENT OF EXTERNAL AUDITORS**

As deliberated and approved by Shareholders at the 2022 annual general meeting on June 27, 2023, the Bank reappointed Shinewing Certified Public Accountants LLP as its domestic external auditor for 2023, which is responsible for providing relevant domestic audit services in accordance with PRC GAAP; reappointed SHINEWING (HK) CPA Limited as its international external auditor for 2023, which is responsible for providing relevant overseas audit & review services in accordance with IFRS. The terms of the above two external auditors shall start from the date when the proposal on appointment of external auditors for 2023 was adopted at the 2022 annual general meeting of the Bank (namely on June 27, 2023) to the date when the 2023 annual general meeting of the Bank ended.



## Chapter 7 Important Events

### **X. ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES, ASSETS AND BUSINESS/ENTERPRISES COMBINATIONS/MERGERS**

The Bank did not carry out any acquisition and disposal of subsidiaries, associates, assets and business/enterprises combinations/mergers during the Reporting Period and as at the Latest Practicable Date.

### **XI. REVIEW OF INTERIM REPORT**

The financial statements disclosed in this interim report have not been audited. The interim financial statements of the Bank for the six months ended June 30, 2023 prepared in accordance with IFRS issued by the International Accounting Standards Board have been reviewed by SHINEWING (HK) CPA Limited according to Hong Kong Standard on Review Engagements 2410. The Board of Directors and its audit committee have reviewed and approved the Group's unaudited consolidated interim financial data, interim report and interim results announcement for the six months ended June 30, 2023.

### **XII. PUBLICATION OF THE 2023 INTERIM REPORT**

The 2023 interim report of the Bank prepared in accordance with the Hong Kong Listing Rules and IFRS is available on the HKEXnews website (<http://www.hkexnews.hk>) and the Bank's website (<http://www.gsbankchina.com>).

In this interim report, the financial data for the six months ended June 30, 2022 and 2023 have not been audited, and the financial data for the year ended December 31, 2022 have been audited.



# Chapter 8 Report on Review of Condensed Consolidated Financial Statements



SHINEWING (HK) CPA Limited  
17/F, Chubb Tower, Windsor House,  
311 Gloucester Road,  
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司  
香港銅鑼灣告士打道311號  
皇室大廈安達人壽大樓17樓

TO THE BOARD OF DIRECTORS OF BANK OF GANSU CO., LTD.

甘肅銀行股份有限公司

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

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Bank of Gansu Co., Ltd (the “Bank”) and its subsidiary (hereinafter collectively referred to as the “Group”) set out on pages 80 to 145, which comprise the condensed consolidated statement of financial position as of June 30, 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Bank are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, 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 International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## Chapter 8 Report on Review of Condensed Consolidated Financial Statements

### CONCLUSION

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

**SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

**Lee Shun Ming**

Practising Certificate Number: P07068

Hong Kong

August 30, 2023





# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2023

	Notes	Six months ended June 30,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest income		7,081,634	6,759,788
Interest expenses		(4,212,251)	(4,388,281)
<b>Net interest income</b>	4	<b>2,869,383</b>	2,371,507
Fee and commission income		228,510	242,203
Fee and commission expenses		(21,569)	(15,641)
<b>Net fee and commission income</b>	5	<b>206,941</b>	226,562
Net trading gains	6	310,135	257,865
Net gains arising from investment securities	7	11,549	36,000
Net exchange gains		96,552	118,319
Other operating expense, net	8	(7,779)	(2,763)
Operating income		3,486,781	3,007,490
Operating expenses	9	(1,052,543)	(975,747)
Impairment losses on assets, net of reversals	10	(2,063,114)	(1,740,105)
Operating profit		371,124	291,638
Share of profit of an associate	21	311	73
Profit before tax		371,435	291,711
Income tax credit	11	36,553	103,503
<b>Profit for the period</b>		<b>407,988</b>	395,214



# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2023

	Notes	Six months ended June 30,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Profit for the period</b>		<b>407,988</b>	395,214
<b>Other comprehensive (expense)/income for the period:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
– Remeasurement of defined benefit obligations		(570)	–
– Fair value loss on investments in equity investments at fair value through other comprehensive income		(11,531)	–
– Income tax relating to items that will not be reclassified to profit or loss		3,025	–
		<b>(9,076)</b>	–
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Debt instrument at fair value through other comprehensive income			
– Movement of provision for impairment losses	20	286	(89)
– Change in fair value recognised in investment revaluation reserve		(371)	(31,571)
– Income tax relating to items that may be reclassified subsequently		21	7,915
		<b>(64)</b>	(23,745)
<b>Other comprehensive expense for the period, net of income tax</b>		<b>(9,140)</b>	(23,745)
<b>Total comprehensive income for the period</b>		<b>398,848</b>	371,469
<b>Profit for the period attributable to:</b>			
– Owners of the Bank		407,239	393,917
– Non-controlling interests		749	1,297
		<b>407,988</b>	395,214
<b>Total comprehensive income for the period attributable to:</b>			
– Owners of the Bank		398,099	370,172
– Non-controlling interests		749	1,297
		<b>398,848</b>	371,469
<b>Earnings per share</b>			
– Basic and diluted (RMB cents)	12	<b>2.70</b>	2.61



# Condensed Consolidated Statement of Financial Position

At June 30, 2023

	Notes	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Restated)
<b>Assets</b>			
Cash and deposits with the central bank	13	18,673,664	20,034,555
Deposits with banks	14	1,435,371	1,224,947
Placements with other financial institutions	15	1,090,117	1,500,503
Financial assets held under resale agreements	16	22,150,379	6,992,510
Financial assets at amortised cost	17	79,065,824	85,368,603
Loans and advances to customers	18	222,838,916	208,623,170
Financial assets at fair value through profit or loss	19	27,121,692	35,706,115
Financial assets at fair value through other comprehensive income	20	8,744,012	10,220,773
Interest in an associate	21	10,483	10,172
Property and equipment	22	2,892,878	2,989,852
Right-of-use assets	23	226,226	245,213
Deferred tax assets	24	2,060,124	1,867,816
Other assets	25	3,717,879	2,418,234
<b>Total assets</b>		<b>390,027,565</b>	<b>377,202,463</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Borrowings from the central bank	27	6,680,253	7,631,672
Deposits from banks and other financial institutions	28	25,480,092	24,039,651
Placements from banks	29	1,473,465	2,822,806
Financial assets sold under repurchase agreements	30	5,889,154	3,328,758
Deposits from customers	31	293,271,373	279,039,186
Accrued staff costs	32	258,172	390,071
Taxes payable		158,147	2,194
Debts securities issued	33	22,273,093	26,039,053
Deferred tax liabilities	24	33,911	39,635
Lease liabilities	23	172,765	180,066
Other liabilities	34	1,339,026	1,090,124
<b>Total liabilities</b>		<b>357,029,451</b>	<b>344,603,216</b>



# Condensed Consolidated Statement of Financial Position

At June 30, 2023

	Notes	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Restated)
<b>Equity</b>			
Share capital	35	15,069,791	15,069,791
Capital reserve	36(a)	5,956,633	5,956,614
Defined benefit plan reserve		(4,472)	(4,045)
Investment revaluation reserve		93,380	102,093
Surplus reserve	36(b)	1,844,340	1,844,340
General reserve	36(c)	5,343,087	5,343,087
Retained earnings		4,654,226	4,246,987
Total equity attributable to the owners of the Bank		32,956,985	32,558,867
Non-controlling interests		41,129	40,380
<b>Total equity</b>		<b>32,998,114</b>	<b>32,599,247</b>
<b>Total liabilities and equity</b>		<b>390,027,565</b>	<b>377,202,463</b>

The condensed consolidated financial statements on pages 80 to 145 were approved and authorised for issue by the board of directors of the Bank on August 30, 2023 and are signed on its behalf by:

Mr. Liu Qing  
Director

Mr. Wang Xizhen  
Director



# Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2023

	Attributable to owners of the Bank									
	Share capital RMB'000	Capital reserve RMB'000	Defined benefit plan reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
<b>At January 1, 2023 (Restated)</b>	15,069,791	5,956,614	(4,045)	102,093	1,844,340	5,343,087	4,246,987	32,558,867	40,380	32,599,247
Profit for the period	-	-	-	-	-	-	407,239	407,239	749	407,988
Other comprehensive expense for the period	-	-	(427)	(8,713)	-	-	-	(9,140)	-	(9,140)
Total comprehensive (expense)/income for the period	-	-	(427)	(8,713)	-	-	407,239	398,099	749	398,848
Shareholders' injection (Note 36(a))	-	19	-	-	-	-	-	19	-	19
<b>At June 30, 2023 (Unaudited)</b>	15,069,791	5,956,633	(4,472)	93,380	1,844,340	5,343,087	4,654,226	32,956,985	41,129	32,998,114



# Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2023

	Attributable to owners of the Bank									Non-controlling interests	Total
	Share capital	Capital reserve	Defined benefit plan reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At January 1, 2022 (Restated)</b>	15,069,791	5,956,422	(3,902)	157,057	1,727,903	4,955,881	4,149,196	32,012,348	37,514	32,049,862	
Profit for the period	-	-	-	-	-	-	393,917	393,917	1,297	395,214	
Other comprehensive expense for the period	-	-	-	(23,745)	-	-	-	(23,745)	-	(23,745)	
Total comprehensive (expense)/income for the period	-	-	-	(23,745)	-	-	393,917	370,172	1,297	371,469	
Shareholders' injection (Note 36(a))	-	108	-	-	-	-	-	108	-	108	
<b>At June 30, 2022 (Unaudited) (Restated)</b>	15,069,791	5,956,530	(3,902)	133,312	1,727,903	4,955,881	4,543,113	32,382,628	38,811	32,421,439	





# Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
Profit before tax	371,435	291,711
<b>Adjustments for:</b>		
Depreciation of property and equipment	130,071	121,851
Depreciation of right-of-use assets	71,126	78,539
Amortisation of intangible assets	8,735	7,164
Impairment losses on assets, net of reversals	2,063,114	1,740,105
Interest expense on lease liabilities	1,536	2,309
Interest expense on debts securities issued	292,487	476,402
Loss on disposal of property and equipment	56	702
Loss on disposal of repossessed assets	11,231	–
Unrealised (gains) losses from debt securities at fair value through profit or loss	(77,851)	80,729
Net gains arising from investment securities	(11,549)	(36,000)
Government grants	(627)	(1,903)
Interest income on financial investments	(1,401,852)	(1,345,699)
Share of profit of an associate	(311)	(73)
	<b>1,457,601</b>	<b>1,415,837</b>
<b>Changes in operating assets</b>		
Net decrease in deposits with the central bank	127,810	943,543
Net increase in deposits and placements with banks and other financial institutions	(4,793)	(70,457)
Net increase in financial assets held under resale agreements	(1,113)	–
Net decrease/(increase) in financial assets at fair value through profit or loss	8,662,274	(3,955,280)
Net increase in loans and advances to customers	(15,463,297)	(9,956,022)
Net increase in other operating assets	(1,463,903)	(1,935,193)
	<b>(8,143,022)</b>	<b>(14,973,409)</b>
<b>Changes in operating liabilities</b>		
Net decrease in borrowings from the central bank	(951,419)	(265,410)
Net increase/(decrease) in deposits and placements from banks and other financial institutions	91,100	(356,960)
Net increase/(decrease) in financial assets sold under repurchase agreements	2,560,396	(5,851,480)
Net increase in deposits from customers	14,232,187	16,854,645
Net increase in other operating liabilities	86,295	174,265
	<b>16,018,559</b>	<b>10,555,060</b>



# Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash generated from/(used in) operations	9,333,138	(3,002,512)
Income tax refunded, net	26,835	40,666
<b>NET CASH FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>9,359,973</b>	<b>(2,961,846)</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of investments	11,159,472	19,890,908
Interest income received from financial investments	1,729,422	1,372,915
Proceeds from disposal of property and equipment	4,912	1,370
Payments on acquisition of investments	(4,372,196)	(31,532,631)
Payments on acquisition of property and equipment and intangible assets	(43,609)	(91,047)
<b>NET CASH FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>8,478,001</b>	<b>(10,358,485)</b>
<b>FINANCING ACTIVITIES</b>		
Government grants received	627	1,903
Proceeds from capital contribution by equity shareholder	19	108
Proceeds from issue of new debt securities	19,211,522	33,965,874
Repayment of debt securities issued	(23,269,969)	(29,020,000)
Repayment of lease liabilities	(59,440)	(78,587)
Interest paid on debts securities issued	-	(50,000)
Interest paid on lease liabilities	(1,536)	(2,309)
Dividends paid	(28)	(82)
Dividends paid to non-controlling interests	-	(418)
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b>	<b>(4,118,805)</b>	<b>4,816,489</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>13,719,169</b>	<b>(8,503,842)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>15,418,799</b>	<b>26,699,642</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (Note 40)</b>	<b>29,137,968</b>	<b>18,195,800</b>
Interest received	6,566,113	6,437,908
Interest paid (excluding interest expense on debts securities issued and lease liabilities)	(4,371,333)	(4,929,206)



# Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

## 1. GENERAL

Bank of Gansu Co., Ltd. (the “Bank”) was established in Lanzhou, Gansu Province, the People’s Republic of China (the “PRC”) on September 27, 2011 with the approval of the National Administration of Financial Regulation (the “NAFR”), formerly known as China Banking and Insurance Regulatory Commission (the “CBIRC”). Prior to its establishment, the banking business was carried out by two city commercial banks (the “Predecessor Entities”), each being located in Gansu Province.

Pursuant to reorganisation initiated by the People’s Government of Gansu Province, the Bank was established through the merger and reorganisation of the Predecessor Entities.

The Bank obtained its finance permit No. B1228H262010001 from the NAFR, and obtained its business license No. 91620000585910383X from the Gansu Administration of Industry and Commerce. The legal representative is Liu Qing and the address of the registered office and principal place of business is 525-1, Donggang West Road, Chengguan District, Lanzhou, Gansu Province.

On January 18, 2018, the Bank’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (Stock code: 2139).

As at June 30, 2023, the Bank has 1 head office operational department, 12 branches, 182 sub-branches, 4 micro-to-small enterprise sub-branches, 1 community sub-branch and a subsidiary. The principal activities of the Bank and its subsidiary (hereinafter collectively referred to as the “Group”) are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the NAFR. The Group operates mainly in Gansu Province of Mainland China.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Bank and its subsidiary.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended June 30, 2023 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange, and with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”, issued by the International Accounting Standards Board (“IASB”).

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, 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.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022.

#### Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are effective for the Group's financial year beginning January 1, 2023:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two Model Rules

Except as described below, the application of the new and amendments to IFRSs in the current interim period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### Impact on application of Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to IAS 12 narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations.



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Impact on application of Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Continued)

The Group previously applied IAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption. Upon application of the amendments, the Group has recognised a separate deferred tax asset and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities. In accordance with the transition provision:

#### Transition and summary of effects

- (i) The Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after January 1, 2022;
- (ii) The Group also, as at January 1, 2022, recognised a deferred tax asset of RMB49,414,000 (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability of RMB55,943,000 for all deductible and taxable temporary difference associated with right-of-use assets and lease liabilities. The remaining balance of RMB6,529,000 was reflected in the retained earnings.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements.



# Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

## 4. NET INTEREST INCOME

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income arising from		
– Deposits with the central bank	120,187	128,620
– Deposits with banks	11,912	14,640
– Placements with other financial institutions	1,824	6,657
– Loans and advances to customers:		
Corporate loans and advances	3,894,316	3,665,834
Personal loans and advances	1,294,716	1,141,553
Discounted bills	241,134	286,587
– Financial assets held under resale agreements	115,693	170,198
– Financial assets at fair value through other comprehensive income	160,841	183,340
– Financial assets at amortised cost	1,241,011	1,162,359
	<b>7,081,634</b>	<b>6,759,788</b>
Less: Interest expenses arising from		
– Borrowings from the central bank	(72,942)	(71,207)
– Deposits from banks and other financial institutions	(403,608)	(392,431)
– Placements from banks	(30,565)	–
– Deposits from customers:		
Corporate customers	(751,862)	(792,925)
Individual customers	(2,599,804)	(2,619,353)
– Financial assets sold under repurchase agreements	(59,447)	(33,654)
– Debts securities issued	(292,487)	(476,402)
– Lease liabilities	(1,536)	(2,309)
	<b>(4,212,251)</b>	<b>(4,388,281)</b>
	<b>2,869,383</b>	<b>2,371,507</b>





## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 5. NET FEE AND COMMISSION INCOME

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fee and commission income		
– Wealth management service fees	56,507	46,088
– Bank acceptance bills service fees	7,399	5,449
– Agency services fees	32,017	36,011
– Settlement and clearing fees	58,679	81,614
– Letter of guarantee service fees	8,126	9,794
– Others	65,782	63,247
	<b>228,510</b>	242,203
Fee and commission expenses		
– Settlement and clearing fees	(4,996)	(3,476)
– Bank card service fees	(16,573)	(12,157)
– Others	–	(8)
	<b>(21,569)</b>	(15,641)
	<b>206,941</b>	226,562

### 6. NET TRADING GAINS

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Financial assets at FVTPL		
– Realised gains from debt securities	156,620	254,180
– Unrealised gains (losses) from debt securities	77,851	(80,729)
Interest income arising from financial assets at FVTPL	75,664	84,414
	<b>310,135</b>	257,865



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 7. NET GAINS ARISING FROM INVESTMENT SECURITIES

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net gains on disposal of debt instruments at fair value through other comprehensive income	11,549	36,000

### 8. OTHER OPERATING EXPENSE, NET

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants (Note)	627	1,903
Rental income	3,495	1,612
Loss on disposal of property and equipment	(56)	(702)
Loss on disposal of repossessed assets	(11,231)	–
Other operating expenses	(614)	(5,576)
	(7,779)	(2,763)

*Note:* Government grants recognised as other income are awarded to the Group by the PRC government as incentives primarily to encourage the development of the Group and the contribution to the local economic development. The government grants are one-off with no specific condition attached.



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 9. OPERATING EXPENSES

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff costs (including directors' emoluments)		
– Salaries and bonuses	390,456	377,870
– Staff welfares	9,150	9,865
– Social insurance	125,114	120,374
– Housing allowances	45,762	41,669
– Labor union and staff education expenses	5,985	3,718
– Others	1,134	1,313
	577,601	554,809
Premises and equipment expenses		
– Depreciation of property and equipment	130,071	121,851
– Depreciation of right-of-use assets	71,126	78,539
– Amortisation of intangible assets	8,735	7,164
– Rental and property management expenses	6,376	5,561
	216,308	213,115
Business tax and surcharges	54,928	50,100
Other general and administrative expenses	203,706	157,723
	1,052,543	975,747



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 10. IMPAIRMENT LOSSES ON ASSETS, NET OF REVERSALS

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Impairment losses on assets, net of reversals:		
Deposits with banks	50	–
Placements with other financial institutions	199	–
Financial assets at FVTOCI	286	(89)
Financial assets at amortised cost	664,341	505,566
Loans and advances to customers	1,247,551	1,223,593
Acceptance bills, letters of guarantees and unused credit card commitments	30,166	2,316
Other assets	120,521	8,719
	<b>2,063,114</b>	<b>1,740,105</b>

### 11. INCOME TAX CREDIT

#### (a) Income tax:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
– PRC Enterprise Income Tax	158,433	940
Over provision in prior years		
– PRC Enterprise Income Tax	–	(49,078)
Deferred tax (Note 24)		
– Current year	(194,986)	(55,365)
	<b>(36,553)</b>	<b>(103,503)</b>

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25%. Pingliang Jingning Chengji Rural Bank Co., Ltd. ("平涼市靜寧成紀村鎮銀行股份有限公司", "Jingning Chengji Rural Bank"), a subsidiary of the Bank, obtained approvals from tax authorities to adopt the preferential income tax rate of 15%.



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 11. INCOME TAX CREDIT (Continued)

(b) The tax charge for the six months ended can be reconciled to the profit before tax per the condensed consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax	371,435	291,711
Tax at domestic income tax rate of 25%	92,859	72,928
Tax effect of share of result of an associate	(78)	(18)
Tax effect of expenses not deductible for tax purpose (Note (i))	44,233	243
Tax effect of income that are not taxable for tax purpose (Note (ii))	(173,331)	(127,167)
Over provision in respect of prior years	–	(49,078)
Income tax on concessionary rate	(236)	(411)
Income tax credit	(36,553)	(103,503)

Notes:

- (i) Expenses not deductible for tax purpose consists of a portion of expenditures, such as entertainment expenses, impairment losses on assets (net of reversals), staff costs and donations, which exceed the tax deduction limits in accordance with PRC tax regulation.
- (ii) Income not taxable for tax purpose consists of interest income from micro loans to farmers and government bonds, which is exempted from income tax under the PRC tax regulation.

Details of the deferred taxation are set out in Note 24.

### 12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Bank is based on the following data:

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Bank (RMB'000)	407,239	393,917
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	15,069,791	15,069,791

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the six months ended June 30, 2023 and 2022.



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 13. CASH AND DEPOSITS WITH THE CENTRAL BANK

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Cash on hand	388,732	405,081
Deposits with the central bank		
– Statutory deposit reserve (Note (a))	14,102,072	14,221,165
– Surplus deposit reserve (Note (b))	4,167,426	5,384,158
– Fiscal deposits	8,457	16,378
	18,277,955	19,621,701
Accrued interest	6,977	7,773
	18,673,664	20,034,555

Notes:

- (a) The Group places statutory deposit reserves with the PBOC (The People's Bank Of China) in accordance with relevant regulations in the PRC. As at June 30, 2023 and December 31, 2022, the statutory deposit reserve ratios applicable to the Bank were as follows:

	At June 30, 2023 (Unaudited)	At December 31, 2022 (Audited)
Reserve ratio for RMB deposits	5%	5.25%
Reserve ratio for foreign currency deposits	6%	6%

The statutory deposit reserves are restricted balances with central bank and are not available for the Group's daily business.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of cash settlement and other kinds of unrestricted deposits.





## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 14. DEPOSITS WITH BANKS

Analysed by type and location of counterparty

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Deposits in Mainland China – Banks	1,347,207	1,160,231
Deposits outside Mainland China – Banks	76,807	53,284
Accrued interest	1,424,014 11,407	1,213,515 11,432
Less: Provision for impairment losses	(50)	–
	<b>1,435,371</b>	<b>1,224,947</b>

As at June 30, 2023 and December 31, 2022, the Group classifies all deposits with banks in Stage 1 and measures the loss allowance equal to 12-month expected credit losses (“ECL”).

Movement in provision for impairment losses of deposits with banks:

Provision for impairment losses of deposits with banks	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3	Total RMB'000
			Lifetime ECL–credit – impaired RMB'000	
Provision for impairment losses at January 1, 2023	–	–	–	–
– Charge to profit or loss	50	–	–	50
Provision for impairment losses at June 30, 2023	50	–	–	50

No movement in provision for impairment losses for the year ended December 31, 2022.



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 15. PLACEMENTS WITH OTHER FINANCIAL INSTITUTIONS

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Placements in Mainland China – Other financial institutions	1,090,000	1,500,000
Accrued interest	316	503
Less: Provision for impairment losses	(199)	–
	<b>1,090,117</b>	<b>1,500,503</b>

As at June 30, 2023 and December 31, 2022, the Group classifies all placements with other financial institutions in Stage 1 and measures the loss allowance equal to 12-month ECL.

Movement in provision for impairment losses of placements with other financial institutions:

Provision for impairment losses of placements with other financial institutions	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL-credit – impaired RMB'000	Total RMB'000
Provision for impairment losses at January 1, 2023	–	–	–	–
– Charge to profit or loss	199	–	–	199
Provision for impairment losses at June 30, 2023	199	–	–	199

No movement in provision for impairment losses for the year ended December 31, 2022.



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 16. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

#### (a) Analysed by type and location of counterparty

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
In Mainland China		
– Banks	810,400	1,087,100
– Other financial institutions	21,335,519	5,902,063
	<b>22,145,919</b>	6,989,163
Accrued interest	4,460	3,347
	<b>22,150,379</b>	6,992,510

#### (b) Analysed by type of security held

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Debt securities		
– Government	3,251,500	2,571,944
– Banks and other financial institutions	18,894,419	4,417,219
	<b>22,145,919</b>	6,989,163
Accrued interest	4,460	3,347
	<b>22,150,379</b>	6,992,510

As at June 30, 2023 and December 31, 2022, the Group classifies all financial assets held under resale agreements in Stage 1 and measures the loss allowance equal to 12-month ECL.

No movement in provision for impairment losses for the period/year ended June 30, 2023 and December 31, 2022.

# Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023



## 17. FINANCIAL ASSETS AT AMORTISED COST

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
<b>Financial assets measured at amortised cost</b>		
Debt securities issued by the following institutions in Mainland China		
– Government	29,610,840	34,353,961
– Banks and other financial institutions	22,016,023	23,448,662
– Corporations	5,290,576	4,451,899
Trust plans	14,094,715	14,339,745
Asset management plans	8,501,587	8,501,587
Asset-backed securities issued by bank and other institutions	83,310	154,827
	<b>79,597,051</b>	85,250,681
Accrued interest	1,969,292	2,179,374
Less: Provision for impairment losses	(2,500,519)	(2,061,452)
	<b>79,065,824</b>	85,368,603
Analysed as:		
Listed outside Hong Kong	55,164,856	60,865,336
Unlisted outside Hong Kong	23,900,968	24,503,267
	<b>79,065,824</b>	85,368,603
Fair value	<b>78,249,527</b>	83,733,344

At June 30, 2023 and December 31, 2022, parts of debt securities were pledged as security for repurchase agreements (Note 26(a) and Note 30(c)).



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 17. FINANCIAL ASSETS AT AMORTISED COST (Continued)

Notes:

(a) Provision for impairment losses of financial assets at amortised cost:

	At June 30, 2023			Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit-impaired RMB'000	
Gross financial assets at amortised cost (excluding accrued interest)	62,864,147	9,769,736	6,963,168	79,597,051
Less: Provision for impairment losses	(147,106)	(335,361)	(2,018,052)	(2,500,519)
	62,717,041	9,434,375	4,945,116	77,096,532

	At December 31, 2022			Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit-impaired RMB'000	
Gross financial assets at amortised cost (excluding accrued interest)	68,569,345	9,868,485	6,812,851	85,250,681
Less: Provision for impairment losses	(156,023)	(226,677)	(1,678,752)	(2,061,452)
	68,413,322	9,641,808	5,134,099	83,189,229

(b) Movements in provision for impairment losses of financial assets at amortised cost:

Provision for impairment losses of financial assets at amortised cost	Stage 1	Stage 2	Stage 3	Total
	12m ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL- credit-impaired RMB'000	
At January 1, 2023	156,023	226,677	1,678,752	2,061,452
Changes in the provision for impairment losses				
- Transfer to stage 3	-	(62,791)	62,791	-
- Write off and others	-	-	(225,274)	(225,274)
- (Reversal) charge to profit or loss	(8,917)	171,475	501,783	664,341
At June 30, 2023 (Unaudited)	147,106	335,361	2,018,052	2,500,519

Provision for impairment losses of financial assets at amortised cost	Stage 1	Stage 2	Stage 3	Total
	12m ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL- credit-impaired RMB'000	
At January 1, 2022	241,708	181,700	966,292	1,389,700
Changes in the provision for impairment losses				
- Transfer to stage 2	(33,343)	33,343	-	-
- Write off and others	-	-	(270,283)	(270,283)
- (Reversal) charge to profit or loss	(52,342)	11,634	982,743	942,035
At December 31, 2022 (Audited)	156,023	226,677	1,678,752	2,061,452



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 18. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
<b>Gross loans and advances to customers</b>		
Corporate loans and advances	145,423,476	137,047,943
Personal loans and advances		
– Personal business loans	6,124,621	5,688,029
– Personal consumption loans	16,912,332	18,124,829
– Residential and commercial mortgage loans	27,798,346	26,170,540
	50,835,299	49,983,398
Discounted bills	27,414,044	23,032,036
	223,672,819	210,063,377
Accrued interest	5,150,723	4,209,064
<b>Less: Provision for impairment losses</b>	<b>(5,984,626)</b>	<b>(5,649,271)</b>
	<b>222,838,916</b>	<b>208,623,170</b>



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 18. LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (b) Analysed by industry sector

	At June 30, 2023		
	Amount RMB'000 (Unaudited)	Percentage (Unaudited)	Loans and advances secured by collaterals RMB'000 (Unaudited)
<b>Gross loans and advances to customers</b>			
Corporate loans and advances			
– Manufacturing	31,053,488	13.57%	13,527,169
– Wholesale and retail	13,248,182	5.79%	7,992,768
– Real estate	12,081,265	5.28%	11,912,938
– Construction	13,303,929	5.81%	5,870,693
– Mining	6,858,553	3.00%	898,512
– Agriculture, forestry, animal husbandry and fishery	8,575,971	3.75%	2,702,812
– Leasing and business services	24,185,596	10.57%	7,669,893
– Water, environment and public facility management	3,971,509	1.74%	2,373,200
– Cultural, sports and entertainment	3,515,682	1.53%	2,691,137
– Accommodation and catering	2,696,560	1.18%	2,302,945
– Electricity, gas and water production and supply	3,033,502	1.32%	1,652,508
– Transportation, storage and postal services	12,435,895	5.43%	1,462,138
– Health and social services	2,168,217	0.95%	944,633
– Education	1,604,212	0.70%	451,911
– Finance	5,585,000	2.44%	–
– Scientific research, technical services and geological prospecting	479,474	0.21%	65,050
– Resident and other services	493,134	0.22%	394,742
– Information transmission, computer services and software	133,307	0.06%	40,530
	<b>145,423,476</b>	<b>63.55%</b>	<b>62,953,579</b>
Personal loans and advances	50,835,299	22.22%	29,947,215
Discounted bills	27,414,044	11.98%	–
Accrued interest	5,150,723	2.25%	–
	<b>228,823,542</b>	<b>100.00%</b>	<b>92,900,794</b>
<b>Less: Provision for impairment losses</b>	<b>(5,984,626)</b>		
	<b>222,838,916</b>		



# Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023



## 18. LOANS AND ADVANCES TO CUSTOMERS (Continued)

### (b) Analysed by industry sector (Continued)

	At December 31, 2022		
	Amount RMB'000 (Audited)	Percentage (Audited)	Loans and advances secured by collaterals RMB'000 (Audited)
<b>Gross loans and advances to customers</b>			
Corporate loans and advances			
– Manufacturing	29,459,108	13.75%	13,029,402
– Wholesale and retail	12,408,342	5.79%	7,741,848
– Real estate	12,149,675	5.67%	12,107,709
– Construction	12,161,656	5.68%	5,701,634
– Mining	5,435,085	2.54%	1,356,945
– Agriculture, forestry, animal husbandry and fishery	7,546,641	3.52%	2,197,994
– Leasing and business services	23,918,705	11.16%	7,740,318
– Water, environment and public facility management	3,992,438	1.86%	2,366,189
– Cultural, sports and entertainment	3,593,920	1.68%	2,994,076
– Accommodation and catering	2,700,495	1.26%	2,311,290
– Electricity, gas and water production and supply	1,992,939	0.93%	661,305
– Transportation, storage and postal services	11,207,869	5.23%	1,449,362
– Health and social services	2,140,059	1.00%	942,055
– Education	1,613,870	0.75%	457,064
– Finance	5,653,000	2.64%	–
– Scientific research, technical services and geological prospecting	462,329	0.22%	65,350
– Resident and other services	479,348	0.22%	401,769
– Information transmission, computer services and software	132,464	0.06%	43,453
	137,047,943	63.96%	61,567,763
Personal loans and advances	49,983,398	23.33%	28,332,703
Discounted bills	23,032,036	10.75%	–
Accrued interest	4,209,064	1.96%	–
	214,272,441	100%	89,900,466
<b>Less: Provision for impairment losses</b>	(5,649,271)		
	208,623,170		



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 18. LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (c) Analysed by type of collateral

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
<b>Gross loans and advances to customers</b>		
Unsecured loans	32,757,649	29,310,474
Guaranteed loans	83,631,350	77,173,845
Collateralised loans	92,900,794	89,900,466
Pledged loans	14,383,026	13,678,592
	<b>223,672,819</b>	210,063,377
Accrued interest	5,150,723	4,209,064
<b>Less: Provision for impairment losses</b>	<b>(5,984,626)</b>	(5,649,271)
	<b>222,838,916</b>	208,623,170

#### (d) Loans and advances and provision for impairment losses

	At June 30, 2023			
	Stage 1 12m ECL RMB'000 (Unaudited)	Stage 2 Lifetime ECL RMB'000 (Unaudited)	Stage 3 Lifetime ECL-credit – impaired RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Gross loans and advances to customers (excluding accrued interest)	210,467,906	8,830,721	4,374,192	223,672,819
Less: Provision for impairment losses	(1,867,894)	(1,393,033)	(2,723,699)	(5,984,626)
	<b>208,600,012</b>	<b>7,437,688</b>	<b>1,650,493</b>	<b>217,688,193</b>
	At December 31, 2022			
	Stage 1 12m ECL RMB'000 (Audited)	Stage 2 Lifetime ECL RMB'000 (Audited)	Stage 3 Lifetime ECL-credit – impaired RMB'000 (Audited)	Total RMB'000 (Audited)
Gross loans and advances to customers (excluding accrued interest)	197,511,533	8,358,849	4,192,995	210,063,377
Less: Provision for impairment losses	(2,148,353)	(1,638,038)	(1,862,880)	(5,649,271)
	<b>195,363,180</b>	<b>6,720,811</b>	<b>2,330,115</b>	<b>204,414,106</b>



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 18. LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (e) Movements of provision for impairment losses

The table below analyses the movements of the provision for impairment losses during the period/year per class of assets.

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL-credit – impaired RMB'000	Total RMB'000
At January 1, 2023	2,148,353	1,638,038	1,862,880	5,649,271
Change in the provision for impairment losses				
– Transfer to Stage 1	14,049	(11,701)	(2,348)	–
– Transfer to Stage 2	(159,456)	159,478	(22)	–
– Transfer to Stage 3	(139,318)	(147,821)	287,139	–
– Write-offs and others	–	–	(959,950)	(959,950)
– Charge (reversal) to profit or loss	4,266	(244,961)	1,488,246	1,247,551
– Recoveries of loans and advances previously written off	–	–	47,754	47,754
At June 30, 2023 (Unaudited)	1,867,894	1,393,033	2,723,699	5,984,626

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL-credit – impaired RMB'000	Total RMB'000
At January 1, 2022	1,971,530	1,594,378	1,788,298	5,354,206
Change in the provision for impairment losses				
– Transfer to Stage 1	703,402	(659,199)	(44,203)	–
– Transfer to Stage 2	(79,242)	83,866	(4,624)	–
– Transfer to Stage 3	(14,958)	(157,336)	172,294	–
– Write-offs and others	–	–	(2,205,087)	(2,205,087)
– (Reversal) charge to profit or loss	(432,379)	776,329	2,083,755	2,427,705
– Recoveries of loans and advances previously written off	–	–	72,447	72,447
At December 31, 2022 (Audited)	2,148,353	1,638,038	1,862,880	5,649,271

#### (f) Analysed by geographical sector

Geographically, the Group mainly conducts their businesses and most of their customers and assets are located in Gansu Province of the PRC.



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Financial assets held for trading (Note)	2,265,095	7,105,660
Trust plans	1,520,045	1,520,045
Asset management plans	8,379,847	8,483,962
Investment funds	14,956,705	18,596,448
	<b>27,121,692</b>	35,706,115
Analysed as:		
Listed outside Hong Kong	2,265,095	7,105,660
Unlisted outside Hong Kong	24,856,597	28,600,455
	<b>27,121,692</b>	35,706,115

Note:

Financial assets held for trading:

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Debt securities issued by the following institutions in Mainland China:		
– Banks	1,360,313	5,722,030
– Other financial institutions	904,782	1,383,630
	<b>2,265,095</b>	7,105,660

As at June 30, 2023, no financial assets at FVTPL were subject to material restrictions on the realisation (December 31, 2022: nil).

The above debt securities traded on the China Interbank Bond Market are included in “Listed outside Hong Kong”.

# Chapter 9 Notes to the Condensed Consolidated Financial Statements



For the six months ended June 30, 2023

## 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
<b>Debt instruments at FVTOCI</b>		
Debt securities issued by the following institutions in Mainland China		
– Government	3,710,920	4,437,258
– Banks and other financial institutions	4,610,116	5,231,520
	<b>8,321,036</b>	9,668,778
<b>Unlisted equity investments designated at FVTOCI</b>	<b>314,065</b>	325,596
Accrued interest	108,911	226,399
	<b>8,744,012</b>	10,220,773
Analysed as:		
Listed outside Hong Kong	8,429,947	9,895,177
Unlisted outside Hong Kong	314,065	325,596
	<b>8,744,012</b>	10,220,773

At June 30, 2023 and December 31, 2022, parts of debt securities were pledged as security for repurchase agreement (Note 26(a) and Note 30(c)).

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC. These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Bank have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Movements of provision for impairment losses:

Provision for impairment losses – debt instruments at fair value through other comprehensive income	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL-credit – impaired RMB'000	Total RMB'000
Provision for impairment losses at January 1, 2023	805	–	–	805
– Charge to profit or loss	286	–	–	286
Provision for impairment losses at June 30, 2023	1,091	–	–	1,091

Provision for impairment losses – debt instruments at fair value through other comprehensive income	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL-credit – impaired RMB'000	Total RMB'000
Provision for impairment losses at January 1, 2022	1,123	–	–	1,123
– Credit to profit or loss	(318)	–	–	(318)
Provision for impairment losses at December 31, 2022	805	–	–	805

### 21. INTEREST IN AN ASSOCIATE

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Cost of investment in an associate, unlisted	3,000	3,000
Share of post-acquisition profits	7,483	7,172
	10,483	10,172



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 21. INTEREST IN AN ASSOCIATE (Continued)

As at June 30, 2023 and December 31, 2022, the Group had interests in the following associate:

Name of the bank	Form of entity	Country of establishment/ operation	Class of shares held	Proportion of ownerships interests or participating shares held by the Group		Proportion of voting power held		Principal activity
				30/6/2023	31/12/2022	30/6/2023	31/12/2022	
Gansu Jingchuan Fullerton Community Bank Co., Ltd* (“甘肅涇川中銀富登村鎮銀行股份有限公司”, “Gansu Jingchuan”)	Limited liability	The PRC	Ordinary share	16.67%	16.67%	16.67%	16.67%	Corporate and retail bank

*Note:* This associate is directly held by the Bank. The Group considered that it has the practical ability to exercise significant influence over Gansu Jingchuan even though it owns less than 20% of the ownership interest and voting control after taking into account 1) the Group’s ownership interest is significant relative to other shareholders due to the wide dispersion of shareholding interests; 2) the representation or rights to appoint/nominate directors for the board of directors of the associate; and 3) the rights to participate in the policy-making process, including dividends and other distribution.

\* The English translation is for identification only.

The financial information and carrying amount, in aggregate, of the Group’s interest in an associate that is not material and is accounted for using the equity method are set out below:

	Six months ended June 30,	
	2023	2022
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
The Group’s share of profit and total comprehensive income for the period	311	73

  

	At June 30,	At December 31,
	2023	2022
	RMB’000	RMB’000
	(Unaudited)	(Audited)
Carrying amount of the Group’s interests in the immaterial associate	10,483	10,172





## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 22. PROPERTY AND EQUIPMENT

	Construction in progress RMB'000	Premises (Buildings) RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Computer software RMB'000	Office equipment RMB'000	Total RMB'000
<b>Cost</b>								
At January 1, 2022	404,625	2,600,644	613,619	48,565	553,380	500,989	141,728	4,863,550
Additions	36,981	36,421	21,661	425	35,559	63,502	16,577	211,126
Transfers (out)/in from construction in progress	(239,950)	193,732	350	-	57	29,607	1,995	(14,209)
Disposals	-	-	(26,801)	(153)	-	(23,478)	(10,985)	(61,417)
At December 31, 2022 and January 1, 2023	<b>201,656</b>	<b>2,830,797</b>	<b>608,829</b>	<b>48,837</b>	<b>588,996</b>	<b>570,620</b>	<b>149,315</b>	<b>4,999,050</b>
Additions	6,535	3,689	2,360	170	5,499	13,191	7,465	38,909
Transfers (out)/in from construction in progress	(2,043)	-	-	-	-	-	1,199	(844)
Disposals	-	-	(16,773)	(285)	(71)	(93)	(4,721)	(21,943)
At June 30, 2023 (Unaudited)	<b>206,148</b>	<b>2,834,486</b>	<b>594,416</b>	<b>48,722</b>	<b>594,424</b>	<b>583,718</b>	<b>153,258</b>	<b>5,015,172</b>
<b>Accumulated depreciation</b>								
At January 1, 2022	-	539,378	508,481	44,058	357,618	258,058	112,577	1,820,170
Provided for the year	-	77,555	17,175	704	36,330	87,547	24,110	243,421
Eliminated on disposals	-	-	(23,022)	(149)	-	(21,186)	(10,036)	(54,393)
At December 31, 2022 and January 1, 2023	-	<b>616,933</b>	<b>502,634</b>	<b>44,613</b>	<b>393,948</b>	<b>324,419</b>	<b>126,651</b>	<b>2,009,198</b>
Provided for the period	-	42,365	11,299	363	19,991	48,305	7,748	130,071
Eliminated on disposals	-	-	(13,220)	(277)	-	(68)	(3,410)	(16,975)
At June 30, 2023 (Unaudited)	-	<b>659,298</b>	<b>500,713</b>	<b>44,699</b>	<b>413,939</b>	<b>372,656</b>	<b>130,989</b>	<b>2,122,294</b>
<b>Carrying value</b>								
At June 30, 2023 (Unaudited)	<b>206,148</b>	<b>2,175,188</b>	<b>93,703</b>	<b>4,023</b>	<b>180,485</b>	<b>211,062</b>	<b>22,269</b>	<b>2,892,878</b>
At December 31, 2022 (Audited)	201,656	2,213,864	106,195	4,224	195,048	246,201	22,664	2,989,852



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 22. PROPERTY AND EQUIPMENT (Continued)

At June 30, 2023, the premises with carrying values of approximately RMB1,822,074,000 (December 31, 2022: approximately RMB1,853,302,000) was in the process of obtaining the relevant legal titles. Among them, the carrying values of premises that the Group has obtained housing property title certificates issued by the authorities but no land use right certificates were approximately RMB152,786,000 (December 31, 2022: approximately RMB141,012,000).

The aforementioned premises are located in PRC with medium term leases (10 – 50 years).

### 23. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

#### i) Right-of-use assets

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Premises	184,992	203,289
Land use rights in the PRC	41,234	41,924
	<b>226,226</b>	245,213

Additions to the right-of-use assets for the six months ended June 30, 2023 amounted to approximately RMB52,139,000, due to new leases of office premises (six months ended June 30, 2022: approximately RMB55,170,000 and RMB7,977,000 due to new leases of office premises and land use rights respectively).

#### ii) Lease liabilities

As at June 30, 2023, the carrying amount of lease liabilities was approximately RMB172,765,000 (December 31, 2022: approximately RMB180,066,000).

During the six months ended June 30, 2023, the Group entered into a number of new lease agreements for office premises and recognised lease liabilities of approximately RMB52,139,000 (six months ended June 30, 2022: approximately RMB55,170,000 and RMB7,977,000 for office premises and land use rights respectively).



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 23. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

#### ii) Lease liabilities (Continued)

Amounts payable under lease liabilities	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Within one year	81,743	86,056
After one year but within two years	43,797	44,769
After two years but within five years	38,602	37,838
After five years	8,623	11,403
	<b>172,765</b>	180,066

#### iii) Amount recognised in profit or loss

	Six months ended June 30, 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Depreciation expense of premises	70,436	78,140
Depreciation expense of land use rights	690	399
Interest expense on lease liabilities	1,536	2,309
Expense relating to short-term leases	1,674	751

#### iv) Others

For the six months ended June 30, 2023 and 2022, the total cash outflow for leases amounted to approximately RMB62,650,000 and RMB81,647,000 respectively.

#### Restrictions or covenants on leases

As at June 30, 2023, lease liabilities of RMB172,765,000 are recognised with related right-of-use assets of RMB226,226,000 (December 31, 2022: lease liabilities of RMB180,066,000 are recognised with related right-of-use assets of RMB245,213,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 24. DEFERRED TAXATION

The following is an analysis of the deferred tax balances for financial reporting purposes:

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Restated)
Deferred tax assets	2,060,124	1,867,816
Deferred tax liabilities	(33,911)	(39,635)
	<b>2,026,213</b>	1,828,181

The following are the major deferred tax assets/(liabilities) recognised and movements thereon in the six months ended June 30, 2023 and the year ended December 31, 2022:

	Provision for impairment losses on assets RMB'000 Note (i)	Net (gains)/ losses from fair value changes of financial instruments RMB'000 Note (ii)	Salaries, bonuses and allowances payable RMB'000	Tax losses RMB'000 Note (iii)	Lease liabilities RMB'000	Right-of-use assets RMB'000	Net balance of deferred tax assets RMB'000
At January 1, 2022 (Restated)	1,430,492	(31,038)	30,185	399,547	49,414	(55,943)	1,822,657
Credit/(charge) to profit or loss	261,619	39,728	12,293	(327,209)	(4,397)	5,121	(12,845)
Credit to other comprehensive income	79	18,242	48	-	-	-	18,369
At December 31, 2022 and January 1, 2023 (Restated)	<b>1,692,190</b>	<b>26,932</b>	<b>42,526</b>	<b>72,338</b>	<b>45,017</b>	<b>(50,822)</b>	<b>1,828,181</b>
Credit/(charge) to profit or loss	<b>278,545</b>	<b>(19,463)</b>	<b>5,494</b>	<b>(72,338)</b>	<b>(1,826)</b>	<b>4,574</b>	<b>194,986</b>
(Charge)/credit to other comprehensive income	<b>(71)</b>	<b>2,975</b>	<b>142</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,046</b>
At June 30, 2023 (Unaudited)	<b>1,970,664</b>	<b>10,444</b>	<b>48,162</b>	<b>-</b>	<b>43,191</b>	<b>(46,248)</b>	<b>2,026,213</b>



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 24. DEFERRED TAXATION (Continued)

Notes:

- (i) The Group recognised provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets as at June 30, 2023 and December 31, 2022. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets as at June 30, 2023 and December 31, 2022, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.
- (iii) At December 31, 2022, the Group has unused tax losses of approximately RMB289,354,000 (June 30, 2023: nil), available for offset against future profits. A deferred tax asset had been recognised in respect of such losses. Such tax losses could be carried forward for five years from the year in which the respective loss arose.

### 25. OTHER ASSETS

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Other receivables and prepayments (Note (iii))	2,207,619	895,842
Less: Provision for impairment losses	(103,737)	(131,034)
	<b>2,103,882</b>	764,808
Intangible assets (Note (i))	5,011	8,202
Repossessed assets (Note (ii))	932,460	893,253
Interest receivables	589,222	544,667
Less: Provision for impairment losses	(108,316)	(108,316)
	<b>480,906</b>	436,351
Others (Note 47)	396,551	396,551
Less: Provision for impairment losses	(200,931)	(80,931)
	<b>195,620</b>	315,620
	<b>3,717,879</b>	2,418,234



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 25. OTHER ASSETS (Continued)

Notes:

(i) Movements of intangible assets:

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
<b>Cost</b>		
At the beginning of the period/year	64,834	43,435
Additions	4,700	30,417
Transfer from property and equipment	844	-
Disposals	-	(9,018)
At the end of the period/year	70,378	64,834
<b>Accumulated amortisation</b>		
At the beginning of the period/year	56,632	32,063
Amortisation for the period/year	8,735	31,035
Eliminated on disposals	-	(6,466)
At the end of the period/year	65,367	56,632
<b>Carrying amounts</b>		
At the end of the period/year	5,011	8,202

These intangible assets mainly included software which are amortised over 1 – 5 years.

(ii) Repossessed assets

No impairment loss has been recognised for repossessed assets for the six months ended June 30, 2023 and the year ended December 31, 2022.

(iii) As at June 30, 2023, amounts of RMB1.5 billion represented the clearance of inter-bank accounts which was subsequently settled.

### 26. PLEDGED ASSETS

#### (a) Assets pledged as collaterals

Financial assets pledged by the Group as collaterals for liabilities or contingent liabilities mainly include debt securities, which is for repurchase agreements. The carrying amounts of the financial assets pledged as collaterals as at June 30, 2023 are approximately RMB22,065,574,000 (December 31, 2022: approximately RMB19,590,940,000).

#### (b) Received pledged assets

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions.



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 27. BORROWINGS FROM THE CENTRAL BANK

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Borrowings	3,162,551	3,579,569
Re-discounted bills	3,502,598	4,040,900
Accrued interest	15,104	11,203
	<b>6,680,253</b>	<b>7,631,672</b>

### 28. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparties

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Deposits from the following institutions operating in Mainland China		
– Banks	16,668,882	18,189,975
– Other financial institutions	7,933,501	4,936,735
	<b>24,602,383</b>	<b>23,126,710</b>
Deposits from the following institutions operating outside Mainland China		
– Banks	778,465	775,463
Accrued interest	99,244	137,478
	<b>25,480,092</b>	<b>24,039,651</b>



# Chapter 9 Notes to the Condensed Consolidated Financial Statements



For the six months ended June 30, 2023

## 29. PLACEMENTS FROM BANKS

Analysed by type and location of counterparty

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Placements in Mainland China – Banks	1,473,465	2,822,617
Accrued interest	–	189
	<b>1,473,465</b>	<b>2,822,806</b>

## 30. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparties

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
In Mainland China – Banks	5,858,285	3,324,967
Accrued interest	30,869	3,791
	<b>5,889,154</b>	<b>3,328,758</b>

(b) Analysed by collateral

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Debt securities	5,858,285	3,324,967
Accrued interest	30,869	3,791
	<b>5,889,154</b>	<b>3,328,758</b>



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 30. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (Continued)

#### (c) Transfer of financial assets

In daily operating activities, the Group entered into repurchase agreements with certain counterparties. As at June 30, 2023, there are debt securities measured at amortised cost and at FVTOCI with carrying amount of approximately RMB1,668,709,000 and RMB4,417,000 respectively (December 31, 2022: approximately RMB1,745,178,000 and RMB680,452,000 respectively). The proceeds from selling such debt securities totalling RMB5,858,285,000 as at June 30, 2023 (December 31, 2022: approximately RMB3,324,967,000).

As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these debt securities to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these securities during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these debt securities and therefore has not derecognised from the consolidated financial statements but regarded as “collateral” for the secured lending from the counterparties.

### 31. DEPOSITS FROM CUSTOMERS

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Demand deposits		
– Corporate customers	52,688,877	55,875,166
– Individual customers	40,711,798	40,747,292
	<b>93,400,675</b>	96,622,458
Time deposits		
– Corporate customers	27,515,415	20,479,984
– Individual customers	153,362,234	143,615,675
	<b>180,877,649</b>	164,095,659
Pledged deposits		
– Acceptances	5,556,391	6,251,107
– Guarantees and letters of guarantees	276,111	303,346
– Others (Note)	3,533,200	2,063,060
	<b>9,365,702</b>	8,617,513
Others	2,540,521	2,171,069
Accrued interest	7,086,826	7,532,487
	<b>293,271,373</b>	279,039,186

*Note:* As at June 30, 2023, amounts of RMB1.5 billion represented the deposits from a related party and disclosed in Note 41(b)(ii) for related parties transactions.



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 32. ACCRUED STAFF COSTS

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Salary and bonus payable	205,140	315,625
Social pension schemes payable (Note (i))	6,658	6,657
Other social insurances payable	25,054	46,529
Supplementary retirement benefits ("SRB") payable (Note (ii))	19,350	18,900
Other long-term staff welfare payable (Note (iii))	1,970	2,360
	<b>258,172</b>	<b>390,071</b>

Notes:

- (i) Social pension schemes payable

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a defined contribution plan for the employees arranged by local government labor and social security organisations. The Group makes contributions to the retirement plan at the applicable rates based on the amounts stipulated by the relevant government organisations. The contributions by the Group for the defined contribution plan above are charged to the statement of profit or loss as they become payable in accordance with the rules of the respective defined contribution plan. The only obligation of the Group with respect to such defined contribution plan is to make the specified contributions. During the period/year ended June 30, 2023 and December 31, 2022, there was no forfeited contributions under the defined contribution plan. Accordingly, no forfeited contribution was utilised during the period/year, and there was no forfeited contribution available as at June 30, 2023 and December 31, 2022 to reduce level of contributions.

- (ii) SRB payable:

The Group pays SRB for eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period/year. The Group's obligations in respect of the SRB were assessed using projected unit credit actuarial cost method by an external independent actuary, Wills Towers Watson (a member of Society of Actuaries in America). There was no assets under the defined benefit plans as at June 30, 2023 and December 31, 2022.

The balances of SRB of the Group are as follows:

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Present value of SRB obligation	19,350	18,900



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 32. ACCRUED STAFF COSTS (Continued)

Notes: (Continued)

(ii) SRB payable: (Continued)

Movements of SRB payable of the Group are as follows:

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
At the beginning of the period/year	18,900	19,730
Service cost	550	1,240
Interest cost	270	550
Past service cost	-	(820)
Actuarial gains	760	190
Payment made	(1,130)	(1,990)
At the end of the period/year	<b>19,350</b>	18,900

Principal actuarial assumptions of the Group are as follow:

	At June 30, 2023 (Unaudited)	At December 31, 2022 (Audited)
Discount rate	2.75%	3.00%
Mortality	CL5/CL6	CL5/CL6
Early retirement wage growth rate	6%	6%

Sensitivity analysis:

	Effect on SRB	
	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Discount rate (increase by 1%)	(2,670)	(2,330)
Discount rate (decrease by 1%)	3,970	3,430

Although the analysis does not take account of the full distribution of cash flows expected under the SRB, it does provide an approximation of the sensitivity of the assumptions shown.



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 32. ACCRUED STAFF COSTS (Continued)

Notes: (Continued)

(iii) Other long-term staff welfare payable

The Group pays compensation for termination benefits of eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period/year. The Group's obligations in respect of other long-term staff welfare payable were assessed using projected unit credit actuarial cost method by an external independent actuary (a member of Society of Actuaries in America) of Wills Towers Watson. There was no assets under the defined benefit plans as at June 30, 2023 and December 31, 2022.

The balances of other long-term staff welfare payable of the Group are as follows:

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Present value of other long-term staff welfare payable obligation	1,970	2,360

Movements of other long-term staff welfare payable of the Group are as follows:

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
At the beginning of the period/year	2,360	3,470
Service cost	20	(40)
Payment made	(410)	(1,070)
At the end of the period/year	1,970	2,360

Principal actuarial assumptions of the Group are as follow:

	At June 30, 2023 (Unaudited)	At December 31, 2022 (Audited)
Discount rate	2.25%	2.25%
Mortality	CL5/CL6	CL5/CL6
Early retirement wage growth rate	6%	6%



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 32. ACCRUED STAFF COSTS (Continued)

Notes: (Continued)

(iii) Other long-term staff welfare payable (Continued)

Sensitivity analysis:

	Effect on long-term staff welfare payable	
	At June 30, 2023	At December 31, 2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Discount rate (increase by 1%)	(40)	(50)
Discount rate (decrease by 1%)	50	50

Although the analysis does not take account of the full distribution of cash flows expected under other long-term staff welfare payable, it does provide an approximation of the sensitivity of the assumptions shown.

### 33. DEBT SECURITIES ISSUED

	At June 30, 2023	At December 31, 2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Interbank deposits (Note)	22,273,093	26,039,053

Note:

During the six months ended June 30, 2023, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB19,450,000,000 and duration between 3 months to 1 year. As at June 30, 2023, the outstanding balance of interbank deposits issued is approximately RMB22,273,093,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 2.15% to 2.89%.

During the year ended December 31, 2022, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB56,190,000,000 and duration between 1 month to 1 year. As at December 31, 2022, the outstanding balance of interbank deposits issued was approximately RMB26,039,053,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued were 1.65% to 2.90%.



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 34. OTHER LIABILITIES

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Other payables and accrued expenses	734,400	482,249
Clearance of inter-bank accounts	–	35,037
Agency business liabilities	8,846	35,206
Dividend payable	23,628	23,656
Other tax payables	51,508	41,264
Fiscal deposits	13,069	5,927
Provision for bank acceptances and letters of guarantees	83,209	53,044
Others (Note)	424,366	413,741
	<b>1,339,026</b>	<b>1,090,124</b>

*Note:*

As at December 31, 2022, amounts of approximately RMB397 million represented the associated liability of the transfer of non-performing financial assets disclosed in Note 47.

### 35. SHARE CAPITAL

Share capital as at June 30, 2023 and December 31, 2022 are as follows:

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Registered, issued and fully paid ordinary shares of RMB1 each:		
– Ordinary shares	15,069,791	15,069,791





## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 36. RESERVES

#### (a) Capital reserve

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Share premium	5,633,746	5,633,746
Shareholders' injection (Note)	322,333	322,314
Changes in ownership in a subsidiary without change in control	554	554
	<b>5,956,633</b>	5,956,614

*Note:*

The promoters of the additional shares issued during the Bank's restructuring injected the Bank's net proceeds received from the disposal of non-performing assets which were entrusted to be managed by the Bank. During the six months ended June 30, 2023, net proceed of approximately RMB19,000 (six months ended June 30, 2022: approximately RMB108,000) were received as shareholders' injection. As at June 30, 2023, approximately RMB322,333,000 has been recorded as capital reserve (December 31, 2022: approximately RMB322,314,000).

#### (b) Surplus reserve

The surplus reserve at June 30, 2023 and December 31, 2022 represented statutory surplus reserve fund and other surplus reserve. The statutory surplus reserve fund of the Group as at June 30, 2023 were approximately RMB1,397,093,000 (December 31, 2022: approximately RMB1,397,093,000). The other surplus reserve fund of the Group as at June 30, 2023 were approximately RMB447,247,000 (December 31, 2022: approximately RMB447,247,000).

The Bank and its subsidiary are required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

#### (c) General reserve

With effect from July 1, 2012, pursuant to the "Administrative Measures on Accrual of Provisions by Financial Institutions" issued by the Ministry of Finance of the PRC (the "MOF") in March 2012, the Group is required, in principle, to set aside a general reserve not lower than 1.5% of the balance of its gross risk-bearing assets at each year end.



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 37. DIVIDENDS

No dividend was paid or proposed during the six months ended June 30, 2023, nor has any dividend been proposed since the end of the reporting period (six months ended June 30, 2022: nil).

### 38. STRUCTURED ENTITIES

#### (a) Unconsolidated structured entities

#### (i) 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 trust fund plans, asset management plans, asset-backed securities and wealth management products issued by other financial institutions and investment funds.

The following table set out an analysis of the gross carrying amounts of interests held by the Group as at June 30, 2023 and December 31, 2022:

		At June 30, 2023		
	Financial assets at FVTPL RMB'000 (Unaudited)	Financial assets at amortised cost RMB'000 (Unaudited)	Carrying amount RMB'000 (Unaudited)	Maximum exposure RMB'000 (Unaudited)
Trust plans	1,520,045	14,094,715	15,614,760	15,614,760
Asset management plans	8,379,847	8,501,587	16,881,434	16,881,434
Asset-backed securities issued by bank and other institutions	–	83,310	83,310	83,310
Investment funds	14,956,705	–	14,956,705	14,956,705
	<b>24,856,597</b>	<b>22,679,612</b>	<b>47,536,209</b>	<b>47,536,209</b>



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 38. STRUCTURED ENTITIES (Continued)

#### (a) Unconsolidated structured entities (Continued)

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

	Financial assets at FVTPL RMB'000 (Audited)	At December 31, 2022		
		Financial assets at amortised cost RMB'000 (Audited)	Carrying amount RMB'000 (Audited)	Maximum exposure RMB'000 (Audited)
Trust plans	1,520,045	14,339,745	15,859,790	15,859,790
Asset management plans	8,483,962	8,501,587	16,985,549	16,985,549
Asset-backed securities issued by bank and other institutions	–	154,827	154,827	154,827
Investment funds	18,596,448	–	18,596,448	18,596,448
	28,600,455	22,996,159	51,596,614	51,596,614

#### (ii) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in as at June 30, 2023 and December 31, 2022:

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at June 30, 2023 and December 31, 2022, 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 consolidated statements of financial positions.

As at June 30, 2023, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are approximately RMB24,001,000,000 (December 31, 2022: approximately RMB24,075,569,000).

#### (iii) Unconsolidated structured entities sponsored by the Group during the year which the Group do not have an interest in as at June 30, 2023 and December 31, 2022:

During the six months ended June 30, 2023, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, 2023 but matured before June 30, 2023 amounted to approximately RMB256,503,000.

During the year ended December 31, 2022, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, 2022 but matured before December 31, 2022 amounted to approximately RMB2,823,595,000.



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 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. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the NAFR. The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier-two capital.

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

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

Since January 1, 2013, the Group started computing its capital adequacy ratios in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the NAFR.

The NAFR requires commercial banks to meet the requirements of capital adequacy ratios by the end of the reporting period in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

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

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's interim financial statements prepared in accordance with PRC GAAP. During the period/year ended June 30, 2023 and December 31, 2022, the Group has complied with all its externally imposed capital requirements.

The Group's overall strategies towards the capital management remain unchanged from prior years and periods.



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 39. CAPITAL MANAGEMENT (Continued)

The Group's capital adequacy ratios as at June 30, 2023 and December 31, 2022 calculated in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the NAFR are as follows:

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Restated)
Total core tier-one capital		
Share capital	15,069,791	15,069,791
Qualifying portion of capital reserve	5,956,633	5,956,614
Defined benefit plan reserve	(4,472)	(4,045)
Investment revaluation reserve	93,380	102,093
Surplus reserve	1,844,340	1,844,340
General reserve	5,343,087	5,343,087
Retained earnings	4,654,226	4,246,987
Qualifying portions of non-controlling interests	26,078	23,903
Core tier-one capital deductions (Note)	(216,073)	(254,403)
Net core tier-one capital	32,766,990	32,328,367
Eligible portion of non-controlling interests	3,477	3,187
Net tier-one capital	32,770,467	32,331,554
Tier-two capital		
Surplus provision for loan impairment	1,606,869	1,444,941
Eligible portion of non-controlling interests	6,954	6,374
Net capital base	34,384,290	33,782,869
Total risk weighted assets	279,792,620	275,010,612
Core tier-one capital adequacy ratio	11.71%	11.76%
Tier-one capital adequacy ratio	11.71%	11.76%
Capital adequacy ratio	12.29%	12.28%

Note:

Core tier-one capital deductions primarily include computer software included in line item "property and equipment" and intangible assets included in line item "other assets".



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 40. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following balances with an original maturity of less than three months:

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Cash on hand (Note 13)	388,732	405,081
Deposits with the central bank (Note 13)	4,167,426	5,384,158
Deposits with banks (Note 14)	1,345,891	1,140,397
Placements with other financial institutions (Note 15)	1,090,000	1,500,000
Financial assets held under resale agreements (Note 16)	22,145,919	6,989,163
	<b>29,137,968</b>	15,418,799

### 41. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS

#### (a) Related parties

##### (i) Major shareholders

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

Shareholding in the Bank:

	At June 30, 2023 (Unaudited)	At December 31, 2022 (Audited)
Gansu Province Highway Aviation Tourism Investment Group Co., Ltd.	17.63%	17.63%
Gansu State-owned Assets Investment Co., Ltd.	12.67%	12.67%
Gansu Financial Holding Group Co., Ltd.	8.29%	8.29%
Jiuquan Iron & Steel (Group) Co., Ltd.	6.53%	6.53%
Jinchuan Group Co., Ltd.	6.53%	6.53%
Mengshang Bank Co., Ltd	5.61%	5.61%

##### (ii) Other related parties

Other related parties can be individuals or enterprises, which include members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 41(a)(i) or their controlling shareholders. Transactions with other related parties were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 41. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS

(Continued)

#### (b) Transactions with related parties other than key management personnel

##### (i) Transactions between the Bank and subsidiary

The subsidiary of the Bank is its related party. The transactions between the Bank and its subsidiary and among the subsidiary are eliminated on consolidation and therefore are not disclosed in this note.

##### (ii) Transactions between the Group and major shareholders

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Transactions during the period		
Interest income	137,057	108,805
Interest expense	95,132	36,829

	At June 30,	At December 31,
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Balances at end of the period/year		
Loans and advances to customers	6,204,000	6,571,000
Deposits from customers	5,079,012	4,537,098
Financial assets at amortised cost	355,097	–

##### (iii) Transactions between the Group and other related parties

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Transactions during the period		
Interest income	407,897	411,729
Interest expense	138,249	115,440

	At June 30,	At December 31,
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Balances at end of the period/year		
Loans and advances to customers	19,930,829	16,659,831
Deposits from customers	9,101,100	6,698,348
Deposits from banks and other financial institutions	11,655	3,854
Financial assets at amortised cost	1,575,250	944,082





## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 41. RELATED PARTIES 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, board of directors, the supervisory board and executive officers.

#### (i) Transactions between the Group and key management personnel

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Transactions during the period		
Interest income	16	35
Interest expense	50	67

	At June 30,	At December 31,
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Balances at end of the period/year		
Loans and advances to customers	742	751
Deposits from customers	7,402	5,979

#### (ii) Key management personnel compensation

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and allowances	1,550	1,308
Retirement benefits scheme contributions	826	680
Discretionary bonuses	2,321	653
	4,697	2,641

#### (d) Loans and advances to directors, supervisors and officers

During the six months ended June 30, 2023, there are loans and advances to directors, supervisors and officers of the Group amounting to approximately RMB819,000 (six months ended June 30, 2022: RMB1,568,000).



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 42. SEGMENT REPORTING

The Group manages its business by business lines and geographical areas. 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 and government agencies. These products and services include corporate loans and advances, 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 market operations

This segment covers the Group's financial market operations. The financial market operations enters into inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities. The financial market 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 be directly attributed 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 interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/(expense)".

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



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 42. SEGMENT REPORTING (Continued)

#### (a) Segment results, assets and liabilities

	Six months ended June 30, 2023				
	Corporate banking RMB'000 (Unaudited)	Retail banking RMB'000 (Unaudited)	Financial market operations RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Operating income					
External net interest income/ (expense)	3,142,453	(1,305,088)	1,032,018	–	2,869,383
Internal net interest (expense)/ income	(1,799,102)	2,660,011	(860,909)	–	–
Net interest income	1,343,351	1,354,923	171,109	–	2,869,383
Net fee and commission income	77,253	56,507	7,399	65,782	206,941
Net trading gains	–	–	310,135	–	310,135
Net gains arising from investment securities	–	–	11,549	–	11,549
Net exchange gains	–	–	–	96,552	96,552
Other operating expense, net	–	–	–	(7,779)	(7,779)
Operating income	1,420,604	1,411,430	500,192	154,555	3,486,781
Operating expenses	(428,833)	(426,063)	(150,991)	(46,656)	(1,052,543)
Impairment losses on assets, net of reversals	(254,060)	(1,022,736)	(635,383)	(150,935)	(2,063,114)
Operating profit/(loss)	737,711	(37,369)	(286,182)	(43,036)	371,124
Share of profit of an associate	–	–	–	311	311
Profit/(loss) before tax	737,711	(37,369)	(286,182)	(42,725)	371,435
Segment assets	150,464,493	51,608,704	185,172,974	721,270	387,967,441
Deferred tax assets	–	–	–	2,060,124	2,060,124
Total assets	150,464,493	51,608,704	185,172,974	2,781,394	390,027,565
Segment liabilities	83,880,571	201,524,465	71,456,367	110,509	356,971,912
Dividend payable	–	–	–	23,628	23,628
Deferred tax liabilities	–	–	–	33,911	33,911
Total liabilities	83,880,571	201,524,465	71,456,367	168,048	357,029,451
Other segment information					
– Depreciation and amortisation	80,988	27,778	99,669	1,497	209,932
– Capital expenditure	16,824	5,770	20,704	311	43,609



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 42. SEGMENT REPORTING (Continued)

#### (a) Segment results, assets and liabilities (Continued)

	Six months ended June 30, 2022 (Restated)				
	Corporate banking RMB'000 (Unaudited)	Retail banking RMB'000 (Unaudited)	Financial market operations RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Operating income					
External net interest income/ (expense)	2,872,909	(1,477,800)	976,398	–	2,371,507
Internal net interest (expense)/ income	(1,674,685)	2,504,627	(829,942)	–	–
Net interest income	1,198,224	1,026,827	146,456	–	2,371,507
Net fee and commission income	111,778	46,088	5,448	63,248	226,562
Net trading gains	–	–	257,865	–	257,865
Net gains arising from investment securities	–	–	36,000	–	36,000
Net exchange gains	–	–	–	118,319	118,319
Other operating expense, net	–	–	–	(2,763)	(2,763)
Operating income	1,310,002	1,072,915	445,769	178,804	3,007,490
Operating expenses	(425,016)	(348,095)	(144,625)	(58,011)	(975,747)
Impairment losses on assets, net of reversals	(1,169,064)	(56,992)	(503,015)	(11,034)	(1,740,105)
Operating (loss)/profit	(284,078)	667,828	(201,871)	109,759	291,638
Share of profit of an associate	–	–	–	73	73
(Loss)/profit before tax	(284,078)	667,828	(201,871)	109,832	291,711
Segment assets	134,217,478	47,586,824	190,025,978	1,032,912	372,863,192
Deferred tax assets	–	–	–	1,896,639	1,896,639
Total assets	134,217,478	47,586,824	190,025,978	2,929,551	374,759,831
Segment liabilities	85,760,563	186,414,535	69,504,662	624,272	342,304,032
Dividend payable	–	–	–	23,658	23,658
Deferred tax liabilities	–	–	–	10,702	10,702
Total liabilities	85,760,563	186,414,535	69,504,662	658,632	342,338,392
Other segment information					
– Depreciation and amortisation	74,335	26,355	105,242	1,622	207,554
– Capital expenditure	32,608	11,561	46,166	712	91,047



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 42. SEGMENT REPORTING (Continued)

#### (a) Segment results, assets and liabilities (Continued)

	As at December 31, 2022 (Restated)				
	Corporate banking RMB'000 (Audited)	Retail banking RMB'000 (Audited)	Financial market operations RMB'000 (Audited)	Others RMB'000 (Audited)	Total RMB'000 (Audited)
Segment assets	140,570,207	50,516,313	183,152,546	1,095,581	375,334,647
Deferred tax assets	–	–	–	1,867,816	1,867,816
<b>Total assets</b>	<b>140,570,207</b>	<b>50,516,313</b>	<b>183,152,546</b>	<b>2,963,397</b>	<b>377,202,463</b>
Segment liabilities	79,893,999	191,612,210	72,813,459	220,257	344,539,925
Dividend payable	–	–	–	23,656	23,656
Deferred tax liabilities	–	–	–	39,635	39,635
<b>Total liabilities</b>	<b>79,893,999</b>	<b>191,612,210</b>	<b>72,813,459</b>	<b>283,548</b>	<b>344,603,216</b>

#### (b) Geographical information

No geographical information is presented as most of the Group's operations are conducted in Gansu Province of the PRC and all non-current assets are located in the PRC and therefore revenue is derived from activities in Gansu Province of the PRC.

#### (c) Information about major customers

During the six months ended June 30, 2023 and 2022, no operating income from a customer contributes over 10% of the total operating income of the Group.



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 43. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

##### (i) Debt securities investments

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of policy models or discounted cash flows.

##### (ii) Unlisted equity investments

Fair values of unlisted equity investments are determined with reference to the present value of the discounted cash flows model to be derived from the ownership of the investee, based on an appropriate discount rate.

##### (iii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at June 30, 2023 and December 31, 2022.

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

Fair values of debt securities issued are based on the present value of estimated future cash flows at June 30, 2023 and December 31, 2022. 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 June 30, 2023 and December 31, 2022.

#### (b) Fair value measurement

##### (i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, deposits with banks, placements with other financial institutions, financial assets held under resale agreements, loans and advances to customers, financial assets at amortised costs, financial assets at FVTPL and financial assets at FVTOCI.

Deposits with the central bank, deposits with banks, placements with other financial institutions and financial assets held under resale agreements 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 are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

The carrying amount and fair value of financial assets at amortised cost are disclosed in Note 17.

The fair value of financial assets at FVTPL and FVTOCI are disclosed in Note 19 and Note 20 respectively.



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 43. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### (b) Fair value measurement (Continued)

##### (ii) Financial liabilities

The Group's financial liabilities mainly include borrowings from the central banks, deposits from banks and other financial institutions, placements from banks, financial assets sold under repurchase agreements, deposits from customers, accrued staff costs and debts securities issued.

The financial liabilities recorded at amortised cost are disclosed in Note 27, Note 28, Note 29, Note 30, Note 31, Note 32 and Note 33 respectively. Accordingly, the carrying amounts approximate the fair values.

#### (c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the condensed consolidated statements of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These three types of inputs have created the following fair value hierarchy:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3:	Inputs for assets or liabilities that are not based on observable market data (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 and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. 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.





## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 43. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### (c) Fair value hierarchy (Continued)

	At June 30, 2023			
	Level 1	Level 2	Level 3	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
<b>Assets</b>				
Financial assets at FVTPL				
– Debt securities held for trading	–	2,265,095	–	2,265,095
– Trust plans	–	1,520,045	–	1,520,045
– Asset management plans	–	8,379,847	–	8,379,847
– Investment funds	–	14,956,705	–	14,956,705
Financial assets at FVTOCI				
– Debt instruments at FVTOCI	–	8,429,947	–	8,429,947
– Unlisted equity investments measured at FVTOCI	–	–	314,065	314,065
	–	35,551,639	314,065	35,865,704

	At December 31, 2022			
	Level 1	Level 2	Level 3	Total
	RMB'000 (Audited)	RMB'000 (Audited)	RMB'000 (Audited)	RMB'000 (Audited)
<b>Assets</b>				
Financial assets at FVTPL				
– Debt securities held for trading	–	7,105,660	–	7,105,660
– Trust plans	–	1,520,045	–	1,520,045
– Asset management plans	–	8,483,962	–	8,483,962
– Investment funds	–	18,596,448	–	18,596,448
Financial assets at FVTOCI				
– Debt instruments at FVTOCI	–	9,895,177	–	9,895,177
– Unlisted equity investments measured at FVTOCI	–	–	325,596	325,596
	–	45,601,292	325,596	45,926,888

During the six months ended June 30, 2023, there were no significant transfers among each level (December 31, 2022: nil).

- (i) The Group uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available. The main parameters used in valuation techniques for financial instruments held by the Bank include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are basically observable and obtainable from open market.



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 43. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### (c) Fair value hierarchy (Continued)

- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below:

Financial assets	Fair value as at,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range	Relationship of key inputs and significant unobservable inputs to fair value
	June 30, 2023	December 31, 2022					
	RMB'000 (Unaudited)	RMB'000 (Audited)					
<b>Financial assets at FVTPL</b>							
Debt securities – listed	<b>2,265,095</b>	7,105,660	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model	N/A	N/A	N/A
Trust plans	<b>1,520,045</b>	1,520,045	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A	N/A
Asset management plans	<b>8,379,847</b>	8,483,962	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A	N/A
Investment funds	<b>14,956,705</b>	18,596,448	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A	N/A



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 43. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### (c) Fair value hierarchy (Continued)

- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below: (Continued)

Financial assets	Fair value as at,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range	Relationship of key inputs and significant unobservable inputs to fair value
	June 30, 2023	December 31, 2022					
	RMB'000 (Unaudited)	RMB'000 (Audited)					
<b>Financial assets at FVTOCI</b>							
Debt securities – listed	<b>8,429,947</b>	9,895,177	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model	N/A	N/A	N/A
Unlisted equity investments measured at FVTOCI	<b>314,065</b>	325,596	Level 3	Income approach – By reference to the present value of the discounted cash flows model to be derived from the ownership of the investee, based on an appropriate discount rate	The Weighted average cost of capital (“WACC”) 5.05% (December 31, 2022: 5.05%).	N/A	The higher the weighted average cost of capital, the lower the fair value (Note)

*Note:*

A 5% increase in weighted average cost of capital used in isolation would result in a decrease in fair value measurement of unlisted equity investments at FVTOCI by approximately RMB21,415,000 and vice versa (December 31, 2022: RMB34,590,000 and vice versa).



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 43. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### (c) Fair value hierarchy (Continued)

Reconciliation of Level 3 fair value measurements of financial assets:

	Unlisted equity investments designated as financial assets at FVTOCI RMB'000
At January 1, 2022	328,805
Change in fair value recognised in investment revaluation reserve	(3,209)
At December 31, 2022 and January 1, 2023	<b>325,596</b>
Change in fair value recognised in investment revaluation reserve	<b>(11,531)</b>
At June 30, 2023	<b>314,065</b>

### 44. 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 condensed consolidated statements of financial position. Surplus funding is accounted for as deposits from customers.

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Entrusted loans	<b>15,231,509</b>	15,889,854
Entrusted funds	<b>15,231,509</b>	15,889,854



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 45. COMMITMENTS

#### (a) Credit commitments

The Group's credit commitments take the form of bank acceptances, letters of credit and guarantees and unused credit card commitment.

The Group provides letters of 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. The amounts disclosed in respect of unused credit card commitments are under the assumption that the amounts will be fully advanced.

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Bank acceptances	10,514,904	13,074,145
Letters of guarantees	2,590,257	2,650,461
Unused credit card commitments	9,613,777	9,306,446
Letters of credit	2,479,818	2,487,100
	<b>25,198,756</b>	<b>27,518,152</b>

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

#### (b) Capital commitments

At June 30, 2023 and December 31, 2022, the Group's authorised capital commitments are as follows:

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Purchase of property and equipment – Contracted for but not provided	36,895	39,765

### 46. CONTINGENT LIABILITIES

The Bank and its subsidiary are involved as defendants in certain lawsuits arising from their normal business operations. As at June 30, 2023, in light of court decisions or advice from legal counsels, the directors of the Bank considered it not necessary to provide for potential losses from these claims. The directors of the Bank believe, based on legal advices, the final result of the lawsuits will not have any material impact on the financial position or operations of the Group.



## Chapter 9 Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 47. TRANSFER OF NON-PERFORMING FINANCIAL ASSETS

The Group enters into transactions in the normal course of business that transfer non-performing assets to third parties.

During the six months ended June 30, 2023, the Group transferred non-performing financial assets to the third parties with consideration amounted to approximately RMB91 million (total principal, interest and expense amounted to approximately RMB765 million) (during the year ended December 31, 2022: RMB737 million (total principal and interest amounted to approximately RMB2,615 million)). Financial assets related to the aforementioned transfer amounted to approximately RMB397 million (during the year ended December 31, 2022: RMB397 million) are included in other assets (see Note 25). The associated liability of approximately RMB397 million (during the year ended December 31, 2022: RMB397 million) are included in other liabilities (see Note 34).

### 48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's condensed consolidated statement of cash flows from financing activities.

	At January 1, 2023 RMB'000	Financing cash flows RMB'000	Non-cash changes		At June 30, 2023 RMB'000 (Unaudited)
			New lease arrangement entered RMB'000	Finance cost incurred RMB'000	
<b>Liabilities</b>					
Debt securities issued (Note 33)	26,039,053	(4,058,447)	-	292,487	22,273,093
Dividend payable (Note 34)	23,656	(28)	-	-	23,628
Lease liabilities (Note 23)	180,066	(60,976)	52,139	1,536	172,765
	<b>26,242,775</b>	<b>(4,119,451)</b>	<b>52,139</b>	<b>294,023</b>	<b>22,469,486</b>

	At January 1, 2022 RMB'000	Financing cash flows RMB'000	Non-cash changes		At June 30, 2022 RMB'000 (Unaudited)
			New lease arrangement entered RMB'000	Finance cost incurred RMB'000	
<b>Liabilities</b>					
Debt securities issued (Note 33)	28,918,929	4,895,874	-	476,402	34,291,205
Dividend payable (Note 34)	24,158	(500)	-	-	23,658
Lease liabilities (Note 23)	197,657	(80,896)	63,147	2,309	182,217
	<b>29,140,744</b>	<b>4,814,478</b>	<b>63,147</b>	<b>478,711</b>	<b>34,497,080</b>



# Chapter 10 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

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

## 1. LIQUIDITY COVERAGE RATIO AND LEVERAGE RATIO (%)

	At June 30, 2023	Average for the six months ended June 30, 2023
Liquidity coverage ratio (RMB and foreign currency)	142.42%	141.45%

	At December 31, 2022	Average for the year ended December 31, 2022
Liquidity coverage ratio (RMB and foreign currency)	148.83%	172.40%

### Leverage Ratio

	At June 30, 2023
Leverage ratio (RMB and foreign currency)	8.19%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the China Banking Regulatory Commission (“CBRC”) and was effective since April 1, 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with the People’s Republic of China Generally Accepted Accounting Principles (“PRC GAAP”), with the specific computational formulas as follows:

Liquidity coverage ratio = high-quality liquid assets/net capital outflow in the next 30 days × 100%

Leverage ratio = (core tier 1 capital – corresponding capital deductions)/on and off-balance sheet assets after adjustment × 100%





## Chapter 10 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

### 2. CURRENCY CONCENTRATIONS

	At June 30, 2023		
	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	2,451,109.6	273,162.7	2,724,272.3
Spot liabilities	(23,864.2)	(54,809.2)	(78,673.4)
Net position	2,427,245.4	218,353.5	2,645,598.9

  

	At December 31, 2022		
	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	2,389,799.9	261,275.4	2,651,075.3
Spot liabilities	(61,853.2)	(51,648.9)	(113,502.1)
Net position	2,327,946.7	209,626.5	2,537,573.2

The above information is computed in accordance with the provisions of the CBIRC. The Group has no structural position as at December 31, 2022 and June 30, 2023.

### 3. INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within People's Republic of China ("PRC"), and regards all claims on third parties outside PRC as international claims. International claims include loans and advances to customers, deposit with the central bank, amounts due from banks and other financial institutions.

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.

	At June 30, 2023	At December 31, 2022
Deposit with banks		
Asia Pacific, excluding mainland China	76,806.72	53,284.10
Europe	–	–
Total	76,806.72	53,284.10



## Chapter 10 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

### 4. LOANS AND ADVANCES OVERDUE FOR MORE THAN 90 DAYS BY GEOGRAPHICAL SEGMENTS

	At June 30, 2023	At December 31, 2022
Gansu Region	3,053,219	2,909,437
Mainland China, excluding Gansu Region	-	419,258
<b>Total</b>	<b>3,053,219</b>	<b>3,328,695</b>

### 5. GROSS AMOUNT OF LOANS AND ADVANCES OVERDUE FOR MORE THAN 90 DAYS

	At June 30, 2023	At December 31, 2022
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– Overdue between three months to six months (inclusive)	370,828	499,662
– Overdue between six months to one year (inclusive)	431,801	460,092
– Overdue between one year to three years (inclusive)	1,276,571	1,459,712
– Overdue more than three years	974,019	909,229
<b>Total</b>	<b>3,053,219</b>	<b>3,328,695</b>
As a percentage of total loans and advances to customers		
– Overdue between three months to six months (inclusive)	0.17%	0.24%
– Overdue between six months to one year (inclusive)	0.19%	0.22%
– Overdue between one year to three years (inclusive)	0.57%	0.69%
– Overdue more than three years	0.44%	0.43%
<b>Total</b>	<b>1.37%</b>	<b>1.58%</b>

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

### 6. NON-BANK MAINLAND CHINA EXPOSURE

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. At June 30, 2023 and December 31, 2022, substantial amounts of the Bank's exposures arose from businesses with mainland China entities or individuals.



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