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中原銀行股份有限公司*
ZHONGYUAN BANK CO., LTD.*

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

**ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR
ENDED DECEMBER 31, 2023**

The board of directors (the “**Board**”) of Zhongyuan Bank Co., Ltd.* (the “**Bank**”) is pleased to announce the audited consolidated annual results (the “**Annual Results**”) of the Bank and its subsidiaries for the year ended December 31, 2023 which were prepared in accordance with the International Financial Reporting Standards. The Board and the audit committee of the Board have reviewed and confirmed the Annual Results.

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Bank (www.zybank.com.cn). The annual report for the year ended December 31, 2023 will be published and made available on the above websites in due course.

By Order of the Board
Zhongyuan Bank Co., Ltd.*
GUO Hao
Chairman

Zhengzhou, the People's Republic of China
March 28, 2024

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

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

Content

Corporate Information	2
Financial Summary	8
Chairman's Statement	11
President's Statement	16
Management Discussion and Analysis	20
Changes in Share Capital and Information on Shareholders	76
Directors, Supervisors, Senior Management, Employees and Institutions	83
Corporate Governance Report	108
Report of the Board of Directors	147
Report of the Board of Supervisors	160
Important Events	162
Independent Auditor's Report	168
Unaudited Supplementary Financial Information	314
Definitions	317



Chapter 1 Corporate Information

1. Basic Corporate Profile

Legal Name of the Company

中原銀行股份有限公司¹ (abbreviated as 中原銀行)

English Name of the Company

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

Registered Office

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

Headquarters in China

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

Principal Business Place in Hong Kong

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

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

Chapter 1 Corporate Information

Board of Directors²

Executive Director:

Mr. GUO Hao (*Chairman*)

Non-Executive Directors:

Ms. ZHANG Qiuyun

Mr. FENG Ruofan

Ms. ZHANG Shu

Independent non-executive Directors:

Mr. XU Yiguo

Ms. ZHAO Zijian

Mr. WANG Maobin

Mr. PAN Xinmin

Mr. GAO Pingyang

² On April 6, 2023, Mr. XU Nuojin, an executive Director and the chairman of the Board of the Bank, tendered his resignation to the Board and resigned as the chairman of the second session of the Board, an executive Director and the chairman of the Strategy and Development Committee of the Board of the Bank due to change of work arrangement. For more details, please refer to the Bank's announcement dated April 6, 2023.

On May 8, 2023, the Bank held the 2023 first extraordinary general meeting to consider and approve the appointment of Mr. GUO Hao as an executive Director of the second session of the Board of the Bank. The qualifications of Mr. GUO Hao as a Director were approved by the National Financial Regulatory Administration Henan Office (formerly known as the China Banking and Insurance Regulatory Commission Henan Office) on May 12, 2023. On May 15, 2023, Mr. GUO Hao was elected as the chairman of the Board of the Bank at a Board meeting of the Bank. The qualifications of Mr. GUO Hao as the chairman of the Board were approved by the National Financial Regulatory Administration Henan Office (formerly known as the China Banking and Insurance Regulatory Commission Henan Office) on June 12, 2023. For more details, please refer to the announcements of the Bank dated April 14, 2023, May 8, 2023, May 15, 2023 and June 12, 2023 and the circular of the Bank dated April 14, 2023.

On October 8, 2023, Mr. WANG Jiong, an executive Director and the vice chairman of the Board, tendered his resignation to the Board and resigned as the vice chairman of the second session of the Board, an executive Director, the chairman of Consumer Rights Protection Committee, the member of the Strategy and Development Committee, the member of Risk Management Committee and the member of Related Party Transactions Control Committee of the Board of the Bank due to work adjustment, and at the same time, resigned as a candidate for the executive Director for the third session of Board of the Bank. For more details, please refer to the Bank's announcement dated October 8, 2023.

On October 12, 2023, the Bank held the 2023 second extraordinary general meeting to elect Mr. GUO Hao as an executive Director of the third session of the Board of the Bank, re-elect Ms. ZHANG Qiuyun as a non-executive Director of the third session of the Board of the Bank, elect Mr. FENG Ruofan and Ms. ZHANG Shu as non-executive Directors of the third session of the Board of the Bank, and elect Mr. XU Yiguo, Ms. ZHAO Zijian, Mr. WANG Maobin, Mr. PAN Xinmin and Mr. GAO Pingyang as independent non-executive Directors of the third session of the Board of the Bank, respectively. The qualifications of Mr. FENG Ruofan, Ms. ZHANG Shu, Mr. XU Yiguo, Ms. ZHAO Zijian, Mr. WANG Maobin, Mr. PAN Xinmin and Mr. GAO Pingyang as Directors were approved by the National Financial Regulatory Administration Henan Office on November 8, 2023. On November 28, 2023, the Bank held the 1st meeting of the third session of the Board and elected Mr. GUO Hao as the chairman of the Board of the Bank. For more details, please refer to the announcements of the Bank dated September 21, 2023, October 12, 2023 and November 28, 2023 and the circular of the Bank dated October 12, 2023.

Chapter 1 Corporate Information

Legal Representative³

Mr. GUO Hao

Authorized Representatives⁴

Mr. GUO Hao
Ms. CHAN Yin Wah

Company Secretary⁵

Ms. CHAN Yin Wah

Unified Social Credit Code

9141000031741675X6

Financial License Institution Number

B0615H241010001

Auditors

PRC Auditors

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

International Auditors

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

Legal Advisors as to PRC mainland Laws

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

³ On June 25, 2023, the legal representative of the Bank was changed to Mr. GUO Hao with the approval of the Administration for Market Regulation Henan Province.

⁴ On October 12, 2023, Mr. ZHANG Ke and Mr. JIA Tingyu resigned as the authorized representatives of the Bank due to work adjustment, and Mr. GUO Hao and Ms. CHAN Yin Wah were appointed as the authorized representatives of the Bank to replace the vacancies arising from the resignation of Mr. ZHANG Ke and Mr. JIA Tingyu. For more details, please refer to the Bank's announcement dated October 12, 2023.

⁵ On October 12, 2023, Mr. ZHANG Ke resigned as the joint company secretary of the Bank due to work adjustment, and Ms. CHAN Yin Wah, another joint company secretary of the Bank in compliance with Rule 3.28 of Listing Rules for recognized academic and professional qualifications, remained in office and served as the company secretary of the Bank. For details, please refer to the Bank's announcement dated October 12, 2023.

Chapter 1 Corporate Information

Legal Advisors as to Hong Kong Laws

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

H Share Registrar

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

Domestic Shares Trustee Agency

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

H Share Stock Code

1216

Investor's Enquiry

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Chapter 1 Corporate Information

2. Company Profile

Established in December 2014, Zhongyuan Bank is a provincial corporate bank with institutions and outlets covering the whole Henan province. Zhongyuan Bank was listed on the Main Board of the Hong Kong Stock Exchange in July 2017. In May 2022, Bank of Luoyang, Bank of Pingdingshan and Bank of JZCTS were merged and absorbed into the Bank with the approval of the former CBIRC.

At present, Zhongyuan Bank operates 18 branches with over 700 business outlets, one consumer finance company, two financial leasing companies and 14 county banks. The Bank's total assets exceeded RMB1.3 trillion and the number of employees was nearly 20,000. With its excellent operating results and high-quality financial services, Zhongyuan Bank has won widespread praise from all walks of life, and was awarded "Ten Best City Commercial Banks of the Year (年度十佳城市商業銀行)", "Top Ten Iron-horse Banks (鐵馬十佳銀行)", "Best Listed Company (最佳上市公司)", "Outstanding City Commercial Bank of the Year (年度卓越城商行)" "Top 500 Listed Chinese Companies published by The Fortune in 2023 (2023年《財富》中國上市公司500強)", and other honors. Zhongyuan Bank ranked 145th amongst the top 1,000 banks in the world by The Banker (UK) in 2023, and its social reputation and brand influence continued to enhance.

Zhongyuan Bank will continuously adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, strive for the goal of "building a first-class city commercial bank" proposed by Henan Provincial Party Committee and concentrate on the mission positioning of "being the bank of people themselves in central China". The Bank adheres to the principles of "the Party's leadership as the soul, the Party Committee and the government as the reliance, the market environment as the environment, the institutional nature as a bank, the asset quality as life and the operating results as the fundamentals", and keeps on rooting in, cultivating, relying on, and serving central China ("紮根中原、深耕中原、依靠中原、服務中原"), and makes new and greater contributions to write a more splendid and glorious chapter of central China on a new journey of the new era.

Chapter 1 Corporate Information

3. Major Honors in 2023

On January 10, 2023, the Bank won the 16th Golden Cicada Award - “Award for City Commercial Banks in 2022 (2022 年度城商行獎)”.

On March 9, 2023, the Bank won the Golden Tripod Awards - “Most Competitive Digital Innovation Award for Small and Medium Banks of the Year (年度最具競爭力中小銀行數字化創新獎)” and “Best Wealth Management Brand Awards of the Year (年度最佳財富管理品牌獎)”.

On March 10, 2023, the Bank won the “Award for Top 10 Retail Banks – City Commercial Banks (城商行十佳零售銀行獎)”.

On April 18, 2023, the Bank won the “2022 ‘China Financial Institutions Gold List•Golden Dragon Award’ Best Socially Responsible Bank (“2022’中國金融機構金牌榜•金龍獎’最佳社會責任銀行)”.

On May 17, 2023, the Bank won the “Best Socially Responsible Bank in 2022 (2022 年度最佳社會責任銀行)” awarded by the Financial Times.

On May 20, 2023, the Bank won the Prize for “Best Ten Small and Medium Banks for ‘Iron-horse Banks’ (鐵馬十佳中小銀行)” for 2022.

On May 26, 2023, the Bank won the “2022 Henan Socially Responsible Enterprises ‘Extraordinary Decade of Special Contributions’ Award (2022 河南社會責任企業‘非凡十年特別貢獻’獎)”.

On July 5, 2023, the Bank ranked 145th amongst the Top 1,000 World Banks 2023 by The Banker (UK).

On July 11, 2023, the Bank was included in the Top 500 Listed Chinese Companies published by The Fortune in 2023.

On July 14, 2023, the Bank won the “Tianji Award for Golden Brand Bank of the Year 2023 (2023 年度金質銀行品牌天璣獎)”.

On November 20, 2023, the Bank won the Golden Tangerine Award for “Financial Institution with High-quality Development of the Year 2023 (2023 年度高質量發展金融機構)”.

On December 12, 2023, the Bank won the “Award for Outstanding Brand Value Bank of the Year (年度卓越品牌價值銀行獎)” and the “Award for Pioneer Bank for Inclusive Finance of the Year (年度普惠金融先鋒銀行獎)” of 21st Financial and Economic Honors in Hexun.com.

On December 12, 2023, the Bank won the Central China ESG “Emerging Enterprise (新銳企業)” Award of 2023 Dahe Fortune China Forum.

On December 27, 2023, the Bank won the “Best Brand Construction Bank of the Year 2023 (2023 年度最佳品牌建設銀行)” of 2023 China Financial Institutions Gold List Golden Dragon Award.



Chapter 2 Financial Summary

	For the year ended December 31,					
	2023	2022	2023 vs 2022	2021	2020	2019
<i>(Expressed in millions of RMB, except percentages, unless otherwise stated)</i>						
Operating Results			Rate of Change (%)			
Net interest income	22,263.0	21,276.3	4.6	16,693.0	16,565.0	15,707.7
Net fee and commission income	1,318.5	1,783.1	(26.1)	1,932.5	1,786.4	1,767.5
Operating income	26,183.4	25,611.2	2.2	19,282.8	19,427.8	19,021.8
Operating expenses	(10,861.8)	(10,278.0)	5.7	(7,143.5)	(7,118.6)	(7,486.3)
Impairment losses on assets	(12,559.7)	(11,189.5)	12.2	(7,640.2)	(7,848.6)	(7,148.3)
Profit before tax	2,957.1	4,307.7	(31.4)	4,598.4	4,449.0	4,360.6
Net profit	3,206.3	3,825.1	(16.2)	3,633.3	3,354.7	3,206.0
Net profit attributable to equity shareholders of the Bank	3,221.0	3,650.2	(11.8)	3,565.0	3,300.8	3,163.8
Calculated on a per share basis (RMB)			Rate of Change (%)			
Net assets per share attributable to equity shareholders of the Bank ⁽¹⁾	2.15	2.07	3.9	2.57	2.42	2.35
Earnings per share ⁽²⁾	0.07	0.10	(30.0)	0.15	0.14	0.13
Profitability Indicators (%)			Change			
Return on average total assets ⁽³⁾	0.24	0.37	(0.13)	0.48	0.46	0.48
Return on average equity ⁽⁴⁾	3.11	4.35	(1.24)	5.99	5.70	5.52
Net interest spread ⁽⁵⁾	1.56	1.89	(0.33)	2.13	2.36	2.58
Net interest margin ⁽⁶⁾	1.73	2.06	(0.33)	2.31	2.48	2.67
Net fee and commission income to operating income	5.04	6.96	(1.92)	10.02	9.20	9.29
Cost-to-income ratio ⁽⁷⁾	40.07	39.05	1.02	35.95	35.61	38.45

Chapter 2 Financial Summary

	December 31, 2023	December 31, 2022	2023 vs 2022	December 31, 2021	December 31, 2020	December 31, 2019
<i>(Expressed in millions of RMB, except percentages, unless otherwise stated)</i>						
Capital adequacy ratio indicators⁽⁸⁾ (%)			Change			
Calculated based on the Regulation Governing Capital of Commercial Banks (Provisional)						
Core Tier-one capital adequacy ratio	8.10	7.98	0.12	8.70	8.59	8.51
Tier-one capital adequacy ratio	10.44	9.47	0.97	10.39	10.35	10.31
Capital adequacy ratio	11.64	11.83	(0.19)	13.30	13.20	13.02
Total equity to total assets	7.20	7.06	0.14	8.12	7.84	8.15
Asset quality indicators (%)			Change			
Non-performing loans to total loans ⁽⁹⁾	2.04	1.93	0.11	2.18	2.21	2.23
Allowance for loan impairment losses to non-performing loans ⁽¹⁰⁾	154.06	157.08	(3.02)	153.49	153.31	151.77
Allowance for loan impairment losses to total loans ⁽¹¹⁾	3.15	3.03	0.12	3.35	3.39	3.39
Other indicators (%)						
Loan-to-deposit ratio	84.47	82.69	1.78	86.56	84.01	77.71
Scale indicators			Rate of Change (%)			
Total assets	1,346,446.5	1,326,736.4	1.5	768,233.3	757,482.5	709,885.0
Of which: Net loans and advances to customers	689,869.4	666,892.4	3.4	378,116.5	347,656.8	291,230.1
Total liabilities	1,249,558.3	1,233,101.9	1.3	705,853.7	698,127.2	652,054.0
Of which: deposits from customers	859,783.8	845,257.2	1.7	455,692.2	431,341.4	389,731.5
Share capital	36,549.8	36,549.8	-	20,075.0	20,075.0	20,075.0
Equity attributable to equity shareholders of the Bank	92,504.6	89,228.4	3.7	61,210.1	58,261.5	56,744.7
Non-controlling interests	4,383.6	4,406.1	(0.5)	1,169.5	1,093.8	1,086.3
Total equity	96,888.2	93,634.5	3.5	62,379.6	59,355.3	57,831.0



Chapter 2 Financial Summary

Notes:

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

Chapter 3 Chairman's Statement



Chapter 3 Chairman's Statement

The year 2023 marked the beginning of the comprehensive implementation of the guiding principles of the 20th National Congress of the Communist Party of China (the "Party"). Halfway through the execution of the national "14th Five-Year Plan", China has embarked on the journey of building itself into a modern socialist country in all respects in the past year. During the year, Zhongyuan Bank further implemented the decisions and plans made by the Provincial Party Committee and the Provincial People's Government of Henan Province, took rigorous measures to comply with the regulatory authorities' requirements, committed to seeking progress while maintaining stability, upholding fundamental principles and breaking new ground. Following and reinforcing the Party's leadership, the Bank continuously enhanced corporate governance and fulfilled its function of serving the real economy, thus devoting itself to economic and social development. With all-out efforts to control new exposure while addressing the existing ones to prevent and mitigate risks, the Bank persistently deepened reform, bolstered internal management, and fortified its development foundation, moving forward to accomplish its objective of "building a first-class urban commercial bank and a good bank" with courage.

Entering the new stage of development in 2023, the Bank has affirmed that "as a banking institution, it needs the Party's leadership as spiritual support and the guidance of the Provincial Party Committee and the Provincial People's Government, and market economy as environment, asset quality as its lifeblood and operating results as its root". With a much clearer direction and trajectory for development, the Bank has achieved a steady and solid overall improvement. The Bank's total assets reached RMB1,346.446 billion, with an operating income of RMB26.183 billion. The net profit amounted to RMB3.206 billion. These accomplishments are the result of the collective efforts of our cadres and staff, as well as the support and care from the Party Committees and People's Governments at all levels, industry regulators, and various sectors of society. We are also grateful for the trust and loyalty of our customers and business partners, as well as the support and trust of our Shareholders.

Chapter 3 Chairman's Statement

Over the past year, the reinforced Party's leadership fundamentally guaranteed our high-quality development. Under the guidance of the Provincial Party Committee and the Provincial People's Government of Henan Province, Zhongyuan Bank thoroughly studied and implemented Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. Following the "two consistent principles", we made improvements to our Party committee system. Apart from establishing the special secretary meeting system and refining the list of matters within the scope of the "three critical and one important" and the procedures for a Party committee's consideration and decision-making, we reinforced the Party's leadership within our operational entities and subsidiaries, seamlessly integrating the enhancement of the Party's leadership in financial initiatives throughout our operation, management, reform and development endeavors. Taking enhancing the Party's political building as the overarching principle, we carried out high-quality thematic education initiatives and integrated efforts in promoting theoretical study, investigations and research, development, thorough examinations and rectifications, and establishment of comprehensive rules and regulations, strengthening the organizational support necessary for achieving high-quality development. Adhering to the principle of the Party supervising the performance of officials, the Bank established a clear guide for selection and employment that prioritizes political awareness, competence, and style while taking into account political standards, performance-oriented evaluations, grassroots experience, and bottom line of risk control, with the aim to cultivate a loyal, clean-fingered and responsible team of high-quality financial professionals and talented individuals. Furthermore, in response to the strengthened full and strict governance of the Party, we deepened our commitment to strict control over the entire bank and overall supervision by continuously promoting reform with cases, reshaping our clean financial culture, and building a robust ideological foundation to combat corruption and prevent moral degeneration.

Over the past year, improving corporate governance served as a crucial initiative of our high-quality development. Remaining true to the nature of being a provincial enterprise that operates in the financial industry, we pursued the modernization of our corporate governance system and governance capacity as a practical approach for the high-quality development of Zhongyuan Bank. Constant improvements were made to our internal governance mechanisms, ensuring the scientific operation of the general meeting, standardizing decision-making by the Board of Directors, providing effective supervision by the Board of Supervisors, and facilitating efficient execution by the senior management. Moreover, our efforts over the past year also included successfully completing the renewal of the Board of Directors and the Board of Supervisors, comprehensively revising and optimizing our corporate governance system, fulfilling our obligation of information disclosure in a strict manner and expanding the channels through which Shareholders can access information, ensuring that they can exercise their rights in accordance with the law. Effectively leveraging the role of each corporate governance body, we consolidated the foundation of high-quality development through a scientifically structured and efficiently operated corporate governance system to further build up our positive social image.



Chapter 3 Chairman's Statement

Over the past year, serving the real economy functioned as a powerful approach to our high-quality development. By persistently adhering to the coexistence and common prosperity of finance and entities, we gave full support to key areas and weak links, and proactively strengthened the flow of risk-weighted assets to safeguard the provision of general loans. We intensified efforts in serving key areas such as “Ten Strategies”, key projects, small and micro enterprises and weak links in financial services. As of the end of 2023, Zhongyuan Bank cumulatively delivered a credit supply of RMB157.2 billion to the sectors covered by the “Ten Strategies” and granted loans of RMB41.2 billion to key projects; additional loans of RMB17.248 billion were provided for 28 key industrial chains. The Bank ranked first in respect of the number of accounts and amount of loans to enterprises that apply special, sophisticated techniques to produce unique and novel products in the province; loans to small and medium-sized technology companies ranked second in the province. The Bank has effectively fulfilled its responsibility as a provincial corporate bank and has steadfastly developed itself into a leader of financial institutions in Henan Province.

Over the past year, risk prevention and control measures practically supported our high-quality development. By focusing on steady operation and persisting in high consistency between our business development and risk control abilities, we persevered in improving the risk control system to firmly safeguard our risk control capabilities. Under the guidance of strategic objectives, we fully factored risk control into our business management. By clarifying risk preference, optimizing risk control structure, and giving full play to the regulatory role of policies and systems, management criteria, system controls and risk tools, we formed a comprehensive and complete risk control system covering the credit risk, market risk, operational risk and liquidity risk. We conscientiously implemented the mechanism to liquidate non-performing assets and restore their mobility proposed by Henan Province by setting up a special crew for liquidating non-performing assets and restoring their mobility to clarify responsibilities at all levels and work with governments, public security authorities and courts to complete the annual task of liquidation and restoring mobility of non-performing assets proposed by the provincial government. We strengthened the concept of prudent compliance operation, improved the internal risk control mechanism, optimized the compliance management mechanism, and integrated the concepts of “compliance creating value” and “compliance promoting development” into the whole process of operation and management, and our risk management and control capabilities have been significantly enhanced.

Chapter 3 Chairman's Statement

Over the past year, deepening reform strongly sustained our high-quality development. 2023 was the first year for Zhongyuan Bank to exhibit its results of reform and restructuring, requiring us to achieve steady development and prevent systematic financial risks while maintaining integrity and innovation and laying a solid foundation to better underpin support for the economic and social development of Henan Province. As instructed by the main leaders of the Provincial Party Committee and the Provincial People's Government of Henan Province, Zhongyuan Bank will continue to deepen reform, promote the follow-up work of the merger by absorption in an orderly manner, and steadily promote optimization and adjustment of the organizational structure. With a distinct performance-oriented mechanism, we optimized the assessment and pricing strategy to steadily achieve solid performance, improve the quality of development and explore high-quality development. We efficiently completed the merger of the domestic share equity of the original three banks by absorption and its trusteeship under China Securities Depository and Clearing Company Limited. Substantial progress has been made in the reform of village banks to eliminate risks. RMB10 billion Perpetual bonds were offered with high subscription multiples and low interest rates when issued, and we have therefore built up our capital strength and effectively boosted our development potential, further consolidating the high-quality development of Zhongyuan Bank.

“Set sail if the wind and the time are right; forge ahead even when the task and the road are tough”. For the financial industry, high-quality financial development is the major goal and task on a new journey in the new era, serving as a contribution to building China into a powerhouse and facilitating the great rejuvenation of the Chinese nation. Zhongyuan Bank, adhering to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, will fully implement the guiding principles of the 20th National Congress of the Party, the Second Plenary Session of the 20th Central Committee of the Party, the Central Economic Work Conference, the Central Financial Work Conference, and the important statements, instructions, and directives made or given by General Secretary Xi Jinping. Also, the Bank will thoroughly execute the decisions and plans proposed by the Provincial Party Committee and the Provincial People's Government of Henan Province. Bearing our missions and responsibilities in mind, we will dedicate our work to serving the local economic development, helping realize people's aspirations for a better life, and making a greater contribution to the construction of modern Henan Province and the achievement of more remarkable results in the revitalization of Henan Province in the new era.



Chapter 4 President's Statement



Chapter 4 President's Statement

2023 was the beginning year for thorough implementation of the spirit of the 20th National Congress of CPC and the first full fiscal year after the completion of the Merger by Absorption of Zhongyuan Bank. In the face of a once-in-a-century major transformation and accelerated evolution, the external environment has undergone profound changes. The global economy and financial markets are facing numerous challenges in this complex environment. However, the Bank stayed true to its original aspiration and mission of serving economic and social development. With the vision of building a first-class city commercial bank, it has developed a deeper understanding of the essence and laws of finance. With the hope of serving the country and the people by delivering financial services, it has bolstered operation and management, further deepened reform, and gone all out to control new non-performing assets while disposing of old ones to promote the steady progress of Zhongyuan Bank's high-quality development, giving full play to the leading role of its Party building. At the end of the Reporting Period, our total assets amounted to RMB1,346.446 billion; the balance of all deposits amounted to RMB837.522 billion; the balance of all loans amounted to RMB707.462 billion. The annual operating income and net profit achieved RMB26.183 billion and RMB3.206 billion, respectively; RMB2.492 billion of all taxes was paid; the cost-to-income ratio was 40.07%; non-performing loans to total loans was 2.04%.

We understand well that achieving high-quality development means leveraging on the leading role of Party building from cover to cover to march forward with certainty. Taking a firmer stance on political matters, Zhongyuan Bank pragmatically proceeded with high-quality development led by high-quality Party building. The Bank upholds the leading role of Party building in its financial work. It synchronizes strategies and plans for Party building and business operations so that the targets of its Party building can be aligned with those of its business operations in terms of direction, pace, and implementation, thereby Party building is deeply integrated into business operations. In the past year, under the strong leadership of the Provincial Party Committee and the Provincial People's Government of Henan Province, we took further steps to conduct thematic workshops and undertook a lot of research and study, through which we solved urgent and thorny problems affecting the Bank's high-quality development, customers, and employees and came up with quite a few effective and practical measures which are beneficial to the high-quality development. In this way, we have turned Xi Jinping Thought on Socialism with Chinese Characteristics in the New Era into a powerful force that helps our people affirm their ideals, enhance their qualities as Party members in practice, guide their practice, and deliver better services.

We understand well that achieving high-quality development means fulfilling our original aspirations to serve the bigger picture. Never forgetting our duties and missions as a provincial corporate bank, we remained committed to serving Henan province's blueprint of economic and social development by disposing of and acquiring risk-weighted assets and doubling efforts to expand the financing scale and optimize the financing structure. We also prioritized investment of funds in programs for key areas such as the "Ten Strategies" initiative, the building of a modern industrial system, and technology innovation finance and for weak links in the financial services to empower the real economy. In 2023, we invested a total of RMB226.5 billion to support the "Ten Strategies" initiative, of which RMB71.056 billion was invested in major projects. We focused on seven major industrial clusters and 28 industrial chains and competed for high-quality projects and key customer groups, with additional investments of RMB17.248 billion in the key enterprises in the industrial chains; total loans extended to enterprises that apply specialized, sophisticated techniques to produce unique and novel products amounted to RMB3.38 billion, ranking us first in this regard among the banks in the province; the balance of loans to small and medium-sized technology companies was RMB1.111 billion, ranking us second in this regard among the banks in the province.



Chapter 4 President's Statement

We understand well that achieving high-quality development means bearing people's interests in mind to create value. Essentially, finance exists to serve the people, which is also where the value of financial work lies. Zhongyuan Bank is always aware that its financial work involves following the leadership of the Party, protecting people's interests, and providing professional services. Dedicated to the top priorities of China and devoting itself to serving the country by delivering financial services, we have become more willing to serve and integrate our development into the new development pattern, satisfy the diverse financial needs of the people, and build the people's bank in central China. With the philosophy of "creating value for customers" deeply rooted in our mind, we tend to acquire massive customers online in an organized and integrated manner, conduct business operations by tier, group, and region, and further cultivate the key customer groups such as customers of our payment agency services, senior citizen customers, customers of our social security card services, and new citizens of Henan province, while vigorously expanding our wealth management business and agency sales business. In 2023, the number of new effective accounts of our retail banking business reached 360,000; the number of mobile banking accounts reached 13.67 million, ranking us second in this regard among the country's urban commercial banks; the annual sales value of wealth management products for high-net-worth individuals amounted to RMB21.8 billion, ranking us first in terms of market share among the banks in the province. We further tapped into the value of county-level banking by giving better play to the functions of the five-in-one service system encompassing county branches, township sub-branches, self-service outlets, inclusive financial service outlets, and mobile banking and forming a service model featuring mutual collaboration to provide customers with full life-cycle, end-to-end services in all dimensions and deepen customer relationship. In 2023, the balance of deposits taken through our county banking business and the rural savings deposits increased by RMB23.5 billion.

We understand well that achieving high-quality development means maintaining robust operations to guard against risks. We prevent systemic risks to protect the vital part of financial security. Zhongyuan Bank always tries to understand financial risks and improve risk management from the perception of overall national security. To cultivate a sound risk culture and execute an effective risk control strategy, we have accelerated the development of a comprehensive risk management system, redoubled compliance management efforts, improved the compliance systems, promoted the enhancement of the functions of the anti-money laundering system and the related party transactions system, reinforced the prevention of compliance risks, and raised the level of internal control and compliance. Among all the tasks of the Bank, reducing new non-performing assets and managing the existing ones remained the top priority, so we promoted the construction of intelligent risk control and improved the monitoring and control system to promptly identify and address risks. Giving full play to the regulatory role of policies and systems, management criteria and system controls, we strengthened whole-journey management of our credit business to effectively curb the increase in non-performing loans. We did everything to promote the management of existing non-performing loans. Particularly, we implemented the mechanism to liquidate non-performing assets and restore their mobility proposed by Henan province by setting up a special crew for liquidating non-performing assets and restoring their mobility in a centralized manner to work with governments, public security authorities and courts to overcome obstacles and complete the task of collective liquidation and restoring mobility of non-performing assets.

Chapter 4 President's Statement

We understand well that achieving high-quality development means building our development on state-of-the-art technology. With the ongoing enhancement of its technology-enabled support capacity, Zhongyuan Bank has planned to create a corporate-wide framework and initially formed a bank-wide systematic, professional, collaborative, agile and intelligent framework. We have formed a special team to establish a network of new-generation IT systems designed for the core business to plan for such network in an orderly manner. In 2023, the domestic construction achieved regulatory requirements, and the proportion of self-control over the Bank's IT systems increased to 71%. We have fortified our security system, and our performance in the National Cybersecurity Defence Drill was commended by the Technology Department of the Head Office of the People's Bank of China in 2023. Driving the implementation of digital intelligence transformation projects, we explored the application of large language model (LLM) technology by launching the generative AI-enabled assistant services which have already been applied to five types of scenarios, including compliance, human resources, meal services, workflow, and financial statement analysis, thus initially forming the approach to LLM application in various scenarios.

We understand well that achieving high-quality development means deepening reform to lay solid groundwork for business. As instructed by the Provincial Party Committee and the Provincial People's Government of Henan Province, Zhongyuan Bank has continued to promote the follow-up work of the Merger by Absorption. We steadily and properly advanced the optimization and realignment of the organizational structure and our township banks adopted measures to reform and mitigate risks. Perpetual bonds worth RMB10 billion were offered with high subscription multiples and low interest rates when issued, and we have therefore built up our capital strength and impressed the market. Staying performance-oriented, we have improved our assessment measures and pricing mechanisms to guide our operating institutions to achieve solid performance and increase profits. We have formulated a mechanism for periodical budget gap analysis to strengthen the implementation of budget targets. We implement a performance-based assessment system to encourage our cadres and employees to work together to accomplish better performance. With full promotion of increasing income and reducing expenditure, we have advocated a housekeeping approach to reducing costs while improving quality and efficiency.

During this journey, we have been marching forward by overcoming obstacles with enthusiasm. Standing at a new starting point, we are confident and willing to take action with insights into the industry development trends and proceed with the exploration of differentiated development. We will earnestly promote capital-lite, asset-lite, and cost-lite transformation. We will consolidate and ride on the momentum of our promising development and serve high-quality development of the real economy with the high-quality development of Zhongyuan Bank. Furthermore, we will exert more endeavors to thoroughly implement the spirit of China's central government and the decisions and plans of the Provincial Party Committee and the Provincial People's Government of Henan Province. Through these efforts, we will create greater value for society and repay customers, investors and all sectors of society for their trust and support.



Chapter 5 Management Discussion and Analysis

1 Past Economic and Financial Environment and Future Prospects

During the Reporting Period, as the effects of economic stimulus policies accumulated, global economic growth showed resilience, inflationary pressures in developed economies generally eased, the interest rate hiking cycle was nearing its end and the labor market remained strong. In the future, as the policy effects continue to fade and the lagging impact of interest rate hikes gradually emerges, the momentum of global economic growth will tend to weaken, and factors such as the continued sluggish global trade, macroeconomic policy uncertainty in developed economies, and geopolitical risks will also further affect global economic growth.

During the Reporting Period, the domestic economy rebounded and improved, with steady improvement in supply and demand. The transformation and upgrading were actively promoted, and employment and prices were generally stable, strongly and effectively safeguarding people's livelihood, and solidly promoting high-quality development. Gross domestic product (GDP) amounted to RMB126,058.2 billion, representing a year-on-year increase of 5.2%. Market sales recovered relatively quickly, with total retail sales of consumer goods amounting to RMB47,149.5 billion, representing a year-on-year increase of 7.2%. The scale of investment continued to expand, with fixed asset investment (excluding rural households) amounting to RMB50,303.6 billion, representing a year-on-year increase of 3.0%. The import and export of goods remained generally stable, with a total import and export volume of RMB41,756.8 billion, representing a year-on-year increase of 0.2%. The consumer prices increased moderately, with the consumer price index (CPI) rising by 0.2% over the previous year. Resident income continued to increase, with per capita disposable income of RMB39,218, representing a year-on-year increase of 6.1% in real terms. In the future, China's economy will continue to rebound and improve as more and more factors and conditions supporting the high-quality development of China's economy continue to accumulate.

During the Reporting Period, the economy of Henan Province was generally in the post-epidemic period of recovery, repair and adjustment, and the province's economy showed a trend of progress and higher quality amid stability with stronger momentum. The province's GDP amounted to RMB5,913.239 billion, representing a year-on-year increase of 4.1%. The industrial economy developed steadily, with the added value of the province's industrial enterprises above designated size increasing by 5.0% year-on-year, 0.4 percentage point higher than the national level. The consumer goods market recovered steadily, with the total retail sales of consumer goods amounting to RMB2,600.445 billion, representing a year-on-year increase of 6.5%. Residents' income grew steadily, with per capita disposable income of RMB29,932.9, representing a year-on-year increase of 6.1%. Foreign trade remained resilient, with the total value of foreign trade imports and exports amounting to RMB810.79 billion, ranking first in central China for 12 consecutive years.

During the Reporting Period, the Central Bank adhered to a prudent monetary policy, strengthened counter-cyclical adjustment as appropriate, and coordinated the balance between total volume and structure, quantity and price, and internal and external, effectively supporting the development of the real economy. The monetary aggregates recorded reasonable growth, with the balance of the broad money supply (M2) amounting RMB292.3 trillion, representing a year-on-year increase of 9.7%. The total volume of credit grew reasonably, with the balance of RMB and foreign currency loans of financial institutions reaching RMB242.2 trillion, representing a year-on-year increase of 10.1%. Public financing saw a steady growth, with existing public financing amounting to RMB378.1 trillion, representing a year-on-year increase of 9.5%. The RMB exchange rate showed bi-directional fluctuations and gave full play to the role as an automatic stabilizer of macroeconomics and international payments, remaining basically stable at an appropriate and balanced level. Moving forward, the Central Bank will continue to strengthen the counter-cyclical and cross-cyclical adjustment of macro policies, keep the monetary policy flexible, moderate, precise and effective, enhance the consistency of the macro policy orientation, to continuously promote the economy to achieve effective improvement in quality and reasonable growth in quantity.

Chapter 5 Management Discussion and Analysis

2 Overall Operation Overview

During the Reporting Period, facing with the complex and severe internal and external situation and based on the new development stage of Zhongyuan Bank, the Bank focused on the goal of building a first-class city commercial bank, and concentrated on the development positioning with “the Party’s leadership as the soul, the Party committee and the government as the reliance, the market environment as the environment, the institutional nature as a bank, the asset quality as life and the operating results as the fundamentals”. It made every effort to control the new issues and redress the old issues, deepen the reform, strengthen the management, focus on its main responsibility and main business, serve the real economy, and effectively fulfill its responsibility as a provincial legal person bank, maintaining a good development trend overall. The Bank ranked 145th amongst the Top 1,000 World Banks 2023 published by The Banker (UK), 35 places higher than the previous year. It ranked 475th amongst the Top 500 Listed Chinese Companies published by The Fortune, making it the only financial institution on the list in Henan Province.

The Bank adhered to the work principles of “adhering to seeking progress while maintaining stability, integrity and innovation, the customer-centered philosophy, the enhancement of comprehensive competitive advantages, the improvement of systems and mechanisms, changes of working styles and the leadership of the Party building”, actively expanded market, served customers, prevented risks, created profit, comprehensively deepened the internal reforms, continuously optimized the structure of assets and liabilities, and strived to create differentiated competitive advantages, maintaining a stable and positive business development, and an increasingly solid foundation for high-quality development. As of the end of the Reporting Period, the Bank’s total assets amounted to RMB1,346,446 million, representing an increase of RMB19,710 million or 1.5% as compared to the end of last year. The total loans (excluding accrued interest) amounted to RMB707,462 million, representing an increase of RMB23,387 million or 3.4% as compared to the end of last year. The balance of deposits (excluding accrued interest) amounted to RMB837,522 million, representing an increase of RMB10,202 million or 1.2% as compared to the end of last year. The operating income was RMB26,183 million, representing a year-on-year increase of RMB572 million or 2.2%. The net profit was RMB3,206 million, the non-performing loan ratio was 2.04%, the allowance coverage ratio was 154.06%, and the allowance to gross loan ratio was 3.15%. The core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were 8.10%, 10.44% and 11.64%, respectively, all of which satisfied the supervision requirements.



Chapter 5 Management Discussion and Analysis

3. Analysis on Income Statement

For the year ended December 31, 2023, the Bank achieved operating income and net profit of RMB26,183 million and RMB3,206 million.

	For the year ended December 31,			
	2023	2022	Change	Rate of change
	(in millions of RMB, except percentages)			
Interest income	50,705.1	43,614.0	7,091.1	16.3%
Interest expense	(28,442.1)	(22,337.7)	(6,104.4)	27.3%
Net interest income	22,263.0	21,276.3	986.7	4.6%
Fee and commission income	2,680.6	2,779.4	(98.8)	(3.6%)
Fee and commission expense	(1,362.1)	(996.3)	(365.8)	36.7%
Net fee and commission income	1,318.5	1,783.1	(464.6)	(26.1%)
Net trading gains	312.1	957.7	(645.6)	(67.4%)
Net gains arising from investment securities	1,892.2	1,449.4	442.8	30.6%
Other operating income ⁽¹⁾	397.6	144.7	252.9	174.8%
Operating income	26,183.4	25,611.2	572.2	2.2%
Operating expenses	(10,861.8)	(10,278.0)	(583.8)	5.7%
Impairment losses on assets	(12,559.7)	(11,189.5)	(1,370.2)	12.2%
Share of gains of joint ventures	195.2	164.0	31.2	19.0%
Operating profit	2,957.1	4,307.7	(1,350.6)	(31.4%)
Profit before taxation	2,957.1	4,307.7	(1,350.6)	(31.4%)
Income tax	249.2	(482.6)	731.8	N/A
Net profit	3,206.3	3,825.1	(618.8)	(16.2%)
Net profit attributable to equity shareholders of the Bank	3,221.0	3,650.2	(429.2)	(11.8%)
Non-controlling interests	(14.7)	174.9	(189.6)	N/A

Note:

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

Chapter 5 Management Discussion and Analysis

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

For the year ended December 31, 2023, the Bank recorded net interest income of RMB22,263 million, representing an increase of RMB987 million or 4.6% as compared to last year. Particularly, a growth of net interest income of RMB5,358 million as compared to last year was attributable to the expansion of the Bank's business scale, and a decrease in net interest income of RMB4,371 million was attributable to the changes in yield or cost rate.

The following table sets forth the average balance of the Bank's interest-earning assets and interest-bearing liabilities, interest income or expense from these assets and liabilities, and the average yield of these interest-earning assets and the average cost rate of these interest-bearing liabilities for the years ended December 31, 2023 and 2022.

	For the year ended December 31,					
	2023			2022		
	Average balance	Interest income/expense	Average yield/cost ⁽¹⁾	Average balance	Interest income/expense	Average yield/cost ⁽¹⁾
	(in millions of RMB, except percentages)					
Interest-earning assets						
Loans and advances to customers	713,190.4	33,624.5	4.71%	564,287.2	28,536.5	5.06%
Investment securities and other financial assets ⁽²⁾	342,388.3	9,805.1	2.86%	257,373.5	8,996.6	3.50%
Lease receivables	74,111.7	4,044.0	5.46%	67,780.5	3,387.0	5.00%
Deposits with the Central Bank	53,810.8	744.1	1.38%	50,638.5	665.4	1.31%
Deposits with banks and other financial institutions	27,827.3	697.3	2.51%	24,358.2	281.4	1.16%
Financial assets held under resale agreements	40,465.7	842.4	2.08%	21,402.5	387.8	1.81%
Placements with banks and other financial institutions	33,630.9	947.7	2.82%	48,646.5	1,359.3	2.79%
Total interest-earning assets	1,285,425.1	50,705.1	3.94%	1,034,486.9	43,614.0	4.22%
Interest-bearing liabilities						
Deposits from customers	865,443.8	19,698.9	2.28%	686,810.2	15,461.5	2.25%
Financial assets sold under repurchase agreements	51,584.4	1,054.3	2.04%	32,021.8	552.9	1.73%
Placements from banks and other financial institutions	58,302.2	1,860.5	3.19%	53,044.7	1,284.2	2.42%
Borrowings from the Central Bank	52,634.5	1,286.7	2.44%	51,588.4	1,253.0	2.43%
Deposits from banks and other financial institutions	32,188.2	823.0	2.56%	24,361.1	597.9	2.45%
Debt securities issued ⁽³⁾	137,025.1	3,718.7	2.71%	110,540.7	3,188.2	2.88%
Total interest-bearing liabilities	1,197,178.2	28,442.1	2.38%	958,366.9	22,337.7	2.33%
Net interest income		22,263.0			21,276.3	
Net interest spread⁽⁴⁾			1.56%			1.89%
Net interest margin⁽⁵⁾			1.73%			2.06%

Chapter 5 Management Discussion and Analysis

Notes:

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

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

	For the year ended December 31, 2023 vs 2022		
	Reasons for increase/(decrease)		
	Volume⁽¹⁾	Rate⁽²⁾	Net increase/ (decrease)⁽³⁾
	(in millions of RMB)		
Interest-earning assets			
Loans and advances to customers	7,530.2	(2,442.2)	5,088.0
Investment securities and other financial assets	2,971.7	(2,163.2)	808.5
Lease receivables	316.4	340.6	657.0
Deposits with the Central Bank	41.7	37.0	78.7
Deposits with banks and other financial institutions	40.1	375.8	415.9
Financial assets held under resale agreements	345.4	109.2	454.6
Placements with banks and other financial institutions	(419.6)	8.0	(411.6)
Changes in interest income	10,825.9	(3,734.8)	7,091.1
Interest-bearing liabilities			
Deposits from customers	4,021.4	216.0	4,237.4
Financial assets sold under repurchase agreements	337.8	163.6	501.4
Placements from banks and other financial institutions	127.3	449.0	576.3
Borrowings from the Central Bank	25.4	8.3	33.7
Deposits from banks and other financial institutions	192.1	33.0	225.1
Debt securities issued	763.9	(233.4)	530.5
Changes in interest expense	5,467.9	636.5	6,104.4

Chapter 5 Management Discussion and Analysis

Notes:

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

3.2 Interest Income

For the year ended December 31, 2023, the Bank recorded an interest income of RMB50,705 million, representing an increase of RMB7,091 million or 16.3% as compared with the same period of last year, primarily attributable to the increase in the interest income from loans and advances to customers.

3.2.1 Interest income from loans and advances to customers

For the year ended December 31, 2023, the Bank's interest income from loans and advances to customers recorded RMB33,625 million, representing an increase of RMB5,088 million or 17.8% as compared with the same period of last year, primarily attributable to the Bank's increase in the average balance of loans and advances to customers.

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

	For the year ended December 31,			2022		
	Average balance	2023 Interest income	Average yield	Average balance	Interest income	Average yield
	(in millions of RMB, except percentages)					
Corporate loans	379,559.9	20,078.6	5.29%	285,739.1	15,585.7	5.45%
Discounted bills	83,253.3	937.4	1.13%	59,436.3	1,100.1	1.85%
Personal loans	250,377.2	12,608.5	5.04%	219,111.8	11,850.7	5.41%
Total	713,190.4	33,624.5	4.71%	564,287.2	28,536.5	5.06%

3.2.2 Interest income from investment securities and other financial assets

For the year ended December 31, 2023, the Bank's interest income from investment securities and other financial assets increased by RMB808 million or 9.0% to RMB9,805 million as compared with the same period of last year, primarily attributable to the increase in the average balance of investment securities and other financial assets.

Chapter 5 Management Discussion and Analysis

3.2.3 Interest income from lease receivables

For the year ended December 31, 2023, the Bank's interest income from lease receivables was RMB4,044 million, representing an increase of RMB657 million or 19.4% as compared with the same period of last year, primarily attributable to the increase in the average yield of lease receivables.

3.2.4 Interest income from deposits with the Central Bank

For the year ended December 31, 2023, the Bank's interest income from deposits with the Central Bank increased by RMB79 million or 11.9% to RMB744 million as compared with the same period of last year, primarily attributable to the increase in the average balance of deposits with the Central Bank.

3.2.5 Interest income from deposits with banks and other financial institutions

For the year ended December 31, 2023, the Bank's interest income from deposits with banks and other financial institutions increased by RMB416 million or 148.0% to RMB697 million as compared with the same period of last year, primarily attributable to the increase in the average yield of deposits with banks and other financial institutions.

3.2.6 Interest income from financial assets held under resale agreements

For the year ended December 31, 2023, the Bank's interest income from financial assets held under resale agreements increased by RMB454 million or 117.0% to RMB842 million as compared with the same period of last year, primarily due to an increase in the average balance of financial assets held under resale agreements.

3.2.7 Interest income from placements with banks and other financial institutions

For the year ended December 31, 2023, the Bank's interest income from placements with banks and other financial institutions decreased by RMB411 million or 30.2% to RMB948 million as compared with the same period of last year, primarily due to a decrease in the average balance of placements with banks and other financial institutions.

Chapter 5 Management Discussion and Analysis

3.3 Interest Expense

For the year ended December 31, 2023, the Bank's interest expense increased by RMB6,104 million or 27.3% to RMB28,442 million as compared with the same period of last year, primarily attributable to the increase in the interest expense on deposits from customers.

3.3.1 Interest expense on deposits from customers

For the year ended December 31, 2023, the Bank's interest expense on deposits from customers increased by RMB4,237 million or 27.4% to RMB19,699 million as compared to the same period last year, primarily attributable to the increase in the average balance of deposits from customers of the Bank.

	For the year ended December 31,					
	Average balance	2023 Interest expense	Average cost	Average balance	2022 Interest expense	Average cost
	(in millions of RMB, except percentages)					
Corporate deposits						
Demand	139,277.8	1,088.0	0.78%	137,268.3	1,240.4	0.90%
Time	206,932.9	4,897.9	2.37%	178,026.3	4,100.1	2.30%
Sub-total	346,210.7	5,985.9	1.73%	315,294.6	5,340.5	1.69%
Personal deposits						
Demand	93,751.1	226.1	0.24%	74,613.2	389.8	0.52%
Time	425,482.0	13,486.9	3.17%	296,902.4	9,731.2	3.28%
Sub-total	519,233.1	13,713.0	2.64%	371,515.6	10,121.0	2.72%
Total deposits from customers	865,443.8	19,698.9	2.28%	686,810.2	15,461.5	2.25%

3.3.2 Interest expense on debt securities issued

For the year ended December 31, 2023, the Bank's interest expense on debt securities issued increased by RMB531 million or 16.6% to RMB3,719 million as compared to the same period last year, primarily attributable to the increase in the average balance of debt securities issued.

3.3.3 Interest expenses on placements from banks and other financial institutions

For the year ended December 31, 2023, the Bank's interest expenses on placements from banks and other financial institutions increased by RMB577 million or 44.9% to RMB1,861 million as compared to the same period last year, primarily attributable to the increase in the average cost of the placements from banks and other financial institutions.

3.3.4 Net interest spread and net interest margin

The Bank's net interest spread decreased from 1.89% last year to 1.56% this year, while the Bank's net interest margin decreased from 2.06% for last year to 1.73% for the current year. The decreases in net interest spread and net interest margin were primarily attributable to (i) the decrease in the yield of investment and financing businesses as a result of the overall decline in market interest rates under the guide of more flexible and appropriate monetary policies; and (ii) the decline in loan yield due to the decline in the loan prime rate (LPR) and the implementation of the national profit-concession policies by the Bank.

Chapter 5 Management Discussion and Analysis

3.4 Non-interest income

3.4.1 Net fee and commission income

For the year ended December 31, 2023, the Bank's net fee and commission income decreased by RMB465 million or 26.1% to RMB1,319 million as compared to the same period last year, primarily attributable to the decrease in wealth management business fees.

	For the year ended December 31,			
	2023	2022	Change	Rate of change
	(in millions of RMB, except percentages)			
Fee and commission income				
Bank card services fees	570.2	715.6	(145.4)	(20.3%)
Settlement and clearing services fees	638.5	414.2	224.3	54.2%
Agency services fees	217.7	136.3	81.4	59.7%
Underwriting fees	311.3	256.1	55.2	21.6%
Acceptance and guarantee services fees	122.7	88.6	34.1	38.5%
Advisory and consulting fees	333.1	196.2	136.9	69.8%
Custodial services fees	17.0	9.1	7.9	86.8%
Wealth management business fees	470.1	963.3	(493.2)	(51.2%)
Sub-total	2,680.6	2,779.4	(98.8)	(3.6%)
Fee and commission expenses	(1,362.1)	(996.3)	(365.8)	36.7%
Net fee and commission income	1,318.5	1,783.1	(464.6)	(26.1%)

3.4.2 Net trading gains

For the year ended December 31, 2023, the Bank's net trading gains were RMB312 million, representing a decrease of RMB646 million or 67.4% as compared to the same period last year, primarily attributable to the large exchange rate fluctuations under the influence of global economy.

3.4.3 Net gains arising from investment securities

For the year ended December 31, 2023, the Bank's net gains arising from investment securities amounted to RMB1,892 million, representing an increase of RMB443 million or 30.6% as compared to the same period last year, primarily attributable to the increase in the investment gains on funds at fair value through profit or loss.

Chapter 5 Management Discussion and Analysis

3.5 Operating expenses

For the year ended December 31, 2023, the Bank's operating expenses increased by RMB584 million or 5.7% to RMB10,862 million as compared to the same period last year, primarily attributable to the increase in depreciation and amortisation as well as other general and administrative expenses as compared to the same period last year due to the transfer of all the assets, businesses and outlets of the three banks to the Bank after the Merger by Absorption.

	For the year ended December 31,			
	2023	2022	Change	Rate of change
	(in millions of RMB, except percentages)			
Staff costs				
Salaries, bonuses and allowances	4,228.6	4,439.9	(211.3)	(4.8%)
Staff welfare	231.8	407.8	(176.0)	(43.2%)
Social insurance and annuity	1,075.2	851.2	224.0	26.3%
Housing fund	405.3	340.2	65.1	19.1%
Employee education expenses and labor union expenses	146.7	154.4	(7.7)	(5.0%)
Others ⁽¹⁾	130.5	106.5	24.0	22.5%
Sub-total of staff costs	6,218.1	6,300.0	(81.9)	(1.3%)
Taxes and surcharges	370.3	277.8	92.5	33.3%
Depreciation and amortisation	1,701.0	1,428.1	272.9	19.1%
Other general and administrative expenses	2,572.4	2,272.1	300.3	13.2%
Total	10,861.8	10,278.0	583.8	5.7%

Note:

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



Chapter 5 Management Discussion and Analysis

3.6 Impairment losses

For the year ended December 31, 2023, the Bank's impairment losses increased by RMB1,370 million or 12.2% to RMB12,560 million as compared to the same period last year, primarily due to the continuous efforts of the Bank to make provisions, effectively improving the risk compensation capability.

	For the year ended December 31,			
	2023	2022	Change	Rate of change
	(in millions of RMB, except percentages)			
Loans and advances to customers	3,555.2	7,291.1	(3,735.9)	(51.2%)
Investment securities and other financial assets ⁽¹⁾	6,142.4	2,372.3	3,770.1	158.9%
Lease receivables	784.9	670.4	114.5	17.1%
Other assets ⁽²⁾	2,077.2	855.7	1,221.5	142.7%
Total impairment losses	12,559.7	11,189.5	1,370.2	12.2%

Notes:

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

3.7 Income tax expense

For the year ended December 31, 2023, the Bank's income tax expense decreased by RMB732 million to RMB-249 million as compared to the same period last year, primarily attributable to the combined effect of the increase in non-taxable income and temporary differences in tax accounting.

	For the year ended December 31,			
	2023	2022	Change	Rate of change
	(in millions of RMB, except percentages)			
Current income tax	516.2	126.4	389.8	308.4%
Deferred income tax	(772.2)	324.1	(1,096.3)	N/A
Prior year income tax adjustments	6.8	32.1	(25.3)	(78.8%)
Total income tax expenses	(249.2)	482.6	(731.8)	N/A

Chapter 5 Management Discussion and Analysis

4. Analysis on Key Items of Assets and Liabilities

4.1 Assets

As of the end of the Reporting Period, the Bank's total assets increased by RMB19,710 million or 1.5% to RMB1,346,446 million as compared to the end of last year. The principal components of the Bank's assets consist of (i) loans and advances to customers (net); and (ii) investment securities and other financial assets (net), representing 51.3% and 28.7% of the Bank's total assets as of December 31, 2023, respectively.

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

	As of December 31, 2023		As of December 31, 2022	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Gross loans and advances to customers	711,680.1	52.9%	687,563.1	51.8%
Allowance for impairment losses	(21,810.7)	(1.6%)	(20,670.7)	(1.5%)
Net loans and advances to customers	689,869.4	51.3%	666,892.4	50.3%
Lease receivables	65,327.5	4.9%	60,314.1	4.5%
Investment securities and other financial assets	386,840.8	28.7%	373,437.6	28.1%
Financial assets held under resale agreements	56,302.7	4.2%	65,217.6	4.9%
Cash and deposits with Central Bank	67,033.1	5.0%	77,587.9	5.8%
Deposits with banks and other financial institutions	16,712.5	1.2%	21,187.0	1.6%
Placements with banks and other financial institutions	35,591.8	2.6%	30,768.5	2.3%
Derivative financial assets	33.5	0.0%	93.3	0.0%
Interest in joint venture	1,542.5	0.1%	1,347.3	0.1%
Other assets ⁽¹⁾	27,192.7	2.0%	29,890.7	2.4%
Total assets	1,346,446.5	100.0%	1,326,736.4	100.0%

Note:

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



Chapter 5 Management Discussion and Analysis

4.1.1 Loans and advances to customers

As of the end of the Reporting Period, the Bank's gross loans and advances to customers increased by RMB24,117 million or 3.5% to RMB711,680 million as compared to the end of last year. The Bank's loans and advances to customers consist of corporate loans, personal loans and discounted bills, representing 55.8%, 36.5% and 7.1% of the Bank's gross loans and advances to customers as of December 31, 2023, respectively.

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

	As of December 31, 2023		As of December 31, 2022	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Corporate loans	397,457.5	55.8%	372,576.2	54.2%
Personal loans	259,501.3	36.5%	237,486.2	34.5%
Discounted bills	50,503.4	7.1%	74,012.3	10.8%
Sub-total	707,462.2	99.4%	684,074.7	99.5%
Accrued interest	4,217.9	0.6%	3,488.4	0.5%
Total loans and advances to customers	711,680.1	100.0%	687,563.1	100.0%

(1) Corporate loans

As of the end of the Reporting Period, the Bank's corporate loans increased by RMB24,882 million or 6.7% to RMB397,458 million as compared to the end of last year, primarily attributable to the Bank's continuous increase in supports to real economy.

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

	As of December 31, 2023		As of December 31, 2022	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Unsecured loans	80,899.1	20.4%	73,294.8	19.7%
Guaranteed loans	178,127.7	44.8%	167,055.4	44.8%
Collateralised loans	81,547.1	20.5%	78,726.0	21.1%
Pledged loans	56,883.6	14.3%	53,500.0	14.4%
Total corporate loans	397,457.5	100.0%	372,576.2	100.0%

Chapter 5 Management Discussion and Analysis

(2) Personal loans

As of the end of the Reporting Period, the Bank's personal loans increased by RMB22,015 million or 9.3% to RMB259,501 million as compared to the end of last year, primarily attributable to the Bank's further increased support for growth of social consumption.

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

	As of December 31, 2023		As of December 31, 2022	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Personal residential mortgage loans	119,302.0	46.0%	110,005.2	46.3%
Personal business loans	69,160.1	26.7%	65,251.5	27.5%
Personal consumption loans	50,113.3	19.3%	40,204.9	16.9%
Credit card loans	20,925.9	8.0%	22,024.6	9.3%
Total personal loans	259,501.3	100.0%	237,486.2	100.0%

(3) Discounted bills

As of the end of the Reporting Period, the Bank's discounted bills decreased by RMB23,509 million or 31.8% to RMB50,503 million as compared to the end of last year, which was primarily due to the Bank's adjustment of the size of discounted bills according to customers' financing demand.

4.1.2 Investment securities and other financial assets

As of the end of the Reporting Period, the Bank's net investment securities and other financial assets increased by RMB13,403 million or 3.6% to RMB386,841 million as compared to the end of last year, primarily attributable to an increase in the holding of the bonds and public funds issued by banks and other financial institutions by the Bank.

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

	As of December 31, 2023		As of December 31, 2022	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Financial assets at fair value through profit or loss	61,148.2	15.5%	35,752.3	9.5%
Financial assets at fair value through other comprehensive income	76,325.7	19.4%	93,237.2	24.8%
Financial assets at amortized cost	256,443.3	65.1%	246,220.6	65.7%
Total investment securities and other financial assets	393,917.2	100.0%	375,210.1	100.0%
Accrued interest	4,882.7		4,804.9	
Impairment provisions	(11,959.1)		(6,577.4)	
Net investment securities and other financial assets	386,840.8		373,437.6	

Chapter 5 Management Discussion and Analysis

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

	As of December 31, 2023		As of December 31, 2022	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Debt securities				
Debt securities issued by the PRC government	187,580.9	48.5%	195,791.8	52.4%
Debt securities issued by PRC policy banks and other financial institutions	95,375.5	24.7%	81,010.1	21.7%
Debt securities issued by corporate issuers	11,450.0	3.0%	12,360.0	3.3%
Sub-total	294,406.4	76.2%	289,161.9	77.4%
Other financial assets				
Asset management plans	5,247.1	1.4%	2,929.2	0.8%
Trust plans	27,558.3	7.0%	34,672.6	9.3%
Others	54,746.3	14.1%	41,869.0	11.2%
Sub-total	87,551.7	22.5%	79,470.8	21.3%
Accrued interest	4,882.7	1.3%	4,804.9	1.3%
Net investment securities and other financial assets	386,840.8	100.0%	373,437.6	100.0%

4.1.3 Other components of the Bank's assets

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

As of the end of the Reporting Period, the balance of financial assets held under resale agreements decreased by RMB8,915 million or 13.7% to RMB56,303 million as compared to the end of last year, primarily attributable to the Bank's adjustment of the size of the financial assets held under resale agreements after taking comprehensive consideration of market price and the allocation demand of assets and liabilities.

As of the end of the Reporting Period, the balance of cash and deposits with the Central Bank decreased by RMB10,555 million or 13.6% to RMB67,033 million as compared to the end of last year, primarily attributable to the Bank's improvement of the efficiency of capital utilization on the basis of ensuring its own reasonable and sufficient liquidity and appropriate reduction of excess reserves.

As of the end of the Reporting Period, the balance of deposits with banks and other financial institutions decreased by RMB4,474 million or 21.1% to RMB16,713 million as compared to the end of last year, primarily attributable to the Bank's adjustment of the size of the deposits with banks and other financial institutions after consideration of market price and the allocation demand of assets and liabilities.

Chapter 5 Management Discussion and Analysis

As of the end of the Reporting Period, the balance of placements with banks and other financial institutions increased by RMB4,823 million or 15.7% to RMB35,592 million as compared to the end of last year, primarily attributable to the Bank's adjustment of the size of the placements with banks and other financial institutions according to market demands.

As of the end of the Reporting Period, the balance of lease receivables increased by RMB5,014 million or 8.3% to RMB65,328 million as compared to the end of last year. The increase was mainly due to the increased support of the Bank's subsidiaries, AB Leasing and BOL Financial Leasing for the real economy.

4.2 Liabilities

As of the end of the Reporting Period, the Bank's total liabilities increased by RMB16,456 million or 1.3% to RMB1,249,558 million as compared to the end of last year.

	As of December 31, 2023		As of December 31, 2022	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Deposits from customers	859,783.8	68.8%	845,257.2	68.5%
Deposits from banks and other financial institutions	38,704.0	3.1%	30,116.0	2.4%
Debt securities issued	131,990.6	10.6%	145,158.7	11.8%
Financial assets sold under repurchase agreements	73,121.3	5.9%	101,706.1	8.2%
Placements from banks and other financial institutions	64,482.8	5.2%	51,806.4	4.2%
Borrowings from the Central Bank	68,055.9	5.4%	42,661.0	3.5%
Tax payable	130.3	0.0%	81.1	0.0%
Derivative financial liabilities	335.6	0.0%	562.7	0.0%
Other liabilities ⁽¹⁾	12,954.0	1.0%	15,752.7	1.4%
Total liabilities	1,249,558.3	100.0%	1,233,101.9	100.0%

Note:

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

4.2.1 Deposits from customers

As of the end of the Reporting Period, the Bank's total deposits from customers increased by RMB14,527 million or 1.7% to RMB859,784 million as compared to the end of last year, primarily attributable to the Bank's continued efforts to improve comprehensive customer management capabilities, which effectively derived an increase in deposits.



Chapter 5 Management Discussion and Analysis

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

	As of December 31, 2023		As of December 31, 2022	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Corporate deposits				
Demand	144,137.3	16.8%	202,925.2	24.0%
Time	173,618.7	20.2%	160,341.6	19.0%
Sub-total	317,756.0	37.0%	363,266.8	43.0%
Personal deposits				
Demand	107,862.1	12.5%	94,524.6	11.2%
Time	411,903.5	47.9%	369,528.6	43.7%
Sub-total	519,765.6	60.4%	464,053.2	54.9%
Accrued interest	22,262.2	2.6%	17,937.2	2.1%
Total deposits from customers	859,783.8	100.0%	845,257.2	100.0%

4.2.2 Deposits from banks and other financial institutions

As of the end of the Reporting Period, the Bank's balance of deposits from banks and other financial institutions increased by RMB8,588 million or 28.5% to RMB38,704 million as compared to the end of last year, primarily because the Bank's adjustment of the size of deposits from banks and other financial institutions according to capital demands.

4.2.3 Placements from banks and other financial institutions

As of the end of the Reporting Period, the Bank's balance of placements from banks and other financial institutions increased by RMB12,677 million or 24.5% to RMB64,483 million as compared to the end of last year, primarily because the Bank's adjustment of the size of the placements from banks and other financial institutions according to market liquidity and its own capital demands.

4.2.4 Debt securities issued

As of the end of the Reporting Period, the Bank's balance of debt securities issued decreased by RMB13,168 million or 9.1% to RMB131,991 million as compared to the end of last year, primarily due to the maturity and repayment of certain financial bonds and Tier 2 capital bonds issued by the Bank during the year.

4.2.5 Financial assets sold under repurchase agreements

As of the end of the Reporting Period, the Bank's balance of financial assets sold under repurchase agreements decreased by RMB28,585 million or 28.1% to RMB73,121 million as compared to the end of last year, primarily due to the decrease in the Bank's balance of central bank reverse repurchase as compared to the end of last year.

Chapter 5 Management Discussion and Analysis

4.3 Shareholders' Equity

As of the end of the Reporting Period, the Bank's total shareholders' equity increased by RMB3,254 million or 3.5% to RMB96,888 million as compared to the end of last year; the total equity attributable to shareholders of the Bank increased by RMB3,276 million or 3.7% to RMB92,505 million as compared to the end of last year, which was primarily attributable to the increase in profit during the Reporting Period.

	As of December 31, 2023		As of December 31, 2022	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Share capital	36,549.8	37.7%	36,549.8	39.0%
Other equity instrument	13,998.9	14.4%	13,632.5	14.6%
Capital reserve	19,022.0	19.6%	19,345.4	20.7%
Surplus reserve	3,107.8	3.2%	2,804.3	3.0%
General reserve	16,547.7	17.1%	13,793.9	14.7%
Re-evaluation and impairment reserve	846.7	0.9%	19.2	0.0%
Retained earnings	2,431.7	2.5%	3,083.3	3.3%
Equity attributable to shareholders of the Bank	92,504.6	95.4%	89,228.4	95.3%
Non-controlling interests	4,383.6	4.6%	4,406.1	4.7%
Total shareholders' equity	96,888.2	100.0%	93,634.5	100.0%

5 Off-balance Sheet Commitments

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

	As of December 31, 2023	As of December 31, 2022
(in millions of RMB)		
Credit commitments		
Loan commitments	14,369.8	12,552.2
Bank acceptance	70,913.6	106,432.7
Letters of credit	37,114.6	30,175.9
Letters of guarantees	3,386.7	4,412.0
Total	125,784.7	153,572.8



Chapter 5 Management Discussion and Analysis

6. Analysis on Loan Quality

During the Reporting Period, in face of the complicated economic and financial situation, the Bank further deepened the adjustment of credit structure, continued to strengthen credit risk management, optimized credit procedures and strengthened post-loan management measures to step up the efforts on collection and disposal of non-performing loans, so as to keep the loan quality at a generally manageable level. As of the end of the Reporting Period, the balance of non-performing loans of the Bank amounted to RMB14,452 million, representing an increase of RMB1,253 million as compared to the end of last year. The non-performing loan ratio was 2.04%, representing an increase of 0.11 percentage point as compared to the end of last year. Special mention loan accounted for 3.25%, representing an increase of 0.65 percentage point as compared to the end of last year.

6.1 Distribution of Loans by Five-Category Loan Classification

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

	As of December 31, 2023		As of December 31, 2022	
	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)			
Normal	669,984.0	94.71%	653,067.3	95.47%
Special mention	23,025.9	3.25%	17,808.1	2.60%
Substandard	3,104.3	0.44%	5,313.2	0.78%
Doubtful	1,716.7	0.24%	5,001.9	0.73%
Loss	9,631.3	1.36%	2,884.2	0.42%
Total loans and advances to customers	707,462.2	100.00%	684,074.7	100.00%
Non-performing loans and non-performing loan ratio	14,452.3	2.04%	13,199.3	1.93%

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

Chapter 5 Management Discussion and Analysis

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

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

	As of December 31, 2023				As of December 31, 2022			
	Loan amount	% of total	NPL amount	NPL ratio	Loan amount	% of total	NPL amount	NPL ratio
(In millions of RMB, except percentages)								
Corporate loans								
Short-term loans	147,430.9	20.8%	2,884.9	1.96%	146,718.6	21.4%	2,818.5	1.92%
Medium-to-long-term loans	250,026.6	35.4%	4,174.7	1.67%	225,857.6	33.1%	4,096.7	1.81%
Sub-total	397,457.5	56.2%	7,059.6	1.78%	372,576.2	54.5%	6,915.2	1.86%
Personal loans								
Personal residential mortgage loans	119,302.0	16.8%	1,695.7	1.42%	110,005.1	16.1%	1,397.5	1.27%
Personal consumption loans	50,113.3	7.1%	1,482.0	2.96%	40,204.9	5.9%	1,326.6	3.30%
Personal business loans	69,160.1	9.8%	3,376.3	4.88%	65,251.6	9.5%	2,923.0	4.48%
Others	20,925.9	3.0%	838.7	4.01%	22,024.6	3.2%	627.0	2.85%
Sub-total	259,501.3	36.7%	7,392.7	2.85%	237,486.2	34.7%	6,274.1	2.64%
Discounted bills	50,503.4	7.1%	-	0.00%	74,012.3	10.8%	10.0	0.01%
Total	707,462.2	100.00%	14,452.3	2.04%	684,074.7	100.0%	13,199.3	1.93%

Notes:

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

As of the end of the Reporting Period, the balance of corporate non-performing loans of the Bank amounted to approximately RMB7,060 million, representing an increase of approximately RMB145 million as compared with the end of last year. The non-performing loan ratio was 1.78%, representing a decrease of approximately 0.08 percentage point as compared with the end of last year. The increase in corporate non-performing loans of the Bank was primarily due to the fact that the Bank implemented more prudent five-category loan classification system this year, which resulted in an increase in the balance of non-performing loans. The total corporate loans of the Bank increased, and the non-performing loan ratio of corporate loans decreased.

The balance of personal non-performing loans amounted to approximately RMB7,393 million, representing an increase of approximately RMB1,119 million as compared with the end of last year. The non-performing loan ratio was 2.85%, representing an increase of approximately 0.21 percentage point as compared with the end of last year, primarily due to the fact that the Bank implemented more prudent five-category loan classification system this year, and repayment abilities of certain individual customers of the Bank were deteriorated as a result of significant decrease in income caused by the economic environment.

Chapter 5 Management Discussion and Analysis

6.3 Distribution of Loans and Non-Performing Loans by Industry

	As of December 31, 2023				As of December 31, 2022			
	Loan amount	% of total	NPL Amount	NPL ratio	Loan amount	% of total	NPL Amount	NPL ratio
(In millions of RMB, except percentages)								
Manufacturing	51,855.2	7.3%	1,790.9	3.45%	57,044.5	8.3%	1,956.9	3.43%
Leasing and business services	142,568.9	20.2%	308.2	0.22%	121,232.5	17.9%	258.6	0.21%
Wholesale and retail	41,659.5	5.9%	1,256.0	3.01%	41,586.6	6.1%	1,009.8	2.43%
Real estate	27,906.3	3.9%	1,272.1	4.56%	26,929.6	3.9%	1,569.5	5.83%
Construction	39,878.0	5.6%	941.8	2.36%	34,358.0	5.0%	574.2	1.67%
Water, environment and public facility management	27,202.0	3.9%	29.8	0.11%	26,100.0	3.8%	67.0	0.26%
Electricity, gas and water production and supply	14,336.9	2.0%	75.2	0.52%	13,350.4	2.0%	36.4	0.27%
Agriculture, forestry, animal husbandry and fishery	6,525.6	0.9%	484.2	7.42%	6,103.1	0.9%	434.1	7.11%
Accommodation and catering	2,980.2	0.4%	111.6	3.74%	3,004.0	0.4%	124.2	4.13%
Education	6,952.1	1.0%	25.0	0.36%	6,421.5	0.9%	29.8	0.46%
Health, social security and social welfare	7,998.8	1.1%	80.9	1.01%	8,351.8	1.2%	30.6	0.37%
Mining	7,689.5	1.1%	169.3	2.20%	8,993.7	1.3%	168.4	1.87%
Transportation, storage and postal services	9,110.0	1.3%	196.0	2.15%	9,528.1	1.4%	221.1	2.32%
Others	10,794.5	1.6%	318.6	2.95%	9,572.4	1.4%	434.6	4.54%
Total corporate loans	397,457.5	56.2%	7,059.6	1.78%	372,576.2	54.5%	6,915.2	1.86%
Total personal loans	259,501.3	36.7%	7,392.7	2.85%	237,486.2	34.7%	6,274.1	2.64%
Discounted bills	50,503.4	7.1%	–	0.00%	74,012.3	10.8%	10.0	0.01%
Total	707,462.2	100.0%	14,452.3	2.04%	684,074.7	100.0%	13,199.3	1.93%

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

As of the end of the Reporting Period, the industries where the non-performing loan ratios of the corporate loans of the Bank were relatively high, mainly concentrated in the agriculture, forestry, animal husbandry and fishery industry, real estate industry and accommodation and catering industry, with non-performing loan ratio of approximately 7.42%, 4.56% and 3.74%, respectively, of which:

- (i) the balance of non-performing loans in the agriculture, forestry, animal husbandry and fishery industry increased by approximately RMB50 million as compared with the end of last year, with an increase of approximately 0.31 percentage point in non-performing loan ratio. Due to the fact that credit clients in agriculture, forestry, animal husbandry and fishery industry were affected by industry cycles, and their operating conditions were not improved significantly, the non-performing loan ratio increased.

Chapter 5 Management Discussion and Analysis

- (ii) the balance of non-performing loans in the real estate industry decreased by approximately RMB297 million as compared with the end of last year, with a decrease of approximately 1.27 percentage points in the non-performing loan ratio, mainly due to the fact that the Bank responded to the national support policies for real estate enterprises this year, which alleviated the pressure of concentrated repayment from customers and reduced risk exposure.
- (iii) the balance of non-performing loans in the accommodation and catering industry decreased by approximately RMB13 million as compared with the end of last year, with a decrease of approximately 0.39 percentage point in the non-performing loan ratio, mainly due to the fact that the consumption level of residents and their willingness to consume in accommodation and catering moderately increased, and the enterprises gradually recovered their operating and earning abilities. As a result, the non-performing loan ratio was improved solidly.

6.4 Distribution of Loans and Non-Performing Loans by Collateral

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

	As of December 31, 2023				As of December 31, 2022			
	Loan amount	% of total	NPL Amount	NPL ratio	Loan amount	% of total	NPL Amount	NPL ratio
(In millions of RMB, except percentages)								
Unsecured loans	135,525.9	19.2%	2,817.8	2.08%	116,432.5	17.0%	2,218.8	1.91%
Guaranteed loans	190,607.4	26.9%	4,309.3	2.26%	177,887.6	26.0%	4,135.4	2.32%
Collateralised loans	274,963.1	38.9%	6,841.7	2.49%	261,486.6	38.2%	6,542.6	2.50%
Pledged loans	106,365.8	15.0%	483.5	0.45%	128,268.0	18.8%	302.5	0.24%
Total	707,462.2	100.0%	14,452.3	2.04%	684,074.7	100.0%	13,199.3	1.93%

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

As of the end of the Reporting Period, the balance of our guaranteed non-performing loans increased by approximately RMB174 million as compared with the end of last year, representing a decrease in non-performing loan ratio of approximately 0.06 percentage point, mainly attributable to (i) the increase of guaranteed loans of the Bank this year as compared with the end of last year; (ii) the Bank's active efforts to resolve non-performing loans through write-offs, cash collection, loan restructuring and other means.

As of the end of the Reporting Period, the balance of our collateralised non-performing loans increased by approximately RMB299 million as compared with the end of last year, representing a decrease in non-performing loan ratio of approximately 0.01 percentage point, mainly due to the fact that the operating conditions of certain customers of the Bank were not improved significantly under the current economic background, and the non-performing loan rate remained stable.

Chapter 5 Management Discussion and Analysis

6.5 Borrowers Concentration

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

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

		As of December 31, 2023		
Industry		Balance	% of total loans	% of net capital
(In millions of RMB, except percentages)				
Borrower A	L-Leasing and commercial services	8,318.8	1.2%	7.5%
Borrower B	L-Leasing and commercial services	5,391.7	0.8%	4.9%
Borrower C	L-Leasing and commercial services	4,799.4	0.7%	4.3%
Borrower D	L-Leasing and commercial services	3,378.7	0.5%	3.1%
Borrower E	L-Leasing and commercial services	2,766.0	0.4%	2.5%
Borrower F	L-Leasing and commercial services	2,689.2	0.4%	2.4%
Borrower G	L-Leasing and commercial services	2,505.0	0.4%	2.3%
Borrower H	L-Leasing and commercial services	2,499.8	0.4%	2.3%
Borrower I	L-Leasing and commercial services	2,285.8	0.3%	2.1%
Borrower J	D-Electricity, heat, gas and water production and supply	2,157.9	0.3%	2.0%
Total		36,792.30	5.4%	33.4%

As of the end of the Reporting Period, the loan balance of the largest single borrower of the Bank was approximately RMB8,319 million, accounting for approximately 1.2% of the total amount of loans of the Bank, and the total amount of loans to the top ten single borrowers was approximately RMB36,792 million, accounting for approximately 5.4% of the total amount of loans of the Bank.

Chapter 5 Management Discussion and Analysis

6.6 Overdue Loans

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

	As of December 31, 2023		As of December 31, 2022	
	Amount	% of total	Amount	% of total
(In millions of RMB, except percentages)				
Current loans	679,317.8	96.02%	659,504.3	96.41%
Overdue loans				
Up to 3 months	14,943.8	2.11%	13,191.6	1.93%
Over 3 months up to 1 year	4,207.1	0.60%	6,311.1	0.92%
Over 1 year up to 3 years	8,075.9	1.14%	4,269.1	0.62%
Over 3 years	917.6	0.13%	798.6	0.12%
Sub-total	28,144.4	3.98%	24,570.4	3.59%
Total loans	707,462.2	100.00%	684,074.7	100.00%

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

As of the end of the Reporting Period, the amount of overdue loans totaled approximately RMB28,144 million, representing an increase of approximately RMB3,574 million as compared with the end of last year. Overdue loans accounted for approximately 3.98% of the total loans, representing an increase of approximately 0.39 percentage point as compared with the end of last year.

7 Business Operation Segment Report

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

	As of December 31, 2023		As of December 31, 2022	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Corporate banking business	15,116.0	57.7%	13,856.8	54.1%
Retail banking business	5,646.4	21.6%	6,282.4	24.5%
Treasury business	5,311.9	20.3%	5,394.0	21.1%
Other businesses	109.1	0.4%	78.0	0.3%
Total operating income	26,183.4	100.0%	25,611.2	100.0%



Chapter 5 Management Discussion and Analysis

8. Analysis on Capital Adequacy Ratio

As of the end of the Reporting Period, the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of the Bank were 8.10%, 10.44% and 11.64% respectively. During the Reporting Period, the Bank increased internal retained earnings while strengthening risk-weighted assets management, the core tier-one capital adequacy ratio increased slightly compared to the beginning of the year. Due to the maturity redemption of tier-two capital instruments, preference shares and other capital instruments, the capital adequacy ratio of the Bank decreased compared to the beginning of the year.

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

	As of December 31, 2023	As of December 31, 2022
	(In millions of RMB, except percentages)	
Share capital	36,549.8	36,549.8
Valid portion of capital reserve	19,414.1	19,301.4
Surplus reserve	3,107.8	2,804.3
General reserve	16,547.7	13,793.9
Retained earnings	2,431.7	3,083.3
Valid portion of minority interests	2,041.1	1,970.9
Total core tier-one capital	80,092.2	77,503.6
Core tier-one capital deductions	(3,186.7)	(3,194.3)
Net core tier-one capital	76,905.5	74,309.3
Other tier-one capital	22,265.7	13,893.5
Net tier-one capital	99,171.2	88,202.8
Net tier-two capital	11,456.2	21,939.3
Net capital base	110,627.4	110,142.1
Total risk-weighted assets	950,017.4	930,901.6
Core tier-one capital adequacy ratio	8.10%	7.98%
Tier-one capital adequacy ratio	10.44%	9.47%
Capital adequacy ratio	11.64%	11.83%

Chapter 5 Management Discussion and Analysis

9. Business Review

9.1 Corporate Banking Business

9.1.1 Corporate deposits

In strict compliance with the regulatory requirements, the Bank continued to optimize the business structure of corporate debts and consolidated its deposit base in an orderly manner. By seizing market opportunities and securing large funds from key customers, the Bank increased the coverage over strategic customers. The Bank focused on following up the marketing opportunities for the regular bidding of the provincial treasury, local and municipal special bonds, land auction and other institutional businesses, carried out chain marketing of financial funds, and tapped into the cooperation and contribution of credit customers, etc., thus effectively promoting the operation of deposits in large size.

As of the end of the Reporting Period, the balance of corporate deposit was RMB317,756 million, and the market share ranked first in the province.

9.1.2 Corporate loans

The Bank regarded serving the local economy and society as its foundation, adapted to the economic transformation and upgrading, seized the market opportunity in high-quality assets, and improved quality and efficiency to dig into key industries, create unique solutions, and explore the construction of the industry ecosystem. The Bank, which once served its customers through managing traditional assets, now has transformed itself to create values through professional competence, meet customer needs, and improve comprehensive contribution transformation. It has also enhanced its comprehensive financing service capabilities, and achieved good market performance. With a focus on the implementation of the “Ten Strategies” of Henan Province, the Bank has formulated the Three-year Action Plan and Service Plan of Zhongyuan Bank to Support the Ten Strategies of Henan Province, which identified the starting point for financial services, and made a RMB300 billion support plan to help realize “ensuring high-quality building of modernization and high-level realization of modernization” of Henan Province; under the guidance of the Special Action Plan of Zhongyuan Bank to support Accelerating Building a Modern Industrial System and Intensively Cultivating the Key Areas in Henan Province (《中原銀行支持“河南省加快構建現代化產業體系著力培育重點”專項行動方案》), the Bank proactively supported the transformation and upgrading of traditional industries and the cultivation of strategic new industries in Henan Province and provided accurate financial services for the leading enterprises and the upstream and downstream enterprises focusing on seven major selected industries and 28 industry chains; the Bank implemented the national strategic deployment of new urbanization with counties as important carriers, conformed to the development trend of new urbanization of Henan Province, and developed the Comprehensive Financial Services Plan of Zhongyuan Bank in Relation to Promotion of Urbanization Construction with Counties as Important Carriers (《中原銀行關於推進以縣城為重要載體的城鎮化建設綜合金融服務方案》), which reviewed key service areas, identified target customer group, provided service plans, and developed a RMB100 billion support plan, so as to promote high-quality development of counties. By implementing a regional strategy for financial services and focusing on the projects in relation to the two major national strategies of ecological protection and high-quality development of the Yellow River basin and promotion of the rise of the central region, the Bank has properly provided financial support. It has prioritized the “982” project of Henan Province for remediating shortcomings and the key projects of Henan Province. The Bank has adhered to “projects first (項目為王)”, increased its asset investment in the real economy.

As of the end of the Reporting Period, the Bank’s corporate loan balance was RMB397,458 million, representing an increase of RMB24,882 million or 6.68% as compared to the end of last year, ranking the third in terms of market shares and the sixth in the market in terms of increment.

Chapter 5 Management Discussion and Analysis

9.1.3 Corporate customers

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

As of the end of the Reporting Period, the Bank had 453,800 corporate customers in total. During the Reporting Period, the Bank had 90,200 new accounts with 38,500 new accounts meeting specified standards, representing 42.68% of the new accounts; and the Bank had 63,700 valid basic accounts, representing an increase of 6,289 as compare to the end of 2022.

9.1.3.1 Strategic customers

The Bank earnestly practiced the financial mission of returning to its origins and serving entities, adhered to a customer-centered approach and consistently oriented by value creation for customers, and continued to enhance the ability of category-based service and in-depth operation of customer base. The Bank provided list-based services for strategic customers, formulated the service plan of “one policy for one household (一户一策)”; established a mechanism of integrated services, setting up dedicated service teams and offering dedicated resources and conducting special campaigns. The headquarters and branches synergised the collaboration between the corporate and retail sectors to provide an “all-around, full cycle, whole chain, full spectrum” of comprehensive financial services to enable strategic customers’ business development in all aspects. The Bank deeply engaged in the equity chain and industrial chain of strategic customers, helping enterprises meet the financial and non-financial needs in all processes of production, operation, investment and financing, so as to expand the breadth and depth of cooperation with strategic customers and help enterprises grow bigger, stronger and better.

As of the end of the Reporting Period, the balance of credit assets of strategic customers at the Bank’s head office-level increased by RMB8.033 billion as compared to the beginning of the year.

Chapter 5 Management Discussion and Analysis

9.1.3.2 Corporate customers above designated size

The Bank deepened the classified and stratified operation of corporate customers, firmly grasped the construction of basic customer groups, seized the source of attracting investment through “assessment guidance, technology empowerment and precision management”, expanded the coverage of existing quality customers, and strengthened the empowering development of digital intelligence tools. The Bank effectively gave full play to the advantages of its personnel and network, drove the expansion and quality-improving of the basic customer groups, and consolidated the foundation for the development of corporate business.

As of the end of the Reporting Period, 3,606 new entities in Henan Province with registered capital of more than RMB10 million opened accounts with the Bank, with a coverage ratio of 8.64%. With respect to cooperation with quality enterprises, 8 new listed enterprises opened accounts and their coverage ratio reached 76%; 62 new key enterprises seeking listing opened accounts and their coverage ratio reached 68%; 1,982 new enterprises above designated size opened account and their coverage ratio reached 47%.

9.1.3.3 Institutional customers

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

As of the end of the Reporting Period, the Bank provided issuance services of local government special debt to 18 cities and 167 counties in the province, with its market share ranking at the top among the banks and at the first tier in the province in terms of the fund amount generated from serving centralized treasury payment agency. The Bank was awarded the “Advanced Organization in Comprehensive Evaluation (綜合考評先進單位)” for provincial non-tax income collection banks in 2022 in terms of non-tax income collection through E-bank for registered enterprises on the website of Governmental Fairs of Henan Province.



Chapter 5 Management Discussion and Analysis

9.1.3.4 *Sci-tech innovation customer groups*

Based on the thoroughly implementation of the spirit of the 20th CPC National Congress and focusing on “ensuring high-quality building of modernization and high-level realization of modernization” and “Ten Strategies” of Henan Province, the Bank developed a series of sci-tech financial products and service modes consistent with the local actual situation, firmly followed the path of innovation and development, and dedicated to providing powerful financial support for Henan Province’s economic and social development. By supporting the cultivation and growth of new industries and the forward-looking arrangements of industries in future, the Bank integrated deeply with the local economy. The Bank actively explored the cooperation modes with the government, guarantee institutions and professional investment agencies and jointly established the system of risk sharing by various parties to serve the physical economy better; and continuously enriched and improved the sci-tech innovated financial product system. The Bank met the financial needs of sci-tech innovated enterprises at different stages of development by providing a package of integrated services in full cycle.

As of the end of the Reporting Period, the loan balance of sci-tech innovated financial businesses was RMB65,289 million, representing an increase of RMB5,684 million or 9.53% as compared to the end of last year.

9.1.3.5 *Green Finance*

The Bank firmly establishes the concept of “lucid waters and lush mountains are invaluable assets”, actively implements the national goal of “Carbon Peak and Carbon Neutrality”, and closely focuses on the strategy of “green and low-carbon transition” put forward by the Provincial Party Committee and the Provincial People’s Government of Henan Province. The Bank keeps closer interconnection with the government, integrated resources, gathers joint efforts for development, and provides targeted services and support according to the industrial layout and policy orientation of the province. Focusing on six major green areas, such as the green and low-carbon transition of traditional sectors and the green upgrading of infrastructure, the Bank builds a “Green Finance of Zhongyuan Bank” service system covering financing, investment, inclusion, industrial chain and financial intelligence. The Bank explores innovated products service models, grants the first loan for the Sustainable Development Linkage Loan in the province this year, and leads enterprises to save 37,100 tons of standard coal, contributing to a decrease of 113,400 tons of carbon emission. The Bank carries out in-depth forward-looking, systematic and continuous research on enterprises, industries and customers, creates professional organizations, special systems and featured products, and vigorously supports the low-carbon transition of traditional industries, homeopathic development of green industries, so as to facilitate the high-quality and sustainable development of economy and society in Henan province and promote earlier realization of carbon peaking and carbon neutrality goal of the province through quality and efficient financial services.

As of the end of the Reporting Period, the green credit of the Bank in 2023 amounted to RMB17.422 billion, and the green credit balance was RMB33.691 billion, representing an increase of RMB6.557 billion as compared with the end of last year.

Chapter 5 Management Discussion and Analysis

9.1.4 Corporate products

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

9.1.4.1 *Sci-tech innovation finance*

The Bank keeps abreast of the market, speeds up product iteration and innovation, continuously optimizes sci-tech innovation finance products such as “Unique and Novel Products”, “Science and Technology Loan”, “IPR Pledge Loan” and “Shangyi Loan”, launches “Science and Innovation Park Loan” and “loan for transformation of scientific and technological achievements” products, and improves and optimizes the service plan and product system of the life-cycle of sci-tech innovation enterprises. The Bank granted the first “loan for transformation of scientific and technological achievements” business; enhanced investment-loan linkage, successfully issued Henan Province's first “science and technology innovation note”, and actively established the leading benchmarking market image of Zhongyuan Bank in sci-tech innovation finance business. Seizing the opportunities of policies, the Bank continued to strengthen the service of sci-tech innovation enterprises through collaborating with government, innovated service models and scenarios, changing from passive to active, and crediting whitelist by batch actively. The Bank continuously enriched and improved the sci-tech innovation finance products system, actively promoted the transformation of digitalization, improved the E-commerce and convenience of products, and met the financial needs for sci-tech innovation enterprises at different stages of development.

9.1.4.2 *Green Finance*

The Bank has established a “Green Finance of Zhongyuan Bank” green financial product system and continuously increased the innovation of green financial products and service models. It actively explored transformation finance, successfully granting the first loan for the Sustainable Development Linkage Loan in the province, and effectively accelerating the realization of dual carbon goal of our province. The Bank supported the implementation of the plant project of China first and the world's largest carbon dioxide hydrogenation to make green low-carbon methanol, which was successfully selected as “Typical Cases for Chinese Inclusive Finance (2023)”. The Bank will combine the industrial structure of our province, focus on the major areas of green development such as new energy industry, energy conservation and environmental protection industry, strengthening product innovation and industry frontier research, and continuing to innovate new models and new products of green financial services in Henan Province.

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

Chapter 5 Management Discussion and Analysis

9.1.4.3 Transaction Banking

In 2023, the transaction banking of our Bank strengthened product innovation and online system construction, in-depth industry research, and promoted the implementation of key businesses. During the Reporting Period, with the help of financial technology, the Bank vigorously developed transaction banking businesses such as treasury management, supply chain finance, international business and electronic channels, and continued to improve the product system of transaction banking. The “purchase e-finance”, “sales e-finance”, “goods e-finance”, “e-payment”, “e-money pay” and other five brands and more than 20 product categories have been formed.

Treasury management

The Bank designs a comprehensive service plan for treasury management based on the two-wheel mechanism of “settlement + capital appreciation”, flexibly adapts to the capital management needs of customers in various scenarios, and actively realizes the whole process of value-added products online to improve customer service capabilities.

Supply chain finance

The Bank adheres to the customer-oriented principle, continuously improved the level of digitalization service, realized the automatic audit of the ZY e-chains and other product asset trade background, and opened API data direct connection with large food enterprises in Henan Province. The Bank strengthened the innovation of supply chain financial products, and launched products such as inter-bank refactoring and accounts receivable pool pledge. By the end of the Reporting Period, the Company had provided enterprises with convenient and efficient supply chain financing of RMB172.121 billion in total, representing an increase of 23.38% as compared with the end of the previous year.

International Business

The Bank adheres to the concept of “online, automated and intelligent”, and continuously improved customer service experience. The Bank achieved the automatic processing of online foreign exchange purchase for corporate customers, and the future settlement and sale of foreign exchange due delivery and so on, and significantly improved business efficiency and customer experience. As of the end of the Reporting Period, the international business recorded cross-border foreign exchange collection and payment of USD4.141 billion, representing an increase of 10.00% as compared with the end of the previous year. The Bank ranked the top among its peers in Henan Province.

Chapter 5 Management Discussion and Analysis

Corporate Digital Channels

The Bank strengthened the online, digital and intelligent construction of corporate channels. The Bank focused on promoting the project construction of the “Company’s Yidiantong”, and comprehensively improved the customer online service capabilities of the Company, improving business processing efficiency and customer processing experience. As a result, the Bank won the “China Digital Finance Golden Award List – Enterprise Online Banking Best User Experience Award” in 2023.

With regard to its transaction banking business, the Bank adhered to the customer-oriented principle, created value for all participants in the industrial chain, supported the construction of major projects in Henan Province, promoted industrial transformation and development, and empowered business development through digital and intelligent transformation.

9.1.4.4 Inclusive Finance

The Bank fully implemented the new development concept, adhered to the positioning of serving real economies and supporting small and micro enterprises, maintained the trend of increment and expansion, optimized the service structure and improved the accuracy of services in key areas. It developed a financial service system on small and micro enterprises which is suitable for the development of real economies, practically enhanced the sense of small and micro enterprises in obtaining financial services and played a greater role in boosting market confidence and supporting economic recovery and industrial development.

The Bank served real economies and comprehensively completed regulatory targets on inclusive small and micro enterprises. During the Reporting Period, the Bank provided inclusive small and micro loans of RMB70.977 billion for small and micro customers, with a weighted average rate of 4.30%. As of the end of the Reporting Period, the inclusive small and micro loans of the Bank was RMB83.777 billion, ranking fourth in terms of the balance in Henan Province and representing an increase of RMB7.580 billion as compared with the end of previous year. In terms of increment with an increase of 9.95%, which is higher than the increase in all loans of the Bank. The Bank had 158,200 customers of inclusive small and micro credit, representing an increase of 29,400 as compared with the end of previous year. The Bank has comprehensively completed regulatory targets on inclusive small and micro enterprises.

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

Chapter 5 Management Discussion and Analysis

The Bank increased the iteration of small and micro standard credit products and enhanced the availability of loans for small and micro customers.

The Bank improved the digitization of products such as making Shang Yi loan (enterprise version) electronic contract signing + automatic lending and other functions available online, largely improving the handling efficiency of small and micro standard products and customers' experience. The Bank refined customer base stratification, and set variation models and strategies to accurately identify and expand customer base coverage and loan availability. Automatic approval rate and credit limit for per customer of small and micro standard products is improving steadily.

The Bank improved the risk control system for the whole process of small and micro standard credit products.

The Bank improved the construction of the whole process risk model group and the digital risk control ability of small and micro standard credit products. The Bank continuously strengthened the ability to prevent and control the fraud risks, improved the technology and the accuracy of fraud models and built the after-loan warning and monitoring model for small and micro special loans. To address small and micro NPLs rapidly, the Bank used a combination of various solutions including settlement, restructuring and write-off.

9.1.4.5 Investment banking

During the Reporting Period, the Bank vigorously promoted the steady transformation and development of investment banking business, the Bank actively expanded innovative business products such as non-financial corporate debt financing instrument underwriting and investment, asset securitization, syndicated loan, merger and acquisition loan and fund matching, and continued to enrich investment banking business products, and actively participated in serving the corporate bond business in the province, with a total scale of RMB23.355 billion, including successfully underwriting 26 non-financial corporate debt financing instruments, with a total scale of RMB16.200 billion, and participated in underwriting the first science and innovation sustainable medium term note of Henan enterprises and the first debt financing instruments with credit risk mitigation certificates. The Bank enhanced the ability to serve key customers by the debt-loan portfolio, served 48 bonds issue enterprises in 2023 and helped enterprises to achieve bond financing with a scale of nearly RMB59.800 billion.

Chapter 5 Management Discussion and Analysis

The Bank tapped into the channels of bond market investment institutions, and continued to strengthen the construction of financial industry circles. The Bank improved the “headquarters-to-headquarters” communication mechanism, and built communication bridge between provincial enterprises and national investment institutions through online and offline exchanges and roadshows, etc. In order to “bring in investment for Henan” to give full play to the positive role of the bond market in serving market entities, the Bank kept track of and researched the latest developments of the bond market to enable the high-quality development of the bond market in the province.

The Bank actively integrated the resources of its peers, established a cooperation circle with other banks, insurance, trust, and leasing financial institutions, met the differentiated demands of our customers and provided comprehensive and multi-channel integration financial services for customers within the province through syndicated loans and fund matching, etc.

9.1.4.6 Auto finance

During the Reporting Period, the Bank deeply fulfilled the purpose of “finance serving people (金融為民)”, made efforts to build a new sample of auto industry chain finance, and promoted the high-quality development of the auto finance business. The Bank continuously improved the financial service system of the whole auto industry chain, and relying on automobile OEMs, the Bank expanded upstream and downstream customers in bulk along the chain, and endeavored to support the development of the supply chain of the automobile industry. In line with the trend, the Bank actively laid out the fields of new energy, commercial vehicles and used cars; riding on the trend, the Bank accelerated the pace of digital and intelligent transformation to broaden the application scenarios of auto finance. It launched the online signing of auto finance e-contracts and the direct connection projects of core OEMs for auto finance, initially realized online interaction of information in various links; it promoted the development of the whole process of auto finance business and the inspection business process by online visualization, and strengthened the refined management. The Bank continuously improved the risk management and control of car-related risks and built a full-process risk control system. The Bank promoted the online investigation report of auto finance business to improve the time efficiency of approval; the Bank proactively eliminated more than 30 risky customers, accurately and effectively preventing and controlling business risks.

As of the end of the Reporting Period, the Bank provided auto finance loans of RMB24.563 billion in total, serving 272,300 customers, and facilitating the transactions of RMB56.342 billion in auto supply chain finance.



Chapter 5 Management Discussion and Analysis

9.2 Retail Banking Business

9.2.1 Retail deposits

During the Reporting Period, the Bank made continued efforts to promote online and offline for hot-selling products such as Dingqicun (定期存), Xingfuchuxu (幸福儲蓄), and Zhihuicun (智慧存) to expand its brand influence, improve customer coverage and drive growth in savings deposits. Meanwhile, the Bank constantly enhanced its capacity to offer comprehensive service to customers, and increased the stickiness of deposit customers by asset allocation, and added naturally-derived deposits.

As of the end of the Reporting Period, the balance of savings deposits of the Bank was RMB519.766 billion, representing an increase of RMB55.713 billion or 12.01% as compared with the end of last year; the AUM balance was RMB599.419 billion, representing an increase of RMB31.095 billion or 5.47% as compared with the end of last year.

9.2.2 Retail loans

During the Reporting Period, the Bank continued to enrich retail loan products, optimized the product process, and promoted the implementation of “Transfer with Mortgage (帶押過戶)” and “Internet + real estate mortgage + financial services”. The Bank strengthened the marketing operation, deepened the use cases of big data, improved the use case matrix of each business link from new customer marketing to stock loss prevention, and increased the data-enabled effective retail loan customers and withdrawal rate. It expanded customer acquisition channels, strengthened government-bank and bank-enterprise connection, implemented refined management of channels and layered and divisional management, and enhanced customer acquisition capability. The Bank deeply promoted the management on existing loans and control over new loans, checked the quality of retail loan assets, and conducted special treatment for concentration risks.

As of the end of the Reporting Period, the balance of retail loans of the Bank was RMB259.501 billion, representing an increase of RMB22.015 billion or 9.27% as compared with the end of last year.

9.2.3 Retail customers

As of the end of the Reporting Period, the Bank’s retail customers reached 33,831,100, representing an increase of 1,915,300 or 6.00% as compared with the end of last year.

Chapter 5 Management Discussion and Analysis

9.2.4 Key customer groups' management

During the Reporting Period, the Bank carried out activities focusing on the entire customer life cycle, covering Comprehensive customer needs of all customer layers and customer groups. For the customer group in the payment agency business, we continue to optimize the comprehensive service system of “salary agency service”, and by carrying out special activities of “Everyone has one salary, gathering momentum for agency service”. It reserved corporate-individual linkage projects, launched payment agency business for Exclusive customer events in the pipeline, and increased the number of customers of the payment agency business by 995,600; targeting the elderly customer group, we innovatively built a “Happy Life” comprehensive service system, accelerated the construction of an ecological scenario for the elderly customer group, deepened the entire industry chain of elderly care services, and increased the number of new elderly customers by 952,700; targeting the new citizen customer base, we took advantage of the service network covering the entire province, and continued to pay attention to the financial needs of new citizens in the fields of housing, automobiles, entrepreneurship and employment, consumption, etc., creating distinctive financial products exclusive to new citizens. As a result, the number of new citizens customers increased by 417,400, with an additional RMB18.20 billion in loans.

During the Reporting Period, the Bank continuously optimized online scenario-based platforms to promote customer experience. It opened up the online and offline points rights and interests system and completed the integration of online mall, comprehensive mall and points mall within the industry. It optimized the cloud payment service function and increased the coverage of payment enterprises. As of the end of the Reporting Period, the Bank had a total of 11,544,000 registered users of payment and mall business, an increase of 809,000 from the end of the previous year. Through the establishment of the Zhongyuan Acquiring Alliance, the Bank has served a total of 327,400 acquiring customers, providing a total of 240 million clearing services to acquiring customers, and the transaction amount was RMB91.397 billion.

9.2.5 Wealth and private banking business

During the Reporting Period, the Bank adhered to the customer-centered philosophy, and promoted the transformation of wealth management. It actively responded to market changes and adjusted business direction. Starting from customer needs, we guided the transformation from single product marketing to all-category asset allocation for customers. We issued more than 430 issues of high-net-worth products, 16 issues of private equity financing, 21 online funds, and 25 implemented family trusts throughout the year. As of the end of the Reporting Period, the Bank's business scale of high-net-worth exclusive products, such as trust on a commission basis and asset management plans, continued to grow, and the sales of high-net-worth products amounted to RMB21.829 billion. Its market share ranked first in the province.



Chapter 5 Management Discussion and Analysis

9.2.6 Credit card business

During the Reporting Period, the Bank's credit card business was based on its financial roots. Adhering to the customer-centered philosophy, the Bank continuously enriched the product system, optimized product rights, continued to meet customers' financial service needs, and implemented the requirements of finance to assist consumption and restore economic growth. Adhering to the business philosophy of "promoting brand, promoting activity, promoting consumption, and promoting transactions", we focused on the entire customer life cycle, strengthened data support, conducted stratified operations, and improved refined operation capabilities. Leveraging the advantages of the combination of installment products and scenarios, the Bank accessed consumer installment scenarios, strengthened linked marketing, reinforced cross-selling, and enhanced revenue-generating capacity. The Bank continuously enriched data dimensions and iterated modeling strategies to consolidate the foundation for risk control; the Bank bravely shouldered social responsibilities and actively responded to the initiatives of the Banking Association. The Bank implemented profit-sharing mechanisms such as time tolerance service mechanism, annual fee reimbursement, fee reduction and waiver to effectively protect the rights and interests of customers. As of the end of the Reporting Period, the Bank had issued a total of 4.1488 million credit cards, an increase of 514,000 from the end of the previous year; The trading volume this year was RMB123.325 billion, a year-on-year increase of 2.04%.

9.2.7 Rural revitalization financial business

During the Reporting Period, the Bank focused on digital and intelligent operations and ecosystem creation, and continued to promote and improve the "12321" rural revitalization comprehensive service system, that is, to build a comprehensive service platform for rural revitalization and create two agricultural-related credit series product packages, "Yunong Loan" and "Industrial Loan". The Bank created three major agro-ecological scenes: characteristic agricultural industry chain ecological scene, rural government affairs scene, and convenience service ecological scene. The Bank also created two distinctive service models, namely whole-village credit extension and intelligent warehouse management, and created a set of agriculture-related risk control systems. As of the end of the Reporting Period, there were 16,700 credit villages admitted, an increase of 13,400 from the end of the previous year; the balance of full-scale agriculture-related loans was RMB160.771 billion, an increase of RMB12.824 billion from the end of the previous year, an increase of 8.67%; the balance of inclusive agriculture-related loans was RMB17.016 billion, an increase of RMB3.636 billion from the end of the previous year, an increase of 27.17%.

Chapter 5 Management Discussion and Analysis

9.3 Financial market business

9.3.1 Treasury business

During the Reporting Period, the Bank persisted in the principle of sound development, and persisted in carrying out monetary market business in a compliant and prudent manner. Based on ensuring its liquidity safety, the Bank actively fulfilled the responsibility as a “monetary market dealer”, and had provided liquidity support of RMB6.55 trillion in total to financial institutions inside and outside the province. The Bank also fully played the role of a market stabilizer, thus making an important contribution to the smooth operation of the inter-bank market. Meanwhile, the Bank actively promoted the application of innovative instruments in the inter-bank market, deeply participated in the innovative business of RFQ transactions, and ranked among the top 30 companies in “innovative and active dealers in repurchase” for the 12 consecutive months, thus maintaining its market activity and continuously improving its market influence.

During the Reporting Period, the yield in domestic bond market fell down with fluctuations, while the yield curve was overall flat. The Bank gave full play to its investment and research capabilities, grasped the law of the bond market, actively adjusted its position, adopted dumbbell allocation strategy to increase coupon income, and adopted a small swing trade strategy to steadily obtain interest spread income, so as to reserve interspace for future strategic responses. Meanwhile, the Bank actively tracked the changes in exchange rate trends, effectively researched and judged the market trends, and chose the opportunity to conduct NDF operations. While effectively reducing the exchange rate risk exposure of overseas assets, it saved financial costs, increased actual returns, ensured the safety of the Bank’s foreign exchange assets, and realized asset appreciation.

9.3.2 Interbank business

During the Reporting Period, in terms of the interbank business, the Bank focused on the overall operation of the whole bank, and strengthened its efforts in enhancing revenue and profit, boosting business operations and serving interbank customers, etc. The Bank also actively built a sound financial cooperation ecosystem, and continued to improve the customer service system. Besides, the Bank promoted the stratification and group management of customers, and therefore, its influence in the industry was continuously improved, the credit granted by external institutions was significantly increased, and the customer expansion and service works achieved remarkable results. At the same time, the Bank continued to deepen its brand building, organized and carried out interbank strategic analysis and exchange activities in various forms, and strived to become one of the best partners of small and medium-sized interbank institutions, so as to build a brand for the interbank customer service of the Bank.

During the Reporting Period, the Bank studied the market and regulatory policies with foresight, optimized the structure of interbank assets and liabilities, strengthened the market research and judgment, and rationally arranged business types and durations, so as to cooperate with online and offline channels to offer quality customer services. As the major participating institution of CFETS interbank deposits, the Bank won the award in the interbank domestic currency market granted by the Foreign Exchange Trading System for four consecutive years.

Chapter 5 Management Discussion and Analysis

9.3.3 Bill business

During the Reporting Period, the Bank actively performed its responsibility and mission of serving the regional economic and social development. Adhering to the purpose of serving the real economy and small and medium-sized enterprises, the Bank constantly promoted product innovation and process optimization, improved service efficiency, and enhanced customers' experience. Also, the Bank actively responded to market changes, and effectively lowered the discount rate of enterprises relying on the advantages of technological empowerment and direct transfer linkage. Besides, the Bank took the original e-discount products as the core, promoted the buyer's interest payment products online to meet the diversified bill financing needs of enterprises. The Bank also actively supported the development of advanced manufacturing, scientific and technological innovation, green and low-carbon industries that are in line with national policies. Meanwhile, the Bank focused on supporting the financing needs of micro, small and medium-sized enterprises, served nearly 90% of the total number of micros, small and medium-sized customers, and provided customers with convenient and efficient discount services.

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

9.3.4 Asset management

During the Reporting Period, our wealth management business thoroughly implemented the high-quality development concepts, strictly implemented regulatory requirements, adhered to our original aspiration to "being entrusted by customers and making wealth management on behalf of customers", fulfilled our goal of "being customer-oriented and realizing the stable appreciation of customer assets", coordinated and promoted the long-term development of wealth management business. As of the end of the Reporting Period, the scale of the Bank's wealth management products was RMB70.672 billion, all of which were net-worth products that met the requirements of the new asset management regulations.

During the Reporting Period, adhering to the customer demand-oriented approach, the Bank continuously optimized its product structure, provided adequate and solid wealth management under the different time limits to meet the diversified and differentiated investment demands of customers. It also insisted on focusing on investment and research capabilities and continued to strengthen investment and research development to enrich the investment strategies for wealth management and realize the efficient operation of the investment standardization, normalization and systematization. Meanwhile, the Bank built the service system of wealth management channel through both online and offline, facilitated the enhancement of wealth management service capabilities and earnestly improved the customer experience for wealth management. During the Reporting Period, the wealth management business was operated steadily and a good wealth management brand image of Zhongyuan Bank was established.

Chapter 5 Management Discussion and Analysis

9.4 Distribution Channels

During the Reporting Period, adhering to the customer-oriented and innovation-driven approach, the Bank focused on establishing a “safe, convenient and efficient” one-stop online financial service circle, continuously accelerated the service response speed, constantly optimized the customer experience. It strengthened the operating service support and consolidated the building of platform capabilities to achieve a further upgrade of the intelligent service experience of customers.

9.4.1 Mobile banking

During the Reporting Period, our mobile banking business completed the upgrade and replacement of face recognition module, created the concise version service model, accomplished the special optimization of mobile banking transfer limit management and constantly improved the customers service experience. In addition, the Bank reinforced the operating support capabilities of the platform to products sales service, made the all-process standardized transformation of wealth and loan products, improved the online self-dealing capabilities of financial products, strengthened the linkage of online and offline, and developed the online service model of the account manager. It built the intelligent arrangement management and dynamic release system for the mobile banking in terms of management, to further improve the digital and intelligent operating capability of the mobile banking. It also continued to consolidate the security prevention and control construction for the mobile banking, intensified the risk inspection ability of the end side and optimized the risk handling way. The close linkage of online and offline constantly promoted the online migration of retail customers, achieving an increase in the volume of service customer base. A total of 49 online events were held through setting three major categories, such as 24 Solar Terms, significant festivals topics and brand activates of the whole Bank, with 2.58 million views and 1.18 million participants, which strongly supported the growth in the online customers and enhanced their activity.

As of the end of the Reporting Period, the number of our mobile banking registered users reached 15.9211 million, representing a net increase of 2.01 million as compared with the end of the previous year; the number of our mobile banking customers reached 13.6728 million, representing a net increase of 1.69 million as compared with the end of the previous year.

9.4.2 WeChat banking

During the Reporting Period, the Bank continued to improve multichannel coordination and planning, optimized the template message function of WeChat banking, upgraded the image of Finance Hall, and strengthened the transmission of channel acquisition. WeChat official account of the Bank has sent 279 tweets in 48 issues in aggregate, which have been viewed for 6.7337 million times, further enhancing the brand influence.

As of the end of the Reporting Period, the number of fans of our WeChat banking official account reached 8.8881 million, representing an increase of 898,700 as compared with the end of the previous year, of which there were 5.7660 million card binding customers, representing an increase of 724,300 as compared with the end of the previous year.

Chapter 5 Management Discussion and Analysis

9.4.3 Personal online banking

During the Reporting Period, the Bank's personal online banking attracted 12,000 new users, with the total number of users reaching 1.6660 million. The total number of transactions reached 12.4783 million, and the total transaction amount reached RMB695.447 billion.

9.4.4 Customer service center

During the Reporting Period, the Bank's customer service center of remote banking received a total of 4,314,100 incoming customer calls, including 2,236,300 calls transferred to automated voice service, accounting for 51.84% and 2,077,800 calls transferred to manual service, accounting for 48.16%. 93.84% of calls were received, with customer satisfaction of 99.73% for the year; 4,712,200 customer calls, including 368,600 calls transferred to manual service, were received by online customer service, and 92.15% of the calls were transferred to intelligent text service, with customer satisfaction of 94.67%.

9.4.5 Jointly innovative

During the Reporting Period, the Bank kept on implementing the new concept of initiating open and win-win cooperation, devoted to promoting the jointly innovative business of perpetual loans and optimized the services to cooperative banks to support them in providing housing mortgage services for individuals and small and micro merchants in the area where they conducted businesses. As of the end of the Reporting Period, a total of 35 cooperative banks have signed agreements with us on jointly innovative business of perpetual loans, and 6 cooperative projects of perpetual loans were newly signed. The cooperative banks have granted RMB55.078 billion of loans in total, establishing a good brand image and word-of-mouth effect in the industry. At the same time, the Bank continued to enrich the product variety of jointly innovative products, and launched four new products, i.e. second-hand residential property mortgage, commercial super-V loans, supply chain financial consultation and intelligent decision-making platform modeling consultation.

9.5 Information Technology

During the Reporting Period, the Bank closely focused on the goal of "building a first-class city commercial bank", adhered to the development concept of technology prosperity, laid a solid foundation for science and technology and enhanced R&D capability. Also, the Bank deepened the application of digital and intelligent means, and ensured safe production. In addition, the Bank focused on its businesses, optimized its services, promoted transformation, strengthened support and facilitated the high-quality development of the Bank by the power of technology.

Chapter 5 Management Discussion and Analysis

9.5.1 Deepening digital and intelligent transformation

Making a good project coordination. According to the digital and intelligent transformation blueprint of “1234+N”, the Bank identified 30 transformation projects, strengthened business and technology cooperation and process control to develop a closed-loop of project lean management. Mobile banking APP was continually operated and optimized, with a number of 15,920,000 users and 4,010,000 monthly active users. The Bank developed micro and small high-quality market models to achieve a batch access of 118, and launched “Gong Jin e Zhang Tong” to achieve data-driven new accounts of 15,689. With respect to the public key customer group, the hit rate of post-loan data-driven models on the risk customers reached more than 70%. 1,502 enterprises joined the extended online supply chain platform of the Bank, realizing loans of RMB11.289 billion. The Bank expedited the iteration of risk control model, launched a credit characteristic derivative platform, resulting in credit variable processing time reduced from 30 days to 7 days. At the same time, the Bank optimized its credit products to increase by 30.6% for the automatic approval rate of online car loan, 10.2% for the overall passing rate of Shangyi Loan (商易貸) (for individuals) and 8% for the credit of original e-loan.

Implementing investigation and research. The Bank deeply carried out two major research topics of “deepening the digital transformation and empowering the high-quality development of business” and “combing the business and technology and enhancing the quality and efficiency of fintech services”, which collected more than 200 recommendations and developed 8 improving orientations. In accordance with the research analysis, the Bank learnt from its experience on digital and intelligent transformation, wrote the Solid Blueprint Planning, Improvement of Overall Layout Ability and Orderly Promotion of Digital and Intelligent Transformation, which was recorded in Digital Transformation Road — China Banking Excellent Practice Cases by the China Banking Association. The Bank comprehensively conducted the digital status diagnosis for corporate, retail, risk and the middle and back office to identify the deficiencies and define the key improvement direction.

Deepening digital and intelligent empowerment. The Bank organized and carried out co-creation meetings, “digital and intelligent 1+1 empowering the head office, branches and sub-branches” and other activities to extract 17 digital and intelligent methods and tools, respond to 166 requirements and accumulate 7 types of replicable digital and intelligent tools. The Bank completed 9 advanced fintech case study sessions with 17 subsidiaries to promote the solution of 7 empowering works.



Chapter 5 Management Discussion and Analysis

9.5.2 Reinforcing technological infrastructure

Strengthening top design. The Bank carried out the planning on the enterprise-level structure, strengthened business synergy and linkage, analyzed and collected more than 530 business pain points, and accumulated 73 business areas. By complying with the SPECIAL principles of “System, Specialty, Synergy, Agility and Intelligence”, the Bank has formulated the blueprint of application architecture to provide top specifications and scientific guidance for the construction of application systems.

Consolidating the support of intermediate platform. **Firstly, as for technology intermediate platform,** the Bank realized the comprehensive cloud native application for the distributed caching platform, and completed the cloud-native message queue selection and test adaptation. The storage engine of logging platform was upgraded, with 79% of storage cost savings, 50% of alarm time improvement, 45% of log retrieval efficiency improvement and 42% of Flink arithmetic savings, to achieve all-round cost reduction and efficiency improvement. Eight important performance indicators, such as startup of mobile banking APP, installation package size, crash rate, recorded a year-on-year increase of more than 10%, of which the installation package size and smoothness indicators had reached the industry’s leading level. The Bank continuously promoted the optimization and implementation of technical practices such as fusing degradation, flow control, grey-scale release, configuration management, promoted and applied to 73 customer services and Internet application microservices, and released 96 key concern messages of microservice governance, to ensure safe and stable operation of services. **Secondly, as for business intermediate platform,** the Bank initiated the phase-II of the new-generation payment system, reshaped the large and small-amount module of the payment system, and enhanced the support capacity of the payment business. It completed the construction of the financial trading center of intermediate platform of retail channels and the credit product center, and migrated the transactions such as the application of the Shangyi Loan and the Shangchao Loan products, and the application time of the Shangyi Loan product can be shortened up to 30 seconds, so as to improve customers’ experience in loan business processing. **Thirdly, as for data intermediate platform,** the Bank constructed a bank-wide real-time data warehouse, released 53 real-time models and 856 real-time indicators, which strongly supported real-time large screen, real-time marketing, real-time process monitoring and other business application scenarios. It completed the upgrade of the data lake architecture, which increased the data processing efficiency by more than 2 times. The enterprise-level intelligent decision-making platform carried a total of 331 business models in the entire industry and supported 277 times of model optimization iterations, realizing the full and complete replacement for the SAS decision-making system. The one-stop data analytics platform had a total of 13,994 users for the year, representing an increase of 27.3% over the previous year, and had 5,500 average monthly active users, representing an increase of 32.4% over the previous year, and had 885 senior analysts, representing an increase of 43.4% over the previous year.

Chapter 5 Management Discussion and Analysis

Reinforcing back-office fundamentals. The Bank completed the relocation of the remote disaster recovery center and realized the autonomy and controllability. The application-level dual-center dual-active construction and transformation for nine systems were completed, including credit card telemarketing and Yuanxin, and the disaster recovery construction of two places and three centers for 96 important databases was completed. The Bank improved the cloud service management platform and realized the comprehensive management of X86 and ARM physical servers, the resource pool for information innovation and IPv6. The rate of bank-wide cloud-based application systems reached 94%, with approximately 2,900 production operation containers, further enhancing the elasticity and scalability of basic resources and effectively supporting business agility and innovation.

Enhancing data fundamentals. The Bank completed the introduction of provident fund data from two cities, real estate data from four cities and six types of data from the provincial development and reform commissions, to effectively expand the dimensions of external data. It completed 161 data governance matters for retail, corporate and financial market businesses, and further improved the quality of basic data. It also developed a mechanism for the full life-cycle management of indicator data to achieve effective management and control of the application requirements for new indicator data. The Bank sorted out the standards of stock indicators, and completed the settlement and online management of indicator standards for 200 commonly used statements and 50 public data models.

Consolidating security defense line. The Bank strengthened the construction of security defense system in depth, built open source management and container security protection platform, formed a panorama of open source technology application, realized container construction, distribution and operation security protection, and effectively guaranteed the safe operation of business. It launched the mobile security detection platform, strengthened the operation of illegal attacks and defenses, and successfully blocked 17 illegal telecommunication fraud incidents, which strongly safeguarded the safety of customers' funds. The Technology Department of the PBOC commended the 2023 National Cybersecurity Attack and Defense Exercise.



Chapter 5 Management Discussion and Analysis

9.5.3 Speeding up in innovation practice

The Bank explored technological innovation applications such as big data and artificial intelligence (AI), as well as realized the innovation achievements of new technologies in various fields such as business operation, knowledge questions and intelligent risk control. **Firstly, we improved quality and efficiency through digital operation.** The Bank launched 181 RPA intelligent robots during the year, accumulatively saving 1,968 person-months. We built the process mining platform and completed 16 key process mining and analysis. The whole process of the Company's credit granting business took 14.3% less time than that at the beginning of the year. **Secondly, we actively promoted the application of generative AI technology,** explored the application of large model technology, built and launched a "generative AI-enabled assistant" for implementation in 5 types of scenarios such as compliance, manpower, catering, process, and statement analysis, and initially opened up the implementation path for application of large model scenarios. **Thirdly, we explored the application of federated learning technology,** actively promoted the federated anti-fraud cooperation with Bank of Zhengzhou and Provincial Rural Commercial United Bank. We identified over 19,000 doubtful customers and over 3,900 risks and achieved a retained balance of over RMB40 million in customer accounts this year.

9.5.4 Construction of Technology Teams

The Bank continuously strengthened the construction of the technology team, optimized the staffing of key positions, promoted the cultivation of core professional skills. As of the end of the Reporting Period, the Bank had nearly 1000 technical staff. The Bank conducted training for all levels of staff in key positions to improve the matching degree of staff and positions, covering 80% of the staff in the technology line, and the proportion of those who obtained intermediate and advanced qualification certificate in computer was 53%, further enhancing the professional skills of technical staff.

Chapter 5 Management Discussion and Analysis

9.5.5 Establishment of Technology Brands

Firstly, we enhanced in-house technology innovation and were granted 22 software copyrights and 3 invention patents throughout the year. **Secondly**, “Data Asset Management and Operation Practice” and “Credit Process Intelligent Optimization Project” won the “Glory Award” and “Digital Marketing Gold Award” of the sixth (2023) Digital Financial Innovation Competition, respectively; “Public Refinement Customer Group Intelligent Post-loan Rating System Project” has won the “Xinzhi Award-the fourth (2023) Small and Medium-sized Financial Institutions Digital Intelligent Transformation Risk Control Innovation Excellent Case”, “the First Tianyi Award-2023 Financial Model Capacity Building and Intelligent Risk Control Excellent Practice Award”; “Exploration of Initial Credit Month Debt Strategy Based on the Second Generation Credit Report” and “Digital Operation Practice of Retail Credit Products Throughout the Life Cycle” won the “Digital Risk Control Gold Award” and “Digital Marketing Case Silver Award” respectively in the 2023 Excellent Digital Finance Competition by the Financial Digital Development Alliance; “External Data Asset Value Evaluation Research and Practice” won the “DAMA China 2023 Data Governance Innovation Award”. **Thirdly**, the information technology application innovation cloud platform won the “Excellent Financial Technology Solution Award” of “Financial Electronization” magazine; The original development and operation and maintenance integration platform won the “Software Research and Development Excellent Case Award” in 2023TiD Quality Competitiveness Conference. **Fourthly**, “Human Face AI Security Firewall Product Case” was selected for the “2023 Typical Case of Integrated Development and Security Application of Artificial Intelligence – Pilot Type” of the National Industrial Information Security Development Research Center; “5G Cloud Bank: Disaster Preparation to Help Banks Never Go Offline Project” won the excellence award of “Blossom Cup” 5G application Soliciting Contest by MIIT; “Network Communication Password Module” won the “Excellent Case of Commercial Password in the Financial Field” issued by the People’s Bank of China and the State Encryption Administration; “Container Security Protection System Construction Project” won the third “Cloud Native Pioneer Practice Award” of the CAICT. **Fifthly**, the first domestic group standard for data value evaluation “Guides for Commercial Banks External Data Asset Value Evaluation “ (T/HFS 001-2023) jointly drafted by the Bank and the Henan Branch of the People’s Bank of China was officially released; participated in the establishment of standards of CAICT such as “Digital Employee Technology and Platform Capability Standard”, “Digital Human Standard for Marketing Scene”, “Digital Human Standard for Financial Scene” and “Ultra-automation Standard” as the core participating unit. **Sixthly**, the science and technology team of the Bank won the “First Prize of Digital Cockpit Track” in the “Second Visual Design Competition”, the “Henan Application Track Gold Award” of the 2023 Ascend AI Innovation Competition, the second prize and the third prize of the fourth Aliyun Native Programming Challenge, and the excellence award of the 2023 CCF International AIOps Challenge, and the influence of technology brand for Zhongyuan continues to increase.

9.5.6 Production and operation

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

Chapter 5 Management Discussion and Analysis

9.6 Investment Business of Subsidiaries and Joint Ventures

9.6.1 Business of county banks

9.6.1.1 Percentage of shareholding of the Bank in county banks

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

Chapter 5 Management Discussion and Analysis

9.6.1.2 Business development during the Reporting Period

The 14 county banks provide local small and micro enterprises and retail banking customers with a broad range of financial products and services, including business and consumer loans, deposits from customers and fee-based and commission-based products and services, such as settlement services, remittance services and bank card services. The Bank will continue to strengthen management and control over the risk of county banks, finance and personnel, and provide county banks with strategic synergy, technology, mobility, and personnel empowerment. The Bank took advantage of its own technology, products, management and other resources to continuously help the 14 county banks to enrich their own financial service system, better serve the target customer base of county banks, and contribute financial strength of country banks to the local rural revitalization.

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



Chapter 5 Management Discussion and Analysis

9.6.2 Consumer Finance Company

During the Reporting Period, the Zhongyuan consumer finance company always followed the guidance of the Party building, adhered to the people-centered value orientation, strictly implemented quality development requirements, actively responded to regulatory requirements and industry changes, vigorously practised inclusive finance, and constantly optimized financial service capabilities, achieving steady growth in business scale, continuous growth in profitability and stable asset quality.

9.6.3 Financial Leasing Company

During the Reporting Period, AB Leasing comprehensively enhanced the leadership of the Party, carried out thematic education in high standard and quality by taking in-depth study and implementation of the spirit of the 20th National Congress of the Party as the main line, strengthened strategic planning, carried forward transformation and development, intensified control over asset quality, and improved refined management. Therefore, all the work has made steady progress and the operation results have improved steadily, creating a new situation of steady development.

BOL Financial Leasing closely focused on the annual priority of work regarding to ensure absolute liquidity safety, improve asset quality, and promote transformation of business, worked together to seize opportunities, and achieved good operation results in business development, resolution of non-performing assets, risk compliance, liquidity security control and other aspects, realizing high-quality development.

10. Risk Management

During the Reporting Period, the Bank resolutely implemented the spirit of the 20th CPC National Congress and the Central Financial Work Conference, and focused on the requirements of “high-quality development”, optimized the comprehensive risk management system and consolidated the foundation for development; the Bank improved the risk-based policy system and strengthened the system management and control, strengthened the application of system tools and achieved quantitative management; and strengthened the construction of intelligent risk control and built up the advantages of risk control to provide solid support for the high-quality development of the business and build a strong competitive first-class city commercial bank.

10.1 Credit Risk Management

During the Reporting Period, the Bank intensified credit risk management in the following aspects:

The Bank improved credit risk management strategies and enhanced the guiding role of policies. It formulated credit policies guidelines on key industries, products and areas in accordance with the changes in internal and external situation to lead the steady business development. The Bank issued management measures of customer risk limits, strengthened the active management of credit limits to improve the control and guiding role on the credit business.

Chapter 5 Management Discussion and Analysis

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

The Bank strengthened the credit management mechanism and consolidated the foundation of risks. It formulated annual targets and plans on the management and control of the quality of assets under all standards and in all processes, optimized the appraisal system on the quality of assets and maintained management and control efforts on the quality of assets. The Bank optimized the early warning and management system, strengthened the application of early warning and developed management chains on the early identification, continuous monitoring, accurate judgment and vigorous disposal of risks. It organized rolling risk inspections on asset businesses, carried out targeted inspections on key customers and key businesses and strengthened the application of examination results. The Bank enhanced the rigid restrictions of the disposal plan, maintained management and control efforts on risks in key areas, and continuously solidified the bottom position of credit risks to ensure the steady operation of the quality of assets.

The Bank strengthened and quantitative risk management capabilities and enhanced the quality and efficiency of risk control. It optimized the construction of the internal rating system of credit risk, improved the non-retail rating model and retail scorecard model and deepened the implementation of internal rating application results to improve the risk identification capability of customers. The Bank completed the construction and on-line operation of the expected credit loss method model to promote the optimization and modification of the I9 asset impairment system. It launched the implementation consultation of the new capital management measures, promoted the establishment of risk-weighted asset measurement system to enhance the refinement of capital management. The Bank conducted stress testing on credit risk to constantly enhance the refined and quantitative management of credit risk.

The Bank strengthened the management of large amount risk exposure and strictly controlled the level of concentration. In strict compliance with the requirements of regulatory authorities on the management of large amount risk exposure, the Bank continuously improved the management mechanism and tools of large amount risk exposure, regularly carried out the measurement, monitoring and reporting of large amount risk exposure and effectively implemented the management of various risk limits.

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



Chapter 5 Management Discussion and Analysis

10.2 Market risk management

During the Reporting Period, we intensified market risk management in the following aspects:

The Bank completed the re-examination of the transaction books and standardized the criteria of separation between transaction books and bank books. It improved the system of market risk management system and amended the data control management measures on the market risk management system to enhance the standardization of the system and the effectiveness of the business management.

The Bank improved the management system of secondary limits of market risk. Based on business development, management needs and the changes in regulatory requirements, it optimized the measures of annual market risk limits, strengthened the monitoring and supervising of the implementation of the limits to effectively guide and control the steady development of various businesses.

The Bank implemented the requirements of the new capital regulations and carried out the planning and design of the new standardized method measurement of market risk and FRTB work. It comprehensively optimized and improved of market risk system and procedures, measurement models, stress testing and data governance, strengthened model testing to continuously improve the level of market risk measurement.

The Bank optimized the functions of the market risk management system. It strengthened the whole-process management of financial market businesses, improved the monitoring scope of abnormal transactions, realized effective management and control of financial market businesses through the system to improve the automation and intelligence level of market risk management.

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

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

10.3 Operational risk management

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

Chapter 5 Management Discussion and Analysis

During the Reporting Period, the Bank further strengthened the application of operational risk management tools, organized regular process assessment and annual process review and carried out indicator monitoring on operational risk and the collection of loss events on a normalized basis. The Bank carried out data retrospective replenishment of operational risk loss and mapping of accounting item for business indicators based on regulatory requirements to promote the implementation of the new standardized method for operational risk in the Bank. The Bank constantly enhanced internal control and compliance management, and carried out monitoring and investigation of abnormal transactions in employee accounts, and on-site inspection of case risks. It always maintained pressure on operational risk management of operational categories, achieved full coverage of on-site inspections of all branches, and continuously standardized counter management through training, coaching, reminding and other methods. The Bank continued to improve the business continuity and emergency management mechanisms to ensure that the Bank could take timely measures to minimize the impact and loss in the event of an emergency

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

10.4 Liquidity risk management

During the Reporting Period, the Bank continued to optimize and improve the organizational structure of liquidity risk management. It strengthened the three-level linkage of the head office, branches and sub-branches, clarified the responsibilities of all levels. The Bank established the coordinated management and control of the liquidity risk at the group level. It also provided guidance and assistance to subsidiaries to strengthen liquidity management. Regular monitoring of its operating conditions and liquidity risk levels was conducted to ensure the safety of the Group's liquidity.

The Bank provided a systematic basis for liquidity management by improving management policies, management methods and operational procedures related to liquidity risks; it realized effective transmission of "stable and cautious" liquidity risk management strategies to the bank group through the management decisions of the Asset and Liability Management Committee.

The Bank continued to improve management tools such as market and business analysis, daily management, stress test and emergency drill, and enhance liquidity risk resilience. It strengthened active asset-liability structure management and duration management, and rationally adjusted the business term structure. The level of overall term mismatch was controlled within a reasonable range; the active liability tools were rationally used to improve the diversity and stability of liability sources; the management of intraday positions was refined, and the online and intelligent level of the management of intraday positions and liquidity monitoring were improved through continuously improving liquidity management information system to ensure sufficient intraday liquidity to fully meet the needs of various business development. The Bank continued to improve the macro-level research and discussion mechanism, established and improved the joint work system on liquidity pricing, continued to improve its macroeconomic analysis capabilities, enhanced the forward-looking and proactive nature of liquidity management, and dynamically adjusted liquidity management strategies for guiding the Bank's business development. The Bank, as a primary dealer in the open market, actively disseminated the monetary policy of the central bank, strengthened its responsibility, and effectively maintained the safety and stability of regional liquidity.

During the Reporting Period, the Bank's liquidity risk was safe and controlled.

Chapter 5 Management Discussion and Analysis

10.5 Information technology risk management

During the Reporting Period, the Bank constantly improved its information technology risk management system, actively implemented the three lines of defense governance of IT management, optimized standards and strategies of information technology risk management, conducted information technology risk control self-assessment, timely improved and monitored information technology key risk indicators, established the information technology risk periodic reporting mechanism, and formed an effective risk management process system that supports risk identification, assessment, monitoring, reporting and control/release.

Meanwhile, the Bank continuously optimized the construction of disaster recovery system for infrastructure, promoted the construction of disaster recovery system of two places and three centers for IT rooms and high availability of external data; the Bank deepened the transformation of distributed technology architecture, enhanced the administration of research and development and strengthened the independent control; the Bank steadily advanced the application system of information creation work, improved the construction of network security defense system in depth, kept on improving the application security ability system, intensified the life cycle management of data security; the Bank comprehensively carried out network security guarantee during critical periods, carried out 7*24 duty, conducted the monitoring and disposal of network security events from the dimensions of "cloud-network-terminal" based on the safe operation platform and strictly implemented the work requirements on network security guarantee during critical periods.

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

10.6 Reputational risk management

During the Reporting Period, the Bank adhered to the combination of prevention and disposal to manage reputation risk, and followed the principles of "forward-looking", "matching", "full coverage" and "effectiveness" to constantly improve the ability and efficiency of preventing reputational risks and handling reputation events. The Bank improved the system of reputational risk management system, launched the annual reputational risk management work plan and office line assessment plan, assessment-oriented, and planned to promote the development of public opinion management work throughout the year. It performed monitoring, analysis and surveys on public opinions in an all-round way, formulated an important time-node special emergency plan, steadily made investigations into potential reputational risk to dig deep into the potential risks that may have a negative impact on the reputation of the Bank. The Bank also tracked the matters on the risk list to increase the sensitivity to reputational risks and achieve early identification, warning, and solution for risk signs. The Bank improved the reputational risk management team, carried out internal training effectively, continuously strengthened the awareness of reputational risk management of all employees, and enhanced the ability of responding to public opinion. With "high-quality development" as the main line of publicity, the Bank carried out special publicity through thematic publicity and series of reports at important nodes such as the annual report and interim reports, the anniversary of the merger by absorption, the in-depth implementation of the spirit of the Central Financial Conference, and the ninth anniversary of the Zhongyuan Bank, actively occupied the position of public opinion, and fully displayed the Bank's good image.

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

Chapter 5 Management Discussion and Analysis

10.7 Exchange rate risk management

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

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

10.8 ESG risk management

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

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

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

11. OPERATING STRATEGIES AND PROSPECTS FOR DEVELOPMENT

Looking ahead to 2024, with the combined efforts of existing policies and new policies, the cumulative effects of these policies will continue to grow. Positive factors will continue to increase, and as a result, the Chinese economy is expected to continue its recovery and exhibit long-term positive trends. However, it also faces certain difficulties and challenges, mainly the lack of effective demand, weak social expectations, the existence of blockages in the domestic and international double cycle, and the rising complexity, severity and uncertainty of the external environment.

In 2024, Zhongyuan Bank, adhering to the guidance of XI Jinping Thought on Socialism with Chinese Characteristics for a New Era, will fully implement the decisions and plans made at the Central Economic Work Conference and Central Financial Work Conference, seriously implement the guidance of the Provincial Party Committee and the Provincial People's Government of Henan Province to support the high-quality development of Zhongyuan Bank to build a first-class urban commercial bank, maintain its strategic focus, pursue steady progress while maintaining stability, integrity and innovation. The Bank will continue to explore differentiated development paths.

Chapter 5 Management Discussion and Analysis

Firstly, the Bank will maintain strategic focus and comprehensively improve business performance. Firstly, the Bank will adhere to the direction of transformation, benchmark against first-class commercial banks, actively explore differentiated development paths, and vigorously promote the transformation of light capital, light asset and light cost. **Secondly**, the Bank will adhere to performance orientation, focus on improving performance, highlight the contribution to customer value and enhance work efficiency. **Thirdly**, the Bank will continue to optimize the structure, stabilize the debt base and reduce the cost of debt; keep in step with national policies and regional strategies, and vigorously develop industrial loans, small and micro loans, consumer loans, etc. **Fourthly**, the Bank will recognize changes, respond to changes and seek changes scientifically, maintain strategic mobility, actively adapt to the new situations, carry out in-depth study of new policies, adjust and optimize business strategies.

Secondly, the Bank will grasp the strategic focus and create differentiated competitive advantages. Firstly, the Bank will consolidate the Company's business advantages, build an industrial bank and closely grasp the supply chain, industrial chain and value chain around the key industries in cities and counties to provide good services, and improve all-round, full-cycle, full-chain, and full-spectrum service capabilities; build a government bank and continue to expand the scope of cooperation and service connotation around the work of local governments. **Secondly**, the Bank will improve our retail business, adhere to "Internetization and Ruralization of Banking Services (上網下鄉)", further give play to their own advantages, improve the online service system, strengthen the integration of resources, and strive to build a new business model by integrating into the grass-roots governance system. **Thirdly**, the Bank will improve the quality of inter-bank business, improve market investment and research capabilities, trading capabilities, risk control capabilities, grasp market opportunities in a timely and accurate manner, enhance the efficiency of capital allocation, and achieve a balance between security, liquidity and profitability.

Thirdly, the Bank will adhere to the customer-oriented principle and constantly enhance service capabilities. Firstly, the Bank will adhere to the ecological services, improve the comprehensive service capacity, strengthen ecological thinking, enhance internal and external cooperation and coordination, coordinate and integrate shared resources, strive to create a highly integrated "financial + non-financial" symbiotic value chain, and provide customers with a package of comprehensive financial services. **Secondly**, the Bank will adhere to business agility and quickly respond to market and customer needs, strengthen the sense of collaboration, enhance the business line, branch and cross-line linkage; drive the "two-way" flow of business and scientific and technical personnel, and promote the effective integration of business and science and technology. **Thirdly**, the Bank will adhere to the digital intelligence for operation, and promote the transformation of digital intelligence to a deep and solid level, continuously improve the level of online intelligence of financial services, focus on the scene, build the ecology, optimize the process and improve customer experience; strengthen data governance, attach importance to the application of digital intelligence, strengthen digital thinking, and accumulate and make good use of data resources.

Chapter 5 Management Discussion and Analysis

Fourthly, the Bank will adhere to address both the symptoms and root causes, and fully control new issues while governing what happened in the past. **Firstly**, the Bank will improve credit policies, strengthen comprehensive analysis and research on the economic and financial situation, macro policies, industrial structure, etc., formulate and improve credit guidelines, continuously iteratively optimize in practice, manage and control credit supply in a forward-looking, scientific and precise manner. **Secondly**, the Bank will strictly adhere to the “three lines of defense”, consolidate the risk responsibilities of each line of defense, strengthen the rigidity of the systems, and strictly prevent moral risks; strengthen review analysis, and regularly conduct systematic analysis and summary of the risk control system, system and mechanism, credit policies, product structure, working methods, etc., identify weak links to update and iterate in a timely manner. **Thirdly**, the Bank will strengthen the construction of digital and intelligent risk control, and fully play the supporting role of science and technology systems.

Fifthly, the Bank will optimize resource distribution and comprehensively improve quality and efficiency. **Firstly**, the Bank will revitalize its existing resources and improve average network and employee production capacity by optimizing the layout of network and personnel team. **Secondly**, The Bank will strengthen resource integration, further enhance the interaction of business lines, improve corresponding mechanisms in terms of working coordination, construction of team, resource allocation and performance appraisal, etc., and gradually break down line barriers. **Thirdly**, The Bank will allocate resources scientifically, highlight strategic orientation and performance contribution, adhere to “revenue determines expenditure”, and build a resource allocation system with “value creation” as the core.

12. SUBSEQUENT EVENTS

As of the date of this annual report, the Bank has no other material subsequent event after the Reporting Period.

13. CONTINGENT LIABILITIES

As at December 31, 2023, save as disclosed in Note 48(d) of the consolidated financial statements in this annual report, the Group has no other contingent liabilities.



Chapter 6 Changes in Share Capital and Information on Shareholders

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

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

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

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

No.	Name of Shareholders	Nature of Shareholders	Number of Shares held at the end of the Reporting Period	Approximate percentage of the total share capital of issued ordinary shares of the Bank at the end of the Reporting Period
1	Henan Investment Group Co., Ltd. (河南投資集團有限公司)	State-owned Legal Person Shares	2,264,396,518	6.20%
2	Luoyang Municipal Finance Bureau	State Shares	1,361,571,120	3.73%
3	China Tourism Group Corporation Limited (中國旅遊集團有限公司)	State-owned Legal Person Shares	1,061,521,911	2.90%
4	Zhongyuan Trust Co., Ltd. (中原信託有限公司)	State-owned Legal Person Shares	791,131,350	2.16%
5	Henan Zhaoteng Investment Group Co., Ltd. (河南省兆騰投資集團有限公司)	Privately-owned Legal Person Shares	683,252,415	1.87%
6	Henan Machinery Investment Group Co., Ltd. (河南機械裝備投資集團有限責任公司)	State-owned Legal Person Shares	506,751,425	1.39%
7	Luoyang Urban and Rural Construction Investment Group Co., Ltd. (洛陽城鄉建設投資集團有限公司)	State-owned Legal Person Shares	504,435,685	1.38%
8	Bank of Jiujiang Co., Ltd. (九江銀行股份有限公司)	Privately-owned Legal Person Shares	500,000,000	1.37%
9	Jiaozuo Construction Investment (Holdings) Co., Ltd. (焦作市建設投資(控股)有限公司)	State-owned Legal Person Shares	433,237,588	1.19%
10	Jiangsu Wuzhong Group Co., Ltd. (江蘇吳中集團有限公司)	Privately-owned Legal Person Shares	420,238,000	1.15%
Total			8,526,536,012	23.33%

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

Chapter 6 Changes in Share Capital and Information on Shareholders

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

As of the end of the Reporting Period, so far as is known to the Bank and the Directors, substantial Shareholders of the Bank and other persons (other than Directors, Supervisors and chief executive officers of the Bank) who had interests and short positions in the Shares and underlying Shares of the Bank which were required to be notified to the Bank or the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Bank under Section 336 of the SFO were as follows:

Name of Shareholders	Class of Shares	Nature of interests	Number of Shares ⁽¹⁾	Approximate percentage of the total issued share capital of the relevant class of the Bank (%) ⁽²⁾	Approximate percentage of the total issued share capital of ordinary shares of the Bank (%) ⁽²⁾
Henan Investment Group Co., Ltd. (河南投資集團有限公司) ⁽³⁾	Domestic Shares	Beneficial owner	2,264,396,518 (L)	7.65	6.20
	Domestic Shares	Interest in controlled corporation	1,046,246,733 (L)	3.53	2.86
AMTD Group Company Limited ⁽⁴⁾	H Shares	Interest in controlled corporation	482,288,000 (L)	6.94	1.32
L.R. Capital Management Company (Cayman) Limited ⁽⁴⁾	H Shares	Interest in controlled corporation	482,288,000 (L)	6.94	1.32
Piramide Park Co., Ltd. ⁽⁵⁾	H Shares	Beneficial owner	999,831,000 (L)	14.40	2.74
XU Yan (徐雁)	H Shares	Interest in controlled corporation	999,831,000 (L)	14.40	2.74

Notes:

- (1) (L) represents the long position, (S) represents short position.
- (2) As at December 31, 2023, the number of total issued Shares of the Bank was 36,549,823,322, comprising 6,945,000,000 H Shares and 29,604,823,322 Domestic Shares. As of the date of this annual report, the registration for change with the competent authority of industry and commerce is still in progress.
- (3) Henan Investment Group Co., Ltd. (河南投資集團有限公司) is wholly owned by the Finance Department of Henan Province (河南省財政廳). Henan Investment Group Co., Ltd. directly holds 2,264,396,518 Domestic Shares of the Bank (long positions), indirectly holds 17,696,926 Domestic Shares of the Bank (long positions) through its controlled corporation, Henan Investment Group Guarantee Co., Ltd. (河南投資集團擔保有限公司), and indirectly holds 791,131,350 Domestic Shares of the Bank (long positions) through controlled corporation, Zhongyuan Trust Co., Ltd. (中原信託有限公司), and indirectly holds 237,418,457 Domestic Shares of the Bank (long positions) through controlled corporation, Henan Asset Management Co., Ltd (河南資產管理有限公司).
- (4) L.R. Capital Management Company (Cayman) Limited, through its controlled corporations, namely L.R. Capital Financial Holdings Limited, AMTD Group Company Limited and AMTD Asia (Holdings) Limited, indirectly holds 482,288,000 H Shares of the Bank (long positions) held by AMTD Asia Limited. Therefore, by virtue of the SFO, each of L.R. Capital Management Company (Cayman) Limited, L.R. Capital Financial Holdings Limited, AMTD Group Company Limited and AMTD Asia (Holdings) Limited is deemed to be interested in the H Shares of the Bank (long positions) held by AMTD Asia Limited.
- (5) Piramide Park Co., Ltd is wholly owned by XU Yan (徐雁).

Chapter 6 Changes in Share Capital and Information on Shareholders

Save as disclosed above, to the knowledge of the Bank, none of the other substantial Shareholders or persons had, as at December 31, 2023, any interests or short positions in the Shares or underlying Shares of the Bank as recorded in the register required to be kept under Section 336 of the SFO.

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

As at the end of the Reporting Period, the top ten Shareholders of the Bank together held 40.60% of the Bank's total share capital. Among the top ten Shareholders, the largest Shareholder of Non-overseas Listed Shares was Henan Investment Group Co., Ltd., which held 6.20% of the total share capital, the second largest Shareholder was Luoyang Municipal Finance Bureau with 3.73% of the total share capital, and the third largest Shareholder was China Tourism Group Corporation Limited with 2.90% of the total share capital. The largest and third largest Shareholders of Non-overseas Listed Shares are wholly state-owned enterprises, and the second is a local financial department.

The shareholdings of the top ten Shareholders were as follows:

No.	Name of Shareholders	Class of Shares	Nature of Shareholders	Number of Shares held at the end of the Reporting Period	Approximate percentage of the total share capital of issued ordinary shares of the Bank at the end of the Reporting Period ⁽¹⁾
1	HKSCC Nominees Limited ⁽²⁾	H Shares	Other	6,530,772,900	17.87%
2	Henan Investment Group Co., Ltd. (河南投資集團有限公司)	Domestic Shares	State-owned Legal Person Shares	2,264,396,518	6.20%
3	Luoyang Municipal Finance Bureau	Domestic Shares	State Shares	1,361,571,120	3.73%
4	China Tourism Group Corporation Limited (中國旅遊集團有限公司)	Domestic Shares	State-owned Legal Person Shares	1,061,521,911	2.90%
5	Zhongyuan Trust Co., Ltd. (中原信託有限公司)	Domestic Shares	State-owned Legal Person Shares	791,131,350	2.16%
6	Henan Zhaoteng Investment Group Co., Ltd. (河南省兆騰投資集團有限公司)	Domestic Shares	Privately-owned Legal Person Shares	683,252,415	1.87%
7	Henan Machinery Investment Group Co., Ltd. (河南機械裝備投資集團有限責任公司)	Domestic Shares	State-owned Legal Person Shares	506,751,425	1.39%
8	Luoyang Urban and Rural Construction Investment Group Co., Ltd. (洛陽城鄉建設投資集團有限公司)	Domestic Shares	State-owned Legal Person Shares	504,435,685	1.38%
9	Bank of Jiujiang Co., Ltd. (九江銀行股份有限公司)	Domestic Shares	Privately-owned Legal Person Shares	500,000,000	1.37%
10	Jiaozuo Construction Investment (Holdings) Co., Ltd. (焦作市建設投資(控股)有限公司)	Domestic Shares	State-owned Legal Person Shares	433,237,588	1.19%
Total				14,637,070,912	40.06%

(1) It was calculated on the basis of the total share capital of the Bank of 36,549,823,322 shares.

(2) HKSCC Nominees Limited, as a nominee, held 6,530,772,900 H Shares in aggregate of the Bank on behalf of several clients, representing 17.87% of the issued share capital of the Bank. As a member of the Central Clearing and Settlement System, HKSCC Nominees Limited conducts registration and custodian business for clients.

Chapter 6 Changes in Share Capital and Information on Shareholders

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

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

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

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

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



Chapter 6 Changes in Share Capital and Information on Shareholders

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

7. Equity Pledge and Freezing

As of the end of the Reporting Period, so far as is known to the Bank, the Bank's 5,180,524,190 Domestic Shares were subject to pledge, accounting for 14.17% of the total number of issued ordinary Shares (of which, the Domestic Shares pledged by the Bank's substantial Shareholders accounted for 1.15% of the total number of issued ordinary Shares). In addition, there were 1,334,411,932 Domestic Shares that were judicially frozen.

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

During the twelve months ended the end of Reporting Period, save as disclosed in section "9.3 Repurchase or conversion of Offshore Preference Shares" in this annual report, neither the Bank nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Bank.

9. Non-public Issuance of Offshore Preference Shares

9.1 The issuance and listing of Offshore Preference Shares

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

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

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

Chapter 6 Changes in Share Capital and Information on Shareholders

9.2 Profit distribution on the Offshore Preference Shares

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

During the Reporting Period, as considered and approved at the meeting of the Board of the Bank held on August 30, 2023, the Bank would distribute the dividends on the Offshore Preference Shares pursuant to the terms of the Offshore Preference Shares. The total dividends on the Offshore Preference Shares distributed by the Bank amounted to USD86,800,000, of which USD78,120,000 was paid to the holders of Offshore Preference Shares at a coupon dividend rate of 5.60%, and USD8,680,000 was withheld as the income tax at a rate of 10% pursuant to relevant laws and regulations. The dividend period was from November 21, 2022 (inclusive) to November 21, 2023 (exclusive), the dividend payment date was November 21, 2023 and the recipients were holders of Offshore Preference Shares whose names appeared on the register of members of the Bank as at the close of business of the clearing system on November 20, 2023. On November 21, 2023, the Bank completed the dividend payment of the Offshore Preference Shares. For details, please refer to the Bank's announcements dated on August 30, 2023, September 26, 2023 and November 22, 2023.

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

Unit: RMB'000

Year of distribution	Amount of distribution (before tax)	Net profit attributable to the Shareholders of the Bank in the consolidated financial statements of the Bank for the year of distribution	Percentage of net profit attributable to the Shareholders of the Bank in the consolidated financial statements of the Bank (%)	Balance accumulated to the next accounting year due to insufficiency of distributable profits or the part that can be used for the distribution of retained profits
2023	623,363	3,220,966	19.35	–
2022	617,165	3,650,171	16.91	–
2021	563,012	3,565,013	15.79	–



Chapter 6 Changes in Share Capital and Information on Shareholders

9.3 Repurchase or Conversion of Offshore Preference Shares

On August 30, 2023, the Bank held the 49th meeting of the second session of the Board of Directors, at which it deliberated and approved the Proposal on the Redemption of Offshore Preference Shares of Zhongyuan Bank Co., Ltd. (《關於中原銀行股份有限公司贖回境外優先股的議案》), and agreed to exercise the right of redemption for all Offshore Preference Shares. In September 2023, the Bank received a reply from the Henan Supervision Bureau of the State Financial Supervision and Administration, agreeing to the Bank's redemption of Offshore Preference Shares. In accordance with the terms and conditions of the Offshore Preference Shares, the Bank redeemed and cancelled all 69,750,000 Offshore Preference Shares on November 21, 2023. The aggregate redemption price of the Offshore Preference Shares is US\$1,473,120,000 (i.e., the sum of the total liquidation preference amount of US\$1,395,000,000 and the dividend of US\$78,120,000 on the Offshore Preference Shares). After the redemption and cancellation of the Offshore Preference Shares, the Bank does not have any issued Offshore Preference Shares. As a result, the Bank did not have any Offshore Preference Shareholders at the end of the Reporting Period. For details, please refer to the Bank's announcements dated August 30, 2023, September 26, 2023 and November 22, 2023. During the Reporting Period, there was no conversion of Offshore Preference Shares of the Bank.

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

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

1.1 Basic Information of Directors

Name	Gender	Month and year of birth	Positions	Starting time of term of office	Shareholding or not
GUO Hao (郭浩)	Male	June 1974	Executive Director, chairman of the Board	October 2023	No
ZHANG Qiuyun (張秋雲)	Female	February 1972	Non-executive Director	October 2023	No
FENG Ruofan (馮若凡)	Male	September 1983	Non-executive Director	November 2023	No
ZHANG Shu (張姝)	Female	June 1965	Non-executive Director	November 2023	No
XU Yiguo (徐義國)	Male	June 1972	Independent non-executive Director	November 2023	No
ZHAO Zijian (趙紫劍)	Female	October 1968	Independent non-executive Director	November 2023	No
WANG Maobin (王茂斌)	Male	October 1973	Independent non-executive Director	November 2023	No
PAN Xinmin (潘新民)	Male	January 1957	Independent non-executive Director	November 2023	No
GAO Pingyang (高平陽)	Male	July 1979	Independent non-executive Director	November 2023	No

1.2 Basic Information of Supervisors

Name	Gender	Month and year of birth	Positions	Starting time of term of office	Shareholding or not
YOU Xiang (游翔)	Male	December 1971	Employee representative Supervisor, chairman of the supervisory board	October 2023	No
ZHANG Ke (張克)	Male	October 1977	Employee representative Supervisor, vice chairman of the supervisory board	October 2023	No
DAN Limin (淡利敏)	Female	November 1978	Employee representative Supervisor	October 2023	No
WANG Xiaoyan (王小燕)	Female	November 1979	Shareholder representative Supervisor	October 2023	No
YAN Yongfu (閔永夫)	Male	August 1965	Shareholder representative Supervisor	October 2023	No
LU Suyue (陸素月)	Female	June 1969	Shareholder representative Supervisor	October 2023	No
LI Xingzhi (李興智)	Male	March 1962	External Supervisor	October 2023	No
Gu Xiujuan (谷秀娟)	Female	April 1968	External Supervisor	October 2023	No
LIU Xia (劉霞)	Female	November 1978	External Supervisor	October 2023	No

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

1.3 Basic Information of Senior Management

Name	Gender	Month and year of birth	Positions	Starting time of term of office	Shareholding or not
LIU Kai (劉凱)	Male	March 1971	President	November 2023	No
ZHOU Litao (周麗濤)	Male	November 1979	Vice president	November 2023	No
LIU Qingfen (劉清奮)	Male	March 1970	Assistant to the president	November 2023	No
SHAO Qiang (邵強)	Male	October 1970	Assistant to the president	November 2023	No
WANG Tianqi (王天奇)	Male	February 1985	Assistant to the president	November 2023	No
WANG Le (王樂)	Male	November 1977	Assistant to the president	November 2023	No
LIU Juan (劉娟)	Female	November 1973	Assistant to the president	November 2023	No
YAO Hongbo (姚紅波)	Male	April 1969	Assistant to the president	November 2023	No
SUO Jia (索佳)	Female	January 1975	Assistant to the president	November 2023	No
HU Hao (扈浩)	Male	July 1983	Chief Information Officer	November 2023	No
NIE Guoqing (聶國慶)	Male	April 1969	Business director	November 2023	No
PAN Wenyao (潘文堯)	Male	September 1972	Secretary to the Board	December 2023	No
TONG Qi (佟琦)	Female	September 1975	General manager of the financial and accounting department	November 2023	No
HUANG Ming (黃明)	Female	September 1974	General manager of the audit department	November 2023	No

2. Changes of the Directors, Supervisors and Senior Management

2.1 Changes of the Directors

During the Reporting Period, Mr. XU Nuojin (徐諾金), an executive Director and the chairman of the Board, tendered his resignation to the Board on April 6, 2023, and resigned as an executive Director, the chairman of the Board, the chairman of the Strategy and Development Committee of the Board of the Bank due to change of work arrangement. For more details, please refer to the Bank's announcement dated April 6, 2023.

On May 8, 2023, the Bank held the 2023 first extraordinary general meeting to consider and approve the appointment of Mr. GUO Hao (郭浩) as an executive Director of the second session of the Board of Directors of the Bank. The qualification of Mr. GUO Hao as the Director was approved by the National Financial Regulatory Administration Henan Office (formerly the China Banking and Insurance Regulatory Commission Henan Office) on May 12, 2023. Mr. GUO Hao was elected as the Chairman of the Board of the Bank at the meeting of the Board of the Bank held on May 15, 2023. The qualification of Mr. GUO Hao as the chairman of the Board was approved by the National Financial Regulatory Administration Henan Office (formerly the China Banking and Insurance Regulatory Commission Henan Office) on June 12, 2023. For more details, please refer to the Bank's announcement dated April 14, 2023, May 8, 2023, May 15, 2023 and June 12, 2023 and the Bank's circular dated April 14, 2023.

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

During the Reporting Period, Mr. WANG Jiong (王炯), an executive Director and the vice chairman, tendered his resignation to the Board on October 8, 2023, and resigned as the vice chairman of the second session of the Board of Directors, the executive Director, the chairman of the Consumer Rights Protection Committee of the Board, the member of the Strategy and Development Committee of the Board, the member of the Risk Management Committee of the Board and the member of the Related Party Transactions Control Committee of the Board of the Bank due to change of work arrangement, he also resigned as an executive Director candidate for the third session of the Board of Directors of the Bank. For more details, please refer to the Bank's announcement dated October 8, 2023.

On October 12, 2023, the Bank held the 2023 second extraordinary general meeting to re-elect Mr. GUO Hao as an executive Director of the third session of the Board of Directors and re-elect Ms. ZHANG Qiuyun (張秋雲) as a non-executive Director of the third session of the Board of Directors, elect Mr. FENG Ruofan (馮若凡) and Ms. ZHANG Shu (張姝) as non-executive Directors of the third session of the Board of Directors and elect Mr. XU Yiguo (徐義國), Ms. ZHAO Zijian (趙紫劍), Mr. WANG Maobin (王茂斌), Mr. PAN Xinmin (潘新民) and Mr. GAO Pingyang (高平陽) as independent non-executive Directors of the third session of the Board of Directors, respectively. The qualifications of Mr. FENG Ruofan, Ms. ZHANG Shu, Mr. XU Yiguo, Ms. ZHAO Zijian, Mr. WANG Maobin, Mr. PAN Xinmin and Mr. GAO Pingyang as Directors were approved by the National Financial Regulatory Administration Henan Office on November 8, 2023. The first meeting of the third session of the Board of Directors of the Bank was convened on November 28, 2023, at which Mr. GUO Hao was elected as the chairman of the Board of the third session of the Board of Directors of the Bank. For more details, please refer to the Bank's announcement dated September 21, 2023, October 12, 2023 and November 28, 2023 and the Bank's circular dated October 12, 2023.

2.2 Changes of Supervisors

During the Reporting Period, Ms. JIA Jihong (賈繼紅), a vice chairwoman of the Board of Supervisors, resigned as the vice chairwoman of the Board of Supervisors, an employee representative Supervisor of the Bank, the member of the Nomination Committee of the Board of Supervisors and the member of the Supervision Committee of the Board of Supervisors on January 3, 2023 due to personal health reasons. For more details, please refer to the Bank's announcement dated January 3, 2023.

During the Reporting Period, Ms. LI Weizhen (李偉真), a Supervisor of the Bank, resigned as the Supervisor of the Bank and the member of the Supervision Committee of the Board of Supervisors on February 22, 2023 due to her work adjustment. For more details, please refer to the Bank's announcement dated February 22, 2023.

During the Reporting Period, Mr. LI Wanbin (李萬斌), a Supervisor of the Bank, resigned as the Supervisor of the Bank and the member of the Supervision Committee of the Board of Supervisors on June 20, 2023 due to his personal intention to focus on other work matters. For more details, please refer to the Bank's announcement dated June 20, 2023.

On July 21, 2023, Ms. DAN Limin (淡利敏) was democratically elected as an employee representative Supervisor of the second session of the Board of Supervisors of the Bank on the Employees' Representative Meeting of the Bank. For more details, please refer to the Bank's announcement dated July 21, 2023.



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

The term of office of the second session of the Board of Supervisors of the Bank has expired. Mr. YOU Xiang (游翔) and Mr. ZHANG Ke (張克) were democratically elected and Ms. DAN Limin (淡利敏) was re-elected as employee representative Supervisors of the third session of the Board of Supervisors of the Bank at the 4th meeting of the third session of Employees' Representative Meeting of the Bank on October 12, 2023; Ms. WANG Xiaoyan (王小燕), Mr. YAN Yongfu (閆永夫) and Ms. LU Suyue (陸素月) were elected as the Shareholder representative Supervisors of the third session of the Board of Supervisors, and Mr. LI Xingzhi (李興智), Ms. GU Xiujuan (谷秀娟) and Ms. LIU Xia (劉霞) were elected as the external Supervisors of the third session of the Board of Supervisors at the second extraordinary general meeting of the Bank held on October 12, 2023, respectively. Mr. YOU Xiang was elected as the Chairman of the third session of the Board of Supervisors and Mr. ZHANG Ke was elected as the vice president of the third session of the Board of Supervisors at the 1st meeting of the third session of the Board of Supervisors of the Bank held on October 12, 2023. For more details, please refer to the Bank's announcement dated September 21, 2023 and October 12, 2023.

2.3 Changes of Senior Management

During the Reporting Period, the qualification of Mr. LIU Kai (劉凱) as the president of the Bank was approved by formerly China Banking and Insurance Regulatory Commission Henan Office on January 18, 2023. For more details, please refer to the Bank's announcement dated January 20, 2023.

During the Reporting Period, Mr. HU Hao (扈浩) was appointed as the Chief Information Officer of the Bank following the consideration and approval at the 49th meeting of the second session Board of Directors of the Bank.

During the Reporting Period, Mr. NIE Guoqing (聶國慶) was appointed as the business director of the Bank following the consideration and approval at the 51st meeting of the second session Board of Directors of the Bank.

During the Reporting Period, Mr. YOU Xiang resigned as the assistant to the president of the Bank and Mr. Zhang Ke resigned as the secretary to the Board of Directors of the Bank due to work adjustment.

During the Reporting Period, Mr. PAN Wenyao (潘文堯) was appointed as the secretary of the Board of Directors of the Bank following the consideration and approval at the 1st Meeting of the third session of the Board of Directors of the Bank, the qualification of Mr. PAN Wenyao as the secretary of the Board of Directors was approved by the National Financial Regulatory Administration Henan Office on December 28, 2023. For more details, please refer to the Bank's announcement dated November 28, 2023 and December 29, 2023.

Save as disclosed above, there is no other information relating to the Directors, Supervisors and senior management of the Bank that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

3. Biography of Directors, Supervisors and Senior Management

3.1 Biography of Directors

Mr. GUO Hao (郭浩), born in June 1974, Chinese, doctoral degree. Mr. GUO Hao is an executive Director of the Bank. He was a representative of the 13th and 14th National People's Congress and a member of the 11th Henan Provincial Committee of the Communist Party of China. Mr. GUO Hao has been the secretary of the party committee, the chairman of the Board and an executive Director of the Bank since June 2023. From May 2023 to June 2023, he served as the secretary of the party committee and an executive Director of the Bank. From April 2023 to May 2023, he served as the secretary of the party committee of the Bank. From March 2023 to April 2023, he served as the deputy secretary of the party leadership group and candidate for director of the Henan Provincial Financial Supervision and Administration. From November 2017 to March 2023, he served as the deputy secretary of the Hebi Municipal Committee, acting mayor and mayor of Hebi city, Henan Province. From August 2016 to November 2017, he served as the deputy secretary-general of the Henan Provincial Government, member of the party leadership group of the general office of the Henan Provincial Government, secretary of the party leadership group and director of the research office of the Henan Provincial Government. From September 2013 to August 2016, he served as the deputy secretary-general of the Henan Provincial Government and member of the party leadership group of the general office of the Henan Provincial Government. From February 2009 to September 2013, he served as a member of the party leadership group and the deputy director of the financial services office of the Henan Provincial Government. From October 2008 to February 2009, he served as a member of the party committee and deputy director of the Henan Rural Credit Cooperatives Union. From April 2004 to October 2008, he successively served as the deputy director and director of Financial Work Committee of Beijing Municipal Committee (Financial Work Office of Beijing Municipal Government), State-owned Assets Supervision and Administration Commission of Beijing Municipality, and Beijing Municipal Commission of Development and Reform (Beijing Municipal Financial Services Leading Group Office). From July 1999 to April 2004, he worked at the headquarters of China Development Bank. Mr. Guo Hao obtained a bachelor's degree in economics from Renmin University of China in July 1996, a master's degree in economics from Renmin University of China in July 1999, and a doctor's degree in economics from Renmin University of China in July 2003.

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

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

Mr. FENG Ruofan (馮若凡), born in September 1983, Chinese, with a master's degree, is a senior economist. Mr. Feng Ruofan is a non-executive Director of the Bank. Mr. FENG Ruofan has been serving as the director of the financial management department of Henan Investment Group Co., Ltd. (河南投資集團有限公司) since December 2023, an executive director of Zhongfu Digital Technology Co., Ltd. (中富數字科技有限公司) since April 2023, and the deputy general manager of Henan Zhongyuan Financial Holdings Co., Ltd. (河南中原金融控股有限公司) since September 2022. From September 2019 to December 2023, he served as the deputy director of the financial management department of Henan Investment Group Co., Ltd. (during which, he worked as an exchange personnel at the second customer division of the Henan Branch of China Development Bank and served as the deputy director from January 2020 to December 2020). From April 2018 to September 2019, he served as the senior business manager of the financial management department of Henan Investment Group Co., Ltd. From November 2015 to April 2018, he served as the business manager of the financial management department of Henan Investment Group Co., Ltd. From November 2008 to November 2015, he successively served as the business supervisor and business manager of the eighth asset management department and the business manager of the second asset management department of Henan Investment Group Co., Ltd. Mr. FENG Ruofan obtained a bachelor's degree in international communication from the School of Communication of the Universal College of Learning in New Zealand in July 2007 and a master's degree in global communication from the School of Journalism and Communication of The Chinese University of Hong Kong in December 2008.

Ms. ZHANG Shu (張姝), born in June 1965, Chinese, with a master's degree, is an intermediate economist. Ms. ZHANG Shu is a non-executive Director of the Bank. Ms. ZHANG Shu has been serving as a director of Jiangsu Wuzhong Group Co., Ltd. (江蘇吳中集團有限公司) since March 2023. From December 2011 to March 2023, she served as the vice president of Jiangsu Wuzhong Group Co., Ltd. From October 2011 to December 2011, she served as the general manager of the risk management department of Bank of China Suzhou Branch (中國銀行蘇州分行). From March 2007 to October 2011, she served as the president of Bank of China Suzhou Wuzhong Branch (中國銀行蘇州吳中支行). From September 2003 to March 2007, she served as the vice president of Bank of China Suzhou Industrial Park Sub-branch (中國銀行蘇州工業園區支行). From October 1999 to September 2003, she successively served as the assistant president of the office and risk management department of BOC International Holdings (Hong Kong) Limited (中銀國際控股(香港)有限公司). From May 1992 to October 1999, she served as the section chief of the first credit division of the credit business department of Bank of China Suzhou Branch (中國銀行蘇州分行). From May 1990 to May 1992, she worked at the trade settlement department of Bank of China Suzhou Branch. From August 1986 to May 1990, she worked at the business department of Bank of China Suzhou Branch. She has been concurrently serving as a shareholder director of Bank of Suzhou Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 002966.SZ) since July 2016. Ms. ZHANG Shu graduated from Nanjing Normal University in June 1995, majoring in English and graduated from the Graduate School of Chinese Academy of Social Sciences in April 1998, majoring in world economy.

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

Mr. XU Yiguo (徐義國), born in June 1972, Chinese, doctoral degree. Mr. XU Yiguo is an independent non-executive Director of the Bank. Mr. XU Yiguo has been a professor and doctoral supervisor at the University of Chinese Academy of Social Sciences since October 2022. He has been concurrently serving as the secretary-general of the National Institution for Finance & Development (the first batch of national high-end think tanks) since January 2016. From September 2003 to October 2022, he served as a researcher at the Institute of Finance & Banking, Chinese Academy of Social Sciences (中國社會科學院金融研究所). From July 1994 to September 2003, he served as the deputy director and a lecturer of the Department of Business Administration of the School of Administrators, Chinese Academy of Sciences (School of Management, University of Science and Technology of China) (中國科學院管理幹部學院(中國科技大學管理學院)). Mr. XU Yiguo obtained a bachelor's degree in economics from Renmin University of China (中國人民大學) in July 1994 and a doctor's degree in economics from the University of Chinese Academy of Social Sciences (中國社會科學院大學) in July 2008.

Ms. ZHAO Zijian (趙紫劍), born in October 1968, Chinese, doctoral degree. Ms. ZHAO Zijian is an independent non-executive Director of the Bank. Ms. ZHAO Zijian has been serving as the dean of the School of Finance of Henan University of Economics and Law since June 2022. From November 2011 to June 2022, she served as the deputy dean of the School of Finance of Henan University of Economics and Law. From June 2004 to November 2011, she successively served as the deputy general manager of the personal finance business department and the vice president of the large branch of Bank of Communications Henan Branch (交通銀行河南省分行). From July 1996 to September 2001, she served as a lecturer at the Department of Finance of Henan College of Finance and Economics (河南財經學院). From July 1990 to September 1993, she worked at the comprehensive division of the Economic Information Center of the Planning Commission of Xinxiang City, Henan Province. Ms. ZHAO Zijian obtained a bachelor's degree in economics from Nankai University (南開大學) in July 1990, a master's degree in economics from Nankai University in July 1996 and a doctor's degree in economics from Central University of Finance and Economics in June 2004.

Mr. WANG Maobin (王茂斌), born in October 1973, Chinese, doctoral degree. Mr. WANG Maobin is an independent non-executive Director of the Bank. Mr. WANG Maobin has been successively serving as a lecturer, associate professor, professor and vice dean of the School of Banking & Finance, University of International Business and Economics (對外經濟貿易大學金融學院) since August 2007. From July 2003 to September 2004, he served as the head of the R&D center of Minan Futures Brokerage Co., Ltd. (民安期貨經紀有限公司). From April 2003 to July 2003, he served as the secretary of the president of Wanlian Securities Co., Ltd. (萬聯證券有限責任公司). From July 1999 to April 2003, he successively served as the investment manager and assistant to the general manager of the business department of China Southern Securities Guangzhou Branch (南方證券廣州分公司). From July 1994 to September 1996, he worked at Bank of China Huangshan Branch, Anhui Province (中國銀行安徽省黃山市分行). Mr. WANG Maobin obtained a bachelor's degree in economics from Renmin University of China in July 1994, a master's degree in economics from Renmin University of China in July 1999 and a doctor's degree in management majoring in finance and investment management from Sun Yat-sen University (中山大學) in June 2007.



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

Mr. PAN Xinmin (潘新民), born in January 1957, Chinese, doctoral degree, is a senior economist. Mr. PAN Xinmin is an independent non-executive Director of the Bank. Mr. PAN Xinmin has been an external Supervisor of the Bank from early January 2019 to October 2023 and a senior researcher of Henan Songshan Think Tank (河南嵩山智庫) since November 2018. He served as an inspector in the inspection group at the head office of China Merchants Bank (招商銀行總行) from December 2015 to February 2017, the secretary of the party committee and the president of China Merchants Bank Kunming Branch (招商銀行昆明分行) from December 2009 to December 2015, the secretary of the party committee and the president of China Merchants Bank Zhengzhou Branch (招商銀行鄭州分行) from December 2002 to December 2009, head of the planning group of China Merchants Bank Zhengzhou Branch (招商銀行鄭州分行) from July 2002 to December 2002, the secretary of the party committee and the president of China Everbright Bank Dalian Branch (中國光大銀行大連分行) from April 2001 to July 2002. He worked at China Construction Bank Henan Branch (建設銀行河南省分行), successively serving a clerk, deputy chief officer of Henan Branch, vice president and member of the party leadership group of Zhumadian Branch (駐馬店分行), deputy director of Sanding office of Henan Branch, the general manager of Henan Trust Investment Co., Ltd. (河南省信託投資公司), the secretary of the party committee and the president of Shangqiu Branch (商丘分行) and vice president and member of the party leadership group of Henan Branch from April 1980 to April 2001. From September 1977 to April 1978, he worked at the Third Coal Mine of Hebi Mining Bureau (鶴壁礦務局第三煤礦). In July 1983, Mr. PAN Xinmin was appointed by Henan Construction Bank to audit and study in the Department of Infrastructure Construction of Finance & Economics Institution of Hubei. He graduated from the Party School of the CPC Committee of Henan Province with a bachelor's degree (night-school course) in economic management in July 1994. He obtained a master's degree in economics from Zhongnan University of Finance and Economics (中南財經大學) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) in June 1997, a bachelor's degree in economics majoring in international finance from Wuhan University in July 1999 and a doctor's degree in management from Huazhong University of Science and Technology (華中科技大學) in December 2008. Mr. PAN Xinmin obtained the senior economist qualification in March 1994, the certified public accountant qualification from the Chinese Institute of Certified Public Accountants in December 1997 and was granted the title of "outstanding expert in Henan Province" by the CPC Committee and Government of Henan Province in July 2008.

Mr. GAO Pingyang (高平陽), born in July 1979, a Hong Kong resident, doctoral degree. Mr. GAO Pingyang is an independent non-executive Director of the Bank. Mr. GAO Pingyang has been an associate dean and professor of the Business School of the University of Hong Kong since June 2020. From July 2008 to June 2020, he successively served as an assistant professor and associate professor at The University of Chicago Booth School of Business. Mr. GAO Pingyang obtained a bachelor's degree in economics from Renmin University of China in July 2002 and a master's degree in economics from Peking University in June 2004, and a doctor's degree in philosophy from Yale University in the United States in December 2008.

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

3.2 Biography of Supervisor

Mr. YOU Xiang (游翔), born in December 1971, Chinese. Mr. YOU Xiang is an employee representative Supervisor of the Bank. From June 2022 to October 2023, Mr. YOU Xiang has served as an assistant to the president (vice president level) of the Bank, from July 2022 to September 2022, he concurrently served as the leader of the preparatory team of the Zhengzhou Airport District Sub-branch of the Bank, from September 2022 to November 2022, he concurrently served as Secretary of the Party Committee and President of the Zhengzhou Airport District Sub-branch of the Bank. From November 2019 to June 2022, he served as a member of the Party Committee of China Travel Financial Investment Holdings Co., Limited, and deputy secretary of the Party Committee, president and director of Bank of Jiaozuo China Travel Services Co., Ltd. (焦作中旅銀行股份有限公司). From August 2015 to November 2019, he served as deputy secretary of the Party Committee, president and director of Bank of Jiaozuo China Travel Services Co., Ltd. From May 2014 to August 2015, he served as deputy secretary of the Party Committee, president and director of Jiaozuo Commercial Bank Co., Ltd. (焦作市商業銀行股份有限公司). From April 2013 to May 2014, he served as the general manager of the corporate business management department of China Everbright Bank, Zhengzhou Branch. From April 2005 to April 2013, he worked at China CITIC Bank Corporation Limited, successively served as general manager of the corporate business department I of Zhengzhou Branch, president of Zhongqing Sub-branch of Zhengzhou Branch, general manager of the corporate banking department of Zhengzhou Branch, leader of the preparatory team of Jiaozuo Branch, secretary of the Party Committee and president of Jiaozuo Branch and general manager of the Legal Security Department of Zhengzhou Branch. From December 2000 to April 2005, he served as account manager and assistant to the president of Ronghua Sub-branch, Zhengzhou Branch of China Everbright Bank Company Limited. From November 1991 to December 2000, he served as an officer of Kaifeng Branch of Industrial and Commercial Bank of China. Mr. YOU Xiang obtained his master's degree in law from Henan University in June 2008.

Mr. ZHANG Ke (張克), born in October 1977, Chinese, is a chief senior accountant. Mr. ZHANG Ke is an employee representative Supervisor of the Bank. Mr. ZHANG Ke has served as the secretary to the Board and a joint company secretary of the Bank from September 2023 to October 2023. From June 2022 to September 2023, he served as secretary to the Board, joint company secretary of the Bank and secretary of the Party Committee and president of Jiaozuo Branch of the Bank. From December 2021 to June 2022, he served as secretary to the Board and joint company secretary of the Bank. From July 2017 to December 2021, he served as secretary to the Board, joint company secretary and general manager of the Office of the Board and Supervisory Committee of the Bank. From December 2014 to July 2017, he served as secretary to the Board and general manager of the Office of the Board and Supervisory Committee of the Bank. From December 2013 to December 2014, he worked in the Restructuring Department of the Reform and Restructuring Committee of City Commercial Bank in Henan Province. From April 2010 to December 2013, he served as a director, chief accountant and general manager of the accounting and finance department of Kaifeng Commercial Bank Co., Ltd. From July 2007 to March 2010, he served as the business manager of the corporate planning department of Henan Investment Group Co., Ltd. From July 1999 to June 2007, he served as the deputy chief officer of the accounting and finance section of the Central Sub-branch of Sanmenxia City of the People's Bank of China. Mr. ZHANG Ke obtained a bachelor's degree in accounting from Henan University of Finance and Economics in June 1999. He obtained a master's degree in business administration from Xi'an University of Technology in April 2006. He was accredited as a senior accountant in December 2008 and a chief senior accountant in December 2019.

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

Ms. DAN Limin (淡利敏), born in November 1978, Chinese, is a senior accountant. Ms. DAN Limin has been serving as an employee representative Supervisor of the Bank since July 2023, vice chairman of the Labor Union of the Bank since February 2023, and general manager of the Office of the Supervisory Committee of the Bank since July 2022. From August 2019 to July 2022, she served as the general manager (business director level) of the Office of the Board (Supervisory Committee) of Bank of Jiaozuo China Travel Services Co., Ltd. From March 2011 to August 2019, she served as the deputy director (in charge of work) of the financing division of the Henan Provincial Land Development and Investment Management Center (河南省國土開發投資管理中心), and the general manager and legal representative of Henan Land Assets Operation Company (河南國土資產運營公司). From May 2008 to March 2011, she served as the general manager of the Group Finance Department of Henan Hexie Industrial Group Co., Ltd. (河南和諧實業集團有限公司). From January 2007 to May 2008, she served as the chief financial officer of Zhengzhou Real Estate Great Wall Real Estate Development and Operation Co., Ltd. (鄭州地產長城房地產開發經營有限公司). From March 2005 to January 2007, she served as the head of the treasury department of Henan Shunchi Real Estate Co., Ltd. (河南順馳地產有限責任公司). From July 2000 to December 2004, she worked in the finance department of Xi'an Tongshi Group Company (西安通視集團公司). Ms. DAN Limin obtained a bachelor's degree in economics from Xi'an Jiaotong University in July 2000 and a master's degree in business administration from Xi'an Jiaotong University in December 2010.

Ms. WANG Xiaoyan (王小燕), born in November 1979, Chinese, is a senior international finance manager, a senior management accountant and an intermediate accountant. Ms. WANG Xiaoyan is the Shareholder representative Supervisor of the Bank. Ms. WANG Xiaoyan has been serving as the financing director of Luoyang Guosheng Investment Holding Group Co., Ltd. (洛陽國晟投資控股集團有限公司) since April 2022. From November 2016 to April 2022, Ms. WANG Xiaoyan worked in Luoyang City Development Investment Group Co., Ltd. (洛陽城市發展投資集團有限公司) and successively acted as the deputy head and head of the financial management department and the financing director (during which she concurrently acted as the chairwoman of Shenzhen Heluo Tianji Holdings Co., Ltd. (深圳河洛天基控股有限公司), a subsidiary of Luoyang City Development Investment Group Co., Ltd. from April 2021 to April 2022). From June 2004 to November 2016, Ms. WANG Xiaoyan worked in Wanji Holding Group Co., Ltd. and successively served as an accountant of the financial division and the deputy head and head of the capital management office. Ms. WANG Xiaoyan obtained a bachelor's degree in accounting from Zhengzhou University in July 2021.

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

Mr. YAN Yongfu (閔永夫), born in August 1965, Chinese, a Hong Kong resident, is a senior economist. Mr. YAN Yongfu is the Shareholder representative Supervisor of the Bank. Mr. YAN Yongfu has been serving as an assistant to the general manager of CTG Development Corporation Limited since November 2022. From September 2018 to November 2022, he served as an assistant to the general manager of CTG Financial Services Corporation Limited. From December 2014 to June 2020, he concurrently served as the chairman of the board of directors of China National Travel Service (HK) Finance Company Limited (港中旅財務有限公司). From August 2012 to September 2018, he served as the deputy general manager of China Travel Financial Holdings Co., Limited (renamed as China Travel Financial Investment Holdings Co., Limited in September 2015) (during which, he also served as the vice chairman of Bank of Jiaozuo China Travel Services Co., Ltd. from January 2016 to October 2017). From October 2003 to August 2012, he successively held various positions at the China Banking Regulatory Commission, including the head of the miscellaneous financial institutions supervision division of the Henan Office, the director and the secretary of the party committee of the Xinxiang Sub-office, the director and the secretary of the party committee of the Zhoukou Sub-office, the director of the propaganda department of the party committee of the Henan Office, the head of the second state-owned bank supervision division of the Henan Office, the head of the first on-site inspection division of the Henan Office, and the head of the urban commercial bank supervision division of the Henan Office. From August 1987 to October 2003, he successively held various positions at the People's Bank of China, including staff member of the Zhengzhou Branch, assistant to the head and auditor of the auditing division of the Henan Branch, deputy head of the banking supervision division of the Zhengzhou Central Sub-branch, deputy head of the investigation and statistics division of the Zhengzhou Central Sub-branch, and deputy head and head of the cooperative financial institutions supervision division of the Zhengzhou Central Sub-branch. Mr. YAN Yongfu obtained a bachelor's degree in economics majoring in finance from Renmin University of China in July 1987 and a master's degree in economics majoring in finance from the Department of Finance of Xiamen University in November 2001.

Ms. LU Suyue (陸素月), born in June 1969, Chinese, is an intermediate economist. Ms. LU Suyue is the Shareholder representative Supervisor of the Bank. Ms. LU Suyue has been serving as the vice president and a director of Henan Rebecca Holding Co., Ltd. (河南瑞貝卡控股有限責任公司) since January 2017. From June 2006 to January 2017, Ms. LU Suyue served as the general manager of the capital management center and a director of Henan Rebecca Holding Co., Ltd. From March 1998 to May 2006, she served as the head of the financing department of Henan Rebecca Hair Products Co., Ltd. (河南瑞貝卡髮製品股份有限公司). From March 1993 to February 1998, she served as the head of the finance section of Henan Rebecca Co., Ltd. (河南瑞貝卡有限公司).



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

Mr. LI Xingzhi (李興智), born in March 1962, Chinese, is a researcher. Mr. LI Xingzhi is an external Supervisor of the Bank. Mr. LI Xingzhi has been the president of Henan Central China Industrial Economic Development Strategies Research Institute (河南省中原工業經濟發展戰略研究院) and the vice chairman of Henan Capital Market Institution (河南省資本市場學會) since December 2021. He served as the chairman of Henan Century Yongtai Holding Co., Ltd. (河南世紀永泰控股有限公司) from November 2017 to July 2022, the chairman of Henan Huachen Power Group Co., Ltd. (河南華晨電力集團有限公司) from August 2017 to March 2022, and the vice president of Yongtai Group Co., Ltd. (永泰集團有限公司) from August 2017 to March 2022. From September 2010 to January 2017, Mr. LI Xingzhi served as the secretary of the party committee and the president of the Nanjing Branch of China Guangfa Bank. From August 1995 to August 2010, Mr. LI Xingzhi worked at the Zhengzhou Branch of China Guangfa Bank and successively served as a member of the party leadership group, a member of the preparation group, the assistant president, the vice president and the president (and the secretary of the party committee). From November 1985 to August 1995, Mr. LI Xingzhi worked at the first division, the comprehensive division, the fourth division and the fifth division of the governor's office of the General Office of the People's Government of Henan Province and successively served as the deputy chief officer, the chief officer and the special secretary at deputy department director level. From August 1983 to November 1985, Mr. LI Xingzhi served as the deputy director of the development strategy office of the economic institute of Henan Province Planning Economy Commission (河南省計劃經濟委員會). Mr. LI Xingzhi obtained a bachelor's degree in economics from Jiangxi College of Finance and Economics (江西財經學院) in July 1983, a master's degree in philosophy from Tsinghua University in July 2002 and a doctor's degree in business administration from Huazhong University of Science and Technology in December 2009 and was awarded the qualification of a researcher in December 2003.

Ms. GU Xiujuan (谷秀娟), born in April 1968, Chinese. Ms. GU Xiujuan is an external Supervisor of the Bank. Ms. GU Xiujuan has been a professor of the School of Economics and Trade of Henan University of Technology since November 2014 and retired in April 2023. From June 2004 to October 2014, Ms. GU Xiujuan served as the dean of the School of Economics and Trade of Henan University of Technology. From May 2001 to May 2004, Ms. GU Xiujuan served as the head of the inspection division of China Securities Regulatory Commission Beijing Bureau. From March 1997 to May 2001, Ms. GU Xiujuan served as the deputy head of the financial inspection division of China Securities Regulatory Commission Beijing Bureau. From October 1994 to February 1997, Ms. GU Xiujuan served as the head of the management division and the audit division of the sub-center of the Beijing Housing Fund Management Center. From May 1992 to September 1994, Ms. GU Xiujuan served as the deputy head of the housing project department of the housing project office of the World Bank in Beijing and the deputy head of the management division of the sub-center of the Beijing Housing Fund Management Center. In addition, Ms. GU Xiujuan has been concurrently serving as an independent director of Henan Shenhua Coal & Power Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 000933.SZ) since May 2020 and an independent director of Yutong Bus Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600066.SH) since April 2020. She has been concurrently serving as an independent director of Xinjiang Guotong Pipeline Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 002205.SZ) since October 2019. She concurrently served as an independent director of Shaanxi Zhongtian Rocket Technology Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 003009.SZ) from June 2020 to July 2023. Ms. GU Xiujuan obtained a bachelor's degree in statistics from Renmin University of China in July 1989, a master's degree in finance from Renmin University of China in July 1992 and a doctor's degree in international finance from Renmin University of China in September 2000.

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

Ms. LIU Xia (劉霞), born in November 1978, Chinese. Ms. LIU Xia is an external Supervisor of the Bank. Ms. LIU Xia has been a professor of Zhengzhou University since March 2023. Ms. LIU Xia has been the dean of the Department of Finance of the Business School of Zhengzhou University since May 2020; a doctoral supervisor of international students at Zhengzhou University since September 2019; and a master supervisor at Zhengzhou University since September 2014. From July 2004 to March 2023, Ms. LIU Xia successively served as a teaching assistant, a lecturer and an associate professor at Zhengzhou University (during which she pursued her doctor's degree in economics at Renmin University of China from September 2008 to January 2012 and acted as a visiting scholar at the University of California from November 2015 to May 2016). Ms. LIU Xia obtained a bachelor's degree in economics from Henan Normal University in July 2000, a master's degree in economics from Shaanxi Normal University in June 2004 and a doctor's degree in economics from Renmin University of China in January 2012. Ms. LIU Xia was awarded the Backbone Youth Teacher in Henan Province in 2018.

3.3 Biography of Senior Management

Mr. LIU Kai (劉凱), born in March 1971, Chinese. Mr. LIU Kai is the deputy secretary to the party committee and the president of the Bank. Mr. LIU Kai has served as the deputy secretary to the party committee and president of the Bank from January 2023 to present; served as the deputy secretary to the party committee and acting president of the Bank from August 2022 to January 2023; served as a member of the party committee and vice president of the Bank from December 2014 to August 2022; served as a member of the Leading Group Office for the reform and restructuring and the head of planning department of some city commercial banks in Henan Province from November 2013 to December 2014; served as the assistant to the head of the Bureau of Financial Market of PBOC from August 2011 to November 2013; served as the secretary to the party committee and the president of PBOC Anyang Central Sub-branch from May 2007 to August 2011; served as the manager of the office of PBOC Zhengzhou Central Sub-branch from December 1998 to May 2007; served as a section member of the Henan Branch of PBOC from July 1993 to December 1998. Mr. LIU Kai received a bachelor's degree in law from Zhengzhou University in June 1993 and a master's degree in liberal arts from Henan University in June 2007.

Mr. ZHOU Litao (周麗濤), born in November 1979, Chinese, intermediate economist. Mr. ZHOU Litao is the vice president of the Bank. Mr. ZHOU Litao has served as the vice president of the Bank and the secretary of the party committee and the president of Luoyang Branch from June 2022 to present; served as the vice president of the Bank from May 2018 to June 2022; served as the corporate business director of the Bank from December 2014 to May 2018; served as the general manager of the asset management department of the investment banking division of the head office of the China CITIC Bank from May 2013 to December 2014; served as the general manager of the strategic customer department of the Zhengzhou Branch of China CITIC Bank (中信銀行鄭州分行) from January 2013 to May 2013; served as the general manager of investment banking division of the Zhengzhou Branch of China CITIC Bank from August 2012 to January 2013; served successively as the product manager, assistant to the general manager, deputy general manager and general manager of the investment banking center of Zhengzhou Branch of China CITIC Bank from March 2008 to August 2012; served as the product manager of the corporate banking department of Zhengzhou Branch of China CITIC Bank from February 2006 to March 2008; worked at the Henan Branch of the China Construction Bank (中國建設銀行河南省分行) from July 2001 to July 2003. Mr. ZHOU Litao obtained his bachelor's degree in economics and a master's degree in business administration from Xi'an Jiaotong University in July 2001 and February 2006, respectively.

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

Mr. LIU Qingfen (劉清奮), born in March 1970, Chinese, intermediate economist. Mr. LIU Qingfen is an assistant to the president of the Bank. Mr. LIU Qingfen has served as a member of the party committee and an assistant to the president of the Bank from October 2023 to present; served as a member of the party committee and an assistant to the president of the Bank and the secretary to the party committee of AB Leasing Co., Ltd. from January 2023 to October 2023; served as a member of the party committee and an assistant to the president of the Bank from March 2022 to January 2023; served as an assistant to the president of the Bank from June 2018 to March 2022; served as the general manager of the corporate banking department of the Bank from February 2018 to June 2018; served as the secretary to the party committee and president of the Zhengzhou Branch of the Bank from July 2017 to February 2018; served as the secretary to the party committee and general manager of the head office of the Bank from December 2014 to July 2017; served as the deputy secretary to the party committee and the proposed president of Kaifeng Commercial Bank (開封市商業銀行) from February 2013 to December 2014; served as the Director of the Dongdajie business department of the Zhengzhou Branch of China Industrial Bank from July 2012 to February 2013; served as the president of the Dongdajie Sub-branch (東大街支行) of the Zhengzhou Branch of China Industrial Bank from August 2007 to July 2012; served as the head of business expansion department of the Zhengzhou Branch of China Industrial Bank (興業銀行鄭州分行) from April 2006 to August 2007; served as the president of the Weiwu East Road Sub-branch (緯五東路支行) of the Zhengzhou Branch of Bank of Communications from June 2005 to April 2006; served as the vice president of the Weizhong Sub-branch (緯中支行) of the Zhengzhou Branch of Bank of Communications from April 2004 to June 2005; served successively as the account manager and the deputy section chief of the customer section of the business department of Zhengzhou Branch of Bank of Communications (交通銀行鄭州分行) from November 2000 to April 2004; served as the deputy director of the office of Zhengzhou Commercial Bank from January 2000 to November 2000; the vice president of Zhengbian Road Sub-branch (鄭汴路支行) and Qiaojiamen Sub-branch (喬家門支行) of Zhengzhou Commercial Bank successively from July 1998 to January 2000 (taking charge of work) and the section member of the office of Zhengzhou Commercial Bank (鄭州市商業銀行) from July 1994 to July 1998. Mr. Liu Qingfen obtained his bachelor's degree in liberal arts from Zhengzhou University (鄭州大學) in July 1994.

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

Mr. SHAO Qiang (邵強), born in October 1970, Chinese, senior economist. Mr. SHAO Qiang is an assistant to the president of the Bank. Mr. SHAO Qiang served as the member of the party committee and assistant to the president of the Bank since June 2022; served as a member of the party committee of the Bank from March 2022 to June 2022; served as the deputy secretary to the party committee and president of Bank of Luoyang Co., Ltd. from January 2021 to March 2022; served as the deputy secretary to the party committee of the Bank of Luoyang Co., Ltd. and acting president from July 2020 to January 2021; served as the deputy secretary to the party committee of the Bank of Luoyang Co., Ltd. from June 2020 to July 2020; served as the secretary to the party committee and president of Luoyang Branch of the Bank from November 2016 to June 2020; served as the head of the planning group of Luoyang Branch of the Bank from September 2016 to November 2016; served as the general manager of Luoyang Business Department of the Bank from July 2015 to September 2016; served as the head of Jiaozuo Branch of China Guangfa Bank from April 2015 to July 2015; served as general manager of Human Resources Department of Zhengzhou Branch of China Guangfa Bank from March 2013 to April 2015; served as general manager of Credit Management Department of Zhengzhou Branch of China Guangfa Bank from May 2012 to March 2013; served as the president of the Science and Technology Sub-branch of Zhengzhou Branch of China Guangfa Bank from July 2007 to May 2012; served successively as the business department manager, assistant to the president and president of Songshan Road Sub-branch of Zhengzhou Branch of China Guangfa Bank from July 1998 to July 2007; served as the manager of the branch office of Zhongyuan East Road of Zhengzhou branch of China Guangfa Bank from July 1997 to July 1998; worked at financial and accounting department of Zhengzhou Branch of China Guangfa Bank from September 1996 to July 1997; worked at branch office of Hongzhuan Road of Zhengzhou Branch of China Guangfa Bank from December 1995 to September 1996; served as a section member of the Inspection Section I of the Price Inspection Institute of Henan Province from July 1992 to December 1995. Mr. SHAO Qiang received a bachelor's degree in economics from Henan College of Finance in June 1992 and a doctorate degree in economics from Huazhong University of Science and Technology in December 2011.

Mr. WANG Tianqi (王天奇), born in February 1985, Chinese. Mr. WANG Tianqi is an assistant to the president of the Bank. Mr. WANG Tianqi served as the member of party committee, assistant to the president and secretary to the party committee and president of the Zhengzhou Branch of the Bank since September 2023; served as the member of party committee and assistant to the president of the Bank from August 2022 to September 2023; served as a member of party committee of the Bank from June 2022 to August 2022; served as the member of party committee and the head of the office of the Board of Directors of the Bank from March 2022 to June 2022; served as the head of the office of the Board of Directors of the Bank from January 2022 to March 2022; served as the secretary to the party committee and president of the Luoyang Branch of the Bank from July 2020 to January 2022; served as the secretary to the party committee and president of the Luohe Branch of the Bank from February 2018 to June 2020; served as the general manager of the investment banking division of the Bank from November 2016 to February 2018; served as the vice general manager of the investment banking division of the Bank from December 2014 to November 2016 (presided over the work); served as a registration and examination staff of the Registration Office of the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) from September 2014 to December 2014; served as the policy research post and issuance approval post of the Bond Issuance Management Division of the Bureau of Financial Market of PBOC from September 2013 to September 2014; served as the general post and registration review post of the Registration Office of the National Association of Financial Market Institutional Investors from July 2010 to September 2013. Mr. WANG Tianqi obtained a master's degree in law from China University of Political Science and Law in July 2010.

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

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

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

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



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

Mr. YAO Hongbo (姚紅波), born in April 1969, Chinese, intermediate economist. Mr. YAO Hongbo is an assistant to the president of the Bank. Mr. YAO Hongbo served as the assistant to the president of the Bank and chairman of the board of supervisors of AB Leasing Co., Ltd. since October 2023; served as the assistant to the president of the Bank and deputy secretary to the party committee, chairman of the board of supervisors and secretary of committee for discipline inspection of AB Leasing Co., Ltd. from March 2023 to October 2023; served as the assistant to the president of the Bank and deputy secretary to the party committee and chairman of the board of supervisors of AB Leasing Co., Ltd. from July 2022 to March 2023; served as an assistant to the president of the Bank from May 2019 to July 2022; served as the Bank's retail business director from April 2018 to May 2019; served as the secretary to the party committee and president of the Bank's Xinxiang Branch from March 2016 to April 2018; served as the general manager of the corporate banking department of Zhengzhou Branch of China CITIC Bank from October 2015 to March 2016; served as the secretary of the party committee and the president of China CITIC Bank Jiaozuo Branch from January 2013 to October 2015; served as the president of China CITIC Bank Zhengzhou Dongfeng Road Sub-branch from April 2010 to January 2013; served as the president of China CITIC Bank Zhengzhou Huanghe Road Sub-branch from January 2010 to April 2010; served as the vice president of Zhengzhou Wenhua Road Sub-branch of China CITIC Bank from January 2008 to January 2010; served successively as the assistant to the office chief and the deputy director of Zhengzhou Branch of China CITIC Bank from February 2005 to January 2008; served as the organization section chief in the human resources department of the China Construction Bank Henan Branch from January 2003 to February 2005; served as a cadre in the office research department of the China Construction Bank Henan Branch from January 2002 to January 2003; served as a cadre in the integrated division under the asset protection department in China Construction Bank Henan Branch from April 2001 to January 2002; served successively as the employee, deputy director of the office, director of the branch office and deputy head of the credit section of China Construction Bank's Mianchi County Branch from July 1992 to April 2001. Mr. YAO Hongbo obtained his bachelor's degree in economics from Zhengzhou University in July 1992.

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

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

Mr. HU Hao (扈浩), born in July 1983, Chinese, intermediate engineer. Mr. HU Hao is the chief information officer of the Bank. Mr. HU Hao served as the chief information officer of the Bank since November 2023; served as the technical director of the Bank from June 2018 to November 2023; served as the general manager of information technology department of the Bank from July 2015 to June 2018; served as the head of the e-commerce development group of the information technology management department of China CITIC Bank from November 2013 to July 2015; served as the system development post in the information technology department of the head office of China CITIC Bank from August 2007 to October 2013. Mr. HU Hao received a bachelor's degree in engineering from Tsinghua University in July 2005 and a master's degree in engineering from Tsinghua University in July 2007.

Mr. NIE Guoqing (聶國慶), born in April 1969, Chinese, senior economist. Mr. NIE Guoqing is the business director of the Bank. Mr. NIE Guoqing served as the business director of the Bank since September 2023; served as the general manager of the equity investment management department (township bank management department) of the Bank from July 2022 to September 2023; served as the interim head of the equity investment management department (township bank management department) of the Bank from January 2022 to July 2022; served as the general manager of the rural revitalization and financial department of the Bank from April 2021 to January 2022; served as the head of the rural finance department of the Bank from March 2021 to April 2021; served as the secretary to the party committee and president of Anyang Branch of the Bank from February 2016 to March 2021; served as the secretary to the party committee and president of Puyang Branch of the Bank from December 2014 to February 2016; served as the member of the party committee, president and director of Bank of Puyang Co., Ltd. (濮陽銀行股份有限公司) from November 2012 to December 2014; served as the member of the party committee, president and director of Puyang Commercial Bank Co., Ltd. (濮陽市商業銀行股份有限公司) from February 2010 to November 2012; served as the member of the party committee and deputy general manager of Puyang City Credit Co., Ltd. (濮陽市城市信用合作社股份有限公司) from December 2006 to February 2010; served as the member of the party committee and deputy chief of Urban Credit Cooperative of Puyang (濮陽市城市信用社) from September 2006 to December 2006; served as the head of the corporate business department of Puyang Branch of Bank of China (中國銀行濮陽分行) from December 2005 to September 2006; served as the president of Laocheng Sub-branch (老城支行) of Puyang Branch of Bank of China from January 2003 to December 2005; served as the head of asset preservation department of Puyang Branch of Bank of China from May 2001 to January 2003; served as the deputy chief of risk management department of Puyang Branch of Bank of China from March 2000 to May 2001; worked at credit management section and risk management department of Puyang Branch of Bank of China from March 1998 to March 2000; worked at foreign trading credit section of Puyang Branch of Bank of China from March 1997 to March 1998; worked at Zhongyuan Road Office (中原路辦事處) of Puyang Branch of Bank of China from July 1992 to March 1997. Mr. NIE Guoqing obtained a master's degree in business administration from Shanghai Jiao Tong University in December 2014.



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

Mr. PAN Wenyao (潘文堯), born in September 1972, Chinese. Mr. PAN Wenyao is the secretary to the Board of the Bank. Mr. PAN Wenyao has been the general manager of the party committee office (the office of the Board) of the Bank since January 2023. He successively served as the deputy head of the financial leasing working group of the Bank, the secretary of the party committee, director, acting chairman and chairman of AB Leasing Co., Ltd. from June 2017 to January 2023. He worked at China CITIC Bank from April 1998 to June 2017, and successively served as the deputy manager, manager of the business department and assistant to the president of Wenhua Road Sub-branch, the head and president of the West Sub-branch, the president of Longhai Road Sub-branch, the president of Runhua Sub-branch, the general manager of the international business department, the general manager of the corporate banking department and general manager of the planning and finance department, a member and the secretary of the party committee and president of Anyang Branch, the secretary of the party committee and president of Luoyang Branch and a member of the party committee and the assistant to the president of Lanzhou Branch. He served as the director of the branch office of Shangcheng Road Sub-branch of Zhengzhou Branch of Bank of China from September 1995 to April 1998. He served as the sales manager of Zhuhai Gree Group (珠海格力集團) from July 1994 to September 1995. Mr. PAN Wenyao obtained a bachelor's degree in engineering from Huazhong University of Science and Technology in July 1994 and a master's degree in law from Huazhong University of Science and Technology in June 2007.

Ms. TONG Qi (佟琦), born in September 1975, Chinese. Ms. TONG Qi is the general manager of the financial and accounting department of the Bank. Ms. TONG Qi served as the general manager of the financial and accounting department of the Bank from October 2022 till now; served as the head of the financial and accounting department of the Bank (action in an acting capacity) from January 2022 to October 2022; served as the general manager of the accounting operation department of the Bank from February 2019 to January 2022; served as the vice general manager of the accounting operation department of the Bank (presided over the work) from February 2018 to February 2019; served as the assistant to the general manager of the accounting operation department of the Bank from April 2015 to February 2018; worked in the accounting operation department of the Bank from March 2015 to April 2015; served as the assistant to the president of Zhongmu Sub-branch, Zhengzhou Branch of China CITIC Bank (中信銀行鄭州分行) from November 2014 to March 2015; served as the manager of the accounting inspection division of the accounting department of Zhengzhou Branch of China CITIC Bank from August 2013 to November 2014; served as an accounting manager of Nanyang Road Sub-branch, Zhengzhou Branch of China CITIC Bank from August 2010 to August 2013; worked at the accounting department of Zhengzhou Branch of China CITIC Bank from February 2007 to August 2010; worked at the business department of the Agricultural Bank of China Henan Branch (中國農業銀行河南省分行) from March 1999 to February 2007; served as a teller and accounting manager in the business department of the Agricultural Bank of China Henan Branch from August 1995 to March 1999; and studied accounting at the School of Henan Agricultural Bank (河南省農業銀行學校) from September 1993 to August 1995.

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

Ms. HUANG Ming (黃明), born in September 1974, Chinese. Ms. HUANG Ming is the general manager of the audit department of the Bank. Ms. HUANG Ming served as the general manager of the audit department of the Bank from October 2022 till now; served as the head of the audit department of the Bank (action in an acting capacity) from January 2022 to October 2022; served as the vice general manager of the audit department of the Bank from February 2021 to January 2022; served as the audit executive of the audit department of the Bank from March 2020 to February 2021; served as the general manager of the risk management department of the Bank from February 2018 to March 2020; served as the general manager of the corporate banking department of the Bank from February 2017 to February 2018; served as the vice general manager of the credit approval department of the Bank (presiding over the work) from April 2016 to February 2017; served as the vice general manager of the risk management department of the Bank (presiding over the work) from December 2014 to April 2016; worked in the planning group of the Bank from May 2014 to December 2014; worked as a risk manager in the risk management department of China Everbright Bank Zhengzhou Branch (光大銀行鄭州分行) from December 2009 to May 2014; served as the assistant to the director of Henan Branch of Huayin Certified Public Accountants (華寅會計師事務所) from September 2003 to December 2009; worked as an auditor of Henan Tianjian Certified Public Accountants (河南天健會計師事務所) from October 1999 to September 2003; worked in account management of Henan International Trust & Investment Corporation (河南省國際信託投資公司) from July 1996 to October 1999; studied finance and accounting at Henan University (河南大學) from September 1994 to July 1996; studied finance and accounting and obtained her master's degree in accounting at Shanghai University of Finance and Economics (上海財經大學) from February 2007 to February 2009.

4. Confirmation of Independence of Independent Non-executive Directors

All independent non-executive Directors have confirmed their independence pursuant to the factors set out in Rule 3.13 of the Listing Rules and the Bank has considered that all the independent non-executive Directors are independent.

5. Securities Transactions by Directors, Supervisors and Relevant Employees

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

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

As of the end of the Reporting Period, none of the Directors, Supervisors or chief executive officers of the Bank has interests and short positions in the Shares, underlying Shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Bank under Section 352 of the SFO, or which were required to be notified to the Bank and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

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

7. Remuneration Information for Directors, Supervisors and Senior Management

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

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

Remuneration paid to the senior management (excluding the Directors and Supervisors) by the Bank for the year ended December 31, 2023 is set out below¹:

	Number of employees
RMB0 to RMB1,000,000	3
RMB1,000,000 to RMB2,000,000	8
RMB2,000,000 or above	2

¹ The above-mentioned remuneration is paid in advance, and the actual amount of remuneration received by these personnel may be adjusted based on the approval opinions of the superior department.

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

8. Employees' Remuneration Policies and Training Programs

8.1 Information of Employees

As of the end of the Reporting Period, we had 18,835 employees in total, of which 2,063 employees at our head office and 16,772 employees at our branches and sub-branches (including direct sub-branches). We had 369 dispatched staff, who normally served at non-key positions in the Bank. As of the end of the Reporting Period, 16,170 employees or 85.8% had bachelor's degrees or above, with the average age of 37.6. We totally had 1,810 employees at village and township banks sponsored by the Bank, 229 employees at AB Leasing, 86 employees at BOL Financial Leasing and 509 employees at Consumer Finance Company. As of the end of the Reporting Period, the Bank's senior management (excluding Directors) consisted of 9 males and 4 females; there were 9,526 male employees (accounting for approximately 50.6% of the total employees) and 9,309 female employees (accounting for approximately 49.4% of the total employees) overall in the Bank with a reasonable gender structure. The Board believes that the Bank's senior management and staff have diversity in gender.

8.2 Employees' Remuneration Policies

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

The Bank gave full play to the guiding role of remuneration in operation and risk management and control. In accordance with the principle of combining immediate incentives with long-term incentives and combining effective incentives and responsibility constraints, the Bank implemented deferred payment of performance-based remuneration for applicable personnel, and improved the management measures of relevant performance recovery and deduction, so as to further promote the senior management and employee's stable operation and long-term sustainable development of the Bank.

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



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

8.3 Training Programs

Based on the business development strategy and under the people-oriented philosophy, the Bank developed its education and training plans. The Bank implemented a management mechanism of unified principles and plans, hierarchical management and classified implementation for employee training, established a hierarchical training system of “navigating, voyaging, sailing” (領航、遠航、啟航) and managed the trainings in accordance with a three-tier training system comprising “head office, branch, sub-branch (sector)” (總、分、支). During the Reporting Period, the Bank held a total of 164 level 1 training sessions with a total of 68,200 participants and 3.60 trainings per head, basically covering all employees; 18 branches actually carried out 914 level 2 training sessions, with a total of 113,400 participants.

During the Reporting Period, the Bank’s training work prioritized enhancing the comprehensive capability of key personnel and the capacity of all staff in the Bank to fulfill their job description. The comprehensive capability of key personnel, mainly including the middle and senior management, newly promoted or hired heads of secondary departments, presidents at the sub-branch level and newly recruited college graduates, was mainly improved through offline training. The Bank employees’ capacity to fulfill their job description was primarily improved through online training provided by the online learning platform. 18,400 people completed the task of attending annual courses, with learning time reaching 1,300,000 hours in total. The Bank carried out 1,730 online tests in total, empowering all staff to upgrade their skills, so as to provide strong talent support for its long-term development.

9. Information of Institutions under the Bank

As of the end of the Reporting Period, the Bank had 18 branches and 1 direct sub-branch, with a total of 684 business outlets. Among them, there were 426 urban sub-branches, 168 county sub-branches, 79 township sub-branches, 9 community sub-branches and 2 small and micro sub-branches.

No.	Region	Name of Branch	Business Address	Remarks
1	Zhengzhou, Henan	Headquarters	Zhongke Golden Tower, No. 23 Shangwu Waihuan Road, Zhengdong New District CBD, Zhengzhou, Henan Province	In charge of one direct sub-branch institution, one sub-branch institution
2	Zhengzhou, Henan	Zhengzhou branch	No. 6, Fengyi Road, Jinshui District, Zhengzhou City, Henan Province	In charge of one business department, 62 sub-branch institutions
3	Luoyang, Henan	Luoyang branch	Intersection of Kaiyuan Avenue and Tongji Street, Luolong District, Luoyang City, Henan Province	In charge of one business department, 76 sub-branch institutions
4	Kaifeng, Henan	Kaifeng branch	No. 246, West Daliang Road, Kaifeng City, Henan Province	In charge of one business department, 29 sub-branch institutions
5	Xinyang, Henan	Xinyang branch	Xinshi Street, Yangshan New District, Xinyang City, Henan Province	In charge of one business department, 33 sub-branch institutions

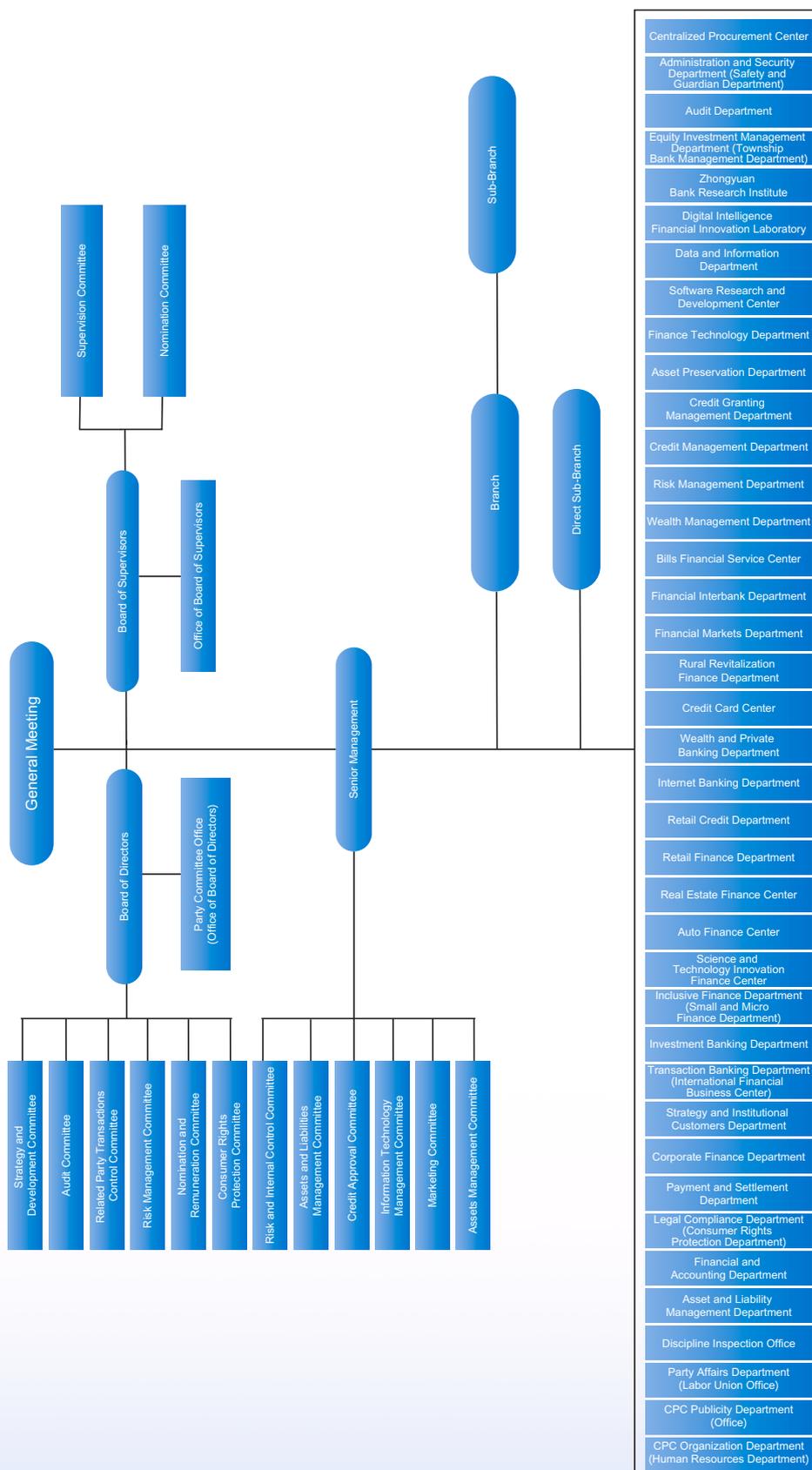
Chapter 7 Directors, Supervisors, Senior Management, Employees and Institutions

No.	Region	Name of Branch	Business Address	Remarks
6	Anyang, Henan	Anyang branch	Northwest Corner, Intersection of Wenfeng Avenue and Guangming Road, Wenfeng District, Anyang City, Henan Province	In charge of one business department, 27 sub-branch institutions
7	Hebi, Henan	Hebi branch	Finance Centre, Northeast Corner, Intersection of Qishui Avenue and Chaoge Road, Qibin District, Hebi City, Henan Province	In charge of one business department, 15 sub-branch institutions
8	Luohe, Henan	Luohe branch	Intersection of Huangshan Road and Songjiang Road, Yancheng District, Luohe City, Henan Province	In charge of one business department, 17 sub-branch institutions
9	Nanyang, Henan	Nanyang branch	Diyuan Garden, No. 1 Zhongzhou East Road, Wancheng District, Nanyang City	In charge of one business department, 50 sub-branch institutions
10	Pingdingshan, Henan	Pingdingshan branch	No. 7, Yaodian Avenue, Zhanhe District, Pingdingshan City, Henan Province	In charge of one business department, 66 sub-branch institutions
11	Puyang, Henan	Puyang branch	No. 444, Shenglizhong Road, Puyang City, Henan Province	In charge of one business department, 23 sub-branch institutions
12	Sanmenxia, Henan	Sanmenxia branch	No. 2 Commercial Street South, Yingbin Avenue West, Central Business District, Sanmenxia City, Henan Province	In charge of one business department, 33 sub-branch institutions
13	Shangqiu, Henan	Shangqiu branch	No. 195, Middle Wenhua Road, Suiyang District, Shangqiu City, Henan Province	In charge of one business department, 47 sub-branch institutions
14	Xinxiang, Henan	Xinxiang branch	No. 599, Pingyuan Road, Xinxiang City, Henan Province	In charge of one business department, 34 sub-branch institutions
15	Xuchang, Henan	Xuchang branch	East Jianan Avenue, Xuchang City, Henan Province	In charge of one business department, 32 sub-branch institutions
16	Zhoukou, Henan	Zhoukou branch	Changjian MOCO New World Business Office Building, Intersection of Qingfeng East Road and Zhoukou Avenue, Zhoukou City, Henan Province	In charge of one business department, 29 sub-branch institutions
17	Zhumadian, Henan	Zhumadian branch	No. 168, Wenming Road, Zhumadian City, Henan Province	In charge of one business department, 39 sub-branch institutions
18	Jiaozuo, Henan	Jiaozuo branch	No. 1, Yingbin Road, Jiaozuo City	In charge of one business department, 49 sub-branch institutions
19	Jiyuan, Henan	Jiyuan branch	No. 481, Middle Yellow River Road, Jiyuan City, Henan Province	In charge of one business department, 3 sub-branch institutions



Chapter 8 Corporate Governance Report

1. Organizational Structure Chart



Chapter 8 Corporate Governance Report

2. Summary of Organizational Structure of Corporate Governance

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

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

As of the end of the Reporting Period, the Bank strictly complied with the code provisions set out in the Corporate Governance Code and the Hong Kong Listing Rules in relation to the disclosure of inside information. The Directors were not aware of any information indicating that the Bank had not complied with the code provisions set out in the Corporate Governance Code during the Reporting Period. The Bank will continue to review and enhance corporate governance, for ensuring that our corporate governance complies with the requirements under the Corporate Governance Code and to achieve a higher expectation from the Shareholders and investors.

Culture and Values

Zhongyuan Bank will steadfastly follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and proceed towards the goal of "building a first-class city commercial bank" set forth by the Henan Provincial Party Committee. Staying true to our mission and positioning of "people's own bank in central China", we will keep on rooting in, cultivating, relying on, and serving central China ("紮根中原、深耕中原、依靠中原、服務中原"), and adhere to the strategy advocating that "under the Party's leadership and with the support of the party committee and government, we will continue to function as a bank within a market economy environment, with dual focus on asset quality and business performance". Centered on four key areas encompassing "market development, customer service, risk prevention, and profit generation", we will remain dedicated to achieving progress while ensuring stability, innovating on the basis of what has worked in the past, and placing our customers at the center of our operations. Our commitment will also lie in enhancing our overall competitive edge, refining our institutional frameworks and mechanisms, transforming our work culture, and upholding the guidance of the Party building. Moving forward, we will make new and greater contributions to composing magnificent chapters to make central China more glorious in the new journey of the new era.

Chapter 8 Corporate Governance Report

Independence Mechanism

The Bank has adopted a number of mechanisms to ensure that independent views and opinions are available to the Board, including a procedure to engage independent specialised institutions for provision of independent professional advice at the Bank's expense if the Directors think necessary.

During the Reporting Period, the Board has reviewed the implementation and effectiveness of the above mechanisms and considers them to be effective.

Board Diversity Policy

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

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

The Bank has always adhered to the Board diversity policy. As of the end of the Reporting Period, 33% of the Board members were female (3 female Directors out of 9 Directors), and all Directors have a master's degree or above. As of the end of the Reporting Period, the Nomination and Remuneration Committee of the Board and the Board considered that the Board composition was balanced and diversified.

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

Board Diversity	No. of Directors	Proportion of Board Members
Age Composition		
Age 40 to 50	3	33%
Age 50 to 59	5	56%
Age above 60	1	11%
Gender Composition		
Male	6	67%
Female	3	33%
Qualification Composition		
Doctor	7	78%
Master	2	22%

Chapter 8 Corporate Governance Report

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

During the Reporting Period, the Bank held the 2023 first extraordinary general meeting, the 2022 annual general meeting and the 2023 second extraordinary general meeting.

On May 8, 2023, in Zhengzhou, Henan, the Bank held the 2023 first extraordinary general meeting, at which resolution on election of Mr. Guo Hao as an executive Director of the second session of the Board of Zhongyuan Bank Co., Ltd. was considered and approved.

On June 16, 2023, the Bank held the 2022 annual general meeting in Zhengzhou, Henan, at which, Shareholders heard 4 reports including the 2022 Debriefings of Independent Directors of Zhongyuan Bank Co., Ltd. and 2022 Reports for Evaluating the Performance of Directors, Supervisors and Senior Management by the Board of Supervisors of Zhongyuan Bank Co., Ltd., etc., while 19 proposals were considered and approved, including Proposal on the Work Report of the Board of Directors of Zhongyuan Bank Co., Ltd. for 2022, Proposal on the Work Report of the Board of Supervisors of Zhongyuan Bank Co., Ltd. for 2022, Proposal on the Final Account Report of Zhongyuan Bank Co., Ltd. for 2022, Proposal on Profit Distribution Plan of Zhongyuan Bank Co., Ltd. for 2022 and Proposal on the Amendments to the Articles of Association of Zhongyuan Bank Co., Ltd.

On October 12, 2023, the Bank held the 2023 second extraordinary general meeting in Zhengzhou, Henan, at which 3 Proposals were considered and approved, including Proposal on the Election of Directors for the third session of the Board of Zhongyuan Bank Co., Ltd., Proposal on the Election of the Shareholder Representative Supervisors and External Supervisors of the third session of the Supervisory Committee of Zhongyuan Bank Co., Ltd. and Proposal on the Issuance of Tier 2 Capital Bonds of Zhongyuan Bank Co., Ltd.

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



Chapter 8 Corporate Governance Report

4. The Board and its Special Committee

4.1 Operation of the Board

The Board of the Bank is responsible for the Shareholders' general meetings, and the Directors are elected by the Shareholders' general meetings with a term of three years. The Directors make decisions on the Bank's development strategy, operating plan and other matters mainly by form of board meetings. The Board meetings are divided into regular board meeting and interim board meeting. The Board meeting can be convened in the form of a physical meeting or in the form of written resolutions, and regular board meeting shall be convened in the form of a physical meeting. The Board shall hold at least four regular Board meetings annually convened by the chairman of the Board. Notices of the Board meetings shall be sent to all Directors and Supervisors in writing fourteen (14) days before the meeting, and the meeting documents shall be sent to all Directors and Supervisors ten (10) days before the meeting. The Board and the senior management of the Bank have established a good communication mechanism. All proposals submitted to the Board meeting are subject to careful review and active discussion by all Directors before making a decision.

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

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

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

Chapter 8 Corporate Governance Report

4.2 Composition of the Board

As of the end of the Reporting Period, the Board of the Bank consists of 9¹ Directors, including 1 executive Director, i.e. Mr. GUO Hao; 3 non-executive Directors, i.e. Ms. ZHANG Qiuyun, Mr. FENG Ruofan and Ms. ZHANG Shu; and 5 independent non-executive Directors, i.e. Mr. XU Yiguo, Ms. ZHAO Zijian, Mr. WANG Maobin, Mr. PAN Xinmin and Mr. GAO Pingyang.

4.3 Functions and Powers of the Board

The Board shall exercise the following functions and powers:

- (I) convening Shareholders' general meetings and reporting its work at the general meetings;
- (II) implementing resolutions of the Shareholders' general meetings;
- (III) formulating business development strategies, business plans and investment plans of the Bank, and supervising the implementation of strategies;
- (IV) formulating annual financial budget plans and final account plans of the Bank;
- (V) formulating profit distribution plans and plans for recovery of losses of the Bank;
- (VI) formulating proposals for increases in or reductions of registered capital, issuance of bonds or other securities and listing plans of the Bank;
- (VII) working out proposals for major acquisitions of the Bank, purchase of the Bank's shares, merger, separation, change of the nature of the Bank and dissolution or liquidation;
- (VIII) reviewing and approving annual authorization plans of the Bank relating to business, personnel, and financial affairs;
- (IX) reviewing and approving external donations with a single amount of more than RMB200,000 and less than RMB30 million (inclusive), and a cumulative amount of more than RMB500,000 within the same year or a cumulative amount of more than RMB1 million to the same object;
- (X) reviewing and approving matters in relation to major equity investment and disposal with a single amount representing less than ten percent (inclusive) of the most recent audited net asset of the Bank;
- (XI) reviewing and approving matters in relation to major asset acquisition, disposal and write-off with a single amount exceeding RMB200 million (exclusive) and representing less than ten percent (inclusive) of the most recent audited net asset of the Bank;
- (XII) reviewing and approving external guarantees of other non-commercial banking business guarantees (such as pledge of assets) with a single amount below RMB200 million (inclusive);

¹ Please refer to the "Directors, Supervisors, Senior Management, Employees and Institutions" section for biographies of existing Directors, as well as information on changes of Directors during the Reporting Period.

Chapter 8 Corporate Governance Report

- (XIII) reviewing and approving related party transactions, data governance and other matters in accordance with laws and regulations, regulatory requirements and the Articles of Association of the Bank.
- (XIV) deciding on the establishment of the internal management structure of the Bank;
- (XV) deciding on the establishment and planning of our branches;
- (XVI) appointing or removing senior management personnel, including the president and the secretary of the Board of Directors of the Bank in accordance with the regulatory requirements; appointing or removing senior management personnel, including vice presidents, assistants to the president and finance officers of the Bank, based on the recommendations of the president; and deciding on matters relating to their emoluments and awards or punishment, and supervising the senior management in performance of duties;
- (XVII) establishing the basic management system of the Bank, deciding on policies on risk management, internal control and compliance of the Bank;
- (XVIII) formulating proposals for any amendment to our Articles of Association;
- (XIX) formulating the rules of procedure of the general meeting, rules of procedure of the Board of Directors, and considering and approving the working rules of the special committees of the Board of Directors;
- (XX) managing the disclosure of information of the Bank, taking charge of the information disclosure of the Bank and bearing the ultimate liability for the authenticity, accuracy, completeness, and timeliness of the accounting and financial reports;
- (XXI) proposing the appointment, removal or replacement of accounting firms to the general meeting for conducting regular statutory audits of financial reports of the Bank;
- (XXII) reviewing working reports of the president of the Bank and examining the performance of the president;
- (XXIII) formulating capital replenishment plans, developing capital planning of the Bank, and bearing the ultimate responsibility for capital or solvency management;
- (XXIV) formulating the risk tolerance, risk management and internal control policies of the Bank, and bearing the ultimate responsibility for comprehensive risk management;
- (XXV) formulating medium and long-term incentive plans, such as equity incentive plans and employee stock ownership plans;

Chapter 8 Corporate Governance Report

- (XXVI) The Board of Directors shall establish a supervision mechanism to ensure that the management will formulate a code of conduct and working principles for the management staff and the business personnel at all levels and that the aforementioned regulatory documents will expressly require employees at all levels to promptly report any possible conflict of interests, provide detailed rules and establish corresponding processing mechanism;
- (XXVII) The Board of Directors shall establish a reporting system to require the senior management to report operational issues of the Bank to the Board of Directors regularly. The following items shall be regulated under this system:
1. The contents and the basic standard of the information reported to the Board of Directors;
 2. The frequency of the report;
 3. The form of the report;
 4. The responsible bodies of the report and the responsibilities for delay or incompleteness of the report;
 5. The confidentiality of the report.
- (XXVIII) regularly evaluating and improving the Bank's corporate governance;
- (XXIX) assuming responsibility for the management of Shareholders' affairs;
- (XXX) safeguarding the legitimate rights and interests of financial consumers and other stakeholders;
- (XXXI) establishing a mechanism for identification, review and management of conflicts of interest between the Bank and Shareholders, especially substantial Shareholders;
- (XXXII) Exercising any other functions and powers prescribed by the laws, administrative regulations, departmental rules or the Articles of Association and authorized by the shareholders' general meetings.

With the exception of items (V), (VI), (VII), (IX), (X), (XI), (XII), (XVI), (XVIII), (XXIII) and (XXV) which shall be approved by two-thirds of the Directors, the resolutions of the Board of Directors under the preceding paragraphs shall be approved by more than half of the Directors. Matters beyond the scope of authorization of the Shareholders' meeting of the Bank shall be submitted to the general meeting for consideration.



Chapter 8 Corporate Governance Report

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

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

The Directors acknowledge that they are responsible for the preparation of the financial statements of our Bank for the year ended December 31, 2023, which give a true and fair view of the status of affairs and results of the Bank. In doing so, the Directors adopted suitable accounting policies and applied them consistently and used accounting estimates as appropriate in the circumstances. With the assistance of the accounting and finance staff, the Directors ensured that the financial statements of the Bank are prepared in accordance with statutory requirements and appropriate financial reporting standards. The statement of the external auditors with regard to their reporting responsibilities on the Group's financial statements is set out on page 168 to page 176 in the Independent Auditors' Report.

4.5 Directors Appointed during the Reporting Period

Mr. GUO Hao, who was appointed as a Director during the Reporting Period, has obtained the legal opinions under Rule 3.09D of the Listing Rules on May 6, 2023 and has confirmed that he understands his responsibilities as a Director of the Bank. Besides, Mr. FENG Ruofan, Ms. ZHANG Shu, Mr. XU Yiguo, Ms. ZHAO Zijian, Mr. WANG Maobin, Mr. PAN Xinmin and Mr. GAO Pingyang, who were appointed as Directors during the Reporting Period, have obtained the legal opinions under Rule 3.09D of the Listing Rules on November 28, 2023 and have confirmed that they understand their responsibilities as the Directors of the Bank.

4.6 Meetings of the Board of Directors and the Directors' Attendance

During the Reporting Period, our Bank convened 8 Board meetings, at which 101 resolutions were reviewed or approved.

The details of the Board meetings are set out below:

Session of meeting	Date of meeting	Form of meeting
The 46th meeting of the second session of the Board	March 31, 2023	On-site
The 47th meeting of the second session of the Board	April 14, 2023	On-site
The 48th meeting of the second session of the Board	May 15, 2023	On-site
The 49th meeting of the second session of the Board	August 30, 2023	On-site
The 50th meeting of the second session of the Board	September 14, 2023	On-site
The 51st meeting of the second session of the Board	September 21, 2023	On-site
The 1st meeting of the third session of the Board	November 28, 2023	On-site
The 2nd meeting of the third session of the Board	December 5, 2023	On-site

Chapter 8 Corporate Governance Report

The attendance of each Director at the general meeting during his/her term of office during the Reporting Period is set out below:

	Director	the 2023 first extraordinary general meeting	2022 annual general meeting	the 2023 second extraordinary general meeting
Executive Directors	GUO Hao	/	1/1	1/1
	XU Nuojin	/	/	/
	WANG Jiong	1/1	1/1	/
	LI Yulin	1/1	1/1	1/1
Non-executive Directors	ZHANG Qiuyun	1/1	1/1	1/1
	FENG Ruofan	/	/	/
	ZHANG Shu	/	/	/
	MI Hongjun	1/1	1/1	1/1
Independent Non-executive Directors	XU Yiguo	/	/	/
	ZHAO Zijian	/	/	/
	WANG Maobin	/	/	/
	PAN Xinmin	/	/	/
	GAO Pingyang	/	/	/
	PANG Hong	1/1	1/1	1/1
	LI Hongchang	1/1	1/1	1/1
	JIA Tingyu	1/1	1/1	1/1
	CHAN Ngai Sang Kenny	1/1	1/1	1/1

Notes:

1. The qualification of Mr. GUO Hao as a Director was approved by the National Administration of Financial Regulation Henan Office (the former China Banking and Insurance Regulatory Commission Henan Office) on May 12, 2023.
2. On April 6, 2023, Mr. XU Nuojin, an executive Director and the chairman of the Board, tendered his resignation to the Board and resigned as an executive Director, the chairman of the Board and the chairman of the Strategy and Development Committee of the Board of the Bank due to change of work arrangement.
3. On October 8, 2023, Mr. WANG Jiong, an executive Director and the vice chairman of the Board, tendered his resignation to the Board and resigned as the vice chairman of the Board, an executive Director of the second session of the Board, the chairman of the Consumer Rights Protection Committee of the Board of Directors, the member of the Strategy and Development Committee of the Board of Directors, the member of the Risk Management Committee of Board of Directors and the member of Related Party Transactions Control Committee of the Board of Directors of the Bank due to change of work arrangement.
4. On November 28, 2023, the Bank held the 1st meeting of the third session of the Board, at which Mr. GUO Hao was elected as the chairman of the Board of the Bank and the member of the special committees of the Board of Directors, the qualifications of Mr. FENG Ruofan, Ms. ZHANG Shu, Mr. XU Yiguo, Ms. ZHAO Zijian, Mr. WANG Maobin, Mr. PAN Xinmin and Mr. GAO Pingyang as Directors were approved by the National Administration of Financial Regulation Henan Office and started their duties; Mr. LI Yulin, Mr. MI Hongjun, Ms. PANG Hong, Mr. LI Hongchang, Mr. JIA Tingyu and Mr. CHAN Ngai Sang Kenny ceased to perform their duties as Directors.

Chapter 8 Corporate Governance Report

The attendance of each Director at Board meetings and meetings of special committees during his/her term of office during the Reporting Period is set out below:

		Number of meetings attended/number of meetings held during each Director's term of office						
		Board meeting	Strategy and Development Committee of the Board	Risk Management Committee of the Board	Nomination and Remuneration Committee of the Board	Related Party Transactions Control Committee of the Board	Audit Committee of the Board	Consumer Rights Protection Committee of the Board
Director								
Executive Directors	GUO Hao	5/6	2/3	/	/	/	/	/
	XU Nuojin	0/1	0/1	/	/	/	/	/
	WANG Jiong	6/6	4/4	3/3	/	3/3	/	2/2
Non-executive Directors	LI Yulin	6/6	/	1/1				
	ZHANG Qiuyun	7/8	1/1	/	/	/	/	/
	FENG Ruofan	2/2	/	1/1	/	/	/	/
Independent Non-executive Directors	ZHANG Shu	1/2	/	/	/	/	/	/
	MI Hongjun	6/6	4/4	/	/	/	/	/
	XU Yiguo	2/2	1/1	1/1	/	/	/	/
	ZHAO Zijian	2/2	/	1/1	/	1/1	/	/
	WANG Maobin	2/2	/	/	/	1/1	/	/
	PAN Xinmin	2/2	/	/	/	1/1	/	/
	GAO Pingyang	2/2	/	/	/	/	/	/
	PANG Hong	5/6	/	2/3	5/5	/	2/3	/
	LI Hongchang	6/6	/	3/3	5/5	3/3	3/3	2/2
	JIA Tingyu	6/6	4/4	3/3	5/5	3/3	3/3	/
	CHAN Ngai Sang Kenny	6/6	/	/	/	1/3	3/3	1/2

Notes:

1. The qualification of Mr. GUO Hao as a Director was approved by the National Administration of Financial Regulation Henan Office (the former China Banking and Insurance Regulatory Commission Henan Office) on May 12, 2023.
2. Mr. XU Nuojin, an executive Director and the chairman of the Board, tendered his resignation to the Board on April 6, 2023, and resigned as an executive Director of the Bank, the chairman of the Board of the Bank and the chairman of the Strategy and Development Committee of the Board of the Bank due to change of work arrangement.
3. Mr. WANG Jiong, an executive Director and the vice chairman of the Board, tendered his resignation to the Board on October 8, 2023, and resigned as vice chairman of the Board, an executive Director of the second session of the Board, the chairman of the Consumer Rights Protection Committee of the Board of Directors, the member of the Strategy and Development Committee of the Board of Directors, the member of the Risk Management Committee of Board of Directors, and the Related Party Transactions Control Committee of the Board of Directors of the Bank.
4. On November 28, 2023, the Bank held the 1st meeting of the third session of the Board, Mr. GUO Hao was elected as the chairman of the Board of the Bank and the member of the special committees of the Board of Directors, Mr. FENG Ruofan, Ms. ZHANG Shu, Mr. XU Yiguo, Ms. ZHAO Zijian, Mr. WANG Maobin, Mr. PAN Xinmin and Mr. GAO Pingyang were elected as the members of the special committees of the Board of Directors. Mr. LI Yulin, Mr. MI Hongjun, Ms. PANG Hong, Mr. LI Hongchang, Mr. JIA Tingyu and Mr. CHAN Ngai Sang Kenny ceased to perform their duties as Directors.

Chapter 8 Corporate Governance Report

4.7 Independent Non-Executive Directors

The Board of the Bank currently has 5 independent non-executive Directors with a term of 3 years, which complies with the relevant requirements under the Hong Kong Listing Rules.

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

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

4.8 Appointment, Re-election and Removal of Directors

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

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

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



Chapter 8 Corporate Governance Report

5. Committees under the Board

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

5.1 Strategy and Development Committee

As of the end of the Reporting Period, the Strategy and Development Committee consists of 3¹ Directors, being Mr. GUO Hao (an executive Director), Ms. ZHANG Qiuyun (a non-executive Director) and Mr. XU Yiguo (an independent non-executive Director), respectively. Mr. GUO Hao is the Chairman. The primary duties of the Strategy and Development Committee are:

- (I) formulating medium and long term strategic objectives of the Bank; overseeing and assessing the implementation of the strategies and making recommendations to the Board;
- (II) reviewing the annual operational plans and fixed asset investment budget of the Bank; supervising and inspecting the implementation of the annual operational plans and fixed asset investment budget of the Bank;
- (III) studying the development of information technology, financial inclusion, green credit and other specialized strategic development plans of the Bank according to the needs of strategic development plans and making recommendations to the Board;
- (IV) studying and formulating strategies and policies of the social responsibilities of the Bank, supervising, inspecting and evaluating the performance of social responsibilities by the Bank;
- (V) reviewing annual authorization plans relating to business, personnel, and financial affairs of the Bank and making recommendations to the Board;

¹ On November 28, 2023, the Bank held the first meeting of the third session of the Board of Directors, at which Mr. GUO Hao, Ms. ZHANG Qiuyun and Mr. XU Yiguo as the members of Strategy and Development Committee of the Board of Directors, and Mr. GUO Hao served as the chairman.

Chapter 8 Corporate Governance Report

- (VI) reviewing and approving the external donations with a single amount between more than RMB0.2 million and less than RMB30 million (inclusive), and a cumulative total of more than RMB0.5 million in the same year, or a cumulative total of more than RMB1 million to the same object; reviewing matters in relation to major equity investment and disposal with a single amount representing less than ten percent (inclusive) of the most recent audited net asset of the Bank; reviewing matters in relation to major asset acquisition, disposal and write-off with a single amount exceeding RMB200 million (exclusive) and representing less than ten percent (inclusive) of the most recent audited net asset of the Bank; reviewing external guarantees of other non-commercial banking business guarantees (such as pledge of assets) with a single amount less than RMB200 million (inclusive); and making recommendations to the Board on above-mentioned matters;
- (VII) studying and coordinating other material matters in relation to the Bank's strategic development.

During the Reporting Period, the Strategy and Development Committee under the Board held 5 meetings, reviewing 2 reports, including the 2022 Operation Report of Zhongyuan Bank Co., Ltd. and considering 23 resolutions, including the 2023-2025 Resolution on the Capital Replenishment and Use Planning of Zhongyuan Bank Co., Ltd.

5.2 Audit Committee

As of the end of the Reporting Period, the Audit Committee consists of 3¹ Directors, being Mr. PAN Xinmin (an independent non-executive Director), Mr. WANG Maobin (an independent non-executive Director) and Mr. GAO Pingyang (an independent non-executive Director) respectively. Mr. PAN Xinmin is the Chairman. The primary duties of the Audit Committee include the following:

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

¹ On November 28, 2023, the Bank held the first meeting of the third session of the Board of Directors, at which Mr. PAN Xinmin, Mr. WANG Maobin and Mr. GAO Pingyang as the members of Audit Committee of the Board of Directors, and Mr. PAN Xinmin served as the chairman.

Chapter 8 Corporate Governance Report

(VI) reviewing the Bank's financial statements of the previous year's results of operation and annual report and accounts, half-year report and, if prepared for publication, quarterly reports issued by the external audit institution, and reviewing significant financial reporting judgements contained in them, judging the truthfulness, accuracy, integrity and promptness of the audited financial statements and making review recommendations to the board. In reviewing these statements and reports before the submission to the Board, the Audit Committee should focus particularly on:

1. any changes in accounting policies and practices;
2. major judgmental areas;
3. significant adjustments resulting from audit;
4. the going concern assumptions and any reservations;
5. compliance with accounting standards;
6. compliance with the Hong Kong Listing Rules and legal requirements in relation to financial reporting.

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

(VII) reviewing and monitoring the Bank's internal control (including financial control) system;

(VIII) discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of the Bank's resources, staff qualifications and experience in respect of its accounting and financial reporting function, training programmes for staff and the relevant budget;

(IX) considering major investigation findings on risk management and internal control matters and management's response to these findings on its own initiative or as delegated by the board;

(X) responsible for the communication between the internal and external audit to ensure co-ordination between the internal and external audit institution, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Bank, and to review and monitor its effectiveness;

(XI) reviewing the external audit institution's Management Letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

Chapter 8 Corporate Governance Report

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

All the members of the Audit Committee are independent non-executive Directors of the Bank. 3 members have focused on the Bank's financial, risk and compliance condition through considering the relevant financial reports, and actively put forward professional opinions and suggestions. During the Reporting Period, the Audit Committee has totally convened 3 meetings, considering 21 resolutions, including the "Proposal on the 2022 Final Account Report of Zhongyuan Bank Co., Ltd." and "Proposal on the Unaudited Interim Financial Statements of the Group for the Period Ended June 30, 2023 of Zhongyuan Bank Co., Ltd.", and met with external auditor for communication and interaction in the absence of the executive Directors and the senior management of the Bank. On March 27, 2024, prior to the annual board meeting, the second meeting of the Audit Committee of the third session of the Board reviewed the audited financial statement for the year ended December 31, 2023. This statement was prepared pursuant to the international accounting standards and policies.



Chapter 8 Corporate Governance Report

5.3 Related Party Transactions Control Committee

As of the end of the Reporting Period, the Related Party Transactions Control Committee consists of 3¹ Directors, being Mr. WANG Maobin (an independent non-executive Director), Ms. ZHAO Zijian (an independent non-executive Director), Mr. PAN Xinmin (an independent non-executive Director). Mr. WANG Maobin is the Chairman. The primary duties of the Related Party Transactions Control Committee include the following:

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

Members of the Related Party Transactions Control Committee are independent non-executive directors, who conduct prudent reviews on the related party transactions of the Bank and examine the material related party transactions in strict accordance with the approval procedures. During the Reporting Period, the Related Party Transactions Control Committee has totally convened 4 meetings to consider 14 resolutions, including "Resolution on the Special Report of the Related Party Transactions of Zhongyuan Bank Co., Ltd. for the Year of 2022".

¹ On November 28, 2023, the Bank held the first meeting of the third session of the Board of Directors, at which Mr. WANG Maobin, Ms. ZHAO Zijian and Mr. PAN Xinmin were elected as the members of Related Party Transactions Control Committee of the Board of Directors, and Mr. WANG Maobin served as the chairman.

Chapter 8 Corporate Governance Report

5.4 Risk Management Committee

As of the end of the Reporting Period, the Risk Management Committee consists of 3¹ Directors, namely Ms. ZHAO Zijian (an independent non-executive Director), Mr. FENG Ruofan (non-executive Director) and Mr. XU Yiguo (an independent non-executive Director). Ms. ZHAO Zijian is the Chairman. The primary duties of the Risk Management Committee include the following:

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

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

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

¹ On November 28, 2023, the Bank held the first meeting of the third session of the Board of Directors, at which Ms. ZHAO Zijian, Mr. FENG Ruofan and Mr. XU Yiguo were elected as the members of Risk Management Committee of the Board of Directors, and Ms. ZHAO Zijian served as the chairman.

Chapter 8 Corporate Governance Report

- (V) reporting any material matter on risk management to the Board, proposing solutions to such matter and advising on improving the Bank's compliance, risk management and internal control;
- (VI) studying risk prevention measures of material risk events in the Bank's operation and management;
- (VII) reviewing information disclosure issues in the Bank's risk management;
- (VIII) other powers conferred by the Board on the committee.

During the Reporting Period, each member of the Risk Management Committee paid close attention to macroeconomic situation, financial policies and market changes, and provided professional opinions and suggestions for the Bank's comprehensive risk management work. At the same time, members reviewed the internal control compliance, the credit concentration management and the risk management reports to perform risk management and risk supervision duties in accordance with regulations. During the Reporting Period, the Risk Management Committee has totally convened 4 meetings, and heard 13 reports including the 2022 Business Continuity Management Report of Zhongyuan Bank Co., Ltd. and considered 19 resolutions, including the Resolution on 2022 Comprehensive Risk Analysis Report of Zhongyuan Bank Co., Ltd.

5.5 Nomination and Remuneration Committee

As of the end of the Reporting Period, the Nomination and Remuneration Committee consists of 3¹ Directors, namely Mr. XU Yiguo (an independent non-executive Director), Ms. ZHAO Zijian (an independent non-executive Director) and Mr. PAN Xinmin (an independent non-executive Director). Mr. XU Yiguo is the chairman. The primary duties of the Nomination and Remuneration Committee include the following:

- (I) considering the Bank's remuneration management system and policy;
- (II) developing the assessment criteria for directors and senior management, conducting the assessment and making suggestions in this respect;
- (III) researching and reviewing the Bank's policy and proposals for the directors' and senior management's remuneration and the establishment of a formal and transparent procedure for developing remuneration policy, and making recommendations to the Board of Directors in this respect; reviewing and approving the recommendations made by the management regarding remuneration according to the principles and objectives of the Company set by the Board;
- (IV) making recommendations to the Board of Directors on the remuneration packages of individual executive directors and senior management. The remuneration packages should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (V) making recommendations to the Board on the remuneration of non-executive directors;
- (VI) reviewing and approving compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (VII) reviewing and approving compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

¹ On November 28, 2023, the Bank held the first meeting of the third session of the Board of Directors, at which Mr. XU Yiguo, Ms. ZHAO Zijian and Mr. PAN Xinmin were elected as the members of Nomination and Remuneration Committee of the Board of Directors, and Mr. XU Yiguo served as the chairman.

Chapter 8 Corporate Governance Report

- (VIII) ensuring that no director or any of his associates (as defined in Hong Kong Listing Rules) is involved in deciding his own remuneration;
- (IX) formulating the mid- and long-term incentive plans and implementation schemes of the Bank;
- (X) evaluating regularly the market competitiveness of the remuneration of the Bank, considering salaries paid by comparable banks, time commitment and responsibilities, and employment conditions elsewhere in the Bank and its subsidiaries, as well as making dynamic adjustment for the remuneration policy of the Bank;
- (XI) reviewing the structure, size, composition and diversification (including the skills, knowledge and experience) of the Board of Directors at least annually and make recommendations on any proposed changes to the Board of Directors to complement the Bank's corporate strategy;
- (XII) reviewing the selection criteria and procedures of directors and senior management personnel (such as the president of the Bank), and making recommendations to the Board of Directors;
- (XIII) seeking extensively for candidates that are qualified to act as directors and senior management personnel (such as the president of the Bank), selecting such nominated personnel to serve as directors or the president of the Bank, and making recommendations to the Board of Directors in this regard;
- (XIV) investigating the candidates for directors and senior management personnel (such as the president of the Bank), and making recommendations;
- (XV) reviewing the proposals submitted by the president in relation to the appointment or dismissal of the senior management members, such as the Bank's vice presidents, assistants to the president and finance officers, and making recommendations to the Board of Directors;
- (XVI) assessing the independence of independent directors;
- (XVII) making recommendations to the Board of Directors on the appointment or re-appointment of directors of the Bank and succession planning for directors, in particular the chairman, and the president of the Bank;
- (XVIII) formulating and when appropriate, reviewing diversification policy of the Board of Directors;
- (XIX) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Hong Kong Listing Rules (the relevant share schemes are also subject to the approval at the general meeting and other relevant requirements under Chapter 17 of the Hong Kong Listing Rules);
- (XX) approving matters in relation to the grant of share options or share awards (as defined in the Hong Kong Listing Rules) to directors, Supervisors and/or senior management (the relevant share schemes are also subject to the approval at the general meeting and other relevant requirements under Chapter 17 of the Hong Kong Listing Rules);
- (XXI) considering and approving the changes and amendments to any terms of the grant of share options or share awards to Directors, Supervisors and/or senior management;
- (XXII) other responsibilities that should be discharged by the Nomination and Remuneration Committee of the Board of Directors as required by the Hong Kong Listing Rules;
- (XXIII) other powers of the Nomination and Remuneration Committee as authorized by the Board of Directors.

Chapter 8 Corporate Governance Report

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

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

Chapter 8 Corporate Governance Report

According to Article 144 of the Articles of Association of the Bank, the nomination, election and replacement of independent directors shall be made in accordance with the following requirements:

- (I) The Nomination and Remuneration Committee of the Board of Directors, Shareholders individually or jointly holding above 1% of the Bank's total outstanding shares with voting rights and the Board of Supervisors can nominate candidates for independent directors to the Board of Directors. A shareholder and related parties thereof who have already nominated a candidate for director shall not nominate any candidate for independent director;
- (II) The qualifications of nominated candidates for independent directors shall be reviewed by the Nomination and Remuneration Committee of the Board of Directors, and the review focuses on independence, professional knowledge, experience and ability, etc.;
- (III) The election and appointment of independent directors shall mainly follow market principles;
- (IV) Other procedures for the election and appointment of independent directors shall be the same as those for non-independent directors.

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

During the Reporting Period, the Nomination and Remuneration Committee has convened 5 meetings, heard one report, namely "Work Report of Independent Directors of Zhongyuan Bank Co., Ltd. in 2022", and considered 15 resolutions, including "Resolution on the Report of the Board of Directors on the Performance Evaluation of Directors and Senior Executives of Zhongyuan Bank Co., Ltd. in 2022".

5.6 The Consumer Rights Protection Committee

As of the end of the Reporting Period, the Consumer Rights Protection Committee consists of 3¹ Directors, being Mr. GAO Pingyang (an independent non-executive Director), Ms. ZHANG Shu (a non-executive Director) and Mr. WANG Maobin (an independent non-executive Director). Mr. GAO Pingyang is the Chairman. The primary duties of the Consumer Rights Protection Committee include the following:

- (I) to formulate the Bank's strategies, policies and objectives of consumer rights protection, to incorporate consumer rights protection into corporate governance and business development strategies; and to guide the senior management to reinforce the construction of a corporate culture enabling consumer rights protection in overall planning;

¹ On November 28, 2023, the Bank held the first meeting of the third session of the Board of Directors and elected Mr. GAO Pingyang, Ms. ZHANG Shu and Mr. WANG Maobin as members of the Consumer Rights Protection Committee of the Board of Directors. Mr. Gao Pingyang served as the chairman.

Chapter 8 Corporate Governance Report

- (II) to supervise the senior management to effectively carry out and implement the relevant work of protecting consumer rights, regularly listen to special reports from the senior management on the implementation of consumer rights protection in the Bank, and review and approve relevant special reports;
- (III) to supervise and evaluate the Bank's consumer rights protection work regarding its comprehensiveness, timeliness and effectiveness, and the senior management's performance of duties;
- (IV) in accordance with the Bank's overall strategy, to deliberate proposals on consumer rights protection for the consideration of the Board of Directors, and make recommendations to the Board of Directors;
- (V) to provide periodic reports to the Board;
- (VI) other matters as required by laws and regulations, Articles of Association of the Bank, and authorized by the Board of Directors.

During the Reporting Period, the Consumer Rights Protection Committee has convened 3 meetings, heard 4 reports, including "Notice from the China Banking and Insurance Regulatory Commission Henan Office on Consumer Complaints of the Banking Industry throughout 2022", and considered 4 resolutions, including "Resolution Regarding Report on Consumer Rights Protection Work of Zhongyuan Bank Co., Ltd. in 2022".

6. Board of Supervisors

6.1 Composition of Board of Supervisors

As of the end of the Reporting Period, the Board of Supervisors of the Bank consists of 9² Supervisors, which shall include three employee representative Supervisors, namely Mr. YOU Xiang, Mr. ZHANG Ke and Ms. DAN Limin; three shareholder representative Supervisors, namely Ms. WANG Xiaoyan, Mr. YAN Yongfu and Ms. LU Suyue; three external Supervisors, namely Mr. LI Xingzhi, Ms. GU Xiujuan and Ms. LIU Xia.

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

6.2 Powers of Board of Supervisors

- (1) to supervise the adoption by the Board of Directors of prudent business philosophy and value standards and formulate development strategies in line with the actual situations of the Bank; to regularly evaluate the scientificity, rationality and effectiveness of the development strategies formulated by the Board and prepare evaluation reports;

² Please see the section "Directors, Supervisors, Senior Management, Employees and Institutions" for biographies of incumbent supervisors, as well as information on changes of supervisors during the Reporting Period.

Chapter 8 Corporate Governance Report

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

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

Chapter 8 Corporate Governance Report

6.3 Meetings of the Board of Supervisors and Attendance of Supervisors

During the Reporting Period, the Bank has convened six meetings of the Board of Supervisors in total, at which 84 resolutions were heard or considered.

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

Session of meeting	Date of meeting	Form of meeting
The 30th meeting of the second session of the Board of Supervisors	March 30, 2023	On-site
The 31st meeting of the second session of the Board of Supervisors	May 15, 2023	On-site
The 32nd meeting of the second session of the Board of Supervisors	August 30, 2023	On-site
The 33rd meeting of the second session of the Board of Supervisors	September 21, 2023	On-site
The first meeting of the third session of the Board of Supervisors	October 12, 2023	On-site
The second meeting of the third session of the Board of Supervisors	November 28, 2023	On-site

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

Members of the Board of Supervisors	Required attendance of the meeting	Attendance in person	Attendance by proxy
Ms. JIA Jihong	0	0	0
Mr. ZHANG Yixian	4	3	1
Ms. DAN Limin	4	4	0
Ms. LI Weizhen	0	0	0
Mr. LI Wanbin	2	2	0
Mr. LI Xiaojian	4	3	1
Mr. HAN Wanghong	4	4	0
Mr. SUN Xuemin	4	4	0
Mr. PAN Xinmin	4	4	0
Mr. YOU Xiang	2	2	0
Mr. ZHANG Ke	2	2	0
Ms. WANG Xiaoyan	2	1	1
Mr. YAN Yongfu	2	2	0
Ms. LU Suyue	2	2	0
Mr. LI Xingzhi	2	2	0
Ms. GU Xiujuan	2	2	0
Ms. LIU Xia	2	2	0

Chapter 8 Corporate Governance Report

Notes:

1. Ms. JIA Jihong resigned as the Supervisor of the Bank on January 3, 2023;
2. Ms. LI Weizhen resigned as the Supervisor of the Bank on February 22, 2023.
3. Mr. LI Wanbin resigned as the Supervisor of the Bank on June 20, 2023;
4. Ms. DAN Limin was elected as the Supervisor of the second session of the Supervisory Committee of the Bank on July 21, 2023, and was elected as the Supervisor of the third session of the Supervisory Committee of the Bank on October 12, 2023;
5. As the term of office of the second session of the Supervisory Committee of the Bank has expired, Mr. ZHANG Yixian, Mr. LI Xiaojian, Mr. HAN Wanghong, Mr. SUN Xuemin, and Mr. PAN Xinmin retired as the Supervisors of the Bank on October 12, 2023;
6. Mr. YOU Xiang, Mr. ZHANG Ke, Ms. WANG Xiaoyan, Mr. YAN Yongfu, Ms. LU Suyue, Mr. LI Xingzhi, Ms. GU Xiujuan, and Ms. LIU Xia were elected as the Supervisors of the third session of the Supervisory Committee of the Bank on October 12, 2023.

6.4 Attendance at General Meetings during the Reporting Period

During the Reporting Period, the Board of Supervisors of the Bank appointed supervisors to attend the 2023 first extraordinary general meeting, the 2022 Annual General Meeting and the 2023 second extraordinary general meeting of the Bank, and supervised the legal compliance of the procedures of meetings and the voting process on-site.

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

During the Reporting Period, the Board of Supervisors attended on-site meetings of the Board of Directors, and supervised legal compliance of the meetings and procedures of voting as well as the attendance, speech and voting of Directors.



Chapter 8 Corporate Governance Report

7. Board of Supervisors and its Special Committee

7.1 Nomination Committee

As of the end of the Reporting Period, there were a total of 6¹ members in the Nomination Committee of the Board of Supervisors, including Ms. GU Xiujuan, Mr. YOU Xiang, Mr. ZHANG Ke, Ms. DAN Limin, Ms. LIU Xia and Ms. WANG Xiaoyan. The chairwoman was acted by Ms. GU Xiujuan, an external Supervisor. The major duties and responsibilities of the Nomination Committee were:

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

During the Reporting Period, the Nomination Committee convened a total of 5 meetings, at which 13 resolutions including the Proposal on the Implementation Program on the Performance Evaluation of Directors, Supervisors and Senior Management by the Board of Supervisors in 2022 of Zhongyuan Bank Co., Ltd. and 2022 Debriefings of External Supervisors of Zhongyuan Bank Co., Ltd. were considered.

¹ On October 12, 2023, the Bank held the first meeting of the third session of the Board of Supervisors and elected GU Xiujuan, YOU Xiang, ZHANG Ke, DAN Limin, LIU Xia and WANG Xiaoyan as the members of the Nomination Committee of the Board of Supervisors. Ms. GU Xiujuan served as the chairwoman.

Chapter 8 Corporate Governance Report

7.2 Supervision Committee

As of the end of the Reporting Period, there were a total of 6¹ members in the Supervision Committee of the Board of Supervisors, namely Mr. LI Xingzhi, Mr. YOU Xiang, Mr. ZHANG Ke, Ms. DAN Limin, Mr. YAN Yongfu and Ms. LU Suyue. The chairman was acted by Mr. LI Xingzhi, an external Supervisor. The major duties and responsibilities of the Supervision Committee were:

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

During the Reporting Period, the Supervision Committee convened a total of 3 meetings, at which 7 reports including the 2022 Operation Report of Zhongyuan Bank Co., Ltd. were reviewed and 30 proposals including the Report on Consumer Rights Protection Work of Zhongyuan Bank Co., Ltd. in 2022 and 2023 Key Points on Consumer Rights Protection of Zhongyuan Bank Co., Ltd. were considered.

¹ On October 12, 2023, the Bank held the first meeting of the third session of the Board of Supervisors and elected LI Xingzhi, YOU Xiang, ZHANG Ke, DAN Limin, YAN Yongfu and LU Suyue as the members of the Supervision Committee of the Board of Supervisors. Mr. LI Xingzhi served as the chairman.

Chapter 8 Corporate Governance Report

8. Senior Management

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

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

8.1 Chairman and President

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

As of the end of the Reporting Period, Mr. GUO Hao acted as the secretary of the Party Committee and the chairman, and took charge of the overall work of the Bank; Mr. LIU Kai acted as the deputy secretary of the Party Committee and the president, responsible for the daily operation and management of the Bank.

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

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

Chapter 8 Corporate Governance Report

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

10.1 Introduction to the Training and Survey of Directors

During the Reporting Period, all Directors of the Bank innovated their ways of performance and attached importance to the improvement of the performance ability. Firstly, they actively participated in the training of Directors. The whole Directors attended the training relating to the performance of duties by Directors, and comprehensively and systematically studied the overview of corporate governance of commercial banks, regulations on the related party transaction management, requirements for information disclosure, classic cases of violation and Directors' responsibility of performing their duties, etc., so as to improve the capacity of performing their duties. Secondly, they meticulously carried out research on Directors. During the Reporting Period, Directors conducted the survey on capital adequacy ratio by keeping in mind key difficulties and problems in business development of the Bank and its subsidiaries. They went to Mengjin Minfeng County Bank and Suiping Zhongyuan County Bank for the work of research and guidance, and provided specific guidance on optimizing capital management and promoting county banks to reform and defuse risk. Thirdly, they launched relevant inspection. The Risk Management Committee convened the relevant departments in accordance with the relevant requirements of the Articles of Association, listened to the situation related to the Bank's comprehensive risk management, and understood the situation related to the various types of risk management of Zhongyuan Bank, and arranged the risk inspection in 2024, so as to earnestly fulfill its responsibilities; the Audit Committee conducted the assessment of the audit quality of the external auditors of the Audit Committee to effectively supervise the auditors' compliance in the conduction of the audit work. Through the above forms, the Directors of the Bank further strengthened the understanding of industry regulatory policies and the operation within the Bank, which is beneficial to their exercise of relevant right scientifically.

10.2 Introduction to the Training and Survey of Supervisors

During the Reporting Period, Supervisors of the Bank participated in the special training on Basel III Capital Management Accord (《巴塞爾協議 III 資本管理辦法》), the third Board of Supervisors' performance training, and the compliance training for Hong Kong listing companies, and also participated in the special surveys on the "Four Haves" model for rural revitalization, the management of capital adequacy, the development of village bank, as well as the current situation of credit investment.



Chapter 8 Corporate Governance Report

11. Company Secretary under the Hong Kong Listing Rules¹

The Bank appointed Ms. CHAN Yin Wah, associate director of SWCS Corporate Services Group (Hong Kong) Limited, to act as the company secretary of the Bank. Ms. CHAN Yin Wah has been in compliance with Rule 3.29 of the Hong Kong Listing Rules that she received at least 15 hours of relevant professional training during the Reporting Period.

12. Communication with Shareholders

12.1 Investors Relationship

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

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

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

Telephone No.: (86) 0371-85517898

Fax No.: (86) 0371-85519888

E-mail: dongshihui@zybank.com.cn

12.2 Information Disclosure

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

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

¹ On October 12, 2023, Mr. ZHANG Ke resigned as the joint company secretary of the Bank due to work adjustment, and Ms. CHAN Yin Wah, another joint company secretary of the Bank in compliance with Rule 3.28 of Listing Rules for recognized academic and professional qualifications, remained in office and served as the company secretary of the Bank. For details, please refer to the Bank's announcement dated October 12, 2023.

Chapter 8 Corporate Governance Report

12.3 Shareholders' Rights and Communication Policy

Procedure for Shareholders to Convene Extraordinary General Meeting

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

Procedure of Proposing a Resolution at the General Meeting

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

Chapter 8 Corporate Governance Report

Raise Enquiries to the Board of Directors

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

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

During the Reporting Period, the Bank has reviewed the implementation and effectiveness of the above Shareholder communication policy and considers it effective.

13. External Auditors and Auditor's Remuneration

The Bank engaged KPMG and KPMG Huazhen LLP to act as its international auditor and domestic auditor for the year of 2023, respectively, at the 2022 annual general meeting convened by the Bank on June 16, 2023, to carry out auditing in accordance with the Hong Kong Standards on Auditing and China Standards on Auditing for Certified Public Accountants. The two accounting firms have each provided audit services for the Bank for 8 consecutive years.

In 2023, the remuneration for audit services and non-audit services agreed to be paid by the Bank to KPMG Huazhen LLP and KPMG was RMB4,045,000 and RMB2,455,000, respectively. Non-audit service is the review of interim financial statements and the agreed-upon procedure of the quarterly financial statements.

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

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

Chapter 8 Corporate Governance Report

14. Amendments to the Articles of Association

The Board convened a 48th meeting of the second session of the Board on May 15, 2023, which considered and approved the resolutions in relation to amendments to the Articles of Association of Zhongyuan Bank Co., Ltd., and submitted it to the 2022 annual general meeting of the Bank for consideration. On June 16, 2023, the Shareholders' general meeting considered and approved the above amendments. The Bank received the approval from the National Administration of Financial Regulation Henan Office on August 10, 2023, pursuant to which the amendments to the Articles of Association of the Bank were approved.

The amended Articles of Association of the Bank were published on August 18, 2023 on the website of Hong Kong Stock Exchange (www.hkex.com.hk) and the official website of the Bank (www.zybank.com.cn).

15. Risk Management and Internal Control

The Board of Directors is responsible for making the risk management and internal control policies and bears the ultimate responsibility for overall risk management. Taking into account that the purpose of the internal control system monitoring is to manage rather than eliminate the risk of failure to achieve business objectives, the Board of Directors can only reasonably, but not absolutely, guarantee that the above systems and internal controls will protect against any material misrepresentation or loss. The Board shall guarantee a review of internal control and risk management system at least once a year. The Bank evaluated the overall risk situation on a quarterly basis and the quality of internal control on an annual basis.

During the Reporting Period, the Board of Directors has reviewed the risk management and internal control policies of the Bank as well as the implementation and effectiveness of such policies and considers it effective. The Board of Directors has also obtained confirmation from the management on the effectiveness of the Bank's risk management.

15.1 Risk Management

In accordance with the requirements of laws and regulations such as the Commercial Banking Law (《商業銀行法》) and Internal Control Guidelines for Commercial Banks (《商業銀行內部控制指引》), the Bank established a standardized corporate governance structure and defined the scope of rights, division of responsibilities and rules of procedure for the Party Committee and the general meeting, the Board of Directors, the Board of Supervisors and the senior management.



Chapter 8 Corporate Governance Report

Based on the Regulation Governing Capital of Commercial Banks (Provisional) and its schedules, risks and relevant terminology defined by the Basel Committee, practice of the domestic and overseas peers as well as its own actual situation, the Bank identifies various overall quantitative and non-quantitative risks which may arise from the interaction between business strategies, product portfolios, client demands and the external macroeconomic environment. Taking into account the capital occupancy based on risk types, risks of banks determined by regulators and capital regulatory requirements, the Bank collects and publishes risk warnings, draws up risk event examples, identifies, collects and assesses risk events and then determines material risks for the purpose of identifying its material risks, such as credit risk, market risk, operational risk, liquidity risk, interest risk in bank accounts, compliance risk, legal risk and reputational risk, and subsequently making assessment and analysis as well as monitoring, reporting and controlling the risks faced by the Bank on them with risk measurement approaches and techniques.

15.2 Internal Control

Based on the principles of full coverage, checks and balance, prudence and compatibility, the Bank has established a relatively scientific and standardized internal control system in accordance with relevant laws and regulations, such as the Law of the PRC on Commercial Banks (《中華人民共和國商業銀行法》), the Internal Control Guidelines for Commercial Banks (《商業銀行內部控制指引》), and the relevant requirements of the Hong Kong Stock Exchange, aiming to ensure the consistent compliance with relevant laws, regulations and rules of the PRC, the application of the Bank's development strategies and the accomplishment of its operating objectives, the accuracy and completeness of the Bank's financial information and other management information, and the effectiveness of the risk management of the Bank. The Bank insists in and continues to optimize the defense mechanism comprising of three lines for internal control, further compacts a line of defense for risk control responsibility. The first line of defense consists of various branches and operating units, which are the owners of, and are accountable for risks and controls, and have to undertake self-risk control functions in the course of their business operation, including the formulation and implementation of policies, business examination, the reporting of control deficiencies and the organization of rectification measures. The second line of defense consists of the internal control and risk management departments at all levels, which are responsible for the overall planning, organizing and implementing, and examining and assessing of risk management and internal control. The third line of defense consists of the audit and supervision departments, which are responsible for performing internal audit on the adequacy and effectiveness of the internal control and risk management, taking disciplinary actions against staff in violation of regulations or disciplinary rules, carrying out case investigations and promoting management accountability.

Chapter 8 Corporate Governance Report

15.3 Internal Auditing

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

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

15.4 Anti-money Laundering

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



Chapter 8 Corporate Governance Report

Firstly, continuing to strengthen the construction of anti-money laundering working mechanism, standardizing and clarifying the anti-money laundering responsibilities of the Board of Directors, Board of Supervisors, senior management, leading groups for anti-money laundering work and branches, and establishing a clear and efficient operation mechanism. Secondly, comprehensively completing the identification of suspicious transactions in 197 outlets of the original three merged banks, and improving the level of professionalization and intensification. Thirdly, optimizing the supervision and reporting systems function of anti-money laundering for 12 times and comprehensively analyzing and optimizing 67 suspicious model rules of the Bank throughout the year, and continuously improving the system processing efficiency and model monitoring accuracy. Fourthly, using multiple resources to build a multi-level and multi-dimensional training system, strengthening the anti-money laundering awareness of all employees, and promoting the improvement of anti-money laundering performance capabilities. Fifthly, taking the initiative to fulfill the responsibility of social propaganda and education, carrying out anti-money laundering publicity work on a regular basis, and making full use of LED screen, TV media, outdoor publicity, official website, WeChat, mobile banking and other methods to popularize and publicize financial knowledge about anti-money laundering and anti-terrorist financing, and strengthening the anti-money laundering awareness of the general public so as to shape a favorable social environment for anti-money laundering.

15.5 Anti-corruption

The Bank consistently took a pressing attitude toward corruption penalty and governance, deeply advanced the anti-corruption with continuous effort, to promote the facts that everyone is afraid and incapable of corruption and reluctant to be corrupt. The Bank formulated the Measures for Zhongyuan Bank Implementing the Spirit of the Party's Eight-Point Frugality Code (《中原銀行貫徹落實中央八項規定精神實施辦法》) and other measures, issued the Implementation Opinions on Relevant Intensifying Comprehensive Supervision Work (《關於強化全面監督工作的實施意見》), Implementation Opinions on Implementing Decision Policy of "Major issues, important appointments and removals, major projects, and the use of large amounts of money" (《貫徹落實“三重一大”決策制度的實施意見》) and others, and the system of exercising full and strict governance over the Party and the corporate was initially formed. Focusing on business, personnel, finance, centralized procurement and other key areas and aspects, the Bank surrounded authorization, authority, constraint of authority, well-defined responsibility, diligence, accountability and other key aspects and matters, attached great importance on the decision process and the implementation of democratic centralism and strengthened the supervision of "Top Leaders" and leading groups, to make "the key minorities" drive "the majorities". The Bank carried out the work of key missions linking supervision and check of "deeply full and strict governance over the Party, consistently full and strict governance over the Bank and intensifying full supervision", improved the closed-loop mechanism of discovering issues, rectification, disposal and accountability and normalization and effectiveness, promoted the full supervision expanding to the whole bank and grassroots. Combining with the requirement of special discipline and education of "defining direction, setting up rules, cleaning up misconduct and improving harmony", the Bank carried out the education activities of honest culture at hand with various forms and contents, taught and drove the staffs to treat the supervision properly, receive the supervision automatically, not break the red line of complying with the rules of the Party, national laws and rules of the industry. Taking the classic cases inside and outside the industry as examples, the Bank consolidated and enhanced the results of cases promoting rectification, led the whole members and cadres in the Party to automatically express harmony, develop frugality, frequently clean up "the dust of thought", more think the "greed, desire and harm", frequently catch the "thief in the heart", together developed a health ecosystem of long-term honest, so as to make the honest finance be the symbol and brand of the Bank.

Chapter 8 Corporate Governance Report

16. Management of Inside Information

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

To ensure confidentiality of the Bank's inside information, safeguard the fairness in information disclosure and protect the legal rights of investors, the Bank enacted the Measures for Information Disclosure Management in Zhongyuan Bank Co., Ltd. (《中原銀行股份有限公司信息披露管理辦法》) based on domestic and overseas laws, regulations and other normative documents such as the Company Law of the PRC (《中華人民共和國公司法》), the Securities Law of the PRC (《中華人民共和國證券法》), Measures for Information Disclosure Management of Commercial Banks (《商業銀行信息披露管理辦法》) and the Hong Kong Listing Rules. The Bank makes information disclosure and manages inside information in strict compliance with the regulatory requirements and specifies the principles, contents, management and procedures for information disclosure in the Measures for Information Disclosure Management in Zhongyuan Bank Co., Ltd., which also provides for the coverage, insider limits and the security management of inside information as well as punishment for divulging inside information, etc. When relevant events or circumstances arise, the Bank would quickly assess the possible impact on the stock price and consciously decide whether the events or circumstances are inside information that should be disclosed and conduct the relevant disclosure accordingly. During the Reporting Period, the Bank not only stringently complied with the regulatory requirements of domestic and overseas regulators, but also intensified its management rules and enhanced the security measures of its inside information as well as disclosed relevant information timely according to requirements.



Chapter 8 Corporate Governance Report

17. Dividend Policy

Article 255 and Article 258 of the Articles of Association of the Bank specify the requirements for profit distribution:

The Bank may make profit distribution if it has distributable profits for each year after making up for the losses, contributing to the statutory reserve, general reserve and paying dividends to the preference shareholders provided that the capital adequacy ratio of the Bank meets regulatory requirements. Where the accumulated amount of the statutory reserve fund of the Bank comes to more than 50% of the registered capital of the Bank, it is no longer necessary to set aside the statutory reserve fund. After setting aside the statutory reserve fund and general reserve, and paying dividends on preference shares, whether to set aside the discretionary reserve funds shall be determined by the Shareholders' general meeting. The Bank shall not distribute profits to Shareholders before making up for the losses of the Bank and setting aside the statutory reserve funds and general reserves. The Bank may distribute dividend in the form of cash or share. The profit distribution of the Bank attaches the emphasis on the reasonable return on the investment of investors. The Bank's profit distribution policy should maintain certain continuity and stability, and the Company shall distribute dividends in the profitable year. The total profit distributed in the form of cash dividends for the last three years shall not be less than 30% of the average annual distributable profit of the Bank of the last three years, when making profits distribution. Distribution of dividends in form of stock shall be approved by general meeting of shareholders and subject to approval by the banking regulatory authority of the State Council.

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

Chapter 9 Report of the Board of Directors

1. Principal Business

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

2. Business Review and Outlook

2.1 Business Review of the Bank

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

2.2 Results

The results of the Bank for the year ended December 31, 2023 and the financial position of the Group as at that date are set out in the financial statements and notes section of this annual report.

3. Dividends

3.1 Dividends of Preference Shares

For dividends of preference shares during the Reporting Period, please refer to “Changes in Share Capital and Information on Shareholders – 9.2 Profit distribution on the Offshore Preference Shares”.

3.2 Dividends of Ordinary Shares

With the approval of the meeting of the Board of Directors of the Bank on March 28, 2024, it was recommended not to distribute the 2023 final dividend to all Shareholders. Such resolution of no dividend distribution shall be approved by the Shareholders at the upcoming 2023 annual general meeting of the Bank.

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

3.3 Tax Exemptions

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

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

Chapter 9 Report of the Board of Directors

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

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

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

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

4. Annual General Meeting

The Bank intends to convene the 2023 annual general meeting on Friday, June 21, 2024. In order to determine the Shareholders who are entitled to attend and vote at the annual general meeting, the register of members of the Bank will be closed from Tuesday, June 18, 2024 to Friday, June 21, 2024 (both days inclusive), during which period no transfer of Shares will be affected. Shareholders whose names appear on the register of members of the Bank on Friday, June 21, 2024 are entitled to attend and vote at the annual general meeting. In order to be eligible to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates and other appropriate documents must be lodged for registration with the Board office of the Bank (for holders of Domestic Shares) at Zhongke Golden Tower, No. 23 Shangwu Waihuan Road, Zhengdong New District CBD, Zhengzhou, Henan Province, PRC, or the H Share Registrar of the Bank (for holders of H Shares), Computershare Hong Kong Investor Services Limited, at shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, June 17, 2024. The Bank will despatch the notice and circular for the 2023 annual general meeting in due course.

Chapter 9 Report of the Board of Directors

5. Exposure to Major Risks

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

6. Future Development

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

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

The Bank has been promoting a market-oriented human resources system and has continually strengthened its incentive assessments, comprehensive training, and other complementary mechanisms, and has adopted a distinctive training system that could serve different needs of various groups of employees, which is characterized with a multiple-level training structure. As a result, it managed to cultivate a highly qualified, aggressive and efficient workforce. The Bank also believes career planning of employees to be of great importance and have developed a clear career development path for different roles, which is believed could further encourage its employees to endeavor to maximize his or her value.

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

The Bank has established long-term favorable cooperative relationships with a number of quality enterprises.

Due to its business nature, the Bank did not have any major suppliers.

8. Major Depositors and Borrowers

As of the end of the Reporting Period, the balance of the Bank’s loans to any single borrower did not exceed 10% of the Bank’s net capital. The interest income from the five largest customers of the Bank did not exceed 30% of the Bank’s total interest income. None of the Directors of the Bank and their close associates or any Shareholder which to the knowledge of the Directors owned more than 5% of the number of issued Shares of the Bank had any interest in the above five largest customers.



Chapter 9 Report of the Board of Directors

9. Share Capital

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

10. Pre-emptive rights

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

11. Substantial Shareholders

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

12. Use of Proceeds

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

13. Property and Equipment

Details of the changes in property and equipment of the Bank for the year ended December 31, 2023 are set out in the Note 24 to the financial statements in this annual report.

14. Changes in the Reserves

For the year ended December 31, 2023, the details of changes in the reserves of the Bank are set out in the consolidated statement of changes in equity in the financial statements of the Bank.

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

Save for the redemption of Offshore Preference Shares as set out in the section headed "9.3 Repurchase or Conversion of Offshore Preference Shares" in this annual report. During the Reporting Period, the Bank or any of its subsidiaries have not purchased, sold or redeemed any listed securities of the Bank.

Chapter 9 Report of the Board of Directors

16. Retirement Benefits

Please refer to Note 35(a) to the financial statements in this annual report for details of the retirement benefits provided to employees of the Bank.

17. Connected Transactions and Related Party Transactions

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

The details of the related party transactions conducted by the Bank in the ordinary and usual course of business during the Reporting Period are set out in Note 43 to the financial statements. The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard, and its interpretations by the IASB. Certain related party transactions set out in the notes to the financial statements also constitute connected transactions or continuing connected transactions as defined under the Hong Kong Listing Rules, but none of them constitutes any disclosable connected transaction as defined under the Hong Kong Listing Rules.



Chapter 9 Report of the Board of Directors

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

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

19. Directors

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

20. Directors’ and Supervisors’ Service Contracts

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

21. Permitted Indemnity Provisions

Pursuant to C.1.8 of Part 2 of the Code Provision, the Bank should purchase appropriate insurance covering potential legal proceedings against the Directors of the Bank. In order to comply with the Code Provision, the Bank has purchased appropriate liability insurance for the Directors and to provide indemnity for their liabilities incurred during the operations of the Bank for the year of 2023.

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

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

Save as disclosed in the “Report of the Board of Directors – 17. Connected Transactions and Related Party Transactions”, during the Reporting Period, the Bank or its subsidiaries did not enter into or have any transaction, arrangement or contract of significance in which the Directors or Supervisors (or entities connected with the Directors or Supervisors) directly or indirectly were materially interested.

23. Arrangements to Purchase Shares or Debentures

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

Chapter 9 Report of the Board of Directors

24. Management Contracts

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

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

As of the end of the Reporting Period, none of the Directors, Supervisors and the chief executive of the Bank and their associates had interests and short positions in the Shares, underlying Shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code.

26. Corporate Governance

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

27. Public Float

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

28. Auditors

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



Chapter 9 Report of the Board of Directors

29. Equity Linked Agreement

In order to actively implement the government's special debt policy of RMB8.0 billion, enhance the Bank's capital strength and risk resistance level, the Bank carried out the convertible negotiated deposit business to replenish its other tier-one capital and entered into convertible negotiated deposit agreement (the "Agreement") with Zhengzhou Finance Bureau, an authority designated by the Finance Department of Henan Province.

The main contents of the Agreement are summarized as below:

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

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

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

Chapter 9 Report of the Board of Directors

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

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

30. Preference Shares Issuance and Redemption

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

31. Bond Issuance

During the Reporting Period, the Bank applied to issue qualified tier 2 capital bonds with the issuance size of no more than RMB12 billion (inclusive) to replenish the tier 2 capital of the Bank as considered and approved by the 2023 Second Extraordinary General Meeting of the Bank.

On August 15, 2023, the Bank publicly issued the 2023 Undated Capital Bonds (the First Tranche) in the national inter-bank bond market, with an issuance size of RMB10 billion and issuance price of RMB100, and a coupon rate of 4.6% for the first 5 years, which will be reset every 5 years, and the issuer shall have conditional redemption right on every dividend payment date from the fifth year onwards, and the proceeds were used to replenish additional tier-one capital of the Bank based on the applicable laws and approvals from regulatory authorities.



Chapter 9 Report of the Board of Directors

On June 9, 2022, the Bank publicly issued special financial bonds for small and micro enterprises in the national inter-bank bond market, with an issue scale of RMB2.0 billion. The issuing price was RMB100 with three years to maturity and a coupon rate of 2.9%. The raised funds will all be used to support small and micro enterprise credit loans and provide financial services for small and micro enterprises in accordance with applicable laws and the approval of regulatory authority.

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

On June 28, 2021, the Bank publicly issued the financial bonds for small and micro enterprises with an issuing size of RMB2.0 billion in the national inter-bank bond market. The issuing price was RMB100 with a coupon rate of 3.48%. The raised funds will all be used to support small and micro enterprise credit loans and provide financial services for small and micro enterprises in accordance with applicable laws and the approval of regulatory authority.

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

32. Donations

During the Reporting Period, the Bank made donations in a total amount of RMB1,361,200, which were mainly used for poverty alleviation and assistance in difficulty of students and other groups.

Chapter 9 Report of the Board of Directors

33. Environmental Policy

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

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

34. Consumer Rights Protection

During the Reporting Period, the Bank continuously improved its consumer rights protection level in respect of organizational structure, policies mechanism, complaint handling, publicity and training, appraisal and evaluation to ensure consumers’ legitimate rights and interests under effective protection. **Firstly**, in terms of system improvement, the Bank formulated and issued the Administrative Measures for Review on Consumer Rights Protection of Zhongyuan Bank (《中原銀行消費者權益保護審查管理辦法》) and the Administrative Measures for Diversified Settlement on Financial Consumption Complaints of Zhongyuan Bank (《中原銀行金融消費投訴多元化化解管理辦法》) in accordance with the laws, regulations and regulatory requirements, and in combination with the actual work of the Bank, and established the review mechanism of consumer rights protection, continued to improve mechanisms, and carried out the management of the whole-process of pre-sales, sales and after-sales to effectively prevent the risks and protect the legal rights of the consumers. **Secondly**, in terms of financial knowledge education and publicity, the Bank organized and carried out special education activities such as 3.15 Financial Consumer Rights Day, Popularization of Financial Knowledge and “propaganda month of financial consumer rights protection education”, constructed the regular education and publicity mechanism, and focused on the popularization and education of financial knowledge in key areas and populations. The Bank conducted a total of more than 4,300 activities, reaching more than 4,520,000 consumers, distributing more than 513,000 copies of publicity materials. Through multi-channel and multi-form to meet the information demands of financial consumers, the Bank achieved good educational and publicity results. In 2023, the Bank participated in the 2023 (the Fifth) Henan Financial Knowledge Network Competition. The Head Office won the “Excellent Organization Award” and “Special Contribution Award”, Luoyang Branch won the Winner Award, and Xuchang Branch, Zhoukou Branch, Anyang Branch, Pingdingshan Branch and Shangqiu Branch won the Excellence Award, respectively, which reflected the high degree of financial professionalism of the Bank’s staff, and played an active role in promoting the popularization of financial knowledge and the policies of financial benefit to enterprises in the province. **Thirdly**, in terms of regulatory rating, the Bank was rated as an A-level bank in the 2022 People’s Bank on Consumer Protection Assessment. **Fourthly**, in terms of complaint management, the Bank earnestly implemented regulatory requirements, continuously improved the complaint management system, smoothed complaint channels, publicized the information on complaint channels in business outlets, official website, Online APP, official WeChat and other channels, and established a bank-wide working mechanism of complaint acceptance, analysis, handling, feedback, and diversified solutions to ensure that

Chapter 9 Report of the Board of Directors

the entire bank can handle complaints in compliance with laws and regulations. In 2023, the Bank handled a total of 3,388 complaints from individual customers through various channels, with 1 complaint per 10,000 in relation to individual customers, mainly involving credit cards, personal loans and other businesses, mainly in Zhengzhou, Luoyang and other regions. **Fifthly**, in terms of consumer protection training, the Bank conducted a total of 75 thematic trainings on consumer rights protection in 2023, involving a total of more than 20 institutions in the Head Office and Branches, with a total of 16,612 participants, achieving full coverage of the institutions and key training personnel to constantly improve the protection awareness of consumer rights and working level of its employees.

35. Compliance with Relevant Laws and Regulations

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

36. Pledge of Significant Assets

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

37. Distributable Reserves

The distributable reserves of the Bank as of December 31, 2023 were RMB3,254 million.

38. Important Events since the End of the Reporting Period

Since the end of the Reporting Period and until the date of this annual report, there was no other important event affecting the Bank.

Chapter 9 Report of the Board of Directors

39. Other Matters

As far as the Board is aware, the Bank has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Bank. In the meantime, the Bank is committed to the long-term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Bank endeavors to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

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

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

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

The Bank will publish an environmental, social and governance report for the Reporting Period, as and when appropriate, in compliance with the provisions under the Environmental, Social and Governance Reporting Guide set out in Appendix C2 to the Hong Kong Listing Rules.

Zhongyuan Bank Co., Ltd.
The Board of Directors

Zhengzhou, China
March 28, 2024



Chapter 10 Report of the Board of Supervisors

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

1. Major Works of the Board of Supervisors

During the Reporting Period, the Board of Supervisors fully participated in various activities of the Bank's "Three Boards and One Layer". A total of 6 meetings of the Board of Supervisors were held, at which 84 items were heard and considered; and 8 meetings of the special committees under the Board of Supervisors were held, including 5 meetings of the Nomination Committee and 3 meetings of the Supervision Committee, at which 50 items were heard and considered. The members of the Board of Supervisors attended shareholders' general meetings and attended all the on-site meetings of the Board of Directors. Each supervisor conducted conscientious research and discussion on various proposals and special reports on important events such as operating results, financial reporting, profit distribution, performance evaluation, risk management and internal control and compliance, as well as performance of social responsibilities of the Bank by exerting their professional advantages of being independent, professional and objective, voiced opinions in an objective and impartial manner and exercised its voting rights properly, fully performed its responsibilities in supervision and effectively played the role of supervision at the meeting.

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

Chapter 10 Report of the Board of Supervisors

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

2.1 Operation compliance

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

2.2 Introduction to the financial report

The 2023 financial report of the Bank was audited by KPMG Huazhen LLP and KPMG engaged by the Board of Directors, which has issued a standard unqualified audit report; the Board of Supervisors are in the opinion that the preparation of the financial report and the audit procedure were in compliance with laws, regulations and regulatory requirements, and its content truly, accurately and completely reflected the financial conditions and operating results of the Bank.

2.3 Related party transactions

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

2.4 Internal control

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

2.5 Implementation of information disclosure

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

2.6 Implementation of resolutions of shareholders' meetings

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

Chapter 11 Important Events

1. Use of Proceeds

On August 15, 2023, the Bank publicly issued the 2023 undated capital bonds (the first tranche) with an issuing size of RMB10 billion in the national inter-bank bond market in the PRC. The coupon rate is 4.6% with an issuing price of RMB100 during the first five years, and will be reset every five years. The issuer shall have a conditional redemption right on every dividend payment date from the fifth year onwards. The proceeds are used to replenish the Bank's additional tier-one capital in accordance with applicable laws and approvals by the regulatory authorities. Please refer to the announcement dated August 15, 2023 of the Bank for details.

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

On June 9, 2022, the Bank publicly issued special financial bonds for small and micro enterprises in the national inter-bank bond market, with an issuance size of RMB2.0 billion, an issue price of RMB100, a term of three years, and a coupon rate of 2.9%. The raised funds have been fully used to support small and micro enterprise credit loans and provide financial services for small and micro enterprises in accordance with applicable laws and the approval of the regulatory authorities. Please refer to the announcement of the Bank dated June 9, 2022 for details.

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

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

On June 28, 2021, the Bank issued the special financial bonds for small and micro enterprises publicly with an issuing size of RMB2.0 billion in the national inter-bank bond market in the PRC. The special financial bonds have a coupon rate of 3.48% with an issuing price of RMB100. Based on applicable laws and the approval of the regulatory authorities, the Bank has fully used the proceeds raised thereof to grant credit loans for supporting small and micro enterprises, and providing financial services to small and micro enterprises.

Chapter 11 Important Events

2. Profits and Dividends

The profits and financial position of the Bank for 2023 are set out in the annual financial statements of this annual report.

As approved at the Board meeting of the Bank on March 28, 2024, it is proposed that no final dividend for 2023 be declared to all Shareholders. Such proposal for no distribution of dividend will be subject to Shareholders' approval at the Bank's forthcoming 2023 annual general meeting.

3. Material Connected Transactions

During the Reporting Period, there is no other matter constituting a material connected transaction of the Bank.

4. Material Litigations and Arbitrations

As at the end of the Reporting Period, the disputed amounts involved in the outstanding litigations cases in which the Bank was the defendant were RMB1,481.79 million and HK\$27.29 million.

Material litigations during the Reporting Period

1. Two contract disputes of Jiaozuo Branch of Zhongyuan Bank

The plaintiff of the case required the Jiaozuo Branch of Zhongyuan Bank to pay for the loss of the relending funds and the expenses for using funds and the amount of the two cases is RMB25.98 million and RMB28.35 million respectively as the customer of the former Jiaozuo Bank of China Travel Service used the emergency relending funds to repay the loan in the former Jiaozuo Bank of China Travel Service, and that the customer failed to repay the emergency relending funds in full on time due to the lack of supervision after the former Jiaozuo Bank of China Travel Service renewed the loan and resulted in its loss. No judgement has yet been reached in the first instance.



Chapter 11 Important Events

2. Dispute in relation to stock pledge guarantee of Zhongyuan Bank

The plaintiff of the case filed a lawsuit against Zhongyuan Bank as the defendant, requesting a denial of the validity of the guarantee contract and return of the proceeds from the disposal of the equity interest, due to the dispute arising from the disposal by the Bank of its pledged shares. The total amount is approximately HK\$27.29 million. The case has been filed in the Hong Kong High Court and has not yet been decided.

3. Property damages dispute of Jiaozuo Branch of Zhongyuan Bank

The plaintiff of the case incurred losses in the criminal case involving bill fraud and believed that the former Jiaozuo Bank of China Travel Service were at fault and should jointly compensate for the principal and corresponding interest losses totaling approximately RMB1,170.00 million with other defendants. On November 29, 2022, Zhengzhou Intermediate People's Court, Henan, P.R. China has rejected the plaintiff's claim at the first instance, and the Bank won the lawsuit. The case has been heard in the second instance of Henan High People's Court, Henan, P.R. China, and currently is pending for judgment of second instance.

4. Property damages dispute of Puyang branch of Zhongyuan Bank

The plaintiff of the case requested Puyang branch of Zhongyuan Bank to compensate the losses of totaling approximately RMB12.41 million due to the fact that Puyang branch of Zhongyuan Bank privately disposed of its collateral. The case currently is pending for judgment of first instance.

5. Dispute in relation to debt transfer of Zhumadian branch of Zhongyuan Bank

The plaintiff of the case requested Zhumadian branch of Zhongyuan Bank to terminate debt transfer agreement and repay the transfer price of totaling approximately RMB10.66 million due to the fact that Zhumadian branch of Zhongyuan Bank concealed the true circumstance of the transfer of its debt. As of the date of this annual report, the Bank won the first instance trial and the case was closed.

6. Litigation against Lushi Zhongyuan County Bank in relation to alleged lending and borrowing

The plaintiff of the case filed a lawsuit against the Lushi Zhongyuan County Bank as defendant for alleged lending and borrowing, requesting Lushi Zhongyuan County Bank to repay the principal and interest of the borrowing of approximately RMB45.50 million. After the Henan High People's Court, Henan, P.R. China rejected the plaintiff's claim in the second judgement, the plaintiff applied to the Supreme People's Court for a retrial, and the Supreme People's Court, Henan, P.R. China ruled and directed the Henan High People's Court to hear the case. Henan High People's Court, Henan, P.R. China rejected the plaintiff's claim in the second instance, and the Lushi Zhongyuan County Bank won the suit. The plaintiff filed an application for retrial, which is under review by the Supreme People's Court.

5. Penalties for Directors, Supervisors and Senior Management

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

Chapter 11 Important Events

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

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

7. Implementation of Share Schemes during the Reporting Period

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

8. Material Contracts and their Performance

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

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

During the Reporting Period, the Bank had no significant investments, material acquisitions and disposals of assets and business mergers.



Chapter 11 Important Events

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

In order to actively implement the government's special debt policy of RMB8.0 billion, enhance the Bank's capital strength and risk resistance level, the Bank carried out the convertible negotiated deposit business to replenish its other tier-one capital. The extraordinary general meeting, the domestic shareholders' class meeting and an extraordinary H shareholders' class meeting held by the Bank on November 11, 2022 reviewed and approved the Bank's replenishment of other tier-one capital through a convertible negotiated deposit. The Bank has entered into convertible negotiated deposit agreement (the "Agreement") with Zhengzhou Finance Bureau, an authority designated by the Finance Department of Henan Province, under which special bonds of RMB8.0 billion undertaken through a convertible negotiated deposit by the Bank were all used to replenish the Bank's other tier-one capital.

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

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

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

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

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

Chapter 11 Important Events

11. Profit Distribution during the Reporting Period

During the Reporting Period, with the approval of the meeting of the Board of Directors of the Bank on March 31, 2023, it was recommended not to distribute the 2022 final dividend to all Shareholders. Such resolution of no dividend distribution were approved by the Bank at the 2022 annual general meeting held on June 16, 2023.

12. Audit Review

The financial statements for 2023 prepared by the Bank according to the IFRSs have been audited by KPMG, and the auditor's report was unqualified. The 2023 Annual Report of the Bank has been reviewed and approved by the Audit Committee of the Board and the Board of Directors of the Bank.



Chapter 12 Independent Auditor’s Report

Independent auditor’s report to the shareholders of Zhongyuan Bank Co., Ltd.

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

Opinion

We have audited the consolidated financial statements of Zhongyuan Bank Co., Ltd. (the “Bank”) and its subsidiaries (together, the “Group”) set out on pages 177 to 313, which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (“the Code”) together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People’s Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Chapter 12 Independent Auditor's Report

Key audit matters (Continued)

Loss allowances of loans and financial investments measured at amortized cost	
<i>Refer to note 20 and 21 to the consolidated financial statements and the accounting policies in note 2(9)(ii).</i>	
The key audit matter	How the matter was addressed in our audit
<p>The determination of loss allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.</p> <p>In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses for corporate loans and financial investments are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The expected credit losses for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.</p>	<p>Our audit procedures to assess loss allowances of loans and financial investments measured at amortized cost included the following:</p> <ul style="list-style-type: none"> • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and financial investments measured at amortized cost, the credit grading process and the measurement of provisions for impairment; • assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments;



Chapter 12 Independent Auditor's Report

Key audit matters (Continued)

Loss allowances of loans and financial investments measured at amortized cost (Continued)	
<i>Refer to note 20 and 21 to the consolidated financial statements and the accounting policies in note 2(9)(ii). (Continued)</i>	
The key audit matter	How the matter was addressed in our audit
<p>Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of loss allowances as at the end of the reporting period.</p> <p>We identified the impairment of loans and advances to customers and financial investments measured at amortized cost as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.</p>	<ul style="list-style-type: none"> • assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original loan agreements, we compared the total balance of the loan and financial investment list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing individual loan and investment information with the underlying agreements and other related documentation to assess the accuracy amounts and related information of the loan and investment. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources; • for key parameters involving judgement, critically assessing input parameters. As part of these procedures, we challenged management's revisions to estimates and input parameters compared with prior period and considered the consistency of judgement. • comparing the forward-looking economic factors used in the models to market information to assess whether they were aligned with market and economic development;

Chapter 12 Independent Auditor's Report

Key audit matters (Continued)

Loss allowances of loans and financial investments measured at amortized cost (Continued)	
<i>Refer to note 20 and 21 to the consolidated financial statements and the accounting policies in note 2(9)(ii). (Continued)</i>	
The key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> • for key parameters used in the expected credit loss model which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis. In addition, we involved our IT specialists to assess the logics and compilation of the overdue information of corporate customers for selected samples; • evaluating the validity of management's assessment on whether the credit risk of the loan has, or has not, increased significantly since initial recognition and whether the loan is credit-impaired by selecting samples in industries more vulnerable to the current economic situation and checking the loan overdue information, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses; • for selected samples of loans and advances to customers and financial investments measured at amortized cost that are credit-impaired, evaluating management's assessment of the value of any property collateral held by comparison with market prices based on the location and use of the property and the prices of neighbouring properties. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows, challenged the viability of the Group's recovery plans and evaluated other credit enhancements that are integral to the contract terms; and • assessing the reasonableness of the disclosures on impairment of loans and financial investments measured at amortized cost against prevailing accounting standards.



Chapter 12 Independent Auditor's Report

Key audit matters (Continued)

Fair value of financial instruments	
<i>Refer to note 46 to the consolidated financial statements and the accounting policies in note 2(9)(iv).</i>	
The key audit matter	How the matter was addressed in our audit
<p>Financial instruments carried at fair value account for a significant part of the Group's assets. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income.</p> <p>The valuation of the Group's financial instruments, carried at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from active market readily available data. For level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques use quoted market prices and observable inputs, respectively. As in the case of level 3 financial instruments measured at fair value, where such observable data is not readily available, estimates need to be developed which can involve extensive management judgment.</p> <p>The Group has developed its own models to value certain financial instruments, which also involve significant management judgement.</p> <p>Global economic uncertainty influenced movements in market rates including interest rates and foreign exchange rates. Increased market volatility resulted in greater ranges of values in management's assessment of the valuation of financial instruments held.</p> <p>We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation models.</p>	<p>Our audit procedures to assess the fair value of financial instruments included the following:</p> <ul style="list-style-type: none"> • understanding and assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments; • involving our internal valuation specialists to assist us in performing independent valuations, on a sample basis, of financial instruments and comparing our valuations with the Group's valuations. Our procedures included comparing the valuation models of the Group with our valuation methods, and developing parallel models to value the financial instruments, obtaining and verifying the inputs independently, assessing the appropriateness of the inputs applied; • assessing the reasonableness of the disclosures in the consolidated financial statements in relation to fair value of financial instruments against prevailing accounting standards.

Chapter 12 Independent Auditor's Report

Key audit matters (Continued)

Consolidation of structured entities	
<i>Refer to note 40 to the consolidated financial statements and the accounting policies in note 2(4).</i>	
The key audit matter	How the matter was addressed in our audit
<p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to a structured entity through issuing a wealth management product, or act as an investor to a structured entity through investing in an asset management plan, a trust plan or an asset-backed security.</p> <p>In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and the Group's exposure to and ability to influence its own returns from the entity. In certain circumstances the Group may be required to consolidate a structured entity even though it has no equity interest therein.</p> <p>We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement to determine whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement of financial position and relevant regulatory capital requirements could be significant.</p>	<p>Our audit procedures to assess the consolidation of structured entities included the following:</p> <ul style="list-style-type: none"> • making enquiries of management and inspecting documents relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard; • selecting significant structured entities of each key product type and performing the following procedures for each entity selected: <ul style="list-style-type: none"> – inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity; – reviewing the risk and reward structure of the structured entity to assess management's judgement as to exposure, or rights, to variable returns from the Group's involvement in such an entity; – reviewing management's analyses of the structured entity to assess management's judgement over the Group's ability to influence its own returns from the structured entity; – assessing management's judgement over whether the structured entity should be consolidated or not; • assessing the reasonableness of the disclosures in the consolidated financial statements in relation to structured entities against prevailing accounting standards.

Chapter 12 Independent Auditor's Report

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

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

Chapter 12 Independent Auditor's Report

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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



Chapter 12 Independent Auditor's Report

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Leung Tat Ming.

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

March 28, 2024

Consolidated statement of profit or loss and other comprehensive income

for the year ended December 31, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2023	2022
Interest income		50,705,059	43,614,018
Interest expense		(28,442,052)	(22,337,759)
Net interest income	4	22,263,007	21,276,259
Fee and commission income		2,680,630	2,779,444
Fee and commission expense		(1,362,110)	(996,370)
Net fee and commission income	5	1,318,520	1,783,074
Net trading gains	6	312,146	957,659
Net gains arising from investment securities	7	1,892,213	1,449,387
Other operating income	8	397,532	144,818
Operating income		26,183,418	25,611,197
Operating expenses	9	(10,861,789)	(10,278,008)
Impairment losses on assets	12	(12,559,781)	(11,189,527)
Share of gains of joint venture	23	195,241	164,075
Profit before tax		2,957,089	4,307,737
Income tax	13	249,238	(482,615)
Net profit for the year		3,206,327	3,825,122
Net profit attributable to:			
Equity shareholders of the Bank		3,220,966	3,650,171
Non-controlling interests		(14,639)	174,951
		3,206,327	3,825,122
Basic and diluted earnings per share (in RMB)	14	0.07	0.10

The notes on pages 186 to 313 form part of these financial statements.

Consolidated statement of profit or loss and other comprehensive income

for the year ended December 31, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2023	2022
Net profit for the year		3,206,327	3,825,122
Other comprehensive income			
<i>Other comprehensive income net of tax attributable to equity shareholders of the Bank</i>			
Items that may be reclassified subsequently to profit or loss:			
– Financial assets at fair value through other comprehensive income: net movement in the fair value reserve	37(d)(i)	533,537	262,648
– Financial assets at fair value through other comprehensive income: net movement in impairment losses	37(d)(ii)	313,350	(565,741)
Items that will not be reclassified subsequently to profit or loss:			
– Remeasurement of net defined benefit liability	37(d)(iii)	(19,421)	(21,573)
<i>Other comprehensive income net of tax attributable to non-controlling interests</i>			
		9,693	1,123
Other comprehensive income, net of tax		837,159	(323,543)
Total comprehensive income		4,043,486	3,501,579
Total comprehensive income attributable to:			
Equity shareholders of the Bank		4,048,432	3,325,505
Non-controlling interests		(4,946)	176,074
		4,043,486	3,501,579

The notes on pages 186 to 313 form part of these financial statements.

Consolidated statement of financial position

as at December 31, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2023	2022
Assets			
Cash and deposits with the central bank	15	67,033,080	77,587,949
Deposits with banks and other financial institutions	16	16,712,507	21,186,979
Placements with banks and other financial institutions	17	35,591,827	30,768,528
Derivative financial assets	18	33,450	93,255
Financial assets held under resale agreements	19	56,302,673	65,217,612
Loans and advances to customers	20	689,869,369	666,892,425
Financial investments:	21		
Financial investments at fair value through profit or loss		61,148,133	35,752,312
Financial investments at fair value through other comprehensive income		77,296,226	94,427,751
Financial investments at amortised cost		248,396,468	243,257,466
Lease receivables	22	65,327,514	60,314,068
Interest in joint venture	23	1,542,548	1,347,307
Property and equipment	24	7,750,183	8,232,995
Deferred tax assets	25	10,797,078	10,205,981
Goodwill	26	1,982,050	1,982,050
Other assets	27	6,663,391	9,469,804
Total assets		1,346,446,497	1,326,736,482
Liabilities and equity			
Liabilities			
Borrowing from the central bank	29	68,055,912	42,660,996
Deposits from banks and other financial institutions	30	38,703,963	30,116,036
Placements from banks and other financial institutions	31	64,482,788	51,806,431
Derivative financial liabilities	18	335,589	562,679
Financial assets sold under repurchase agreements	32	73,121,287	101,706,083
Deposits from customers	33	859,783,781	845,257,154
Income tax payable		130,303	81,078
Debt securities issued	34	131,990,578	145,158,732
Other liabilities	35	12,954,125	15,752,749
Total liabilities		1,249,558,326	1,233,101,938

The notes on pages 186 to 313 form part of these financial statements.

Consolidated statement of financial position

as at December 31, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2023	2022
Equity			
Share capital	36	36,549,823	36,549,823
Other equity instruments	39	13,998,937	13,632,510
Reserves	37	39,524,179	35,962,840
Retained earnings	38	2,431,639	3,083,265
<hr/>			
Total equity attributable to equity shareholders of the Bank		92,504,578	89,228,438
Non-controlling interests		4,383,593	4,406,106
<hr/>			
Total equity		96,888,171	93,634,544
<hr/>			
Total liabilities and equity		1,346,446,497	1,326,736,482

Approved and authorised for issue by the board of directors on March 28, 2024.

Guo Hao

*Chairman of the Board of Directors
Executive Director*

Liu Kai

*President
Executive Director*

Wang Le

*President Assistant in charge of
accounting affairs*

Tong Qi

*General Manager of the
Financial and Accounting Department*

Zhongyuan Bank Co., Ltd.

(Company chop)

The notes on pages 186 to 313 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended December 31, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

Note	Attributable to equity shareholders of the Bank								Non-controlling interests	Total
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings	Subtotal		
Balance at January 1, 2023	36,549,823	13,632,510	19,345,395	2,804,300	13,793,926	19,219	3,083,265	89,228,438	4,406,106	93,634,544
Changes in equity for the year:										
Net profit for the year	-	-	-	-	-	-	3,220,966	3,220,966	(14,639)	3,206,327
Other comprehensive income	-	-	-	-	-	827,466	-	827,466	9,693	837,159
Total comprehensive income	-	-	-	-	-	827,466	3,220,966	4,048,432	(4,946)	4,043,486
Issuance of perpetual bond	39	9,999,217	-	-	-	-	-	9,999,217	-	9,999,217
Redemption of offshore preference shares	39	(9,632,790)	(323,356)	-	-	-	-	(9,956,146)	-	(9,956,146)
Appropriation to surplus reserve	38	-	-	303,511	-	-	(303,511)	-	-	-
Appropriation to general reserve	38	-	-	-	2,753,718	-	(2,753,718)	-	-	-
Cash dividends on common shares		-	-	-	-	-	-	-	(17,567)	(17,567)
Cash dividends on preference shares	38	-	-	-	-	-	(623,363)	(623,363)	-	(623,363)
Cash interests on perpetual bond	38	-	-	-	-	-	(192,000)	(192,000)	-	(192,000)
Balance at December 31, 2023	36,549,823	13,998,937	19,022,039	3,107,811	16,547,644	846,685	2,431,639	92,504,578	4,383,593	96,888,171

The notes on pages 186 to 313 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended December 31, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Attributable to equity shareholders of the Bank							Subtotal	Non-controlling interests	Total
		Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings			
Balance at January 1, 2022		20,075,000	9,632,791	14,317,981	2,424,709	9,705,709	343,885	4,710,067	61,210,142	1,169,490	62,379,632
Changes in equity for the year:											
Net profit for the year		-	-	-	-	-	-	3,650,171	3,650,171	174,951	3,825,122
Other comprehensive income		-	-	-	-	-	(324,666)	-	(324,666)	1,123	(323,543)
Total comprehensive income		-	-	-	-	-	(324,666)	3,650,171	3,325,505	176,074	3,501,579
Issuance of H shares	36	3,150,000	-	1,696,208	-	-	-	-	4,846,208	-	4,846,208
Issuance of shares for merger by absorption	36	13,324,823	-	3,331,206	-	-	-	-	16,656,029	-	16,656,029
Arising from merger by absorption	39(b)	-	3,999,719	-	-	-	-	-	3,999,719	2,907,659	6,907,378
Acquisition of subsidiary		-	-	-	-	-	-	-	-	236,086	236,086
Appropriation to surplus reserve	38	-	-	-	379,591	-	-	(379,591)	-	-	-
Appropriation to general reserve	38	-	-	-	-	4,088,217	-	(4,088,217)	-	-	-
Cash dividends on common shares		-	-	-	-	-	-	-	-	(83,203)	(83,203)
Cash dividends on preference shares	38	-	-	-	-	-	-	(617,165)	(617,165)	-	(617,165)
Cash interests on perpetual bond	38	-	-	-	-	-	-	(192,000)	(192,000)	-	(192,000)
Balance at December 31, 2022		36,549,823	13,632,510	19,345,395	2,804,300	13,793,926	19,219	3,083,265	89,228,438	4,406,106	93,634,544

The notes on pages 186 to 313 form part of these financial statements.

Consolidated cash flow statement

for the year ended December 31, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

	2023	2022
Cash flows from operating activities		
Profit before tax	2,957,089	4,307,737
Adjustments for:		
– Impairment losses on assets	12,559,781	11,189,527
– Depreciation and amortization	1,700,967	1,428,068
– Depreciation of investment properties	3,189	2,207
– Unrealized foreign exchange losses	(398,489)	(2,183,825)
– Net (gains)/losses on disposal of property and equipment	(35,775)	84,402
– Net trading (gains)/losses	(27,880)	149,416
– Net (gains)/losses arising from changes fair value of derivatives	(167,284)	469,936
– Net gains on disposal of investment securities	(1,892,213)	(1,449,387)
– Share of gains of joint venture	(195,241)	(164,075)
– Interest expense on debts securities issued	3,718,673	3,188,237
– Interest expense on lease liabilities	33,145	57,416
	18,255,962	17,079,659
<i>Changes in operating assets</i>		
Net decrease in deposits with the central bank	405,753	3,703,074
Net (increase)/decrease in deposits and placements with banks and other financial institutions	(6,320,170)	4,085,926
Net (increase)/decrease decrease in financial assets held for trading	(2,743,797)	4,806,174
Net increase in loans and advances to customers	(25,331,241)	(67,136,887)
Net increase in lease receivables	(5,798,381)	(3,058,304)
Net decrease in other operating assets	255,782	13,135,716
	(39,532,054)	(44,464,301)



The notes on pages 186 to 313 form part of these financial statements.

Consolidated cash flow statement

for the year ended December 31, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

	2023	2022
Cash flows from operating activities (Continued)		
<i>Changes in operating liabilities</i>		
Net increase/(decrease) in borrowing from the central bank	25,248,374	(15,593,636)
Net increase/(decrease) in deposits from banks and other financial institutions	8,555,588	(2,146,074)
Net increase/(decrease) in placements from banks and other financial institutions	12,500,535	(321,193)
Net (decrease)/increase in financial assets sold under repurchase agreements	(28,573,883)	67,662,664
Net increase in deposits from customers	10,201,599	30,821,190
Net increase in other operating liabilities	1,841,579	3,274,112
	29,773,792	83,697,063
Net cash flows generated from operating activities before income tax paid	8,497,700	56,312,421
Income tax paid	(249,767)	(1,168,944)
Net cash flows generated from operating activities	8,247,933	55,143,477
Cash flows from investing activities		
Cash and cash equivalents from merger by absorption	–	24,947,128
Cash and cash equivalents from acquisition of subsidiary	–	518,928
Proceeds from disposal and redemption of investments	297,750,202	296,152,418
Proceeds from disposal of property and equipment, intangible assets and other assets	94,170	54,023
Payments on acquisition of investments	(312,057,885)	(345,202,977)
Payments on acquisition of property and equipment, intangible assets and other assets	(843,117)	(974,666)
Net cash flows used in investing activities	(15,056,630)	(24,505,146)

The notes on pages 186 to 313 form part of these financial statements.

Consolidated cash flow statement

for the year ended December 31, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2023	2022
Cash flows from financing activities			
Proceeds from issued shares		–	4,846,208
Proceeds from redemption of offshore preference shares		(9,956,146)	–
Proceeds from issued perpetual bond		9,999,217	–
Proceeds from issued debt securities		252,090,860	242,228,105
Repayment of debts securities issued		(265,077,664)	(220,283,385)
Interest paid on debts securities issued		(3,900,023)	(3,267,764)
Dividends paid		(830,530)	(936,949)
Capital element of lease liabilities paid		(395,795)	(354,781)
Interest element of lease liabilities paid		(38,628)	(49,190)
Net cash flows (used)/generated from financing activities		(18,108,709)	22,182,244
Effect of foreign exchange rate changes on cash and cash equivalents			
		218,026	1,180,704
Net (decrease)/increase in cash and cash equivalents	42(a)	(24,699,380)	54,001,279
Cash and cash equivalents as at January 1		125,893,084	71,891,805
Cash and cash equivalents as at December 31	42(b)	101,193,704	125,893,084
Interest received		50,214,193	43,462,808
Interest paid (excluding interest expense on debts securities issued)		(20,054,562)	(16,553,399)

The notes on pages 186 to 313 form part of these financial statements.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Background information

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

Pursuant to the reorganization initiated by the People's Government of Henan Province (the "Henan Government"), the Bank was established through the merger and reorganization of the Predecessor Entities.

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

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

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

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

2 Material accounting policies

(1) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (the "IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirement of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(3) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(2) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2023 comprise the Bank and its subsidiaries and the Group's interest in a joint venture.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future years if the revision affects both current and future years.

Judgments made by management in the application of IFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2(28).

The measurement basis used in the preparation of the financial statements is the historical basis, except that the financial instruments classified as fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL) and derivative financial instruments (see Note 2(9)(iii)) are stated at their fair value as explained in the accounting policies.

The financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Group.

(3) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. The principal effects of new and revised IFRSs (including International Accounting Standards ("IASs")) are as follows:

Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates.

The adoption will not have any material impact on the financial position and the financial result of the Group.



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(3) Changes in accounting policies (Continued)

Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure.

The adoption will not have any material impact on the financial position and the financial result of the Group.

Amendments to IAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

The adoption will not have any material impact on the financial position and the financial result of the Group.

Amendments to IAS 12, Income taxes: International tax reform – Pillar Two model rules

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (“OECD”) (income tax arising from such tax laws is hereafter referred to as “Pillar Two income taxes”), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application.

The adoption will not have any material impact on the financial position and the financial result of the Group.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(4) Subsidiaries and non-controlling interests

Subsidiaries (including structured entities) are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests (“NCI”) either at fair value or at the NCI’s proportionate share of the subsidiary’s net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income between NCI and the equity shareholders of the Bank.

Changes in the Group’s interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Bank’s statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(18)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(5) Associates and joint ventures

An associate is an entity in which the Group or the Bank has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group or the Bank has joint control, whereby the Group or the Bank has the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An interest in an associate or a joint venture is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Bank's statement of financial position, an investment in an associate or a joint venture is stated at cost less impairment losses, unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(6) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see Note 2(18)).

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(7) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of each reporting period. The resulting exchange differences are recognized in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognized in profit or loss, except for the exchange differences arising from the translation of non-monetary financial investments at fair value through other comprehensive income which are recognized in capital reserve.

(8) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits and placements with banks and other financial institutions, financial assets held under resale agreements and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECL (see note Note 2(9)(ii)).

(9) Financial instruments

(i) Recognition and measurement of financial assets and liabilities

A financial asset or financial liability is recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

The financial instruments are initially stated at fair value plus directly attributable transaction costs, except for those financial instruments measured at FVTPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 46. These financial instruments are subsequently accounted for as follows, depending on their classification.



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(9) Financial instruments (Continued)

(i) Recognition and measurement of financial assets and liabilities (Continued)

Financial instruments other than equity investments

Non-equity financial instruments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the financial instrument is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the financial instrument is calculated using the effective interest method (see Note 2(23)(a)).
- fair value through other comprehensive income (FVOCI) (recycling), if the contractual cash flows of the financial instrument comprise solely payments of principal and interest and the financial instrument is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the financial instrument is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value through profit or loss (FVTPL), if the financial instrument does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the financial instrument (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI, are recognised in profit or loss.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(9) Financial instruments (Continued)

(ii) Credit losses and impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, loans and advances to customers, and financial investments at amortised cost);
- debt securities measured at FVOCI (recycling);
- loan commitments issued, which are not measured at FVTPL.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVTPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(9) Financial instruments (Continued)

(ii) Credit losses and impairment of financial assets (Continued)

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(9) Financial instruments (Continued)

(ii) Credit losses and impairment of financial assets (Continued)

Significant increases in credit risk (Continued)

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(23)(a) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(9) Financial instruments (Continued)

(ii) Credit losses and impairment of financial assets (Continued)

Basis of calculation of interest income (Continued)

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

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

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(iii) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives embedded in financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value through profit or loss.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(9) Financial instruments (Continued)

(iii) Derivative financial instruments (Continued)

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised directly in profit or loss.

For less complex derivative products, the fair values are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.

(iv) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, it is the current asking price. The quoted prices from an active market are prices that are readily and regularly available from an exchange, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of each reporting period. Where other pricing models are used, inputs are based on market data at the end of each reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(9) Financial instruments (Continued)

(v) *Derecognition of financial assets and financial liabilities*

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

- the contractual rights to the cash flows from the financial asset expire; or
- the Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognize the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

The financial liability (or part of it) is derecognized only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognized financial liability and the consideration paid is recognized in profit or loss.

(vi) *Offsetting*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(10) Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statements of financial position at amortized cost. Financial assets held under resale agreements are assessed for ECLs in accordance with the policy set out in Note 2(9)(ii).

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

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognized respectively as interest income and interest expense over the life of each agreement using the effective interest method.

(11) Preference share

Preference shares or their components are initially recognised as financial assets, financial liabilities or equity instruments according to the terms and the economic substance combined with the definition of financial assets, financial liabilities and equity instruments.

When the issued preference shares contain equity and liability components, the Group follows the same accounting policy as for convertible bonds with equity components. For the issued preference shares which do not contain equity component, the Group follows the accounting policy as accounting for the convertible bonds only with liability component.

For the issued preference shares that should be classified as equity instruments, will be recognised as equity in actual amount received. Interest and dividends payables are recognised as distribution of profits. Redemption before maturity will write down equity as redemption price.

(12) Investment in subsidiaries

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 2(4).

In the Bank's financial statements, investments in subsidiaries are accounted for using the cost method. An investment in a subsidiary acquired other than through a business combination is initially recognized at actual payment cost if the Bank acquires the investment by cash. The investment is stated at cost less impairment loss (Note 2(18)) in the statements of financial position. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognizes its share of the cash dividends or profit distribution declared by the investees as investment income.



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(13) Investment property

Investment property is a property held either for earning rental income or for capital appreciation or for both. Investment property is accounted for using the cost model and stated in the statements of financial position at cost less accumulated depreciation and impairment loss (Note 2(18)). Investment property is depreciated using the straight-line method over its estimated useful life after taking into account its estimated residual value.

	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	20 years	3%	4.85%

(14) Property and equipment and construction in progress

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment loss (Note 2(18)). Construction in progress is stated in the consolidated statement of financial position at cost less impairment loss (Note 2(18)).

The cost of a purchased property and equipment comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. Construction in progress is transferred to property and equipment when the item being constructed is ready for its intended use. No depreciation is provided against construction in progress.

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognized as a separate property and equipment.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognized in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Items may be produced while bringing an item of property and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(14) Property and equipment and construction in progress (Continued)

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

Asset category	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	20 years	3%	4.85%
Motor vehicles	4 years	3%	24.25%
Others	3 – 10 years	3%	9.70% – 32.33%

Useful lives, residual values and depreciation methods are reviewed at least at each year-end.

(15) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability. Lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and are charged to profit or loss as incurred.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(15) Leases (Continued)

(i) As a lessee (Continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses (Note 2(18)), if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(15) Leases (Continued)

(ii) As a lessor (Continued)

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note 2(9). Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases is recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

(16) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortization and impairment loss (Note 2(18)). The cost of intangible assets less residual value and impairment loss is amortized on the straight-line method over the estimated useful lives.

The respective amortization periods for intangible assets are as follows:

Land use rights	40 years
Computer software	5 – 10 years
Trademark right and others	10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(17) Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(18) Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of each reporting period based on the internal and external sources of information to determine whether there is any indication of impairment:

- property and equipment;
- construction in progress;
- right-of-use asset;
- intangible assets;
- investment property measured using a cost model;
- investments in subsidiaries and joint ventures; and
- goodwill.

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A cash-generating unit (“CGU”) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group’s operations and how management makes decisions about continuing or disposing of the Group’s assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called “asset”) is the higher of its fair value less costs to sell and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belongs.

An asset’s fair value less costs to sell is the amount determined by the price of a sale agreement in an arm’s length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects expected future cash flows, the useful life and the discount rate specific to the asset.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(18) Provision for impairment losses on non-financial assets (Continued)

An impairment loss is recognized in profit or loss if the carrying amount of an asset exceeds its recoverable amount. A provision for an impairment loss of the asset is recognized accordingly.

In respect of assets other than goodwill, if in a subsequent period, the amount of impairment loss of the non-financial asset decreases and the decrease can be linked objectively to an event occurring after impairment was recognized, the previously recognized impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior periods.

(19) Employee benefits

(i) **Short-term employee benefits and contributions to defined contribution retirement plans**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

Social pension schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the government. The contributions are charged to the profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Housing fund and other social insurances

In addition to the retirement benefits above, the Group has joined social security contributions schemes for employees pursuant to the relevant laws and regulations of the PRC. These schemes include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances schemes at the applicable rates based on the amounts stipulated by the relevant government authorities. The contributions are charged to profit or loss on an accrual basis.



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(19) Employee benefits (Continued)

(ii) **Supplementary retirement benefits**

Early retirement plan

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire early for the period from the date of early retirement to the regulated retirement date. The benefit is discounted to determine the present value based on certain assumptions. The calculation is performed by a qualified actuary using the projected unit credit method.

Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

Supplementary retirement plan

The Group provides a supplementary retirement plan to its eligible employees. The Group's obligations in respect of the supplementary retirement plan are calculated by estimating the present value of the total amount of future benefits that the Group is committed to pay to the employees after their retirement. The calculation is performed by a qualified actuary using the projected unit credit method. Such obligations were discounted at the interest yield of government bonds with similar duration at the reporting date. The related service cost and net interest from the retirement plan are recognised in profit or loss, and the actuarial gains and losses arising from remeasurements are recognised in other comprehensive income.

Early retirement plan and supplementary retirement plan thereafter collectively referred to as "supplementary retirement benefits". Except for the above mentioned, the Group has no significant responsibilities to pay any other retirement benefits to employees.

(20) Income tax

Income tax expense comprises current tax and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(20) Income tax (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profit or loss and (ii) does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(21) Financial guarantees, provisions and contingent liabilities

(i) Financial guarantees

Financial guarantees are contracts that require the issuer (the “guarantor”) to make specified payments to reimburse the beneficiary of the guarantee (“holder”) for a loss that the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognized as deferred income in other liabilities. The deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognized in the consolidated statement of financial position as stated in Note 2(21)(ii) if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the carrying amount of the deferred income.

(ii) Other provisions and contingent liabilities

A provision is recognized for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

For a possible obligation resulting from a past transaction or event whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

(22) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (“entrusted funds”) to the Group, and the Group grants loans to third parties (“entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(23) Income recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(a) Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the book value of the financial asset, or the amortised cost of financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not expected credit losses.

Interest income is calculated by applying the effective interest rate to the book value of financial assets and is included in interest income, except for:

- (i) For purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit adjusted effective interest rate to their amortised cost; and
- (ii) Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their book value.



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(23) Income recognition (Continued)

(b) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognised by the Group reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to customers, and income is recognised when its performance obligation in contracts is satisfied.

- (i) The Group recognises income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:
- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
 - The customer controls the service provided by the Group in the course of performance; or
 - The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.
- (ii) In other cases, the Group recognises revenue at a point in time at which a customer obtains control of the promised services.

(c) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(d) Net trading income

Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities that are held for trading.

(e) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(24) Expenses recognition

(i) Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortized cost and the applicable effective interest rate.

(ii) Other expenses

Other expenses are recognized on an accrual basis.

(25) Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorized and declared after the end of each reporting period are not recognized as a liability at the end of each reporting period but disclosed separately in the notes to the financial statements.

(26) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Material accounting policies (Continued)

(26) Related parties (Continued)

- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(27) Segment reporting

Operating segments are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(28) Significant accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Except for accounting estimates relating to depreciation and amortisation of assets such as property and equipment and intangible assets (see Notes 24 and 27(d)) and provision for impairment of various types of assets (see Notes 16, 17, 19, 20, 21(b), 21(c), 22, 24, 26 and 27). Other significant accounting estimates and judgements are as follows:

- Note 25: Recognition of deferred tax assets;
- Note 35(a): Supplementary retirement benefits payable;
- Note 40: Equity in a structured entity not included in the consolidation scope; and
- Note 46: Fair value measurements of financial instruments.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Taxes

The Group's main applicable taxes and tax rates are as follows:

Tax type	Tax basis	Tax rate
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue. The basis for VAT payable is to deduct input VAT from the output VAT for the period	3% – 6%
City maintenance and construction tax	Based on VAT paid	5% – 7%
Corporate income tax	Based on taxable profits	25%

4 Net interest income

	2023	2022
Interest income arising from		
Deposits with the central bank	744,115	665,415
Deposits with banks and other financial institutions	697,314	281,379
Placements with banks and other financial institutions	947,683	1,359,284
Loans and advances to customers		
– Corporate loans and advances	20,078,509	15,585,736
– Personal loans and advances	12,608,503	11,850,706
– Discounted bills	937,434	1,100,081
Financial assets held under resale agreements	842,421	387,786
Financial investments	9,805,089	8,996,661
Lease receivables	4,043,991	3,386,970
Sub-total	50,705,059	43,614,018
Interest expenses arising from		
Borrowing from the central bank	(1,286,739)	(1,252,987)
Deposits from banks and other financial institutions	(823,008)	(597,856)
Placements from banks and other financial institutions	(1,860,452)	(1,284,179)
Deposits from customers	(19,698,891)	(15,461,584)
Financial assets sold under repurchase agreements	(1,054,289)	(552,916)
Debts securities issued	(3,718,673)	(3,188,237)
Sub-total	(28,442,052)	(22,337,759)
Net interest income	22,263,007	21,276,259

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

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

5 Net fee and commission income

	2023	2022
Fee and commission income		
Underwriting fees	311,269	256,105
Wealth management business fees	470,103	963,277
Bank card services fees	570,270	715,678
Settlement and clearing services fees	638,570	414,168
Advisory and consulting fees	333,052	196,159
Agency services fees	217,673	136,316
Acceptance and guarantee services fees	122,694	88,623
Custodial services fees	16,999	9,118
Sub-total	2,680,630	2,779,444
Fee and commission expense	(1,362,110)	(996,370)
Net fee and commission income	1,318,520	1,783,074

6 Net trading gains

	Note	2023	2022
Net gains/(losses) from debt securities	(a)	230,009	(91,151)
Net foreign exchange gains	(b)	85,898	1,044,566
Net (losses)/gains from interest rate swaps		(3,761)	4,244
Total		312,146	957,659

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

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

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

7 Net gains arising from investment securities

	Note	2023	2022
Net gains of financial investments at fair value through profit or loss	(a)	1,174,901	911,212
Net gains of financial investments at fair value through other comprehensive income		432,852	538,173
Net gains of financial investments at amortised cost		284,479	–
Others		(19)	2
Total		1,892,213	1,449,387

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

8 Other operating income

	2023	2022
Government grants	256,963	114,248
Rental income	25,981	14,933
Net gains/(losses) on disposal of property and equipment	35,775	(84,402)
Others	78,813	100,039
Total	397,532	144,818

9 Operating expenses

	2023	2022
Staff costs		
– Salaries, bonuses and allowances	4,228,591	4,439,937
– Social insurance and annuity	1,075,180	851,168
– Staff welfares	231,817	407,840
– Housing allowances	405,336	340,176
– Employee education expenses and labor union expenses	146,712	154,436
– Supplementary retirement benefits	23,918	11,472
– Others	106,621	94,980
Sub-total	6,218,175	6,300,009
Office expenses	1,709,894	1,525,280
Depreciation and amortization	1,325,553	970,120
Depreciation charge for the right-of-use assets	375,414	457,948
Taxes and surcharges	370,257	277,758
Interest expense on lease liabilities	33,145	57,416
Rental and property management expenses	82,466	47,611
Other general and administrative expenses	746,885	641,866
Total	10,861,789	10,278,008

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

10 Directors' and supervisors' emoluments

Directors' and supervisors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

		2023								
	Note	Fees	Salaries	Discretionary bonus	Actual amount of salaries, discretionary bonus and fees payable (pre-tax)	Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	Total	Of which payment deferred ^(b)	Actual amount of remuneration paid ^(c)	
Executive directors										
Guo Hao	(2)/(3)	-	-	-	-	-	-	-	-	
Xu Nuojin	(2)/(3)	-	-	-	-	-	-	-	-	
Wang Jiong	(2)/(4)	-	-	-	-	-	-	-	-	
Li Yulin	(2)/(4)	-	-	-	-	-	-	-	-	
Non-executive directors										
Zhang Qiuyun		-	-	-	-	-	-	-	-	
Feng Ruofan	(6)	-	-	-	-	-	-	-	-	
Zhang Shu	(6)	-	-	-	-	-	-	-	-	
Mi Hongjun	(6)	35	-	-	35	-	-	-	35	
Independent non-executive directors										
Xu Yiguo	(7)	32	-	-	32	-	-	-	32	
Zhao Zijian	(7)	-	-	-	-	-	-	-	-	
Wang Maobin	(7)	32	-	-	32	-	-	-	32	
Pan Xinmin	(7)	234	-	-	234	-	-	-	234	
Gao Pingyang	(7)	27	-	-	27	-	-	-	27	
Pang Hong	(7)	368	-	-	368	-	-	-	368	
Li Hongchang	(7)	428	-	-	428	-	-	-	428	
Jia Tingyu	(7)	403	-	-	403	-	-	-	403	
Chan Ngai Sang	(7)	353	-	-	353	-	-	-	353	

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

10 Directors' and supervisors' emoluments (Continued)

		2023								
Note	Fees	Salaries	Discretionary bonus	Actual amount of salaries, discretionary bonus and fees payable (pre-tax)	Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	Total	Of which payment deferred ^(B)	Actual amount of remuneration paid ⁽¹⁾		
Supervisors										
You Xiang	(2)/(8)	-	-	-	-	-	-	-		
Zhang Ke	(2)/(5)	-	-	-	-	-	-	-		
Dan Limin	(5)	-	206	280	486	38	524	119	405	
Wang Xiaoyan	(5)	-	-	-	-	-	-	-		
Yan Yongfu	(5)	-	-	-	-	-	-	-		
Lu Suyue	(5)	10	-	-	10	-	10	-	10	
Li Xingzhi	(5)	43	-	-	43	-	43	-	43	
Gu Xiujuan	(5)	43	-	-	43	-	43	-	43	
Liu Xia	(5)	43	-	-	43	-	43	-	43	
Zhang Yixian	(5)	-	417	394	811	74	885	-	885	
Li Weizhen	(5)	20	-	-	20	-	20	-	20	
Jia Jihong	(5)	-	-	-	-	-	-	-		
Li Wanbin	(5)	25	-	-	25	-	25	-	25	
Li Xiaojian	(5)	187	-	-	187	-	187	-	187	
Han Wanghong	(5)	197	-	-	197	-	197	-	197	
Sun Xuemin	(5)	182	-	-	182	-	182	-	182	
Total		2,662	623	674	3,959	112	4,071	119	3,952	



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

10 Directors' and supervisors' emoluments (Continued)

2022									
	Note	Fees	Salaries	Discretionary bonus	Actual amount of salaries, discretionary bonus and fees payable (pre-tax)	Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	Total	Of which payment deferred ^(B)	Actual amount of remuneration paid ⁽¹⁾
Executive directors									
Xu Nuojin	(2)	-	-	-	-	-	-	-	-
Wang Jiong	(4)	-	1,282	2,619	3,901	85	3,986	1,310	2,676
Li Yulin	(4)	-	609	1,181	1,790	49	1,839	590	1,249
Wei Jie		-	327	129	456	46	502	-	502
Non-executive directors									
Zhang Qiuyun	(6)	-	-	-	-	-	-	-	-
Mi Hongjun	(6)	10	-	-	10	-	10	-	10
Independent non-executive directors									
Pang Hong	(7)	310	-	-	310	-	310	-	310
Li Hongchang	(7)	355	-	-	355	-	355	-	355
Jia Tingyu	(7)	315	-	-	315	-	315	-	315
Chan Ngai Sang	(7)	300	-	-	300	-	300	-	300
Supervisors									
Jia Jihong	(5)	-	589	284	873	78	951	-	951
Zhang Yixian	(5)	-	500	499	999	85	1,084	-	1,084
Li Weizhen	(5)	35	-	-	35	-	35	-	35
Li Wanbin	(5)	-	-	-	-	-	-	-	-
Li Xiaojian	(5)	185	-	-	185	-	185	-	185
Han Wanghong	(5)	165	-	-	165	-	165	-	165
Sun Xuemin	(5)	180	-	-	180	-	180	-	180
Pan Xinmin	(7)	195	-	-	195	-	195	-	195
Total		2,050	3,307	4,712	10,069	343	10,412	1,900	8,512

Notes:

- (1) The total amount includes contribution by the employer to social insurance and welfare plans, housing allowance, etc.
- (2) The final remunerations for Mr Guo Hao, Mr Xu Nuojin, Mr Wang Jiong, Mr Li Yulin, Mr You Xiang and Mr Zhang Ke are still pending relevant regulatory approval. The amount of the remunerations are not expected to have any significant impact on the Group's consolidated financial statements for the year ended December 31, 2023.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

10 Directors' and supervisors' emoluments (Continued)

Notes: (Continued)

- (3) Mr Xu Nuojin resigned as Chairman of the Bank on 6 April 2023. Mr Guo Hao assumed Chairman of the Bank on 12 June 2023.
- (4) Mr Wang Jiong and Mr Li Yulin resigned as executive directors of the Bank on 8 October 2023, and 28 November 2023 respectively.
- (5) Ms Jia Jihong and Ms Li Weizhen resigned as the Board of Supervisors of the Bank on 3 January 2023 and 22 February 2023 respectively. Mr Zhang Ke, Ms Gu Xiujuan, Ms Wang Xiaoyan, Mr Yan Yongfu, Mr Lu Suyue, Mr Li Xingzhi and Mr Liu Xia were elected as Supervisors of the Bank on 12 October 2023. Ms Dan Limin was elected as Supervisor of the Bank on 21 July 2023. Mr Zhang Yixian, Mr Li Xiaojian, Mr Han Wanghong and Sun Xuemin resigned as the Board of Supervisors of the Bank on 12 October 2023. Mr Li Wanbin resigned as the Board of Supervisors of the Bank on 20 June 2023.
- (6) Mr Feng Ruofan, Ms Zhang Shu were appointed as non-executive directors of the Bank on 28 November 2023. Mr Mi Hongjun resigned as non-executive director of the Bank on 28 November 2023.
- (7) Mr Xu Yiguo, Ms Zhao Zijian, Mr Wang Maobin and Mr Gao Pingyang were elected as Independent non-executive directors of the Bank on 28 November 2023. Ms Pang Hong, Mr Li Hongchang, Mr Jia Tingyu and Mr Chan Ngai Sang resigned as Independent non-executive directors of the Bank on 28 November 2023. Mr Pan Xinmin resigned as the Board of Supervisors of the Bank on 12 October 2023 and assumed the position of Independent non-executive directors of the bank on 28 November 2023.
- (8) Mr You Xiang was elected as Chairman of the Board of Supervisors on 12 October 2023.
- (9) The actual amount of payment deferred will be deducted according to the operation of the Bank, taking full account of asset quality, risk and other factors.

There was no amount paid during the years ended December 31, 2023 and 2022 to the directors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join the Group. There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the years ended December 31, 2023 and 2022.

11 Individuals with highest emoluments

For the year ended December 31, 2023, of the five individuals with highest emoluments in the Group, none of them are directors (2022: 1 director). The emoluments for the five highest paid individuals is as follows:

	2023	2022
Salaries and other emoluments	4,221	4,815
Discretionary bonuses	8,812	10,457
Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	522	493
Total	13,555	15,765

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

11 Individuals with highest emoluments (Continued)

The individual's emoluments before individual income tax is within the following bands:

	2023	2022
RMB2,000,001 – 2,500,000	2	–
RMB2,500,001 – 3,000,000	1	3
RMB3,000,001 – 3,500,000	2	1
RMB3,500,001 – 4,000,000	–	1
Total	5	5

12 Impairment losses on assets

	2023	2022
Loans and advances to customers	3,555,169	7,291,092
Financial investments	6,142,350	2,372,270
Credit commitments	193,986	(312,421)
Deposits with banks and other financial institutions	(1,588)	1,473
Placements with banks and other financial institutions	(1,389)	(12,918)
Financial assets held under resale agreements	(1,155)	4,120
Lease receivables	784,935	670,438
Repossessed assets	(19,777)	85,227
Others	1,907,250	1,090,246
Total	12,559,781	11,189,527

13 Income tax

(a) Income tax:

	Note	2023	2022
Current tax		516,152	126,369
Deferred tax	25(b)	(772,173)	324,107
Adjustment for prior years		6,783	32,139
Total		(249,238)	482,615

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

13 Income tax (Continued)

(b) Reconciliations between income tax and accounting profit are as follows:

	Note	2023	2022
Profit before tax		2,957,089	4,307,737
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		739,272	1,076,934
Non-deductible expenses			
– Staff welfare expenses		13,920	22,740
– Impairment losses and write-offs		142,933	444,564
– Others		181,904	45,773
Non-taxable income	(i)	(1,519,397)	(1,139,535)
Adjustment for prior years		6,783	32,139
Reversal of previously recognized deferred tax assets		185,347	–
Income tax		(249,238)	482,615

- (i) The non-taxable income mainly represents the interest income from the PRC government bonds and the dividend from security investment funds.



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

14 Basic and diluted earnings per share

	Note	2023	2022
Earnings:			
Net profit attributable to equity shareholders of the Bank		3,220,966	3,650,171
Less: Profit for the year attributable to other equity instruments holders of the Bank		(815,363)	(809,165)
Net profit attributable to ordinary shareholders of the Bank		2,405,603	2,841,006
Shares:			
Weighted average number of ordinary shares (in thousands)	(i)	36,549,823	29,685,313
Basic and diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB)		0.07	0.10

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

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

	2023	2022
Number of ordinary shares as at January 1	36,549,823	20,075,000
New added weighted average number of ordinary shares	–	9,610,313
Weighted average number of ordinary shares	36,549,823	29,685,313

15 Cash and deposits with the central bank

	Note	2023	2022
Cash on hand		1,963,752	2,301,915
Deposits with the central bank			
– Statutory deposit reserves	(a)	42,023,528	42,493,783
– Surplus deposit reserves	(b)	21,796,813	31,600,103
– Fiscal deposits		1,226,861	1,162,359
Sub-total		65,047,202	75,256,245
Accrued interest		22,126	29,789
Total		67,033,080	77,587,949

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

15 Cash and deposits with the central bank (Continued)

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

	2023	2022
Reserve ratio for RMB deposits	5.00%	5.25%
Reserve ratio for foreign currency deposits	4.00%	6.00%

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

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

16 Deposits with banks and other financial institutions

Analyzed by type and location of counterparty

	2023	2022
Deposits in mainland China		
– Banks	8,833,342	7,987,995
– Other financial institutions	3,916,814	1,376,672
Sub-total	12,750,156	9,364,667
Deposits outside mainland China		
– Banks	3,892,252	11,671,928
Total	16,642,408	21,036,595
Accrued interest	75,730	157,603
Less: Provision for impairment losses	(5,631)	(7,219)
Net carrying amount	16,712,507	21,186,979



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

17 Placements with banks and other financial institutions

Analyzed by type and location of counterparty

	2023	2022
Placements in mainland China		
– Banks	1,328,580	1,023,936
– Other financial institutions	34,004,958	26,944,958
Sub-total	35,333,538	27,968,894
Outside mainland China		
– Banks	–	2,298,318
Total	35,333,538	30,267,212
Accrued interest	280,437	524,853
Less: Provision for impairment losses	(22,148)	(23,537)
Net carrying amount	35,591,827	30,768,528

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Derivative financial instruments

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

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

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

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

	Notional amount	2022	
		Assets	Liabilities
Interest rate swaps	4,760,000	19,119	18,308
Foreign exchange forwards	17,713,715	71,695	542,882
Currency swaps	168,730	2,441	1,489
Total	22,642,445	93,255	562,679



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Financial assets held under resale agreements

(a) Analyzed by type and location of counterparty

	2023	2022
In mainland China		
– Banks	6,987,304	4,400,685
– Other financial institutions	49,288,624	60,785,139
Total	56,275,928	65,185,824
Accrued interest	30,460	36,658
Less: Provision for impairment losses	(3,715)	(4,870)
Net carrying amount	56,302,673	65,217,612

(b) Analyzed by type of security held

	2023	2022
Debt securities	56,275,928	65,185,824
Accrued interest	30,460	36,658
Less: Provision for impairment losses	(3,715)	(4,870)
Net carrying amount	56,302,673	65,217,612

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Loans and advances to customers

(a) Analyzed by nature

	2023	2022
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	382,387,729	358,110,380
Personal loans and advances		
– Residential mortgage	119,301,979	110,005,149
– Personal consumption loans	50,113,275	40,204,885
– Personal business loans	69,160,160	65,251,482
– Others	20,925,874	22,024,647
Sub-total	259,501,288	237,486,163
Accrued interest	4,217,864	3,488,455
Less: Provision for loans and advances to customers measured at amortised cost	(21,810,666)	(20,670,715)
Sub-total	624,296,215	578,414,283
Loans and advances to customers measured at fair value through other comprehensive income		
Corporate loans and advances	15,069,755	14,465,836
Discounted bills	50,503,399	74,012,306
Sub-total	65,573,154	88,478,142
Net loans and advances to customers	689,869,369	666,892,425



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Loans and advances to customers (Continued)

(b) Analyzed by economic sector

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

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Loans and advances to customers (Continued)

(b) Analyzed by economic sector (Continued)

	2022		Loans and advances secured by collaterals
	Amount	Percentage	
Renting and business activities	121,232,536	17.71%	33,926,555
Manufacturing	57,044,502	8.34%	14,367,555
Wholesale and retail trade	41,586,599	6.08%	16,516,966
Construction	34,358,003	5.02%	14,525,914
Real estate	26,929,650	3.94%	20,018,641
Water, environment and public utility	26,099,964	3.82%	10,039,084
Production and supply of electric power, gas and water	13,350,374	1.95%	2,706,084
Transportation, storage and postal services	9,528,057	1.39%	4,416,528
Mining	8,993,712	1.31%	774,490
Education	6,421,474	0.94%	3,187,549
Agriculture, forestry, animal husbandry and fishery	6,103,110	0.89%	2,429,688
Accommodation and catering	3,003,969	0.44%	1,984,902
Others	17,924,266	2.62%	7,332,090
Sub-total of corporate loans and advances	372,576,216	54.45%	132,226,046
Personal loans and advances	237,486,163	34.72%	183,622,045
Discounted bills	74,012,306	10.83%	73,906,495
Gross loans and advances to customers	684,074,685	100.00%	389,754,586

(c) Analysed by type of collateral

	2023	2022
Unsecured loans	135,525,928	116,432,467
Guaranteed loans	190,607,428	177,887,632
Collateralised	274,963,060	261,486,605
Pledged	106,365,755	128,267,981
Gross loans and advances to customers	707,462,171	684,074,685
Accrued interest	4,217,864	3,488,455
Less: Provision for loans and advances to customers measured at amortised cost	(21,810,666)	(20,670,715)
Net loans and advances to customers	689,869,369	666,892,425

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Loans and advances to customers (Continued)

(d) Overdue loans analyzed by overdue period

	2023				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	1,384,138	1,158,225	1,474,237	145,851	4,162,451
Guaranteed loans	5,738,600	1,051,734	2,631,554	197,988	9,619,876
Collateralised	7,114,339	1,778,711	3,715,973	573,653	13,182,676
Pledged	706,737	218,426	254,100	118	1,179,381
Total	14,943,814	4,207,096	8,075,864	917,610	28,144,384
As a percentage of gross loans and advances to customers	2.11%	0.60%	1.14%	0.13%	3.98%

	2022				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	1,441,363	1,115,015	971,169	78,500	3,606,047
Guaranteed loans	4,485,192	2,467,101	1,154,011	142,394	8,248,698
Collateralised	6,044,171	2,480,234	2,113,505	567,699	11,205,609
Pledged	1,220,891	248,725	30,448	10,000	1,510,064
Total	13,191,617	6,311,075	4,269,133	798,593	24,570,418
As a percentage of gross loans and advances to customers	1.93%	0.92%	0.62%	0.12%	3.59%

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

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Loans and advances to customers (Continued)

(e) Loans and advances and provision for impairment losses

	2023			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Total loans and advances to customers measured at amortised cost	604,410,800	23,025,889	14,452,328	641,889,017
Accrued interest	4,217,864	–	–	4,217,864
Less: Provision for impairment losses	(6,304,298)	(4,174,994)	(11,331,374)	(21,810,666)
Carrying amount of loans and advances to customers measured at amortised cost	602,324,366	18,850,895	3,120,954	624,296,215
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	65,573,154	–	–	65,573,154
Total carrying amount of loans and advances to customers	667,897,520	18,850,895	3,120,954	689,869,369

	2022			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Total loans and advances to customers measured at amortised cost	564,599,145	17,800,515	13,196,883	595,596,543
Accrued interest	3,488,455	–	–	3,488,455
Less: Provision for impairment losses	(8,433,119)	(3,794,333)	(8,443,263)	(20,670,715)
Carrying amount of loans and advances to customers measured at amortised cost	559,654,481	14,006,182	4,753,620	578,414,283
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	88,468,142	–	10,000	88,478,142
Total carrying amount of loans and advances to customers	648,122,623	14,006,182	4,763,620	666,892,425

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Loans and advances to customers (Continued)

(f) Movements of provision for impairment losses

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

	2023			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at January 1	8,433,119	3,794,333	8,443,263	20,670,715
Transferred:				
– to expected credit losses over the next 12 months	910,595	(783,586)	(127,009)	–
– to lifetime expected credit losses: not credit-impaired loans	(203,429)	489,853	(286,424)	–
– to lifetime expected credit losses: credit-impaired loans	(44,862)	(683,686)	728,548	–
(Release)/charge for the year	(2,791,125)	1,358,080	4,586,811	3,153,766
Recoveries	–	–	1,040,341	1,040,341
Write-offs and disposals	–	–	(3,054,156)	(3,054,156)
As at December 31	6,304,298	4,174,994	11,331,374	21,810,666

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Loans and advances to customers (Continued)

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

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

	2022			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at January 1	4,021,330	2,565,993	5,943,222	12,530,545
Arising from merger by absorption	6,160,979	1,759,740	3,561,034	11,481,753
Acquisition of subsidiary	93,788	14,009	127,270	235,067
Transferred:				
– to expected credit losses over the next 12 months	1,150,051	(551,111)	(598,940)	–
– to lifetime expected credit losses: not credit-impaired loans	(216,609)	1,110,877	(894,268)	–
– to lifetime expected credit losses: credit-impaired loans	(120,853)	(768,770)	889,623	–
(Release)/charge for the year	(2,655,567)	(336,405)	10,226,039	7,234,067
Recoveries	–	–	247,659	247,659
Write-offs and disposals	–	–	(11,058,376)	(11,058,376)
As at December 31	8,433,119	3,794,333	8,443,263	20,670,715



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Loans and advances to customers (Continued)

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

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

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

	2022			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at January 1	6,139	–	473,981	480,120
Charge for the year	47,025	–	10,000	57,025
Write-offs and disposals	–	–	(473,981)	(473,981)
As at December 31	53,164	–	10,000	63,164

(g) Disposal of loans and advances to customers

In 2023, the Group disposed loans and advances with gross amount of RMB1,627.46 million. The total consideration received by the Group amounted to RMB1,145.91 million.

In 2022, the Group disposed loans and advances with gross amount of RMB15,669.29 million. The total consideration received by the Group amounted to RMB6,827.51 million.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Financial investments

	Note	2023	2022
Financial investments at fair value through profit or loss	(a)	61,148,133	35,752,312
Financial investments at fair value through other comprehensive income	(b)	77,296,226	94,427,751
Financial investments at amortised cost	(c)	248,396,468	243,257,466
Total		386,840,827	373,437,529

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

	Note	2023	2022
Debt securities	(i)		
– Government		665,573	1,049,044
– Policy banks		142,275	577,341
– Banks and other financial institutions		7,785,993	4,549,968
Sub-total		8,593,841	6,176,353
Investment fund managed by public fund manager		47,682,408	26,896,389
Investment management products managed by securities companies		4,656,861	2,300,789
Investment management products managed by trust plans		43,754	24,465
Sub-total		52,383,023	29,221,643
Equity investments		171,269	354,316
Total		61,148,133	35,752,312



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Financial investments (Continued)

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

	2023	2022
Analysed into:		
Debt securities:		
Listed	665,573	1,049,044
Unlisted	7,928,268	5,127,309
Sub-total	8,593,841	6,176,353
Funds and other investments:		
Unlisted	52,383,023	29,221,643
Equity investments:		
Listed	171,269	354,316
Total	61,148,133	35,752,312

- (i) As at the reporting period, certain debt securities were pledged for repurchase agreements (Note 28(a)). No other investment was subject to material restrictions in the realization.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Financial investments (Continued)

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

	Note	2023	2022
Debt securities	(i)		
– Government		48,334,622	67,285,715
– Policy banks		15,411,982	20,671,563
– Banks and other financial institutions		6,754,628	1,627,167
– Corporate		5,669,453	3,527,901
Sub-total		76,170,685	93,112,346
Accrued interest		970,487	1,190,526
Equity investments	(ii)	155,054	124,879
Total		77,296,226	94,427,751
Analysed into:			
Debt securities:			
Listed		50,953,132	69,217,692
Unlisted		26,188,040	25,085,180
Sub-total		77,141,172	94,302,872
Equity investments:			
Unlisted		155,054	124,879
Total		77,296,226	94,427,751

- (i) As at the reporting period, certain debt securities were pledged for repurchase agreements (Note 28(a)). No other investment was subject to material restrictions in the realization.
- (ii) The Group designates non-trading equity investments as financial investments at fair value through other comprehensive income. The Group did not dispose of any such equity investment, nor transfer any cumulative gain or loss from other comprehensive income to retained earnings during the reporting period.



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Financial investments (Continued)

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

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

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

	2022			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at January 1	10,364	75,035	160,678	246,077
Charge for the period	4,743	7,150	6,295	18,188
Write-offs and disposal	–	–	(166,973)	(166,973)
Balance at December 31	15,107	82,185	–	97,292

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Financial investments (Continued)

(c) Financial investments at amortised cost

	Note	2023	2022
Debt securities	(i)		
– Government		138,604,078	127,474,950
– Policy banks		64,012,525	52,573,707
– Banks and other financial institutions		1,279,274	1,020,339
– Corporate		7,504,916	9,700,349
Sub-total		211,400,793	190,769,345
Investment management products managed by trust plans		35,433,267	38,245,480
Debt investment plans		6,315,002	11,773,381
Investment fund managed by private fund manager		2,138,350	3,835,995
Investment management products managed by securities companies		755,900	1,196,320
Others		400,000	400,000
Sub-total		45,042,519	55,451,176
Accrued interest		3,912,207	3,614,376
Less: Provision for impairment losses	(ii)	(11,959,051)	(6,577,431)
Total		248,396,468	243,257,466
Analysed into:			
Debt securities:			
Listed		140,240,443	128,213,140
Unlisted		72,443,913	64,082,004
Sub-total		212,684,356	192,295,144
Other investments:			
Unlisted		35,712,112	50,962,322
Total		248,396,468	243,257,466

- (i) As at the reporting period, certain debt securities were pledged for repurchase agreements (Note 28(a)). No other investment was subject to material restrictions in the realization.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Financial investments (Continued)

(c) Financial investments at amortised cost (Continued)

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

	2023			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at January 1	357,000	729,492	5,490,939	6,577,431
Transfers:				
– to lifetime expected credit losses: not credit-impaired	(11,998)	11,998	–	–
– to lifetime expected credit losses: credit-impaired	(47,285)	(647,417)	694,702	–
(Release)/charge for the year	(83,394)	3,407	6,300,390	6,220,403
Recoveries	–	–	486	486
Write-offs and disposal	–	–	(839,269)	(839,269)
Balance at December 31	214,323	97,480	11,647,248	11,959,051

	2022			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at January 1	99,140	370,685	5,174,803	5,644,628
Arising from merger by absorption	300,476	2,416,754	2,600,964	5,318,194
Transfers:				
– to lifetime expected credit losses: not credit-impaired	(1,573)	1,573	–	–
– to lifetime expected credit losses: credit-impaired	(2,063)	(324,278)	326,341	–
(Release)/charge for the year	(38,980)	(1,735,242)	4,128,304	2,354,082
Recoveries	–	–	130,149	130,149
Write-offs and disposal	–	–	(6,869,622)	(6,869,622)
Balance at December 31	357,000	729,492	5,490,939	6,577,431

(d) Disposal of financial investments

In 2023, the Group disposed financial investments with gross amount of RMB860.82 million. The total consideration received by the Group amounted to RMB638.44 million.

In 2022, the Group disposed financial investments with gross amount of RMB9,355.91 million. The total consideration received by the Group amounted to RMB3,595.84 million.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Lease receivables

	Note	2023	2022
Minimum finance lease receivables	(i)	3,823,138	1,929,772
Less: unearned finance lease income	(i)	(824,947)	(287,846)
Present value of finance lease receivables	(i)	2,998,191	1,641,926
Receivables from sale-and-leaseback transactions		64,821,202	61,251,467
Sub-total		67,819,393	62,893,393
Less: provision for impairment losses	(ii)	(2,491,879)	(2,579,325)
Total		65,327,514	60,314,068

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

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

	2022		
	Minimum finance lease receivables	Unearned finance leases income	Present value of finance lease receivables
1 year to 2 year	70,922	(2,388)	68,534
2 year to 3 year	213,955	(756)	213,199
3 year to 5 year	249,273	(46,236)	203,037
More than 5 year	1,395,622	(238,466)	1,157,156
Total	1,929,772	(287,846)	1,641,926



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Lease receivables (Continued)

(ii) Movements of provision for impairment losses:

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

	2022			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at January 1	1,031,496	379,196	312,807	1,723,499
Arising from merger by absorption	569,653	227,508	666,749	1,463,910
Transfers:				
– to expected credit losses over the next 12 months	416,545	(287,339)	(129,206)	–
– to lifetime expected credit losses: not credit-impaired	(24,878)	24,878	–	–
– to lifetime expected credit losses: credit-impaired	(70,252)	(30,072)	100,324	–
(Release)/charge for the year	(552,238)	455,969	766,707	670,438
Recoveries	–	–	11,472	11,472
Write-offs	–	–	(1,289,994)	(1,289,994)
Balance at December 31	1,370,326	770,140	438,859	2,579,325

(iii) Disposal of lease receivables:

In 2023, the Group disposed lease receivables with gross amount of RMB448.86 million. The total consideration received by the Group amounted to RMB147.17 million.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

23 Investments in subsidiaries and interest in joint venture

(a) Investment in subsidiaries

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

Subsidiary	Note	Amount invested by the Bank		Percentage of equity interest		Voting rights		Registered capital		Establishment date	Place of incorporation registration	Principal activity
		2023	2022	2023	2022	2023	2023	2023	2023			
				%	%	%		million				
AB Leasing Co., Ltd. ("邦銀金融租賃股份有限公司")		4,525,199	4,525,199	90.00	90.00	90.00	3,000.00		August 16, 2013	Zhengzhou, Henan Province	Leasing	
BOL Financial Leasing Co., Ltd. ("洛銀金融租賃股份有限公司")		2,228,739	2,228,739	57.50	57.50	57.50	2,000.00		December 18, 2014	Luoyang, Henan Province	Leasing	
Xiping Zhongyuan County Bank Co., Ltd. ("西平中原村鎮銀行股份有限公司")	(i)	176,686	176,686	43.69	43.69	67.64	208.52		December 17, 2009	Zhumadian, Henan Province	Banking	
Xinyang Pingqiao Zhongyuan County Bank Co., Ltd. ("信陽平橋中原村鎮銀行股份有限公司")		38,341	38,341	51.73	51.73	51.73	83.52		December 13, 2010	Xinyang, Henan Province	Banking	
Qixian Zhongyuan County Bank Co., Ltd. ("淇縣中原村鎮銀行股份有限公司")		41,531	41,531	51.00	51.00	51.00	50.00		December 23, 2010	Hebi, Henan Province	Banking	
Xinxiang Zhongyuan County Bank Co., Ltd. ("新鄉中原村鎮銀行股份有限公司")		150,306	150,306	78.46	78.46	78.46	130.00		March 23, 2010	Xinxiang, Henan Province	Banking	
Linzhou Zhongyuan County Bank Co., Ltd. ("林州中原村鎮銀行股份有限公司")		29,771	29,771	51.00	51.00	51.00	75.00		September 30, 2011	Linzhou, Henan Province	Banking	
Puyang Zhongyuan County Bank Co., Ltd. ("濮陽中原村鎮銀行股份有限公司")		30,736	30,736	51.00	51.00	51.00	58.75		March 16, 2012	Puyang, Henan Province	Banking	
Lushi Zhongyuan County Bank Co., Ltd. ("盧氏中原村鎮銀行股份有限公司")		32,497	32,497	51.00	51.00	51.00	60.00		May 15, 2012	Sanmenxia, Henan Province	Banking	
Xiangcheng Zhongyuan County Bank Co., Ltd. ("襄城中原村鎮銀行股份有限公司")		38,044	38,044	51.00	51.00	51.00	61.00		October 27, 2011	Xuchang, Henan Province	Banking	
Suiping Zhongyuan County Bank Co., Ltd. ("遂平中原村鎮銀行股份有限公司")		35,084	35,084	51.02	51.02	51.02	56.15		March 12, 2012	Zhumadian, Henan Province	Banking	
Jiaxian Guangtian County Bank Co., Ltd. ("杞縣廣天村鎮銀行股份有限公司")		-	-	51.28	51.28	51.28	78.00		October 23, 2009	Pingdingshan, Henan Province	Banking	
Henan Luanchuan Minfeng County Bank Co., Ltd. ("河南樂川民豐村鎮銀行股份有限公司")	(i)	180,854	180,854	30.33	30.33	55.69	152.40		June 12, 2008	Luanchuan, Henan Province	Banking	
Mengjin Minfeng County Bank Co., Ltd. ("孟津民豐村鎮銀行股份有限公司")	(i)	140,376	140,376	34.58	34.58	61.08	150.00		November 23, 2011	Mengjin, Henan Province	Banking	
Shenzhen Nanshan Baosheng County Bank Co., Ltd. ("深圳南山寶生村鎮銀行股份有限公司")	(i)	419,510	419,510	42.05	42.05	50.67	713.50		March 15, 2011	Nanshan, Shenzhen City	Banking	
Luohe Yancheng Zhongyuan County Bank Co., Ltd. ("漯河郟城中原村鎮銀行有限責任公司")		245,201	245,201	51.00	51.00	51.00	300.00		July 12, 2011	Luohe, Henan Province	Banking	
Total		8,312,875	8,312,875									



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

23 Investments in subsidiaries and interest in joint venture (Continued)

(a) Investment in subsidiaries (Continued)

Note:

- (i) As at December 31, 2023 and 2022, the Bank holds 43.69%, 30.33%, 34.58% and 42.05% of equity interest of Xiping Zhongyuan County Bank Co., Ltd. (“Xiping Zhongyuan”), Henan Luanchuan Minfeng County Bank Co., Ltd. (“Luanchuan Minfeng”), Mengjin Minfeng County Bank Co., Ltd. (“Mengjin Minfeng”) and Shenzhen Nanshan Baosheng County Bank Co., Ltd. (“Nanshan Baosheng”) respectively. According to the concerted action arrangement between the Bank and other shareholders, as at December 31, 2023, the voting rights ratio of the Bank for Xiping Zhongyuan, Luanchuan Minfeng, Mengjin Minfeng and Nanshan Baosheng is 67.64%, 55.69%, 61.08% and 50.67% respectively (2022: 67.64%, 55.69%, 60.35% and 50.81%), the above county banks are deemed to be controlled by the Bank.

(b) Interest in joint venture

	Note	2023	2022
Interest in joint venture	(i)	1,542,548	1,347,307

Note:

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

Name	Percentages of equity/voting rights %		Place of incorporation/ registration	Business sector
	2023	2022		
Consumer Finance	49.25%	49.25%	Zhengzhou, China	Consumer credit

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

	2023	2022
Aggregate carrying amount of the joint venture in the consolidated statements of financial position of the Bank	1,542,548	1,347,307
Aggregate amounts of the Bank’s share of results of the joint venture		
– Gains from continuing operations	195,241	164,075
– Other comprehensive income	–	–
– Total comprehensive income	195,241	164,075

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

24 Property and equipment

	Premises	Investment properties	Electronic equipments	Motor vehicles	Office equipment & others	Construction in progress	Total
Cost							
At January 1, 2022	5,297,109	10,095	1,357,353	24,086	517,300	1,160,868	8,366,811
Arising from acquisition	3,614,357	21,496	298,519	13,336	89,521	22,140	4,059,369
Acquisition of subsidiary	44,768	–	540	740	91	–	46,139
Additions	49,348	4,961	70,694	3,755	17,711	570,121	716,590
Disposals	(32,999)	–	(22,650)	(2,774)	(7,224)	–	(65,647)
Transfers out of construction in progress	–	–	–	–	–	(209,378)	(209,378)
As at December 31, 2022	8,972,583	36,552	1,704,456	39,143	617,399	1,543,751	12,913,884
Additions	31,924	–	111,473	5,330	30,526	303,374	482,627
Disposals	(41,749)	–	(50,379)	(9,644)	(18,218)	(4,304)	(124,294)
Transfers out of construction in progress	–	–	–	–	–	(39,085)	(39,085)
As at December 31, 2023	8,962,758	36,552	1,765,550	34,829	629,707	1,803,736	13,233,132
Accumulated depreciation							
At January 1, 2022	(2,576,865)	(8,043)	(1,145,489)	(17,025)	(365,049)	–	(4,112,471)
Additions	(389,313)	(2,207)	(141,086)	(5,833)	(72,417)	–	(610,856)
Disposals	25,537	–	20,131	1,087	4,897	–	51,652
As at December 31, 2022	(2,940,641)	(10,250)	(1,266,444)	(21,771)	(432,569)	–	(4,671,675)
Additions	(554,678)	(3,189)	(228,974)	(12,258)	(68,938)	–	(868,037)
Disposals	8,656	–	42,988	8,359	5,781	–	65,784
As at December 31, 2023	(3,486,663)	(13,439)	(1,452,430)	(25,670)	(495,726)	–	(5,473,928)
Impairment							
At January 1, 2022	(6,626)	–	(1,369)	(229)	(1,822)	–	(10,046)
Disposals	–	–	719	–	113	–	832
As at December 31, 2022	(6,626)	–	(650)	(229)	(1,709)	–	(9,214)
Disposals	6	–	159	–	28	–	193
As at December 31, 2023	(6,620)	–	(491)	(229)	(1,681)	–	(9,021)
Net book value							
As at December 31, 2023	5,469,475	23,113	312,629	8,930	132,300	1,803,736	7,750,183
As at December 31, 2022	6,025,316	26,302	437,362	17,143	183,121	1,543,751	8,232,995

The carrying amount of the premises with incomplete title deeds as December 31, 2023 was RMB3,852.27 million (2022: RMB3,932.02 million). The Group is still in the progress of application for the outstanding title deeds for the above premises. The directors of the Group are of the opinion that there would be no significant cost in obtaining the title deeds.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

24 Property and equipment (Continued)

The net book values of premises as at December 31 are analyzed by the remaining terms of the leases as follows:

	2023	2022
Held in mainland China		
– Long-term leases (over 50 years)	640,125	700,749
– Medium-term leases (10 – 50 years)	3,410,952	4,375,627
– Short-term leases (less than 10 years)	1,418,398	948,940
Total	5,469,475	6,025,316

The net book value of investment properties as at December 31 are analyzed by the remaining terms of the leases as follows:

	2023	2022
Held in mainland China		
– Medium-term leases (10 – 50 years)	23,113	26,302

25 Deferred tax assets

(a) Analyzed by nature

	2023		2022	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets/(liabilities):				
Allowance for impairment losses	41,381,088	10,345,272	33,285,316	8,321,329
Accrued staff cost payable	2,278,724	569,681	2,335,432	583,858
Supplemental retirement benefits	260,632	65,158	276,804	69,201
Fair value changes of financial assets	(431,748)	(107,937)	1,572,292	393,073
Deferred income	(101,016)	(25,254)	490,404	122,601
Assets appraisal and related depreciation	(4,157,312)	(1,039,328)	(4,519,100)	(1,129,775)
Deductible losses	3,298,208	824,552	6,852,292	1,713,073
Others	659,736	164,934	530,484	132,621
Net balances	43,188,312	10,797,078	40,823,924	10,205,981

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

25 Deferred tax assets (Continued)

(b) Movements of deferred tax assets

	Allowance for impairment losses	Staff cost payable	Supplemental retirement benefits	Change in fair value	Deferred income	Assets appraisal and related depreciation	Deductible losses	Others	Net balance of deferred tax assets
January 1, 2022	5,345,593	275,336	58,221	191,775	131,698	(324,562)	16,640	78,425	5,773,126
Arising from merger by absorption	5,417,199	140,422	12,053	92,493	(14,718)	(850,366)	728,951	(675,164)	4,850,870
Recognized in profit or loss	(2,441,463)	168,100	(1,073)	202,713	5,621	45,153	967,482	729,360	(324,107)
Recognized in other comprehensive income	-	-	-	(93,908)	-	-	-	-	(93,908)
December 31, 2022 and January 1, 2023	8,321,329	583,858	69,201	393,073	122,601	(1,129,775)	1,713,073	132,621	10,205,981
Recognized in profit or loss	2,023,943	(14,177)	(4,043)	(319,934)	(147,855)	90,447	(888,521)	32,313	772,173
Recognized in other comprehensive income	-	-	-	(181,076)	-	-	-	-	(181,076)
December 31, 2023	10,345,272	569,681	65,158	(107,937)	(25,254)	(1,039,328)	824,552	164,934	10,797,078

26 Goodwill

	Goodwill
Cost:	
At January 1, 2022	970,780
Arising from merger by absorption	1,011,270
At December 31, 2022 and December 31, 2023	1,982,050
Accumulated impairment losses:	
At January 1, 2022, December 31, 2022 and December 31, 2023	-
Carrying amount:	
At December 31, 2022 and December 31, 2023	1,982,050



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

26 Goodwill (Continued)

Impairment testing on goodwill

For the purpose of impairment testing, goodwill has been allocated to three individual cash generating units (CGUs), including corporate banking, retail banking and financial markets business. The carrying amounts of goodwill at the end of the reporting period allocated to these units are as follows:

	2023	2022
Corporate banking	1,432,016	1,432,016
Retail banking	426,501	426,501
Financial markets business	123,533	123,533
Total	1,982,050	1,982,050

The recoverable amounts of corporate banking unit, retail banking unit and financial markets business unit have been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and the discount rate at December 31, 2023. Cash flows beyond five-year period are extrapolated using an estimated weighted average growth rate. The cash flows are discounted using a discount rate which is used are pre-tax and reflect specific risks relating to the CGUs.

At the end of the reporting period, the directors of the Bank determine that there is no impairment of any of its CGUs containing goodwill.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of each of these CGUs to exceed its recoverable amount.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

27 Other assets

	Note	2023	2022
Interests receivable	(a)	1,205,756	1,692,012
Continuing involvement assets	(b)	–	1,623,703
Repossessed assets	(c)	1,324,697	1,346,985
Intangible assets	(d)	1,204,630	1,212,291
Right-of-use assets	(e)	763,173	924,500
Land use rights		884,052	919,611
Advanced payment of income tax		166,438	390,381
Leasehold improvements		281,050	328,853
Other receivables		833,595	1,031,468
Total		6,663,391	9,469,804

(a) Interests receivable

	2023	2022
Interests receivable arising from:		
Investments	888,106	1,780,248
Loans and advances to customers	1,046,123	486,384
Total	1,934,229	2,266,632
Less: Provision for impairment losses	(728,473)	(574,620)
Net carrying amount	1,205,756	1,692,012

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



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

27 Other assets (Continued)

(b) Continuing involvement assets

In 2020 and 2021, the Bank entered into securitization transactions by which it transferred its loans to the structured entities which issued asset-backed securities to investors at China Credit Assets Registration & Exchange Co., Ltd. The total loans amounted to RMB7,523.92 million. The total consideration amounted to RMB7,523.92 million and the Bank held the RMB1,680.28 million tranche.

The Bank retains part of interests in the form of senior and subordinated tranche which gives rise to the Bank's continuing involvement in the transferred assets. The financial asset is recognized on the statements of financial position to the extent of the Bank's continuing involvement. The extent of the Bank's continuing involvement is the extent to which the Bank is exposed to the changes in the value of the transferred assets.

The Bank repurchased all existing asset-backed securities for a total amount of RMB3,714.75 million in December 2023.

(c) Repossessed assets

	2023	2022
Reposessed assets	2,068,457	2,178,521
Less: Provision for impairment losses	(743,760)	(831,536)
Net carrying amount	1,324,697	1,346,985

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

27 Other assets (Continued)

(d) Intangible assets

	Leasing license	Computer software & others	Total
Cost			
As at January 1, 2022	173,305	1,330,644	1,503,949
Arising from acquisition	184,575	229,759	414,334
Acquisition of subsidiary	–	550	550
Additions	–	439,040	439,040
Disposals	–	(147,749)	(147,749)
As at December 31, 2022 and January 1, 2023	357,880	1,852,244	2,210,124
Additions	–	317,470	317,470
Disposals	–	(2,891)	(2,891)
As at December 31, 2023	357,880	2,166,823	2,524,703
Accumulated amortization			
As at January 1, 2022	–	(834,224)	(834,224)
Additions	–	(188,158)	(188,158)
Disposals	–	24,549	24,549
As at December 31, 2022 and January 1, 2023	–	(997,833)	(997,833)
Additions	–	(325,131)	(325,131)
Disposals	–	2,891	2,891
As at December 31, 2023	–	(1,320,073)	(1,320,073)
Impairment			
As at January 1, 2022, December 31, 2022 and December 31, 2023	–	–	–
Net book value			
As at December 31, 2023	357,880	846,750	1,204,630
As at December 31, 2022	357,880	854,411	1,212,291



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

27 Other assets (Continued)

(e) Right-of-use assets

	Leased properties and buildings	Leased other equipments	Total
Cost			
As at January 1, 2022	1,277,083	18,628	1,295,711
Arising from acquisition	384,863	1,082	385,945
Acquisition of subsidiary	3,142	–	3,142
Additions	283,714	12,702	296,416
Disposals	(267,015)	(19,189)	(286,204)
As at December 31, 2022	1,681,787	13,223	1,695,010
Additions	213,088	999	214,087
Disposals	(253,053)	(902)	(253,955)
As at December 31, 2023	1,641,822	13,320	1,655,142
Accumulated depreciation			
As at January 1, 2022	(589,364)	(9,402)	(598,766)
Additions	(441,088)	(16,860)	(457,948)
Disposals	267,015	19,189	286,204
As at December 31, 2022	(763,437)	(7,073)	(770,510)
Additions	(374,054)	(1,360)	(375,414)
Disposals	253,053	902	253,955
As at December 31, 2023	(884,438)	(7,531)	(891,969)
Net book value			
As at January 1, 2023	918,350	6,150	924,500
As at December 31, 2023	757,384	5,789	763,173

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

28 Pledged assets

(a) Assets pledged as collateral

	Note	2023	2022
For repurchase agreements			
– Discounted bills		6,597,165	5,995,267
– Financial investments at fair value through profit or loss	21(a)	7,362	229,633
– Financial investments at fair value through other comprehensive income	21(b)	17,635,933	30,240,076
– Financial investments at amortised cost	21(c)	52,782,205	69,712,291
Total		77,022,665	106,177,267

Financial assets pledged by the Group as collaterals for liabilities which are for repurchase agreements.

(b) Received pledged assets

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. As at December 31, 2023, the carrying amounts of the received pledged assets is RMB61,956.95 million (2022: RMB71,282.22 million).

29 Borrowing from the central bank

	2023	2022
Due to central bank	67,644,851	42,396,477
Interest accrued	411,061	264,519
Total	68,055,912	42,660,996

Borrowing from the central bank mainly includes borrowings from the central bank and rediscount to the central bank.



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

30 Deposits from banks and other financial institutions

Analyzed by type and location of counterparty

	2023	2022
In mainland China		
– Banks	8,069,249	4,990,904
– Other financial institutions	30,478,837	25,001,594
Sub-total	38,548,086	29,992,498
Accrued interest	155,877	123,538
Total	38,703,963	30,116,036

31 Placements from banks and other financial institutions

	2023	2022
In mainland China		
– Banks	56,258,797	45,085,261
– Other financial institutions	6,129,999	5,277,000
Sub-total	62,388,796	50,362,261
Outside mainland China		
– Banks	1,525,509	1,051,509
Sub-total	63,914,305	51,413,770
Accrued interest	568,483	392,661
Total	64,482,788	51,806,431

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

32 Financial assets sold under repurchase agreements

(a) Analyzed by type and location of counterparty

	2023	2022
In mainland China		
– PBOC	–	30,970,000
– Banks	73,097,326	68,402,438
– Other financial institutions	–	300,771
Sub-total	73,097,326	99,673,209
Outside mainland China		
– Banks	–	1,998,000
Sub-total	73,097,326	101,671,209
Accrued interest	23,961	34,874
Total	73,121,287	101,706,083

(b) Analyzed by collateral

	2023	2022
Debt securities	66,520,545	95,678,141
Discounted bills	6,576,781	5,993,068
Sub-total	73,097,326	101,671,209
Accrued interest	23,961	34,874
Total	73,121,287	101,706,083



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

33 Deposits from customers

	Note	2023	2022
Demand deposits			
– Corporate customers		135,256,293	154,193,374
– Individual customers		107,851,870	94,524,624
Sub-total		243,108,163	248,717,998
Time deposits			
– Corporate customers		122,541,134	137,680,484
– Individual customers		411,903,209	369,528,609
Sub-total		534,444,343	507,209,093
Pledged deposits		51,360,909	71,057,449
Convertible negotiated deposits	(a)	8,000,000	–
Inward and outward remittances		608,127	335,403
Sub-total		837,521,542	827,319,943
Accrued interest		22,262,239	17,937,211
Total		859,783,781	845,257,154

Notes:

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

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

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

34 Debt securities issued

	Note	2023	2022
Interbank deposits issued	(a)	120,772,690	118,759,807
Financial bonds	(b)	8,997,157	13,994,121
Tier-two capital bonds	(c)	2,000,000	11,999,640
Sub-total		131,769,847	144,753,568
Accrued interest		220,731	405,164
Total		131,990,578	145,158,732

Notes:

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

In 2022, the Bank issued a number of certificates of interbank deposits with total nominal amount of RMB222,100.00 million and duration between 1-12 months. The coupon rates ranged from 1.35% to 3.30% per annum.

As at December 31, 2023, the fair value of interbank deposits issued was RMB120,149.00 million (2022: RMB117,936.80 million).

- (b) On March 4, 2021, June 28, 2021, May 12, 2022 and June 9, 2022, the Bank issued four fixed-rate financial bonds with a total notional amount of RMB9 billion. Pursuant to the agreement, all of the four bonds have a term of 3 years. The coupon rate were 3.60%, 3.48%, 2.95% and 2.90% per annum respectively. Two of these financial bonds with a total nominal amount of RMB4 billion will mature within six months.

The bank had two financial bonds with a total notional amount of RMB5 billion redeemed in 2023.

As at December 31, 2023, the fair value of financial bonds issued was RMB9,038.84 million (2022: RMB14,029.62 million).

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

Fixed rate tier-two capital bonds of RMB10 billion with a term of 10 years was issued by the Bank in September 2018. The coupon rate is 5.20% per annum. The bond has been repaid in September 2023.

As at December 31, 2023, the fair value of tier-two capital bonds issued was RMB2,031.40 million (2022: RMB12,086.64 million).



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

35 Other liabilities

	Note	2023	2022
Finance lease deposits		3,939,482	4,376,771
Accrued staff cost	(a)	3,019,447	3,885,445
Payment and collection clearance accounts		1,623,739	1,929,239
Continuing involvement in liabilities		–	1,623,703
Lease liabilities		731,318	956,256
Other tax payable		703,205	676,005
Provisions	(b)	515,664	157,100
Dividend payable		187,020	184,620
Other payable		2,234,250	1,963,610
Total		12,954,125	15,752,749

(a) Accrued staff cost

	Note	2023	2022
Salary, bonuses and allowances payable		2,230,973	3,086,208
Supplementary retirement benefits payable	(1)	492,187	488,939
Labor union fee, staff and workers' education fee		196,307	195,403
Social insurance payable		95,182	107,513
Housing allowances payable		4,798	7,382
Total		3,019,447	3,885,445

(1) Supplementary retirement benefits

The supplementary retirement benefits of the Bank include early retirement plan and supplementary retirement plan. The early retirement benefits is provided to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date. The supplementary retirement plan is provided to the Bank's eligible employees.

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

	2023	2022
Present value of early retirement plan	74,450	80,616
Supplementary retirement plan	417,737	408,323
Total	492,187	488,939

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

35 Other liabilities (Continued)

(a) Accrued staff cost (Continued)

(1) Supplementary retirement benefits (Continued)

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

	2023	2022
As at January 1	488,939	234,629
Absorbed and consolidated subsidiaries	–	253,367
Benefits paid during the year	(40,091)	(32,102)
Defined benefit cost recognized in profit or loss	23,918	11,472
Defined benefit cost recognized in other comprehensive income	19,421	21,573
As at December 31	492,187	488,939

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

Early retirement plan	2023	2022
Discount rate	2.50%	2.50%
Annual increase rate of internal salary	4.50%	4.50%
Supplementary retirement plan	2023	2022
Discount rate	2.75%	3.00%

(b) Provisions

	Note	2023	2022
Litigations and disputes provision		178,366	13,788
Credit commitments provision	(i)	337,298	143,312
Total		515,664	157,100



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

35 Other liabilities (Continued)

(b) Provisions (Continued)

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

	2023			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at January 1	107,144	21,637	14,531	143,312
Transfers:				
– to expected credit losses over the next 12 months	345	(273)	(72)	–
– to lifetime expected credit losses not credit-impaired	(33)	53	(20)	–
– to lifetime expected credit losses credit-impaired	(28)	(959)	987	–
Charge/(release) for the year	221,348	(18,742)	(8,620)	193,986
Balance at December 31	328,776	1,716	6,806	337,298
	2022			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at January 1	97,336	5,787	252,491	355,614
Arising from merger by absorption	64,154	7,858	28,107	100,119
Transfers:				
– to expected credit losses over the next 12 months	37	(28)	(9)	–
– to lifetime expected credit losses not credit-impaired	(411)	425	(14)	–
– to lifetime expected credit losses credit-impaired	(13)	(156)	169	–
(Release)/charge for the year	(53,959)	7,751	(266,213)	(312,421)
Balance at December 31	107,144	21,637	14,531	143,312

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

36 Share capital

Authorised and issued share capital

	Notes	2023	2022
Ordinary shares in Mainland China	(a)	29,604,823	29,604,823
Ordinary shares listed in Hong Kong (H-share)	(b)	6,945,000	6,945,000
Total		36,549,823	36,549,823

Notes:

- (a) On May 25, 2022, the Bank issued 13,324,823,322 ordinary shares to the shareholders of Bank of Luoyang, Bank of Pingdingshan and Bank of JZCTS as the consideration to complete the merger by absorption. After the completion of the merger by absorption, the registered capital and share capital of the Bank increased to RMB36,549.82 million. The capital contribution was verified by KPMG Huazhen LLP.
- (b) On July 19, 2017, the Bank issued 3,000.00 million H-shares with a par value of RMB1.00 at an offering price of HKD2.45 per share (the "H-share offering"). On August 15, 2017, the Bank exercised the over-allotment option and issued 450.00 million H-shares with a nominal value of RMB1.00 at HKD2.45 per share. The capital contribution was verified by KPMG Huazhen LLP.

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

On May 10, 2022, the Bank issued 3,150.00 million H-shares with a par value of RMB1.00 at an offering price of HKD1.80 per share, the registered capital and share capital of the Bank increased to RMB23,225 million. The capital contribution was verified by KPMG Huazhen LLP.

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

37 Reserves

(a) Capital reserve

	2023	2022
Share premium	19,181,529	19,504,885
Changes in ownership in subsidiaries without changes in control	(159,490)	(159,490)
Total	19,022,039	19,345,395



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Reserves (Continued)

(a) Capital reserve (Continued)

(i) Movements of Capital reserve are as follows:

		2023	2022
As at January 1		19,345,395	14,317,981
Issuance of H shares	(1)	–	1,696,208
Issuance of domestic shares for merger by absorption	(2)	–	3,331,206
Redemption of offshore preference shares	(3)	(323,356)	–
Total		19,022,039	19,345,395

- (1) On May 10, 2022, the increase of share premium amounting to RMB1,696.21 million was resulted from non-public issuance of H shares of the Bank on The Stock Exchange of Hong Kong Limited.
- (2) On May 25, 2022, the increase of share premium amounting to RMB3,331.21 million was resulted from issuance of domestic shares as the consideration to complete the merger by absorption.
- (3) On November 21, 2023, the decrease of share premium amounting to RMB323.36 million was resulted from redemption of offshore preference shares.

(b) Surplus reserve

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

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

(c) General reserve

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

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Reserves (Continued)

(d) Other reserves

	Note	2023	2022
Investment revaluation reserve	(i)	417,855	(115,682)
Impairment reserve	(ii)	473,806	160,456
Deficit on remeasurement of net defined benefit liability	(iii)	(44,976)	(25,555)
Total		846,685	19,219

(i) Investment revaluation reserve

	2023	2022
As at January 1	(115,682)	(378,330)
Changes in fair value recognised in other comprehensive income	427,861	458,427
Transfer to profit or loss upon disposal	283,521	(108,230)
Less: deferred income tax	(177,845)	(87,549)
Total	417,855	(115,682)

(ii) Impairment reserve

	2023	2022
As at January 1	160,456	726,197
Impairment losses recognized in other comprehensive income	313,350	(565,741)
Total	473,806	160,456

(iii) Deficit on remeasurement of net defined benefit liability

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

	2023	2022
As at January 1	(25,555)	(3,982)
Changes in fair value recognised in other comprehensive income	(19,421)	(21,573)
Total	(44,976)	(25,555)



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

38 Retained earnings

(a) Appropriation of profits

In accordance with the resolution of the Bank's board of directors meeting held on March 28, 2024, the proposed profit appropriations of the Bank for the year ended December 31, 2023 is listed as follows:

- Appropriation of statutory surplus reserve of the Bank amounted to RMB303.51 million;
- Appropriation of general reserve of the Bank amounted to RMB2,700.00 million; and
- The Bank will not distribute cash dividend to common shareholders.

The profit appropriation resolution mentioned above has yet to be approved by the Bank's shareholders.

In accordance with the resolution of the 2022 annual general meeting of the Bank held on June 16, 2023, the proposed profit appropriations of the Bank for the year ended December 31, 2022 is listed as follows:

- Appropriation of statutory surplus reserve of the Bank amounted to RMB379.59 million;
- Appropriation of general reserve of the Bank amounted to RMB3,700.00 million; and
- The Bank will not distribute cash dividend to common shareholders.

- (b)** As at December 31, 2023, the consolidated retained profits attributable to equity shareholders of the Bank included an appropriation of RMB629.39 million of surplus reserve made by subsidiaries (2022: RMB582.22 million).

(c) Distribution of dividend on preference shares

A cash dividend at the dividend rate of 5.60% per annum related to preference shares amounting to USD86.80 million (tax included) in total was approved at the Board of Directors' Meeting held on August 30, 2023 and distributed on November 21, 2023.

A cash dividend at the dividend rate of 5.60% per annum related to preference shares amounting to USD86.80 million (tax included) in total was approved at the Board of Directors' Meeting held on September 29, 2022 and distributed on November 22, 2022.

(d) Distribution of interest on perpetual bonds

The Bank distributed a dividend of RMB192 million to the perpetual bond holders in 2023 (2022: RMB192 million).

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

38 Retained earnings (Continued)

(e) Movements in components of equity

Details of the changes in the Bank's individual components of equity for the year 2023 and 2022 are set out below.

	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings	Total
Balance at January 1, 2023	36,549,823	13,632,510	19,504,885	2,804,300	12,782,754	20,632	3,405,279	88,700,183
Changes in equity for the year:								
Net profit for the year	-	-	-	-	-	-	3,035,113	3,035,113
Other comprehensive income	-	-	-	-	-	819,909	-	819,909
Total comprehensive income	-	-	-	-	-	819,909	3,035,113	3,855,022
Issuance of perpetual bond	-	9,999,217	-	-	-	-	-	9,999,217
Redemption of offshore preference shares	-	(9,632,790)	(323,356)	-	-	-	-	(9,956,146)
Appropriation to surplus reserve	-	-	-	303,511	-	-	(303,511)	-
Appropriation to general reserve	-	-	-	-	2,700,000	-	(2,700,000)	-
Cash dividends on preference shares	-	-	-	-	-	-	(623,363)	(623,363)
Cash interests on perpetual bond	-	-	-	-	-	-	(192,000)	(192,000)
Balance at December 31, 2023	36,549,823	13,998,937	19,181,529	3,107,811	15,482,754	840,541	2,621,518	91,782,913
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings	Total
Balance at January 1, 2022	20,075,000	9,632,791	14,477,471	2,424,709	9,082,754	345,901	4,498,124	60,536,750
Changes in equity for the year:								
Net profit for the year	-	-	-	-	-	-	3,795,911	3,795,911
Other comprehensive income	-	-	-	-	-	(325,269)	-	(325,269)
Total comprehensive income	-	-	-	-	-	(325,269)	3,795,911	3,470,642
Issuance of H shares	3,150,000	-	1,696,208	-	-	-	-	4,846,208
Issuance of shares for merger by absorption	13,324,823	-	3,331,206	-	-	-	-	16,656,029
Arising from merger by absorption	-	3,999,719	-	-	-	-	-	3,999,719
Appropriation to surplus reserve	-	-	-	379,591	-	-	(379,591)	-
Appropriation to general reserve	-	-	-	-	3,700,000	-	(3,700,000)	-
Cash dividends on preference shares	-	-	-	-	-	-	(617,165)	(617,165)
Cash interests on perpetual bond	-	-	-	-	-	-	(192,000)	(192,000)
Balance at December 31, 2022	36,549,823	13,632,510	19,504,885	2,804,300	12,782,754	20,632	3,405,279	88,700,183

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

39 Other equity instruments

(a) Preference Shares

(i) Preference shares outstanding

The Bank issued the Notice on the Proposed Redemption of the Offshore Preference Shares on August 30, 2023, the Redemption of Offshore Preference Shares on September 26, 2023, and the Notice on Completion of Redemption of the Offshore Preference Shares on November 22, 2023. Pursuant to the terms and conditions of the Offshore Preference Shares and the reply letter from Henan Office of National Administration of Financial Regulation, the Bank redeemed all the Offshore Preference Shares on November 21, 2023 (the "Redemption Date"). The aggregate price of the Redemption was USD1,473,120,000 (being the sum of (i) the total liquidation preference amount of the Offshore Preference Shares of US\$1,395,000,000 and (ii) the Dividends on Offshore Preference Shares of US\$78,120,000). Upon redemption and cancellation of the outstanding amount of the Offshore Preference Shares, there was no Offshore Preference Shares outstanding as at December 31, 2023.

The Bank's preference shares outstanding as at December 31, 2022 are as follows:

Financial instrument outstanding	Time issued	Classifications	Dividend yield ratio/ interest rate	Issue price	Quantities	In original currency million	In RMB million	Maturity	Conversion conditions
Offshore preference shares	November 21, 2018	Equity	5.60%	USD20/share	69,750,000	1,395	9,688	None	Mandatory conversion trigger events
Less: issuing cost							(55)		
Book value							9,633		

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

39 Other equity instruments (Continued)

(a) Preference Shares (Continued)

(ii) Main clause

(1) Dividend

Fixed rate for a certain period after issuance. Dividend reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread. The fixed spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The fixed spread will remain unchanged throughout the term of the preference shares. Dividends will be paid annually.

If the Bank has distributable after-tax profit after making up for previous years' losses and contributing to the statutory reserve and general reserve, the Bank may pay dividends to the offshore preference shareholders in accordance with the articles of association of the Bank, provided that the capital adequacy ratio of the Bank meets regulatory requirements. The offshore preference shareholders shall rank in priority to the ordinary shareholders in terms of dividend distribution.

Any declaration and payment of all of the dividends on the offshore preference shares by the Bank will be determined by the board in accordance with the authorisation given by the general meeting. Any cancellation of all or part of the dividends on the offshore preference shares shall be subject to the consideration and approval by the general meeting. If the Bank cancels all or part of the distribution of dividends on the offshore preference shares, the Bank shall not distribute any dividends to the ordinary shareholders from the next day following the resolution being approved at the general meeting until the resumption of payment of dividends in full.

(2) Dividend accumulation

The dividends on the offshore preference shares will be non-cumulative (namely, in the event of any cancellation by the Bank of all or part of the dividends on the offshore preference shares, any amount of dividends not paid to the offshore preference shareholders in full in the current period will not be accumulated to the following dividend periods).

(3) Distribution of residual profits

After receiving the dividends at the prescribed dividend rate, the offshore preference shareholders shall not be entitled to any distribution of residual profits of the Bank together with the ordinary shareholders.



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

39 Other equity instruments (Continued)

(a) Preference Shares (Continued)

(ii) Main clause (Continued)

(4) Mandatory conversion trigger events

Upon the occurrence of an additional tier 1 capital trigger event (namely, the core tier 1 capital adequacy ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert, without the approval of the offshore preference shareholders, all or part of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares in order to restore the core tier 1 capital adequacy ratio of the Bank to above 5.125%. In case of partial conversion, the offshore preference shares shall be converted ratably and on the same conditions. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances.

Upon the occurrence of a tier 2 capital trigger event, the Bank shall have the right to convert, without the approval of the offshore preference shareholders, all of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances. A tier 2 capital trigger event means the earlier of the following events (1) the former CBRC having concluded that without a conversion or write-off of the Bank's capital, the Bank would become non-viable, and (2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

(5) Conditional redemption

From the fifth year following the date of issuance of the offshore preference shares, and subject to obtaining the approval of the former CBRC or its affiliates and the compliance with the relevant requirements, the Bank shall have the right to redeem all or part of the offshore preference shares. The redemption price of the offshore preference shares will be an amount equal to the issue price plus the amount of dividend declared but unpaid for the current period.

(6) Changes in preference shares outstanding

Preference Shares Outstanding	December 31, 2022		Decrease during the year		December 31, 2023	
	Quantities	Book value (In RMB million)	Quantities	Book value (In RMB million)	Quantities	Book value (In RMB million)
Offshore Preference Shares	69,750,000	9,633	(69,750,000)	(9,633)	-	-

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

39 Other equity instruments (Continued)

(b) Perpetual Bond

(i) Perpetual Bond outstanding

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

(ii) Main clause

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

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

(1) Interest

Each Perpetual Bond has a par value of RMB100. The interest rate of the inherited bonds for the first five years are 4.8%, resetting every 5 years. The interest rate of Perpetual Bond issued in 2023 is 4.6% during the first five years, and will be reset every 5 years. The rates are determined by a benchmark rate plus a fixed spread.

(2) Interest stopper and setting mechanism

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

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

39 Other equity instruments (Continued)

(b) Perpetual Bond (Continued)

(ii) Main clause (Continued)

(3) Order of distribution and liquidation method

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

(4) Write down conditions

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

(5) Redemption

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

40 Involvement with unconsolidated structured entities

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

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

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

40 Involvement with unconsolidated structured entities (Continued)

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

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the consolidated statements of financial position in which relevant assets are recognized as at December 31:

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

	2022	
	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	29,221,644	29,221,644
Financial investments at amortised cost	41,768,635	41,768,635
Total	70,990,279	70,990,279

As at December 31, 2023 and 2022, the carrying amounts of the unconsolidated structural entities are equal to the maximum exposures.

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

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at December 31, 2023 and 2022, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognized are not material in the statement of financial positions.

As at December 31, 2023, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, was RMB70,671.55 million (2022: RMB93,268.96 million).

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

40 Involvement with unconsolidated structured entities (Continued)

(c) Unconsolidated structure entities sponsored by the Group during the years which the Group does not consolidate but have an interest in as at December 31:

For the year ended December 31, 2023, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, but matured before December 31 amounted to RMB52.25 million (2022: RMB445.00 million).

41 Capital management

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the former CBRC. The capital of the Group is divided into core tier-one capital, other tier-one capital and tier-two capital.

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

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

The Group calculates its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the former CBRC.

The former CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

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

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

41 Capital management (Continued)

The Group's capital adequacy ratios as at December 31 calculated in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the former CBRC are as follows:

	2023	2022
Core tier-one capital adequacy ratio	8.10%	7.98%
Tier-one capital adequacy ratio	10.44%	9.47%
Capital adequacy ratio	11.64%	11.83%
Core tier-one capital	80,092,221	77,503,693
Deductions of core tier-one capital	(3,186,680)	(3,194,341)
Net core tier-one capital	76,905,541	74,309,352
Other tier-one capital	22,265,699	13,893,485
Net tier-one capital	99,171,240	88,202,837
Tier-two capital	11,456,163	21,939,248
Net capital base	110,627,403	110,142,085
Total risk weighted assets	950,017,363	930,901,630

42 Notes to the consolidated cash flow statement

(a) Net (decrease)/increase in cash and cash equivalents

	2023	2022
Cash and cash equivalents as at December 31	101,193,704	125,893,084
Less: Cash and cash equivalents as at January 1	125,893,084	71,891,805
Net (decrease)/increase in cash and cash equivalents	(24,699,380)	54,001,279



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Notes to the consolidated cash flow statement (Continued)

(b) Cash and cash equivalents

	2023	2022
Cash on hand	1,963,752	2,301,915
Deposits with the central bank	21,796,813	31,600,103
Deposits with banks and other financial institutions	12,692,700	15,108,605
Financial assets held under resale agreements	56,275,928	65,185,824
Placements with banks and other financial institutions	8,464,511	11,696,637
Total	101,193,704	125,893,084

(c) Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Debt securities issued	Lease liabilities	Total
At January 1, 2023	145,158,732	956,256	146,114,988
Changes from financing cash flow			
Proceeds received from debt securities issued	252,090,860	–	252,090,860
Interest paid on debt securities issued	(3,900,023)	–	(3,900,023)
Repayment of debt securities issued	(265,077,664)	–	(265,077,664)
Capital element of lease liabilities paid	–	(395,795)	(395,795)
Interest element of lease liabilities paid	–	(38,628)	(38,628)
Total changes from financing cash flows	(16,886,827)	(434,423)	(17,321,250)
Other changes:			
Interest expense	3,718,673	33,145	3,751,818
Increase in lease liabilities	–	176,340	176,340
Total other changes	3,718,673	209,485	3,928,158
At December 31, 2023	131,990,578	731,318	132,721,896

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Notes to the consolidated cash flow statement (Continued)

(c) Reconciliation of movements of liabilities to cash flows arising from financing activities: (Continued)

	Debt securities issued	Lease liabilities	Total
At January 1, 2022	96,843,899	727,233	97,571,132
Proceeds from merger by absorption	26,449,640	341,458	26,791,098
Changes from financing cash flow			
Proceeds received from debt securities issued	242,228,105	–	242,228,105
Interest paid on debt securities issued	(3,267,764)	–	(3,267,764)
Repayment of debt securities issued	(220,283,385)	–	(220,283,385)
Capital element of lease liabilities paid	–	(354,781)	(354,781)
Interest element of lease liabilities paid	–	(49,190)	(49,190)
Total changes from financing cash flows	18,676,956	(403,971)	18,272,985
Other changes:			
Interest expense	3,188,237	57,416	3,245,653
Increase in lease liabilities	–	234,120	234,120
Total other changes	3,188,237	291,536	3,479,773
At December 31, 2022	145,158,732	956,256	146,114,988



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Related party relationships and transactions

(a) Relationship of related parties:

(i) Major shareholders

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

Shareholding in the Bank:

	2023	2022
Henan Investment Group Co., Ltd.	6.20%	6.20%
Jiangsu Wuzhong Group Co., Ltd.	1.15%	1.15%

(ii) Subsidiaries and joint venture of the Bank

The detailed information of the Bank's subsidiaries and joint venture are set out in Note 23.

(iii) Other related parties

Other related parties can be individuals or enterprises, which include: members of the board of directors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 43(a) or their controlling shareholders.

(b) Related party transactions and balances:

(i) Transactions between the Bank and major shareholders:

	2023	2022
Transactions during the year:		
Interest income	41,763	58,701
Interest expense	1,538	319
Operating expenses	1,308	233

	2023	2022
Balances at end of the year:		
Loans and advances to customers	1,243,252	1,253,262
Right-of-use assets	2,909	116
Deposits from customers	181,825	55,583
Lease liabilities	2,796	349

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Related party relationships and transactions (Continued)

(b) Related party transactions and balances: (Continued)

(ii) Transactions between the Bank and subsidiaries:

The subsidiaries of the Bank are its related parties. The transactions between the Bank and its subsidiaries and among the subsidiaries are eliminated on combination and therefore are not disclosed in this note.

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

	2023	2022
Transactions during the year:		
Interest income	985,997	832,057
Interest expense	313,049	19,081
Operating expense	–	8,965
Assets disposal	853,289	30,100
Balances at end of the year:		
Loans and advances to customers	14,963,389	8,604,902
Lease receivables	671,563	330,776
Financial investments	332,353	4,087,697
Placements with banks and other financial institutions	2,024,213	2,580,576
Deposits with banks and other financial institutions	79,289	–
Right-of-use assets	–	17,436
Deposits from customers	5,193,948	1,013,770
Deposits from banks and other financial institutions	1,864,827	2,849,005
Lease liabilities	–	19,714
Balances of items off the consolidated statement of financial position outstanding at the end of the year:		
Bank acceptances	1,938,287	–
Letters of credit	457,080	11,250
Letters of guarantees	3,010	–



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Related party relationships and transactions (Continued)

(c) Key management personnel

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

(i) Transactions between the Bank and key management personnel

	2023	2022
Transactions during the year:		
Interest income	665	1,169
Interest expense	315	641
Balances at end of the year:		
Loans and advances to customers	12,565	21,938
Deposits from customers	9,855	23,929

(ii) Key management personnel compensation

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

	2023	2022
Salaries and other emoluments	12,044	12,100
Discretionary bonuses	18,048	19,579
Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	1,416	1,218
Total	31,508	32,897

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

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), are as follows:

	2023	2022
Aggregate amount of relevant loans outstanding at the end of the year	6,887	6,466
Maximum aggregate amount of relevant loans outstanding during the year	6,887	6,466

There was no amount due but unpaid, nor any impairment provision made against the principal or interest on these loans at December 31, 2023 and 2022.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

44 Segment reporting

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

Corporate banking

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

Retail banking

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

Financial markets business

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

Others

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

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

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



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

44 Segment reporting (Continued)

Others (Continued)

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the year 2023 and 2022 to acquire property and equipment, intangible assets and other long-term assets.

	2023				Total
	Corporate banking	Retail banking	Financial markets business	Others	
Operating income					
External net interest income/ (expense)	18,576,140	(1,104,717)	4,791,584	–	22,263,007
Internal net interest (expense)/ income	(4,638,586)	6,671,191	(2,032,605)	–	–
Net interest income	13,937,554	5,566,474	2,758,979	–	22,263,007
Net fee and commission income/ (expense)	885,735	(172,819)	605,604	–	1,318,520
Net trading gains	250,282	–	61,864	–	312,146
Net gains arising from investment securities	8,743	–	1,883,470	–	1,892,213
Other operating income	33,714	252,741	1,996	109,081	397,532
Operating income	15,116,028	5,646,396	5,311,913	109,081	26,183,418
Operating expenses	(4,623,521)	(3,257,866)	(1,814,570)	(1,165,832)	(10,861,789)
Impairment losses on assets	(8,946,409)	(2,341,814)	(1,246,971)	(24,587)	(12,559,781)
Share of profits of joint venture	–	–	195,241	–	195,241
Profit/(loss) before tax	1,546,098	46,716	2,445,613	(1,081,338)	2,957,089
Segment assets	575,343,116	289,311,070	465,676,702	5,318,531	1,335,649,419
Deferred tax assets	–	–	–	10,797,078	10,797,078
Total assets	575,343,116	289,311,070	465,676,702	16,115,609	1,346,446,497
Segment liabilities	323,859,027	539,268,617	378,234,960	8,195,722	1,249,558,326
Total liabilities	323,859,027	539,268,617	378,234,960	8,195,722	1,249,558,326
Other segment information					
– Depreciation and amortization	883,993	357,033	432,896	27,045	1,700,967
– Capital expenditure	438,168	176,970	214,573	13,406	843,117

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

44 Segment reporting (Continued)

Others (Continued)

	2022				Total
	Corporate banking	Retail banking	Financial markets business	Others	
Operating income					
External net interest income	15,540,825	1,819,487	3,915,947	–	21,276,259
Internal net interest (expense)/ income	(3,000,557)	4,167,619	(1,167,062)	–	–
Net interest income	12,540,268	5,987,106	2,748,885	–	21,276,259
Net fee and commission income	636,297	291,054	855,723	–	1,783,074
Net trading gains	767,251	–	190,408	–	957,659
Net (losses)/gains arising from investment securities	(129,736)	–	1,579,123	–	1,449,387
Other operating income	42,681	4,284	19,890	77,963	144,818
Operating income	13,856,761	6,282,444	5,394,029	77,963	25,611,197
Operating expenses	(4,479,497)	(3,625,024)	(1,331,921)	(841,566)	(10,278,008)
Impairment losses on assets	(6,903,550)	(2,874,981)	(1,410,769)	(227)	(11,189,527)
Share of profits of joint venture	–	–	164,075	–	164,075
Profit/(loss) before tax	2,473,714	(217,561)	2,815,414	(763,830)	4,307,737
Segment assets	549,371,006	271,541,714	490,860,811	4,756,970	1,316,530,501
Deferred tax assets	–	–	–	10,205,981	10,205,981
Total assets	549,371,006	271,541,714	490,860,811	14,962,951	1,326,736,482
Segment liabilities	363,009,783	487,077,726	373,321,826	9,692,603	1,233,101,938
Total liabilities	363,009,783	487,077,726	373,321,826	9,692,603	1,233,101,938
Other segment information					
– Depreciation and amortization	713,891	357,588	343,308	13,281	1,428,068
– Capital expenditure	487,236	244,056	234,310	9,064	974,666



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management

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

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

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

(a) Credit risk

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

Credit business

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

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

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management (Continued)

(a) Credit risk (Continued)

Credit business (Continued)

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

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

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

Financial markets business

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



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management (Continued)

(a) Credit risk (Continued)

Credit risk management

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

Stage 1

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

Stage 2

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

Stage 3

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

Significant increase in credit risk

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

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

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

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

As at December 31, 2023, the Group has not considered that any of its financial assets has lower credit risk and no longer compared the credit risk at the balance sheet date with that at the initial recognition to identify whether there was a significant increase in credit risk.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management (Continued)

(a) Credit risk (Continued)

Credit risk management (Continued)

Stage 3 (Continued)

Definition of “default” and “credit-impaired assets”

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;
- the disappearance of an active market for a security because of financial difficulties of the issuer; or
- overdue more than 90 days.

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

Measurement of expected credit losses (“ECL”)

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

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

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

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management (Continued)

(a) Credit risk (Continued)

Credit risk management (Continued)

Stage 3 (Continued)

Measurement of expected credit losses (“ECL”) (Continued)

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

PD is derived based on internal and external ratings, five-level classification or historical data, with forward-looking adjustments.

The Group’s exposure to credit risk can be reasonably grouped into credit risks by using qualitative and quantitative analyses and suggestions from experts, and by taking into account credit risk characteristics such as business types, product attributes or customer characteristics.

The Group updates the ECL assessment on a monthly basis, also makes loss allowance for credit risk based on the assessment results. To ensure that the model parameters adequately reflect the impact of forward-looking information on ECLs, the model parameters are updated at least semi-annually, the implementation of the ECL approach is assessed annually, and a competent independent external third-party institution is engaged to conduct a comprehensive validation on the implementation model under the ECL approach at least once every three years.

In measuring ECLs of financial instruments, the Group requires to consider all available, reasonable and reliable information that may affect credit risk, uses relevant observable data (e.g., GDP, CPI, income of urban residents, etc.).

The Group setting up a variety of basic scenarios in accordance with the Group’s operations and the macro-political situation when developing forward-looking information indicators, specifying the weight of different scenarios, and adding extreme scenarios in conjunction with the results of the stress tests when necessary. Adopt a combination of internal expert forecasting methods and data from external institutions to obtain forward-looking information, which may include both domestic information and information about other countries and regions related to credit risk. The forward-looking model is established to determine the adjustments of forward-looking information to the relevant parameters of the ECL assessment model.

As at December 31, 2023, the Group has taken into account different macroeconomic scenarios, combined with the impact of factors on economic development trends, and made forward-looking forecasts of macroeconomic indicators. Including: quarter-on-quarter GDP growth, used to estimate ECL, ranges from 4.30% to 5.07% in the neutral scenario 2024.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management (Continued)

(a) Credit risk (Continued)

Credit risk management (Continued)

Stage 3 (Continued)

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

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

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

(i) Maximum credit risk exposure

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



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management (Continued)

(a) Credit risk (Continued)

(ii) *Financial assets (excluding accrued interest) analyzed by credit quality are summarized as follows:*

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

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management (Continued)

(a) Credit risk (Continued)

(ii) Financial assets (excluding accrued interest) analyzed by credit quality are summarized as follows: (Continued)

	2022							
	Balance				Provision for impairment losses			
	Assessed for expected credit losses over the next 12 months	Not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired and assessed for lifetime expected credit loss	Total	Assessed for expected credit losses over the next 12 months	Not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired and assessed for lifetime expected credit loss	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	75,256,245	-	-	75,256,245	-	-	-	-
Deposits/Placements with banks and other financial institutions	51,284,780	-	19,027	51,303,807	(11,729)	-	(19,027)	(30,756)
Financial assets held under resale agreements	65,185,824	-	-	65,185,824	(4,870)	-	-	(4,870)
Loans and advances to customers	564,599,145	17,800,515	13,196,883	595,596,543	(8,433,119)	(3,794,333)	(8,443,263)	(20,670,715)
Financial investments	221,239,810	8,312,424	16,668,287	246,220,521	(357,000)	(729,492)	(5,490,939)	(6,577,431)
Lease receivables	59,994,360	2,141,372	757,661	62,893,393	(1,370,326)	(770,140)	(438,859)	(2,579,325)
Total	1,037,560,164	28,254,311	30,641,858	1,096,456,333	(10,177,044)	(5,293,965)	(14,392,088)	(29,863,097)
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	88,468,142	-	10,000	88,478,142	(53,164)	-	(10,000)	(63,164)
Financial investments	92,763,794	348,552	-	93,112,346	(15,107)	(82,185)	-	(97,292)
Total	181,231,936	348,552	10,000	181,590,488	(68,271)	(82,185)	(10,000)	(160,456)

As at December 31, 2023, the fair value of collaterals held against loans and advances that are not credit-impaired and assessed for lifetime expected credit losses amounted to RMB29,354.22 million (2022: RMB29,537.27 million). The fair value of collaterals held against credit-impaired loans and advances that are assessed for lifetime expected credit loss amounted to RMB2,193.41 million (2022: RMB3,948.86 million). The collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals was estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management (Continued)

(a) Credit risk (Continued)

(iii) Amounts due from banks and other financial institutions

The amounts due from banks and non-bank financial institutions including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions. Neither overdue nor credit-impaired amounts due from banks and non-bank financial institutions are rated with reference to major rating agencies accepted by the People's Bank of China.

	2023	2022
Neither overdue nor credit-impaired		
Ratings		
– A to AAA	54,969,396	64,866,423
– unrated	53,637,611	52,306,696
Total	108,607,007	117,173,119

(iv) Debt securities

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analyzed by the rating agency designations as at December 31 are as follows:

	2023	2022
Neither overdue nor credit-impaired		
Ratings		
– AAA	277,842,315	275,829,307
– AA- to AA+	3,297,118	5,834,027
– BB- to BB+	22,920	26,834
– B- to B+	31,251	298,202
– unrated	16,517,773	9,255,105
Overdue but not credit-impaired		
– unrated	–	837,984
Overdue and credit-impaired		
– unrated	707,992	692,910
Total	298,419,369	292,774,369

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management (Continued)

(b) Market risk

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

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

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

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

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

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

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

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



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management (Continued)

(b) Market risk (Continued)

Interest rate risk

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

Repricing risk

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

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

Trading interest rate risk

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

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities as at December 31 by the expected next repricing dates or by maturity dates, depending on which is earlier:

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

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) (Continued)

	2022					Total
	Within three months	Three months to one year	One year to five years	More than five years	Non-interest bearing	
Assets						
Cash and deposits with the central bank	75,256,245	–	–	–	2,331,704	77,587,949
Deposits with banks and other financial institutions	10,717,228	10,312,148	–	–	157,603	21,186,979
Placement with banks and other financial institutions	11,676,699	18,566,976	–	–	524,853	30,768,528
Derivative financial assets	–	–	–	–	93,255	93,255
Financial assets held under resale agreements	65,180,954	–	–	–	36,658	65,217,612
Loans and advances to customers (Note (1))	317,733,635	201,162,950	111,630,609	32,876,776	3,488,455	666,892,425
Financial investments (Note (2))	47,987,633	42,302,003	143,835,890	98,629,910	40,682,093	373,437,529
Lease receivables (Note (3))	31,679,709	2,261,356	25,847,756	525,247	–	60,314,068
Others	–	–	–	–	31,238,137	31,238,137
Total assets	560,232,103	274,605,433	281,314,255	132,031,933	78,552,758	1,326,736,482
Liabilities						
Borrowing from the central bank	8,112,027	34,284,450	–	–	264,519	42,660,996
Deposits from banks and other financial institutions	29,992,498	–	–	–	123,538	30,116,036
Placement from banks and other financial institutions	23,069,609	27,002,021	1,342,140	–	392,661	51,806,431
Derivative financial liabilities	–	–	–	–	562,679	562,679
Financial assets sold under repurchase agreements	101,671,209	–	–	–	34,874	101,706,083
Deposits from customers	374,428,493	194,905,167	257,986,283	–	17,937,211	845,257,154
Debt securities issued	63,212,509	60,547,298	8,994,121	11,999,640	405,164	145,158,732
Others	71,484	229,300	471,019	167,497	14,894,527	15,833,827
Total liabilities	600,557,829	316,968,236	268,793,563	12,167,137	34,615,173	1,233,101,938
Asset-liability gap	(40,325,726)	(42,362,803)	12,520,692	119,864,796	43,937,585	93,634,544

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) (Continued)

Note:

- (1) As at December 31, 2023, for loans and advances to customers, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB13,846.16 million (2022: RMB13,881.89 million).
- (2) As at December 31, 2023, for financial investments, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB17,143.71 million (2022: RMB16,174.39 million).
- (3) As at December 31, 2023, for lease receivables, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB449.05 million (2022: RMB835.17 million).

(ii) Interest rate sensitivity analysis

	31 December 2023	31 December 2022
	Increase/ (decrease)	Increase/ (decrease)
Changes in net interest income		
Up 100 bps parallel shift in yield curves	(756,435)	(540,734)
Down 100 bps parallel shift in yield curves	756,435	540,734

	31 December 2023	31 December 2022
	Increase/ (decrease)	Increase/ (decrease)
Changes in equity		
Up 100 bps parallel shift in yield curves	(3,260,928)	(3,734,641)
Down 100 bps parallel shift in yield curves	3,422,743	4,091,216



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

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

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

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

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management (Continued)

(b) Market risk (Continued)

Foreign currency risk

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

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

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

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

	2022				Total (RMB Equivalent)
	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	
Assets					
Cash and deposits with the central bank	77,516,384	70,062	557	946	77,587,949
Deposits with banks and other financial institutions	8,229,865	11,295,389	1,606,066	55,659	21,186,979
Placement with banks and other financial institutions	27,462,607	3,305,921	–	–	30,768,528
Financial assets held under resale agreements	65,217,612	–	–	–	65,217,612
Loans and advances to customers	665,556,902	1,335,523	–	–	666,892,425
Financial investments	364,649,836	8,119,539	668,154	–	373,437,529
Lease receivables	60,314,068	–	–	–	60,314,068
Derivative financial assets	93,255	–	–	–	93,255
Others	30,749,835	398,427	89,875	–	31,238,137
Total assets	1,299,790,364	24,524,861	2,364,652	56,605	1,326,736,482
Liabilities					
Borrowing from the central bank	42,660,996	–	–	–	42,660,996
Deposits from banks and other financial institutions	30,116,035	1	–	–	30,116,036
Placement from banks and other financial institutions	48,108,422	3,698,009	–	–	51,806,431
Financial assets sold under repurchase agreements	101,706,083	–	–	–	101,706,083
Deposits from customers	844,162,607	1,061,237	982	32,328	845,257,154
Debt securities issued	145,158,732	–	–	–	145,158,732
Derivative financial liabilities	562,679	–	–	–	562,679
Others	15,625,124	156,558	51,750	395	15,833,827
Total liabilities	1,228,100,678	4,915,805	52,732	32,723	1,233,101,938
Asset-liability gap	71,689,686	19,609,056	2,311,920	23,882	93,634,544

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

	2023 Increase/ (decrease)	2022 Increase/ (decrease)
Change in profit after taxation and equity		
Up 100 bps change of foreign exchange rate	80,039	164,587
Down 100 bps change of foreign exchange rate	(80,039)	(164,587)

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

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

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

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet repayment obligations. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management (Continued)

(c) Liquidity risk (Continued)

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

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

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

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

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

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management (Continued)

(c) Liquidity risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment as at December 31:

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

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management (Continued)

(c) Liquidity risk (Continued)

	2022							Total
	Indefinite Note (i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	43,656,142	33,902,018	-	28,762	1,027	-	-	77,587,949
Deposits with banks and other financial institutions	-	10,303,550	167,977	254,959	10,460,493	-	-	21,186,979
Placements with banks and other financial institutions	-	-	3,140,161	8,767,825	18,860,542	-	-	30,768,528
Derivative financial assets	-	-	45,221	27,480	2,114	18,440	-	93,255
Financial assets held under resale agreements	-	-	65,217,612	-	-	-	-	65,217,612
Loans and advances to customers	9,090,576	5,570,759	44,404,556	71,464,053	216,909,223	155,915,245	163,538,013	666,892,425
Financial investments	13,142,311	29,547,006	5,750,955	27,675,402	44,580,456	149,260,218	103,481,181	373,437,529
Lease receivables	808,928	219,802	351,836	306,377	4,356,657	50,118,518	4,151,950	60,314,068
Others	18,483,954	-	90,230	620,446	920,956	9,795,222	1,327,329	31,238,137
Total assets	85,181,911	79,543,135	119,168,548	109,145,304	296,091,468	365,107,643	272,498,473	1,326,736,482
Liabilities								
Borrowing from the central bank	-	544,691	4,146,118	3,427,348	34,542,839	-	-	42,660,996
Deposits from banks and other financial institutions	-	4,087,964	1,617,723	18,791,036	5,619,313	-	-	30,116,036
Placements from banks and other financial institutions	-	-	8,709,658	14,527,869	27,201,922	1,366,982	-	51,806,431
Derivative financial liabilities	-	-	542,882	1,489	-	18,308	-	562,679
Financial assets sold under repurchase agreements	-	-	101,706,083	-	-	-	-	101,706,083
Deposits from customers	-	262,253,340	49,776,245	70,516,932	199,130,927	263,579,710	-	845,257,154
Debt securities issued	-	-	9,017,965	54,254,312	60,892,694	8,994,121	11,999,640	145,158,732
Others	-	3,154,126	812,896	303,409	5,428,953	4,593,296	1,541,147	15,833,827
Total liabilities	-	270,040,121	176,329,570	161,822,395	332,816,648	278,552,417	13,540,787	1,233,101,938
Long/(short) position	85,181,911	(190,496,986)	(57,161,022)	(52,677,091)	(36,725,180)	86,555,226	258,957,686	93,634,544

Note:

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

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management (Continued)

(c) Liquidity risk (Continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and loan commitments as at December 31:

	2023							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowing from the central bank	68,055,912	68,992,684	960	5,091,212	10,945,782	52,954,730	-	-
Deposits from banks and other financial institutions	38,703,963	38,897,984	2,591,489	7,709,508	21,356,693	7,240,294	-	-
Placements from banks and other financial institutions	64,482,788	66,281,354	-	7,338,401	13,079,819	45,470,103	393,031	-
Financial assets sold under repurchase agreements	73,121,287	73,170,888	-	68,245,494	4,925,394	-	-	-
Deposits from customers	859,783,781	881,157,348	261,538,717	54,420,841	77,808,988	207,267,774	272,998,589	7,122,439
Debt securities issued	131,990,578	133,793,121	-	20,010,908	44,213,432	61,882,281	5,578,500	2,108,000
Lease liabilities	731,318	778,185	-	35,270	53,290	343,064	327,422	19,139
Total non-derivative financial liabilities	1,236,869,627	1,263,071,564	264,131,166	162,851,634	172,383,398	375,158,246	279,297,542	9,249,578
Loan commitments	-	14,369,815	-	14,369,815	-	-	-	-
	2022							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowing from the central bank	42,660,996	43,290,388	544,908	4,150,172	3,437,259	35,158,049	-	-
Deposits from banks and other financial institutions	30,116,036	30,162,205	4,088,163	1,618,560	18,816,756	5,638,726	-	-
Placements from banks and other financial institutions	51,806,431	52,640,123	-	8,734,940	14,674,894	27,785,607	1,444,682	-
Financial assets sold under repurchase agreements	101,706,083	101,735,923	-	101,735,923	-	-	-	-
Deposits from customers	845,257,154	864,915,676	262,294,254	49,807,022	70,804,622	201,767,326	280,242,452	-
Debt securities issued	145,158,732	150,411,646	-	9,070,476	54,537,127	62,121,443	11,946,600	12,736,000
Lease liabilities	956,256	998,621	-	26,618	51,677	237,917	499,778	182,631
Total non-derivative financial liabilities	1,217,661,688	1,244,154,582	266,927,325	175,143,711	162,322,335	332,709,068	294,133,512	12,918,631
Loan commitments	-	12,552,210	-	12,552,210	-	-	-	-

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

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management (Continued)

(c) Liquidity risk (Continued)

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

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

	2022							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Derivatives settled on net basis								
Foreign exchange forwards	(471,187)	(469,217)	-	(497,787)	28,570	-	-	-
Interest rate swaps	811	856	-	406	-	277	173	-
Derivatives settled on gross basis								
Currency swaps								
- cash outflow	(2,596,810)	(2,604,357)	-	(1,392,320)	(510,049)	(701,988)	-	-
- cash inflow	2,597,762	2,607,827	-	1,392,920	510,960	703,947	-	-
Total	(469,424)	(464,891)	-	(496,781)	29,481	2,236	173	-

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

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

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Risk management (Continued)

(d) Operational risk

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

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

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

46 Fair value

(a) Methods and assumptions for measurement of fair value

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

(i) Debt securities and equity investments

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

(ii) Investments and other non-derivative financial assets

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

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

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

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

46 Fair value (Continued)

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

(iv) *Derivative financial liabilities*

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

(b) Fair value measurement

(i) *Financial assets*

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

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

Loans and advances to customers and lease receivables are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values. The fair values of Loans and advances to customers measured at fair value through other comprehensive income, are based on valuation techniques.

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

(ii) *Financial liabilities*

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

Financial liabilities designated at fair value through profit or loss is presented with fair value. The book value and fair value of debt securities issued is presented in Note 34. The carrying amounts of other financial liabilities approximate their fair value.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

46 Fair value (Continued)

(c) Fair value hierarchy

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

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

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

Level 3: Fair value measured using significant unobservable inputs

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

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

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

46 Fair value (Continued)

(c) Fair value hierarchy (Continued)

	2022			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss	318,558	35,373,532	60,222	35,752,312
Derivative financial assets	–	93,255	–	93,255
Financial investments at fair value through other comprehensive income	–	94,302,872	124,879	94,427,751
Loans and advances to customers measured at fair value through other comprehensive income	–	88,478,142	–	88,478,142
Total	318,558	218,247,801	185,101	218,751,460
Liabilities				
Derivative financial liabilities	–	562,679	–	562,679
Total	–	562,679	–	562,679

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

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

46 Fair value (Continued)

(c) Fair value hierarchy (Continued)

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

	2023	
	Financial assets at fair value through profit or loss	Financial investments at fair value through other comprehensive income
As at January 1, 2023	60,222	124,879
Total losses recognized in		
– Profit or loss	(7,972)	–
Additions	26,237	30,175
Disposals and settlements	(34,733)	–
As at December 31, 2023	43,754	155,054
	2022	
	Financial assets at fair value through profit or loss	Financial investments at fair value through other comprehensive income
As at January 1, 2022	45,973	23,896
Total losses recognized in		
– Profit or loss	(10,219)	–
Arising from merger by absorption	1,008	7,971
Addition	23,460	93,012
As at December 31, 2022	60,222	124,879
Change in unrealised profit or loss for the year included profit or loss for assets/liabilities held at the end of the year	(10,219)	–

47 Entrusted lending business

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

	2023	2022
Entrusted loans	22,175,488	29,168,758
Entrusted funds	22,175,488	29,168,758

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments take the form of approved loans with signed contracts, bank acceptances, letters of credit and financial guarantees.

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

	2023	2022
Bank acceptances	70,913,639	106,432,704
Letters of credit	37,114,548	30,175,851
Loan commitments	14,369,815	12,552,210
Letters of guarantees	3,386,677	4,412,017
Total	125,784,679	153,572,782

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

(b) Credit risk-weighted amount

	2023	2022
Credit risk-weighted amount	38,545,015	52,389,406

The credit risk-weighted amount represents the amount calculated with reference to the guidelines issued by the former CBRC.

(c) Capital commitments

As at December 31, the Group's authorized capital commitments are as follows:

	2023	2022
Contracted but not paid for	1,035,620	907,518
Approved but not contracted for	–	31,392
Total	1,035,620	938,910

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Commitments and contingent liabilities (Continued)

(d) Outstanding litigations and disputes

As at December 31, 2023, the Group was the defendant in certain pending litigation and disputes with an estimated gross amounts of RMB1,506.05 million (2022: RMB1,300.32 million). The Group recognised the related litigation provision, which they believed to be reasonable and sufficient.

49 Company-level statement of financial position

	Note	2023	2022
Assets			
Cash and deposits with the central bank		64,549,655	74,864,813
Deposits with banks and other financial institutions		8,640,761	16,657,217
Placements with banks and other financial institutions		38,466,395	38,203,869
Derivative financial assets		33,450	93,255
Financial assets held under resale agreements		56,302,673	65,217,612
Loans and advances to customers		668,692,356	644,433,048
Financial investments:			
Financial investments at fair value through profit or loss		61,130,616	35,728,852
Financial investments at fair value through other comprehensive income		75,887,831	93,288,574
Financial investments at amortised cost		248,207,101	242,498,652
Investments in subsidiaries and joint venture	23	9,855,423	9,660,182
Property and equipment		7,474,505	7,938,050
Deferred tax assets		10,030,418	9,559,907
Goodwill		1,479,667	1,479,667
Other assets		5,573,569	8,454,970
Total assets		1,256,324,420	1,248,078,668



Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Company-level statement of financial position (Continued)

	2023	2022
Liabilities and equity		
Liabilities		
Borrowing from the central bank	67,646,204	41,617,202
Deposits from banks and other financial institutions	41,625,471	32,997,324
Placements from banks and other financial institutions	11,691,640	11,706,950
Derivative financial liabilities	335,589	562,679
Financial assets sold under repurchase agreements	73,121,287	101,706,083
Deposits from customers	830,103,754	816,916,451
Debt securities issued	132,178,954	143,190,608
Other liabilities	7,838,608	10,681,188
Total liabilities	1,164,541,507	1,159,378,485
Equity		
Share capital	36,549,823	36,549,823
Other equity instruments	13,998,937	13,632,510
Reserves	38,612,635	35,112,571
Retained earnings	2,621,518	3,405,279
Total equity	91,782,913	88,700,183
Total liabilities and equity	1,256,324,420	1,248,078,668

50 Comparative figurers

Certain comparative figures have been adjusted to conform current year's presentation and to provide comparative amounts in respect of items disclosed in 2023.

Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

51 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended December 31, 2023

Up to the date of issue of these financial statements, a number of amendments, new standards and interpretations are issued which are not yet effective for the year ended December 31, 2023 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting period beginning on or after
Amendments to IAS 1, Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")	January 1, 2024
Amendments to IAS 1, Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")	January 1, 2024
Amendments to IFRS 16, Leases: Lease liability in a sale and leaseback	January 1, 2024
Amendments to IAS 7, Statement of cash flows and IFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements	January 1, 2024
Amendments to IAS 21, The effects of changes in foreign exchange rates: Lack of exchangeability	January 1, 2024

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.



Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

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

1 Liquidity coverage ratio and leverage ratio

	2023	Average for 2023
Liquidity coverage ratio (RMB and foreign currency)	316.77%	437.67%
	2022	Average for 2022
Liquidity coverage ratio (RMB and foreign currency)	612.97%	343.45%

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

Leverage ratio

	December 31, 2023	December 31, 2022
Leverage ratio	6.87%	6.03%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the former CBRC and was effective since April 1, 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.

2 Net stable funding ratio

	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
Available stable funding	800,867,812	836,485,250	872,684,503	834,720,728	778,502,226
Required stable funding	675,859,200	660,740,315	659,957,712	612,931,995	584,570,290
Net stable funding ratio	118.50%	126.60%	132.23%	136.18%	133.18%

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Currency concentrations

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

	December 31, 2022			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	24,524,861	2,364,652	56,605	26,946,118
Spot liabilities	(4,915,805)	(52,732)	(32,723)	(5,001,260)
Net position	19,609,056	2,311,920	23,882	21,944,858

The Group has no structural position at the end of Reporting Period.

4 International claims

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

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

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

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

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

4 International claims (Continued)

	December 31, 2022			Total
	Banks and other financial institutions	Public sector entities	Non-bank private sectors	
Asia Pacific	13,654,594	–	8,771,532	22,426,126
North America	88,427	–	–	88,427
Others	436,188	–	–	436,188
	14,179,209	–	8,771,532	22,950,741

5 Gross amount of overdue loans and advances

	December 31, 2023	December 31, 2022
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	1,473,141	2,534,810
– between 6 months and 1 year (inclusive)	2,733,955	3,776,265
– over 1 year	8,993,474	5,067,726
Total	13,200,570	11,378,801
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.21%	0.37%
– between 6 months and 1 year (inclusive)	0.39%	0.55%
– over 1 year	1.27%	0.74%
Total	1.87%	1.66%

Definitions

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

Definitions

“Directors”	directors of the Bank
“Domestic Shares”	ordinary shares of RMB1.00 each in the share capital of the Bank, which are subscribed for or credited as paid up in Renminbi
“H Shares”	ordinary shares of RMB1.00 each in the share capital of the Bank, which are listed on the Hong Kong Stock Exchange
“HK\$”	the lawful currency of Hong Kong
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Jiaozuo Bank of China Travel Service”, “Bank of JZCTS” or “the former Jiaozuo Bank of China Travel Service”	Jiaozuo Bank of China Travel Service Co., Ltd., a company principally engaged in banking business
“Listing Date”	July 19, 2017, the date on which dealings in the H Shares commenced on the Main Board of Hong Kong Stock Exchange
“Lushi Zhongyuan County Bank”	Lushi Zhongyuan County Bank Co., Ltd. (盧氏中原村鎮銀行股份有限公司), a joint stock company established in the PRC on May 15, 2012 and a subsidiary of the Bank
“Main Board”	the stock market operated by the Hong Kong Stock Exchange (excluding the option market), independent of and operated in parallel with the GEM Board of the Hong Kong Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules
“PBOC” or “Central Bank”	The People’s Bank of China (中國人民銀行)
“Preference Shares” or “Offshore Preference Shares”	69,750,000 shares of non-cumulative perpetual offshore preference shares with a nominal value of RMB100 each issued by the Bank and listed on the Hong Kong Stock Exchange, all of which have been redeemed on November 21, 2023
“Reporting Period”	for the year ended December 31, 2023
“RMB” or “Renminbi”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	the holder(s) of the Shares
“Shares”	ordinary shares in the share capital with a nominal value of RMB1.00 each of the Bank, including Domestic Shares and H Shares
“Supervisors”	the supervisors of the Bank