



郑州银行
BANK OF ZHENGZHOU

郑州银行股份有限公司

BANK OF ZHENGZHOU CO., LTD.

(於中華人民共和國註冊成立的股份有限公司)

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

股份代號 Stock Code: 6196



2023 年度報告 ANNUAL REPORT



CONTENTS

IMPORTANT NOTICE	2
DEFINITIONS	3
CHAIRMAN'S STATEMENT	6
CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS	8
CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS	14
CHAPTER III CHANGES IN SHARE AND INFORMATION ON SHAREHOLDERS	84
CHAPTER IV DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS	96
CHAPTER V CORPORATE GOVERNANCE	121
CHAPTER VI REPORT OF THE BOARD OF DIRECTORS	170
CHAPTER VII REPORT OF THE BOARD OF SUPERVISORS	179
CHAPTER VIII SIGNIFICANT EVENTS	182
CHAPTER IX INDEPENDENT AUDITOR'S REPORT	201

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

IMPORTANT NOTICE

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

The full text and the summary of the 2023 annual report (the “Report”) were reviewed and approved at the Bank’s twelfth meeting of the seventh session of the Board of Directors on 28 March 2024. 8 Directors were eligible to attend the meeting, 8 of whom attended in person. Several Supervisors of the Bank attended the meeting.

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

The Bank prepared the 2023 annual financial report in accordance with the Chinese Accounting Standards for Business Enterprises and International Financial Reporting Standards, which was audited by Ernst & Young Hua Ming LLP and Ernst & Young under the PRC and Hong Kong standards on auditing, respectively. The two firms issued an audit report and an independent auditor’s report respectively, which were both standard and unqualified.

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

The Board of the Bank recommended not to distribute cash dividend, and not to issue bonus Shares or new Shares by way of capitalization issue for year 2023. The profit distribution plan will be proposed at the general meeting of the Bank for approval.

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

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

DEFINITIONS

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

2022 AGM	the annual general meeting of the Bank convened on 15 June 2023
Articles of Association	the articles of association of the Bank, as amended from time to time
A Share(s)	ordinary shares with a nominal value of RMB1.00 each in the share capital of the Bank, which are listed and traded on the SZSE (stock code: 002936)
A Shareholder(s)	holder(s) of A Share(s)
Bank, Bank of Zhengzhou, or We	Bank of Zhengzhou Co., Ltd.* (鄭州銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability on 16 November 1996 in accordance with the PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
Board or Board of Directors	the board of Directors of the Bank
Board of Supervisors	the board of Supervisors of the Bank
Capitalization Issue	the issue of one new Share for every 10 Shares held by way of capitalization of capital reserve in June 2023 as the dividend distribution plan of the Bank for the year ended 31 December 2022
Company Law	Company Law of the People's Republic of China
Corporate Governance Code	Corporate Governance Code set out in Appendix C1 to the Stock Exchange Listing Rules
CSRC	China Securities Regulatory Commission
Director(s)	the director(s) of the Bank
Former CBIRC	the former China Banking and Insurance Regulatory Commission
Former CBIRC Henan Office	the former China Banking and Insurance Regulatory Commission Henan Office
Fugou Zhengyin County Bank	Fugou Zhengyin County Bank Co., Ltd. (扶溝鄭銀村鎮銀行股份有限公司)

DEFINITIONS

Group	the Bank and its subsidiaries
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
H Share(s)	overseas-listed shares in the share capital of the Bank, with a nominal value of RMB1.00 each, which are listed and traded on the Main Board of the Hong Kong Stock Exchange (stock code: 6196)
H Shareholder(s)	holder(s) of H Share(s)
Jiuding Financial Leasing Company	Henan Jiuding Financial Leasing Co., Ltd. (河南九鼎金融租賃股份有限公司)
Latest Practicable Date	28 March 2024, being the latest practicable date prior to the printing of this Report for the purpose of ascertaining certain information contained hereof
Law on Commercial Banks	Law on Commercial Banks of the People's Republic of China
Macao	the Macao Special Administrative Region of the PRC
MOF	the Ministry of Finance of the People's Republic of China
PRC or China	the People's Republic of China, and for the purpose of this Report only, excluding Hong Kong, Macao and Taiwan regions
Queshan Zhengyin County Bank	Queshan Zhengyin County Bank Co., Ltd. (確山鄭銀村鎮銀行股份有限公司)
Reporting Period	the period from 1 January 2023 to 31 December 2023
RMB or Renminbi	Renminbi, the lawful currency of the PRC
Securities Law	Securities Law of the People's Republic of China
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
Share(s) or Ordinary Share(s)	the A Shares and the H Shares

DEFINITIONS

Shareholder(s) or Ordinary Shareholder(s)	holder(s) of the Ordinary Share(s)
Stock Exchange Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Supervisor(s)	the supervisor(s) of the Bank
SZSE	Shenzhen Stock Exchange
SZSE Listing Rules	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange
Xinmi Zhengyin County Bank	Xinmi Zhengyin County Bank Co., Ltd. (新密鄭銀村鎮銀行股份有限公司)
Xinzheng Zhengyin County Bank	Xinzheng Zhengyin County Bank Co., Ltd. (新鄭鄭銀村鎮銀行股份有限公司)
Xunxian Zhengyin County Bank	Xunxian Zhengyin County Bank Co., Ltd. (浚縣鄭銀村鎮銀行股份有限公司)
Yanling Zhengyin County Bank	Yanling Zhengyin County Bank Co., Ltd. (鄆陵鄭銀村鎮銀行股份有限公司)
Zhongmu Zhengyin County Bank	Zhongmu Zhengyin County Bank Co., Ltd. (中牟鄭銀村鎮銀行股份有限公司)

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

CHAIRMAN'S STATEMENT

As spring comes after winter, a new year ushers in. 2023 is the first year for fully implementing the spirit of the 20th National Congress of the Communist Party of China. The whole nation gathered strength and devoted to building the modernization with Chinese characteristics with high spirit. During the year, we forged ahead with courage and determination, moved forward bravely and continuously deepened high-quality development.

We firmly focused on the decisions and deployments of the CPC Central Committee, always prioritized on high-quality development and consolidated the foundations for sustainable development in continuous improvement of self-building. The Central Financial Work Conference proposed that “strengthening the centralized and unified leadership of the CPC Central Committee on the financial work is the fundamental guarantee to carrying out financial work”. We placed the leadership of Party building at the core leading position in all work, strengthened the unified leadership of the Party Committee, displayed the role of Party organizations at all levels as battlewagons, deeply understood “two establishments”, practically implemented “two safeguarding” and comprehensively advanced strict Party self-governance and the governance of the Bank. The party secretary practically fulfilled the responsibilities as the primary responsible person on strict Party self-governance and members of the leading group strictly implemented “dual responsibilities on one position”, facilitating the efficient integration of Party building with businesses. We adhered to the concept of development in innovation, carried out inspections on high-quality development in the whole Bank and practically transformed inspection results into the endogenous drivers of high-quality development. We initiated the preparations for medium-term adjustments to strategic plans, actively considered, sought and mulled changes and firmly upheld the determination in high-quality development to provide strategic supports to “five major areas”, namely technological finance, green finance, inclusive finance, pension finance and digital finance. With the optimization of corporate governance as the strong support for improving operation and management, we integrated the Party’s leadership into corporate governance, optimized the compositions of the Board of Directors and the Board of Supervisors, intensified restrictions on the behaviors of shareholders, incorporated subsidiaries into the management of branches and perfected the organizational structure. We refined the carder management mechanism, established a soft talent and intelligence introduction mechanism, developed the employment orientation of loyalty and undertaking, intensified rigid restrictions on performance appraisal, invested more resources in results and first-line positions, promoted vertical management of risk teams, continuously improved the establishment of risk systems and enhanced digital risk control capabilities.

We strived to integrate into the overall provincial and municipal development, bore in mind the original aspirations in serving real economies and promoted the practice in the modernization with Chinese characteristics in Henan through the continuous output of financial supplies. We supported key industries. Following the principle of “strengthening the core and cultivating clusters”, we assisted in seven major provincial and municipal industrial clusters, “28+20” key industrial chains, “Three in One Batch” and other key projects and injected financial blood into regional development. We solved difficulties of enterprises. In the principle of “reducing and waiving as much as possible”, we reduced and waived charging items, vigorously promoted the repayment of loans without interest, established differentiated interest rate pricing mechanisms and supported the real economy to reduce the burdens of enterprises. We solved difficulties in society. We carried out “10,000 people helping 10,000 enterprises”, “four connections” and other activities and allocated more financial resources to key sectors and weak links in social development. We full fulfilled the missions and undertaking as a principal operator of policy-based technological innovation finance in Henan Province, established a “three-professional and five-special” operation mechanism and intensified the deep integration of talent, technology and capital chains with industrial chains. We launched “Scientific and Technological Talent Loan”, “Stock Option Loan”, “Tech Loan”, “Zhengzhou Tech Loan”, “Intellectual Property Right Pledge Loan”, “Loan Enterprises that Apply Special, Sophisticated Techniques to Produce Unique and Novel Products”, “R&D Loan”, “IPO Loan” and other subject scientific and innovative products covering the full lifecycle, developing a strong joint force with the coordination with government and banks and the linkage of all parties. It was awarded an outstanding cooperative bank in the “Science and Technology Loan” business by the Science and Technology Department of Henan Province.

CHAIRMAN'S STATEMENT

We profoundly understood the people-centered value orientation, practically implemented the requirements of policies on inclusive finance and facilitated a beautiful and harmonious social atmosphere in serving people's livelihood. We cared about people's food, clothing, housing and transportation, streamlined application procedures, optimized approval policies, launched preferential interest rates and injected capitals in sectors concerning people's livelihood. We launched "Entrepreneurship Loan" for small and micro enterprise parks and offered "Corporate Procurement Loan" and "Ordering Loan" to provide financing for upstream and downstream core enterprises, optimized "Housing E-finance", "Preferential Business Loan", "E-tax Financing" and other products and developed "Touch-free" digital inclusive products. During the year, we actively implemented temporary policies on reducing interest and reduced interest of RMB23,340,200 on 16,579 inclusive loans to small and micro enterprises. We were devoted to "rural revitalization", vigorously carried out the construction of "rural payment service sites for inclusive finance", organized activities on "the publicity of financial knowledge in rural areas" and developed a rural revitalization version of mobile banking app to facilitate a strong agriculture, beautiful countryside and wealthy farmers in Henan with high-quality financial services.

2024 is a crucial year in completing the targets and tasks under the "14th Five-year" plan. It is also a year with opportunities and challenges for the Bank of Zhengzhou. We will continue to adhere to the high-quality development strategy, implement the requirements on seeking progress while maintaining stability, promoting stability with progress and building the new before discarding the old and strive forward against headwinds to make new and more contributions to the practice of modernization with Chinese characteristics in Henan and the modernized building of Zhengzhou into a national central city.

ZHAO Fei
Chairman

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

1 BASIC INFORMATION

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

Note:

- On 21 March 2023, Mr. WANG Tianyu resigned as the executive Director and chairman of the Bank, and ceased to be the authorized representative of the Bank under Rule 3.05 of the Stock Exchange Listing Rules. Upon consideration and approval at the 2023 first extraordinary meeting of the seventh session of the Board, Dr. NGAI Wai Fung was appointed as the authorized representative of the Bank. On 11 July 2023, due to job reallocation, Mr. XIA Hua resigned as an executive Director of the seventh session of the Board, the vice chairman of the Board, the secretary to the Board, the joint company secretary and an authorized representative under Rule 3.05 of the Stock Exchange Listing Rules. The Board designated that Mr. ZHAO Fei will perform the duties of the secretary to the Board and appointed him as an authorized representative of the Bank. Dr. NGAI Wai Fung, another joint company secretary of the Bank who possesses academic and professional qualifications as required under Rule 3.28 of the Stock Exchange Listing Rules, will remain and serve as the company secretary of the Bank.

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

Historical change of registered address:	The registered address of the Bank was changed from “55 Mianfang Road, Erqi District, Zhengzhou” to “Hezhong Zonghe Building, 1 Yousheng North Road, Zhengzhou” on 17 December 2000, and from “Hezhong Zonghe Building, 1 Yousheng North Road, Zhengzhou” to “22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou” on 28 December 2010.
Principal place of business in Hong Kong:	40/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong
Contact address:	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China
Tel:	+86-371-6700 9199
Fax:	+86-371-6700 9898
E-mail:	ir@zzbank.cn
Website:	www.zzbank.cn
Newspapers for information disclosure:	Securities Times, China Securities Journal, Shanghai Securities News, Securities Daily
Websites for information disclosure:	Website for publishing the annual report of A Shares: www.cninfo.com.cn Website for publishing the annual report of H Shares: www.hkexnews.hk
Place where the annual report can be obtained:	The General Office of the Board and principal place of business of the Bank
Domestic auditor:	Ernst & Young Hua Ming LLP
Address of domestic auditor:	Room 01-12, 17th Floor, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, the PRC
Undersigned accountants:	Mr. CHEN Sheng, Ms. CHEN Lijing
International auditor:	Ernst & Young (<i>Registered Public Interest Entity Auditor</i>)
Address of international auditor:	27th Floor, One Taikoo Place, 979 King’s Road, Quarry Bay, Hong Kong
Undersigned accountant:	Mr. Ng Chi Keung
PRC legal advisor:	King & Wood Mallesons
Hong Kong legal advisor:	King & Wood Mallesons
Registrar for A Shares:	China Securities Depository and Clearing Corporation Limited, Shenzhen Branch
Registrar for H Shares:	Computershare Hong Kong Investor Services Limited

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

2 MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

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

Unit: RMB'000

Major accounting data	2023	2022	Year-on-year increase/ decrease (%)	2021	2020	2019
Operating results						
Operating income ⁽¹⁾	13,699,410	15,225,843	(10.03)	14,810,905	14,579,669	13,440,214
Total profit	1,739,636	2,807,230	(38.03)	3,988,138	4,012,467	4,006,026
Net profit attributable to Shareholders of the Bank	1,850,117	2,422,304	(23.62)	3,226,192	3,167,567	3,285,122
Net cash flow generated from/(used in) operating activities	1,648,102	(31,350,017)	(105.26)	(42,619,059)	(11,179,309)	(7,850,803)
Calculated on a per Share basis (RMB/Share)						
Basic earnings per Share ⁽²⁾	0.15	0.16	(6.25)	0.33	0.36	0.43
Diluted earnings per Share ⁽²⁾	0.15	0.16	(6.25)	0.33	0.36	0.43
Net assets per Share attributable to Ordinary Shareholders of the Bank ⁽³⁾	4.67	4.93	(5.27)	4.83	4.88	4.72
Scale indicators	As at the end of 2023	As at the end of 2022	Year-on-year increase/ decrease (%)	As at the end of 2021	As at the end of 2020	As at the end of 2019
Total assets	630,709,429	591,513,618	6.63	574,979,662	547,813,444	500,478,127
Gross loans and advances to customers (excluding accrued interest)	360,608,206	330,921,097	8.97	289,027,668	237,959,190	195,911,665
Provision for impairment losses on loans and advances to customers ⁽⁴⁾	11,815,080	10,311,525	14.58	8,369,541	7,931,775	7,424,847
Total liabilities	576,394,573	538,888,382	6.96	515,568,122	501,841,523	460,586,505
Total deposits from customers (excluding accrued interest)	360,961,439	337,708,162	6.89	318,813,450	314,230,420	289,216,860
Share capital	9,092,091	8,265,538	10.00	8,265,538	7,514,125	5,921,932
Shareholders' equity	54,314,856	52,625,236	3.21	59,411,540	45,971,921	39,891,622
Including: equity attributable to Shareholders of the Bank	52,452,824	50,772,566	3.31	57,766,182	44,494,897	38,590,322
Net capital base ⁽⁵⁾	56,372,605	55,291,681	1.95	63,166,634	52,679,369	46,215,496
Including: net tier-one capital ⁽⁵⁾	50,718,655	50,566,245	0.30	57,931,340	44,492,918	38,353,128
Total risk-weighted assets ⁽⁵⁾	455,490,556	434,769,547	4.77	421,013,820	409,505,750	381,759,225

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

Major financial indicators	2023	Year-on-year		2021	2020	2019
		2022	Change			
Capital adequacy ratio (%)						
Core tier-one capital adequacy ratio ⁽⁵⁾	8.90	9.29	(0.39)	9.49	8.92	7.98
Tier-one capital adequacy ratio ⁽⁵⁾	11.13	11.63	(0.50)	13.76	10.87	10.05
Capital adequacy ratio ⁽⁵⁾	12.38	12.72	(0.34)	15.00	12.86	12.11
Asset quality indicators (%)						
Non-performing loan ratio ⁽⁶⁾	1.87	1.88	(0.01)	1.85	2.08	2.37
Allowance to non-performing loans ⁽⁶⁾	174.87	165.73	9.14	156.58	160.44	159.85
Allowance to total loans ⁽⁶⁾	3.28	3.12	0.16	2.90	3.33	3.79
Ratio of loans with principal or interest overdue for more than 90 days to non-performing loans ⁽⁷⁾	93.47	90.50	2.97	82.97	96.11	89.52
Profitability indicators (%)						
Weighted average return on net assets ⁽²⁾	3.29	3.53	(0.24)	7.17	8.37	9.30
Return on total assets ⁽⁸⁾	0.30	0.45	(0.15)	0.61	0.63	0.70
Cost-to-income ratio ⁽⁹⁾	27.05	22.98	4.07	23.06	22.53	26.62
Net interest spread ⁽¹⁰⁾	2.00	2.18	(0.18)	2.24	2.46	2.29
Net interest margin ⁽¹¹⁾	2.08	2.27	(0.19)	2.31	2.40	2.16
Other financial indicators (%)						
Leverage ratio ⁽¹²⁾	7.60	7.69	(0.09)	8.72	6.63	6.34
Liquidity ratio ⁽¹²⁾	59.10	72.34	(13.24)	63.72	70.41	56.44
Liquidity coverage ratios ⁽¹²⁾	265.83	300.13	(34.30)	339.61	353.94	300.37
Loan-to-deposit ratio ⁽¹²⁾	99.90	97.99	1.91	90.66	82.63	72.33
Percentage of loans to the single largest customer ⁽¹²⁾	5.32	5.18	0.14	4.75	3.61	4.11
Percentage of loans to the top ten single customers ⁽¹²⁾	35.36	34.06	1.30	27.66	26.17	26.94
Percentage of credit granted to the single largest group customer ⁽¹²⁾	9.32	5.63	3.69	4.93	6.15	7.01
Normal loan migration ratio ⁽¹²⁾	1.98	1.33	0.65	4.58	4.68	3.43
Special mention loan migration ratio ⁽¹²⁾	11.38	16.92	(5.54)	48.26	33.16	28.96
Substandard loan migration ratio ⁽¹²⁾	85.59	25.19	60.40	1.35	68.76	97.76
Doubtful loan migration ratio ⁽¹²⁾	47.40	9.33	38.07	4.27	–	0.34

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

Notes:

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

In June 2023, the Bank issued one new Share for every 10 Shares to Ordinary Shareholders by way of conversion of capital reserve. After the implementation of the Capitalization Issue, the number of Ordinary Shares of the Bank changed from 8,265,537,599 to 9,092,091,358. Basic earnings per Share and diluted earnings per Share during the comparison period were recalculated on the basis of the number of Shares after the Capitalization Issue. For details, please refer to “1.3 The Impact of Changes in Ordinary Shares on Financial Indicators Such as Earnings per Share and Net Assets per Share in the Previous Year and the Latest Period” under “1 Changes in Ordinary Shares” in the chapter headed “Changes in Share and Information on Shareholders” of this Report.

The Bank distributed interest on indefinite-term capital bonds in November 2023. In calculating basic earnings per Share, diluted earnings per Share and weighted average return on net assets, the distributed interest on indefinite-term capital bonds for the period have been deducted from the “net profit attributable to Ordinary Shareholders of the Bank”, and the indefinite-term capital bonds have been deducted from the “weighted average net assets”.

3. Representing the equity attributable to Ordinary Shareholders of the Bank after deducting other equity instruments divided by the number of Ordinary Shares at the end of the period.
4. Including the provision for impairment losses on the loans and advances to customers measured at amortized costs and the loans and advances to customers at fair value through other comprehensive income.
5. The capital adequacy ratio and relevant data are calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) of the Former CBIRC and relevant requirements. The calculations are based on statutory financial statements of the Bank prepared under China Accounting Standards for Business Enterprises.
6. Non-performing loan ratio was calculated by dividing total non-performing loan principal (excluding accrued interests) by gross loan and advance principal to customers (excluding accrued interest); the allowance to non-performing loans was calculated by dividing allowance for impairment losses on loans and advances to customers by the total non-performing loan principal (excluding accrued interest); and the allowance to total loans was calculated by dividing allowance for impairment losses on loans and advances to customers by the gross loan and advance principal to customers (excluding accrued interest).
7. Ratio of loans with principal or interest overdue for more than 90 days to non-performing loans is calculated by total principal of loans with principal or interest overdue for more than 90 days (excluding accrued interest) divided by total principal of non-performing loans (excluding accrued interest).
8. Representing the percentage of net profit for the Reporting Period to the average balance of total assets at the beginning and the end of the period.
9. Calculated by dividing total operating expenses (excluding tax and surcharges) by operating income.

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

10. Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities based on daily average of the interest-earning assets and the interest-bearing liabilities.
11. Calculated by dividing net interest income by the daily average interest-earning assets based on daily average interest earning assets.
12. Percentage of loans to the single largest customer and percentage of loans to the top ten single customers were recalculated in accordance with regulatory criteria based on audited data. Loan-to-deposit ratio was recalculated as per audited total loan principal divided by total deposit principal. Other indicators represented data reported to regulatory authorities. Loan migration ratio was based on the criteria of the parent of the Bank.

3 DIFFERENCES IN ACCOUNTING DATA UNDER DOMESTIC AND INTERNATIONAL ACCOUNTING STANDARDS

The Bank's net assets as at the end of the Reporting Period and the net profit during the Reporting Period as calculated in accordance with the Accounting Standards for Business Enterprises of the PRC is the same as that calculated in accordance with International Financial Reporting Standards.

4 MAJOR FINANCIAL INDICATORS BY QUARTER

Unit: RMB'000

Item	Fourth quarter of 2023	Third quarter of 2023	Second quarter of 2023	First quarter of 2023
Operating income	3,234,752	3,561,061	3,609,060	3,294,537
Net profit attributable to Shareholders of the Bank	(900,528)	704,012	858,565	1,188,068
Net cash flow used in operating activities	2,668,030	(552,685)	217,831	(685,074)

Note: There is no substantial difference between the aforesaid financial indicators or their sum and those disclosed in the quarterly reports and interim report of the Bank.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

1 REVIEW OF THE ECONOMIC ENVIRONMENT AND INDUSTRY

In 2023, faced with a complex and harsh development environment both domestically and internationally, China's economy generally recovered with solid progress in high-quality development, successfully realizing major expected targets. In 2023, China's gross domestic product (GDP) reached RMB126,058.2 billion, representing an increase of 5.2% over the previous year and a growth ranking at the top among major economies in the world. Firstly, major economic indicators achieved steady growth. Industrial production recovered steadily and the added value of China's industrial enterprises above designated size increased by 4.6% over the previous year. Service consumption increased rapidly. The total retail sales of consumer goods increased by 7.2% year-on-year to RMB47,149.5 billion. Employment generally remained stable. The average unemployment rate in urban areas in China under survey was 5.2% for the year, representing a decrease of 0.4 percentage point over the previous year. Residents' income continued to increase. The per capita disposable income of residents in China was RMB39,218, representing a year-on-year growth of 6.3% in nominal terms and 6.1% in real terms after deducting price factors. Secondly, the role of consumption as the major engine was further highlighted. In 2023, final consumption drove economic growth by 4.3 percentage points and contributed 82.5% of the economic growth, representing an increase of 43.1 percentage points over the previous year. Thirdly, new drivers to economic growth were further strengthened. In 2023, the added value of the equipment manufacturing industry increased by 6.8% over the previous year with a growth 2.2 percentage points higher than that of industrial enterprises above designated size. The output of solar batteries, new energy vehicles and power generation units (power generating equipment) increased by 54.0%, 30.3% and 28.5%, respectively, over the previous year. Investment in high-tech industries increased by 10.3% over the previous year with a growth 7.3 percentage points higher than that of total investment in fixed assets. Looking into 2024, despite the complex and harsh external environment and uncertainties in internal development, the fundamental trends of China's economy with huge growth potential, strong endogenous impetus, broad policy space and long-term recovery will remain unchanged and China's economy will continue to recover and improve.

In 2023, Henan Province withstood the pressures, overcame difficulties and enabled the economy to improve in general. The province's GDP reached RMB5,913,239 million, representing a year-on-year increase of 4.1%. Firstly, industrial production recovered rapidly with the manufacturing industry playing a significant supporting role. The added value of industrial enterprises above designated size increased by 5.0% year-on-year, 0.4 percentage point higher than the national level. The added value of manufacturing enterprises above designated size increased by 6.1%, 1.1 percentage points higher than the national level and contributing 95.8% to the growth of industrial enterprises above designated size. Secondly, the consumer market recovered steadily. The total retail sales of consumer goods reached RMB2,600,445 million, representing a year-on-year increase of 6.5%. The retail sales of goods realized by enterprises above designated size increased by 9.2%. Thirdly, emerging industries sped up in expansion. The added value of strategic emerging industries above designated size, high-tech manufacturing industries, computer communications and other electronic equipment manufacturing industries registered a year-on-year increase of 10.3%, 11.7% and 13.6%, respectively. Fourthly, the quality and efficiency of economic development were improved steadily. Green and low-carbon development was solidly promoted. The annual added value of energy conservation and environmental protection enterprises above designated size in the province increased by 15.6% year on year with a growth 10.6 percentage points higher than that of industrial enterprises above designated size. Residents' income increased steadily. The per capita disposable income of residents in the province was RMB29,932.9, representing a year-on-year growth of 6.1% in nominal terms.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

In 2023, the People's Bank of China precisely and effectively implemented a prudent monetary policy and further boosted supports to real economies, greatly promoting the continuous recovery of China's economy in general. Social financing and monetary credit maintained reasonable and rapid growth. As of the end of 2023, total stock of social financing amounted to RMB378.09 trillion, representing a year-on-year increase of 9.5%. The balance of broad money (M2) was RMB292.27 trillion, representing a year-on-year increase of 9.7%. It offered greater credit support to real economies. As of the end of 2023, the balance of RMB loans was RMB237.6 trillion, increased by 10.6% year-on-year. The credit structure was continuously optimized. The balance of inclusive loans to small and micro enterprises increased by 23.5% year-on-year; the loans to "specialized, sophisticated, unique and novel" enterprises and small and medium-sized technology enterprises increased by 18.6% and 21.9%, respectively; and the balance of medium and long-term loans to the manufacturing industry increased by 31.9% year-on-year. The total assets of banking institutions grew steadily, the quality of credit assets remained overall stable, and the risk compensation capability was generally sufficient. As at the end of 2023, the total local and foreign currency assets of banking institutions amounted to RMB417.3 trillion, representing a year-on-year increase of 9.9%; the balance of non-performing loans (NPLs) of banking institutions was RMB3.95 trillion, representing an increase of RMB149.5 billion from the beginning of the year and an NPL ratio of 1.62%, and the provision coverage ratio was 205.1%; and the capital adequacy ratio was 15.1%.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

2 BUSINESS REVIEW

2.1 Primary Business

Bank of Zhengzhou is a regional joint stock commercial bank established in November 1996. The Bank went public on the Hong Kong Stock Exchange in December 2015 and was listed on the SZSE in September 2018, becoming the first domestic city commercial bank listed on both the A-share and H-share markets. In April 2022, Bank of Zhengzhou was approved by the Henan Provincial Party Committee and the Provincial Government as the principal operator of policy-based technological innovation finance in Henan Province. With the strategic vision of “being a boutique bank with regional characteristics”, Bank of Zhengzhou adheres to the path of characteristic and differentiated development. The Bank comprehensively promotes business transformation, continues to optimize product research and development and innovates operation systems, and enhances external and internal health to consolidate the foundation of high-quality development.

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

2.2 Operational Performance

As at the end of the Reporting Period, the Bank had total assets of RMB630,709 million, representing an increase of 6.63% from the end of the previous year; total deposits from customers of RMB360,961 million, representing an increase of 6.89% from the end of the previous year; and gross loans and advances to customers of RMB360,608 million, representing an increase of 8.97% from the end of the previous year. During the Reporting Period, the Bank recorded an operating income of RMB13,699 million, representing a year-on-year decrease of 10.03%; a net profit of RMB1,859 million, representing a year-on-year decrease of 28.48%, a net interest margin of 2.08% and a cost-to-income ratio of 27.05%. The Bank’s capital adequacy ratio, NPL ratio and allowance to NPL ratio were 12.38%, 1.87% and 174.87% respectively, major regulatory indicators meeting the regulatory requirements.

As a local incorporated bank, Bank of Zhengzhou has always been integrated and coexisting with the local economy. In the tide of serving the Chinese-style modernization in Henan, we support various national, provincial and municipal strategic plans such as the “strategy on ecological protection and high-quality development of the Yellow River basin” and “construction of Zhengzhou as a national central city”, strongly support key construction projects such as the “Three in One Batch” in the province and assist in the modernization of the seven major provincial and municipal industrial clusters and the “28+20” industrial chain and the stable and healthy development of the real estate market. We spare no efforts to ensure stability and benefit people’s livelihood, give full play to the role of policy financial operation body serving technological innovation which was assigned by the provincial party committee and the provincial government and facilitate the accelerated growth of technology-based SMEs. We reduce fees and surrender part of the profits to help market entities overcome difficulties. We build a financial service harbour to make finance accessible to the public and benefit the people.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

High-quality financial supply services were going through their high-quality development. Bank of Zhengzhou adhered to the “customer-centered” concept, focused on implementing several policies to expand consumption in the province and cities, created self-operated knock-out products and continuously enriched and upgraded comprehensive financial services. We also focused on inclusive small and micro finance customer base, optimized product services, actively implemented policies that benefit enterprises and continuously improved the quality and efficiency of financial services for SMEs. The operation of policy-based technology innovation finance continued to be optimized. We focused on building a cultivation chain for the entire life cycle of technology innovation enterprises and customized more than ten technology innovation financial products. The year-end balance of policy-based technology innovation financial loans was RMB33,403 million, an increase of 38.83% from the end of the previous year, and an accumulative of 3,803 technology innovation enterprises were supported. The loan balance of products of “Loan to Enterprises that Apply Special, Sophisticated Techniques to Produce Unique and Novel Products”, “Tech Loan” and “Zhengzhou Tech Loan” was RMB4,669 million, an increase of 40.46% from the end of the previous year. We were awarded as an excellent cooperative bank in the “Tech Loan” business by the Henan Science and Technology Department.

2.3 Analysis of Core Competitiveness

Clear strategic objectives and distinctive business characteristics. With the strategic vision of “being a boutique bank with regional characteristics”, the Bank adheres to the market positioning of “serving local economy, serving small and medium enterprises and serving urban and rural residents” and continuously promotes the characteristic business development. Upholding the philosophy of innovative development, the Bank initiatively thinks about, seeks and mulls changes, and consolidates the foundations of high-quality development to better fulfill the mission of serving real economies.

Sound regional economic development bringing important development opportunities. As a local legal person bank, the Bank has been rooted in Henan, especially Zhengzhou, and always strives to achieve simultaneous and common development with local economy. With the improvement in the quality and efficiency of economic development in Henan and the launching of various national strategic plans and platforms in recent years, the strategic position and comprehensive competitive advantages of Henan have become increasingly prominent. Zhengzhou, the provincial capital, enjoys various regional advantages such as an important national transportation hub and a national central city, and boasts strong development potential. The bright regional development prospects have provided important policy and historical opportunities for the high-quality development of the Bank.

Further leveraging on advantages in technological innovation finance and creating a role model of “finance supporting technology”. As the principal operator of policy-based technological innovation finance in Henan Province, the Bank gets deeply involved in the technological innovation efforts in Henan, deeply develops technological innovation finance and focuses on the frontiers and priorities in the development of technological innovation enterprises. It continues to improve the capability to serve technological innovation through innovating products and service models, optimizing credit approval and building innovative ecosystems, and accurately empowers the development of technological innovation enterprises with professional, efficient and inclusive financial services, creating a role model of “finance supporting technology”.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

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

Enhancing the management of human resources and optimizing the leadership and support of talents. The Bank solidly advances the reform of human resources, continuously strengthens the establishment of professional talent teams and constantly optimizes the leadership and support of talents in high-quality development. The Bank carries out the management trainee plan to recruit graduates from key universities. It also builds a “talent database” to improve the personnel structure, strengthens the introduction of leading and professional talents, and gathers a group of capable and high-quality talents. The Bank formulates comprehensive training programs and improves the training system with the focus on improving the capability and quality of all staff to build learning and expert teams. It insists on serving and managing customers and creating value to customers with professional services.

Creating a corporate culture and adhering to the corporate vision. The Bank upholds the core values of “fearfulness, professionalism, inquisitiveness, altruism and responsibility”, the principle of “providing people-oriented, customer-centred and heart-warming financial services”, and the mission of “providing heart-warming financial services for better life”. These values are deeply embedded in the daily behaviour of employees and throughout the entire process of creating value for customers. With caring services, the Bank keeps improving customer experience, serves to enhance people’s livelihood with characteristic products and helps improve the local economic development with concrete actions.

2.4 Major Awards

In January 2023, the Bank was granted the “2020-2021 Advanced Unit for Prevention and Disposal of Illegal Fund Raising” by the People’s Government of Zhengzhou;

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

In February 2023, the Bank was granted the “Financial Institution with Special Contribution to Social Responsibility in 2022” by China Finance Net;

In February 2023, the Bank was granted the “2022 Outstanding Contribution Unit for Financial Industry Development in Zhengdong New District” by Zhengdong New District Administrative Committee and Zhongyuan Science and Technology City Administrative Committee;

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

In March 2023, the Bank was granted the “Cohesive Contribution Award” by Asia Financial Cooperation Association;

In April 2023, the Bank was granted the “Best Social Responsibility Bank of 2022” by Financial Times;

In June 2023, the Bank was granted the “2023 Social Responsibility ‘Star’ Company” by Chinese Securities Journal;

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

In June 2023, the Bank was granted the “2013-2023 Outstanding Contribution Award” by Zijinshan Golden Financier Club;

In July 2023, the Bank received the “Digital Product Gold Award” and the “Digital and Inclusive Finance Gold Award” in the “2023 Excellent Digital Finance Competition” initiated by the Financial Digital Development Alliance;

In September 2023, the Bank received the “Excellent Cooperative Bank” jointly issued by Henan Provincial Department of Science and Technology, Henan Provincial Finance Department, Henan Local Financial Supervision and Administration Bureau, the Henan Branch of the People’s Bank of China, and Henan Regulatory Bureau of National Financial Regulatory Administration;

In December 2023, the Bank was granted the “Outstanding Institution for ‘Supporting Rural Revitalization’ in 2023” by Henan Radio and Television Station;

In December 2023, the Bank won the “Most Socially Responsible (ESG) Listed Company of 2023” award in the 2023 Capital Market Crystal Ball List initiated by Securities Market Weekly;

In December 2023, the Bank won the “Inclusive Financial Bank with Excellent Competitiveness” award in the “Integrated Development with Technology and Finance – 2023 Excellent Competitiveness Financial Summit” forum held by China Business Journal;

In December 2023, the Bank won the “Topology Award” for bank serving technology innovation enterprises in 2023 at the Financial Sub-forum of the 6th Investment Annual Conference of Cailian Press for 2023;

In December 2023, the Bank won the Annual ESG Green Finance Award in the Top 60 ESG Pioneers in 2023 initiated by Shanghai United Media Group and Jiemian News.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3 FINANCIAL STATEMENTS ANALYSIS

3.1 Income Statement Analysis

During the Reporting Period, facing complex and changeable macroeconomic situation, the Bank returned to its original financial function of serving the real economy, and actively pushed forward business development. As affected by changes in foreign currency asset size and fluctuation in foreign currency exchange rates, coupled with the narrowing interest spread and other factors, the operating income and net profit underperformed the same period last year. During the Reporting Period, the Bank recorded operating income of RMB13,699 million, representing a year-on-year decrease of 10.03%; net profit of RMB1,859 million, representing a year-on-year decrease of 28.48%; and net profit attributable to Shareholders of the Bank of RMB1,850 million, representing a year-on-year decrease of 23.62%. Major items of and changes in the Bank's income statement are set out as follows:

Unit: RMB'000

Item	For the year ended 31 December			
	2023	2022	Change	Rate of Change (%)
Net interest income	11,739,613	12,253,838	(514,225)	(4.20)
Non-interest income	1,959,797	2,972,005	(1,012,208)	(34.06)
Operating income	13,699,410	15,225,843	(1,526,433)	(10.03)
Less: Operating expenses	3,858,566	3,656,641	201,925	5.52
Less: Credit impairment losses	8,075,323	8,659,958	(584,635)	(6.75)
Less: Other operating costs	8,535	–	8,535	N/A
Operating profit	1,756,986	2,909,244	(1,152,258)	(39.61)
Share of losses of associates	(17,350)	(102,014)	84,664	(82.99)
Profit before taxation	1,739,636	2,807,230	(1,067,594)	(38.03)
Less: Income tax expense	(119,843)	207,282	(327,125)	(157.82)
Net profit	1,859,479	2,599,948	(740,469)	(28.48)
Including: Shareholders of the Bank	1,850,117	2,422,304	(572,187)	(23.62)
Non-controlling interests	9,362	177,644	(168,282)	(94.73)

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

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

During the Reporting Period, the Bank recorded net interest income of RMB11,740 million, representing a year-on-year decrease of RMB514 million or 4.20% and accounting for 85.69% of the operating income. Specifically, business scale adjustments resulted in an increase of RMB916 million in net interest income and changes in yield or cost rate resulted in a decrease of RMB1,431 million in net interest income.

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

Unit: RMB'000

Item	For the year ended 31 December					
	2023			2022		
	Average balance ⁽⁶⁾	Interest income/expense	Average yield/interest rate (%)	Average balance ⁽⁶⁾	Interest income/expense	Average yield/interest rate (%)
Interest-earning assets						
Loans and advances to customers	346,423,320	16,436,252	4.74	315,310,921	16,320,802	5.18
Investment securities and other financial assets ⁽¹⁾	145,746,529	5,424,984	3.72	147,638,186	6,047,455	4.10
Deposits with central bank	22,448,807	304,159	1.35	22,865,423	311,531	1.36
Amounts due from banks and other financial institutions ⁽²⁾	17,801,087	381,136	2.14	22,938,327	318,232	1.39
Lease receivables	32,590,659	2,213,273	6.79	30,562,711	2,059,142	6.74
Total interest-earning assets	565,010,402	24,759,804	4.38	539,315,568	25,057,162	4.65
Interest-bearing liabilities						
Deposits from customers	347,437,682	7,803,132	2.25	325,506,578	7,718,855	2.37
Amounts due to banks and other financial institutions ⁽³⁾	73,459,940	1,966,922	2.68	80,565,323	2,162,195	2.68
Debt securities issued	99,947,050	2,589,620	2.59	90,114,091	2,372,248	2.63
Due to central bank	25,672,925	660,517	2.57	21,255,186	550,026	2.59
Total interest-bearing liabilities	546,517,597	13,020,191	2.38	517,441,178	12,803,324	2.47
Net interest income		11,739,613			12,253,838	
Net interest spread ⁽⁴⁾			2.00			2.18
Net interest margin ⁽⁵⁾			2.08			2.27

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the net interest spread and net interest margin of the Bank were subject to the combined effects of changes in volume and interest rates. Changes in volume are measured by changes in the average balance of the interest-earning assets and interest-bearing liabilities while changes in rate are measured by changes in the average rate of the interest-earning assets and interest-bearing liabilities.

Unit: RMB'000

Item	For the year ended 31 December		
	2023 vs. 2022		
	Increase/(decrease) due to Volume ⁽¹⁾	Increase/(decrease) due to Rate ⁽²⁾	Net increase/(decrease) ⁽³⁾
Interest-earning assets			
Loans and advances to customers	1,610,408	(1,494,958)	115,450
Investments securities and other financial assets	(77,485)	(544,986)	(622,471)
Deposits with central bank	(5,676)	(1,696)	(7,372)
Amounts due from banks and other financial institutions	(46,093)	108,997	62,904
Lease receivables	136,632	17,499	154,131
Changes in interest income	1,617,786	(1,915,144)	(297,358)
Interest-bearing liabilities			
Deposits from customers	520,060	(435,783)	84,277
Amounts due to banks and other financial institutions	(191,803)	(3,470)	(195,273)
Debt securities issued	258,852	(41,480)	217,372
Due to central bank	114,319	(3,828)	110,491
Change in interest expenses	701,428	(484,561)	216,867

Notes:

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Net interest spread and net interest margin

During the Reporting Period, the Bank's net interest spread amounted to 2.00%, representing a decrease of 0.18 percentage point as compared to the same period of the previous year, while the Bank's net interest margin amounted to 2.08%, representing a decrease of 0.19 percentage point as compared to the same period of the previous year. The main reason for the decrease in net interest spread and net interest margin was the Bank proactively responded to state policies to support the real economy and it was subject to factors such as LPR re-pricing.

3.1.2 Interest Income

During the Reporting Period, the Bank achieved interest income of RMB24,760 million, representing a year-on-year decrease of RMB297 million or 1.19%, mainly as a result of LPR re-pricing and changes in market interest rates.

Interest income from loans

During the Reporting Period, the Bank steadily promoted credit granting. The average balance of loans and advances to customers increased by RMB31,112 million as compared to the same period of the previous year. Interest income from loans amounted to RMB16,436 million, representing an increase of RMB115 million or 0.71% as compared to the same period of the previous year. Set out below are the average balance, interest income and average yield for each component of the Bank's loans and advances to customers for the Reporting Period:

Unit: RMB'000

Item	For the year ended 31 December			2022		
	Average balance	2023 Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	241,960,011	12,494,500	5.16	219,417,779	12,092,944	5.51
Personal loans	82,931,687	3,538,674	4.27	81,313,572	3,878,779	4.77
Discounted bills	21,531,622	403,078	1.87	14,579,570	349,079	2.39
Gross loans and advances to customers	346,423,320	16,436,252	4.74	315,310,921	16,320,802	5.18

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Interest income from investment securities and other financial assets

During the Reporting Period, the Bank's interest income from investment securities and other financial assets of the Bank amounted to RMB5,425 million, representing a year-on-year decrease of RMB622 million or 10.29%, which was principally attributable to the decrease in both the size and average yield of investment securities and other financial assets.

Interest income from amounts due from banks and other financial institutions

During the Reporting Period, the Bank's interest income from amounts due from banks and other financial institutions amounted to RMB381 million, representing an increase of RMB63 million or 19.77% as compared to the same period of the previous year, which was primarily attributable to the increase in the rate of return of such assets.

Interest income from lease receivables

During the Reporting Period, the Bank's interest income from lease receivables increased by RMB154 million or 7.49% to RMB2,213 million as compared to the same period of the previous year, which was primarily attributable to the increase in the size of lease receivables of Jiuding Financial Leasing Company, a subsidiary of the Bank.

3.1.3 Interest Expense

During the Reporting Period, the Bank's interest expense increased by RMB217 million or 1.69% to RMB13,020 million as compared to the same period of the previous year, which was affected by comprehensive factors including changes in the scale of liabilities and interests.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Interest expense on deposits from customers

During the Reporting Period, the Bank's interest expense on deposits from customers amounted to RMB7,803 million, representing a year-on-year increase of RMB84 million or 1.09%, and accounted for 59.93% of all interest expenses.

Unit: RMB'000

Item	2023			2022		
	Average balance	Interest expenses	Average cost rate (%)	Average balance	Interest expenses	Average cost rate (%)
For the year ended 31 December						
Corporate deposits						
Demand	80,599,061	609,090	0.76	83,546,439	701,441	0.84
Time	73,386,508	1,969,962	2.68	76,410,703	2,450,797	3.21
Subtotal	153,985,569	2,579,052	1.67	159,957,142	3,152,238	1.97
Personal deposits						
Demand	34,855,820	142,462	0.41	31,854,375	209,292	0.66
Time	123,072,830	4,483,109	3.64	97,459,533	3,767,372	3.87
Subtotal	157,928,650	4,625,571	2.93	129,313,908	3,976,664	3.08
Others	35,523,463	598,509	1.68	36,235,528	589,953	1.63
Total deposits from customers	347,437,682	7,803,132	2.25	325,506,578	7,718,855	2.37

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Interest expense on amounts due to banks and other financial institutions

During the Reporting Period, the Bank's interest expense on amounts due to banks and other financial institutions amounted to RMB1,967 million, representing a year-on-year decrease of RMB195 million or 9.03%, which was primarily attributable to the decrease in the size of amounts due to banks and other financial institutions during the Reporting Period.

Interest expense on debt securities issued

During the Reporting Period, the Bank's interest expense on debt securities issued amounted to RMB2,590 million, representing an increase of RMB217 million or 9.16%, as compared to the previous year, which was primarily attributable to the increase in the size of bonds and interbank deposits issued during the Reporting Period.

Interest expense arising from amounts due to central bank

During the Reporting Period, the Bank's interest expense arising from amounts due to central bank amounted to RMB661 million, representing an increase of RMB110 million or 20.09% as compared to the previous year, which was primarily attributable to the increase in medium-term lending facilities and special refinancing during the Reporting Period as compared to the same period of the previous year.

3.1.4 Non-interest Income

During the Reporting Period, the Bank achieved non-interest income of RMB1,960 million, representing a decrease of RMB1,012 million or 34.06% as compared to the same period of the previous year and accounted for 14.31% of the operating income. Such income includes net fee and commission income of RMB579 million, representing a decrease of RMB212 million as compared to the previous year. The Bank recorded other non-interest income of RMB1,381 million, representing a decrease of RMB800 million as compared to the same period of the previous year.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Net fee and commission income

Unit: RMB'000

Item	For the year ended 31 December			
	2023	2022	Change	Rate of change (%)
Fee and commission income				
Agency and custody services fees	379,892	507,546	(127,654)	(25.15)
Underwriting and advisory fees	116,713	161,495	(44,782)	(27.73)
Acceptance and guarantee services fees	82,493	111,322	(28,829)	(25.90)
Bank card services fees	110,227	115,614	(5,387)	(4.66)
Others	46,550	41,731	4,819	11.55
Subtotal	735,875	937,708	(201,833)	(21.52)
Fee and commission expense	(156,949)	(146,805)	(10,144)	6.91
Net fee and commission income	578,926	790,903	(211,977)	(26.80)

During the Reporting Period, the Bank's net fee and commission income amounted to RMB579 million, representing a decrease of RMB212 million or 26.80% as compared to the same period of the previous year, which was primarily attributable to the decrease in the scale of the agency and custody business during the Reporting Period.

Other non-interest income

Unit: RMB'000

Item	For the year ended 31 December			
	2023	2022	Change	Rate of change (%)
Net trading gains	781,745	1,458,524	(676,779)	(46.40)
Net gains arising from investment	493,881	575,053	(81,172)	(14.12)
Other operating income	105,245	147,525	(42,280)	(28.66)
Total	1,380,871	2,181,102	(800,231)	(36.69)

During the Reporting Period, other non-interest income amounted to RMB1,381 million, representing a decrease of RMB800 million or 36.69% as compared to the same period of the previous year, which was primarily due to the change in gains arising from financial investments at fair value through profit or loss and the change of exchange rate between US dollar and RMB.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.1.5 Operating Expenses

During the Reporting Period, the Bank strengthened financial resources allocation to record operating expenses of RMB3,859 million, representing an increase of RMB202 million or 5.52% as compared to the same period of the previous year.

Unit: RMB'000

Item	For the year ended 31 December			
	2023	2022	Change	Rate of change (%)
Staff costs	2,163,429	2,177,645	(14,216)	(0.65)
Depreciation and amortization	450,316	468,042	(17,726)	(3.79)
Rental and property management expenses	91,972	113,367	(21,395)	(18.87)
Office expenses	42,139	61,932	(19,793)	(31.96)
Tax and surcharges	153,309	157,846	(4,537)	(2.87)
Others	957,401	677,809	279,592	41.25
Total operating expenses	3,858,566	3,656,641	201,925	5.52

The following table sets forth the major components of staff costs of the Bank during the Reporting Period:

Unit: RMB'000

Item	For the year ended 31 December			
	2023	2022	Change	Rate of change (%)
Salaries, bonuses and allowances	1,510,160	1,504,375	5,785	0.38
Social insurance and annuity	304,106	334,886	(30,780)	(9.19)
Supplementary retirement benefits	15,591	14,210	1,381	9.72
Staff welfare	94,616	90,821	3,795	4.18
Housing allowances	128,607	125,241	3,366	2.69
Others	110,349	108,112	2,237	2.07
Total	2,163,429	2,177,645	(14,216)	(0.65)

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.1.6 Credit Impairment Losses

During the Reporting Period, the Bank provided for credit impairment losses of RMB8,075 million based on changes in market operating environment and asset risks, representing a decrease of RMB585 million or 6.75% from the same period of the previous year.

Unit: RMB'000

Item	For the year ended 31 December			
	2023	2022	Change	Rate of change (%)
Impairment losses on loans and advances to customers	5,891,940	6,650,995	(759,055)	(11.41)
Impairment losses on financial investments at amortized cost	1,420,455	1,153,260	267,195	23.17
Impairment losses on lease receivables	698,763	453,943	244,820	53.93
Impairment losses on off-balance sheet credit commitments	17,955	(137,649)	155,604	N/A
Impairment losses on financial investments at fair value through other comprehensive income	(66,190)	(8,723)	(57,467)	658.80
Others ^(Note)	112,400	548,132	(435,732)	(79.49)
Total provision for credit impairment losses	8,075,323	8,659,958	(584,635)	(6.75)

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.1.7 Income Tax Expense

During the Reporting Period, the Bank's income tax expense amounted to RMB-120 million, representing a decrease of RMB327 million as compared to the same period of the previous year, which was mainly due to the fact that the tax-exempt income qualified under the tax law of interest income from state-owned bonds and local government bonds held by the Bank increased, and the total profit decreased as compared to the same period of the previous year.

Unit: RMB'000

Item	For the year ended 31 December			
	2023	2022	Change	Rate of change (%)
Current tax	1,383,050	1,175,575	207,475	17.65
Deferred tax	(1,502,893)	(968,293)	(534,600)	55.21
Total income tax expense	(119,843)	207,282	(327,125)	N/A

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.2 Balance Sheet Analysis

3.2.1 Assets

As at the end of the Reporting Period, the Bank's total assets amounted to RMB630,709 million, representing an increase of RMB39,196 million or 6.63% from the end of the previous year. The increase in total assets was mainly due to the increase in loans and advances to customers, financial investments at fair value through other comprehensive income, placements with banks and other financial institutions, and lease receivables. The balances (after provision) and breakdowns of the components of the Bank's total assets are as follows:

Unit: RMB'000

Item	As at 31 December 2023		As at 31 December 2022		Change	
	Amount	% of total (%)	Amount	% of total (%)	Amount	% of Total (%)
Assets						
Cash and deposits						
with central bank	26,369,865	4.18	26,487,450	4.48	(117,585)	(0.30)
Deposits with banks and other financial institutions	1,244,162	0.20	1,922,266	0.32	(678,104)	(0.12)
Placements with banks and other financial institutions	6,227,699	0.99	2,410,452	0.41	3,817,247	0.58
Financial assets held under resale agreements	10,689,146	1.69	12,386,501	2.09	(1,697,355)	(0.40)
Loans and advances to customers	350,325,297	55.54	322,207,034	54.47	28,118,263	1.07
Lease receivables	32,817,168	5.20	30,633,447	5.18	2,183,721	0.02
Financial investments						
– Financial investments at fair value through profit or loss	40,723,996	6.46	44,441,710	7.51	(3,717,714)	(1.05)
– Financial investments at fair value through other comprehensive income	22,872,676	3.63	17,150,060	2.90	5,722,616	0.73
– Financial investments at amortized cost	122,756,433	19.46	121,679,176	20.57	1,077,257	(1.11)
Investments in associates	604,401	0.10	273,881	0.05	330,520	0.05
Property and equipment	3,424,145	0.54	3,049,807	0.52	374,338	0.02
Deferred tax assets	6,278,278	1.00	4,880,568	0.83	1,397,710	0.17
Other assets	6,376,163	1.01	3,991,266	0.67	2,384,897	0.34
Total assets	630,709,429	100.00	591,513,618	100.00	39,195,811	–

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Loans and advances to customers

As at the end of the Reporting Period, the Bank's total loans and advances to customers amounted to RMB360,608 million, representing an increase of RMB29,687 million or 8.97% as compared with the end of the previous year. The Bank's loans and advances to customers are mainly composed of corporate loans, personal loans and discounted bills. Set out below is a breakdown of the Bank's loans by business line:

Unit: RMB'000

Item	As at 31 December 2023		As at 31 December 2022	
	Amount	% of total (%)	Amount	% of total (%)
Corporate loans ⁽¹⁾	253,460,203	70.29	232,762,479	70.34
Personal loans	84,146,734	23.33	81,316,327	24.57
Discounted bills	23,001,269	6.38	16,842,291	5.09
Gross loans and advances to customers	360,608,206	100.00	330,921,097	100.00
Add: Accrued interest	1,526,725		1,594,573	
Less: Provision for impairment losses ⁽²⁾	11,809,634		10,308,636	
Book value of loans and advances to customers	350,325,297		322,207,034	

Notes:

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

(1) Corporate loans

Corporate loan is the largest component of the Bank's loans and advances to customers. As at the end of the Reporting Period, the Bank's corporate loans amounted to RMB253,460 million, accounted for 70.29% of the Bank's total loans and advances to customers and representing an increase of RMB20,698 million or 8.89% from the end of the previous year. During the Reporting Period, the Bank closely focused on the three features of its positioning as "finance for commerce and logistics, finance for small and micro enterprises and finance for citizens", thereby achieving steady growth in corporate loans.

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

Unit: RMB'000

Item	As at 31 December 2023		As at 31 December 2022	
	Amount	% of total (%)	Amount	% of total (%)
Unsecured loans	57,582,114	22.71	53,689,230	23.06
Guaranteed loans	154,061,416	60.78	130,382,438	56.02
Loans secured by tangible assets other than monetary assets	23,042,386	9.09	30,372,238	13.05
Loans secured by intangible assets or monetary assets	18,774,287	7.42	18,318,573	7.87
Total corporate loan principal	253,460,203	100.00	232,762,479	100.00

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

(2) Personal loans

As at the end of the Reporting Period, the Bank's total personal loans amounted to RMB84,147 million, accounting for 23.33% of the Bank's total loans and advances to customers and representing an increase of RMB2,830 million or 3.48% from the end of the previous year, which was mainly due to the increases in the size of the personal business loan and consumption loan business compared with the beginning of the year.

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

Unit: RMB'000

Item	As at 31 December 2023		As at 31 December 2022	
	Amount	% of total (%)	Amount	% of total (%)
Personal business loans	35,102,789	41.71	33,478,008	41.17
Personal residential mortgage loans	33,562,120	39.89	37,743,240	46.42
Personal consumption loans	12,336,833	14.66	7,037,730	8.65
Credit card loans	3,144,992	3.74	3,057,349	3.76
Total personal loan principal	84,146,734	100.00	81,316,327	100.00

(3) Discounted bills

As at the end of the Reporting Period, the Bank's discounted bills amounted to RMB23,001 million, representing an increase of RMB6,159 million or 36.57% from the end of the previous year. During the Reporting Period, the Bank flexibly adjusted the scale of bill financing according to the needs of business development and the financing needs of customers.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Investments in securities and other financial assets

As at the end of the Reporting Period, the Bank's total investments in securities and other financial assets amounted to RMB188,517 million, representing an increase of RMB3,458 million or 1.87% from the end of the previous year. Details are set out as follows:

Unit: RMB'000

Item	As at 31 December 2023		As at 31 December 2022	
	Amount	% of total (%)	Amount	% of total (%)
Financial investments at amortized cost	125,195,830	66.41	123,665,511	66.83
Financial investments at fair value through other comprehensive income	22,597,088	11.99	16,951,438	9.16
Financial investments at fair value through profit or loss	40,723,996	21.60	44,441,710	24.01
Total investment securities and other financial assets	188,516,914	100.00	185,058,659	100.00
Add: Accrued interest	1,895,093		2,289,324	
Less: Provision for impairment losses ^(Note)	4,058,902		4,077,037	
Book value of investment securities and other financial assets	186,353,105		183,270,946	

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: RMB'000

Item	As at 31 December 2023		As at 31 December 2022	
	Amount	% of total (%)	Amount	% of total (%)
Debt securities investments				
Government bonds	65,744,474	35.00	56,960,628	30.94
Debt securities issued by policy banks	34,908,073	18.58	34,820,599	18.92
Debt securities issued by banks and other financial institutions	8,247,396	4.39	5,536,762	3.01
Debt securities issued by corporate issuers	9,285,893	4.94	4,563,609	2.48
Subtotal	118,185,836	62.91	101,881,598	55.35
Investment products under trust schemes	37,910,402	20.18	38,816,875	21.09
Investment products managed by securities companies	30,497,609	16.24	35,163,657	19.10
Others ^(Note)	1,248,293	0.67	8,208,466	4.46
Total debt instruments	187,842,140	100.00	184,070,596	100.00
Equity investments	674,774		988,063	
Total investments securities and other financial assets	188,516,914		185,058,659	

Note: Others consist of debt financing schemes.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: RMB'000

No.	Type of bonds	Nominal value balance	Interest rate (%)	Maturity date	Impairment
1	2016 financial bonds	3,250,000	3.33	2026/02/22	-
2	2016 financial bonds	2,490,000	3.33	2026/01/06	-
3	2020 financial bonds	2,440,000	3.09	2030/06/18	-
4	2020 financial bonds	2,220,000	3.07	2030/03/10	-
5	2020 financial bonds	1,870,000	3.79	2030/10/26	-
6	2023 financial bonds	1,460,000	2.52	2028/05/25	-
7	2019 financial bonds	1,360,000	3.45	2029/09/20	-
8	2021 financial bonds	1,280,000	3.12	2031/09/13	-
9	2019 financial bonds	1,170,000	3.74	2029/07/12	-
10	2016 financial bonds	1,150,000	3.18	2026/04/05	-

Derivative financial instruments

As at the end of the Reporting Period, all the derivative financial instruments of the Bank matured.

Unit: RMB'000

Derivative financial instruments	As at 31 December 2023			As at 31 December 2022		
	Contractual/ notional amount	Fair value of assets	Fair value of liabilities	Contractual/ notional amount	Fair value of assets	Fair value of liabilities
Non-deliverable forwards	-	-	-	1,392,920	-	(100,456)
Total	-	-	-	1,392,920	-	(100,456)

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.2.2 Liabilities

As at the end of the Reporting Period, the Bank's total liabilities amounted to RMB576,395 million, representing an increase of RMB37,506 million or 6.96% from the end of the previous year, which was mainly due to the increase in liabilities including deposits from customers, due to central bank and debt securities issued.

Unit: RMB'000

Item	As at 31 December 2023		As at 31 December 2022		Change	
	Amount	% of total (%)	Amount	% of total (%)	Amount	% of total (%)
Due to central bank	30,960,269	5.37	20,105,825	3.73	10,854,444	1.64
Deposits from banks and other financial institutions	14,307,609	2.48	29,541,040	5.48	(15,233,431)	(3.00)
Placements from banks and other financial institutions	33,246,902	5.77	29,548,795	5.48	3,698,107	0.29
Financial assets sold under repurchase agreements	25,131,941	4.36	19,098,195	3.54	6,033,746	0.82
Deposits from customers	366,521,910	63.59	341,797,766	63.43	24,724,144	0.16
Tax payable	1,092,496	0.19	557,405	0.10	535,091	0.09
Debt securities issued	102,068,783	17.71	94,992,906	17.63	7,075,877	0.08
Other liabilities	3,064,663	0.53	3,246,450	0.61	(181,787)	(0.08)
Total	576,394,573	100.00	538,888,382	100.00	37,506,191	-

Note: Other liabilities primarily consist of items in the process of clearance and settlement, staff costs payable and estimated liabilities.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Deposits from customers

As at the end of the Reporting Period, the Bank's gross deposits from customers amounted to RMB360,961 million, representing an increase of RMB23,253 million or 6.89% from the end of the previous year. The steady growth in the Bank's deposits from customers was mainly attributable to the overall growth of the deposit business as a result of the Bank's vigorous efforts in building its customer base. Set out below is a breakdown of the Bank's deposits from customers by product type and maturity profile:

Unit: RMB'000

Item	As at 31 December 2023		As at 31 December 2022	
	Amount	% of total (%)	Amount	% of total (%)
Corporate deposits				
Demand	85,668,796	23.73	84,238,516	24.94
Time	71,870,379	19.91	74,836,500	22.16
Subtotal	157,539,175	43.64	159,075,016	47.10
Personal deposits				
Demand	32,011,191	8.87	36,396,552	10.78
Time	136,632,026	37.85	104,666,313	30.99
Subtotal	168,643,217	46.72	141,062,865	41.77
Other deposits	34,779,047	9.64	37,570,281	11.13
Gross deposits from customers	360,961,439	100.00	337,708,162	100.00
Add: Accrued interest	5,560,471		4,089,604	
Total deposits from customers	366,521,910		341,797,766	

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.2.3 Shareholders' Equity

As at the end of the Reporting Period, the Bank's total Shareholders' equity reached RMB54,315 million, representing an increase of RMB1,690 million or 3.21% from the end of the previous year. The total equity attributable to Shareholders of the Bank reached RMB52,453 million, representing an increase of RMB1,680 million or 3.31% from the end of the previous year, which was mainly due to sustained profit of the Bank.

Unit: RMB'000

Item	As at 31 December 2023		As at 31 December 2022	
	Amount	% of total (%)	Amount	% of total (%)
Shareholders' equity				
Share capital	9,092,091	16.74	8,265,538	15.71
Capital reserve	5,985,102	11.02	6,811,655	12.94
Surplus reserve	3,689,605	6.79	3,505,562	6.66
General reserve	8,266,509	15.22	7,767,704	14.76
Fair value reserve	189,386	0.35	(126,163)	(0.24)
Remeasurement of net defined benefit liability	(74,043)	(0.14)	(68,635)	(0.13)
Retained earnings	15,305,319	28.18	14,618,050	27.78
Other equity instruments	9,998,855	18.41	9,998,855	19.00
Total equity attributable to Shareholders of the Bank	52,452,824	96.57	50,772,566	96.48
Non-controlling interests	1,862,032	3.43	1,852,670	3.52
Total Shareholders' equity	54,314,856	100.00	52,625,236	100.00

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.2.4 Off-balance Sheet Commitments

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

Unit: RMB'000

Item	As at 31 December 2023	As at 31 December 2022
Credit commitments		
Bank acceptances	59,793,479	80,492,970
Letters of credit	8,941,953	7,898,683
Guarantees	885,185	1,045,264
Unused credit card commitments	7,747,672	5,740,253
Loan commitments	2,783,237	696,099
Total	80,151,526	95,873,269

In addition, as at the end of the Reporting Period, there was no material litigation in which the Bank or any of its subsidiaries is a defendant. As at the date of this Report, the Bank had no significant contingent liabilities. Details of off-balance sheet commitments are disclosed in "Credit commitments" of Commitments and contingent liabilities in Note 40 to the financial statements of the chapter headed "Independent Auditor's Report" of this Report.

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

Details of pledged assets of the Bank are disclosed in "Pledged assets" of Commitments and contingent liabilities in Note 40 of the chapter headed "Independent Auditor's Report" of this Report.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3 Loan Quality Analysis

During the Reporting Period, the Bank continuously strengthened credit risk management and accelerated the disposal of non-performing assets, keeping the overall quality of loans under control. As at the end of the Reporting Period, the balance of NPL amounted to RMB6,757 million, and the NPL ratio was 1.87%, down by 0.01 percentage point from the end of the previous year.

3.3.1 Distribution of Loans by Five-Category Loan Classification

Unit: RMB'000

Item	As at 31 December 2023		As at 31 December 2022	
	Amount	% of total (%)	Amount	% of total (%)
Normal	346,468,982	96.08	318,041,852	96.11
Special mention	7,382,722	2.05	6,657,470	2.01
Substandard	3,674,439	1.02	4,706,514	1.42
Doubtful	1,292,407	0.36	1,336,681	0.40
Loss	1,789,656	0.49	178,580	0.06
Total loans and advances to customers	360,608,206	100.00	330,921,097	100.00
NPLs and NPL ratio^(Note)	6,756,502	1.87	6,221,775	1.88

Note: NPL ratio is calculated by dividing total NPL principal (excluding accrued interest) by total loan and advanced principal to customers (excluding accrued interest).

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: RMB'000

Item	As at 31 December 2023				As at 31 December 2022			
	Amount	% of total (%)	NPL amount	NPL ratio (%)	Amount	% of total (%)	NPL amount	NPL ratio (%)
Corporate loans								
Short-term loans	68,514,853	19.00	1,525,221	2.23	62,010,088	18.74	1,350,389	2.18
Medium and long-term loans	184,945,350	51.29	3,783,881	2.05	170,752,391	51.60	2,850,516	1.67
Subtotal	253,460,203	70.29	5,309,102	2.09	232,762,479	70.34	4,200,905	1.80
Discounted bills	23,001,269	6.38	-	-	16,842,291	5.09	-	-
Personal loans								
Personal business loans	35,102,789	9.73	856,327	2.44	33,478,008	10.11	1,131,942	3.38
Personal residential mortgage loans	33,562,120	9.31	391,487	1.17	37,743,240	11.41	622,760	1.65
Personal consumption loans	12,336,833	3.42	133,349	1.08	7,037,730	2.13	202,344	2.88
Credit card loans	3,144,992	0.87	66,237	2.11	3,057,349	0.92	63,824	2.09
Subtotal	84,146,734	23.33	1,447,400	1.72	81,316,327	24.57	2,020,870	2.49
Total	360,608,206	100.00	6,756,502	1.87	330,921,097	100.00	6,221,775	1.88

During the Reporting Period, the Bank continued to enhance its perspectiveness and risk management, and strengthened the effort on the collection and disposal of non-performing assets. As at the end of the Reporting Period, the NPL ratio of corporate loans (excluding discounted bills) was 2.09%, up by 0.29 percentage point from the end of the previous year; the NPL ratio of personal loans was 1.72%, down by 0.77 percentage point from the end of the previous year.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3.3 Classification of Loans and Non-Performing Loans by Industry

Unit: RMB'000

Item	As at 31 December 2023				As at 31 December 2022			
	Amount	% of total (%)	NPL amount	NPL ratio (%)	Amount	% of total (%)	NPL amount	NPL ratio (%)
Wholesale and retail	46,762,339	12.97	1,299,719	2.78	42,745,773	12.92	1,074,433	2.51
Manufacturing	15,304,020	4.24	793,529	5.19	17,083,735	5.16	720,438	4.22
Construction	25,121,959	6.97	252,046	1.00	19,312,773	5.84	449,170	2.33
Real estate	29,167,987	8.09	1,890,752	6.48	32,880,776	9.94	1,334,922	4.06
Leasing and commercial services	63,228,460	17.53	704,567	1.11	50,077,579	15.13	17,218	0.03
Water, environment and public facility management	44,633,596	12.38	4,474	0.01	43,469,733	13.14	6,276	0.01
Agriculture, forestry, animal husbandry and fishery	1,840,607	0.51	11,776	0.64	2,794,692	0.84	205,313	7.35
Transportation, storage and postal services	3,910,370	1.08	18,379	0.47	5,704,680	1.72	86,152	1.51
Production and supply of electricity, heat, gas and water	3,142,391	0.87	2,490	0.08	2,796,526	0.85	280	0.01
Accommodation and catering	1,121,046	0.31	293,475	26.18	1,341,304	0.41	149,333	11.13
Mining	3,299,948	0.92	-	-	2,655,116	0.80	4,000	0.15
Culture, sports and entertainment	1,190,817	0.33	620	0.05	1,884,035	0.57	108,014	5.73
Others	14,736,663	4.09	37,275	0.25	10,015,757	3.02	45,356	0.45
Total corporate loans	253,460,203	70.29	5,309,102	2.09	232,762,479	70.34	4,200,905	1.80
Total personal loans	84,146,734	23.33	1,447,400	1.72	81,316,327	24.57	2,020,870	2.49
Discounted bills	23,001,269	6.38	-	-	16,842,291	5.09	-	-
Total	360,608,206	100.00	6,756,502	1.87	330,921,097	100.00	6,221,775	1.88

As at the end of the Reporting Period, the non-performing corporate loans of the Bank were mainly concentrated in the real estate, wholesale and retail, and manufacturing industry, with NPL ratios of 6.48%, 2.78% and 5.19%, respectively.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3.4 Classification of Loans and Non-Performing Loans by Collateral

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

Unit: RMB'000

Item	As at 31 December 2023				As at 31 December 2022			
	Amount	% of total (%)	NPL amount	NPL ratio (%)	Amount	% of total (%)	NPL amount	NPL ratio (%)
Unsecured loans	68,759,100	19.07	899,739	1.31	61,617,398	18.62	380,480	0.62
Guaranteed loans	156,899,690	43.51	2,684,885	1.71	133,810,471	40.43	1,756,403	1.31
Loans secured by tangible assets other than monetary assets	91,491,982	25.37	3,080,937	3.37	97,978,701	29.61	4,057,015	4.14
Loans secured by intangible assets or monetary assets	43,457,434	12.05	90,941	0.21	37,514,527	11.34	27,877	0.07
Total	360,608,206	100.00	6,756,502	1.87	330,921,097	100.00	6,221,775	1.88

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3.5 Borrower Concentration

As at the end of the Reporting Period, the Bank's loan balance to any single borrower did not exceed 10% of the Bank's net capital. The following table sets forth, as at the end of the Reporting Period, the Bank's loan balance to the ten largest single borrowers (excluding group borrowers), all of which were classified as normal.

Unit: RMB'000

Item	Industry	As at 31 December 2023		
		Principal Balance	% of total loans (%)	% of net capital (%)
Borrower A	Leasing and commercial services	2,997,000	0.83	5.32
Borrower B	Water, environment and public facility management	2,451,000	0.68	4.35
Borrower C	Real estate	2,310,000	0.64	4.10
Borrower D	Construction	2,229,347	0.62	3.95
Borrower E	Water, environment and public facility management	1,850,000	0.51	3.28
Borrower F	Construction	1,779,980	0.49	3.16
Borrower G	Water, environment and public facility management	1,699,744	0.47	3.02
Borrower H	Leasing and commercial services	1,683,453	0.47	2.99
Borrower I	Leasing and commercial services	1,547,025	0.43	2.74
Borrower J	Water, environment and public facility management	1,382,700	0.38	2.45
Total		19,930,249	5.52	35.36

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3.6 Overdue Loans

Unit: RMB'000

Item	As at 31 December 2023		As at 31 December 2022	
	Amount	% of total (%)	Amount	% of total (%)
Current loans	345,784,540	95.89	321,081,891	97.03
Loans past due for ^(Note)				
3 months (inclusive) or less	8,508,222	2.36	4,208,634	1.27
3 months to 1 year (inclusive)	2,162,135	0.60	2,620,352	0.79
More than 1 year	4,153,309	1.15	3,010,220	0.91
Subtotal	14,823,666	4.11	9,839,206	2.97
Gross loans	360,608,206	100.00	330,921,097	100.00

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

As at the end of the Reporting Period, the Bank's overdue loans amounted to RMB14,824 million, representing an increase of RMB4,984 million or 50.66% as compared with the end of the previous year. Overdue loans accounted for 4.11% of the total loans, increased by 1.14 percentage points as compared with the end of the previous year.

3.3.7 Repossessed assets and provision for impairment

As at the end of the Reporting Period, the book value of the Bank's repossessed assets was RMB2,356 million and no impairment provision was made.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

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

During the Reporting Period, the Bank made a total reserve for losses on loans of RMB5,892 million, with RMB5,889 million provided for loans and advances to customers measured at amortized cost, and RMB3.0 million for loans and advances to customers measured at fair value through other comprehensive income. RMB4,767 million of non-performing loans was written off and disposed, and RMB378 million of written-off loans was recovered. As at the end of the Reporting Period, the balance of the Bank's provision for losses on loans was RMB11,815 million, of which the balance of impairment losses on loans and advances to customers measured at amortized cost was RMB11,810 million and the balance of the impairment losses on loans and advances to customers measured at fair value through other comprehensive income was RMB5.0 million.

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

Unit: RMB'000

Item	For the year ended 31 December	
	2023	2022
Opening balance	10,308,636	8,068,364
Increase in the period	5,889,383	6,717,971
Write-offs and disposals for the period	(4,766,864)	(4,693,576)
Recovery of written-off loans	378,479	215,877
Closing balance	11,809,634	10,308,636

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

Unit: RMB'000

Item	For the year ended 31 December	
	2023	2022
Opening balance	2,889	301,177
Provision for the period	2,557	115,957
Write-offs and disposals for the period	–	(414,245)
Closing balance	5,446	2,889

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.4 Cash Flow Statement Analysis

During the Reporting Period, the Bank's net cash inflow generated from operating activities was RMB1,648 million, where the cash inflow was RMB72,464 million, representing an increase of RMB22,001 million from the same period of the previous year, mainly due to the increases in net increment of deposits from customers and net increment of due to Central Bank; and the cash outflow was RMB70,816 million, representing a decrease of RMB10,997 million from the same period of the previous year, mainly due to a decrease in net increment of loans to customers.

During the Reporting Period, the Bank's net cash outflow used in investing activities was RMB4,032 million, where the cash inflow was RMB93,825 million, representing a decrease of RMB31,527 million from the same period of the previous year, mainly due to a decrease in cash inflow received from the recovery of investments; and the cash outflow was RMB97,857 million, basically flat with the same period of the previous year.

During the Reporting Period, the Bank's net cash inflow from financing activities was RMB3,886 million, where the cash inflow was RMB139,390 million, representing an increase of RMB8,350 million from the same period of the previous year, mainly due to an increase in cash inflows received from the issuance of bonds; and the cash outflow was RMB135,504 million, representing a decrease of RMB2,608 million from the same period of the previous year, mainly due to the fact that there was no outflows for payment of principals of preferred shares and dividends during the current period.

Unit: RMB'000

Item	For the year ended 31 December		
	2023	2022	Year-on-year change
Subtotal of cash inflows from operating activities	72,464,153	50,463,041	22,001,112
Subtotal of cash outflows from operating activities	(70,816,051)	(81,813,058)	10,997,007
Net cash flows generated from/(used in) operating activities	1,648,102	(31,350,017)	32,998,119
Subtotal of cash inflows from investing activities	93,825,053	125,351,979	(31,526,926)
Subtotal of cash outflows from investing activities	(97,856,717)	(97,840,901)	(15,816)
Net cash flows (used in)/generated from investing activities	(4,031,664)	27,511,078	(31,542,742)
Subtotal of cash inflows from financing activities	139,390,217	131,040,039	8,350,178
Subtotal of cash outflows from financing activities	(135,504,130)	(138,111,669)	2,607,539
Net cash flows generated from/(used in) financing activities	3,886,087	(7,071,630)	10,957,717
Effect of exchange rate changes on cash and cash equivalents	2,117	13,567	(11,450)
Net increase/(decrease) in cash and cash equivalents	1,504,642	(10,897,002)	12,401,644

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.5 Business Segment Report

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

Unit: RMB'000

Item	2023		2022	
	Amount	% of total (%)	Amount	% of total (%)
Corporate banking business	9,978,436	72.84	9,650,620	63.39
Retail banking business	1,249,728	9.12	1,600,823	10.51
Treasury business	2,366,001	17.27	3,826,875	25.13
Others ^(Note)	105,245	0.77	147,525	0.97
Total operating income	13,699,410	100.00	15,225,843	100.00

Note: This segment consists primarily of equity investment and relevant income, and any other businesses that cannot constitute a reporting segment alone.

3.6 Significant Accounting Policies, Accounting Estimates and Accounting Methods

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

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

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

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

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

There are no changes in the consolidation scope for the current period as compared to the financial report for the previous year.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.7 Assets and Liabilities at Fair Value

Unit: RMB'000

Item	Opening balance for the Reporting Period	Gains and losses from changes in fair value for the Reporting Period	Accumulated changes in fair value recognized in equity	Impairment accrued during the Reporting Period	Closing balance for the Reporting Period
Financial investments at fair value through profit or loss (excluding derivative financial assets)	44,441,710	(64,074)	-	-	40,723,996
Financial investments at fair value through other comprehensive income	17,150,060	-	250,559	66,190	22,872,676
Subtotal of financial assets	61,591,770	(64,074)	250,559	66,190	63,596,672
Derivative financial liability	100,456	(100,456)	-	-	-
Total financial liability	100,456	(100,456)	-	-	-

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: RMB'000

Item	For the year ended 31 December			Main reason analysis
	2023	2022	Change compared to the same period of the previous year (%)	
Net trading gains	781,745	1,458,524	(46.40)	Mainly due to the changes in the fair value of financial assets at fair value through profit or loss.
Share of loss of associates	(17,350)	(102,014)	(82.99)	Mainly due to a decrease in the loss of associates during the Reporting Period compared with the same period last year.
Income tax expense	119,843	(207,282)	N/A	Mainly due to an increase in the tax-exempt income qualified under the tax law of interest income from state-owned bonds and local government bonds held by the Bank, and a decrease in the total profit as compared to the same period of the previous year.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	As at 31 December 2023	As at 31 December 2022	Changes compared to the end of the previous year (%)	Main reason analysis
Deposits with banks and other financial institutions	1,244,162	1,922,266	(35.28)	
Placements with banks and other financial institutions	6,227,699	2,410,452	158.36	Mainly due to the fact that the Bank adjusted the structure of such assets after comprehensive consideration of asset and liability matching and market liquidity situation.
Deposits from banks and other financial institutions	14,307,609	29,541,040	(51.57)	
Financial assets sold under repurchase agreements	25,131,941	19,098,195	31.59	
Financial investments at fair value through other comprehensive income	22,872,676	17,150,060	33.37	Mainly due to the significant increase in the Bank's bond investments as compared to the beginning of the period.
Investments in associates	604,401	273,881	120.68	Mainly due to the increase in investments in associates.
Other assets	6,376,163	3,991,266	59.75	Mainly due to the increase in repossessed assets.
Due to Central Bank	30,960,269	20,105,825	53.99	Mainly due to the increases in medium-term loan facility and scale of refinancing.
Tax payable	1,092,496	557,405	96.00	Mainly due to the increase in enterprise income tax payable during the Reporting Period.
Fair value reserve	189,386	(126,163)	N/A	Mainly due to changes in the fair value of financial assets at fair value through profit or loss.
Derivative financial liabilities	-	100,456	(100.00)	All derivative financial instruments have matured as at the end of the Reporting Period.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

4 INVESTMENT ANALYSIS

4.1 Overview

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

Unit: RMB'000

Item	As at 31 December 2023	As at 31 December 2022	The Bank's share of the interest in the investee (%)
Jiuding Financial Leasing Company	1,020,000	1,020,000	51.00
Fugou Zhengyin County Bank	30,120	30,120	50.20
Xinmi Zhengyin County Bank	64,000	64,000	51.20
Xunxian Zhengyin County Bank	51,000	51,000	51.00
Queshan Zhengyin County Bank	25,500	25,500	51.00
Xinzheng Zhengyin County Bank	53,960	53,960	51.00
Zhongmu Zhengyin County Bank ⁽¹⁾	555,870	208,000	49.51
Yanling Zhengyin County Bank	34,950	34,950	49.58
China UnionPay Co., Ltd. ⁽²⁾	27,200	8,000	0.27
Funds Clearing Centre for City Commercial Banks	400	400	1.29
Total	1,863,000	1,495,930	

Notes:

- In March 2023, upon consideration and approval at the 2021 third extraordinary general meeting of Zhongmu Zhengyin County Bank and the 12th meeting of the sixth session of the Board of the Bank, and upon approval by the Former CBIRC Henan Office and State-owned Assets Supervision and Administration Commission of Zhengzhou Municipal People's Government, the Bank acquired the equity from 78 shareholders of Zhongmu Zhengyin County Bank. The number of shares held by the Bank increased from 208.00 million shares to 555.87 million shares, and the percentage of shareholding increased from 18.53% to 49.51%.
- In accordance with the resolution of China UnionPay Co., Ltd.'s 2021 annual general meeting of shareholders, as approved by the People's Bank of China, in September 2023, China UnionPay Co., Ltd. converted and increased its share capital for all shareholders at the same ratio on a basis of every 10 shares for 24 shares. Upon the conversion and increase, the registered capital changed from RMB2,930,374,380 to RMB9,963,272,892. The shares held by the Bank increased from 8 million shares to 27.20 million shares, and the percentage of shareholding remained unchanged.

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

4.2 Significant Equity Investments Made During the Reporting Period

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

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

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

4.4 Use of Proceeds

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

4.5 Operations of Subsidiaries

4.5.1 Operations of Subsidiaries

Jiuding Financial Leasing Company

As at the end of the Reporting Period, the Bank held 51.00% equity interest in Jiuding Financial Leasing Company, a subsidiary of the Bank with a registered capital of RMB2 billion. Jiuding Financial Leasing Company was established in China and incorporated as a joint-stock limited company where it carries out its business. Its principal businesses include: (1) financial leasing business; (2) outward or inward transfer of financial leasing assets; (3) fixed income securities investment business; (4) acceptance of leasing deposits from lessees; (5) taking time deposits with a term of three months or more from non-banking shareholders; (6) interbank lending; (7) borrowing from financial institutions; (8) offshore borrowing; (9) sale and disposal of leased assets; (10) economic consultancy; (11) other business approved by the CBIRC (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Jiuding Financial Leasing Company had total assets of RMB35,010 million, net assets of RMB3,779 million, and total financial leasing of RMB33,435 million. During the Reporting Period, it recorded operating income of RMB1,299 million, operating profit of RMB456 million, and net profit of RMB350 million.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Fugou Zhengyin County Bank

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

Xinmi Zhengyin County Bank

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

Xunxian Zhengyin County Bank

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Queshan Zhengyin County Bank

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

Xinzheng Zhengyin County Bank

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

4.5.2 Operations of Investee Companies

As at the end of the Reporting Period, the Bank held 49.51% and 49.58% equity interest in Zhongmu Zhengyin County Bank and Yanling Zhengyin County Bank, respectively. Zhengyin county banks were committed to the marketing positioning of “supporting rural and small enterprises”, focused on their principal businesses and responsibilities, provided services in rural areas and empowered “agriculture, farmers and rural areas” with more financial resources, injecting financial “vitality” to rural revitalization. They continuously enhanced compliance awareness and gradually improved the ability to prevent risks, safeguarding the sound development of county banks.

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

During the Reporting Period, the Bank had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

4.5.4 Management and Control of Subsidiaries During the Reporting Period

The Bank continued to strengthen the performance of duties as a principal promoter based on regulatory requirements to practically safeguard the interests of the Bank and Shareholders. It provided subsidiaries with guidance and assistance using its management experience and resource advantages as the principal promoter. The Bank continuously improved its management mechanism over subsidiaries, comprehensively strengthened the management of subsidiaries in terms of strengthening the Party's leadership, standardizing corporate governance and enhancing risk management, and guided subsidiaries to establish correct views on operation, performance and risks and devote to serving regional economic development.

4.6 Structured Entities Controlled by the Bank

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

5 CAPITAL MANAGEMENT

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

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

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

The Bank continued to promote the implementation of the Administrative Measures for Capital of Commercial Banks and emphasized the endogenous capacity of capital and the capital adequacy ratio in operation. On the one hand, it strived to optimize the capital allocation strategy, strengthen the management of asset and liability portfolios and improve the capital structure to improve the efficiency of capital use; and on the other hand, the Bank strengthens the endogenous growth of capital; strives to realize the balance and coordination between self-development, profitability and capital constraints; replenishes capital via measures like profit growth, keeping surplus reserve and allocating sufficient provision for impairment losses; optimizes capital structure and raises capital adequacy ratio level, so as to further improve the Bank's capability to resist risks and support the development of the real economy.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

5.1 Capital Adequacy Ratio Analysis

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

Unit: RMB'000

Item	As at 31 December 2023	As at 31 December 2022
Core tier-one capital		
Share capital	9,092,091	8,265,538
Valid portion of capital reserve	5,985,102	6,811,655
Fair value reserve	189,386	(126,163)
Remeasurement of net defined benefit liability	(74,043)	(68,635)
Surplus reserve	3,689,605	3,505,562
General reserve	8,266,509	7,767,704
Retained earnings	15,305,319	14,618,050
Valid portion of minority interests	1,449,620	1,437,897
Total core tier-one capital	43,903,589	42,211,608
Core tier-one capital deductions	(3,377,072)	(1,828,257)
Net core tier-one capital	40,526,517	40,383,351
Additional tier-one capital		
Additional tier-one capital instruments and related premium	9,998,855	9,998,855
Valid portion of minority interests	193,283	184,039
Net tier-one capital	50,718,655	50,566,245
Tier-two capital		
Surplus provision for loan impairment	5,257,125	4,343,627
Valid portion of minority interests	396,825	381,809
Net tier-two capital	5,653,950	4,725,436
Net capital base	56,372,605	55,291,681
Total risk-weighted assets	455,490,556	434,769,547
Core tier-one capital adequacy ratio (%)	8.90	9.29
Tier-one capital adequacy ratio (%)	11.13	11.63
Capital adequacy ratio (%)	12.38	12.72

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

5.2 Leverage Ratio Analysis

Unit: RMB'000

Item	31 December 2023	30 September 2023	30 June 2023	31 March 2023
Net tier-one capital	54,229,055	54,940,953	54,771,065	53,123,456
Balance of on/off-balance sheet assets after adjustment	713,854,338	709,251,765	708,589,535	703,165,029
Leverage ratio (%)	7.60	7.75	7.73	7.55

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

6 BUSINESS OPERATION

6.1 Corporate Banking Business

During the Reporting Period, the Bank adhered to the positioning of “serving local economy and serving small and medium enterprises”, actively implemented the important strategic deployments of the central and local governments, such as the “construction of the Central Plains Urban Agglomeration” and the “strategy on ecological protection and high-quality development of the Yellow River basin”, fully supported the high-quality development of key sectors and industries in the province and the city. It conscientiously fulfilled the mission of being a policy financial operation body serving technological innovation, deepened bank-government cooperation, improved administrative services and increased project-type loan investment. Furthermore, it attached importance to the survey of industrial customers, and comprehensively optimized and integrated online corporate services by building an online service system for corporate products to continuously enhance its customer service capability along the entire industrial chain, through which the Company’s business structure was further improved.

6.1.1 Corporate Business

During the Reporting Period, the Bank further promoted the “Assisting Enterprises” and “President Visiting Enterprises” initiatives to meet the four requirements under the service mechanism that president should make contact, take regular visit, ensure standardized connection and satisfactory settlement of complaints. It continued to provide comprehensive financial services for enterprises customers by asking their demands and advice, offering them financial knowledges, policies, products and services, to fulfill its responsibility of serving real economy.

To support the “Three Major Projects” of the province, the Bank implemented major strategies and increased financial support for infrastructure facilities to contribute to regional economic development. The Bank fully supported the work of “ensuring delivery of properties, safeguarding people’s livelihoods and maintaining social stability” by implementing the requirements of the government and regulatory authorities at all levels, taking the initiative and responding quickly to the requests, setting up a special task force to ensure the delivery of properties, formulating a special action plan in this regard, and launching due diligence and exemption policies in order to give full support to property delivery and fulfill the social responsibility of stabilizing the real estate market. As at the end of the Reporting Period, the total principal of corporate loans (including advances, forfeiting and discounted bills) of the Bank amounted to RMB276,461 million, representing an increase of RMB26,857 million or 10.76% from the end of the previous year.

The Bank stepped up its marketing along the industrial chain, capital chain, and upstream and downstream customers, and continued to strengthen the integrated service efficiency of administrative business with additional five regions obtaining the qualification of centralized payment agency bank of treasury. It has opened a number of provincial and municipal key accounts to continuously expand the coverage of key businesses across the province; and built core competitiveness in administrative services. It has innovated a tuition payment platform, optimized social security/medical compensation distribution service and promoted the “Bank-Court Connect” products to iterate and upgrade, with the aim to establishing a leading brand of administrative financial services in the regional market. As at the end of the Reporting Period, the balance of institutional deposits of the Bank amounted to RMB77,660 million, representing an increase of RMB8,461 million from the end of the previous year.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

6.1.2 Technological Innovation Finance

During the Reporting Period, the Bank put in practice the mission of being a local policy financial operation body serving technological innovation in Henan Province and continued to improve the quality of its services and polish its unique policy financial brand serving technological innovation by transforming its internal operation mechanism, opening up channels for multi-party collaboration, building a life-cycle product system and constructing a distinctive operation service model.

To transform its internal operation mechanism, it has made “six-in-one” reforms, enhanced top-level structure and drove endogenous growth momentum.

To open up channels for multi-party collaboration, it has strengthened bank-political collaboration on whitelist, risk-sharing mechanisms, low-cost capital support, etc.; offered investment and loan services with industry-led funds and equity investment institutions to satisfy the diversified financing needs of technology enterprises in the form of “equity + debt”; and began bank-guarantee collaboration with governmental guarantee institutions such as Zhongyuan Reguarantee and Zhengzhou Agricultural Financing Guarantee, to support seed-stage and start-up technology enterprises to grow at a faster pace.

To build a life-cycle product system, it has offered “Tech-Talent Loan” and “Option Loan” for start-up technology enterprises, “Tech Loan”, “Zhengzhou Tech Loan” and “Intellectual Property Pledge Loan” for growing technology enterprises, “Loan to Enterprises that Apply Special, Sophisticated Techniques to Produce Unique and Novel Products” and “R&D Loan” for mature technology enterprises, and “IPO Loan” for enterprises at the expanding stage.

To construct a distinctive operation service model, it has built a diversified and relay-type integrated financial service platform serving for policy-based technological innovation, took multiple measures and developed various mechanism in terms of industrial chain and chains of talents, technology and funds and opened up information channels covering such chains, thus providing a full range of value-added services for tech-company customers along the industry chain and upstream and downstream, and enhancing the effectiveness of financial services.

As at the end of the Reporting Period, the balance of the Bank’s policy-based technological innovation financial loans was RMB33,403 million, representing an increase of RMB9,343 million from the end of the previous year; the loan balance of such products as “Loan to Enterprises that Apply Special, Sophisticated Techniques to Produce Unique and Novel Products”, “Tech Loan” and “Zhengzhou Tech Loan” was RMB4,669 million, representing an increase of RMB1,345 million or 40.46% from the end of the previous year, enabling the Bank to be recognized by the Henan Provincial Science and Technology Department as an excellent cooperative bank for the “Tech Loan” business.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

6.1.3 Transaction Banks

During the Reporting Period, the Bank thoroughly implemented the philosophy of high-quality development for supply chain finance, adhered to serve real and local economic development, continued to optimize and iterate its products, focused on scenario-based finance, made an effort to develop the key local industrial chains, and provided customers with integrated service solutions covering factoring, letters of credit, merchant bills, pre-payment and other supply chain products. As at the end of the Reporting Period, the balance of loan provided to core enterprises in the industrial chain and their upstream and downstream customers was RMB22,668 million.

Serving the real economy to facilitate inclusive finance. With the online supply chain business of “Cloud Business” as its main focus, it proactively responded to the policy of inclusive financial service to provide easy financing for small and micro business customers, thus giving support to the real economic development. During the year, it provided financing services to more than 1,000 core enterprise suppliers, of which more than 90% were small and micro enterprises.

Providing financial services based on scenarios to improve service capability. The Bank made active exploration and innovation on various business scenarios, including education, medical, logistics and cross border. It has launched an online version of “Zhenghaofu (鄭好付)” business and promoted the business model of government procurement, medical procurement and commercial bill discounting under the “Yidingtong (醫鼎通)” business, so as to comprehensively cover the customer needs of upstream suppliers of medical services. It has been awarded the qualification for the “Foreign Trade Loan” business of Zhengzhou City and realized its implementation, and developed products to “finance exporting orders” under the “foreign trade loan” policy to support corporate and retail marketing.

Enhancing industrial research for development path. The Bank worked to provide service to entities based on local situation, study the “28+20” industrial chains at both provincial and municipal levels, and further analyze the current status of the industry, industry policies and development trends. It conducted on-site investigations around the seven major industrial alliances in Henan, summarizing issues and experiences in relation to industry specialization, building a service system and exploring the development path of industrial finance.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

6.1.4 Investment Banks

During the Reporting Period, the Bank continued to leverage on its advantage of being the first local legal person financial institution qualified as a main underwriter in the province, enabling the underwriting business of non-financial corporate debt financing instruments to grow rapidly, with a total of 41 debt financing instruments various types issued in accumulation, serving 23 issuers, with an issuance amount of RMB24,450 million. Among them, 14 were issued to AA-rated issuers with an issuance amount of RMB7,200 million, 22 were issued to AA+-rated issuers with an issuance amount of RMB12,750 million, and 5 were issued to AAA-rated issuers with an issuance amount of RMB4,500 million. Meanwhile, the Bank ranked the 5th in the province in terms of underwriting share of debt financing instruments, the 3rd in terms of issuance volume and the 2nd in terms of number issued.

In response to the instructions under the Opinions on Further Accelerating the Using of Bond Market Financing by Henan Enterprises 《關於進一步加快推進河南企業利用債券市場融資的意見》 issued by Henan Provincial Government, the Bank further invested RMB6,435 million in credit bonds, serving 39 issuers. Among them, 13 investments were made to AA-rated entities, amounting to RMB1,145 million; 40 were made to AA+-rated entities, amounting to RMB3,750 million; and 8 were made to AAA-rated entities, amounting to RMB1,540 million. The Bank of Zhengzhou has made its due contribution to the development of the real economy of Henan Province and the construction of “Credit Henan” and “Credit Zhengzhou”.

The Bank actively supported enterprises within the province to broaden their access to finance by revitalizing the resources of various financial institutions through facilitating business, which facilitated 94 transactions amounting to RMB19,045 million, maintaining relationship with core customers and increasing their stickiness. The Bank strengthened its awareness of syndicated services and continued to focus on the needs of large-scale group customers, large-scale project financing and large-value liquidity financing within the province, with syndicated loans paid totaling RMB891 million throughout the year. By this way, the Bank has injected financial “running water” into the province’s quality enterprises and at the same time opened up business communication channels with a number of large state-owned banks, joint-stock companies and city merchant banks such as Bank of China, China CITIC Bank and China Zheshang Bank.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

6.2 Retail Banking Business

During the Reporting Period, the Bank resolutely implemented the requirements on high-quality development, adhered to the “customer-centred” philosophy, deeply developed citizen and rural finance and focused on building four steward services, namely “Citizen Steward”, “Financing Steward”, “Wealth Steward” and “Rural Steward”, and steadily promoted the development of the retail business. As at the end of the Reporting Period, the Bank’s total balance of personal deposits amounted to RMB168,643 million, representing an increase of 19.55% from the end of the previous year. The Bank’s personal loans amounted to RMB84,147 million, representing an increase of 3.48% from the end of the previous year. The Bank had issued a total of 7,827,600 debit cards, representing an increase of 415,700 cards from the end of the previous year. The Bank had issued a total of 724,700 Shangding credit cards, representing an increase of 93,400 cards from the end of the previous year. The size of wealth financial assets reached RMB49,491 million. The Bank has established rural payment service sites for inclusive finance in 15 prefecture-level cities across the province and issued 171,800 Rural Revitalization Cards, representing an increase of 83,000 cards from the end of the previous year.

6.2.1 Citizen Steward

During the Reporting Period, the Bank focused on its strategic vision of “being a boutique bank with regional characteristics” and vigorously enforced its featured positioning in building a “boutique bank for citizens”. Based on citizens’ essential demand in daily life, the Bank focused on their basic necessities and improved the function of finance in providing convenience services to better shape the role of “Citizen Steward”.

Staying true to the aspiration of serving the people with financial resources and promoting the building of diversified ecological finance. The Bank focused on the implementation of provincial and municipal policies on expanding consumption, advanced the establishment of community, campus and park scenarios through exploring innovation models of citizen finance, optimized credit consumption loans and diversified consumer life scenarios and benefits activities. It highlighted the demand of new citizen groups for financial services, introduced “12 service measures”, issued Shangding exclusive debit cards for new citizens and launched exclusive home mortgage loans for new citizens to meet all-around financial demands of new citizens in entrepreneurship, employment, housing, education, medical treatment and elderly care and practiced the philosophy of serving the people with financial resources. It was awarded the prize of “Model Financial Institution of Serving New Citizens in Henan in 2023”.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Implementing national policies and facilitating the healthy development of the property market. During the Reporting Period, the Bank actively implemented relevant national, provincial and municipal policies and improved convenience services on housing finance. It firstly launched the “transfer of mortgaged second-hand houses” to reduce institutional transaction costs and provided financial support to residents with house purchase demand. The Bank optimized installments for decoration with credit cards, newly introduced Zhenglefen (鄭樂分), Zhengxiangjin (鄭享金) and other installment products to meet the diversified housing consumption demands of customers and support citizens in realizing the dream of house purchase.

Creating quality card use environment and improving customers' card use and consumption experience. During the Reporting Period, the Bank developed all-round use scenarios through activating social security card customer groups, continuously providing exclusive benefits to security card customers, cooperating with Zhengzhou Citizen Card Co., Ltd. in organizing life festivals and offering 50% off on tickets of scenic areas and discount activities at supermarkets. It focused on building three credit card consumption brands, namely “Zheng Hao Every Week” (鄭好每一週), “Happy Fridays, Saturdays and Sundays” (歡樂五六日) and “Whole Day of Bank of Zhengzhou” (鄭銀十二時辰), and strived to improve the card use experience of customers. It was awarded the “Golden Prize for Digital Products at the Excellent Digital Finance Contest”, the “Golden Prize for Digital and Inclusive Finance” and the annual “Prize for Building the Best Credit Card Scenario”. It newly issued Puyang and Xuchang Urban Theme Credit Cards, the Metro Theme Credit Card and the 2024 Credit Card for the Year of Dragon. During the Reporting Period, the credit card business of the Bank recorded RMB170 million in operating income with a transaction amount and an online transaction amount of RMB19,805 million and RMB4,452 million, representing an increase of 28.48% over the previous year.

6.2.2 Financing Steward

During the Reporting Period, the Bank firmly adhered to the market positioning of “being rooted in local economy and supporting small and micro enterprises and sole proprietorships”. It implemented the deployments under policies on expanding consumption and reduction and deferred payment of interest, optimized small and micro financial products and empowered business development with technology to increasingly improve the quality and efficiency of inclusive financial services and continuously enhance the publicity of the characteristic “Financing Steward”.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

The Bank actively implemented policies on the reduction and deferred payment of interest and assisted small and micro enterprises in reducing burdens and overcoming difficulties. During the Reporting Period, the Bank actively implemented the People's Bank of China's policies on interest reduction in the current stage and reduced an interest of RMB23,340,200 for 16,579 inclusive loans to small and micro enterprises. It vigorously implemented policies on deferred payment of interest and postponed the payment of principal and interest through the extension of the payment period and the repayment of old loans with new ones. During the Reporting Period, the Bank implemented the reduction and deferred payment of loans with a total amount of RMB1,012 million with a balance of RMB755 million. The weighted average interest rate of new inclusive loans issued to small and micro enterprises was 4.43%, representing a decrease of 1.25 percentage points over the previous year. The financing cost of small and micro enterprises was continuously reduced.

The Bank continued to optimize financial products for small and micro enterprises and broaden the coverage of financial services for small and micro enterprises. During the Reporting Period, the Bank launched the policy-based Technology Innovation E-loan (科創e貸), Corporate Procurement Loan (企採貸), Ordering Loan (訂貨貸), Wanbang Operation Loan (萬邦經營貸) and other products, iterated and optimized Housing E-finance (房e融), Entrepreneurship Assistance Loan (助業貸), E-purchase Loan (E採貸), E-tax Financing (E稅融), Entrepreneurship Guarantee Loan (創業擔保貸) and other key products in inclusive finance for small and micro enterprises, and improved the professional operation and management of inclusive finance by continuously optimizing products and services. The Bank actively participated in the construction of sites for offline financial service harbors. In early July 2023, the Bank led the "construction of inclusive financial service harbors of the Bank of Zhengzhou" to bring financial services and benefits to the public. As at the end of the Reporting Period, the Bank has established 21 sites for inclusive (technological innovation) financial service harbors in its branches.

The Bank fully sped up in the development of digital finance and empowered the improvement of the quality and efficiency of small and micro finance. During the Reporting Period, the Bank improved the product competitiveness by establishing multi-channel service processes and optimizing risk control models to increasingly expand the market size and share. The Bank continued to dig customer characteristic tags to constantly release data element value, improved the precise risk control capability of big data, promoted online process and automated approval for inclusive loans to small and micro enterprises, and realized instant approval and disbursement for some business, so as to improve the efficiency and convenience of small and micro credit.

As at the end of the Reporting Period, the balance of the Bank's inclusive loans to small and micro enterprises amounted to RMB49,960 million, representing an increase of RMB5,668 million or 12.80% from the end of the previous year and approximately 4.97 percentage points higher than the growth in general loans. The number of small and micro enterprises receiving inclusive loans with loan balance stood at 68,144, representing an increase of 1,388 from the beginning of the year, marking the successful achievement of the regulatory goals of "two increases and two controls".

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

6.2.3 Wealth Steward

During the Reporting Period, the Bank adhered to the orientation of customer needs, deeply practiced the development philosophy of “focusing on expansion and deepening operation” and continuously diversified wealth management product systems. The Bank continued to enhance the wealth management capability, focused on building the “Zhenghao Wealth (鄭好財富)” brand, and strived to be the “wealth steward” of Henan people for wealth preservation and appreciation.

The Bank constantly enriched its wealth management product matrix. During the Reporting Period, the Bank was dedicated to building a distinctive wealth management product system from two major directions (i.e. proprietary products and consigned products), which aimed to meet the diverse demands of its customers for investment and wealth management. The Bank established and iterated its product selection mechanisms and continuously optimized its product evaluation systems in order to continuously launch competitive products in the market. The Bank developed a service process for the research and development of wealth management product strategies. This process allowed the Bank to conduct in-depth research on major asset investment opportunities and organically integrate customer demands with product system construction, thereby continuously enhancing the investment and wealth management experience of its customers. As at the end of the Reporting Period, “Jinwutong (金梧桐)”, a wealth management product of the Bank, has developed a variety of product categories, including small change management, steady investment, and investment gains. The Bank also launched exclusive wealth management products for payroll clients, new customers, new citizens and other customer groups. In terms of consigned products, through collaborations with multiple leading public mutual funds, brokerage wealth managers, insurance companies, and bank subsidiaries engaged in wealth management services, the Bank successfully launched and developed a relatively comprehensive matrix of consigned wealth management products, which could cater to the diverse demands of its customers for investment, wealth management, and risk mitigation.

The Bank continued to strengthen the wealth management capabilities. During the Reporting Period, the Bank reshaped its investment concepts and, amidst market turbulence, continuously enhanced its investment research capabilities and refined its risk management system. This allowed the Bank to offer customers stable and competitive wealth management services. The Bank did a good job for customer companionship, comprehensively intensified efforts to educate investors regarding net asset value fluctuations and encouraged them to make long-term investments, thereby facilitating effective integration between asset and funding sources. It enhanced after-sale services, and in a combination of market and product operation situation, continued to provide customers with market information and introductions related to products, aiming to offer good customer service, solve customers' questions and improve the customer experience.

During the Reporting Period, the Bank received multiple awards from external authoritative appraisal agencies, mainly including the “Promising Wealth Management Bank of the Year Award” and “Bank with Outstanding Investment Returns Award” awarded by Puyi Inc., the “Outstanding Securities Cooperative Institution • Jie Fu Award” awarded by www.caishiv.com, the “Golden Toad Award – Pioneer Award for Wealth Management Returns” awarded by Lianhe Zhiping and the “Five-star Product with Fixed Income” of the Golden Ox Prize. As at the end of the Reporting Period, the scale of financial assets in the wealth management category was RMB49,491 million.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

6.2.4 Rural Steward

During the Reporting Period, the Bank vigorously implemented China's rural revitalization strategy. It comprehensively improved the professional service capabilities on rural revitalization by optimizing financial service channels and improving financial service experience in rural areas to better develop the "rural steward" and facilitate the full rural revitalization.

Optimizing financial service channels in rural areas. During the Reporting Period, the Bank continued to improve financial service facilities and set up rural payment service sites for inclusive finance in rural areas. Focusing on the basic necessities, medical treatment and entertainment of rural residents and other non-financial scenarios, the Bank carried out the construction of "rural service sites+" scenarios. It promoted the rural revitalization version of mobile banking in an all-round way, and applied remote video service, intelligent voice assistant, intelligent search and other tools, providing rural residents with personalized recommendations, intelligent voice recognition and other services.

Improving financial service experience in rural areas. During the Reporting Period, the Bank boosted the issuance of debit cards with the theme of rural revitalization and adopted the "five reductions or waivers" policy as well as offered benefits for holders of UnionPay themed cards. It irregularly organized various exclusive agriculture-related activities to benefit rural residents. The Bank boosted the publicity of policies on financial services for rural revitalization and publicized knowledge on anti-counterfeit money, saying no to illegal fundraising and the prevention of phone frauds among left-behind groups in rural areas. It initiatively paid attention to groups in lack of knowledge in rural areas and circulated knowledge and policies on credit publicity, the prevention of phone frauds and the protection of personal financial knowledge to gradually bridge the "digital gap" in rural areas. During the Reporting Period, the Bank was awarded the "Jie Fu Award • Award for Retail Banks with Outstanding Social Responsibility" and the "Wonderful Central China • Outstanding Institution in Facilitating Rural Revitalization in 2023".

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

6.3 Financial Market Business

6.3.1 Money Market Transactions

China was in the new period of acceleration and transformation in 2023. Despite the increasing geopolitical crisis abroad, the sluggish recovery of the world economy, the impacts of various domestic risk factors and the insufficient recovery of market confidence, China's economy achieved recovery and improvement under continuous pressures and made solid steps in high-quality development. The monetary policy maintained an easy tone throughout the year to protect market liquidity and remained prudent and more accurate and powerful. The interest rate of capitals was relatively stable and fluctuated around the policy-based interest rate. The Bank strengthened market research and analysis, adopted various measures to optimize the liability structure and control financing costs. It actively transmitted fiscal and monetary policies to ensure stable liquidity through multiple channels. As at the end of the Reporting Period, the balance of the Bank's deposits with banks and other financial institutions and financial assets held under resale agreements was RMB18,161 million, accounting for 2.88% of the Bank's total assets; and the balance of deposits from banks and other financial institutions and financial assets sold under repurchase agreements was RMB72,686 million, accounting for 12.61% of the Bank's total liabilities.

6.3.2 Investment in Securities and Other Financial Assets

With bullish and bearish factors interwoven in 2023, the bond market showed a recovery trend in general. The turbulent international situation and geopolitical conflicts stimulated the sentiment of risk aversion in the global market. Despite the lack of momentum in global economic growth and challenges in domestic economic recovery, the market was full of strong bullish sentiment due to various factors. The fiscal policies coupled with monetary policies provided strong support to the bond market and promoted the downward fluctuations of the yield rate in the bond market, exceeding market expectations. The Bank focused on market trends, continued to enhance investment research capabilities, promoted the layout optimization and structural adjustment of the bond and investment businesses, strengthened domestic and overseas linkage and expanded the interbank borrowing business to increase investment income. As at the end of the Reporting Period, the Bank's total investment in bonds, investment products under trust schemes, investment products managed by securities companies and other securities financial assets amounted to RMB188,517 million, representing an increase of RMB3,458 million or 1.87% from the end of the previous year. Among them, the Bank's total investment in bonds was RMB118,186 million, representing a year-on-year increase of 16.00%; and the total investment in investment products under trust schemes and investment products managed by securities companies was RMB68,408 million, representing a year-on-year decrease of 7.53%.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

6.4 Distribution Channels

6.4.1 Physical Outlets

As at the end of the Reporting Period, the Bank established its head office in Zhengzhou, Henan, 14 branches in Nanyang, Xinxiang, Luoyang, Anyang, Xuchang, Shangqiu, Luohe, Xinyang, Puyang, Pingdingshan, Zhumadian, Kaifeng, Zhoukou and Hebi of Henan Province, 167 sub-branches and one special entity. Meanwhile, the Bank enhanced the layout of its self-service equipment outlets, established a network of 192 internal and external self-service equipment outlets, providing convenient 24-hour services.

6.4.2 Electronic Banking

Personal channel

The Bank continued to optimize and enrich the mobile banking service. It continuously optimized its transaction process to improve customer experience; and repeatedly updated the versions of mobile banking such as the versions for the elderly, for merchants and for the rural, providing customers with differentiated and dedicated services. As at the end of the Reporting Period, the Bank had signed up 3,247,100 personal mobile banking customers, and the number of transactions completed increased by 15.38% year-on-year. The Bank continued to provide high-quality customer service. 1,172,300 times of service were provided via the customer service hotline of 95097, with a customer satisfaction rate of 99.55%. At the same time, by means of text message, video and voice, the Bank provided 788,200 times of intelligent customer service, expanding the coverage of customer service.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Corporate channel

The Bank steadily promotes the construction of corporate e-channel. During the Reporting Period, the Bank integrated its corporate online banking, corporate mobile banking, group cash management and other products and developed the cloud platform for treasury management—a one-stop comprehensive financial service platform with different versions covering all customer groups, to meet the demands of enterprises in digital transformation, operation and development, facilitate enterprises in the efficient control of capital operation and fully activate the treasury efficiency. The Bank launched the Bluetooth UKEY and pre-implanted certificate functions to meet the needs of large customers to make large payments through corporate mobile banking and improve customer experience in handling counter businesses. Meanwhile, it included various big data and risk control rules and strengthened the in-process control capabilities of corporate e-channels. As of the end of the Reporting Period, the Bank handled 6.30 million transactions through corporate e-channels with a total amount of RMB1,664.3 billion, representing a year-on-year increase of 22.33% and 7.99%, respectively.

7 RISK MANAGEMENT

During the Reporting Period, the Bank proactively adapted to internal and external environment changes and regulatory requirements, placed focus on the high-quality development philosophy, upheld prudent and sound development philosophy, further implemented the capital return and risk pricing concept, continuously optimized the comprehensive risk management system, continuously provided and improved a diverse range of risk management and control tools, established a sound compliance and risk management culture, and committed to balancing and effectively promoting risk management and business development together with value creation to assure that the Bank conducts its business operations in an ongoing and stable manner. The Bank is mainly exposed to the risks and has the control initiatives in the business operations as follows:

7.1 Credit Risk

Credit risk refers to the risk of loss caused by the failure by a debtor or counterparty to perform its contractual obligations or responsibilities. The Bank's credit risk exposure mainly comes from loan portfolios, investment portfolios, guarantees and other types of on – and off-balance sheet credit risk.

The Bank adhered to basic principles in credit extension, amended annual credit extension policies, strengthened the study on key industries, specified credit extension strategies on key sectors, improved the negative list management mechanism on new customer success, standardized operation procedures of the credit extension business and comprehensively enhanced the management of credit access to conduct risk control at the first stage.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

As at the end of the Reporting Period, the Bank's single customer loan concentration was 5.32%, which met the regulatory requirement of not more than 10%; single group customer credit concentration was 9.32%, which met the regulatory requirement of not more than 15%; the balance of loans to the top ten customers was RMB19,930 million, and the loan concentration of the top ten customers was 35.36%; the balance of credit facilities to a single related party customer was RMB2,240 million, and the loan concentration of a single related party customer was 3.97%, which met the regulatory requirement of not more than 10%; and the credit concentration of all related parties was 16.41%, which met the regulatory requirement of not more than 50%.

7.2 Market Risk

Market risk refers to the risk of on- or off-balance-sheet loss arising from adverse changes in market prices. The market risks that the Bank is exposed to are mainly interest rate risk and exchange rate risk. The Bank's market risk management objective is to ensure that potential market losses are controlled at an acceptable level based on risk tolerance while striving to obtain maximum risk-adjusted returns. The Bank's market risk management covers the whole process of identifying, measuring and monitoring market risks. For market risk management, we mainly adopt the following measures:

Firstly, we continued to improve the market risk management system. The Bank has established a hierarchical market risk management system which covers quota management, account bookkeeping, risk measurement, stress testing and special business risk management, and defines the functions of the Board, senior management and the three lines of defense. Secondly, we strengthened market risk limit management. The Bank enhanced the market risk limit system and developed an annual market risk limit plan, so as to consolidate the foundation for market risk management. Thirdly, we diversified the dimensions of market risk analysis. The Bank strengthened sensitivity trend analysis, diversified credit risk appraisal instruments on bonds and promoted the improvement of the penetration of the investment business by relying on internal and external audit forces. Fourthly, we improved the quality and efficiency of market risk monitoring. The Bank set up a market risk monitoring system covering monitoring objects, monitoring scope and monitoring indicators, increased the frequency of market risk monitoring, achieved front- and mid-office information sharing on market dynamics, asset structure and limit implementation, and established an account book for market risk limit management to improve the quality and efficiency of risk monitoring. Fifthly, we implemented a market risk reporting mechanism. We established a special reporting and decision-making mechanism, established and regularly convened meetings of a professional committee on risk management of financial market business, regularly reviewed the operation of financial market business and market risks, and established a "daily-monthly-quarterly" reporting system to promote the reporting of risk information and prompt decision-making.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

7.3 Operational Risk

Operational risk refers to the risk of loss caused by problematic internal procedures, personnel or information technology systems, and external events, including legal risk but excluding strategic risk and reputational risk. The Bank's potential operational risk loss events mainly include seven categories: namely internal frauds, external frauds, employment system and workplace safety incidents, customers, products and business activities incidents, damage of tangible assets, business interruption and information technology system failures, execution, delivery and process management incidents.

The Bank is committed to establishing a sound operational risk management framework, strengthening the application of operational risk management tools, and continuously improving the operational risk management system. During the Reporting Period, firstly, we promoted the calculation of the operational risk capital, reviewed the scope of business indicators and data and the corresponding rules of items, and carried out a series of work such as loss data research, capital calculation and implementation impact analysis, laying the foundation for the smooth transition of the calculation methods of operational risk. Secondly, we continued to carry out operational risk identification and assessment. We formulated annual management plans on identification and assessment, dynamically identified operational risk events in various business products and management activities, analyzed the types of events and factors of occurrence, evaluated the size of inherent risks and the effectiveness of key control measures, and determined the remaining risks. Thirdly, we consolidated the foundation of legal risk management. We carried out a series of basic legal management work such as legal training, legal consultancy, legal review and review of standard contracts, strengthened the refined management of regular services of legal advisers, optimized legal review procedures and expanded the scope of legal review to facilitate business development. Fourthly, we enriched inspection means and intensified supervision on execution. We highlighted the role of in-process warning and off-site inspections in supervision on execution, deepened the self-inspection of the first defense line including business segments and departments, explored the fundamental and institutional problems exposed in violations, maintained tracking ledgers on modification and assigned special personnel to supervise and follow up. Fifthly, we strengthened employee conduct management to prevent case risks. We carried out rotation and exchanges of personnel in key positions, conducted inspections on employee conduct, case risks, illegal fundraising risks and potential safety hazards and organized special trainings on the prevention of cases to prevent problems in advance.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

7.4 Liquidity Risk

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

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

As at the end of the Reporting Period, the Bank's liquidity ratio was 59.10%, which met the regulatory requirement of not less than 25%; its liquidity coverage rate was 265.83%, which met the regulatory requirement of not less than 100%; the net stable funding ratio was 109.01%, which met the regulatory requirement of not less than 100%. Overall, the Bank's key regulatory liquidity indicators met the regulatory requirements and its liquidity risk was under control.

7.5 Information Technology Risk

Information technology risk refers to the operational, legal, reputational and other risks caused by natural factors, human factors, technical loopholes and management flaws in the course of applying information technology. During the Reporting Period, the Bank's information technology operated smoothly in general, and information technology risks were under control. For information technology risk management, we mainly adopted the following measures:

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Firstly, we revised and officially released the Measures for Information Technology Outsourcing Risk Management of the Bank to further clarify the management structure and responsibilities of sectors with information technology risk, improve the management mechanism, standardize management activities and improve the quality and efficiency of risk control. Secondly, we conducted online monitoring on information technology risk, improved the quality and efficiency of information technology risk monitoring, carried out information technology risk monitoring on a quarterly basis and reported the results of monitoring analysis to regulatory authorities. Thirdly, we continued to step up efforts in information technology risk assessment. Pursuant to regulatory requirements, the Bank independently carried out special assessments on information technology risk in two sectors, reviewed issues found in risk assessments of the previous year, evaluated the risks of the Bank in relevant sectors objectively and set up a continuous tracking and mitigation mechanism on risks identified in risk assessment. Fourthly, we improved our business continuity management capabilities. During the Reporting Period, the Bank carried out various special emergency drills, which verified the construction of disaster recovery, the safety protection capability and the effectiveness of special emergency plans of the Bank, enhanced the Bank's response capability under emergent scenarios and provided strong support to the continuous business operation.

7.6 Reputational Risk

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

During the Reporting Period, the Bank conscientiously implemented regulatory requirements, further improved the construction of the reputational risk management system, optimized the work mechanism on the joint prevention and control of reputational risk and improved management. It continued to monitor public opinions and make judgment and proposals. It emphasized external communications and actively promoted brand publicity to create a good public opinion environment.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

7.7 Anti-Money Laundering Management

The Bank strictly abided by the Anti-Money Laundering Law of the PRC 《中華人民共和國反洗錢法》) and other relevant applicable laws and regulations, deepened and implemented the “risk-based” work approach, carefully fulfilled the legal obligation on anti-money laundering and social responsibilities and practically improved the management of money-laundering and terrorist financing risks. Following the principles of comprehensive coverage and effective management, the Bank established and improved the management structure for money laundering risks, clarified the responsibilities and division of work of the Board, the Board of Supervisors, senior management members, the anti-money laundering department, business departments, the internal audit department, the human resources department, the information technology department, branches and subsidiaries, thus establishing an operation mechanism with clear levels, coordination and effective cooperation.

During the Reporting Period, firstly, the Bank further improved the internal control system for anti-money laundering and strengthened refined management based on the management of money laundering risk. Secondly, the Bank continuously optimized the process of the rating mechanism on the assessment of institutional money laundering, product money laundering and customer money laundering risks and improved the management of money laundering risk. Thirdly, the Bank strengthened the establishment of anti-money laundering systems, optimized risk monitoring and alarming functions, established and improved the monitoring mechanism on the list of anti-money laundering and terrorist financing and enhanced the capability on risk monitoring and reporting. Fourthly, the Bank carried out supervision and quality inspection and data investigation on anti-money laundering and identified and improved the weaknesses and hidden risks in a timely manner to improve the quality and efficiency of anti-money laundering. Fifthly, the Bank organized special trainings on anti-money laundering for employees at all levels and formulated the Special Issue on Anti-money Laundering to comprehensively enhance the ability of all employees to perform duties on money laundering and promote the publicity of anti-money laundering risk management culture. Sixthly, the Bank continued to carry out the publicity of anti-money laundering and publicized knowledge on anti-money laundering and terrorist financing to enhance the public awareness in respect of anti-money laundering.

8 RECEIVING RESEARCH DELEGATIONS, COMMUNICATION AND INTERVIEW ACTIVITIES

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

9 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

9.1 Significant Environmental Protection Issues

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

9.2 Social Responsibility

For details, please refer to the 2023 Corporate Social Responsibility (Environmental, Social and Governance) Report dated 29 March 2024 published on the website of CNINFO (www.cninfo.com.cn), the overseas regulatory announcement dated 2 April 2024 published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk), and the “Announcements and Circulars” under Investor Relations on the Bank’s website (www.zzbank.cn).

9.3 Consolidation and Expansion of Poverty Alleviation Achievements and Rural Revitalization

The Bank practically implemented the requirements of policies and vigorously developed inclusive finance. It boosted support and offered pricing discounts on agriculture-related loans and inclusive agriculture-related loans; improved the quality and efficiency of services and effectively controlled the comprehensive costs of loans; strengthened financial services for new agricultural businesses and provided long-term and stable capital supports through “rural revitalization loans”; comprehensively applied Internet, big data and other fintech means to expand the coverage of inclusive financial businesses; actively participated in data and information sharing mechanisms and completed the access to the financial service sharing platform and other platforms in Henan Province. As at the end of the Reporting Period, the balance of agriculture-related loans of the Bank was RMB82,239 million, representing an increase of RMB1,368 million from the end of the previous year. The balance of inclusive agriculture-related loans was RMB8,044 million, representing an increase of RMB1,344 million or 20.06% from the end of the previous year and 12.23 percentage points higher than the growth of various loans (excluding bills), achieving the regulatory goals of agriculture-related loans.

The Bank vigorously advanced rural revitalization and improved the quality and efficiency of financial services. The Bank boosted the issuance of debit cards with the theme of rural revitalization and adopted the “five reductions or waivers” policy; promoted the rural revitalization version of mobile banking and provided rural residents with personalized recommendations, intelligent voice recognition and other services; continuously improved the efficiency of rural payment service sites for inclusive finance, prioritized villages without financial services and focused on improving the environment of financial services in rural areas; intensified the publicity of rural revitalization policies and guided rural residents to accurately identify false and fraud information and stay away from illegal financial activities to safeguard the stable financial order in rural areas.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

The Bank strengthened village poverty alleviation and supported the development of industrial economy. During the Reporting Period, the Bank actively coordinated external funds to promote the implementation of projects such as the stone mill processing workshop, large refrigeration house, quick-freezing tunnels and high-standard greenhouses in target villages to promote the continuous income increase of village collectives. The task force stationed in the village worked with the two committees of the village in “fighting for harvesting in summer” in busy farming seasons to ensure the storage of grains. It visited people in difficulties and old Party members during the Spring Festival holiday and on 1 July and organized free diagnosis themed “caring about public health and jointly promoting rural revitalization”, bringing warm care to villagers. The Bank also carried out the publicity of financial knowledge themed “caring for the left-behind elderly and safeguarding the happy later life”, the performance themed “bringing traditional opera to grass-roots levels and culture services to villagers”, facilitating cultural revitalization in rural areas.

10 OUTLOOK

10.1 Industry Landscape and Trends

Looking forward to 2024, the external economic environment and the industry environment will remain complex and severe, and commercial banks will still face many challenges as well as opportunities. Commercial banks should actively adapt to environmental changes, effectively respond to challenges, seize all development opportunities, and consolidate the foundation of serving the real economy with financial resources. Firstly, they will make solid efforts on “five major areas”. The Central Financial Work Conference in 2023 proposed to “focus on five areas, namely technological finance, green finance, inclusive finance, pension finance and digital finance”, which specified the direction for credit extension by commercial banks. Commercial banks should actively integrate their own development into national strategies and the overall situation of provincial and municipal development, continue to boost support to major strategies, key areas and weak links, solidly develop in “five major areas”, focus on their own resource endowment, clarify differentiated positioning, explore differentiated development paths and accelerate in the innovation of financial products and service models to facilitate the high-quality development of the real economy. Secondly, they will strengthen risk prevention, control and management. 2024 will be the first year for the full implementation of new regulations on the financial industry in China and strengthening stricter financial regulation will be the keynote for some time in the future. Commercial banks should strictly abide by regulatory requirements, practically strengthen risk management and continuously improve their own capabilities on risk prevention and control. They should initiatively seek changes, speed up in the transformation towards digital risk control, intensify data governance and establish complete digital risk control systems to consistently consolidate the quality of assets. Thirdly, it is an inevitable trend to comprehensively accelerate in digital transformation. The Central Financial Work Conference in 2023 put forward new requirements on the high-quality development of digital finance. Commercial banks should firmly seize the opportunities in the revolution of digital technology, boost digital inputs, accelerate in the in-depth digital transformation, and continuously improve the quality and efficiency of serving industries and the real economy with financial resources by further improving strategic planning, enhancing scientific and technological capabilities and deeply exploring data value.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

10.2 Corporate Development Strategy

In 2024, the Bank will continue to strengthen the leadership of party building and lead the transformation and development of business operations with high-quality party building. The Bank will adhere to the strategic vision of “being a boutique bank with regional characteristics”, and work together to deeply promote the transformation and reshaping of the entire bank. First, the Bank will coordinate and promote the reform and construction of systems and mechanisms. With the goal of “building an efficient organizational system”, priority will be given to promoting the optimization and improvement of special work such as organizational structure, business processes and team building. The Bank will create a collaborative development model for “strong headquarters, active sub-branches, excellent talents and strong risk control”. Second, the Bank will solidify the foundation for business development. The Bank will orderly promote retail, corporate, risk, and digital capability enhancement, actively fit in new policies, new directions and new requirements, strengthen researches on national policies and major plans for local development, actively explore new business positioning, carry out characteristic operations based on local conditions and accelerate the cultivation of new growth points. Third, the Bank will improve risk warning and prevention mechanisms. The Bank will firmly establish the main consciousness of preventing and resolving major risks, return to the source, strictly adhere to the bottom line, prioritize prevention, perfect risk policies and governance systems, improve big data risk control mechanisms and comprehensively improve risk management capabilities. Fourth, the Bank will comprehensively implement major national and provincial strategic plans and deeply serve the local economy. The Bank will continuously improve the development of technology finance, green finance, inclusive finance, pension finance and digital finance to do a good job in five areas.

10.3 Operating Plan

In 2024, the Bank will fully implement the spirit of the 20th National Congress of the Communist Party of China and the requirements of the Central Financial Work Conference and the Central Economic Work Conference, deepen the transformation of core businesses and strive towards the strategic vision of “being a boutique bank with regional characteristics”. Focusing on the overall development, we will spare no efforts to serve the local economy, accelerate reform and innovation and walk the long march of high-quality development in the new era.

First, the Bank will continuously enhance its governance and management capabilities. We will make mid-term adjustments in strategic development planning by focusing on local operations with distinctive characteristics to make every effort to create the endogenous driving force. We fill vacancies for relevant party committee members and enable two-way appointments of directors and supervisors to ensure smooth transitions in the Board of Directors and Board of Supervisors. We initiate the issuance of tier-two capital bonds and the private placement program to increase capital replenishment. We establish operational procedures for subsidiary management to standardize budget evaluations and regulate compensation management, thereby strengthening group-level management.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Second, the Bank will remain committed to serving the real economy. We continuously improve our political stance, resolutely implement major decisions and plans of Henan province and its cities and fully support the high-quality development of key areas and industries such as green, inclusive, advanced manufacturing, science and technology innovation and private enterprises. We support various national, provincial and municipal strategic plans such as the “strategy on ecological protection and high-quality development of the Yellow River basin” and “construction of Zhengzhou as a national central city”, strongly support key construction projects such as the “Three in One Batch” in the province and assist in the modernization of the seven major provincial and municipal industrial clusters and the “28+20” industrial chain and the stable and healthy development of the real estate market, aiming to inject more financial vitality into the stable and healthy development of regional economy.

Third, the Bank will focus on key areas. Guided by policy-based technology innovation finance, we will continuously improve our operational mechanisms, strengthen innovation in technology products, enhance our risk control capabilities and create distinctive operational models to encourage more financial resources to be invested in the real economy and innovation fields, so as to provide more accurate, high-quality, and efficient financial services for technology-based enterprises. We focus on community financial services, adhere to the essence of “finance for the people”, complete the “last mile” of financial services, continuously innovate localized and distinctive financial service products, continuously improve the convenience and accessibility of financial services and contribute to the construction of a new development pattern and the promotion of high-quality development.

10.4 Potential Risks

With the gradual emerging of the negative impacts of the tight monetary policy in 2024 and the weakening momentum of global economic growth, it is expected that the world economy will further slow down and the growth of major economies will diverge in 2024. The escalation of conflicts in the Middle East has exacerbated potential downside risks. In 2024, China's economy will still face downward pressures. However, in general, there will be more opportunities than challenges and more favorable factors than unfavorable factors in 2024. China enjoys the most potential market with a super-large size and sufficient policy room. The comprehensive deepening of reform and opening-up have injected strong momentums. There are new opportunities in the new round of global scientific and technological revolution and industrial transformation and factors supporting high-quality development have been increasing. Henan Province will continue to focus on the “Two Guarantees”, deeply implement the “Ten Strategies”, step up efforts in promoting economic growth and development and strive to play a leading role to promote the high-quality development of key industrial chains. It will upgrade the industrial capacity, better coordinate consumption and investment and develop a virtuous circle with mutual promotion. It is expected that the economic development will remain steady and positive.

The Bank will pay close attention to macro policies, economic and financial developments, and extreme weather, continuously evaluate their impacts on the business, and take strong countermeasures to ensure the stability of its financial position and operating results. Meanwhile, the Bank will continue to monitor the industries and enterprises greatly affected by economic downturn, strengthen risk prevention and control in key areas, maintain high-quality development, innovation-driven development, organic development and differentiated development, constantly optimize the asset-liability structure, and balance size, profitability and risk.

CHAPTER III CHANGES IN SHARE AND INFORMATION ON SHAREHOLDERS

1 CHANGES IN ORDINARY SHARES

1.1 Table of Changes in Ordinary Shares

Unit: Shares

	As at 31 December 2022		Increase/decrease during the Reporting Period (+/-)					As at 31 December 2023	
	Number	Proportion	Issuance of new shares	Bonus shares	Capitalization issue	Others	Sub-total	Number	Proportion
		(%)							(%)
I. Shares subject to trading moratorium	344,097,605	4.16	-	-	+34,411,435	-5,528,023	+28,883,412	372,981,017	4.10
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. Shares held by state-owned legal persons	188,650,000	2.28	-	-	+18,865,000	-	+18,865,000	207,515,000	2.28
3. Shares held by other domestic investors	155,447,605	1.88	-	-	+15,546,435	-5,528,023	+10,018,412	165,466,017	1.82
Including: Shares held by domestic legal persons	130,544,951	1.58	-	-	+13,054,495	-74,208	+12,980,287	143,525,238	1.58
Shares held by domestic natural persons	24,902,654	0.30	-	-	+2,491,940	-5,453,815	-2,961,875	21,940,779	0.24
4. Shares held by foreign investors	-	-	-	-	-	-	-	-	-
Including: Shares held by overseas legal persons	-	-	-	-	-	-	-	-	-
Shares held by overseas natural persons	-	-	-	-	-	-	-	-	-
II. Shares not subject to trading moratorium	7,921,439,994	95.84	-	-	+792,142,324	+5,528,023	+797,670,347	8,719,110,341	95.90
1. Ordinary Shares denominated in RMB	6,084,659,994	73.62	-	-	+608,464,324	+5,528,023	+613,992,347	6,698,652,341	73.68
2. Domestically-listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas-listed foreign shares	1,836,780,000	22.22	-	-	+183,678,000	-	+183,678,000	2,020,458,000	22.22
4. Others	-	-	-	-	-	-	-	-	-
III. Total shares	8,265,537,599	100.00	-	-	+826,553,759	-	+826,553,759	9,092,091,358	100.00

Notes:

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

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

CHAPTER III CHANGES IN SHARE AND INFORMATION ON SHAREHOLDERS

1.2 Description of Changes in Ordinary Shares

Changes in Ordinary Shares were mainly due to (1) changes in shares subject to trading moratorium held by resigned directors, supervisors, and senior management during the Reporting Period; (2) in June 2023, the Bank implemented the Capitalization Issue upon consideration and approval at the 2022 annual general meeting, 2023 first class meeting of the A Shareholders and 2023 first class meeting of the H Shareholders convened by the Bank, pursuant to which 1 new Share was issued for every 10 Shares and a total of 826,553,759 Shares were issued, upon which the total Ordinary Shares of the Bank increased from 8,265,537,599 Shares to 9,092,091,358 Shares; (3) in September 2023, for certain Shares issued prior to the initial public offering of A Shares of the Bank without completing the procedures for equity custody confirmation, such procedures were completed and the Shares were listed for circulation; (4) in September 2023, some of the Shares held by then Directors, Supervisors and senior managers holding Shares in the Bank and natural persons holding more than 50,000 internal employee shares before the initial public offering of A Shares of the Bank were lifted from trading moratorium and listed for circulation.

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

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

	2023	2022 (after restatement)	2021 (after restatement)
Major financial indicators			
Basic earnings per Share (RMB/Share)	0.15	0.16	0.30
Diluted earnings per Share (RMB/Share) ^(note)	0.15	0.16	0.30

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

CHAPTER III CHANGES IN SHARE AND INFORMATION ON SHAREHOLDERS

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

Unit: Shares

Name of Shareholder	Number of Shares subject to trading moratorium at the beginning of the Reporting Period	Increase in the number of Shares subject to trading moratorium during the Reporting Period ⁽¹⁾	Number of Shares lifted from trading moratorium during the Reporting Period	Number of Shares subject to trading moratorium at the end of the Reporting Period	Reasons for trading moratorium	Date of lifting from trading moratorium
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	188,650,000	18,865,000	-	207,515,000	Share subscription from non-public issuance	27 November 2025
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	110,000,000	11,000,000	-	121,000,000	Share subscription from non-public issuance	27 November 2025
Totally 4 shareholders, comprised of 2 legal persons including Zhengzhou Railway Lianzhen Industry Co., Ltd. (鄭州鐵路聯振實業有限公司) and 2 natural persons including WU Wei (吳偉)	67,462	6,746	74,208	-	Initial public offering	19 September 2023
311 natural persons shareholders who held more than 50,000 internal employee shares before the initial public offering of A Shares of the Bank	23,960,603	2,396,060	5,471,728 ⁽²⁾	20,884,935	Initial public offering	-
Directors, supervisors and senior managers of the Bank (including directors, supervisors and senior managers before the initial public offering of A Shares)	297,906	29,791	68,026 ⁽²⁾	259,671	Initial public offering	-
	644,145	152,028 ⁽³⁾	-	796,173	Lockup shares of senior management	-
Shareholders whose Shares were still subject to trading moratorium period (excluding the above Shareholders)	20,477,489	2,047,749	-	22,525,238	Initial public offering	-
Total	344,097,605	34,497,374	5,613,962	372,981,017		

CHAPTER III CHANGES IN SHARE AND INFORMATION ON SHAREHOLDERS

Notes:

1. In June 2023, the Bank implemented the Capitalization Issue based on 1 new Share for every 10 Shares; the new Shares issued to such Shareholders in the Capitalization Issue are subject to the trading moratorium as they are subject to the trading moratorium conditions.
2. On 19 September 2023, 5,539,754 A Shares held by 311 natural persons shareholders who held more than 50,000 internal employee shares before the initial public offering of A Shares and 8 natural persons shareholders who were directors, supervisors and senior management before the initial public offering of A Shares were lifted from trading moratorium and listed for circulation on 19 September 2023.
3. The locking and unlocking of the shares held by directors, supervisors and senior management shall be carried out in accordance with the requirements of the No. 1 Self-discipline and Regulation Guideline for Listed Companies of Shenzhen Stock Exchange – Standard Operation of Listed Companies on the Main Board 《深圳證券交易所上市公司自律監管指引第1號 – 主板上市公司規範運作》.
4. The minor differences in the last digits are caused by rounding.

2 ISSUANCE AND LISTING OF SECURITIES

2.1 Issuance of Securities (Excluding Preference Shares) during the Reporting Period

On 15 June 2023, the Bank convened the 2022 annual general meeting, 2023 first class meeting of the A Shareholders and 2023 first class meeting of the H Shareholders to consider and approve the Capitalization Issue plan, pursuant to which 1 new Share for every 10 Shares shall be issued to the Ordinary Shareholders whose names appeared on the register of Shareholders of the Bank as at the dividend distribution registration date by way of capitalization issue, amounting to issuance of 826,553,759 Shares (including 6,428,757,599 A Shares and 1,836,780,000 H Shares) in total. Upon completion of the Capitalization Issue, the total number of Ordinary Shares of the Bank changed from 8,265,537,599 to 9,092,091,358. On 3 July 2023, the Shares issued under the Capitalization Issue were listed. For details, please refer to the announcements published by the Bank on CNINFO dated 31 March 2023, 28 April 2023, 23 May 2023, 16 June 2023; and the announcements published on the website of the Hong Kong Stock Exchange dated 30 March 2023, 28 April 2023, 23 May 2023, 15 June 2023 and the circular dated 23 May 2023.

During the Reporting Period, the Bank had neither newly issued preference shares nor corporate bonds which were publicly issued and listed on any stock exchanges.

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

CHAPTER III CHANGES IN SHARE AND INFORMATION ON SHAREHOLDERS

2.2 Description of Changes in the Total Number of Ordinary Shares and the Composition of Shareholders, and Changes in the Structure of Corporate Assets and Liabilities

In June 2023, the Bank issued one new share to the ordinary shareholders for every 10 shares held by way of capitalisation issue. After the implementation of the Capitalization Issue, the number of ordinary shares of the Bank changed from 8,265,537,599 shares to 9,092,091,358 shares. For the changes in the composition of Shareholders, please refer to “1.1 Table of Changes in Ordinary Shares” of this chapter. For the changes in the structure of assets and liabilities, please refer to “3 Financial Statements Analysis” in the chapter headed “Management Discussion and Analysis” of this Report.

2.3 Existing Internal Employee Shares

The existing internal employee Shares are mainly, among others, acquired by shareholders of the original urban credit cooperatives and the joint urban credit cooperative through taking part in the establishment of the Bank in 1996, and through succession. As at the end of the Reporting Period, certain Shares of the Bank were lifted from trading moratorium and listed for circulation. To date, the date of issuance, offering price and shareholdings after the circulation of the internal employee Shares could not be accurately verified.

CHAPTER III CHANGES IN SHARE AND INFORMATION ON SHAREHOLDERS

3 INFORMATION ON ORDINARY SHAREHOLDERS

Number of Ordinary Shareholders and Their Shareholdings

As at the end of the Reporting Period, the total number of Ordinary Shareholders of the Bank was 100,479, among which 100,429 were A Shareholders and 50 were H Shareholders. As at the end of the month prior to the publication date of this Report, the total number of Ordinary Shareholders was 98,561, among which 98,510 were A Shareholders and 51 were H Shareholders.

The direct shareholdings of the top 10 Ordinary Shareholders of the Bank at the end of the Reporting Period are set out as follows:

Unit: Shares

Name of Shareholder	Nature of Shareholder	Shares type	Shareholdings percentage (%)	Number of Ordinary Shares held at the end of the Reporting Period	Changes over the Reporting Period (+/-)	Number of Ordinary Shares held subject to trading moratorium	Number of Ordinary Shares held not subject to trading moratorium	Status of Shares	Pledged, labelled or frozen	Number
HKSCC Nominees Limited	Overseas legal person	H Shares	22.22	2,020,253,053	+183,664,329	-	2,020,253,053	Unknown	-	-
Zhengzhou Finance Bureau (鄭州市財政局)	State-owned	A Shares	7.23	657,246,311	+59,749,665	-	657,246,311	Pledged	93,278,900	-
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	State-owned legal person	A Shares	6.69	608,105,180	+55,282,289	207,515,000	400,590,180	-	-	-
Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	State-owned legal person	A Shares	4.24	385,930,906	+35,084,627	-	385,930,906	-	-	-
Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)	Domestic non state-owned legal person	A Shares	3.84	348,722,000	+31,702,000	-	348,722,000	Pledged Frozen	348,722,000 26,620,000	-
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Domestic non state-owned legal person	A Shares	3.63	329,997,429	-20,848,804	121,000,000	208,997,429	Pledged Frozen	208,391,072 207,576,857	-
Zhongyuan Trust Co., Ltd. (中原信託有限公司)	State-owned legal person	A Shares	3.50	318,676,633	+28,970,603	-	318,676,633	-	-	-
Henan Chendong Industry Co., Ltd. (河南農東實業有限公司)	Domestic non state-owned legal person	A Shares	1.76	160,372,221	+5,209,293	-	160,372,221	Pledged Frozen	160,304,992 67,229	-
Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)	Domestic non state-owned legal person	A Shares	1.48	134,861,246	-2,991,075	-	134,861,246	-	-	-
Henan Shengrun Holding Group Co., Ltd. (河南盛潤控股集團有限公司)	Domestic non state-owned legal person	A Shares	1.46	133,100,000	+12,100,000	-	133,100,000	Pledged Frozen	133,100,000 133,100,000	-
Strategic investors or ordinary legal persons becoming top 10 Shareholders by way of placing of new Shares (if any)			None							
Description of related party relationships or concerted actions of the above Shareholders				Zhengzhou Finance Bureau wholly owns Zhengzhou Investment Group Co., Ltd. (鄭州市投資集團有限公司). Zhengzhou Investment Group Co., Ltd. wholly owns Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), which in turn wholly owns Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司). The Bank is not aware of any related party relationship among the above other Shareholders or whether they are parties acting in concert under the Administrative Measures on the Acquisition of Listed Companies (《上市公司收購管理辦法》).						
Description of entrusting/being entrusted voting rights or waiving voting rights of the above Shareholders				Henan Investment Group Co., Ltd. (河南投資集團有限公司) and Zhongyuan Trust Co., Ltd. signed the Voting Rights Entrustment Agreement, entrusting the corresponding voting rights of 98,746,133 A Shares (the number of shares before the Bank implemented the capitalization issuance plan in December 2021 and June 2023) held by Henan Investment Group Co., Ltd. (河南投資集團有限公司) to Zhongyuan Trust Co., Ltd. (中原信託有限公司).						
Special description of top 10 shareholders having repurchase accounts				None						
Description of the top 10 Ordinary Shareholders participating in margin financing and securities lending business (if any)				Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) holds 429,905,180 A Shares through ordinary securities account and 178,200,000 A Shares through the customer credit transaction guaranteed securities account of CSC Financial Co., Ltd. (中信建投證券股份有限公司), holding a total of 608,105,180 A Shares. Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司) holds 7,562,685 A Shares through ordinary securities account and 127,298,561 A Shares through the customer credit transaction guaranteed securities account of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司), holding a total of 134,861,246 A Shares.						

CHAPTER III CHANGES IN SHARE AND INFORMATION ON SHAREHOLDERS

The direct shareholdings of the top 10 Ordinary Shareholders not subject to trading moratorium of the Bank as at the end of the Reporting Period are set out as follow:

Unit: Shares

Name of Shareholder	Number of Ordinary Shares held not subject to trading moratorium at the end of the Reporting Period	Type of Shares	
		Class of Shares	Number
HKSCC Nominees Limited	2,020,253,053	H Shares	2,020,253,053
Zhengzhou Finance Bureau (鄭州市財政局)	657,246,311	A Shares	657,246,311
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	400,590,180	A Shares	400,590,180
Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	385,930,906	A Shares	385,930,906
Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)	348,722,000	A Shares	348,722,000
Zhongyuan Trust Co., Ltd. (中原信託有限公司)	318,676,633	A Shares	318,676,633
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	208,997,429	A Shares	208,997,429
Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司)	160,372,221	A Shares	160,372,221
Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)	134,861,246	A Shares	134,861,246
Henan Shengrun Holding Group Co., Ltd. (河南盛潤控股集團有限公司)	133,100,000	A Shares	133,100,000
Description of related party relationships or concerted actions among the top 10 Ordinary Shareholders not subject to trading moratorium, and between the top 10 Ordinary Shareholders not subject to trading moratorium and the top 10 Ordinary Shareholders	Please refer to the line headed "Description of related party relationships or concerted actions of the above Shareholders" in the table of the direct shareholdings of the top 10 Ordinary Shareholders.		

Notes:

- The data above is obtained from the register of Shareholders of the Bank as at 31 December 2023.
- The Shares held by HKSCC Nominees Limited are held by it in the capacity of agent and represents the aggregate number of H Shares held by all institutional and individual investors registered in HKSCC Nominees Limited as at the end of the Reporting Period.

During the Reporting Period, no Shares were lent out by the top ten Shareholders of the Bank to involve in the margin refinancing business.

During the Reporting Period, there was no addition to or exit of the top ten Shareholders of the Bank, which was the same as the previous period.

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

CHAPTER III CHANGES IN SHARE AND INFORMATION ON SHAREHOLDERS

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

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

Name of substantial Shareholder	Class of Shares	Long/ Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued Ordinary Shares (%)
Zhengzhou Finance Bureau (鄭州市財政局)	A Shares	Long	Beneficial owner and Interest of controlled corporation ⁽¹⁾	1,418,761,196	20.06	15.60
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	A Shares	Long	Beneficial owner	608,105,180	8.60	6.69
Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司)	A Shares	Long	Interest of controlled corporation ⁽¹⁾	608,105,180	8.60	6.69
Zhengzhou Investment Group Limited (鄭州市投資集團有限公司)	A Shares	Long	Interest of controlled corporation ⁽¹⁾	608,105,180	8.60	6.69
Henan Investment Group Co., Ltd. (河南投資集團有限公司)	A Shares	Long	Beneficial owner and Interest of controlled corporation ⁽²⁾	438,159,454	6.20	4.82
Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	A Shares	Long	Beneficial owner	385,930,906	5.46	4.24
SPIC Capital Holding Co., Ltd. (國家電投集團資本控股有限公司)	A Shares	Long	Interest of controlled corporation ⁽³⁾	385,930,906	5.46	4.24
SPIC Industry-Finance Holding Co., Ltd. (國家電投集團產融控股股份有限公司)	A Shares	Long	Interest of controlled corporation ⁽³⁾	385,930,906	5.46	4.24
State Power Investment Corporation Limited (國家電力投資集團有限公司)	A Shares	Long	Interest of controlled corporation ⁽³⁾	385,930,906	5.46	4.24
China Goldjoy Securities Limited (中國金洋證券有限公司)	H Shares	Long	Custodian	502,018,594	24.85	5.52
CITIC Securities Company Limited	H Shares	Short	Interest of controlled corporation ⁽⁵⁾	326,292,751	16.15	3.59
Yunnan International Holding Group Limited	H Shares	Long	Beneficial owner	302,619,651	14.98	3.33
Yunnan Energy Investment (HK) Co., Limited	H Shares	Long	Interest of controlled corporation ⁽⁶⁾	302,619,651	14.98	3.33
Yunnan Provincial Energy Investment Group Co., Ltd.	H Shares	Long	Interest of controlled corporation ⁽⁶⁾	302,619,651	14.98	3.33

CHAPTER III CHANGES IN SHARE AND INFORMATION ON SHAREHOLDERS

Name of substantial Shareholder	Class of Shares	Long/Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued Ordinary Shares (%)
Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁷⁾	171,699,000	8.50	1.89
WEI Lidong (尉立東)	H Shares	Long	Interest of controlled corporation ⁽⁷⁾	171,699,000	8.50	1.89
Hong Kong Xingrui International Investment Co., Ltd. (香港興瑞國際投資有限公司)	H Shares	Long	Beneficial owner	133,167,881	6.59	1.46
Henan Zhenyiyuan Industrial Co., Ltd. (河南臻益遠實業有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁸⁾	133,167,881	6.59	1.46
Zhengzhou Xingqian Trading Co., Ltd. (鄭州興謙商貿有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁸⁾	133,167,881	6.59	1.46
CHEN Xingming (陳星明)	H Shares	Long	Interest of controlled corporation ⁽⁸⁾	133,167,881	6.59	1.46
Zhengzhou Zhengdong New District Construction Development Investment Co., Ltd. (鄭州市鄭東新區建設開發投資總公司)	H Shares	Long	Beneficial owner ⁽⁹⁾	133,100,000	6.59	1.46
Goncius I Limited	H Shares	Long	Beneficial owner ⁽¹⁰⁾	115,501,859	5.72	1.27
	H Shares	Short	Beneficial owner ⁽¹⁰⁾	115,501,859	5.72	1.27

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

Notes:

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

CHAPTER III CHANGES IN SHARE AND INFORMATION ON SHAREHOLDERS

2. These 438,159,454 Shares are directly or indirectly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司), including 119,482,821 Shares directly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司) and 318,676,633 Shares held through Zhongyuan Trust Co., Ltd. (中原信託有限公司). Zhongyuan Trust Co., Ltd. (中原信託有限公司) is held as to approximately 64.93% by Henan Investment Group Co., Ltd. (河南投資集團有限公司). By virtue of the SFO, Henan Investment Group Co., Ltd. (河南投資集團有限公司) is deemed to be interested in the Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司). Mr. JI Hongjun (姬宏俊), a non-executive Director who resigned on 29 August 2023, was a deputy general manager of Zhongyuan Trust Co., Ltd. (中原信託有限公司).
3. Bridge Trust Co., Ltd. (百瑞信託有限責任公司) is owned as to 50.24% by SPIC Capital Holdings Co., Ltd. (國家電投集團資本控股有限公司), which is in turn wholly-owned by SPIC Industry-Finance Holding Co., Ltd. (國家電投集團產融控股股份有限公司), while SPIC Industry-Finance Holding Co., Ltd. (國家電投集團產融控股股份有限公司) is owned as to 53.25% by State Power Investment Corporation Limited (國家電力投資集團有限公司). By virtue of the SFO, SPIC Capital Holdings Co., Ltd. (國家電投集團資本控股有限公司), SPIC Industry-Finance Holding Co., Ltd. (國家電投集團產融控股股份有限公司) and State Power Investment Corporation Limited (國家電力投資集團有限公司) are deemed to be interested in the Shares held by Bridge Trust Co., Ltd. (百瑞信託有限責任公司).
4. During the Reporting Period and as at the end of the Reporting Period, the proportion of interest in Shares held by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) and Mr. ZHU Zhihui (朱志暉) in the issued Shares of the relevant class decreased to 4.67%.
5. CITIC Securities Company Limited held a total of 326,292,751 H Shares (short position) of the Bank through certain of its wholly-owned subsidiaries. These 326,292,751 H Shares (short position) involve derivatives in the classes below:

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

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

CHAPTER III CHANGES IN SHARE AND INFORMATION ON SHAREHOLDERS

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

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

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

As the relevant interests involve derivatives, the information disclosed has not taken into account the previous completed capitalization issue plans by the Bank.

11. During the Reporting Period and as at the end of the Reporting Period, the proportion of interest in Shares held by Bao Xin Development Limited, Bao Xin International Group Limited, Tinmark Development Limited, True Benefit Global Limited and Mr. LUO Yiping (羅一平) in the issued Shares of the relevant class decreased to 4.90%.

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

5 INFORMATION ON CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

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

6 SUBSTANTIAL SHAREHOLDERS

6.1 Shareholders with 5% or More Shareholding in the Bank

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

CHAPTER III CHANGES IN SHARE AND INFORMATION ON SHAREHOLDERS

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

6.2 Other Substantial Shareholders

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

Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司): incorporated on 5 December 2005; the registered capital is RMB200 million; the Unified Social Credit Code is 91410100783405337J; the legal representative is Mr. ZHU Zhihui (朱志暉); the main business scope covers the sales of building and decorative materials, mechanical and electrical products (excluding automobiles), hardware and electrical equipment etc.; house leasing; wholesale and retail as well as prepackaged food. As at the end of the Reporting Period, Henan Guoyuan Trade Co., Ltd. held 329,997,429 A Shares, accounting for 3.63% of the total issued Ordinary Shares of the Bank. Mr. ZHU Zhihui, a Supervisor of the Bank, is the legal representative, executive director and general manager of Henan Guoyuan Trade Co., Ltd. The controlling shareholder and de facto controller of Henan Guoyuan Trade Co., Ltd. is Mr. ZHU Zhihui. Related parties include Zhengzhou Huida Industrial Development Co., Ltd. (鄭州暉達實業發展有限公司), Henan Huida Construction & Investment Co., Ltd. (河南暉達建設投資有限公司) and Huida Holdings Co., Ltd. (暉達控股有限公司), etc. The ultimate beneficial owner of Henan Guoyuan Trade Co., Ltd. is itself.

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

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

8 PLEDGE AND FREEZING OF SHARES OF THE BANK

As at the end of the Reporting Period, to the knowledge of the Bank, 1,813,138,757 Ordinary Shares of the Bank (accounting for 19.94% of the total issued Ordinary Shares) were subject to pledges and 437,135,849 Ordinary Shares were subject to freezing. The Bank has no controlling Shareholders and therefore, there is no pledging of Shares of the Bank by controlling Shareholders.

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

1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR DIRECT SHAREHOLDINGS

Directors

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

Notes:

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

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

Supervisors

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

Note:

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

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

Senior Management

Name	Gender	Date of birth	Position	Status	Term of office	Class of Shares	Decrease				
							Number of Shares held as at the beginning of the Reporting Period	Increase in the number of Shares held during the Reporting Period	number of Shares held during the Reporting Period	Other increase and decrease	Number of Shares held as at the end of the Reporting Period
SUN Haigang (孫海剛)	M	August 1977	Vice President	In office	2018.2.28 to present	A Shares	47,700	4,770	-	-	52,470
FU Chunqiao (傅春喬)	M	October 1973	Vice President	In office	2019.3.29 to present	A Shares	48,200	4,820	-	-	53,020
GUO Zhibin (郭志彬)	M	October 1968	Vice President	In office	2015.12.30 to present	A Shares	93,558	9,356	-	-	102,914
SUN Runhua (孫潤華)	M	May 1972	Vice President	In office	2022.5.20 to present	-	-	-	-	-	-
LI Lei (李磊)	M	August 1973	Assistant to President	In office	2017.11.21 to present	A Shares	135,826	13,582	-	-	149,408
ZHANG Houlin (張厚林)	M	June 1976	Assistant to President	In office	2017.11.21 to present	A Shares	42,020	4,202	-	-	46,222
LI Hong (李紅)	F	February 1973	Assistant to President	In office	2019.3.29 to present	A Shares	78,563	7,856	-	-	86,419
LIU Jiuqing (劉久慶)	M	March 1978	Assistant to President	In office	2019.3.29 to present	A Shares	49,500	4,950	-	-	54,450
WANG Yanli (王豔麗)	F	October 1970	Chief Risk Officer	In office	2018.2.12 to present	A Shares	174,533	17,453	-	-	191,986
ZHAO Fei (趙飛)	M	February 1975	President	Appointed and resigned	2022.11.23-2023.7.17	-	-	-	-	-	-
XIA Hua (夏華)	M	August 1967	Secretary to the Board	Resigned	2021.8.27-2023.7.11	A Shares	51,150	5,115	-	-	56,265
JIANG Tao (姜濤)	M	April 1972	Chief Information Officer	Resigned	2015.12.31 to 2023.9.27	A Shares	43,350	4,335	-	-	47,685
WANG Zhaoqi (王兆琪)	F	November 1967	Chief Auditor	Resigned	2018.3.8 to 2023.12.21	A Shares	123,947	12,395	-	-	136,342

Notes:

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

The table above discloses the Shares directly held by the Directors, Supervisors and senior management of the Bank. For the interests and short positions that the Directors, Supervisors and chief executive have in the Bank under the SFO and in accordance with the Stock Exchange Listing Rules, please refer to the chapter headed "Report of the Board of Directors" of this Report.

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

2 CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Type	Date	Reason
ZHAO Fei (趙飛)	Executive Director	Elected	2023.5.25	
	Chairman	Elected	2023.7.14	
	President	Appointed and resigned	2023.7.17	Application for resignation due to work adjustment
WANG Tianyu (王天宇)	Chairman and executive Director	Resigned	2023.3.21	Resignation due to his intention to take on new position in accordance with the relevant work requirements for management personnel of financial corporations and the working arrangement of the organization
XIA Hua (夏華)	Vice chairman, executive Director and secretary to the Board	Resigned	2023.7.11	Resignation due to work adjustment
JI Hongjun (姬宏俊)	Non-executive Director	Resigned	2023.8.29	Resignation after reaching the retirement age
ZHAO Lijuan (趙麗娟)	Chairlady of the Board of Supervisors and employee Supervisor	Resigned	2023.3.21	Resignation after reaching the retirement age
GENG Mingzhai (耿明齋)	External Supervisor	Elected	2023.6.15	
MA Baojun (馬寶軍)	External Supervisor	Resigned	2023.6.15	Resignation due to personal reasons
JIANG Tao (姜濤)	Chief Information Officer	Resigned	2023.9.27	Resignation due to work adjustment
WANG Zhaoqi (王兆琪)	Chief Auditor	Resigned	2023.12.21	Resignation from current position due to reaching the age required for resignation

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

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

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

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

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

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

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

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

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

On 27 September 2023, Mr. JIANG Tao resigned as the chief information officer of the Bank due to work adjustment. For details, please refer to the announcement dated 28 September 2023 published by the Bank on the website of CNINFO and the website of the Hong Kong Stock Exchange.

On 21 December 2023, Ms. WANG Zhaoqi resigned as the chief auditor of the Bank due to reaching the age required for resignation. For details, please refer to the announcement dated 22 December 2023 published by the Bank on the website of CNINFO and the website of the Hong Kong Stock Exchange.

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

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

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

Mr. LI Xiaojian, an independent non-executive Director, ceased to be an external supervisor of Zhongyuan Bank Co., Ltd. (listed on the Hong Kong Stock Exchange, stock code: 01216) since October 2023.

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

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

Mr. LI Huaibin, an employee Supervisor, ceased to be the president of the Nongye Road East sub-branch of the Bank since November 2023.

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

4 POSITIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4.1 Biographies of Current Directors, Supervisors and Senior Management

Directors

Mr. ZHAO Fei (趙飛) graduated from Zhengzhou University (鄭州大學) (Henan, China), majoring in economics. He is an economist.

Mr. ZHAO has served as an executive Director of the Bank since May 2023 and the chairman of the Bank since July 2023, primarily responsible for the overall work of the Board and in charge of the office of the Board, the internal audit office of the Board, the risk management office of the Board, the remuneration and assessment office of the Board, the strategic development department of the Board, the human resources department and the inspection office of the Party Committee. Mr. ZHAO joined the Bank in September 2022 and served as the president of the Bank from November 2022 to July 2023. Prior to that, Mr. ZHAO had served as the president of the Nanle County Sub-branch, the deputy director of the risk management department, the investment department and the poverty alleviation business department of the Henan Branch, the secretary of the Party branch and president of the Jiyuan Sub-branch, and the secretary of the Party committee and president of the Pingdingshan Branch at the Agricultural Development Bank of China in Henan Province.

Ms. WANG Dan holds a bachelor of management in accounting from Henan Institute of Science and Technology (河南科技學院) (Henan, China). She is an intermediate accountant.

Ms. WANG has served as a non-executive Director of the Bank since November 2021. She has served as the chairlady of the board of supervisors of Tus S&T Service (Henan) Co., Ltd. (啟迪科技服務(河南)有限公司) since August 2020, served in Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司) since May 2021 and served as a director of Zhengzhou Investment Group Co., Ltd. (鄭州市投資集團有限公司) since March 2023. Ms. WANG had served as deputy director of the Zhengzhou Government Procurement Center of Zhengzhou Finance Bureau and director of the fund management division of the Zhengzhou Investment and Financing Decision Management Committee Office (Zhengzhou Investment and Financing Decision Service Center).

Mr. LIU Bingheng graduated from Zhengzhou University of Light Industry (鄭州輕工業學院) (Henan, China) majoring in financial accounting. He is an accountant.

Mr. LIU has served as a non-executive Director of the Bank since November 2021. He has served as the director of the financial operation center of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) since October 2015. Mr. LIU had served as deputy general manager and chief financial officer of Henan Baihe International Highway Technology Co., Ltd. (河南百和國際公路科技有限公司) and chief financial officer of China Electronics Technology Information Industry Co., Ltd. (中電科信息產業有限公司).

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

Mr. WANG Shihao graduated from Fudan University (Shanghai, China), majoring in financial management cadre. He holds an MBA degree from the Arizona State University (U.S.). He is a senior economist.

Mr. WANG has served as a non-executive Director of the Bank since July 2018. He has served as a part-time professor of the Shanghai National Accounting Institute since July 2010, a part-time professor of the Overseas Education College of Shanghai Jiao Tong University since January 2011, a part-time professor of the College of Business of Shanghai University of Finance and Economics since May 2013, an independent director of Bank of Lanzhou Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 001227) since June 2016, and an independent director of Shanghai Shinovation Capital Corporation Co., Ltd. (上海城創投資管理股份有限公司) since January 2019. Mr. WANG had served as director and legal representative of Shanghai City Credit Cooperatives (上海市城市信用合作社聯社), executive director and vice president of Bank of Shanghai, legal representative of the Funds Clearing Centre for City Commercial Banks, special expert for decision consulting of the Shanghai People's Government (上海市人民政府決策諮詢特聘專家), independent director of Huishang Bank Corporation Limited, a visiting professor (Year 2012-2014) of the School of Economics of Fudan University and an independent non-executive Director of the Bank.

Ms. LI Yanyan holds a bachelor's degree from Henan University (Henan, China), a master's degree in economics from Fudan University (Shanghai, China) and a doctorate degree in economics from Nanjing University (Jiangsu, China). She is a professor.

Ms. LI has served as an independent non-executive Director of the Bank since July 2018. She has served as a professor of Zhengzhou University since May 2008, and director and editor-in-chief of the school newspaper editorial department of Zhengzhou University since January 2015. Ms. LI had served as a teacher in the social science department of Xinxiang Medical College (新鄉醫學院), a teacher in the College of Economics of Henan University and a teacher and deputy dean of the Business School of Zhengzhou University. She carried out her post-doctoral research work at Chinese Academy of Social Sciences (Beijing, China).

Mr. LI Xiaojian holds a bachelor of science in geography from Henan Normal University (河南師範大學) (now renamed as Henan University (河南大學)) (Henan, China) and a doctor of economics in economic geography from Nankai University (南開大學) (Tianjin, China). He is a professor.

Mr. LI has served as an independent non-executive Director of the Bank since December 2021. He has served as an external supervisor of Zhongyuan Bank Co., Ltd. (listed on the Hong Kong Stock Exchange, stock code: 01216) from December 2014 to October 2023. Mr. LI had served as the vice principal of Henan University, the principal of Henan College of Finance and the principal of Henan University of Economics and Law. In addition, Mr. LI was granted the special allowance from the State Council in 1997, accredited as a National Young and Middle-aged Expert with Outstanding Contributions (國家有突出貢獻中青年專家) in 1998 and granted the title of "Accomplished Entrepreneurs among the New Generation of Overseas Chinese (新橋成功創業人士)" by All-China Federation of Returned Overseas Chinese (中華全國歸國華僑聯合會) in 2003.

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

Mr. SONG Ke holds a bachelor of economics in finance and a doctor of economics in finance from Renmin University of China (Beijing, China).

Mr. SONG has served as an independent non-executive Director of the Bank since January 2022. He has served as a lecturer in the Faculty of Monetary Finance of the School of Finance of Renmin University of China (中國人民大學財政金融學院貨幣金融系) since September 2015, a council director and deputy director of the International Monetary Institute of Renmin University of China (中國人民大學國際貨幣研究所) since January 2014, an independent non-executive director of Bank of Guizhou Co., Ltd. (貴州銀行股份有限公司) (listed on the Hong Kong Stock Exchange, stock code: 06199) since August 2018, and the deputy director of the Academic Affairs Office of Renmin University of China since July 2022. In addition, Mr. SONG had served as league secretary general and deputy party secretary of the School of Finance and a post-doctoral researcher of the School of Statistics of Renmin University of China, deputy commissioner of the Banking Commission of the Guizhou People's Government Finance Office (貴州省政府金融辦銀行處) and an external Supervisor of the Bank.

Ms. LI Shuk Yin Edwina holds a bachelor's degree with honours in accounting from University of Exeter (UK), a postgraduate diploma in enterprise risk management from HKU School of Professional and Continuing Education, a master's degree in risk management from Glasgow Caledonian University (UK), and a master's degree in social sciences in the field of sustainability leadership and governance from The University of Hong Kong. She is a fellow of the Institute of Chartered Accountants in England and Wales and a fellow of the Hong Kong Institute of Certified Public Accountants.

Ms. LI has served as an independent non-executive Director of the Bank since December 2021. She has served as an independent non-executive director of China CITIC Bank International Limited since September 2018, a director of Elite Beam Limited since February 2017, an independent non-executive director of China Everbright Environment Group Limited (listed on the Hong Kong Stock Exchange, stock code: 00257) since May 2022, an external supervisor of PICC Property and Casualty Company Limited (listed on the Hong Kong Stock Exchange, stock code: 02328) since January 2023, and an independent non-executive director of CNOOC Limited (listed on the Hong Kong Stock Exchange (stock code: 00883) and the Shanghai Stock Exchange (stock code: 600938)) since May 2023. Ms. LI had served as the partner in charge of audit of the China financial services business of KPMG. Ms. LI has extensive experience in accounting, capital market, market entrance, regulatory compliance related internal control and risk management in Hong Kong and China.

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

Supervisors

Mr. ZHU Zhihui graduated from CCP Henan Provincial Committee Party School (中共河南省委黨校) (Henan, China), majoring in economic management (correspondence education), and obtained a completion certificate in business strategy advanced program (經營方略高級研修班) from Peking University (Beijing, China).

Mr. ZHU has served as a Shareholder Supervisor of the Bank since June 2015. He has served as the chairman of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) since December 2005, the chairman of Zhengzhou Huida Real Estate Development Co., Ltd. (鄭州暉達房地產開發有限公司) since November 2011, and the chairman of Huida Holdings Limited (暉達控股有限公司) from January 2015 to March 2023. Previously, Mr. ZHU had served as deputy general manager of Henan Province Light Industry Economic Technology Import and Export Co., Ltd. (河南省輕工經濟技術進出口公司), general manager of Zhengzhou Huida Real Estate Development Co., Ltd. (鄭州暉達房地產開發有限公司), chairman of Zhengzhou Huida Industry (Group) Co., Ltd. (鄭州暉達實業(集團)有限公司) and chairman of Henan Huida Jiarui Property Co., Ltd. (河南暉達嘉睿置業有限公司).

Mr. XU Changsheng holds a bachelor's degree in economics from Nanjing University (Jiangsu, China), and a master's degree and a doctor's degree in economics from Wuhan University (Hubei, China).

Mr. XU has served as an external Supervisor of the Bank since June 2021. He has been teaching in Huazhong University of Science and Technology School of Economics since July 1987, serving as a professor since September 1997. Mr. XU has been serving as a committee member of China Foreign Economics Research Association (中華外國經濟學研究會) since January 1995 and concurrently as the vice president of Economy Development Society (發展經濟學分會) since September 2007, a director of China Association of Productivity Science (中國生產力學會) since January 1998, and a director of the China Institute of Private Sector (中國民營經濟研究會) since January 2014. Mr. XU served as the dean of Huazhong University of Science and Technology School of Economics.

Mr. GENG Mingzhai holds a bachelor's and master's degrees in economics from Henan University and is a professor.

Mr. GENG has served as an external Supervisor of the Bank since June 2023. He has been working at Henan University since July 1985; he has been a teacher since July 1985; he has served as the honorary director of the School of Economics, the director of the Academic Committee of the Central China Development Research Institute and the chief expert of the Henan Central China Development Research Institute since September 2019. Mr. GENG has served as an independent director of Yutong Heavy Industries Co., Ltd. (宇通重工股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600817) since January 2019 and an independent director of Central China Futures Co., Ltd. (中原期貨股份有限公司) since May 2019. He is currently a member of the 14th National People's Congress of Henan Province, a researcher of the Advisory Group of the Henan Provincial Committee of the Communist Party of China, a member of the Expert Advisory Committee of the Henan Provincial Government, a director of the China Center for International Economic Exchanges and the chairman of the Henan Private Economy Research Association. Mr. GENG had served as the director of the School of Economics of Henan University,

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

the director of the Central China Development Research Institute, an independent director of Henan Shuanghui Group Finance Co., Ltd. (河南雙匯集團財務有限公司) and an independent director of Henan Bianjing Rural Commercial Bank Company Limited (河南汴京農村商業銀行股份有限公司).

Mr. LI Huaibin holds a bachelor of engineering in food engineering from Zhengzhou Institute of Food Science (鄭州糧食學院) (currently known as the Henan University of Technology (河南工業大學)) (Henan, China) and a master's degree in finance from Zhongnan University of Economics and Law (Hubei, China). He is an economist.

Mr. LI has served as an employee Supervisor of the Bank since June 2018 and a cadre at general manager level of the Bank since November 2023. He joined the Bank in July 1997 and had served as the chief of the corporate banking department, the president of the Executive District sub-branch, the president of the Eastern District sub-branch, the president of the Xingyang sub-branch and the president of the Shangqiu branch of the Bank. Mr. LI served as the president of the Nongye Road East sub-branch of the Bank from September 2018 to November 2023. Prior to joining the Bank, Mr. LI had served as a sales manager of the sales department of Zhengzhou Grain Machinery Co., Ltd. (鄭州糧機股份有限公司).

Ms. CHEN Xinxu graduated from Kaifeng University (Henan, China), majoring in financial accounting, and The Open University of China (中央廣播電視大學), majoring in finance. She is an assistant accountant.

Ms. CHEN has served as an employee Supervisor of the Bank since June 2021 and the chief officer of the business department of the head office of the Bank since May 2021. Since March 2023, Ms. CHEN Xinxu has been the interim convener of the seventh session of the Board of Supervisors, responsible for convening and presiding over the meetings of the same. Her term of office commences from the date of approval at the meeting of the Board of Supervisors and ends on the date of election of the new chairman/chairlady of the Board of Supervisors. She joined the Bank in August 1996 and served as the head of the marketing and business department, deputy general manager of the credit approval department, and president of the Zhengtong Road sub-branch of the Bank.

Senior Management

Mr. SUN Haigang holds a bachelor of arts in marketing (advertising) and a master of economics in political economy from Henan University (Henan, China) and a doctor of economics in industrial economics from Shanghai University of Finance and Economics (Shanghai, China). He is a senior economist.

Mr. SUN has served as a vice president of the Bank since February 2018, and performed the duties on behalf of the president of the Bank during the Reporting Period. He is primarily responsible for the operation and management of the whole Bank, the asset and liability management department, the finance and accounting department, the information technology department, the institution development department, the equity investment management department, the corporate business department, the institution business department, the finance department for technological innovation, the transaction banking department and the investment banking department. Mr. SUN joined the Bank in October 2009 and served as an assistant to the president of the Bank and the

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

general manager of the strategic development department of the Board, and an assistant to the president of the Bank and the president of the Luoyang branch. Prior to joining the Bank, Mr. SUN had worked at Baoshan Iron & Steel Co., Ltd. (寶山鋼鐵股份有限公司).

Mr. FU Chunqiao graduated from Henan Institute of Finance and Economics (河南財經學院) (Henan, China), majoring in money and banking. He holds a master of law in law from Zhengzhou University (Henan, China). He is an intermediate economist.

Mr. FU has served as a vice president of the Bank since March 2019. He is responsible for the compliance department and the anti-money laundering and anti-fraud center. Mr. FU joined the Bank in August 1996, and had served as deputy manager and deputy general manager of the planning and asset department, deputy general manager and general manager of the asset operation department, director of the Office of the Board and the secretary to the Board of the Bank.

Mr. GUO Zhibin graduated from Zhengzhou University (Henan, China), majoring in finance, and Henan University (Henan, China) with the completion of the national economics postgraduate course program (國民經濟學專業研究生課程進修班). He holds a master's degree in business administration from the Asia International Open University (Macau) (Macau, China), and an EMBA degree from the Guanghua School of Management of Peking University (北京大學光華管理學院) (Beijing, China). He is an economist.

Mr. GUO has served as vice president of the Bank since December 2015, responsible for the general office, the administrative management department, the financial market department and the bills business department of the Bank. Mr. GUO joined the Bank in December 2010. He had served as assistant to the president of the Bank and the chairman of Xinzheng Zhengyin County Bank. Prior to joining the Bank, Mr. GUO had served as the manager of the general office and deputy general manager of Henan Yutai Mall Co., Ltd. (河南豫泰商廈有限公司), vice president of the Hongzhuan Road sub-branch of the Zhengzhou branch, deputy general manager of corporate business No. 2 department of the Zhengzhou branch, and the general manager of the asset security department of the Zhengzhou branch at Everbright Bank Co., Ltd. (光大銀行股份有限公司), and president of the Huanghe Road sub-branch of the Zhengzhou branch at Industrial Bank Co., Ltd. (興業銀行股份有限公司).

Mr. SUN Runhua graduated from Guangzhou College of Finance (廣州金融專科學校) (Guangzhou, China), majoring in international finance, and holds a master of business administration from Tsinghua University (Beijing, China). He is an economist.

Mr. SUN has served as the vice president of the Bank since May 2022, responsible for the innovation management and in charge of the financial institute and office of the postdoctoral research workstation. Prior to that, Mr. SUN had served in the People's Bank of China as a deputy principal staff member of the Zhengzhou regulatory office of Jinan Office, served in Former CBIRC as chief of the office secretary department and chief of the general department of Henan Office, deputy director and a party member of Jiaozuo Sub-Office, office deputy director and deputy chief of the statistical information department of Henan Office, director of the Jiyuan regulatory office, director and the party secretary of the Puyang regulatory bureau, and director of the case inspection department of Henan Office.

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

Mr. LI Lei graduated from the Party School of the Central Committee of the Communist Party of China (Beijing, China), majoring in foreign economics, and TEDA College, Nankai University (南開大學泰達學院) (Tianjin, China), majoring in finance. He is an assistant accountant.

Mr. LI has served as an assistant to the president of the Bank since November 2017. He is responsible for the retail business department, the credit card department, the financial department of small business, the channel management department, the asset management department, the operations management department and the retail line risk department of the Bank. Mr. LI joined the Bank in September 1996, and had served as deputy manager of the asset security department and the credit department, deputy general manager of the risk management department, deputy general manager of the credit approval department of the head office, president of the Zidong sub-branch, president of the Baolongcheng sub-branch, president of the Xinzheng sub-branch, general manager of the corporate business department of the head office, president of the Xinxiang branch and president of the Luoyang branch. Prior to joining the Bank, Mr. LI had worked at Zhengzhou Urban Credit Cooperatives.

Mr. ZHANG Houlin holds a bachelor of economics in accounting from Zhengzhou Shengda University of Economics, Business & Management (鄭州大學升達經貿學院) (Henan, China), and a master's degree in senior executive business administration from Nankai University (Tianjin, China). He is an accountant.

Mr. ZHANG has served as an assistant to the president of the Bank since November 2017. He is primarily responsible for the asset security department and the large-value asset management department. Mr. ZHANG joined the Bank in August 1999, and served as president of the Longhai East Road sub-branch, president of the Dengfeng sub-branch, president of the Anyang branch, and president of the Nanyang branch.

Ms. LI Hong graduated from Henan Sports School (河南省體育運動學校) (Henan, China) majoring in physical education, Zhengzhou Workers' University (鄭州市職工大學) (Henan, China) majoring in computer accounting, China Central Radio and Television University (中央廣播電視大學) majoring in law, and Nankai University (Tianjin, China) with a master's degree in senior executive business administration. She is an assistant accountant.

Ms. LI has served as an assistant to the president of the Bank since March 2019 and chairwoman of the labor union of the Bank since May 2021. She is mainly responsible for the affairs of the security department, the centralized procurement department and the labor union. Ms. LI joined the Bank in August 1996 and had served as president of Xijiancai sub-branch, president of Jinyicheng sub-branch, and president of the Zhongyuan Road sub-branch. Prior to joining the Bank, Ms. LI had served at the Longhai Urban Credit Cooperatives in Zhengzhou.

Mr. LIU Jiuqing graduated from Henan Business College (河南商業高等專科學校) (now merged into Henan University of Animal Husbandry & Economy (河南牧業經濟學院), Henan, China), majoring in public relations and secretarial work, and Nankai University (Tianjin, China), majoring in finance. He is an assistant economist.

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

Mr. LIU has served as an assistant to the president of the Bank since March 2019. He is mainly responsible for the credit approval department, the credit management department, the consumer rights and interests protection department and the case management department. Mr. LIU joined the Bank in May 2012 and had served successively as director of the No. 3 market development department, general manager of the trade finance department and director of the No. 3 market development department, and general manager of the trade finance department of the Bank. Prior to joining the Bank, Mr. LIU had served as deputy manager and manager of the corporate department, assistant to the president, and vice president of Huanghe Road sub-branch of Zhengzhou Branch of Guangfa Bank.

Ms. WANG Yanli graduated from Zhongzhou University (中州大學) with a major in household appliances. She holds a bachelor's degree in finance from Zhengzhou University (鄭州大學) and a master's degree in business administration from Kunming University of Science and Technology (昆明理工大學). She is a senior accountant and a senior economist.

Ms. WANG has served as the chief risk officer of the Bank since February 2018. She is primarily responsible for assisting in charge of the administration and management department and the consumer rights and interests protection department of the Bank. Ms. WANG joined the Bank in August 1996, and had successively served as vice president of the Jinhai Avenue sub-branch, president of the Jinhai Avenue sub-branch, president of the Dashiqiao sub-branch, director of the business department of the head office, general manager of the risk management department, general manager of the credit approval department, chief risk management officer and general manager of Zhengzhou management department of the Bank. Prior to joining the Bank, Ms. WANG worked at the North Electric Power Section of Zhengzhou Railway Bureau (鄭州鐵路局北電務段) and Zhengzhou Urban Credit Cooperatives.

For further information on the current Directors, Supervisors and senior management, please also refer to the section headed "1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR DIRECT SHAREHOLDINGS" of this chapter. For the positions of each Director in each special committee of the Board of the Bank, please also refer to the section headed "5 THE SPECIAL COMMITTEES OF THE BOARD OF DIRECTORS" in the chapter headed "CORPORATE GOVERNANCE" of this Report.

Company Secretary

Dr. NGAI Wai Fung holds an honours bachelor's degree in law from University of Wolverhampton (U.K.), a master's degree in business administration from Andrews University (U.S.), a master's degree in corporate finance from Hong Kong Polytechnic University, and a doctoral degree in finance from Shanghai University of Finance and Economics. He is a fellow of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries), a fellow of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators), a member of The Hong Kong Institute of Certified Public Accountants, a fellow of The Association of Chartered Certified Accountants in the United Kingdom, and a member of The Chartered Institute of Arbitrators.

Dr. NGAI has served as the company secretary of the Bank since July 2023, and served as one of the joint company secretaries of the Bank from February 2022 to July 2023. Dr. NGAI is a director and the chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited.

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

4.2 Positions of Current Directors, Supervisors and Senior Management Held in Shareholder Units

Name of the Incumbent	Name of Shareholder Unit	Position Held in Shareholder Unit	Term of Office	Remuneration Allowance from Shareholder Unit
LIU Bingheng (劉炳恒)	Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	Director of the financial operation center	Since October 2015	Yes
ZHU Zhihui (朱志暉)	Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Chairman	Since December 2005	No

4.3 Positions of Current Directors, Supervisors and Senior Management Held in Other Units (Excluding Shareholder Units)

Name of the Incumbent	Name of Other Unit	Position Held in Other Unit	Term of Office	Remuneration Allowance from Other Unit
WANG Dan (王丹)	Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司)	Proposed member of the senior management	Since May 2021	No
WANG Dan (王丹)	Tus S&T Service (Henan) Co., Ltd. (啟迪科技服務(河南)有限公司)	Chairlady of the board of supervisors	Since August 2020	Yes
WANG Dan (王丹)	Zhengzhou Investment Group Co., Ltd. (鄭州市投資集團有限公司)	Director	Since March 2023	No
WANG Shihao (王世豪)	Shanghai National Accounting Institute	Part-time professor	Since July 2010	No
WANG Shihao (王世豪)	Shanghai Jiao Tong University	Part-time professor of the Overseas Education College	Since January 2011	No
WANG Shihao (王世豪)	Shanghai University of Finance and Economics	Part-time professor of College of Business	Since May 2013	No
WANG Shihao (王世豪)	Bank of Lanzhou Co., Ltd.	Independent director	Since June 2016	Yes
WANG Shihao (王世豪)	Shanghai Shinovation Capital Corporation Co., Ltd. (上海城創投資管理股份有限公司)	Independent director	Since January 2019	Yes
LI Yanyan (李燕燕)	Zhengzhou University	Professor	Since May 2008	Yes
		Director and editor-in-chief of the school newspaper editorial department	Since January 2015	Yes
LI Xiaojian (李小建)	Zhongyuan Bank Co., Ltd.	External Supervisor	From December 2014 to October 2023	Yes

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

Name of the Incumbent	Name of Other Unit	Position Held in Other Unit	Term of Office	Remuneration Allowance from Other Unit
SONG Ke (宋科)	Renmin University of China	Council director and deputy director of the International Monetary Institute	Since January 2014	No
		Lecturer of the Faculty of Monetary Finance of the School of Finance	Since September 2015	Yes
		Deputy director of the Academic Affairs Office	Since July 2022	No
SONG Ke (宋科)	Bank of Guizhou Co., Ltd.	Independent non-executive director	Since August 2018	Yes
LI Shuk Yin Edwina (李淑賢)	China CITIC Bank International Limited	Independent non-executive director	Since September 2018	Yes
LI Shuk Yin Edwina (李淑賢)	Elite Beam Limited	Director	Since February 2017	No
LI Shuk Yin Edwina (李淑賢)	China Everbright Environment Group Limited	Independent non-executive director	Since May 2022	Yes
LI Shuk Yin Edwina (李淑賢)	PICC Property and Casualty Company Limited	External Supervisor	Since January 2023	Yes
LI Shuk Yin Edwina (李淑賢)	CNOOC Limited (中國海洋石油有限公司)	Independent non-executive director	Since May 2023	Yes
ZHU Zhihui (朱志暉)	Zhengzhou Huida Real Estate Development Co., Ltd. (鄭州暉達房地產開發有限公司)	Chairman	Since November 2011	No
ZHU Zhihui (朱志暉)	Huida Holdings Limited (暉達控股有限公司)	Chairman	From January 2015 to March 2023	No
XU Changsheng (徐長生)	Huazhong University of Science and Technology School of Economics	Lecturer	Since July 1987	Yes
		Professor	Since September 1997	No
XU Changsheng (徐長生)	China Foreign Economics Research Association (中華外國經濟學研究會)	Committee member	Since January 1995	No
		Vice president of the Economy Development Society	Since September 2007	No
XU Changsheng (徐長生)	China Association of Productivity Science (中國生產力學會)	Director	Since January 1998	No
XU Changsheng (徐長生)	China Institute of Private Sector (中國民營經濟研究會)	Director	Since January 2014	No
GENG Mingzhai (耿明齋)	Henan University	Teacher	Since July 1985	Yes

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

Name of the Incumbent	Name of Other Unit	Position Held in Other Unit	Term of Office	Remuneration Allowance from Other Unit
GENG Mingzhai (耿明齋)	Henan University	Honorary director of the School of Economics, director of the Academic Committee of the Central China Development Research Institute and chief expert of the Henan Central China Development Research Institute	Since September 2019	Yes
GENG Mingzhai (耿明齋)	Yutong Heavy Industries Co., Ltd. (宇通重工股份有限公司)	Independent director	Since January 2019	Yes
GENG Mingzhai (耿明齋)	Central China Futures Co., Ltd. (中原期貨股份有限公司)	Independent director	Since May 2019	Yes
GENG Mingzhai (耿明齋)	Advisory Group of the Henan Provincial Committee of the Communist Party of China	Researcher	Since June 2023	No
GENG Mingzhai (耿明齋)	Expert Advisory Committee of the Henan Provincial Government	Member	Since December 2021	No
GENG Mingzhai (耿明齋)	China Center for International Economic Exchanges	Director	Since January 2016	No
GENG Mingzhai (耿明齋)	Henan Private Economy Research Association	Chairman	Since December 2022	No

4.4 Penalties Imposed by Securities Regulatory Authorities on Directors, Supervisors and Senior Management Who Currently Hold Positions or Resigned During the Reporting Period in the Past Three Years

The Directors, Supervisors and senior management of the Bank who currently hold positions or resigned during the Reporting Period did not have any punishments by the securities regulatory authorities in the past three years.

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

5 REMUNERATION POLICY AND ANNUAL REMUNERATION FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

5.1 Remuneration Policy

5.1.1 *The Decision-making Process*

The Bank's general meeting decides on the remuneration of Directors and Supervisors, considers and approves the remuneration measures for Directors and Supervisors, and authorizes the Remuneration and Assessment Committee of the Board to formulate the remuneration plan for the relevant Directors and Supervisors and carry out performance appraisal for final determination of remuneration. Among the Directors, Supervisors and senior management of the Bank, the remuneration and appraisal of those included in the scope of responsible persons of state-owned enterprises under the municipal administration of Zhengzhou City is implemented in accordance with relevant provisions on the remuneration and appraisal of responsible persons of key state-owned enterprises under the municipal administration of Zhengzhou City; and the remuneration and appraisal of those not included in the scope of responsible persons of state-owned enterprises under the municipal administration of Zhengzhou City is subject to consideration by the Board or the Board of Supervisor in accordance with the provisions of relevant remuneration and appraisal systems of the Bank. The remuneration and appraisal of employee Supervisors serving as middle management is implemented based on the decision-making procedures provided in the staff remuneration management systems of the Bank.

5.1.2 *Determination Basis*

Among the Directors, Supervisors and senior management, the remuneration of those included in the scope of responsible persons of state-owned enterprises under the municipal administration of Zhengzhou City is implemented in accordance with the remuneration management regulations on responsible persons of state-owned enterprises under the municipal administration; and the remuneration of those not included in the scope of responsible persons of state-owned enterprises under the municipal administration of Zhengzhou City is implemented in accordance with guidelines of regulatory authorities and the Administrative Measures on Remuneration and Performance for Directors and Supervisors at Governance Level (《治理層董監事薪酬績效管理辦法》), the Administrative Measures on Remuneration and Performance for Senior Management at Operation Level (《經營層高管薪酬績效管理辦法》), the Administrative Measures on the Deferred Payment and Recourse and Deduction of Performance-based Remuneration (《績效薪酬延期支付與追索扣回管理辦法》) and other relevant measures of the Bank. The remuneration of employee Supervisors serving as middle management is implemented in accordance with relevant provisions of the staff remuneration management systems of the Bank.

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

The Bank remunerates non-executive Directors and independent non-executive Directors according to the payment plan for allowances of the non-executive Directors and remuneration of independent non-executive Directors, and remunerates the Shareholder Supervisors and external Supervisors based on the payment plan for allowances of Shareholder Supervisors and remuneration of external Supervisors. The remuneration standard of other Supervisors is implemented in accordance with relevant measures of the Bank.

5.1.3 Actual Payments

Among the Directors, Supervisors and senior management, the remuneration of those included in the scope of responsible persons of state-owned enterprises under the municipal administration of Zhengzhou City in 2023 is subject to the appraisal of superior authorities; and the remuneration of those not included in the scope of responsible persons of state-owned enterprises under the municipal administration of Zhengzhou City in 2023 is subject to appraisal after the annual financial audit report of the Bank is considered and approved by the Board. The remuneration of employee Supervisors serving as middle management is determined in accordance with the remuneration management measures and appraisal results of the Bank.

The allowances of non-executive Directors, independent non-executive Directors, Shareholder Supervisors and external Supervisors are paid monthly according to the allowance standards.

5.2 Remuneration for Directors, Supervisors and Senior Management

Unit: RMB'000

Name	Position	Status	Total remuneration	
			from the Bank (before tax) during the Reporting Period	Whether obtained remuneration from the related parties of the Bank
ZHAO Fei	Chairman and Executive Director	In office	462	No
WANG Dan	Non-executive Director	In office	-	Yes
LIU Bingheng	Non-executive Director	In office	-	Yes
WANG Shihao	Non-executive Director	In office	192	Yes
LI Yanyan	Independent Non-executive Director	In office	210	No
LI Xiaojian	Independent Non-executive Director	In office	210	Yes
SONG Ke	Independent Non-executive Director	In office	210	Yes

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

Name	Position	Status	Total remuneration	
			from the Bank (before tax) during the Reporting Period	Whether obtained remuneration from the related parties of the Bank
LI Shuk Yin Edwina	Independent Non-executive Director	In office	210	Yes
ZHU Zhihui	Shareholder Supervisor	In office	60	Yes
XU Changsheng	External Supervisor	In office	180	No
GENG Mingzhai	External Supervisor	In office	98	Yes
LI Huaibin	Employee Supervisor	In office	1,103	No
CHEN Xinxiu	Employee Supervisor	In office	1,262	No
SUN Haigang	Vice President	In office	1,533	No
FU Chunqiao	Vice President	In office	1,533	No
GUO Zhibin	Vice President	In office	1,533	No
SUN Runhua	Vice President	In office	1,533	No
LI Lei	Assistant to President	In office	1,447	No
ZHANG Houlin	Assistant to President	In office	1,447	No
LI Hong	Assistant to President	In office	1,447	No
LIU Jiuqing	Assistant to President	In office	1,447	No
WANG Yanli	Chief Risk Officer	In office	1,021	No
ZHAO Fei	President	Resigned	570	No
WANG Tianyu	Chairman and Executive Director	Resigned	246	No
XIA Hua	Vice chairman, Executive Director and Secretary to the Board	Resigned	810	No
JI Hongjun	Non-executive Director	Resigned	–	Yes
ZHAO Lijuan	Chairlady of the Board of Supervisors and Employee Supervisor	Resigned	–	No
MA Baojun	External Supervisor	Resigned	83	Yes
JIANG Tao	Chief Information Officer	Resigned	1,085	No
WANG Zhaoqi	Chief Auditor	Resigned	1,103	No
Total	–	–	21,035	–

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

5.3 Share Incentives Granted to Directors, Supervisors and Senior Management During the Reporting Period

There is no share option scheme in place for the Bank. During the Reporting Period, the Directors, Supervisors and senior management personnel of the Bank neither held any options nor were granted restricted share units or any forms of share incentives.

6 STAFF

6.1 Composition

As at the end of the Reporting Period, the following table sets out the composition of employees of the Bank:

	Number
Number of in-service employees of the Bank	5,329
Number of in-service employees of the subsidiaries	582
Total number of in-service employees	5,911
Total number of employees receiving remuneration during the period	5,911
Number of resigned and retired employees with costs borne	1,202

Note: The number of employees excludes dispatched employees.

By department/function

Job category	Number of employees	Percentage (%)
Corporate banking	838	14.18
Retail banking	1,787	30.23
Risk management, internal audit and legal compliance	746	12.62
Finance and accounting	1,161	19.64
I.T.	306	5.18
Business management and support	1,073	18.15
Total	5,911	100.00

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

By age

Age group	Number of employees	Percentage (%)
30 or below	1,515	25.63
31 – 40	3,463	58.59
41 – 50	642	10.86
Over 50	291	4.92
Total	5,911	100.00

By level of education

Highest level of education	Number of employees	Percentage (%)
Master's degree or above	1,216	20.57
Bachelor's degree	4,267	72.19
Associate degree	389	6.58
Others	39	0.66
Total	5,911	100.00

By gender

Gender	Number of employees	Percentage (%)
Male	2,799	47.35
Female	3,112	52.65
Total	5,911	100.00

6.2 Employee Diversity

The Bank attaches importance to employee diversity, treats employees of different gender, party, religion, nationality and race equally, and fully ensures that employees enjoy equal rights in recruitment, post adjustment, training and promotion. We appreciate and encourage differences in the workplace and create a professional, inclusive and diversified working environment. The Bank has a balanced structure of male and female employees, and will continue to maintain this to achieve the goal of gender diversity.

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

6.3 Staff Training Plan

The Bank focuses on facilitating transformation and improves the comprehensive ability and innovation ability of cadres and employees throughout the Bank, providing strong talent support for long-term development. During the Reporting Period, the Bank continued to advance the cadres' comprehensive ability training, carried out the training for middle and senior cadres based on the Bank's strategic planning and the internal core requirements of enterprises on compound management talents in middle and senior cadres in combination of the results of the survey on training demands with the focus on political literacy, macroeconomic situation, cutting-edge trends of industries and other areas, and offered training sessions such as "Macroeconomic Trends and Banking Regulatory Reform" and "Digital China Strategy and Bank Digital Transformation". Such training sessions emphasized scenario-based and case-based training methods for outstanding young employees, enabling them to broaden their macroeconomic perspectives, and enhance their capabilities in general positions and frontline leadership. It stepped up the effort to nurture talents of all levels and improved all employees' capability to undertake the duties of their positions; focused on the improvement of capabilities of new employees hired through on-campus recruitment and staff reserves, and rotational training on operations and risks business lines; strengthened the construction of internal trainer team, and adopted the way of combining competition and training to develop internal trainer training.

6.4 Remuneration Policy for Staff

The Bank adheres to the principles of "fairness, competition and incentivization" in formulating its remuneration policy. In other words, the remuneration policy shall be able to reflect external fairness, internal fairness and individual fairness of salary; it shall be conducive to enhancing our market competitiveness and attractiveness to talented people. When adjusting its remuneration structure, the Bank makes corresponding adjustments for positions whose remunerations are far below the market level based on the results of a market salary survey. The remuneration policy shall also be able to make our salary more incentivized, namely to motivate our employees by incorporating floating wages and performance-linked bonus and other incentive components into our salary packages, and to provide employees at different positions with equal promotion opportunities by designing different promotion channels. In accordance with regulatory requirements and business management needs, the Bank has established mechanisms related to deferred payment of salary and recourse and deduction of bonus and salary, so as to improve the salary-based incentive and restraint mechanism and mitigate various business and management risks. The Bank makes social insurance contributions and housing provident fund contributions and provides other employee benefit packages for employees in accordance with applicable laws, rules and regulations of the PRC, and establishes a corporate annuity system and a supplementary medical fund to improve the pension payment and medical security of employees. For details, please refer to (a) Accrued staff costs of Other liabilities in Note 30. to the financial statements in the chapter headed "Independent Auditor's Report" of this Report.

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

6.5 Labor Outsourcing

As at the end of the Reporting Period, the Bank had 317 dispatched employees. The positions assigned to dispatched employees were mainly auxiliary positions such as integrated tellers, lobby managers, voucher scanning personnel, file input personnel and drivers. The Bank's unified management systems on vacation, induction, training, etc., also apply to the dispatched employees. The salaries of the dispatched employees were determined based on their performance assessment results. The Bank assesses the dispatched employees regularly and transfers the dispatched employees to official staff in proportion based on merit.

7 BASIC INFORMATION OF INSTITUTIONS UNDER THE BANK

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

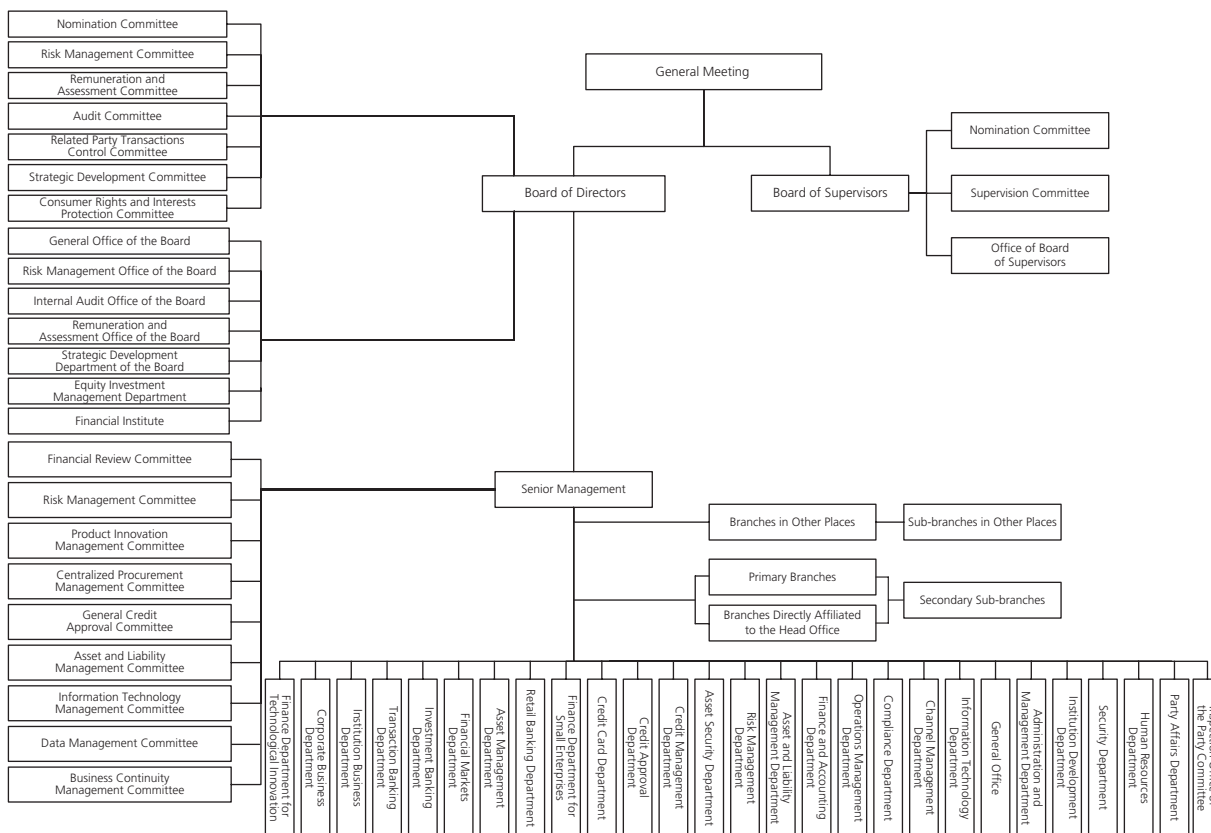
Region	Name of institutions	Business address (China)	Number of its affiliated institutions	Number of employees	Asset size (RMB' 000)
Zhengzhou, Henan	Headquarters	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province	116 branch institutions in district of Zhengzhou for conducting external business and 66 institutions in other prefectural-level cities in Henan for conducting external business	5,329	594,678,540
Zhengzhou, Henan	Branch institutions in Zhengzhou for conducting external businesses directly managed by the headquarters	-	99 institutions for conducting external business	3,714	447,496,621
Zhengzhou, Henan	Small Business Financial Service Centre	Room 102, 1-2/F and Room 301-309, 3/F, 4A, North of Longhu Zhonghuan South Road and East of Jiuru Road, Zhengdong New District, Zhengzhou City, Henan Province	17 institutions for conducting external business	340	28,361,601
Nanyang, Henan	Nanyang branch	The junction of Zhongjing Road and Fanli Road, Wancheng District, Nanyang City, Henan Province	10 institutions for conducting external business	165	8,147,549
Xinxiang, Henan	Xinxiang branch	No. 278, Xiangyang Road, Xinxiang City, Henan Province	7 institutions for conducting external business	129	8,932,382
Luoyang, Henan	Luoyang branch	Room 101, 201 and 301, Building 1, No. 210 Kaiyuan Avenue, Luolong District, Luoyang City, Henan Province	8 institutions for conducting external business	135	17,184,601

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

Region	Name of institutions	Business address (China)	Number of its affiliated institutions	Number of employees	Asset size (RMB' 000)
Anyang, Henan	Anyang branch	Yiwu International Business & Trade Mansion, the junction of Zhonghua Road and Delong Street, Andong New District, Anyang City, Henan Province	7 institutions for conducting external business	111	9,353,761
Shangqiu, Henan	Shangqiu branch	Xinfa Building (新發大廈), the northeast of the junction of Fushang Avenue and Songcheng Road, Demonstration District, Shangqiu City, Henan Province	7 institutions for conducting external business	122	8,875,954
Xuchang, Henan	Xuchang branch	Juncheng International Building (亨通君成國際大廈), the southwest of the junction of Liancheng Avenue and Weiwen Road, Weidu District, Xuchang City, Henan Province	4 institutions for conducting external business	87	11,564,417
Luohe, Henan	Luohe branch	Floor 1-5, Changjian International (昌建國際), the junction of Songshan West Branch Road and Mudanjiang Road, Yancheng District, Luohe City, Henan Province	3 institutions for conducting external business	71	5,288,056
Xinyang, Henan	Xinyang branch	Floor 1-2, Zhongle Baihua Mansion (中樂百花公館), the junction of Xinqi Avenue and Xinba Street, Yangshan New District, Xinyang City, Henan Province	5 institutions for conducting external business	98	6,390,758
Puyang, Henan	Puyang branch	The northwest of junction of Renmin Road and Kaizhou Road, Hualong District, Puyang City, Henan Province	3 institutions for conducting external business	75	7,121,659
Pingdingshan, Henan	Pingdingshan branch	The southeast of junction of Kaiyuan Road and Qinggong Road, Zhanhe District, Pingdingshan City, Henan Province	3 institutions for conducting external business	62	9,638,626
Zhumadian, Henan	Zhumadian branch	The southwest of junction of Huaihe Avenue and Tianzhongshan Avenue, Zhumadian City, Henan Province	2 institutions for conducting external business	53	6,069,507
Kaifeng, Henan	Kaifeng branch	The southeast of junction of Jinming Avenue and Hanxing Road, Kaifeng City, Henan Province	4 institutions for conducting external business	72	9,321,773
Zhoukou, Henan	Zhoukou branch	The southeast of junction of Traffic Avenue and Bayi Avenue, Zhoukou City, Henan Province	2 institutions for conducting external business	53	6,603,368
Hebi, Henan	Hebi branch	The northeast of junction of Qishui Avenue and Zihuai Lane, Qibin District, Hebi City, Henan Province	1 institution for conducting external business	42	4,327,907

CHAPTER V CORPORATE GOVERNANCE

1 COMPANY STRUCTURE DIAGRAM



Note: During the Reporting Period, based on the work requirements, the former liability determination and accountability committee was cancelled.

2 OVERVIEW OF CORPORATE GOVERNANCE

The Bank has established a relatively sound corporate governance structure, including the general meeting, the Board, the Board of Supervisors, and senior management, to regulate operation, specify duties and maintain effective balance, so as to fully protect and safeguard the legitimate rights and interests of domestic and international Shareholders and other stakeholders. During the Reporting Period, the Bank continued to enhance its corporate governance structure, various systems of corporate governance and corporate governance standards in strict accordance with the requirements of the Company Law, the Securities Law, the Corporate Governance Guidelines for Listed Companies issued by the CSRC, the SZSE Listing Rules, the Self-regulatory Guidelines for the Companies Listed on the Shenzhen Stock Exchange No. 1 – Standardized Operation of the Companies Listed on the Main Board, the Stock Exchange Listing Rules, and the Corporate Governance Code together with the Bank’s corporate governance practice. As at the end of the Reporting Period, there was no significant inconsistency between the Bank’s actual corporate governance and the Company Law and relevant provisions of the CSRC; the Bank did not receive relevant documents on rectifying the administrative supervision measures from the regulatory department within a time limit. Meanwhile, the Bank strictly abided by the code provisions set out in Part 2 of the Corporate Governance Code stipulated in Appendix

CHAPTER V CORPORATE GOVERNANCE

C1 to the Stock Exchange Listing Rules and the provisions relating to inside information disclosure. Except as disclosed in this Report and other announcements of the Bank, the Directors are not aware of any information indicating that the Bank had not complied with the code provisions set out in Part 2 of the Corporate Governance Code during the Reporting Period.

During the Reporting Period, the Bank coordinated and improved the construction of its corporate governance system by amending and optimizing the Articles of Association, the Terms of Reference of the Remuneration and Assessment Committee of the Board of Directors, the Administrative Measures for Related Party Transactions and other rules in accordance with the updated policies of the relevant laws, regulations and regulatory guidelines; continued to optimize the composition of the Board and the Board of Supervisors, completed the replacement of the Chairman of the Board and the change of an external Supervisor, commenced the supplement to the executive Directors and the addition and supplement to the non-executive Directors, and adjusted the members of the special committees of the Board by taking into consideration the actual circumstances of the adjustments to the work of Directors and Supervisors and their retirement upon reaching retirement age; strengthened the effectiveness of the performance of the Directors and Supervisors. All Directors and Supervisors have diligently performed their duties and strictly complied with the code of conduct for Directors and Supervisors, and the independent non-executive Directors have participated in important decisions and expressed their views based on their own industry experience and professional strengths. The Bank disclosed information in a true, accurate, complete and timely manner in accordance with laws, regulations, the Articles of Association and the Bank's information disclosure measures, and ensures that all Shareholders have equal access to such information. The Bank attaches great importance to the management of inside information, strictly controls the scope of personnel having access to inside information, and registers the list of personnel knowing the Bank's inside information in a timely manner. No person with knowledge of inside information has been found to illegally use inside information to trade in the Bank's Shares.

The Bank will continue to review and strengthen corporate governance in order to ensure consistent compliance with the regulatory provisions and the SZSE Listing Rules and the Stock Exchange Listing Rules and meet the higher expectations of Shareholders and investors.

The Bank's Independence from Shareholders Holding More Than 5% of the Bank's Shares in Terms of Operations, Staff, Assets, Institutional Structure and Finance

During the Reporting Period, the Bank did not have any controlling Shareholder.

- (I) Operations: The Bank operates independently from Shareholders holding more than 5% of the Bank's Shares.
- (II) Staff: The Bank operates independently in terms of staff and salary management.
- (III) Assets: The Bank has independent places of business and supporting facilities.
- (IV) Structure: The Bank has a sound institutional structure through which the Board, the Board of Supervisors and various functional departments operate independently with clear powers and functions and have no subordinate relations with the functional departments of corporate Shareholders holding more than 5% of the Bank's Shares.
- (V) Finance: The Bank sets up the independent finance department and audit department equipped with special financial and audit personnel, and established an independent accounting system and financial management system.

CHAPTER V CORPORATE GOVERNANCE

Horizontal Competition

The Bank does not have controlling Shareholders or horizontal competition with controlling Shareholders, the de facto controllers and other companies controlled by them.

3 GENERAL MEETINGS

Number, session and type	Investor participation ratio	Date of convening	Date of disclosure	Resolution of the meeting
2023 First EGM	41.45%	14 April 2023	15 April 2023	Please refer to the announcement published on the website of CNINFO by the Bank
			14 April 2023	Please refer to the announcement published on the website of Hong Kong Stock Exchange by the Bank
2022 AGM	41.98%	15 June 2023	16 June 2023	Please refer to the announcement published on the website of CNINFO by the Bank
			15 June 2023	Please refer to the announcement published on the website of Hong Kong Stock Exchange by the Bank
2023 first A shareholders class meeting	55.45%	15 June 2023	16 June 2023	Please refer to the announcement published on the website of CNINFO by the Bank
			15 June 2023	Please refer to the announcement published on the website of Hong Kong Stock Exchange by the Bank
2023 first H shareholders class meeting	7.58%	15 June 2023	16 June 2023	Please refer to the announcement published on the website of CNINFO by the Bank
			15 June 2023	Please refer to the announcement published on the website of Hong Kong Stock Exchange by the Bank

During the Reporting Period, the Bank held 1 annual general meeting, 1 extraordinary general meeting, 1 A Shareholders Class Meeting and 1 H Shareholders Class Meeting, the particulars of which are as follows:

On 14 April 2023, the Bank held the 2023 first extraordinary general meeting in Zhengzhou, Henan. In the meeting, 1 resolution regarding the election of an executive Director was considered and approved;

CHAPTER V CORPORATE GOVERNANCE

On 15 June 2023, the Bank held the 2022 AGM in Zhengzhou, Henan. In the meeting, 12 resolutions regarding the 2022 Board of Directors' work report, the 2022 Board of Supervisors' work report, the 2022 annual financial statements, the 2022 annual report and its summary, the 2023 financial budget plan, the 2022 profit distribution and capital reserve capitalization plan and etc. were considered and approved;

On 15 June 2023, the Bank held the 2023 first A shareholders class meeting in Zhengzhou, Henan. In the meeting, 1 resolution regarding the 2022 profit distribution and capital reserve capitalization plan was considered and approved; and

On 15 June 2023, the Bank held the 2023 first H shareholders class meeting in Zhengzhou, Henan. In the meeting, 1 resolution regarding the 2022 profit distribution and capital reserve capitalization plan was considered and approved.

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

During the Reporting Period, the Bank did not have any situation in which the shareholders of preference shares whose voting rights were resumed requested to convene extraordinary general meetings, convened and presided over the general meetings, or submitted provisional proposals for general meetings.

4 BOARD OF DIRECTORS

4.1 Responsibilities of the Board of Directors

As the decision-making body of the Bank, the Board of Directors is accountable to the general meeting and responsible for implementing the resolutions of the general meeting. The Board of Directors mainly exercises the following powers and rights: convening general meetings and implementing the resolutions approved at general meetings; deciding on the business development strategies, business plans and investment proposals of the Bank; formulating annual budgets, final accounts, profit distribution plans and loss recovery plans of the Bank; formulating proposals on the increase or reduction of the Bank's registered capital and the issue of bonds and other securities and the listing of the Bank; formulating proposals on material acquisitions by the Bank, repurchase of the Shares or merger, division, dissolution or change of the corporate form; deciding on external investment, acquisition and disposal of assets, pledge of assets, external guarantee, entrustment of wealth management and other matters of the Bank within the scope of authority granted by the general meetings; examining and approving the related party transactions which require approval by the Board of Directors as stipulated by the laws, administrative regulations, departmental rules, regulatory documents and regulations of securities regulatory authorities of the locality where the Bank's stocks are listed; deciding on the establishment of the Bank's internal management departments; appointing or removing the Bank's president and secretary to the Board of Directors, deciding to appoint or removing the Bank's senior management personnel including the vice presidents, assistants to the president and chief financial officer of the Bank in accordance with the recommendations of the president, and determining their remunerations, rewards and punishment; formulating the basic management systems of the Bank, deciding on the policies on risk management, internal control and compliance policy of the Bank; formulating amendment proposals on amendments to the Articles of Association, the rules of procedures of general meetings and Board meetings; proposing the appointment, dismissal or discontinuance of appointment of accounting firms at the general meeting; supervising the performance of the senior management, receiving the president's work report and examining the president's work; managing

CHAPTER V CORPORATE GOVERNANCE

the information disclosure of the Bank and taking ultimate responsibility for the completeness and accuracy of the Bank's accounting and financial reporting systems; reviewing any material capital expenditure, contract and commitment which exceeds the expenditure limit for senior management set by the Board of Directors; and other powers and rights stipulated by laws, administrative regulations, departmental rules or the Articles of Association, and those conferred by the general meetings.

As the administrative body of the Board of Directors, the office of the Board is responsible for the preparation of general meetings and the meetings of the Board of Directors and special committees of the Board of Directors, information disclosure, investor relations management and other daily affairs.

4.2 Operating Model of the Board of Directors

The Board of Directors holds at least 4 regular meetings every year and convenes extraordinary meetings when necessary. Meetings of the Board of Directors are held in the form of physical meetings or by way of telecommunication. The notices of regular Board meetings and the materials of the meeting should be sent to each Director within the specified period in accordance with the related corporate governance requirements under the regulatory provisions and the SZSE Listing Rules and the Stock Exchange Listing Rules and the Articles of Association. The detailed minutes of the meetings of the Board of Directors will be provided to all attending Directors for their review subsequent to the meetings, and shall be signed by all Directors for confirmation after proposing amendments. A good communication and reporting mechanism has been established among the Board of Directors, the Directors and senior management of the Bank. Senior management provides sufficient information for the Board and its special committees to make decisions. All Directors may seek independent professional advice with the cost borne by the Bank. The president of the Bank regularly reports to the Board and is subject to its supervision. Relevant members of senior management are invited to participate in meetings of the Board and its special committees from time to time to provide explanations or answers to inquiries. At the meetings of the Board of Directors, all Directors can present their opinions freely, and decisions on important matters should only be made after a detailed discussion. Directors with material interest or conflict in relevant proposals shall refrain from voting. Independent non-executive Directors who, together with their close associates, have no material interest in the transaction should attend the relevant Board meetings.

4.3 Members of the Board of Directors and the Board Diversity Policy

The Bank believes that the diversity of the members of the Board of Directors can improve the performance of the Bank. In designing the Board's composition, Board diversity has been considered from a number of aspects, including (but not limited to) gender, regional and industry experience, skills, knowledge and educational background, so as to ensure that the Board possesses diverse and balanced talents, skills, experience, and backgrounds. All appointments of the Directors will be based on merits and candidates will be considered against objective criteria, having due regard to the benefits of diversity to the Board.

CHAPTER V CORPORATE GOVERNANCE

The Nomination Committee of the Board will review and assess this policy as and when appropriate to ensure its effectiveness, and consider the structuring, size and composition of the Board on an annual basis as well as set the following measurable objectives, to ensure the effective implementation of this policy:

The Board should ensure that there is no gender limitation in selecting Directors;

At least one-third, and no less than 3 in total, of the Board members are independent non-executive Directors;

Board members should possess knowledge and skills in different areas;

At least 1 member of the Board of Directors has a professional in finance or accounting.

The Board will maintain a proper balance in the composition of male and female members with due regards to the expectations of stakeholders and with reference to international and local recommended best practices. The Board also strives to ensure that an appropriate proportion of the Directors possess direct experience in the core markets of the Bank and its subsidiaries as well as different ethnic backgrounds, and that such composition reflects the Bank's strategy. The Nomination Committee of the Board of Directors will discuss any amendments or amendments that may need to be made, and then submit these proposed amendments to the Board of Directors for approval. The selection of candidates for Directors by the Nomination Committee will be based on a series of diverse fields and with reference to the Bank's business model and specific needs. For the nomination policy as well as procedures for selection of Directors, please refer to the paragraph headed "Nomination Policy and Procedures for Selection of Directors" in this chapter.

As at the Latest Practicable Date, the Board comprised a total of 8 Directors, of which 1 was an executive Director namely Mr. ZHAO Fei (chairman); 3 were non-executive Directors, namely Ms. WANG Dan, Mr. LIU Bingheng and Mr. WANG Shihao; and 4 were independent non-executive Directors, namely Ms. LI Yanyan, Mr. LI Xiaojian, Mr. SONG Ke and Ms. LI Shuk Yin Edwina, including:

5 males and 3 females;

3 Directors aged under 50, 2 Directors aged 50 to 59, and 3 Directors aged 60 or above; and

2 Directors specialising in banking, 2 Directors specialising in investment and trust fund, 3 Directors specialising in teaching and research, 1 Director specialising in accounting.

Accordingly, the Board considers its members have generally achieved diversity in different aspects and they can provide the Board with independent and diverse opinions, which will promote the balanced development of the Board.

For details of each Director's term of office and changes of Directors during and after the Reporting Period as well as the overall diversity of the Bank's employees, please refer to the chapter headed "Directors, Supervisors, Senior Management, Staff and Institutions" of this Report.

CHAPTER V CORPORATE GOVERNANCE

In addition, leveraging the above methods, the Bank reviewed the structure, size and composition of the Board, and implemented effective nomination policies to select and appoint Directors who represent different ages, backgrounds, professions and functions, so as to ensure that the Board of the Bank can provide independent judgments and perspectives. In 2023, all Directors of the Bank devoted themselves to their duties, brought diverse and independent perspectives to the Board, and contributed to the efficient development of the Bank. During the year, the Board achieved and effectively maintained independence.

4.4 Chairman and President

The roles and duties of the chairman of the Board of Directors and the president are taken up by different individuals. There is a clear division of responsibilities in compliance with the requirements and recommendations of regulatory provisions and the SZSE Listing Rules and the Stock Exchange Listing Rules.

Mr. ZHAO Fei as the chairman of the Board of Directors, is mainly in charge of chairing general meetings, convening and chairing meetings of the Board of Directors; supervising and reviewing the implementation of resolutions of the Board of Directors; signing share certificates, bonds and other marketable securities of the Bank; signing important documents of the Board of Directors and other documents required to be signed by the legal representative of the Bank; exercising the duties and powers of the legal representative; ensuring that appropriate steps are taken to maintain effective contact with Shareholders and that Shareholders' opinions are conveyed to the Board; and promoting Directors (especially non-executive Directors) to make contributions to the Board, and ensuring a constructive relationship between executive Directors and non-executive Directors.

During the Reporting Period, Mr. SUN Haigang performed the duties on behalf of the president of the Bank and was mainly in charge of managing operations of the Bank, arranging the implementation of the resolutions of the meetings of the Board of Directors and reporting the work to the Board of Directors; submitting annual business plans and investment proposals to the Board of Directors and arranging the implementation upon approval by the Board of Directors; and drafting proposals on the establishment of the internal management departments, basic management systems and specific regulations of the Bank.

4.5 Responsibilities of Directors

During the Reporting Period, all Directors carefully, earnestly and diligently attended relevant meetings as specified and required by relevant laws and regulations and the Articles of Association, exercised their rights regarding the operation of the Board and resolutions of the meeting of the Board, and duly considered and voted on its resolutions and actively offered responsible suggestions and advice, which facilitated the Bank's sound and sustainable development and perfectly completed the tasks and objectives of the Board. While duly exercising their rights as Directors, they were performing their corresponding obligations to fully protect various rights of Shareholders and investors. Directors acknowledge their responsibilities for preparing the financial statements of the Bank for the year ended 31 December 2023.

The Board of Supervisors conducted evaluation of the performance of duties of the Directors during the Reporting Period and reported the results of the evaluation to the general meeting.

CHAPTER V CORPORATE GOVERNANCE

4.6 Independence and Performance of Duties of Independent Non-executive Directors

4.6.1 Confirmation of the Independence for Independent Non-executive Directors

The Bank shall have no less than three independent non-executive Directors who shall account for no less than one-third of all Directors. The Bank has formulated the Management Measures for Independent Directors (《獨立董事管理辦法》), which specifies the rights of independent non-executive Directors. We provide the requisites for independent non-executive Directors to effectively perform their duties by keeping them informed of relevant information and bearing the reasonable costs of engaging intermediaries. At the annual general meeting, each independent non-executive Director shall report on his/her work to ensure that the Board can obtain independent views and opinions.

At present, the Board consists of 4 independent non-executive Directors who possess qualification of independency, the number and percentage of independent non-executive Directors satisfy the relevant requirements of the regulatory provisions and the SZSE Listing Rules and the Stock Exchange Listing Rules. None of the independent non-executive Directors are involved in any conflict which would bring their independence into question as described in Rule 3.13 of the Stock Exchange Listing Rules. The Bank had already received the letters of annual confirmation on independence submitted by each independent non-executive Director as required by the Stock Exchange Listing Rules, and the Board believes that all independent non-executive Directors are independent and in compliance with the relevant guidelines stipulated by Rule 3.13 of the Stock Exchange Listing Rules.

The independent non-executive Directors neither have any business or financial interests in the Bank nor hold any management position in the Bank. All the incumbent independent non-executive Directors were elected for a term of three years. They may continue to serve for three years after the expiration of the term, provided that the total consecutive terms must not exceed six years.

The independent non-executive Directors account for the majority of seats in and serve as chairman of the Related Party Transactions Control Committee, Audit Committee, Nomination Committee and Remuneration and Assessment Committee of the Board.

4.6.2 Performance of Duties of Independent Non-executive Directors

During the Reporting Period, the Bank's independent non-executive Directors performed their duties diligently and faithfully with a responsible attitude towards the Bank and investors, and the duties performed were in strict compliance with the Company Law, the Securities Law, the Self-regulatory Guidelines for the Companies Listed on the Shenzhen Stock Exchange No. 1 – Standardized Operation of the Companies Listed on the Main Board, the SZSE Listing Rules, the Stock Exchange Listing Rules and other laws and regulations as well as the Articles of Association, the Administrative Measures for Independent Directors of Listed Companies (《上市公司獨立董事管理辦法》) and other relevant requirements. They actively attended Board meetings, general meetings and meetings of relevant committees, conducted on-site inspections of the Bank to more understanding

CHAPTER V CORPORATE GOVERNANCE

about the Bank's operations, internal control mechanism and the implementation of resolutions of the Board meetings, and expressed independent opinions on the profit distribution, internal control, related party transactions, nomination of candidates for Directors and other matters of the Bank, earnestly safeguarding the rights and interests of Shareholders, especially those of the public Shareholders. As at the Latest Practicable Date, the Bank has four independent non-executive Directors, at least one of whom has appropriate accounting or financial management expertise. This is in line with Rules 3.10 and 3.10A of the Stock Exchange Listing Rules.

During the Reporting Period, the Bank's independent non-executive Directors expressed independent opinions on relevant issues considered by the Board. During Board meetings, they put forward an array of opinions and suggestions, all of which were adopted or responded to by the Bank.

Time of disclosure	Subject matter	Type of opinion
15 February 2023	Independent Opinions on Related Party Transactions	Agree
22 March 2023	Independent Opinions on Resignation of the Chairman of the Board	Agree
31 March 2023	Independent Opinions on the 2022 Profit Distribution and Capital Reserve Capitalization Plan, Internal Control Self-assessment Report for 2022, the Engagement of External Audit Firm for 2023, the Special Report on Related Party Transactions in 2022 and Change in Accounting Estimates Related to ECL Approach, Independent Opinions and Special Description on External Guarantees and the Occupation of Funds by Controlling Shareholders and Other Related Parties, Independent Opinions on Remuneration of Directors, Supervisors and Senior Management	Agree
28 April 2023	Independent Opinions on 2022 Performance Appraisal Results of Executive Directors and Senior Management Personnel and 2023 Performance Appraisal Scheme for Executive Directors and Senior Management Personnel	Agree
12 July 2023	Independent Opinions on Nomination of Candidates for Executive Directors of the Seventh Session of the Board	Agree
30 August 2023	Independent Opinions and Special Description on External Guarantees and the Occupation of Funds by Controlling Shareholders and Other Related Parties, Independent Opinions on Resignation of the President and Nomination of Candidates for Non-executive Directors	Agree
–	Independent Opinions on Related Party Transactions	Agree

CHAPTER V CORPORATE GOVERNANCE

4.7 Performance of Duties by Directors

4.7.1 Meetings Convened by the Board

During the Reporting Period, the Bank held 10 meetings of the Board, seven of which were held by means of communication. At the meetings, 64 major resolutions including the Annual Work Report of the Board, Final Accounts Report, Annual Profit Distribution and Capitalization Issue Plan, and Election of the President were considered and approved.

Number and session	Date of convening	Date of disclosure	Resolutions of the meeting
The 2023 first extraordinary meeting of the seventh session of the Board	21 March 2023	22 March 2023	Considered and approved the waiver of procedural requirement with respect to giving a notice of holding of board meeting less than statutory term, the election of Mr. ZHAO Fei to perform relevant duties on behalf of the chairman, the adjustment on the composition of special committees of the Board, convening of the 2023 first extraordinary meeting, and change of authorized representative
The eighth meeting of the seventh session of the Board	30 March 2023	31 March 2023	Considered and approved 2022 Board of Directors work report, summary of operation and management work in 2022 and work plan report in 2023, 2022 Final Accounts Report, the capital expense budget for 2023, 2022 annual report and its summary, 2022 profit distribution and capital reserve capitalization plan, 2022 Social Responsibility (ESG) Report, amendments to the Articles of Association, amendments to the Working Rules for the Remuneration and Assessment Committee under the Board, amendments to Board diversity policy, general mandate of share issuance, 2022 Internal Control Self-assessment Report, 2022 Internal Control Audit Report, the Appointment of External Auditor in 2023, the Special Report on Related Party Transactions in 2022, the Amendment to the Authorization Proposal of the Board, 2023 Annual Statement on Risk Preference, optimization of the implementation system of the expected credit loss method and relevant changes in accounting estimates

CHAPTER V CORPORATE GOVERNANCE

Number and session	Date of convening	Date of disclosure	Resolutions of the meeting
The 2023 second extraordinary meeting of the seventh session of the Board	21 April 2023	22 April 2023	Considered and approved the waiver of procedural requirement with respect to giving a notice of holding of board meeting less than statutory term, and the election of chairman
The ninth meeting of the seventh session of the Board	27 April 2023	28 April 2023	Considered and approved the First Quarterly Report on Operation and Management Work of 2023, the First Quarterly Report of 2023, 2022 Performance Appraisal Results of Executive Directors and Senior Management Personnel, 2023 Performance Appraisal Scheme for Executive Directors and Senior Management Personnel, withdrawal of the nomination of Mr. LUO Jing as a non-executive Director candidate, convening of 2022 annual general meeting, 2023 First A Shareholders Class Meeting and 2023 First H Shareholders Class Meeting, 2022 Internal Capital Adequacy Assessment and Capital Adequacy Ratio Management Report, 2022 Annual Report on the Implementation of Consolidated Financial Statements Management, Comprehensive Risk Management Report for 2022, 2022 Annual Report on the Implementation of Risk Preference, 2022 Annual Risk Assessment Report, 2022 Annual Report of Anti-money Laundering, 2022 Self-assessment Report on Money-laundering and Terrorist Financing Risk, 2022 Annual Report on Compliance Management, 2022 Annual Report on Case Prevention, 2022 Self-assessment Report on Green Finance and 2022 Self-evaluation Report on the Protection of Consumer Rights and Interests

CHAPTER V CORPORATE GOVERNANCE

Number and session	Date of convening	Date of disclosure	Resolutions of the meeting
The 2023 third extraordinary meeting of the seventh session of the Board	11 July 2023	12 July 2023	Considered and approved the nomination of Mr. ZHANG Hua as a candidate for the executive Director, the appointment of Mr. ZHAO Fei to perform the duties of secretary to the Board on an interim basis, the adjustment on the composition of special committees of the Board, change of authorized representative, and Related Party Transactions Involved in Granting Credit to Henan Investment Group
The tenth meeting of the seventh session of the Board	29 August 2023	30 August 2023	Considered and approved the Report on Operation and Management Work for the First Half of 2023, 2023 interim report and its summary, the election of SUN Haigang to act as the President, the nomination of Mr. WEI Lei as a candidate for non-executive Director, the adjustment on the composition of special committees of the Board, amendments to the Administrative Measures for Related Party Transactions (《關聯交易管理辦法》), amendments to the Working Rules for Related Party Transactions Control Committee under the Board, amendments to the Implementation Rules for the Management of Welfare Expenses
The 2023 fourth extraordinary meeting of the seventh session of the Board	25 September 2023	-	Considered and approved Related Party Transactions Involved in Granting Credit to Henan Asset Management Company Limited, and adjustments on the responsibilities of the departments under head office
The 2023 fifth extraordinary meeting of the seventh session of the Board	23 October 2023	-	Considered and approved the Amendment to the Authorization Proposal of the Board

CHAPTER V CORPORATE GOVERNANCE

Number and session	Date of convening	Date of disclosure	Resolutions of the meeting
The eleventh meeting of the seventh session of the Board	30 October 2023	31 October 2023	Considered and approved the Third Quarterly Report of 2023, Comprehensive Risk Management Report for First Half of 2023, Related Party Transactions Involved in Granting Credit to Henan Guochuang Culture Development Company Limited (河南國創文化發展有限公司) and amendments to the Administrative Basic System of Anti-Money laundering and Anti-Terrorist Financing
The 2023 sixth extraordinary meeting of the seventh session of the Board	10 November 2023	–	Considered and approved Related Party Transactions Involved in Granting Credit to Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司)

4.7.2 Directors' Attendance of General Meetings and Board Meetings

Director		Attendance of general meeting(s)	Required	Attendance	Attendance for Board meetings by telecommunication	Number of attendance for Board meetings by proxy	Times of absence for Board meetings
			attendance for Board meetings	for Board meetings in person			
Executive Directors	ZHAO Fei ⁽¹⁾ (Chairman)	3	6	1	5	–	–
	WANG Tianyu ⁽²⁾	–	–	–	–	–	–
	Xia Hua ⁽³⁾	4	4	2	2	–	–
Non-executive Directors	WANG Dan ⁽⁵⁾	4	10	3	5	2	–
	LIU Bingheng	4	10	3	7	–	–
	WANG Shihao	4	10	3	7	–	–
	Ji Hongjun ⁽⁴⁾	4	6	3	3	–	–
Independent Non-executive Directors	LI Yanyan	4	10	3	7	–	–
	LI Xiaojian	4	10	3	7	–	–
	SONG Ke	4	10	3	7	–	–
	LI Shuk Yin Edwina	4	10	3	7	–	–

CHAPTER V CORPORATE GOVERNANCE

Notes:

1. The qualification of Mr. ZHAO Fei being elected as a Director was approved by Former CBIRC Henan Office on 25 May 2023. He was required to attend six board meetings during the Reporting Period.
2. Mr. WANG Tianyu resigned as the executive Director and chairman of the Bank on 21 March 2023, and there was no board meeting in which he was required to attend during the Reporting Period.
3. Mr. XIA Hua resigned as the executive Director and vice chairman of the Bank on 11 July 2023. He was required to attend four board meetings during the Reporting Period.
4. Mr. JI Hongjun resigned as the non-executive Director of the Bank on 29 August 2023. He was required to attend six board meetings during the Reporting Period.
5. During the Reporting Period, Ms. Wang Dan did not attend the board meeting in person for two consecutive times during her treatment and recuperation period due to personal health, but entrusted other directors to attend the meetings on her behalf according to law.

During the Reporting Period, the chairman of the Board held meeting(s) with independent non-executive Directors without the presence of other Directors.

4.7.3 Circumstances in Which Directors Raise Objections to Relevant Matters

During the Reporting Period, the Directors did not raise objections to relevant matters of the Bank.

4.7.4 Other Explanations of Directors Performing Their Duties

During the Reporting Period, all recommendations to the Bank were accepted by Directors.

5 THE SPECIAL COMMITTEES OF THE BOARD OF DIRECTORS

5.1 Strategic Development Committee

The Strategic Development Committee of the Bank currently consists of 1 executive Director (Mr. ZHAO Fei) and 2 non-executive Directors (Ms. WANG Dan and Mr. LIU Bingheng).

The Strategic Development Committee is mainly responsible for researching the Bank's long-term development strategy and significant investment decisions, setting business and management objectives and long-term development strategy for the Bank, making recommendations for the Bank's significant investment decisions, supervising and checking the implementation of annual business plans and investment plans, communicating regularly with the senior management and heads of departments in relation to the operations and risks of the Bank, providing advice and suggestions, and other matters under the authority granted by the Board.

CHAPTER V CORPORATE GOVERNANCE

Convening of Meetings

During the Reporting Period, the Strategic Development Committee of the Bank held 1 meeting, the particular of which is as follows:

Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The seventh meeting of the Strategic Development Committee of the seventh session of the Board	20 April 2023	Considered and approved the 2022 Annual Work Report of the Strategic Development Committee of the Board	-	-	-

Directors' Attendance at the Meetings of the Strategic Development Committee

Director	Required attendance	Actual attendance
ZHAO Fei	-	-
WANG Dan	1	1
LIU Bingheng	-	-
WANG Tianyu	-	-
XIA Hua	1	1
WANG Shihao	1	1

Notes:

- On 21 March 2023, Mr. WANG Tianyu ceased to serve as a Director of the Bank and hold relevant positions in the special committees of the Board. During the Reporting Period, there were no meetings of the Strategic Development Committee of the Board that he should attend; Ms. WANG Dan was appointed as a member of the Strategic Development Committee of the Board. During the Reporting Period, she should attend 1 meeting.
- On 25 May 2023, Mr. ZHAO Fei was appointed as a member of the Strategic Development Committee of the Board. During the Reporting Period, there were no meetings of the Strategic Development Committee of the Board that he should attend; Mr. WANG Shihao ceased to serve a member of the Strategic Development Committee of the Board. During the Reporting Period, he should attend 1 meeting.
- On 11 July 2023, Mr. XIA Hua ceased to serve as a Director of the Bank and hold relevant positions in the special committees of the Board. During the Reporting Period, he should attend 1 meeting of the Strategic Development Committee of the Board; Mr. LIU Bingheng was appointed as a member of the Strategic Development Committee of the Board. During the Reporting Period, there were no meetings that he should attend.

CHAPTER V CORPORATE GOVERNANCE

5.2 Risk Management Committee

The Risk Management Committee of the Bank consists of 1 non-executive Director (Mr. WANG Shihao) and 2 independent non-executive Directors (Ms. LI Yanyan and Mr. LI Xiaojian). The chairman of the Risk Management Committee is Mr. WANG Shihao, a non-executive Director.

The Risk Management Committee is mainly responsible for controlling, managing, monitoring and assessing risks of the Bank, reviewing risk control principles, objectives and policies of the Bank and reporting them to the Board of Directors for consideration and approval; reviewing risk management measures of the Bank; examining and supervising the risk management work carried out by the senior management in all aspects; conducting surveys and evaluations on risk policies, management status and risk tolerance levels of the Bank on a regular basis and reporting to the Board of Directors; providing recommendations on improving risk management and internal control of the Bank; and formulating authorization management plan for the Bank and reporting to the Board of Directors and general meetings for consideration and approval.

Convening of Meetings

During the Reporting Period, the Risk Management Committee of the Bank held 8 meetings, the particulars of which are as follows:

Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The thirteenth meeting of the Risk Management Committee of the seventh session of the Board	24 March 2023	Considered and approved the Amendment to the Authorization Proposal of the Board, 2023 Annual Statement on Risk Preference, the Disposal of Non-performing Assets, 2022 Annual Report on Case Prevention, 2022 Annual Report on Compliance Management, 2022 Annual Report on Anti-money Laundering, 2022 Annual Money Laundering and Terrorist Financing Risk Self-assessment Report, 2022 Annual Report on Business Continuity Management and Assessment, and 2022 Annual Work Report of the Risk Management Committee of the Board	-	-	-

CHAPTER V CORPORATE GOVERNANCE

Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The fourteenth meeting of the Risk Management Committee of the seventh session of the Board	20 April 2023	Considered and approved the 2022 Annual Report on Overall Risk Management, 2022 Annual Report on the Implementation of Risk Preference, and 2022 Annual Risk Assessment Report	-	-	-
The fifteenth meeting of the Risk Management Committee of the seventh session of the Board	27 June 2023	Considered and approved the Report on the Implementation of Risk Preferences in the First Quarter of 2023, the Updated Plan for the Interim ECL Model of 2023, and the Disposal of Non-performing Assets	-	-	-
The sixteenth meeting of the Risk Management Committee of the seventh session of the Board	1 September 2023	Considered and approved the Proposal on Renewal of the Bank's Recovery Plan and Disposal Plan	-	-	-
The seventeenth meeting of the Risk Management Committee of the seventh session of the Board	27 September 2023	Considered and approved the Disposal of Non-performing Assets, the Amendment to the Bank's Basic System for Anti-money Laundering and Anti-terrorism Financing Management, the Report on the Implementation of Risk Preferences in the First Half of 2023, and the Comprehensive Risk Management Report for the First Half of 2023	-	-	-
The eighteenth meeting of the Risk Management Committee of the seventh session of the Board	23 October 2023	Considered and approved the Amendment to the Authorization Proposal of the Board of the Bank	-	-	-

CHAPTER V CORPORATE GOVERNANCE

Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The nineteenth meeting of the Risk Management Committee of the seventh session of the Board	15 December 2023	Considered and approved the Disposal of Non-performing Assets, and the Report on the Implementation of Risk Preferences in the Third Quarter of 2023	-	-	-
The twentieth meeting of the Risk Management Committee of the seventh session of the Board	28 December 2023	Considered and approved the Authorization Management Measures of the Bank, the Proposal on Updating the ECL Model of the Bank at the End of 2023, and the Disposal of Non-performing Assets	-	-	-

Directors' Attendance at the Meetings of the Risk Management Committee

Director	Required attendance	Actual attendance
WANG Shihao	8	8
LI Yanyan	8	8
LI Xiaojian	5	5
JI Hongjun	3	3

Note:

- On 29 August 2023, Mr. JI Hongjun ceased to serve as a Director of the Bank or held relevant positions in the special committees of the Board. During the Reporting Period, he should attend 3 meetings of the Risk Management Committee of the Board. On the same day, Mr. LI Xiaojian was appointed as a member of the Risk Management Committee of the Board. During the Reporting Period, he should attend 5 meetings.

CHAPTER V CORPORATE GOVERNANCE

5.3 Related Party Transactions Control Committee

The Related Party Transactions Control Committee of the Bank consists of 3 non-executive Directors (Ms. LI Yanyan, Mr. LI Xiaojian and Mr. SONG Ke). The chairman of the Related Party Transactions Control Committee is Mr. SONG Ke, an independent non-executive Director.

The Related Party Transactions Control Committee is mainly responsible for the management, review and approval of related party transactions, focusing on the compliance, fairness and necessity of related party transactions and controlling the risk of related party transactions; formulating rules and management framework relating to related party transactions and submitting the same to the Board of Directors for approval; reviewing related party transactions subject to the approval of the Board of Directors and general meetings and other matters.

Convening of Meetings

During the Reporting Period, the Related Party Transactions Control Committee of the Bank held 7 meetings, the particulars of which are as follows:

Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The eighth meeting of the Related Party Transactions Control Committee of the seventh session of the Board	14 February 2023	Considered and approved the Related Party Transactions Involved in Acquisition of Equity Interest in Zhongmu Zhengyin County Bank	-	-	-
The ninth meeting of the Related Party Transactions Control Committee of the seventh session of the Board	24 March 2023	Considered and approved the Special Report on Related Party Transactions in 2022, and 2022 Annual Work Report of the Related Party Transactions Control Committee of the Board	-	-	-
The tenth meeting of the Related Party Transactions Control Committee of the seventh session of the Board	21 June 2023	Considered and approved the List of Related Parties, and Related Party Transactions Involved in Granting Credit to Henan Investment Group	-	-	-

CHAPTER V CORPORATE GOVERNANCE

Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The eleventh meeting of the Related Party Transactions Control Committee of the seventh session of the Board	15 August 2023	Considered and approved the Report on Related Party Transactions in the First Half of 2023, the Amendment to the Administrative Measures for Related Party Transactions (《關聯交易管理辦法》), and the Amendment to the Working Rules for the Related Party Transactions Control Committee of the Board (《董事會關聯交易控制委員會工作細則》)	-	-	-
The twelfth meeting of the Related Party Transactions Control Committee of the seventh session of the Board	22 September 2023	Considered and approved the Related Party Transactions Involved in Granting Credit to Henan Asset Management Company Limited (河南資產管理有限公司)	-	-	-
The thirteenth meeting of the Related Party Transactions Control Committee of the seventh session of the Board	19 October 2023	Considered and approved the Related Party Transactions Involved in Granting Credit to Henan Guochuang Cultural Development Co., Ltd. (河南國創文化發展有限公司)	-	-	-
The fourteenth meeting of the Related Party Transactions Control Committee of the seventh session of the Board	8 November 2023	Considered and approved the Related Party Transactions Involved in Granting Credit to Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd.	-	-	-

CHAPTER V CORPORATE GOVERNANCE

Directors' Attendance at the Meetings of the Related Party Transactions Control Committee

Director	Required attendance	Actual attendance
SONG Ke	7	7
LI Yanyan	7	7
LI Xiaojian	3	3
JI Hongjun	4	4

Note:

- On 29 August 2023, Mr. JI Hongjun ceased to serve as a Director of the Bank or held relevant positions in the special committees of the Board. During the Reporting Period, he should attend 4 meetings of the Related Party Transactions Control Committee of the Board. On the same day, Mr. LI Xiaojian was appointed as a member of the Related Party Transactions Control Committee of the Board. During the Reporting Period, he should attend 3 meetings.

5.4 Audit Committee

The Audit Committee of the Bank consists of 1 non-executive Director (Mr. LIU Bingheng) and 2 independent non-executive Directors (Ms. LI Shuk Yin Edwina and Mr. LI Xiaojian). The chairman of the Audit Committee is Ms. LI Shuk Yin Edwina, an independent non-executive Director. This is in line with Rule 3.21 of the Stock Exchange Listing Rules.

The Audit Committee is mainly responsible for reviewing internal control and compliance management status, financial reporting procedures and financial position, the implementation of accounting policies of the Bank, auditing the financial information of the Bank, making judgment on audited financial report and submitting it to the Board for consideration; evaluating the quality and effectiveness of external auditor's work, making recommendations on the appointment and change of external audit firm, coordinating the communications between internal audit department and external auditors; taking charge of the Bank's annual audit and overseeing the senior management to rectify the issues raised in the audit and implement audit recommendations; reviewing the internal audit status on a regular basis, directing and supervising the implementation of internal audit.

CHAPTER V CORPORATE GOVERNANCE

Convening of Meetings

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

Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The eighth meeting of the seventh session of the Audit Committee	24 March 2023	Considered and approved 2022 Annual Report (A Shares, H Shares), 2022 Internal Control Audit Report, Special Description on the Occupation of Non-operating Capital and Other Related Capital in 2022, Internal Control Self-assessment Report for 2022 and the Engagement of External Audit Firm for 2023	-	-	-
The ninth meeting of the seventh session of the Audit Committee	21 April 2023	Considered and approved the First Quarterly Report of 2023 (A Shares, H Shares) and 2022 Work Report of the Audit Committee of the Board	-	-	-
The tenth meeting of the seventh session of the Audit Committee	24 August 2023	Considered and approved 2023 Interim Report (A Shares, H Shares)	-	-	-
The eleventh meeting of the seventh session of the Audit Committee	20 October 2023	Considered and approved the Third Quarterly Report of 2023 (A Shares, H Shares)	-	-	-

Directors' Attendance at the Meetings of the Audit Committee

Director	Required attendance	Actual attendance
LI Shuk Yin Edwina	4	4
LI Xiaojian	4	4
LIU Bingheng	4	4

CHAPTER V CORPORATE GOVERNANCE

5.5 Nomination Committee

The Nomination Committee of the Bank consists of 1 non-executive Director (Ms. WANG Dan) and 2 independent non-executive Directors (Mr. LI Xiaojian and Mr. SONG Ke). The chairman of the Nomination Committee is Mr. LI Xiaojian, an independent non-executive Director.

The Nomination Committee is responsible for reviewing the structure, size and composition (including skills, knowledge, experience, diversity and independence) of the Board and the management every year, and advising the Board on proposed changes to the Board based on the strategy of the Bank; developing the criteria and procedures for selecting Directors and senior management personnel, and formulating or revising the Board diversity policy; searching for qualified candidates for Directors and submitting nominations to the Board; assessing the independence of independent non-executive Directors; conducting preliminary review of the qualifications of candidates for Directors and senior management personnel, and making recommendations to the Board; and widely searching for qualified candidates for Directors and senior management.

Convening of Meetings

During the Reporting Period, the Nomination Committee of the Bank held 5 meetings, the particulars of which are as follows:

Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The seventh meeting of the Nomination Committee of the seventh session of the Board	17 March 2023	Considered and approved the Amendments to the Board Diversity Policy	-	-	-
The eighth meeting of the Nomination Committee of the seventh session of the Board	19 April 2023	Considered and approved 2022 Work Report of the Nomination Committee of the Board	-	-	-
The ninth meeting of the Nomination Committee of the seventh session of the Board	20 April 2023	Considered and approved the Nomination of the Chairman of the Board	-	-	-
The tenth meeting of the Nomination Committee of the seventh session of the Board	6 July 2023	Considered and approved the Nomination of Mr. ZHANG Hua as an executive Director	-	-	-
The eleventh meeting of the Nomination Committee of the seventh session of the Board	11 August 2023	Considered and approved the Nomination of Mr. WEI Lei as a candidate for Director	-	-	-

CHAPTER V CORPORATE GOVERNANCE

Directors' Attendance at the Meetings of the Nomination Committee

Director	Required attendance	Actual attendance
LI Xiaojian	5	5
WANG Dan	5	5
SONG Ke	5	5

Nomination Policy and Procedures for Selection of Directors

In order to ensure a balance of skills, experience and diversity of perspectives in the Board of Directors appropriate to the Bank's business, the Nomination Committee of the Board of Directors recommends nominations of Directors to the Board of Directors in accordance with the principles of the Board diversity policy and the Bank's nomination policy. The main criteria and principles of the Bank's nomination policy include: (1) reviewing the structure, size and composition (including skills, knowledge, experience and diversity) of the Board of Directors and the management every year according to the operations and management situation, asset scale and equity structure of the Bank, and providing suggestions to the Board in relation to possible changes of the Board of Directors based on the strategy of the Bank; (2) formulating the criteria and procedures for selecting Directors and members of senior management, and providing suggestions to the Board; formulating or revising the Board diversity policy and developing the diversity of the Board of Directors in the process of personnel selection, taking into account, among other things, gender, age, culture, perspective, educational background and professional experience; (3) searching for qualified candidates for Directors and proposing nominations to the Board of Directors after due consideration of the Board diversity policy of the Bank, the requirements for being a Director of the Bank under the Articles of Association of the Bank, the Stock Exchange Listing Rules and applicable laws and regulations, as well as the contributions that relevant candidates can make to the Board of Directors in terms of qualifications, skills, experience, independence and gender diversity; (4) assessing the independence of independent non-executive Directors according to the factors set out in Rule 3.13 of the Stock Exchange Listing Rules and any other factors as may be considered appropriate by the Nomination Committee or the Board of Directors; where a proposed independent non-executive Director is proposed to serve as a director of five (or more) listed companies, whether he/she can devote enough time to the Board of Directors will be assessed.

CHAPTER V CORPORATE GOVERNANCE

The main procedures for selection of Directors of the Bank are as follows: (1) the general office of the Board and the Nomination Committee of the Board of Directors actively communicate with relevant departments of the Bank to study the Bank's demand for appointment and re-election of Directors and senior management personnel and prepare relevant written documents; (2) the Nomination Committee of the Board of Directors may extensively search for candidates for Directors and senior management personnel within the Bank and its controlled (associate) companies and talent market; (3) the Nomination Committee of the Board of Directors, after due consideration of relevant requirements, including but not limited to the nomination policy and the Board diversity policy, identifies persons who are eligible to become Board members, and assess the independence of independent non-executive Directors as appropriate; the Nomination Committee of the Board of Directors collects and understands information on the candidates including their occupations, educational background, professional titles, detailed working experience, and full-time and part-time job experience, and formulates relevant written materials; (4) the Nomination Committee solicits the nominees' written consent to their nominations, otherwise they may not be put on the list of candidates for Directors, general manager and other senior management personnel; (5) the Nomination Committee convenes meetings to review the qualifications of proposed candidates according to the job qualifications required for Directors, general manager and other senior management personnel; (6) the Nomination Committee makes recommendations and submit relevant materials to the Board of Directors on candidates for Directors and senior management personnel within a reasonable time prior to the election and re-election of Directors and appointment of senior management personnel; and (7) the Nomination Committee follows up other matters according to the decisions and feedback of the Board of Directors.

The Directors (including non-executive Directors) of the Bank shall hold office for a term of three years, upon expiration of which, they may offer themselves for re-election.

5.6 Remuneration and Assessment Committee

The Remuneration and Assessment Committee of the Bank consists of 1 non-executive Director (Mr. WANG Shihao) and 2 independent non-executive Directors (Ms. LI Yanyan and Ms. LI Shuk Yin Edwina). The chairman of the Remuneration and Assessment Committee is Ms. LI Yanyan, an independent non-executive Director.

The Remuneration and Assessment Committee is mainly responsible for reviewing the remuneration management system and policies of the Bank, studying the criteria for appraising Directors and senior management personnel, and conducting the appraisal and making proposals; making proposals to the Board in respect of the remuneration policies and structures for Directors and senior management of the Bank and the formulated remuneration policies with a view to establishing a set of formal and transparent procedures, supervising and modifying the implementation of the Bank's remuneration policies; making recommendations to the Board on the remuneration packages of individual executive Directors and senior management; reviewing the duties performed by Directors (including executive Directors) and senior management and conducting annual performance appraisal on them; reviewing and approving any share scheme (if any) of the Bank under the Stock Exchange Listing Rules.

CHAPTER V CORPORATE GOVERNANCE

Convening of Meetings

During the Reporting Period, the Remuneration and Assessment Committee of the Bank held 2 meetings, the particulars of which are as follows:

Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The fourth meeting of the Remuneration and Assessment Committee of the seventh session of the Board	8 March 2023	Considered and approved the Amendments to the Terms of Reference of the Remuneration and Assessment Committee of the Board	-	-	-
The fifth meeting of the Remuneration and Assessment Committee of the seventh session of the Board	20 April 2023	Considered and approved 2022 Work Report of the Remuneration and Assessment Committee of the Board, 2022 Performance Appraisal Results of Executive Directors and Senior Management Personnel and 2023 Performance Appraisal Scheme for Executive Directors and Senior Management Personnel	-	-	-

Directors' Attendance at the Meetings of the Remuneration and Assessment Committee

Director	Required attendance	Actual attendance
LI Yanyan	2	2
WANG Shihao	2	2
LI Shuk Yin Edwina	2	2

5.7 Consumer Rights Protection Committee

The Consumer Rights Protection Committee of the Bank consists of 1 executive Director (Mr. ZHAO Fei) and 2 non-executive Directors (Ms. WANG Dan and Mr. LIU Bingheng).

The Consumer Rights Protection Committee is mainly responsible for formulating the Bank's development goals, strategies and plans for the protection of consumer rights, deploying and coordinating for the protection of consumer rights and conducting research on major issues concerning consumer rights protection, regularly communicating with the senior management and heads of departments about consumer rights protection of the Bank and giving comments and suggestions, supervising and inspecting the implementation of the annual work plan, and other matters under the authority granted by the Board of Directors.

CHAPTER V CORPORATE GOVERNANCE

Convening of Meetings

During the Reporting Period, the Consumer Rights Protection Committee of the Bank held 2 meetings, the particulars of which are as follows:

Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The sixth meeting of the Consumer Rights Protection Committee of the seventh session of the Board	30 March 2023	Considered and approved 2022 Work Summary and 2023 Work Plan of the Department of Consumer Rights Protection, 2022 Self-evaluation Report on the Protection of Consumer Rights and Interests, 2022 Self-evaluation Report on the Protection of Financial Consumer Rights and Interests, 2023 Plan for Normalized Publicity and Education of Financial Knowledge, 2023 Work Plan for Reception and Visit of Leaders and Cadres and 2022 Work Report of the Consumer Rights Protection Committee of the Board	-	-	-
The seventh meeting of the Consumer Rights Protection Committee of the seventh session of the Board	18 December 2023	Considered and approved Report on the Regulation, Evaluation and Rectification of Consumer Rights Protection in 2022, Basic Administrative Rules for Consumer Rights Protection and Report on Analysis of Consumer Complaints for the First Three Quarters of 2023	-	-	-

CHAPTER V CORPORATE GOVERNANCE

Directors' Attendance at the Meetings of the Consumer Rights Protection Committee

Director	Required attendance	Actual attendance
ZHAO Fei	1	1
WANG Dan	1	1
LIU Bingheng	1	1
XIA Hua	1	1
JI Hongjun	1	1
WANG Shihao	1	1

Notes:

- On 25 May 2023, Mr. WANG Shihao ceased to serve as a Director of the Bank or held relevant positions in the special committees of the Board. During the Reporting Period, he should attend 1 meeting of the Consumer Rights Protection Committee of the Board; on the same day, Mr. ZHAO Fei was appointed as a member of the Consumer Rights Protection Committee of the Board. During the Reporting Period, he should attend 1 meeting.
- On 11 July 2023, Mr. XIA Hua ceased to serve as a Director of the Bank and hold relevant positions in the special committees of the Board. During the Reporting Period, he should attend 1 meeting of the Consumer Rights Protection Committee of the Board; on the same day, Mr. LIU Bingheng was appointed as a member of the Consumer Rights Protection Committee of the Board. During the Reporting Period, he should attend 1 meeting.
- On 29 August 2023, Mr. JI Hongjun ceased to serve as a Director and hold relevant positions in the special committees of the Board. During the Reporting Period, he should attend 1 meeting of the Consumer Rights Protection Committee of the Board; on the same day, Ms. WANG Dan was appointed as a member of the Consumer Rights Protection Committee of the Board. During the Reporting Period, she should attend 1 meeting.

6 CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for establishing sound corporate governance practices and procedures of the Bank. During the Reporting Period, the Board performed the following duties within its terms of reference: formulating and reviewing the Bank's corporate governance policies and practices; reviewing and monitoring the training and continuous professional development of Directors, Supervisors and senior management; reviewing and monitoring the Bank's policies and practices in respect of compliance with laws and regulatory requirements; formulating, reviewing and monitoring the codes of conduct for Directors, Supervisors and employees; and reviewing compliance with the Corporate Governance Code and the disclosure in the Corporate Governance Report.

CHAPTER V CORPORATE GOVERNANCE

7 BOARD OF SUPERVISORS

7.1 Responsibilities of the Board of Supervisors

The Board of Supervisors, as the supervisory body of the Bank, aims to protect the legitimate rights of the Bank, Shareholders, staff, depositors and other stakeholders. It is accountable to the general meeting. The duties of the Board of Supervisors include: to examine the reports of the Bank regularly compiled by the Board of Directors and submit its opinions in writing on whether these reports are authentic, accurate and complete; to consider the Bank's profit distribution plan and express opinions on whether the profit distribution plan is compliant and reasonable; to supervise the performance by and due diligence of the Board of Directors and senior management personnel of their duties, and conduct a comprehensive evaluation of their performance of duties, and report the evaluation results to the general meeting of the Bank and the regulatory authorities; to inspect and supervise financial activities of the Bank; to supervise the Bank's internal control and compliance work, and review the internal control inspection report and self-assessment report; to supervise the compliance of the Bank's appointment, dismissal and reappointment of the external auditor, the fairness of the employment terms and remuneration, and the independence and effectiveness of the external audit work; to require directors and senior management members to rectify their acts that are detrimental to the interests of the Bank, to propose the dismissal of directors or senior management personnel who violated the laws, administrative regulations, the Articles of Association or resolutions of the shareholders' general meeting, or initiate legal proceedings according to laws; to make proposals regarding the remuneration or allowance of the supervisors; to propose to convene an extraordinary general meeting and convene and preside over the shareholders' general meeting in the event that the Board of Directors has failed to fulfill its duties stipulated by the Company Law to convene and preside over the shareholders' general meeting; to make proposals to the shareholders' general meeting; to propose to convene an interim Board meeting; 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 exercise any other functions and powers conferred by applicable laws, administrative regulations, departmental rules, regulatory documents and the Articles of Association, and authorized by the shareholders' general meeting.

The Board of Supervisors has established an office as its administrative body, responsible for the preparation of meetings of the Board of Supervisors and its special committees and routine affairs.

CHAPTER V CORPORATE GOVERNANCE

7.2 Operating Model of the Board of Supervisors

This includes convening regular meetings of the Board of Supervisors, attending general meetings, attending the Board meetings and certain meetings of its special committees, attending the relevant meetings of the senior management, reviewing various documents and materials from the senior management, receiving the work report and project report of the senior management, evaluating the annual performance of Directors and the senior management, conducting investigation and research on branch institutions, carrying out a variety of special investigations, etc. Through the above work, the Board of Supervisors monitors the Bank's operation and management, risk management and internal control, as well as the performance of duties of Directors and the senior management personnel. During the Reporting Period, the Board of Supervisors duly adhered to national economic and financial policies and regulatory requirements, further strengthened the Bank's practice in the key areas such as duty performance, risk management, financial management and internal control compliance based on strategic focus and actual needs of operation and development with an approach of insisting on the combination of target-orientation and issue-orientation. The Board of Supervisors performed its statutory supervising duties in an objective, impartial, scientific and effective manner, and played a positive role in the advancement of the Bank's quality development and the improvement of corporate governance.

7.3 Members of the Board of Supervisors

At the end of the Reporting Period, the Board of Supervisors consisted of a total of 5 Supervisors, including 1 Shareholder Supervisor: Mr. ZHU Zhihui (朱志暉); and 2 external Supervisors: Mr. XU Changsheng (徐長生) and Mr. GENG Mingzhai (耿明齋); 2 employee Supervisors: Mr. LI Huaibin (李懷斌) and Ms. CHEN Xinxiu (陳新秀). The composition of the Board of Supervisors is reasonable, and is sufficiently professional and independent to ensure the effective performance of its supervisory role.

For details of the Supervisors and changes of Supervisors, please refer to the chapter headed "Directors, Supervisors, Senior Management, Staff and Institutions" of this Report.

CHAPTER V CORPORATE GOVERNANCE

7.4 Particulars of Meetings of the Board of Supervisors and Supervisor's Attendance

Convening of Meetings

During the Reporting Period, the Bank held a total of 6 Board of Supervisors meetings to consider and approved 21 major resolutions including the Annual Work Report of the Board of Supervisors, the Annual Work Report of the Special Committees of the Board of Supervisors, the Profit Distribution and Capitalization Issue Proposal, the Self-assessment Report on Internal Control and other matters.

Number and session of meeting	Date of convening	Date of disclosure	Resolutions of the meeting
The 2023 first extraordinary meeting of the seventh session of the Board of Supervisors	21 March 2023	22 March 2023	Considered and approved the Election of Interim Convener of the Seventh Session of the Board of Supervisors and the Adjustments to the Composition of the Nomination Committee of the Board of Supervisors
The eighth meeting of the seventh session of the Board of Supervisors	30 March 2023	31 March 2023	Considered and approved 2022 Work Report of the Board of Supervisors, 2022 Work Report of the Nomination Committee of the Board of Supervisors, 2022 Work Report of the Supervision Committee of the Board of Supervisors, Assessment Report of the Board of Supervisors on the performance of the Board and its members in 2022, Assessment Report on the performance of the Board of Supervisors and its members in 2022, Assessment Report of the Board of Supervisors on the performance of the senior management and its members in 2022, 2022 Annual Report and its summary, 2022 Profit Distribution and Capital Reserve Capitalization Plan, 2022 Social Responsibility (Environmental, Social and Governance) Report, Internal Control Self-assessment Report for 2022, 2022 Internal Control Audit Report and the Engagement of External Audit Firm for 2023
The ninth meeting of the seventh session of the Board of Supervisors	27 April 2023	28 April 2023	Considered and approved the First Quarterly Report of 2023 and 2022 Performance Appraisal Results of the Chairman of the Board of Supervisors
The 2023 second extraordinary meeting of the seventh session of the Board of Supervisors	19 May 2023	20 May 2023	Considered and approved the Nomination of Mr. GENG Mingzhai as a candidate for external Supervisor
The tenth meeting of the seventh session of the Board of Supervisors	29 August 2023	30 August 2023	Considered and approved 2023 Interim Report and its Summary and the Adjustments to the Composition of the Special Committees of the Board of Supervisors
The eleventh meeting of the seventh session of the Board of Supervisors	30 October 2023	31 October 2023	Considered and approved the Third Quarterly Report of 2023, and approved the Appointment of the Chairman of the Nomination Committee of the Board of Supervisors

CHAPTER V CORPORATE GOVERNANCE

Attendance at the General Meetings

During the Reporting Period, except for Mr. MA Baojun, all Supervisors attended the 2023 first extraordinary general meeting, 2022 annual general meeting, 2023 first A shareholders class meeting and 2023 first H shareholders class meeting of the Bank and supervised the legal compliance of the procedures of meetings and the voting process on-site.

Attendance at the Meetings of the Board of Supervisors

Supervisor		Required attendance	Attendance in person	Attendance by proxy
Employee Supervisors	LI Huaibin	6	6	–
	CHEN Xinxiu	6	6	–
	ZHAO Lijuan ⁽¹⁾	–	–	–
Shareholder Supervisor	ZHU Zhihui	6	6	–
External Supervisors	XU Changsheng	6	6	–
	GENG Mingzhai ⁽²⁾	2	2	–
	MA Baojun ⁽²⁾	4	2	–

Notes:

- On 21 March 2023, Ms. ZHAO Lijuan resigned as the chairperson of the Board of Supervisors and an employee Supervisor of the Bank. During the Reporting Period, there were no meetings of the Board of Supervisors that she should attend.
- On 15 June 2023, as considered and approved by the 2022 AGM of the Bank, Mr. GENG Mingzhai was elected as an external Supervisor. During the Reporting Period, he should attend 2 meetings of the Board of Supervisors; the resignation of Mr. MA Baojun came into effect. During the Reporting Period, he should attend 4 meetings of the Board of Supervisors while he has actually attended 2 meetings.

Attendance at the Meetings of the Board and the Senior Management

During the Reporting Period, the Board of Supervisors sent representatives to attend 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. The Board of Supervisors also sent representatives to attend the relevant meetings of the senior management and supervised the execution of resolutions of the Board of Directors by the senior management and the business conducted by the senior management according to the Articles of Association and the approval by the Board of Directors.

CHAPTER V CORPORATE GOVERNANCE

7.5 Special Committees of the Board of Supervisors

Special Committees of the Board of Supervisors	Chairman	Members
Nomination Committee	GENG Mingzhai	ZHU Zhihui, CHEN Xinxiu
Supervision Committee	XU Changsheng	ZHU Zhihui, LI Huaibin

The Nomination Committee of the Board of Supervisors

Primary duties of the Nomination Committee of the Board of Supervisors include: formulating the selection procedures and standards of Supervisors, preliminarily reviewing the qualifications of supervisors and making recommendations to the Board of Supervisors; supervising the process of election and appointment of Directors; conducting overall assessment on the performance of duties by the Directors, Supervisors and senior management personnel and submitting reports to the Board of Supervisors; making proposals regarding the remuneration or allowance of the supervisors; any other matters under the authority granted by the Board of Supervisors.

During the Reporting Period, the Nomination Committee of the Board of Supervisors held a total of 3 meetings to consider and approve a number of resolutions including 2022 Work Report of the Nomination Committee of the Board of Supervisors, the Board of Supervisors' 2022 Assessment Report on the Duties Performed by the Board and Its Members, Board of Supervisors and Its Members and Senior Management and Its Members.

Supervision Committee of the Board of Supervisors

The primary duties of the Supervision Committee of the Board of Supervisors are supervising the Board of Directors to establish and adhere to prudent business philosophy and value standards and formulating development strategies that align with the actual situations of the Bank; monitoring the financial activities, business decision making, risk management and internal control of the Bank; conducting an economic liability audit towards directors and senior management when necessary; examining the periodic reports of the Bank prepared by the Board of Directors and submitting its written review opinions; supervising the scientific and reasonableness of the implementation of the remuneration management policy of the Bank and the remuneration plan for the senior management members; examining the financial information that shall be disclosed by the Bank to the public; guiding the work of the internal audit department of the Bank; and other affairs authorized by the Board of Supervisors.

During the Reporting Period, the Supervision Committee of the Board of Supervisors held a total of 1 meeting, considered and approved a number of resolutions including 2022 Work Report of the Supervision Committee of the Board of Supervisors, and 2022 Annual Report and Its Summary of the Bank.

CHAPTER V CORPORATE GOVERNANCE

8 MANAGEMENT

8.1 Duties and Powers

The management, as the executive body of the Bank, is responsible to the Board of Directors and subject to the supervision of the Board of Supervisors. The division of authority and powers between the management and the Board is determined in accordance with the Articles of Association and other corporate governance documents.

The Bank has 1 president and several vice presidents and assistants to the president, all of them are appointed or removed by the Board. The president is responsible to the Board. Approved and delegated by the Board of Directors, the president of the Bank exercises the following powers and rights: to take charge of the operations management of the Bank, arrange the implementation of the resolutions of the meetings of the Board of Directors and report the work to the Board of Directors; to submit annual business plans and investment proposals to the Board of Directors and arrange the implementation upon approval by the Board of Directors; to draft proposals on the establishment of the internal management departments and basic management systems of the Bank; to formulate specific regulations of the Bank; to propose to the Board of Directors to appoint or dismiss the vice presidents, assistants to the President, financial officers and other senior management personnel; to decide to appoint or dismiss persons in charge of the internal departments and branches of the Bank other than those to be appointed or dismissed by the Board of Directors, and determine their salaries, benefits, reward and punishment according to the remuneration reward and punishment scheme set up by the Board of Directors; to approve senior management members and persons in charge of internal departments and branches to conduct operational activities; to decide on the appointment and dismissal of the Bank's staff, and on matters relating to wages, benefits, reward and punishment; to adopt emergency measures when any material emergency occurs in the Bank and report them to the banking regulatory and administrative authorities under the State Council, the Board of Directors and the Board of Supervisors immediately; and to exercise other powers and rights conferred by applicable laws, administrative regulations, departmental rules, regulatory documents, regulations of the relevant regulatory authorities and the Articles of Association as well as those granted by the Board of Directors.

8.2 Appraisal and Incentives

The Board of Directors determines the remuneration of senior management personnel of the Bank, deliberates and approves the remuneration packages for senior management personnel, and approves the Remuneration and Assessment Committee of the Board to formulate remuneration packages for senior management personnel and carry out performance appraisal for final determination of remuneration. The Bank determines the total annual remuneration of each senior management member based on the annual appraisal results on senior management in accordance with the relevant provisions of the Measures for Compensation and Performance Management of Senior Management Personnel.

CHAPTER V CORPORATE GOVERNANCE

9 COMPANY SECRETARY AND AUTHORIZED REPRESENTATIVES

On 21 March 2023, Mr. WANG Tianyu resigned as an executive Director and the chairman of the Bank, and ceased to be the authorized representative of the Bank under Rule 3.05 of the Stock Exchange Listing Rules. Upon consideration and approval at the 2023 first extraordinary meeting of the seventh session of the Board, Dr. NGAI Wai Fung was appointed as the authorized representative of the Bank and ceased to be an alternate to authorized representative. For details, please refer to the announcements dated 22 March 2023 published by the Bank on the websites of CNINFO and the Hong Kong Stock Exchange.

On 11 July 2023, Mr. XIA Hua resigned from the Bank as an executive Director, the vice chairman of the Board, the secretary to the Board, the joint company secretary and an authorized representative under Rule 3.05 of the Stock Exchange Listing Rules. Dr. NGAI Wai Fung, another joint company secretary of the Bank who possesses academic and professional qualifications as required under Rule 3.28 of the Stock Exchange Listing Rules, will remain and serve as the company secretary of the Bank. Dr. NGAI Wai Fung had received not less than 15 hours of relevant professional training during the Reporting Period in accordance with Rule 3.29 of the Stock Exchange Listing Rules. Mr. ZHAO Fei has been appointed as an authorized representative. The authorized representatives of the Bank are Mr. ZHAO Fei and Dr. NGAI Wai Fung upon the change. For details, please refer to the announcement dated 12 July 2023 published by the Bank on the website of the Hong Kong Stock Exchange.

10 SHAREHOLDERS' RIGHTS

10.1 Convening of General Meetings

Pursuant to the Articles of Association and the Rules of Procedure of General Meetings, an extraordinary general meeting should be convened within two months upon request in writing by Shareholders holding individually or collectively 10% (inclusive) or more of the voting shares of the Bank (the “**Requesting Shareholders**”).

General meetings should be convened by the Board. If the Board of Directors is unable to or unwilling to undertake its duties in convening a general meeting and the Board of Supervisors does not convene a general meeting, Shareholders individually or collectively holding more than 10% (inclusive) of the Bank's total voting Shares for more than 90 consecutive days (the “**Convening Shareholders**”) may convene and preside over the meeting on a unilateral basis.

Any proposal to the Board of Directors for the convening of a general meeting should be made in writing. The Board of Directors should, in accordance with the laws, administrative regulations and the Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of the meeting within 10 days after receiving such proposal.

In the event that the Board of Directors agrees to convene relevant meetings, the notice of relevant meetings should be issued within 5 days after the passing of the relevant resolution at the meeting of the Board of Directors. Any changes to the original proposal made in the notice require prior approval of the Shareholders concerned.

CHAPTER V CORPORATE GOVERNANCE

If the Board of Directors does not agree to convene such meetings or does not furnish any reply within 10 days after receiving such proposal, Requesting Shareholders have the right to propose to the Board of Supervisors for the convening of such meetings, provided that such proposal is made in writing.

In the event that the Board of Supervisors agrees to convene relevant meetings, the notice of relevant meetings should be issued within 5 days after receiving such request. Any changes to the original proposal made in the notice require prior approval of the Shareholders concerned.

Failure of the Board of Supervisors to issue the notice of meeting within the required period is deemed a failure of the Board of Supervisors to convene and preside over it, and Convening Shareholders may convene and preside over the meeting on a unilateral basis.

10.2 Putting Forward Proposals at General Meetings

Shareholders individually or collectively holding 3% (inclusive) or more of the total outstanding voting shares (the “**Proposing Shareholders**”) have the right to put forward proposals in writing to the Bank. The Proposing Shareholders may submit provisional proposals in writing to the convener 10 days before the general meeting is convened. The convener should issue a supplementary notice of the general meeting within 2 days after receiving the provisional proposals.

10.3 Convening of Extraordinary Board Meeting

The chairman of the Board should convene and preside over an extraordinary board meeting within 10 days upon receipt of the proposal from Shareholders representing more than one-tenth (inclusive) voting rights.

10.4 Making Inquiries to the Board

Shareholders are entitled to supervise the business activities of the Bank and make recommendations or inquiries.

Shareholders are entitled to access relevant information in accordance with the laws, administrative regulations, departmental rules, regulatory documents, relevant regulations of the securities regulatory authorities of the places where the Shares of the Bank are listed, and the Articles of Association, including:

1. obtaining a copy of the Articles of Association upon payment of the costs thereof;
2. inspecting, free of charge, and photocopying, after paying a reasonable fee, the following documents:
 - (1) all parts of the register of Shareholders;
 - (2) personal information of Directors, Supervisors, the president and other senior management personnel of the Bank;

CHAPTER V CORPORATE GOVERNANCE

- (3) the Bank's share capital;
- (4) a report showing the total nominal value, quantity, highest and lowest prices of each class of Shares repurchased by the Bank since the previous fiscal year and all costs paid by the Bank in this regard;
- (5) minutes of general meetings;
- (6) special resolutions of the Bank;
- (7) the latest audited financial statements, and reports of the Board of Directors, auditors and the Board of Supervisors; and
- (8) a copy of the latest annual return filed with the PRC company register department or other competent authorities.

A Shareholder who requests to inspect any such information or obtain relevant data should provide written documentation to the Bank certifying the class and number of Shares held by him/her in the Bank. After verifying the identity of the Shareholder, the Bank should provide the Shareholder with the relevant information as requested.

11 COMMUNICATION WITH SHAREHOLDERS

Investor Relations

The Bank's Measures on Investor Relations Management aims to further standardize and strengthen the effective communication between the Bank and both existing and potential investors, enhance investors' understanding and recognition of the Bank, and standardize the Bank's investor relations management. Thus, we are able to refine our governance, enhance our investment value, and effectively protect the legitimate rights and interests of investors, especially minority investors. The Bank attaches importance to interactions with investors, and builds a bridge of communication for investors. The Bank communicates with investors through various channels including general meetings and results presentation conferences, and timely responds to investors' questions on the "EasyIR" platform of the SZSE. The Bank arranges special personnel to answer calls from investors, timely delivers the Bank's operation and development highlights to the market, so as to guide investors' reasonable expectations of the Bank and release the Bank's investment value. Therefore, upon annual review, the management is of the view that the Measures on Investor Relations Management of the Bank can be effectively implemented.

For enquiries to the Board, convening a general meeting or submitting a resolution to the general meeting according to the preceding paragraph or expressing opinions on matters affecting the Bank, investors may contact: The general office of Board of Directors of Bank of Zhengzhou Co., Ltd.
 Address: 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan, PRC
 Tel: +86-371-67009199 Fax: +86-371-67009898
 Email: ir@zzbank.cn

CHAPTER V CORPORATE GOVERNANCE

Information Disclosure

The Board of Directors and senior management of the Bank place great importance on information disclosure. They rely on good corporate governance and sound internal control to ensure that investors have access to information in a timely and accurate manner.

In accordance with the Administrative Measures for Information Disclosure of Listed Companies (《上市公司信息披露管理辦法》), the Measures for Information Disclosure of Commercial Banks (《商業銀行信息披露辦法》), the SZSE Listing Rules and the Stock Exchange Listing Rules, the Bank performs its information disclosure obligation in accordance with the law and ensures the truthfulness, accuracy and completeness of the information disclosed. During the Reporting Period, the Bank published periodic reports and interim announcements on the websites of Hong Kong Stock Exchange, CNINFO (cninfo.com.cn) (巨潮資訊網), China Securities Journal (《中國證券報》), Shanghai Securities News (《上海證券報》), Securities Times (《證券時報》) and Securities Daily (《證券日報》) timely. Meanwhile, the full texts of the Bank's periodic reports and temporary announcements are available on the website of the Bank, and the annual reports are available for inspection by investors and stakeholders in the general office of the Board of Directors and main outlets of the Bank.

12 FINANCIAL, BUSINESS AND FAMILY RELATIONSHIP AMONG DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT PERSONNEL

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

13 SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Bank has adopted a code of conduct on terms no less exacting than the required standards in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Stock Exchange Listing Rules as the code governing securities transactions by Directors and Supervisors and relevant employees. After having made specific enquiries to all Directors and Supervisors, all Directors and Supervisors confirmed that they had complied with the above code during the Reporting Period.

The Bank is not aware of any Director, Supervisor and senior management personnel violating the restrictive share trading requirements under regulatory documents, including the Self-regulatory Guidelines for the Companies Listed on the Shenzhen Stock Exchange No. 1 – Standardized Operation of the Companies Listed on the Main Board, during the Reporting Period.

CHAPTER V CORPORATE GOVERNANCE

14 TRAINING AND RESEARCH OF DIRECTORS AND SUPERVISORS DURING THE REPORTING PERIOD

Training and Research of Directors

All Directors of the Bank are able to undertake their responsibilities, perform their duties, study relevant regulations and books in respect of the regulated operation, information disclosure, and investor relations of listed companies, and learn the latest regulatory policies and related systems, so as to improve compliance awareness and ability to perform duties. During the Reporting Period, all Directors of the Bank participated in the thematic training held by Henan Bureau of the CSRC in association with China Association for Public Companies on policy interpretation for reform of the registration system of listed companies, as well as interpretations organized by Henan Association for Public Companies for latest rules governing listed companies, warning for discipline inspection and clean governance, thematic interpretations for new provisions on the reduction of shareholdings by shareholders, directors, supervisors and senior management of listed companies, for how to promote investor relations management of listed companies in new circumstances, analysis on the macroeconomic situation of 2023 and copying strategies of enterprises, interpretations for key points of system reform for independent directors, thematic interpretations for ESG empowerment of listed companies, global economic outlook for 2024, development of listed companies and other trainings. In addition, Ms. LI Shuk Yin Edwina, an independent non-executive Director, has participated in training sessions organized by accounting firms regarding the capital market and updates on Stock Exchange Listing Rules, forums held for independent non-executive directors, as well as ESG series training sessions organized by institutes of accountants in relation to ESG strategy, communication, and reporting.

Training and Research of Supervisors

Each Supervisor of the Bank studied in depth the regulatory policies at home and abroad and the responsibilities and obligations of directors, supervisors, and senior management personnel to improve their overall quality and ability to perform their duties. During the Reporting Period, all Supervisors of the Bank participated in the thematic training held by Henan Bureau of the CSRC in association with China Association for Public Companies on policy interpretation for reform of the registration system of listed companies, training on legal cases and suggestions on performing duties by supervisors of listed companies as well as the second session of training courses in 2023 for the directors, supervisors and senior management of listed companies in Henan, and new supervisors participated in training on serving as directors, supervisors and senior management of listed companies for the first time. Some Supervisors visited the affiliated institutions and branches to conduct researches, so as to deeply understand the operation and management status and development trend of the Bank.

CHAPTER V CORPORATE GOVERNANCE

15 EXTERNAL AUDITORS

As considered and approved at the 2021 AGM held on 10 June 2022, the Bank appointed Ernst & Young Hua Ming LLP and Ernst & Young as its domestic and overseas auditors, respectively, for a term until the 2022 annual general meeting of the Bank. As considered and approved at the 2022 AGM, the Bank continued to appoint Ernst & Young Hua Ming LLP and Ernst & Young as its domestic and overseas auditors, respectively, for a term until the 2023 annual general meeting of the Bank. In 2023, the certified public accountants who signed the auditor's report of the financial statements, which was prepared in accordance with the Accounting Standards for Business Enterprises of the PRC by the Bank, were Mr. CHEN Sheng and Ms. CHEN Lijing; the certified public accountant who signed the auditor's report of the financial statements, which was prepared in accordance with the IFRS by the Bank, was Mr. Ng Chi Keung. This was the second year Ernst & Young Hua Ming LLP and Ernst & Young provided audit services for the Bank.

During the Reporting Period, the Bank paid a total of RMB4.59 million as remuneration to Ernst & Young Hua Ming LLP and Ernst & Young for their review of the Bank's interim financial statements and audit of the Bank's annual financial statements, and paid internal control audit fees for 2023 of RMB0.5 million to Ernst & Young Hua Ming LLP. Ernst & Young Hua Ming LLP's and Ernst & Young's responsibility statements on the financial reports were set out in the auditor's reports of the A Share and H Share annual reports, respectively.

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

The Audit Committee of the Board of the Bank strictly complied with relevant requirements of the CSRC, the SZSE and the Administrative Measures for State-owned Enterprises and Listed Companies to Select and Engage Accounting Firms. By fully exerting the role of the special committee, it reviewed the relevant qualifications and ability to practice of the accounting firms conducting annual audits, fully discussed and communicated with the accounting firms during the audit period of the annual report, urged the accounting firms to issue their audit reports in a timely, accurate, objective and impartial manner, and effectively performed the supervisory responsibilities of the Audit Committee of the Board to accounting firms.

Based on its assessment, the Bank considered that, in the course of conducting annual audits, Ernst & Young Hua Ming LLP and Ernst & Young had carried out independent audit in a fair and objective manner, demonstrated good professional ethics and professional competence, finished the relevant audits of the 2023 annual report of the Bank on time, their audit behaviors were standardized and orderly, and the reports issued were objective, complete, clear and timely.

16 RISK MANAGEMENT AND INTERNAL CONTROL

16.1 Procedures for Identification, Assessment and Management of Material Risks

In order to handle major emergencies in the Bank in a timely and proper manner, effectively prevent and resolve risks, and maintain financial order and social stability, the Bank continuously enhanced its risk management system, strengthened its risk management policies and system construction, and improved the operational mechanisms of the risk management committee of the Board and the risk management committee of the senior management to play their roles in the decision-making on major risks and internal control matters, while improving the comprehensive assessment system on risk management of the branches. The Bank has formulated the Administrative Measure for the Reporting of Major Emergencies (《重大突發事件報告管理辦法》), which provide that major emergencies should be classified by nature and business type and be reported, filed and managed by different departments accordingly in a timely, accurate, true and comprehensive manner.

CHAPTER V CORPORATE GOVERNANCE

16.2 Risk Management Responsibility of the Board

The Board of Directors is well aware of its responsibility for implementing risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable but not absolute guarantee against material misstatements or losses. In accordance with relevant laws and regulations including the Comprehensive Risk Management Guidelines for Financial Institutions in the Banking Industry 《銀行業金融機構全面風險管理指引》, the Guidelines for Internal Control of Commercial Banks 《商業銀行內部控制指引》, and code provisions D.2.1 and D.2.2 set out in Part 2 of the Corporate Governance Code, the Board has formulated the Basic Rules for Comprehensive Risk Management, the Measures for Risk Appetite Management, the Measures for Management of Risk Limits, the Measures for Management of Internal Control, and has established and implemented risk management and internal control systems. The Board is also responsible for timely reviewing the effectiveness of such measures and systems, reviewing risk control principles, objectives and policies of the Bank, determining the acceptable risk exposure, ensuring that the senior management takes necessary risk control measures, and supervising the senior management's monitoring and assessment of the adequacy and effectiveness of the risk management and internal control systems. The Bank reviews the effectiveness of the risk management and internal control systems of the Bank and its subsidiaries at least once a year. During the Reporting Period, the Bank has reviewed (1) risk management and internal control systems, which covered all material controls, including financial, operational and compliance controls; and (2) the adequacy of resources, staff qualifications and experience, training programmes and budget of the Bank's accounting, internal audit, financial reporting functions, as well as those relating to the Bank's ESG performance and reporting. In its annual review, the Board has considered: (1) the changes in the nature and extent of significant risks (including ESG risks) since the last annual review, and the Bank's ability to respond to changes in its business and the external environment; (2) the scope and quality of management's ongoing monitoring of risks (including ESG risks) and of the internal control systems, and the work of its internal audit function and other assurance providers; (3) the extent and frequency of communication of monitoring results to the Board which enables it to assess control of the Bank and the effectiveness of risk management; (4) significant control failings or weaknesses that have been identified during the Reporting Period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Bank's financial performance or condition; and (5) the effectiveness of the Bank's processes for financial reporting and compliance with the Stock Exchange Listing Rules. Besides, the Bank revised the Measures for Information Technology Risk Management, the Implementation Rules for Information Technology Risk Assessment, the Implementation Rules for Expected Credit Loss Approach, the Measures for Outsourcing Risk Management, the Measures for Emergency Response and Management and other systems, further enhanced the institutional responsibilities for risk governance and management process. During the Reporting Period, regular reports on risk management and internal control have been continuously reviewed, and the Risk Management Committee has reported major issues to the Board in a timely manner. Through real-time communication and handling during the year, the Board believes that (1) the risk management and internal control systems developed and implemented by the Bank were adequate and effective; and (2) the resources, staff qualifications and experience, training programmes and budget of the Bank's accounting, internal audit, financial reporting functions, as well as those relating to the Bank's ESG performance and reporting were adequate and sufficient.

CHAPTER V CORPORATE GOVERNANCE

16.3 Characteristics of the Risk Management System

The Bank has continuously established comprehensive risk management systems, improved comprehensive risk management policies and procedures, ensured the implementation of policies, conducted self-assessment of comprehensive risk management systems, and enhanced self-discipline mechanisms. We combine qualitative and quantitative methods to identify, measure, evaluate, monitor, report, control or mitigate various risks including but not limited to credit risk, market risk, liquidity risk, operational risk, reputation risk, information technology risk and major ESG-related risk, while carefully evaluating the interrelated impact between various risks. The Bank's risk management system comprises the following elements: risk management framework, risk appetite and risk limits, risk management policies and procedures, management information system, internal control and audit systems, etc.

16.4 Development and Implementation of Internal Control

During the Reporting Period, the Bank aimed at enhancing the effectiveness of internal control and compliance, constantly enhancing the establishment of systems and mechanisms, and improving the top-level design for internal control. The Bank optimized the daily supervision and inspection model of internal control and compliance, and firmly built risk prevention and control shields. The Bank built an internal control and compliance culture, and deeply rooted in a stable operation culture. Firstly, we formulated an annual compliance risk management plan to oversee the compliance risk, case prevention and control and compliance inspection tasks throughout the year. Secondly, we organized and carried out system and process sorting to promote the optimization of the internal control system structure and the streamline and efficiency of process. Thirdly, we carried out risk identification and assessment to evaluate the effectiveness of key control measures, and took adequate and appropriate measures to improve. Fourthly, we strengthened monitoring on the effectiveness of the internal control and operation, established a working mechanism for compliance risk real-time prompt, tracking and disposal. Fifthly, we cooperated to carry out internal control and compliance inspection to give full play to the advantages of the three lines of defense and improve the quality and efficiency of supervisions and inspections. Sixthly, we enhanced the development of a culture of internal control and compliance, launched the "Year of Self-discipline and Compliance Promotion" campaign, arranged for the signing of post responsibility and commitment letters, and carried out a series of trainings on internal control and compliance, continued to create a cultural atmosphere for compliance to constantly enhance the awareness of internal control and compliance among all employees.

CHAPTER V CORPORATE GOVERNANCE

16.5 Internal Control Assessment

Assessment of effectiveness

16.5.1 Particulars of Major Internal Control Defects Discovered During the Reporting Period

During the Reporting Period, the Bank found no major defects on internal control.

16.5.2 Self-assessment Report on Internal Control

Date of full-text disclosure of internal control assessment report	29 March 2024
Websites for full-text disclosure of internal control assessment report	CNINFO (www.cninfo.com.cn) Website of the Bank (www.zzbank.cn)
The proportion of the total assets of entities covered by the assessment in the total assets in the consolidated financial statements of the Bank	100.00%
The proportion of the operating income of entities covered by the assessment in the operating income in the consolidated financial statements of the Bank	100.00%

CHAPTER V CORPORATE GOVERNANCE

Defect recognition criteria

Category	Financial reports	Non-financial reports
Qualitative criteria	<p>Qualitative criteria for identifying a material weakness: a deficiency, or a combination of deficiencies, in internal control of financial reporting, such that there is a reasonable possibility that a material misstatement of financial statements will not be prevented or detected and corrected on a timely basis. Signs of material weaknesses include but are not limited to: directors, supervisors or senior management personnel commit fraud or other malpractice; there are material misstatements in the published financial statements; material or significant weaknesses in internal control of financial reporting have not been rectified; the supervision over internal control of financial reporting is ineffective.</p> <p>Qualitative criteria for identifying a significant weakness: a deficiency, or a combination of deficiencies, in internal control of financial reporting, such that there is a reasonable possibility that a misstatement of financial statements, which is not material but important enough to merit attention by the Board of Directors and the management, will not be prevented or detected and corrected on a timely basis. Signs of important weaknesses include but are not limited to: failure to select and apply accounting policies in accordance with generally accepted accounting standards, no anti-fraud procedures and control measures have been established; for the accounting treatment of unconventional or special transactions, the corresponding control mechanisms have yet to be established or implemented and there is a lack of remedial control measures; there are one or more deficiencies in the control of the financial reporting process at the end of each reporting period and there is no reasonable assurance that financial statements will be prepared in a true and complete manner.</p> <p>Qualitative criteria for identifying a general weakness: any other weakness in internal control of financial reporting that does not constitute a material or significant weakness.</p>	<p>Qualitative criteria for identifying a material weakness: a deficiency or a combination of deficiencies that has a material negative impact on legal compliance, asset safety, improvement of operating efficiency and effectiveness, achievement of development strategies and other internal control objectives. Signs of material weaknesses include but are not limited to: material decision-making mistakes; serious violations of national laws and regulations and consequent severe penalties; frequent and extensive negative news in the media; overall ineffective control systems for important business activities.</p> <p>Qualitative criteria for identifying a significant weakness: a deficiency or a combination of deficiencies that has a significant negative impact on legal compliance, asset safety, improvement of operating efficiency and effectiveness, achievement of development strategies and other internal control objectives. Signs of important weaknesses include but are not limited to: significant decision-making mistakes; serious losses arising from violation of internal rules and regulations; negative news in the media with limited impact; significant mistakes in the design and control of systems for important business activities.</p> <p>Qualitative criteria for identifying a general weakness: any other weakness in internal control over non-financial reporting activities that does not constitute a material or significant weakness.</p>

CHAPTER V CORPORATE GOVERNANCE

Defect recognition criteria

Category	Financial reports	Non-financial reports
Quantitative criteria	Quantitative criteria for identifying a material weakness: the amount of misstatement in the financial statements that may be caused by the underlying internal control weakness meets the condition that the amount of misstatement $\geq 5\%$ of the total profit before tax in the consolidated income statement for the current year.	Quantitative criteria for identifying a material weakness: the direct property loss that may be caused by the underlying internal control weakness meets the condition that the direct property loss $\geq 5\%$ of the total profit before tax in the consolidated income statement for the current year.
	Quantitative criteria for identifying a significant weakness: the amount of misstatement in the financial statements that may be caused by the underlying internal control weakness meets the condition that 0.25% of the total profit before tax in the consolidated income statement for the current year \leq amount of misstatement $< 5\%$ of the total profit before tax in the consolidated income statement for the current year.	Quantitative criteria for identifying a significant weakness: the direct property loss that may be caused by the underlying internal control weakness meets the condition that 0.25% of the total profit before tax in the consolidated income statement for the current year \leq direct property loss $< 5\%$ of the total profit before tax in the consolidated income statement for the current year.
	Quantitative criteria for identifying a general weakness: the amount of misstatement in the financial statements that may be caused by the underlying internal control weakness meets the condition that the amount of misstatement $< 0.25\%$ of the total profit before tax in the consolidated income statement for the current year.	Quantitative criteria for identifying a general weakness: the direct property loss that may be caused by the underlying internal control weakness meets the condition that the direct property loss $< 0.25\%$ of the total profit before tax in the consolidated income statement for the current year.
Number of major defects in financial reports	0	
Number of major defects in non-financial reports	0	
Number of important defects in financial reports	0	
Number of important defects in non-financial reports	0	

CHAPTER V CORPORATE GOVERNANCE

16.6 Audit Report on Internal Control

Review opinions in the audit report on internal control

Ernst & Young Hua Ming LLP is of the view that as at 31 December 2023, Bank of Zhengzhou had maintained effective internal control over its financial reporting in all material aspects in accordance with the Basic Rules for Internal Control of Enterprises and other relevant regulations.

Disclosure of the audit report on internal control	Disclosed
--	-----------

Date of full-text disclosure of the audit report on internal control	29 March 2024
--	---------------

Websites for full-text disclosure of the audit report on internal control	CNINFO (www.cninfo.com.cn) Website of the Bank (www.zzbank.cn)
---	---

Type of opinion in the audit report on internal control	Standard unqualified opinion
---	------------------------------

Whether there are major defects in non-financial reports	No
--	----

The audit report on internal control issued by the accounting firm is consistent with the self-assessment report of the Board.

17 INTERNAL AUDIT

Pursuant to the requirements of the Guidelines for Internal Audit of Commercial Banks 《商業銀行內部審計指引》 and the Guidelines for Internal Control of Commercial Banks 《商業銀行內部控制指引》, the Bank has established an independent and vertical internal audit management system where an internal audit office of the Board is established to be responsible for the organization and management of the internal audit of the Bank. The internal audit office of the Board is subordinate to the Board of the Bank and works under the leadership of the Party Committee of the Bank and the guidance of the Audit Committee of the Board, and is independent from the business operation, risk management and compliance management of the Bank.

Adhering to the principles of independence, objectivity and significance, the internal audit department of the Bank strictly fulfils audit and supervision duties and responsibilities, and carries out inspections for operation management, internal control and compliance and risk management and other aspects across the Bank. During the Reporting Period, the internal audit department of the Bank adhered to be risk-oriented, actively adjusted to the needs for risk management situation, continuously expanded the coverage of audit works, strengthened audit supervision, followed up the correction of identified audit problems, and constantly improved the quality and efficiency of internal audit.

CHAPTER V CORPORATE GOVERNANCE

18 SELF-INSPECTION AND RECTIFICATION OF PROBLEMS IN THE SPECIAL ACTION ON GOVERNANCE OF LISTED COMPANIES

The Bank found no problems in the self-inspection of problems under the special action on governance of listed companies.

19 INSIDE INFORMATION MANAGEMENT

The Board 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 truthfulness, accuracy and completeness of the information disclosed. The information disclosure of the Bank is subject to the supervision of regulators and the Board of Supervisors. The chairman of the Board is the primary person responsible for implementing the management measures for information disclosure, while the secretary to the Board is in charge of its execution and the general office of the Board deals with the daily work thereof.

The Bank enacted the Management System for Information Disclosure Affairs 《信息披露事務管理制度》 and Insider Information and Insider Registration Management System 《內幕信息及知情人登記管理制度》 based on domestic and overseas laws, regulations and other regulatory documents such as the Company Law, the Securities Law, Measures for Information Disclosure of Commercial Banks 《商業銀行信息披露辦法》, and the SZSE Listing Rules and the Stock Exchange Listing Rules, in order to ensure confidentiality of the Bank's inside information, safeguard the fairness in information disclosure and protect the legal rights of investors.

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 Management System for Information Disclosure Affairs, which also provides for the coverage, insider limits and registration, and the security management of inside information as well as punishment for divulging inside information, etc.

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 disclosing relevant information timely according to requirements. There was no incident of breaching the confidentiality of inside information.

20 AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, pursuant to the Guidelines on the Articles of Association of Listed Companies 《上市公司章程指引》, the Corporate Governance Standards for Banking and Insurance Institutions 《銀行保險機構公司治理準則》, the latest requirements on the core shareholder protection standards set out in Appendix A1 to the Stock Exchange Listing Rules, and other relevant laws, regulations and regulatory provisions, and based on the actual situation of the Bank, it was proposed that the relevant provisions of the Articles of Association be amended. The amendments were considered and approved at the 2022 AGM, subject to the approval from banking regulatory authorities. For details about the amendments, please refer to the announcements dated 31 March 2023, 28 April 2023, 23 May 2023 and 16 June 2023 published by the Bank on the website of CNINFO and the announcements dated 31 March 2023, 28 April 2023 and 15 June 2023 and the circular dated 23 May 2023 published on the website of the Hong Kong Stock Exchange.

CHAPTER V CORPORATE GOVERNANCE

21 PROTECTION OF CONSUMER RIGHTS

During the Reporting Period, the Bank conscientiously implemented the requirements of regulatory authorities such as the Former CBIRC and the PBOC and fully leveraged the coordination mechanism of various departments and actively carried out the protection of consumer rights. The Bank adhered to the people-centered development philosophy, implemented the concept of “serving the people with financial resources”, incorporated protection of consumer rights into corporate governance, construction of enterprise culture and operation and development strategies to take company development and social responsibilities into overall considerations, and constantly improved the construction of management system and system and mechanism for protection of consumer rights. The Bank penetrated the requirements on protection of consumer rights into all aspects of the business process, strengthened important measures on protection of consumer rights, constantly improved its management and services, so as to protect the legitimate rights and interests of financial consumers according to law and continue to improve the recognition and satisfaction of financial consumers.

The Bank further improved the working system and operation mechanism for protection of financial consumers' rights, and built a full range of working system for protection of consumer rights. During the Reporting Period, the Bank added and revised 10 rules and regulations on protection of consumer rights, and improved the working mechanisms for consumer rights protection review, diversified resolution of financial disputes, products and services disclosure, financial marketing and publicity behavior management, internal assessment and others. The Bank expanded the consumer rights protection team, sent the key staff involved in the protection of consumer rights and interests to attend special training courses for the protection of consumer rights and interests, carried out various training sessions related to the protection of consumer rights and interests according to the characteristics of front-line staff, and enhanced the professional competence and handling capabilities of staff involved in the protection of consumer rights and interests. The Bank strengthened the mechanism and system for complaint management, enhanced traceability governance, actively responded to customers' demands and addressed the problems reflected by customers, so as to enhance customers' satisfaction with products and services from banks. The Bank proactively assumed primary responsibility and strengthened the prevention and resolution of complaints. During the Reporting Period, the Bank handled 1,941 customer complaints with a resolving rate of 100%. The types of business received complaints were mainly focused on loans, bank cards and others. The regions that received complaints were mainly focused on Zhengzhou, Kaifeng, Shangqiu and others.

CHAPTER V CORPORATE GOVERNANCE

The Bank proactively performed its social obligation of propaganda and education on financial consumer rights protection. Through the combination of online and offline propaganda and education model, the Bank focused on consumers' concerns and demands, continued to promote financial propaganda and education from multi-levels and multi-dimensions, so as to achieve forms with warmth, contents with depth and activities with strength. During the Reporting Period, the Bank arranged and rolled out a number of publicity campaigns such as prevention of illegal fundraising, promotion on Consumer Rights Day, financial knowledge promotion month, delivering financial knowledge to thousands of households, popularizing financial knowledge activity and delivering financial knowledge to parks, to schools and to countries. Leveraging on WeChat public account, video accounts, TikTok account and other platforms, the Bank continued to share cases online, such as Risk-Related Case Study: Prevention of Pension Fraud and Risk-Related Case Study: Prevention of Campus Fraud, and sent welfare messages to "the elderly and the juvenile" and "new citizens." Offline and normalized educational propaganda was staged "in countries, in communities, on campus, in enterprises and in business districts", so as to actively fulfil social responsibilities and enhance the coverage of inclusive financial services. During the Reporting Period, 2.4 million of person-time were benefited from the educational propaganda for financial consumers by the Bank. In the Tenth Network Exhibition on Development Achievements and Annual Overall List of Financial Industries in Henan, the Bank was awarded an "Excellence Award for Educational Propaganda Service of Financial Industries in Henan for the Year 2023."

22 WHISTLE-BLOWING AND ANTI-CORRUPTION POLICIES

The Bank designated certain departments to establish an internal whistle-blowing mechanism, investigate and deal with Party members and cadres' violations of Party and government discipline, employees' violations of laws and regulations and abnormal behaviors, case clues, etc., protecting whistle-blowers. We formulated the Provisions on Further Standardizing Internal Real-Name Reporting 《關於進一步規範內部實名舉報工作的有關規定》 to promote the Bank's case prevention and control and anti-corruption and protect the legitimate rights and interests of whistle-blowers.

The Bank strictly implemented anti-corruption requirements and abided by the Regulations of the Communist Party of China on Disciplinary Measures 《中國共產黨紀律處分條例》, the Supervision Law of the People's Republic of China 《中華人民共和國監察法》 and other laws and regulations. The Bank has reformed its discipline inspection and supervision system. Zhengzhou Municipal Commission for Discipline Inspection and Supervision has set up a discipline inspection and supervision team in the Bank under its direct leadership and uniform management. During the Reporting Period, the Bank improved the swindle prevention working mechanism, carried out special training on swindle prevention to warn cadres and employees to stay true to the mission, and enhance their awareness of integrity and self-discipline and the ability to resist corruption and prevent changes.

The Bank has formulated the Administrative Measures for Bank Employees 《行員管理辦法》, which stipulates that employees are not allowed to exploit their power for personal gains or engage in power-money deals.

CHAPTER VI REPORT OF THE BOARD OF DIRECTORS

1 PRINCIPAL BUSINESS AND BUSINESS REVIEW

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

Disclosure of major activities during the Reporting Period as required by section 390 of, and further discussion and analysis of the business review as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including the key risks and uncertainties faced by the Group, the possible future development plan of the Group's business and the Bank's compliance with laws and regulations, are set out in the sections headed "Corporate Information and Major Financial Indicators", "Management Discussion and Analysis", "Significant Events" and "Report of the Board of Supervisors" of this Report. Such discussions form an integral part of this "Report of the Board of Directors".

2 PROFIT DISTRIBUTION

2.1 Formulation, Implementation or Adjustment of Profit Distribution Policy for Ordinary Shares

According to the current Articles of Association, the Bank shall give preference to cash dividend distribution with reference to the continuous profitability, compliance with regulatory requirements, and the normal operation and long-term development of the Bank. Subject to the conditions for dividend distribution as stipulated by laws and regulations, the cumulative profits available for distribution in terms of cash dividends in the last three years shall be no less than 30% of the annual average distributable profits achieved by the Bank in the last three years. If the Bank meets the cash dividend condition but has not made a cash dividend plan, or if the Bank's cumulative profits available for distribution in terms of cash dividends in the last three years is less than 30% of the annual average distributable profits realized by the Bank in the last three years, the Board of Directors shall make special explanations on the specific reasons for not paying cash dividends, the exact use of retained earnings of the company and the expected investment income and so on, then submit them to the general meeting for deliberation after the independent non-executive Directors express their opinions, and disclose them through media designated by the Bank. The Bank shall provide Shareholders with an online voting system to vote.

The Bank formulated and implemented the cash dividend policy in accordance with the requirements of laws and regulations and the Articles of Association, taking into account the Bank's actual situation and regulatory requirements. The decision-making procedures and mechanisms are well-established, in which the independent non-executive Directors have performed their duties and roles in good faith. Minority Shareholders have been given the opportunity to fully express their opinions and demands, and their legitimate rights and interests have been fully protected. During the Reporting Period, no adjustments or changes were made in cash dividend policy.

CHAPTER VI REPORT OF THE BOARD OF DIRECTORS

2.2 Profit Distribution and Capitalization Issue

The Bank's 2022 Profit Distribution and Capitalization Issue Plan: After being considered and approved by the 2022 AGM, the 2023 First A Shareholders Class Meeting and the 2023 First H Shareholders Class Meeting respectively, the Bank issued 1 new Share for every 10 Shares to the A Shareholders whose names appeared on the register of Shareholders as at 30 June 2023 and the H Shareholders whose names appeared on the register of Shareholders on 28 June 2023 by way of Capitalization Issue, resulting in a total of 826,553,759 new Shares being issued.

In 2023, net profit attributable to the parent company under the consolidated financial statements of the Bank audited by Ernst & Young Hua Ming LLP amounted to RMB1,850,117 thousand. In accordance with the requirements of the existing Accounting Standards for Business Enterprises and the Articles of Association, the audited net profit attributable to the parent company of the Bank amounted to RMB1,840,426 thousand; after deducting interests on indefinite-term capital bonds paid in November 2023 amounting to RMB480,000 thousand, the profit of the year available for distribution to Ordinary Shareholders amounted to RMB1,360,426 thousand. The proposed 2023 plan for profit distribution is as follows:

1. 10% of the net profit, equivalent to RMB184,043 thousand, will be appropriated as statutory surplus reserve;
2. RMB450,552 thousand will be appropriated as general risk reserve;
3. No cash dividends will be distributed, and no bonus Shares or new Shares will be issued by way of capitalization issue this year;
4. The remaining undistributed profit will be carried forward to next year.

The Bank did not recommend to distribute any cash dividends in 2023 mainly due to the following factors: Firstly, facing a complex and severe economic environment, the Bank thoroughly implemented the major strategic deployments of national, provinces and cities, strove to fulfill the social responsibilities as a local financial institution, and strived to serve the development of the real economy. During the Reporting Period, the Bank actively pushed forward business development, adjusted its business structure, and consolidated its customer base. At the same time, its profitability was affected by changes in foreign currency asset size and fluctuation in foreign currency exchange rates. Secondly, the foundation for economic recovery still needed to be reinforced. The Bank effectively implemented the decision-making arrangements of governments at all levels, increased the disposal of risk assets, and followed regulatory guidance that retained undistributed profits would further enhance the Bank's risk resilience and ensure the stable operation of the Bank. Thirdly, given that the requirements under the capital regulatory policies have become increasingly stringent for commercial banks, replenishing capital through internal capital became increasingly important for small and medium-sized banks to ensure capital adequacy, especially for core tier-one capital adequacy level. The retained undistributed profits will be used to replenish the Bank's core tier-one capital, which can help raise the Bank's capital adequacy level to support the Bank's business development, thereby safeguarding the long-term interests of investors.

CHAPTER VI REPORT OF THE BOARD OF DIRECTORS

In the next step, the Bank will take high-quality development as a breakthrough point, strive to improve its operation and management capabilities, improve its risk prevention and control mechanism, so as to obtain a balanced development of scale, profit and risk, and create greater returns for investors. Firstly, the Bank will resolutely implement the major decision-making and deployment of provinces and cities, continue to fulfill the social responsibilities as a local financial institution, and serve the real economy. It will return to the origin, focus on the main business, take the road of differentiated operation, and enhance market competitiveness and sustainable development capabilities. Secondly, it will optimize the asset-liability structure and continue to increase income and save expenditure. It will strengthen the delivery structure, delivery progress, delivery interest rate control, and improve the income level of assets. By optimizing the debt period allocation, regional differentiated pricing and quota control over deposit products and other measures, the debt structure will be refined and controlled, and the cost of interest payment will be reasonably reduced to ensure that the business indicators are stable. Thirdly, it will continue to improve risk management and control capabilities, adhere to prudent and robust risk culture and risk preferences, strengthen policy research, and continuously improve the risk management structure that is compatible with market positioning and business level. It will strengthen the quality of assets by increasing efforts in interest settlement, strengthening the management of write-off business and other measures, and form a contribution and support to the overall profit. It will adhere to the principle of “reducing old loans and controlling new loans” at the same time for risks, and continue to enhance the ability of risk compensation.

The proposal will be submitted to the general meeting of the Bank for deliberation.

3 SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDERS

For details of the share capital and substantial Shareholders of the Bank, please refer to the chapter headed “Changes in Share and Information on Shareholders” of this Report.

4 ISSUANCE OF DEBT SECURITIES

For details of the issuance of debt securities of the Bank, please refer to the paragraph headed “Issuance and Repurchase of Bonds” in the chapter headed “Significant Events” of this Report.

5 USE OF PROCEEDS

For details of the use of proceeds of the Bank, please refer to the chapter headed “Management Discussion and Analysis” of this Report.

6 RESERVES

Details of movements in the reserves of the Bank for the Reporting Period are set out in the consolidated statement of changes in Shareholders’ equity. The total reserves available for profit distribution as at the end of the Reporting Period was RMB15,305 million.

CHAPTER VI REPORT OF THE BOARD OF DIRECTORS

7 PROPERTIES AND EQUIPMENT

Details of movements in properties and equipment of the Bank are set out in Property and equipment in Note 20. to the financial statements in the chapter headed “Independent Auditor’s Report” of this Report.

8 CONNECTED TRANSACTIONS

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

The definition of connected persons under Chapter 14A of the Stock Exchange Listing Rules is different from the definition of related parties under International Accounting Standard, and its interpretations by the International Accounting Standards Board. Some of the Bank’s related party transactions also constitute connected transactions or continuing connected transactions as defined under the Stock Exchange Listing Rules, but none of them constitutes non-exempt, discloseable and connected transactions under the Stock Exchange Listing Rules.

9 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details regarding the Directors, Supervisors and senior management of the Bank are set out in the chapter headed “Directors, Supervisors, Senior Management, Staff and Institutions” of this Report, and constitute a part of this “Report of the Board of Directors”.

10 INTERESTS OF DIRECTORS AND SUPERVISORS IN BUSINESS IN COMPETITION WITH THE BANK

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.

11 REMUNERATION OF THE DIRECTORS AND SUPERVISORS, AND RETIREMENT BENEFITS

Details of the remuneration of the Directors and Supervisors are set out in the chapter headed “Directors, Supervisors, Senior Management, Staff and Institutions” of this Report. Retirement benefits offered by the Bank to employees are set out in (a) Accrued staff costs of Other liabilities in Note 30. to the financial statements in the chapter headed “Independent Auditor’s Report” of this Report. Details of the remuneration of the top five highest-paid individuals are set out in Individuals with highest emoluments in Note 8. to the financial statements in the chapter headed “Independent Auditor’s Report” of this Report.

CHAPTER VI REPORT OF THE BOARD OF DIRECTORS

12 SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

During the Reporting Period, none of the Directors or Supervisors entered into a service contract with the Bank which was not determined by the Bank within one year without payment of compensation (other than statutory compensation).

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

As at the end of the Reporting Period, the interests of Directors, Supervisors and chief executive officer in the Shares, underlying Shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in Appendix C3 to the Stock Exchange Listing Rules were set out as follows:

Name	Position	Class of Shares	Nature	Number of Shares held directly or indirectly (Shares) (Long position)	Percentage of the relevant class of Shares in issue (%)	Percentage of all Ordinary Shares in issue (%)
WANG Shihao	Director	A Shares	Beneficial owner	24,200	0.00034	0.00027
ZHU Zhihui ⁽¹⁾	Supervisor	A Shares	Interest of controlled corporation	329,997,429	4.66650	3.62950
LI Huaibin	Supervisor	A Shares	Beneficial owner	59,620	0.00084	0.00066
CHEN Xinxiu	Supervisor	A Shares	Beneficial owner	52,030	0.00074	0.00057

Note:

- 329,997,429 A Shares are held directly by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司), which is owned as to 90% and 10% by Mr. ZHU Zhihui, a Supervisor of the Bank, and his spouse Ms. WANG Linhui, respectively. By virtue of the SFO, Mr. ZHU Zhihui is deemed to be interested in the Shares held by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司).

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

CHAPTER VI REPORT OF THE BOARD OF DIRECTORS

14 MATERIAL INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Reporting Period, neither the Bank nor any of its subsidiaries entered into any significant transaction, arrangement or contract in which the Directors or Supervisors or entity connected with the Directors or Supervisors directly or indirectly had a material interest.

15 ARRANGEMENT FOR THE BANK'S ADVANCE TO ENTITIES

During the Reporting Period, the Bank did not provide any advance to entity that shall be disclosed under Rule 13.13 of the Stock Exchange Listing Rules.

16 ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

17 MANAGEMENT CONTRACTS

No management or administration contract in relation to all or substantial parts of the business of the Bank was entered into during the Reporting Period.

18 REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OR REDEEMABLE SECURITIES OF THE BANK

During the Reporting Period, the Bank and its subsidiaries had not repurchased, sold or redeemed any listed securities or redeemable securities of the Bank.

19 CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

As at the end of the Reporting Period, the Bank and its subsidiaries had not issued or granted any convertible securities, options, warrants or other similar rights, and there had been no exercise of conversion or subscription rights over the convertible securities, options, warrants or other similar rights issued or granted by the Bank and its subsidiaries at any time.

20 LOAN AGREEMENTS OR FINANCIAL ASSISTANCE OF THE BANK

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

21 PRE-EMPTIVE RIGHTS

During the Reporting Period, no provisions under the Articles of Association or relevant provisions of the PRC laws and regulations granted pre-emptive rights regarding the Bank.

CHAPTER VI REPORT OF THE BOARD OF DIRECTORS

22 DONATIONS

During the Reporting Period, the Bank made charitable and other donations in an aggregate sum of approximately RMB815,000.

23 EQUITY-LINKED AGREEMENTS

During the Reporting Period, the Bank neither had nor entered into any equity-linked agreements.

24 RELATIONS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Bank takes effective measures to safeguard the legitimate rights and interests of its employees, striving to establish a harmonious and stable labor relationship. The Bank enters into labor contracts with its employees in accordance with the relevant laws, and continuously improves the relevant labor employment system and employee security system. By conscientiously implementing the national policies and regulations on salary and welfare, the Bank has developed the “Administrative Measures on Salary and Welfare”, under which it paid employees full salaries on time, contributed various social insurance and housing provident fund in time and built a multi-level pension and medical security system. Assuming the responsibility of protecting the vital interests of employees, the Bank regularly arranges for employees to receive health check-ups, and purchases three mutual aid protections for in-service employees, namely inclusive critical illness, accidental injury and insurance benefiting employees (medical). The Bank also keeps helping employees to enhance their value through enhancing position system for smooth career development path and providing them with a wide range of professional training to boost their rapid growth.

To protect consumer rights, the Bank integrated the concept and requirements of consumer protection into its systems and established a consumer rights protection system involving consumer services, information privacy, education on financial knowledge, and customer complaints handling. The Bank pays attention to communication with customers. It keeps in touch with customers through letters, telephone, fax, direct visits, the internet and other forms of communication channels, provides customers with round-the-clock telephone banking services in China through the unified customer service telephone line, and offers online customer service to provide customers with intelligent online services.

The Bank adheres to the principles of openness, fairness, justice, honesty and efficiency during the course of centralized procurement. On supplier management, the Bank adopts the general principle of unified management, each performs its own functions, risk control, merit-based selection, and maintains good communication and cooperation with various suppliers.

25 PUBLIC FLOAT

As at the Latest Practicable Date, according to the data publicly available to the Bank and the Directors have been aware of, the Bank has complied with the public float requirements under the Stock Exchange Listing Rules.

CHAPTER VI REPORT OF THE BOARD OF DIRECTORS

26 CORPORATE GOVERNANCE

The Bank is committed to maintaining a high standard of corporate governance. During the Reporting Period, the Bank strictly abided by the code provisions set out in Part 2 of the Corporate Governance Code in Appendix C1 to the Stock Exchange Listing Rules and the relevant provisions on disclosure of inside information. Details of corporate governance of the Bank are set out in the chapter headed “Corporate Governance” of this Report.

27 MAJOR DEPOSITORS AND BORROWERS

The Bank is not dependent on a single major depositor/borrower. As at the end of the Reporting Period, the deposits balance of the five largest depositors and loan balance of the five largest borrowers of the Bank represented no more than 30% of the total deposits balance, gross loans and advances of the Bank. The Directors of the Bank and their close associates or any Shareholder which to the knowledge of the Directors own more than 5% of the number of issued Shares do not have any interest in the above five largest depositors/borrowers.

28 PERMITTED INDEMNITY PROVISION

According to code provision C.1.8 of the Corporate Governance Code, the Bank should arrange appropriate insurance cover in respect of legal action against the Directors. According to the Articles of Association, unless Directors, Supervisors and senior management personnel are proved to have failed to perform their duties honestly or in good faith, the Bank shall, to the fullest extent permitted by laws and administrative regulations or to the extent not prohibited by laws and administrative regulations, assume civil liabilities incurred by Directors, Supervisors and senior management personnel during their performance of duties. The Bank has purchased appropriate liability insurance for the Directors and provided them with an indemnity for liabilities incurred during the operations of the Bank for the Reporting Period.

CHAPTER VI REPORT OF THE BOARD OF DIRECTORS

29 OTHER MATTERS

As far as the Board is aware, the Bank has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Bank in all material respects. 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 endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. For details and reports that meet the requirements of Appendix C2 to the Stock Exchange Listing Rules, please refer to the 2023 Corporate Social Responsibility (Environmental, Social and Governance) Report dated 29 March 2024 published on the website of CNINFO (www.cninfo.com.cn), the overseas regulatory announcement dated 2 April 2024 published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk), and the “Announcements and Circulars” under Investor Relations on the Bank’s website (www.zzbank.cn).

During the Reporting Period, the Bank was not aware of any Shareholders having waived or agreed to any arrangement to waive dividends.

During the Reporting Period, no Directors of the Bank waived or agreed to waive relevant remuneration arrangement.

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

During the Reporting Period, the Bank had no controlling Shareholder or de facto controller. As a result, the Bank did not have any controlling Shareholder pledging the Bank’s shares to secure the Bank’s debts or to secure guarantees or other support of the Bank’s obligations.

The Bank is not aware of any applicable tax relief and exemption to which the Shareholders are entitled by reason of their holding of the Shares of the Bank. If the Shareholders have any queries on the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, they are advised to consult an expert.

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

Bank of Zhengzhou Co., Ltd.
Board of Directors

28 March 2024

CHAPTER VII REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors of the Bank was dedicated to performing its duties diligently based on its responsibility to the Shareholders and employees in accordance with the Company Law, Commercial Banks Law, the Articles of Association and the requirements of the rules and regulations to the Board of Supervisors, and formed a relatively complete supervisory system covering the supervision over meetings, financial affairs, and performance assessment, which was a positive driving force for steady business development, enhancement of risk control and improvement of the corporate governance structure of the Bank.

1 MAJOR WORK OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors attended all the meetings and activities of the “Three Boards and one Management” of the Bank. The Board of Supervisors convened six meetings in total and nomination committee and supervision committee of the Board of Supervisors convened three meetings and one meeting respectively to consider 21 resolutions concerning business operation, internal control, profit distribution and performance assessment of the Directors and the Supervisors and review 35 reports concerning internal audit, green finance, consolidation management, related party transactions and risk management. Members of the Board of Supervisors attended the general meetings and were present at all the on-site meetings of the Board, and supervised the compliance with laws and regulations in relation to the convening of the general meetings and Board meetings, voting procedures, and the Directors’ attendance, opinions expressed and voting at the general meetings and Board meetings. Members of the Board of Supervisors attended and presented at various meetings and activities to obtain information on the operations management of the Bank in all aspects in a timely manner, thereby substantially consolidating their supervision functions. The Board of Supervisors had no objection to the supervisory affairs during the Reporting Period.

As at the end of the Reporting Period, the seventh session of the Board of Supervisors consists of five Supervisors (one Shareholder Supervisor, two external Supervisors and two employee Supervisors). Each of the supervisory committee and the nomination committee has three members, respectively, and is chaired by an external Supervisor, thus satisfying the regulatory requirements of the composition and proportion of members of the Board of Supervisors.

During the Reporting Period, the external Supervisors actively acquainted themselves with the operations management of the Bank, and gave opinions or suggestions on significant matters by attending meetings of the Board of Supervisors, convening special committee meetings of the Board of Supervisors and being present at the Board meetings. During the adjournment of the Board of Directors and the Board of Supervisors, the external Supervisors were able to review various documents and reports of the Bank and exchange opinions with the Board of Directors and management on any problems found in a timely manner, playing an active role in performing the supervisory duties of the Board of Supervisors.

CHAPTER VII REPORT OF THE BOARD OF SUPERVISORS

2 INDEPENDENT OPINIONS ON RELEVANT MATTERS

Performance of Duties by the Board of Directors and Senior Management and Its Members

The Board of Supervisors completed the 2022 report of performance assessment of the Board of Directors, senior management and its members as required and reported the performance assessment results to the general meetings and regulatory authorities. The Board of Supervisors was of the view that the Board of Directors and senior management performed their duties according to the Company Law, Commercial Banks Law and the Articles of Association and gave full play to their strategic leadership functions to facilitate the Bank to achieve quality development. The senior management continued to improve their capability of implementing strategic decisions, established and finalized various measures, ensuring the smooth completion of various jobs throughout the year. The Board of Supervisors will conduct the 2023 annual assessment on the performance of duties by the Board, senior management and its members as required, and report the assessment results to the general meeting and regulatory departments.

Compliance with Laws and Regulations in Operations

During the Reporting Period, the operating activities of the Bank complied with the requirements of the Company Law, Commercial Banks Law and the Articles of Association, and the decision-making process was legitimate and effective. The Directors and senior management were honest, trustworthy, diligent and conscientious. No acts in violation of laws and regulations and the Articles of Association or detrimental to the interests of the Bank and Shareholders were found in the performance of duties by the Directors and senior management of the Bank during the year.

Truthfulness of Financial Report

Upon careful review of the 2023 annual report of the Bank by all Supervisors in a practical and responsible manner to all Shareholders, the Board of Supervisors was of the view that procedures for the preparation of the 2023 annual report by the Board complied with the laws, administrative regulations and requirements of the CSRC; the contents of the report truthfully, accurately and completely reflected the actual situation of the Bank; and there were no false representations, misleading statements or material omissions contained therein.

Related Party Transactions

During the Reporting Period, the Board of Supervisors supervised the related party transactions, and considered that the prices of the related party transactions of the Bank were fair and reasonable and no acts detrimental to the interests of the Bank and Shareholders were found by the Board of Supervisors.

CHAPTER VII REPORT OF THE BOARD OF SUPERVISORS

Internal Control

The Board of Supervisors considered that the Bank had established a relatively comprehensive corporate governance structure, formulated relatively complete management systems relating to corporate governance and internal control, and was capable of improving the foregoing in accordance with the actual situation of the Bank and regulatory requirements. The internal control system of the Bank had been carried out smoothly, complied with the relevant standard requirements of laws and regulations on the management of corporate internal control systems, and completely, truthfully and objectively reflected the establishment and operation of the internal control system of the Bank. The Board of Supervisors reviewed the 2023 Internal Control Self-Assessment Report of the Bank and had no objection to its contents.

Implementation of Resolutions of General Meetings

During the Reporting Period, the Board of Supervisors supervised the implementation of the resolutions of general meetings, and considered that the Board was capable of earnestly implementing the relevant resolutions of general meetings and did not take any action detrimental to the interests of Shareholders.

Profit Distribution Proposal

The Board of Supervisors reviewed the Profit Distribution Proposal for 2023 of the Bank, and considered that the proposal complied with the relevant requirements of laws and regulations with due regards to factors such as the prevailing economic development and financial regulatory situation, and that it was in the long-term interests of the Bank and Shareholders as a whole and beneficial to the sustainable and sound development of the Bank.

Information Disclosure Matters

During the Reporting Period, the Board of Supervisors oversaw the information disclosure matters of the Bank and was of the opinion that: the Bank had established a sound system for the management of information disclosure matters and had fulfilled its information disclosure duties in compliance with the provisions of relevant laws and regulations and regulatory requirements. The contents of disclosure are truthful, accurate and complete without any false representation, misleading statement or material omission.

Save as disclosed above, the Board of Supervisors had no objection to other supervisory affairs during the Reporting Period.

Bank of Zhengzhou Co., Ltd.
Board of Supervisors
28 March 2024

CHAPTER VIII SIGNIFICANT EVENTS

1 ISSUANCE AND REPURCHASE OF BONDS

Jiuding Financial Leasing Company, a subsidiary of the Bank, issued the 2020 financial bonds (Bonds code: 2022047), in an amount of RMB1.4 billion in the national interbank bond market on 20 November 2020, with a fixed rate for a term of 3 years and a coupon rate of 4.20%. The bonds were fully cashed on 24 November 2023.

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

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

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

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

The Bank has completed the issuance of its 2023 first tranche of financial bonds (Bonds code: 2320008) in the national interbank bond market on 13 March 2023, in an amount of RMB5 billion, with a fixed rate for a term of 3 years and a coupon rate of 3.02%.

CHAPTER VIII SIGNIFICANT EVENTS

2 PERFORMANCE OF UNDERTAKINGS

2.1 Undertakings Fully Performed by the Bank's de facto Controller, Shareholders, Related Parties, Purchasers and the Bank during the Reporting Period and Undertakings Not Fully Performed as at the End of the Reporting Period

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

CHAPTER VIII SIGNIFICANT EVENTS

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

CHAPTER VIII SIGNIFICANT EVENTS

Undertaking	Undertaking party	Undertaking type	Details of the undertaking	Date of undertakings	Term of undertakings	Performance
Undertakings made in initial public offering of A Shares	Individuals of the Bank holding more than 50,000 internal staff Shares	Undertaking on shares with selling restrictions	<p>Within three years since the listing date of the Bank on the SZSE, they shall not transfer the Shares of the Bank of Zhengzhou held by them.</p> <p>After the expiry of the above three-year Shares transfer lockup period, they shall transfer no more than 15% of the total number of the Shares held by them annually, and no more than 50% of the total number of the Shares held by them within five years.</p>	19 September 2018	Refer to the details of the undertakings	During the course of performance
Undertakings made in initial public offering of A Shares	Zhengzhou Finance Bureau (鄭州市財政局)	Undertakings on avoiding horizontal competition	<p>During the period for being a major Shareholder of the Bank, its subsidiary enterprises (including wholly-owned, controlled subsidiaries and effectively-controlled enterprises) will not engage in, directly or indirectly, any forms of business activities that will compete or likely to compete with the Bank's principal business. Zhengzhou Finance Bureau will supervise its subsidiary enterprises in accordance with this undertaking and exercise necessary rights to ensure them to comply with this undertaking.</p> <p>Zhengzhou Finance Bureau will strictly comply with the relevant laws and regulations of China Securities Regulatory Commission and the stock exchanges where the Bank's Shares are listed and the requirements of company management policies such as the Article of Association and management policies on related party transactions of the Bank, exercise the Shareholder's rights and perform the Shareholder's obligations as equally as other Shareholders, and neither seek unfair interest by use of the position of major Shareholder, nor impair the legal interests of the Bank and other Shareholders.</p>	19 September 2018	Refer to the details of the undertakings	During the course of performance

CHAPTER VIII SIGNIFICANT EVENTS

Undertaking	Undertaking party	Undertaking type	Details of the undertaking	Date of undertakings	Term of undertakings	Performance
Undertakings made in non-public offering of A Shares	Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	Undertaking on shares with selling restrictions	It shall not transfer Shares under non-public issuance of the Bank within 60 months since the date of the listing thereof.	27 November 2020	Refer to the details of the undertakings	During the course of performance
Undertakings made in non-public offering of A Shares	Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Undertaking on shares with selling restrictions	It shall not transfer Shares under non-public issuance of the Bank within 60 months since the date of the listing thereof.	27 November 2020	Refer to the details of the undertakings	During the course of performance
Whether the undertakings are performed on time			Yes			
If the undertakings are not performed when overdue, explanations on reasons and working plans for the next step shall be stated in detail			Not applicable			

2.2 Existence of the Profit Forecast about Assets or Projects, and the Reporting Period Was Still in the Profit Forecast Period, the Bank's Explanation on the Profit of Assets or Projects Reaching the Goal and the Reasons

There was no existence of the profit forecast about assets or projects nor the Reporting Period was still in the forecast period for the Bank.

CHAPTER VIII SIGNIFICANT EVENTS

3 SIGNIFICANT RELATED PARTY TRANSACTIONS

In accordance with relevant provisions under the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions 《銀行保險機構關聯交易管理辦法》 of Former CBIRC, the SZSE Listing Rules, the Accounting Standards for Business Enterprises, and other laws, administrative rules, departmental regulations, and regulatory documents, the Bank further amends and optimizes the Administrative Measures for Related Party Transactions 《關聯交易管理辦法》 and makes information disclosure, which consolidates the foundation of the related party transactions system. In the meantime, the Bank continued to strengthen the management of the list of the related parties, imposed strict approval procedures on related party transactions, continuously enhanced the information and intelligence levels of managing related parties and related party transactions, and prudently carried out related party transactions to effectively prevent related party transaction risks. During the Reporting Period, related party transactions between the Bank and its related parties are conducted in the ordinary course of its business with terms and prices agreed in accordance with the fair and market-oriented principles and as well as on conditions no better than non-related party transactions of the same type. Such related party transactions had no significant impact on the operation results and financial conditions of the Bank and the indicators on the control of related party transactions were in compliance with the related regulations of regulatory authorities.

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

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

CHAPTER VIII SIGNIFICANT EVENTS

3.2 Significant Related Party Transactions

According to the relevant provisions of the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions 《銀行保險機構關聯交易管理辦法》 of Former CBIRC and the Administrative Measures for Related Party Transactions 《關聯交易管理辦法》 of the Bank, related party transactions are defined as follows:

“Significant related party transactions” shall refer to transactions between the Bank and a single related party that severally amount to 1% or more of the net capital of the Bank at the end of the previous quarter or collectively 5% or more of the net capital of the Bank at the end of the previous quarter. After the aggregate amount of transactions between the Bank and a single related party reaches the aforementioned standard, the subsequent related party transactions shall be re-designated as significant related party transactions for each aggregate amount of more than 1% of the net capital at the end of the previous quarter. “General related party transactions” shall refer to related party transactions other than significant related party transactions. For the specific calculation method, please refer to the announcement published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange on 30 August 2023.

3.3 Related Party Transactions

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

CHAPTER VIII SIGNIFICANT EVENTS

3.3.1 Related party transactions of general associated corporation credit grant type

Unit: RMB'000

Number	Related client	Estimated quota	Total credit	Related legal persons	Credit	Business line
		on recurring related party transaction for 2023	granted as at the end of 2023		granted as at the end of 2023	
1	Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司) and its associated corporations	1,000,000	1,246,715	Henan Zhongyuan Financial Holding Co., Ltd. (河南中原金控有限公司)	1,246,715 ⁽¹⁾	Loan business and investment business
2	Zhengzhou Construction Investment Group Co., Ltd. (鄭州市建設投資集團有限公司) and its associated corporations	4,300,000	2,279,655	Zhengzhou Construction Investment Group Co., Ltd. (鄭州市建設投資集團有限公司)	769,000	Loan business
				Zhengzhou Songyue Highway Development Co., Ltd. (鄭州嵩岳公路開發有限公司)	572,200	Loan business and investment business
				Zhengzhou Highway Engineering Company (鄭州市公路工程公司)	144,075	Loan business
				Zhengzhou Road and Bridge Construction Investment Group Co., Ltd. (鄭州路橋建設投資集團有限公司)	794,380	Loan business and bill business
3	Zhengzhou Transportation Construction Investment Co., Ltd. (鄭州交通建設投資有限公司) and its associated corporations	800,000	219,354	Zhengzhou Transportation Construction Investment Co., Ltd. (鄭州交通建設投資有限公司)	100,000	Loan business
				Zhengzhou Trading Dikun Industrial Co., Ltd. (鄭州交投地坤實業有限公司)	119,354	Investment business

CHAPTER VIII SIGNIFICANT EVENTS

Number	Related client	Estimated quota on recurring related party transaction for 2023	Total credit granted as at the end of 2023	Related legal persons	Credit granted as at the end of 2023	Business line
4	Zhengzhou Municipal Group Co., Ltd. (鄭州市政集團有限公司) and its associated corporations ⁽²⁾	550,000	153,906	Zhengzhou Municipal Group Co., Ltd. (鄭州市政集團有限公司)	45,906	Bill business
				Henan Kanghui Cement Products Co., Ltd. (河南康輝水泥製品有限公司)	108,000	Loan business
5	Zhengzhou Metro Group Co., Ltd. (鄭州地鐵集團有限公司) and its associated corporations	1,500,000	498,000	Zhengzhou Metro Group Co., Ltd. (鄭州地鐵集團有限公司)	498,000	Loan business
6	Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司) and its associated corporations	2,000,000	1,016,000	Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司)	800,000	Investment business
				Henan Digital Town Development and Construction Co., Ltd. (河南數字小鎮開發建設有限公司)	216,000	Loan business
7	Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) and its associated corporations	2,000,000	1,105,500	Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	975,500	Investment business
				Zhengzhou Jinyang Electric Co., Ltd. (鄭州金陽電氣有限公司)	30,000	Loan business
				Henan Guochuang Cultural Development Co., Ltd. (河南國創文化發展有限公司)	100,000	Loan business

CHAPTER VIII SIGNIFICANT EVENTS

Number	Related client	Estimated quota on recurring related party transaction for 2023	Total credit granted as at the end of 2023	Related legal persons	Credit granted as at the end of 2023	Business line
8	Henan Investment Group Co., Ltd. (河南投資集團有限公司) and its associated corporations	3,000,000	602,183	Dahe International Trading Co., Ltd. (大河國際貿易有限公司)	99,833	Loan business
				Henan Tou Wisdom Energy Co., Ltd. (河南省投智慧能源有限公司)	2,600	Loan business
				Henan Yicheng Holdings Co., Ltd. (河南頤城控股有限公司)	485,000	Loan business
				Henan Health Care Group Co., Ltd. (河南康養集團有限公司)	10,000	Loan business
				Henan Ancai Photovoltaic Advanced Material Co., Ltd. (河南安彩光伏新材料有限公司)	4,750	Loan business
9	Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) and its associated corporations	3,300,000	2,889,003	Likard (Zhengzhou) Hotel Management Co., Ltd. (麗卡德(鄭州)酒店管理有限公司)	189,300	Loan business
				Henan Yingshuo Construction Engineering Co., Ltd. (河南盈碩建築工程有限公司)	523,800	Loan business
				Henan Kairui Real Estate Co., Ltd. (河南凱睿置業有限公司)	269,800	Loan business
				Zhengzhou Yingshou Trading Co., Ltd. (鄭州盈首商貿有限公司)	147,500	Loan business
				Xinxiang City Zhongkai Real Estate Co., Ltd. (新鄉市中開置業有限公司)	48,220	Loan business
				Henan Jianyuan Decoration Engineering Co., Ltd. (河南建苑裝飾工程有限公司)	145,200	Loan business
				Zhengzhou Huida Industrial Development Co., Ltd. (鄭州暉達實業發展有限公司)	497,370	Loan business
				Henan Xincheng Real Estate Co., Ltd. (河南新城置業有限公司)	124,200	Loan business
				Henan Huida Construction Investment Co., Ltd. (河南暉達建設投資有限公司)	943,613	Loan business

CHAPTER VIII SIGNIFICANT EVENTS

Number	Related client	Estimated quota on recurring related party transaction for 2023	Total credit granted as at the end of 2023	Related legal persons	Credit granted as at the end of 2023	Business line
10	Henan Asset Management Company Limited (河南資產管理有限公司) and its associated corporations	3,000,000	500,000	Henan Asset Management Company Limited (河南資產管理有限公司)	500,000	Loan business
11	Zhongyuan Asset Management Co., Ltd. (中原資產管理有限公司) and its associated corporations ⁽³⁾	3,000,000	2,997,000	Zhongyuan Asset Management Co., Ltd. (中原資產管理有限公司)	2,997,000	Loan business
12	SPIC Henan Electric Power Co., Ltd. (國家電投集團河南電力有限公司) and its associated corporations ⁽⁴⁾	1,400,000	-	SPIC Henan Electric Power Co., Ltd. (國家電投集團河南電力有限公司)	- /	

Notes:

- As at the end of the Reporting Period, the credit line of the Bank's client Henan Zhongyuan Financial Holding Co., Ltd. (河南中原金控有限公司) with the Bank was RMB1,246.72 million, of which RMB975.44 million was granted before the client met the related party identification standard.
- In June 2023, Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) changed its name to Zhengzhou Municipal Group Co., Ltd. (鄭州市政集團有限公司).
- As at the end of the Reporting Period, the Bank's client Zhongyuan Asset Management Co., Ltd. (中原資產管理有限公司) and its associated corporations were no longer related parties of the Bank.
- As at the end of the Reporting Period, the Bank's client SPIC Henan Electric Power Co., Ltd. (國家電投集團河南電力有限公司) and its associated corporations were no longer related parties of the Bank.

CHAPTER VIII SIGNIFICANT EVENTS

3.3.2 Credit-grant-type Related Transactions among Financial Banks

Unit: RMB'000

Number	Related client	Estimated quota on recurring related party transactions for 2023	Total credit granted as at the end of 2023	Related legal persons	Credit granted as at the end of 2023	Business line
1	Central China Securities Co., Ltd. (中原證券股份有限公司) and its associated corporations	300,000	300,000	Central China Securities Co., Ltd. (中原證券股份有限公司) and its associated corporations	300,000	Interbank general credit, revolving throughout the validity period of the credit
2	Zhongyuan Trust Co., Ltd. (中原信託有限公司) and its associated corporations	500,000	500,000	Zhongyuan Trust Co., Ltd. (中原信託有限公司) and its associated corporations	500,000	Interbank general credit, revolving throughout the validity period of the credit
3	Bridge Trust Co., Ltd. (百瑞信託有限責任公司) and its associated corporations ⁽¹⁾	2,000,000	1,000,000	Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	1,000,000	Interbank general credit, revolving throughout the validity period of the credit
4	Bank of Lanzhou Co., Ltd. (蘭州銀行股份有限公司)	2,000,000	1,000,000	Bank of Lanzhou Co., Ltd. (蘭州銀行股份有限公司)	1,000,000	Interbank general credit, revolving throughout the validity period of the credit
5	Zhongyuan Bank Co., Ltd. (中原銀行股份有限公司)	3,000,000	3,000,000	Zhongyuan Bank Co., Ltd. (中原銀行股份有限公司)	3,000,000	Interbank general credit, revolving throughout the validity period of the credit

CHAPTER VIII SIGNIFICANT EVENTS

Number	Related client	Estimated quota on recurring related party transactions for 2023	Total credit granted as at the end of 2023	Related legal persons	Credit granted as at the end of 2023	Business line
6	Great Wall Fund Management Co., Ltd. (長城基金管理有限公司)	300,000	300,000	Great Wall Fund Management Co., Ltd. (長城基金管理有限公司)	300,000	Interbank general credit, revolving throughout the validity period of the credit
7	Jiuding Financial Leasing Company (九鼎金融租賃公司)	5,000,000	5,000,000	Jiuding Financial Leasing Company (九鼎金融租賃公司)	5,000,000	Interbank general credit, revolving throughout the validity period of the credit
8	Fugou Zhengyin County Bank (扶溝鄭銀村鎮銀行)	500,000	300,000	Fugou Zhengyin County Bank (扶溝鄭銀村鎮銀行)	300,000	Interbank general credit, revolving throughout the validity period of the credit
9	Xinmi Zhengyin County Bank (新密鄭銀村鎮銀行)	600,000	400,000	Xinmi Zhengyin County Bank (新密鄭銀村鎮銀行)	400,000	Interbank general credit, revolving throughout the validity period of the credit
10	Xunxian Zhengyin County Bank (浚縣鄭銀村鎮銀行)	400,000	200,000	Xunxian Zhengyin County Bank (浚縣鄭銀村鎮銀行)	200,000	Interbank general credit, revolving throughout the validity period of the credit
11	Queshan Zhengyin County Bank (確山鄭銀村鎮銀行)	500,000	300,000	Queshan Zhengyin County Bank (確山鄭銀村鎮銀行)	300,000	Interbank general credit, revolving throughout the validity period of the credit

CHAPTER VIII SIGNIFICANT EVENTS

Number	Related client	Estimated quota on recurring related party transactions for 2023	Total credit granted as at the end of 2023	Related legal persons	Credit granted as at the end of 2023	Business line
12	Xinzheng Zhengyin County Bank (新鄭鄭銀村鎮銀行)	1,200,000	1,000,000	Xinzheng Zhengyin County Bank (新鄭鄭銀村鎮銀行)	1,000,000	Interbank general credit, revolving throughout the validity period of the credit
13	Zhongmu Zhengyin County Bank (中牟鄭銀村鎮銀行)	500,000	500,000	Zhongmu Zhengyin County Bank (中牟鄭銀村鎮銀行)	500,000	Interbank general credit, revolving throughout the validity period of the credit
14	Yanling Zhengyin County Bank (鄆陵鄭銀村鎮銀行)	600,000	400,000	Yanling Zhengyin County Bank (鄆陵鄭銀村鎮銀行)	400,000	Interbank general credit, revolving throughout the validity period of the credit

Note:

- As at the end of the Reporting Period, the Bank's client Bridge Trust Co., Ltd. (百瑞信託有限責任公司) and its associated corporations were no longer related parties of the Bank.

3.3.3 Credit-grant-type Related Transactions of Natural Persons

As at the end of the Reporting Period, the credit balance of natural person related parties in the Bank was RMB90,310,000, which did not exceed the limit of RMB300 million for the aggregate quota of natural person related parties under estimated quota on recurring related party transactions for 2023.

CHAPTER VIII SIGNIFICANT EVENTS

3.3.4 Other Related Party Transactions

During the Reporting Period, the cumulative transaction volume of asset trading business between the Bank and Henan Asset Management Company Limited (河南資產管理有限公司) was RMB97,840,000, and there was no asset trading business between the Bank and Zhongyuan Asset Management Co., Ltd. (中原資產管理有限公司); a total of service transaction amount such as trust custody and supervision fees of RMB13,700 was provided to Bridge Trust Co., Ltd. (百瑞信託有限責任公司); a total of service transaction amount such as trust custody and supervision fees of RMB74.78 million was provided to Zhongyuan Trust Co., Ltd. (中原信託有限公司). The largest single transaction of financial market transactions with open market price such as spot bond trading and pledge-style repo with each of Bank of Lanzhou Co., Ltd. (蘭州銀行股份有限公司), Zhongyuan Bank Co., Ltd. (中原銀行股份有限公司), Great Wall Fund Management Co., Ltd. (長城基金管理有限公司) and Central China Securities Co., Ltd. (中原證券股份有限公司) amounted to RMB1,000 million, RMB1,000 million, RMB450.12 million and RMB100.00 million respectively. There were no financial market transactions with open market price such as spot bond trading and pledge-style repo with Zhongyuan Trust Co., Ltd. (中原信託有限公司), Bridge Trust Co., Ltd. (百瑞信託有限責任公司) and Jiuding Financial Leasing Company (九鼎金融租賃公司). None of the above transactions exceeded the estimated quota on recurring related party transactions for 2023.

4 SIGNIFICANT CONTRACTS AND INFORMATION ON THEIR PERFORMANCE

4.1 Entrustment, Contracting and Leasing Matters

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

4.2 Significant Guarantees

During the Reporting Period, the Bank did not have any material guarantee that needed to be disclosed save for the financial guarantees within the normal banking business scope.

4.3 Entrust Others to Manage Cash Assets

4.3.1 Entrusted wealth management

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

4.3.2 Entrusted Loans

During the Reporting Period, the Bank had no entrusted loans beyond its normal business scope.

CHAPTER VIII SIGNIFICANT EVENTS

4.4 Material Contracts in Day-to-day Operations

During the Reporting Period, save as disclosed in this Report and other announcements and circulars of the Bank, the Bank did not have other material contracts in day-to-day operations that are required to be disclosed.

4.5 Other Significant Contracts

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

5 SIGNIFICANT ACQUISITION, DISPOSAL OR ABSORPTION OF ASSETS AND EQUITY

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

6 SIGNIFICANT LITIGATION AND ARBITRATION

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

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

CHAPTER VIII SIGNIFICANT EVENTS

In April 2023, the Bank's Zhongmu Sub-branch filed a lawsuit with Zhengzhou Intermediate People's Court over a financial loan contract dispute with Henan Mei'er Health Industry Development Co., Ltd. (河南美爾健康產業發展有限公司) and other parties. The court formally accepted the case. The judgment of the first instance was received in July 2023. Henan Mei'er Health Industry Development Co., Ltd. disagreed with the judgment of the first instance of Zhengzhou Intermediate People's Court, appealed to Higher People's Court of Henan Province and received the judgment of the second instance in November 2023. For details, please refer to the announcements of the Bank dated 20 April 2023, 18 July 2023 and 9 November 2023 published on CNINFO and the website of the Hong Kong Stock Exchange.

In April 2023, the Bank's Xisihuan Sub-branch filed a lawsuit with Zhengzhou Intermediate People's Court over a financial loan contract dispute with Zhengzhou Changke Trading Co., Ltd. (鄭州暢科貿易有限公司) and other parties. The court formally accepted the case. The judgment of the first instance was received in July 2023. As the defendant did not appeal within the statutory time limit, the judgment of the first instance came into force. Zhengzhou People's Court lawfully prescribed the termination of the enforcement procedures. For details, please refer to the announcements of the Bank dated 20 April 2023, 12 July 2023 and 23 January 2024 published on CNINFO and the website of the Hong Kong Stock Exchange.

The Bank's Jinshui East Road Sub-branch filed a lawsuit with Zhengzhou Intermediate People's Court in September 2023 over a financial loan contract dispute with Henan Senyuan Heavy Industry Co., Ltd. (河南森源重工有限公司) and other parties. The court formally accepted the case and made the judgment of the first instance. For details, please refer to the announcements of the Bank dated 21 September 2023 and 4 November 2023 published on CNINFO and the announcements dated 21 September 2023 and 6 November 2023 published on the website of the Hong Kong Stock Exchange.

The Bank's Shangding Road Sub-branch filed a lawsuit with Zhengzhou Intermediate People's Court in November 2023 over a financial loan contract dispute with Henan Huiyi Real Estate Co., Ltd. (河南匯藝置業有限公司) and other parties. The court formally accepted the case. As at the end of the Reporting Period, the judgment of the first instance has not been received. For details, please refer to the announcements of the Bank dated 24 November 2023 published on CNINFO and the website of the Hong Kong Stock Exchange.

The Bank's Changchun Road Sub-branch filed lawsuits with Zhengzhou Intermediate People's Court in January 2024 over financial loan contract disputes with Zhengzhou Kangqiao Real Estate Development Co., Ltd. (鄭州康橋房地產開發有限責任公司) and other parties, and over financial loan contract disputes with Henan Meijing Xinrui Real Estate Development Co., Ltd. (河南美景新瑞房地產開發有限責任公司) and other parties. The court formally accepted the case. As at the end of the Reporting Period, the judgment of the first instance has not been received. For details, please refer to the announcements of the Bank dated 23 January 2024 published on CNINFO and the website of the Hong Kong Stock Exchange.

The Bank's Weier Road Sub-branch filed lawsuits with Zhengzhou Intermediate People's Court in January 2024 over financial loan contract disputes with Zhengzhou Xinying Real Estate Co., Ltd. (鄭州鑫盈置業有限公司) and other parties. The court formally accepted the case. As at the end of the Reporting Period, the judgment of the first instance has not been received. For details, please refer to the announcements of the Bank dated 23 January 2024 published on CNINFO and the website of the Hong Kong Stock Exchange.

CHAPTER VIII SIGNIFICANT EVENTS

The Bank was involved in certain litigation and arbitration matters arising from its ordinary course of business due to the recovery of borrowings and other reasons. As at the end of the Reporting Period, the amount of other pending litigations and arbitrations in which the Bank acted as the plaintiff or the applicant was RMB1,229 million; while the total amount of the pending litigation and arbitration of the Bank acting as the defendant or the respondent was RMB8 million. These litigation and arbitration matters are not expected to have material adverse impacts on the financial position and operating results of the Bank.

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

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

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

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

9 ILLEGAL PROVISION OF EXTERNAL GUARANTEE

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

10 OCCUPATION OF CAPITAL BY THE CONTROLLING SHAREHOLDER AND OTHER RELATED PARTIES OF THE BANK FOR NON-OPERATING PURPOSES

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

CHAPTER VIII SIGNIFICANT EVENTS

11 SPECIAL STATEMENT AND INDEPENDENT OPINION OF INDEPENDENT NON-EXECUTIVE DIRECTORS ON EXTERNAL GUARANTEES OF THE BANK AND CAPITAL OCCUPATION BY THE CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES OF THE BANK

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

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

12 IMPLEMENTATIONS OF SHARE INCENTIVE SCHEME, EMPLOYEE SHARE OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVE MEASURES

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

13 SUSPENSION IN TRADING OR DELISTING UPON DISCLOSURE OF THIS REPORT

The Bank is not exposed to any risk of suspension in trading or delisting upon disclosure of this Report.

14 MATTERS RELATED TO BANKRUPTCY AND RESTRUCTURING

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

15 AUDIT REVIEW

The financial statements for the year ended 31 December 2023 were prepared by the Bank according to the Accounting Standards for Business Enterprises of the PRC/International Financial Reporting Standards and were audited by Ernst & Young Hua Ming LLP/Ernst & Young, respectively, which issued a standard unqualified audit report/independent auditor's report. The Report has been reviewed by the Audit Committee of the Board and the Board of Directors of the Bank.

16 EXPLANATION ON OTHER SIGNIFICANT EVENTS

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

17 SIGNIFICANT EVENTS OF THE BANK'S SUBSIDIARIES

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

CHAPTER IX INDEPENDENT AUDITOR'S REPORT

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

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

OPINION

We have audited the consolidated financial statements of Bank of Zhengzhou Co., Ltd. (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. 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 Code of Ethics for Professional Accountants (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with 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 of the current year. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

CHAPTER IX INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p><i>Expected credit losses for loans and advances to customers, lease receivables and financial investments measured at amortised cost</i></p>	
<p>The Group uses a number of judgements and assumptions in the measurement of expected credit losses, for example:</p> <ul style="list-style-type: none"> • Whether there is significant increase in credit risk – Criteria for determining whether significant increase in credit risk has occurred are highly judgemental, and may have a significant impact on expected credit losses for loans and advances to customers (“loans”), lease receivables and financial investments measured at amortised cost with longer outstanding maturities; • Models and parameters – Complex models, numerous inputs and parameters are used to measure expected credit losses, involving plenty of management judgements and assumptions; • Forward-looking information – Macroeconomic forecasts are developed, and impacts on expected credit losses are considered for probability weighted multiple economic scenarios; 	<p>We evaluated and tested the effectiveness of design and implementation of key internal controls related to expected credit losses for loans, lease receivables and financial investments at amortised cost, including relevant data quality and information systems.</p> <p>We adopted a risk-based sampling approach in our review procedures for loans, lease receivables and financial investments at amortised cost. We assessed the debtors’ repayment capacity and evaluated the Group’s segmentation for loans, lease receivables and financial investments at amortised cost, taking into consideration post-lending/investment investigation reports, debtors’ financial information, collateral valuation reports and other available information.</p> <p>With the support of internal credit risk modelling experts, we evaluated and tested the expected credit loss model, key parameters, management’s major judgements and related assumptions, mainly focusing on the following aspects:</p>

CHAPTER IX INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p><i>Expected credit losses for loans and advances to customers, lease receivables and financial investments measured at amortised cost</i></p>	
<ul style="list-style-type: none"> • Whether financial assets are credit-impaired <ul style="list-style-type: none"> – The determination of credit impairment requires consideration of multiple factors, and measurement of expected credit losses depends on estimates of future cash flows. 	<ol style="list-style-type: none"> 1. Expected credit loss model: <ul style="list-style-type: none"> • Taking into account macroeconomic changes, we assessed the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, risk exposure, risk grouping, and whether there had been a significant increase in credit risk; • We assessed the forward-looking information used by management to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions and weightings of multiple macroeconomic scenarios; and • We assessed the reasonableness of management's determination of credit impairment. For credit-impaired loans, lease receivables and financial investments at amortised cost, we analysed the reasonableness of management's estimated future cash flows, including the amount, timing and probability, especially the recoverable cash flows from collateral.

CHAPTER IX INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p><i>Expected credit losses for loans and advances to customers, lease receivables and financial investments measured at amortised cost</i></p>	
<p>Since the measurement of expected credit losses of loans, lease receivables and financial investments at amortised cost involves many significant judgements and assumptions, and in view of the significance of the amount (as at 31 December 2023, gross loans, lease receivables and financial investments at amortised cost amounted to RMB522.69 billion, representing 82.87% of total assets, and impairment allowance for loans, lease receivables and financial investments at amortised cost amounted to RMB16,799 million), we consider expected credit losses for loans, lease receivables and financial investments at amortised cost a key audit matter.</p> <p>Relevant disclosures are included in Note II 5, Note II 22, Note IV 16, Note IV 17, Note IV 18 and Note IV 38(a) to the consolidated financial statements.</p>	<p>2. Design and operating effectiveness of key controls:</p> <ul style="list-style-type: none"> • We evaluated and tested the data and processes used to determine expected credit losses, including business data of loans, lease receivables and financial investments at amortised cost, macroeconomic statistics, as well as the computational logic, data inputs and system interfaces of the system; and • We evaluated and tested key controls over the expected credit loss model, including approval of model changes, ongoing monitoring model performance, model validation and parameter calibration. <p>We evaluated the appropriateness of the Bank regarding the disclosures related to credit risk exposures and expected credit losses.</p>

CHAPTER IX INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<i>Valuation of financial instruments</i>	
<p>The Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These techniques may involve the use of significant unobservable inputs requiring assumptions and estimates based on management's subjective judgements. Valuation results can vary significantly under different valuation techniques or assumptions.</p> <p>As at 31 December 2023, the book value of financial assets measured at fair value amounted to RMB102.84 billion, representing 16.31% of total assets. Given the higher uncertainty in valuation results, financial instruments whose fair value measurement involves significant unobservable inputs are categorised as level 3 within the fair value hierarchy. As at 31 December 2023, RMB14,932 million or 14.52% of financial assets measured at fair value were categorised as Level 3. Given the materiality of the balance and the significant judgements involved in fair value measurement of Level 3 financial instruments, we considered valuation of financial instruments as a key audit matter.</p> <p>Relevant disclosures are included in Note II 5, Note II 22, Note IV 16, Note IV 17, Note IV 26 and Note IV 39 to the consolidated financial statements.</p>	<p>We assessed and tested the design and operating effectiveness of key controls related to the valuation of financial instruments.</p> <p>We evaluated the valuation techniques, inputs and assumptions used by the Group through comparison with the valuation techniques commonly used in the market by industry peers, validation of observable inputs using external market data, and comparison with valuation outcomes obtained from various pricing sources.</p> <p>For financial instruments whose valuations were calculated using significant unobservable inputs, as in the case of investments in unlisted equity and certain debt investments, we involved our valuation specialists to assess the valuation model for such financial instruments, performed independent valuations on selected samples and compared the valuation results with those of the Group.</p> <p>We evaluated the appropriateness of the Bank regarding the disclosures related to the fair value of financial instruments.</p>

CHAPTER IX INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<i>Consolidation assessment of and disclosures regarding structured entities</i>	
<p>The Group holds interests in various structured entities, including wealth management products, funds, trust plans, asset management plans, and asset-backed securities, in conducting businesses such as financial investments, asset management, and credit asset transfers. The Group needs to comprehensively consider the power it possesses, its exposure to variable returns, and the link between the power and the returns to determine whether it has control over such structured entities, and therefore whether it should include them in the scope of consolidation.</p> <p>The assessment of the Group's control over structured entities involves significant judgements on factors such as the purpose and design of structured entities, its ability to direct relevant activities, direct and indirect beneficial interests and returns, performance fee, benefits received or losses incurred from providing credit enhance or liquidity support. Comprehensive analysis of these factors and concluding on whether the Group has control involve significant management judgements and estimates.</p> <p>In view of the materiality and the complexity of management judgements, we consider the consolidation assessment of and disclosures regarding structured entities a key audit matter.</p> <p>Relevant disclosures are included in Note II 22, and Note IV 41 to the consolidated financial statements.</p>	<p>We evaluated and tested the design and operating effectiveness of the key internal controls related to the Group's assessment of whether it controls a structured entity.</p> <p>We assessed the Group's analysis and conclusions on whether it controlled the structured entities based on the Group's analysis on its power over the structured entities, and the magnitude and variability of variable returns from its involvement with the structured entities. We also assessed whether the Group had obligation to ultimately bear the risk of the structured entities by reviewing relevant term sheets, and whether the Group has provided liquidity support or credit enhancement to the structured entities.</p> <p>We evaluated the appropriateness of the Bank regarding the disclosures related to the unconsolidated structured entities.</p>

CHAPTER IX INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Annual Report, other than 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 of the Bank 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 of the Bank 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 of the Bank either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

CHAPTER IX 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. Our 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 ISAs 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 ISAs, 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.

CHAPTER IX INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- 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.

We communicate with the Audit Committee 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 to 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 year 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 Ng Chi Keung.

Ernst & Young

Certified Public Accountants

Hong Kong

28 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

	Note IV	2023	2022
Interest income		24,759,804	25,057,162
Interest expense		(13,020,191)	(12,803,324)
Net interest income	1	11,739,613	12,253,838
Fee and commission income		735,875	937,708
Fee and commission expense		(156,949)	(146,805)
Net fee and commission income	2	578,926	790,903
Net trading gains	3	781,745	1,458,524
Net gains arising from investments	4	493,881	575,053
Other operating income	5	105,245	147,525
Operating income		13,699,410	15,225,843
Operating expenses	6	(3,858,566)	(3,656,641)
Credit impairment losses	9	(8,075,323)	(8,659,958)
Other operating expenses		(8,535)	–
Operating profit		1,756,986	2,909,244
Share of losses of associates		(17,350)	(102,014)
Profit before taxation		1,739,636	2,807,230
Income tax expense	10	119,843	(207,282)
Profit for the year		1,859,479	2,599,948
Net profit attributable to:			
Equity shareholders of the Bank		1,850,117	2,422,304
Non-controlling interests		9,362	177,644
		1,859,479	2,599,948

The notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

	Note IV	2023	2022
Other comprehensive income:	32		
Other comprehensive income net of tax attributable to equity shareholders of the Bank			
Items that may be reclassified subsequently to profit or loss			
– Change in fair value/credit losses from debt investments measured at fair value through other comprehensive income		318,559	850
Items that will not be reclassified subsequently to profit or loss			
– Changes in fair value from investments in equity instruments designated at fair value through other comprehensive income		(3,010)	46,444
– Remeasurement of net defined benefit liability		(5,408)	620
Non-controlling interests		–	–
Other comprehensive income net of tax		310,141	47,914
Total comprehensive income		2,169,620	2,647,862
Total comprehensive income attributable to:			
Equity shareholders of the Bank		2,160,258	2,470,218
Non-controlling interests		9,362	177,644
		2,169,620	2,647,862
Basic and diluted earnings per share (in RMB)	11	0.15	0.16

The notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2023
(In RMB thousands, unless otherwise stated)

	<i>Note IV</i>	31 December 2023	31 December 2022
Assets			
Cash and deposits with Central Bank	12	26,369,865	26,487,450
Deposits with banks and other financial institutions	13	1,244,162	1,922,266
Placements with banks and other financial institutions	14	6,227,699	2,410,452
Financial assets held under resale agreements	15	10,689,146	12,386,501
Loans and advances to customers	16	350,325,297	322,207,034
Financial investments:			
Financial investments at fair value through profit or loss	17	40,723,996	44,441,710
Financial investments at fair value through other comprehensive income	17	22,872,676	17,150,060
Financial investments measured at amortised cost	17	122,756,433	121,679,176
Lease receivables	18	32,817,168	30,633,447
Interests in associates	19	604,401	273,881
Property and equipment	20	3,424,145	3,049,807
Deferred tax assets	21	6,278,278	4,880,568
Other assets	22	6,376,163	3,991,266
Total assets		630,709,429	591,513,618
Liabilities			
Due to Central Bank	23	30,960,269	20,105,825
Deposits from banks and other financial institutions	24	14,307,609	29,541,040
Placements from banks and other financial institutions	25	33,246,902	29,548,795
Financial assets sold under repurchase agreements	27	25,131,941	19,098,195
Derivative financial liabilities	26	–	100,456
Deposits from customers	28	366,521,910	341,797,766
Tax payable		1,092,496	557,405
Debt securities issued	29	102,068,783	94,992,906
Other liabilities	30	3,064,663	3,145,994
Total liabilities		576,394,573	538,888,382

The notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2023 (continued)
(In RMB thousands, unless otherwise stated)

	<i>Note IV</i>	31 December 2023	31 December 2022
Equity			
Share capital	31	9,092,091	8,265,538
Other equity instruments	34	9,998,855	9,998,855
Capital reserve	32	5,985,102	6,811,655
Surplus reserve	32	3,689,605	3,505,562
General reserve	32	8,266,509	7,767,704
Fair value reserve	32	189,386	(126,163)
Remeasurement of net defined benefit liability	32	(74,043)	(68,635)
Retained earnings	33	15,305,319	14,618,050
<hr/>			
Total equity attributable to equity shareholders of the Bank		52,452,824	50,772,566
Non-controlling interests		1,862,032	1,852,670
<hr/>			
Total equity		54,314,856	52,625,236
<hr/>			
Total liabilities and equity		630,709,429	591,513,618

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

Zhao Fei

*Chairman of the Board of
Directors*

Sun Haigang

Person in Charge of Accounting Affairs

Yuan Dongyun

*Head of Accounting
Department*

Bank of Zhengzhou Co., Ltd.

(Company Chop)

The notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

Note //	Attributable to equity shareholders of the Bank										Total equity
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Sub-total	Non-controlling interests	
Balance at 1 January 2023	8,265,538	9,998,855	6,811,655	3,505,562	7,767,704	(126,163)	(68,635)	14,618,050	50,772,566	1,852,670	52,625,236
Profit for the year	-	-	-	-	-	-	-	1,850,117	1,850,117	9,362	1,859,479
Other comprehensive income	-	-	-	-	-	315,549	(5,408)	-	310,141	-	310,141
Total comprehensive income	-	-	-	-	-	315,549	(5,408)	1,850,117	2,160,258	9,362	2,169,620
Appropriation of profit:											
- Appropriation to surplus reserve	-	-	-	184,043	-	-	-	(184,043)	-	-	-
- Appropriation to general reserve	-	-	-	-	498,805	-	-	(498,805)	-	-	-
- Cash dividends on perpetual debits	-	-	-	-	-	-	-	(480,000)	(480,000)	-	(480,000)
- Conversion of capital reserves into share capital	826,553	-	(826,553)	-	-	-	-	-	-	-	-
Sub-total	826,553	-	(826,553)	184,043	498,805	315,549	(5,408)	687,269	1,680,258	9,362	1,689,620
Balance at 31 December 2023	9,092,091	9,998,855	5,985,102	3,689,605	8,266,509	189,386	(74,043)	15,305,319	52,452,824	1,862,032	54,314,856

The notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023 (continued)

(In RMB thousands, unless otherwise stated)

	Attributable to equity shareholders of the Bank							Total equity			
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability				
Note / /											
Balance at 1 January 2022	8,265,538	17,824,363	7,452,490	3,281,678	7,481,353	(173,457)	(69,255)	13,703,472	57,766,182	1,645,358	59,411,540
Profit for the year	-	-	-	-	-	-	-	2,422,304	2,422,304	177,644	2,599,948
Other comprehensive income	-	-	-	-	-	47,294	620	-	47,914	-	47,914
Total comprehensive income	-	-	-	-	-	47,294	620	2,422,304	2,470,218	177,644	2,647,862
Capital invested by share holders:											
- Redemption of preference shares	34	(7,825,508)	(640,835)	-	-	-	-	-	(8,466,343)	-	(8,466,343)
- Acquisition of a subsidiary		-	-	-	-	-	-	-	-	34,568	34,568
Appropriation of profit:											
- Appropriation to surplus reserve	32(b)	-	-	223,884	-	-	-	(223,884)	-	-	-
- Appropriation to general reserve	32(c)	-	-	-	-	286,351	-	(286,351)	-	-	-
- Cash dividends on ordinary shares	33	-	-	-	-	-	-	-	-	(4,900)	(4,900)
- Cash dividends on preference shares	33	-	-	-	-	-	-	(517,491)	(517,491)	-	(517,491)
- Cash dividends on perpetual debits	33	-	-	-	-	-	-	(480,000)	(480,000)	-	(480,000)
Sub-total	-	(7,825,508)	(640,835)	223,884	286,351	47,294	620	914,578	(6,993,616)	207,312	(6,786,304)
Balance at 31 December 2022	8,265,538	9,998,855	6,811,655	3,505,562	7,767,704	(126,163)	(68,635)	14,618,050	50,772,566	1,852,670	52,625,236

The notes form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

	2023	2022
Cash flows from operating activities		
Profit before tax	1,739,636	2,807,230
<i>Adjustments for:</i>		
Credit impairment losses	8,075,323	8,659,958
Depreciation and amortisation	458,441	468,042
Unrealised foreign exchange gains	(56,155)	(672,553)
Net (gains)/losses from disposal of long-term assets	(10,304)	3,897
Net trading (gains)/losses of financial investments at fair value through profit or loss	(33,513)	139,144
Net gains arising from investments	(493,881)	(575,053)
Share of losses of associates	17,350	102,014
Interest expense on financing activities	2,599,417	2,372,248
Interest income on financial investments	(5,424,985)	(6,047,455)
	6,871,329	7,257,472
<i>Changes in operating assets</i>		
Net decrease/(increase) in deposits with Central Bank	700,596	(25,892)
Net increase in deposits and placements with banks and other financial institutions	(2,200,000)	(1,049,091)
Net decrease/(increase) in financial investments at fair value through profit or loss	4,235,749	(6,798,131)
Net increase in loans and advances to customers	(36,248,929)	(43,692,638)
Net decrease in financial assets held under resale agreements	1,698,520	1,840,610
Net increase in lease receivables	(3,199,921)	(2,898,853)
Net decrease in other operating assets	533,229	63,740
	(34,480,756)	(52,560,255)
<i>Changes in operating liabilities</i>		
Net increase/(decrease) in amounts due to Central Bank	10,762,907	(2,676,675)
Net decrease in deposits and placements from banks and other financial institutions	(11,569,325)	(7,189,727)
Net increase in financial assets sold under repurchase agreements	6,030,831	6,728,995
Net increase in deposits from customers	23,253,277	16,951,631
Income tax paid	(818,268)	(945,612)
Net increase in other operating liabilities	1,598,107	1,084,154
	29,257,529	13,952,766
Net cash flows generated from operating activities	1,648,102	(31,350,017)

The notes form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2023 (continued)

(In RMB thousands, unless otherwise stated)

	Note IV	2023	2022
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		88,267,518	118,049,760
Proceeds from disposal of property and equipment and other assets		11,920	3,928
Payments on acquisition of investments		(96,986,311)	(97,099,411)
Return on investments		5,545,615	7,013,859
Payments on acquisition of property and equipment and other assets		(522,536)	(741,490)
Payment for the capital increase of the associated company		(347,870)	–
Cash flows from other investing activities		–	284,432
Net cash flows generated from investing activities		(4,031,664)	27,511,078
Cash flows from financing activities			
Proceeds received from debt securities issued		139,390,217	131,040,039
Repayment of debt securities issued		(132,422,300)	(126,044,973)
Interest paid on debt securities issued		(2,481,660)	(2,451,125)
Dividends paid		(480,049)	(1,002,834)
Repayment of interest on preference shares issued		–	(8,466,343)
Cash flows used in other financing activities		(120,121)	(146,394)
Net cash flows generated from financing activities		3,886,087	(7,071,630)
Net increase/(decrease) in cash and cash equivalents		1,502,525	(10,910,569)
Cash and cash equivalents as at 1 January		10,515,331	21,412,333
Effect of foreign exchange rate changes on cash and cash equivalents		2,117	13,567
Cash and cash equivalents as at 31 December	35(a)	12,019,973	10,515,331
Net cash flows generated from operating activities include:			
Interest received		20,574,761	19,910,800
Interest paid		(8,912,809)	(9,348,349)

The notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

I BACKGROUND INFORMATION

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

The Bank obtained its financial institution licence No. B1036H241010001 from the former China Banking Regulatory Commission (“the former CBRC”), and obtained its business licence from Henan Province Administration for Market Regulation, the unified social credit code is 914100001699995779. The Bank is regulated by National Financial Regulatory Administration.

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

The principal activities of the Bank and its subsidiaries (collectively the “Group”) include receiving deposits from the public; short, medium and long-term lending; domestic and international settlement; bill acceptance and discounting; issuing financial bonds; purchase and sale of government bonds and financial bonds; interbank lending and borrowing; financial leasing and other business activities.

These financial statements have been approved by the board of directors on 28 March 2024.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”). In addition, the consolidated financial statements comply with the requirements of the Hong Kong Companies Ordinance.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note II 22.

As a financial institution established in the PRC and listed on the Shenzhen Stock Exchange, the Group also prepared its consolidated financial statements for the reporting period in accordance with the “Accounting Standards for Business Enterprises – Basic Standard” issued by the Ministry of Finance of the People’s Republic of China (the “MOF”), additional specific accounting standards, the Application Guide and Interpretations of Accounting Standards and other relevant regulations (collectively known as the “PRC GAAP”), as well as the relevant regulations issued by the China Securities Regulatory Commission (“CSRC”) in relation to the disclosure of financial statements and notes of listed companies. There is no difference in the net profit for the year or total equity as at the end of the year between the Group’s consolidated financial statements prepared under IFRSs and those prepared under PRC GAAP.

1.1 Amended standards and interpretations effective in 2023

On 1 January 2023, the Group applied the following new standards and amendments.

Amendments to IFRS 1, IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>

The adoption of the above amendments does not have a significant impact on the Group’s consolidated financial statements.

Except for those described above, the material accounting policies adopted by the Group for the annual financial statements are consistent with those applied in the preparation of the Group’s annual financial statements for the year ended 31 December 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

1 Basis of preparation (Continued)

1.2 Amended standards that are not yet effective and have not been early adopted by the Group in 2023

		Effective for annual periods beginning on or after
Amendments to IFRS 16	<i>Lease liability in a sale and leaseback</i>	1 January 2024
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to IAS 7, IFRS 7	<i>Disclosure of supplier financing arrangements</i>	1 January 2024
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date has been deferred indefinitely
Amendments to IAS 21	<i>Lack of convertibility</i>	1 January 2025

The IASB has amended IFRS 16 to specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognise any amount of the gain or loss that relates to the right of use retained. The amendment does not change the accounting for leases unrelated to sale and leaseback transactions.

The IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: What is meant by a right to defer settlement; That a right to defer must exist at the end of the reporting period; That classification is unaffected by the likelihood that an entity will exercise its deferral right; That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively, and earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

1 Basis of preparation (Continued)

1.2 *Amended standards that are not yet effective and have not been early adopted by the Group in 2023 (Continued)*

The IASB issued amendments to IAS 7 to clarify that arrangements that only provide credit enhancement to the enterprise (e.g., financial guarantees, including letters of credit used as security) or instruments used by the enterprise to settle debts directly with the supplier (e.g. credit cards) do not qualify as supplier financing arrangements. At the same time, IAS 7 and IFRS 7 clarify specific disclosure requirements for supplier financing arrangements.

The narrow-scope amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a “business” (as defined in IFRS 3 “Business Combinations”). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor’s investors in the associate or joint venture. The amendments apply prospectively.

The IASB has issued amendments to IAS 21 to clarify how an entity should assess whether a currency is convertible into another currency and, in the absence of convertibility, how an entity should estimate the spot rate at the measurement date. The amendments require disclosures that enable users of financial statements to understand the impact of currency non-convertibility. Early application is permitted. In applying these revisions, an entity cannot restate comparative information. Any cumulative effect of the initial application of the revisions shall be recognized as an adjustment to the opening balance of retained profits or an adjustment to the cumulative currency translation differences in a separate component of equity, if applicable, at the date of initial application.

The above standards and amendments are expected to have no material impact on the financial statements of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

2 Consolidation

2.1 Subsidiaries

Subsidiaries are all entities (including corporates, divided parts of associates, and structured entities controlled by corporates) over which the Group has control. That is the Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible and rights arising from other contractual arrangements are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. If changes in facts and circumstances result in changes in elements involved in the definition of control, the Group will re-evaluate whether it still has control over subsidiaries.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

If the Group acquires a subsidiary through a merger of companies under common control, the difference between the book value of the net assets acquired by the merging parties and the book value of the merger consideration paid (or the total par value of shares issued) is adjusted to capital surplus; if capital surplus is not sufficient to offset the difference, retained earnings are adjusted.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Bank's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments, but does not include acquisition-related costs, which are expensed as incurred. The dividends or profits declared to distribute by the invested entity shall be recognised by the Bank as the current investment income of subsidiaries.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

2 Consolidation (Continued)

2.2 Joint Ventures

Joint ventures exist where the Group has a contractual arrangement with one or more parties to undertake economic activities which are subject to joint control.

Investments in joint ventures are initially recognised at cost and are accounted for using the equity method of accounting. The Group's "Investments in associates and joint ventures" includes goodwill.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group assesses at each financial reporting date whether there is indication that investments in joint ventures are impaired. Once there is any indication of impairment, the impairment assessment is carried out. Impairment losses are recognised for the amounts by which the carrying amounts of investments in joint ventures exceed their recoverable amounts. The recoverable amounts are the higher of the fair value of investments in associates and joint ventures less costs to sell and value in use.

3 Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits readily available for payment. Cash equivalents are investments held by the Group with short maturities, high liquidity, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

4 Foreign currency translation

The Group translates foreign currency transactions into its functional currency.

Foreign currency transactions are, on initial recognition, translated into the functional currency using the spot exchange rates at the dates of the transactions. At each financial reporting date, monetary items denominated in foreign currencies are translated using the spot exchange rates at that date. All the resulting exchange differences are recognised to profit or loss, except for those relating to foreign currency borrowings specifically for acquisition and construction of assets qualified for capitalisation, which are capitalised in accordance with the principle of capitalisation of borrowing costs. Non-monetary items denominated in foreign currencies that are measured at historical cost shall still be translated into functional currency using the exchange rates on initial recognition, while the amounts denominated in the functional currencies do not change. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; the resulting exchange differences are recognised in profit or loss, or in other comprehensive income for the period.

Cash flows arising from foreign currency transactions are translated using the spot exchange rates at the dates on which the transactions take place. The effect of exchange rate changes on cash is separately presented in the statement of cash flows.

5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Recognition and de-recognition of financial instruments

The Group shall recognise a financial asset or a financial liability in its statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets (or a part of a financial asset or group of financial assets) are derecognised when the financial assets meet one of the following conditions:

- (1) The contractual rights to the cash flows from the financial asset expire; or
- (2) The contractual rights to the cash flows from the financial asset are transferred, or the Group undertake the obligation to pay the cash flows collected to a third party in full and on time under the “pass-through agreement” and 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (Continued)

Recognition and de-recognition of financial instruments (Continued)

Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged or cancelled, or expires. If an existing financial liability is replaced by another financial liability with substantially different terms by the same creditor, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted as the de-recognition of the original liability and the recognition of a new liability, and the resulting difference is recognised in profit or loss for the current period.

The Group recognises and de-recognises financial assets on the trading day when trading financial assets in a conventional way. Trading financial assets in a conventional way refers to collecting or delivering financial assets within the time limit prescribed by laws or common practices in accordance with contract provisions. The trading day refers to the date on which the Group undertakes to buy or sell financial assets.

Classification and measurement of financial assets

The Group classifies financial assets as at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets are measured at fair value on initial recognition. However, if the accounts receivable or bills receivable arising from sales of goods or provision of services do not include significant financing components or does not take financing components less than one year into account, they shall be initially recognised at the transaction price.

For financial assets at fair value through profit or loss, transaction costs are directly recognised in profit or loss. For other financial assets, transaction costs are recognised in the initial measurement.

The subsequent measurement of financial assets depends on the classification:

Debt instrument investment measured at amortised cost

A financial asset shall be measured at amortised cost if both of the following conditions are met: the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income is recognised using the effective interest method for such financial assets. The gains or losses from derecognition, amendments or impairment on such financial assets are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (Continued)

Classification and measurement of financial assets (Continued)

Debt instruments investment at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A gain or loss on a financial asset measured at the fair value through other comprehensive income should be recognised in other comprehensive income, except for interests calculated using effective interest method, impairment losses and foreign exchange gains and losses. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to profit or loss.

Equity instruments investment at fair value through other comprehensive income

The Group has irrevocably designated equity instruments that are not held for trading as financial assets at fair value through other comprehensive income. Only relevant dividend income (excluding dividend income explicitly recovered as part of investment cost) is recognised in profit or loss, and subsequent changes in fair value are recognised in other comprehensive income without provision for impairment. When financial assets are derecognised, the accumulated gains or losses previously recognised in other comprehensive income shall be reclassified to retained earnings under equity.

Financial assets at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. Such financial assets that the Group holds are subsequently measured at fair value. Gains or losses on such financial assets are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (Continued)

Classification and measurement of financial liabilities

The Group classifies financial liabilities as at fair value through profit or loss and other financial liabilities at amortised cost at initial recognition. For financial liabilities at fair value through profit or loss, transaction costs are directly recognised in profit or loss. For other financial liabilities at amortised cost, transaction costs are recognised in the initial measurement.

The subsequent measurement of financial liabilities depends on the classification:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivative financial instruments) and financial liabilities designated at fair value through profit or loss at initial recognition. Financial liabilities held for trading (including derivative financial instruments) are subsequently measured at the fair value. A gain or loss on such financial liability is recognised in profit or loss. Financial liabilities designated at fair value through profit or loss are subsequently measured at the fair value. A gain or loss on such financial liability is recognised in profit or loss, except that the changes in the fair value of the financial liability arising from changes in the Group's own credit risk should be recognised in other comprehensive income. If the recognition of the impact arising from changes in the own credit risk of financial liabilities in other comprehensive income will create or enlarge the accounting mismatch in profit or loss, the Group shall recognise the entire gain or loss of the financial liabilities (including the impact of changes in its own credit risk) in profit or loss.

Financial liabilities measured at amortised cost

Such financial liabilities are subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (Continued)

Impairment of financial instruments

The Group evaluates and confirms relevant impairment allowance for financial assets measured at amortised cost, debt instrument investments at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts based on ECL.

For the above financial assets, loan commitments and financial guarantee contracts, the Group assesses whether its credit risk has increased significantly since the initial recognition at the end of each reporting period. If the credit risk has not increased significantly since the initial recognition, it is at the first stage, and the Group measures the loss provision based on the amount of expected credit loss throughout the next 12 months and calculates interest income based on book balance and effective interest rate; if the credit risk has increased significantly since the initial recognition but credit loss has not occurred, it is at the second stage, and the Group measures loss provision based on the amount of expected credit losses throughout the entire duration of the life and calculates interest income based on book balance and effective interest rate; if credit loss has occurred since the initial recognition, it is at the third stage, and the Group measures loss provision based on the amount of expected credit losses throughout the entire duration of the life and calculates the interest income based on the amortised cost and the effective interest rate.

Please refer to Note IV 38 for the Group's criteria for determining significant increase in credit risk, definition of financial assets that have been credit-impaired, and assumption for measurement of expected credit loss.

The factors reflected in the Group's approach to measuring expected credit losses of financial instruments include the weighted average amount of unbiased probabilities, the time value of money determined by evaluating a series of possible outcomes, as well as reasonable and substantiated information about past events, current conditions and projections of future economic conditions that is available at the financial reporting date without undue additional cost or effort.

When the Group no longer reasonably expects to be able to fully or partially recover the contractual cash flows of financial assets, the Group directly writes down the carrying amount of the financial assets.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a current legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (Continued)

Financial guarantee contracts

Financial guarantee contracts are those contracts that require a payment to be made by the issuer to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are measured at fair value at initial recognition. For financial guarantee contracts which are not designated as at fair value through profit or loss, they are subsequently measured at the higher of the expenditure determined by the ECL model that is required to settle any financial obligation arising at the financial reporting date, and the value initially recognised less the accumulated amortisation recognised in accordance with the guidance for revenue recognition.

Derivative financial instruments

The Group uses derivative financial instruments, for example, to hedge exchange-rate risks through foreign exchange forward contracts, which are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Changes in the fair value of these derivatives are recognised in profit or loss unless it is related to hedge accounting.

Transfer of financial assets

If the Group has transferred substantially all the risks and rewards of ownership of financial assets to the transferee, it shall de-recognise the financial assets; if it retains substantially all the risks and rewards of ownership of financial assets, it shall not de-recognise the financial assets.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of financial assets, it shall deal with the following situations separately: if it abandons its control over the financial assets, it should de-recognise the financial assets and recognise the assets and liabilities that arose; if it does not abandon its control over the financial assets, it shall recognise the relevant financial assets in accordance with the extent to which it continues to be involved in the transferred financial assets, and relevant liabilities are recognised accordingly.

If the Group continues to be involved in the transferred financial assets by providing a financial guarantee, the assets that arose from the continued involvement shall be determined at the lower of the book value of the financial assets and the amount of the financial guarantee. The amount of the financial guarantee refers to the maximum amount that will be required to be repaid among the consideration received.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

6 Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are not reported as purchases of the assets but as receivables and are carried in the statement of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the 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 amortised cost.

The difference between purchase and sale price is recognised as “Interest expense” or “Interest income” in the statement of profit or loss over the life of the agreements using the effective interest method.

7 Property, plant and equipment

Property, plant and equipment are recognised only when the economic benefits associated with the assets will probably flow to the Group and the cost of the assets can be measured reliably. Subsequent expenditures incurred for property, plant and equipment that meet the recognition criteria shall be included in its cost, and the carrying amount of the component of the property, plant and equipment that is replaced shall be de-recognised. Otherwise, such expenditures shall be recognised in profit or loss for the period during which they are incurred.

Property, plant and equipment are initially measured at cost. The cost of purchased property, plant and equipment comprise the purchase price, relevant taxes and any directly attributable costs for bringing the assets to expected working condition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

7 Property, plant and equipment (Continued)

Premises, electronic equipment and others

Property, plant and equipment are depreciated using the straight-line method. The estimated useful lives, residual values and depreciation rates of each class of property, plant and equipment are as follows:

	Estimated useful lives (years)	Estimated rate of residual value (%)	Depreciation rate (%)
Premises	20-50	5	1.90-4.75
Electronic equipment	3-5	5	19.00-31.67
Vehicles	5	5	19.00
Office equipment and others	5-10	5	9.50-19.00
Operating leased fixed assets	8-10	0-5	9.50-11.88

Construction in progress

The cost of construction in progress is determined according to the actual costs incurred for the construction, including all necessary construction costs incurred during the construction period, and other relevant expenses.

Construction in progress is transferred to property, plant and equipment when the asset is ready for its intended use.

8 Intangible assets

Intangible assets are amortised using the straight-line method. The estimated useful lives are as follows:

	Estimated useful lives (years)
Land use rights	30-50
Software	5-10

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

9 Impairment of non-financial assets

The Group determines the impairment of assets other than deferred income tax assets, and financial assets using the following methods: The Group assesses whether there is any indication that an asset may be impaired at the end of the reporting period. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs test for impairment; and the Group tests intangible assets that have not yet reached a serviceable condition for impairment at least at the end of each year, regardless of whether there is an indication of impairment.

The recoverable amount of an asset is determined according to the higher of the net amount of its fair value less disposal costs and the present value of the expected future cash flows of the asset. The Group estimates the recoverable amount on an individual basis. 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 asset belongs. Identification of an asset group 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.

When the recoverable amount of an asset or an asset group is less than its carrying amount, the group wrote down its carrying amount to the recoverable amount. The amount of write-down is recognised in profit or loss for the current period, and a provision for impairment loss of the asset is recognised accordingly.

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised 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 (net of any depreciation/amortisation) had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

10 Employee benefits

Employee benefits refer to all forms of considerations or compensations given by the Group in exchange for services rendered by employees or for the termination of employment. Employee benefits include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits.

Short-term employee benefits

In the accounting period in which services are rendered by employees, the actual amount of short-term benefits incurred is recognised as liabilities and charged to profit or loss for the current period or cost of underlying assets.

Post-employment benefits-defined contribution plans

The employees of the Group participate in (i) the pension insurance and unemployment insurance scheme administered by the local government and (ii) enterprise annuity, and the corresponding expenses are included in the costs of underlying assets or recognised in profit or loss for the current period when incurred.

Post-employment benefits – defined benefit plan

The Group sets benefit plans as supplementary retirement benefits, including early retirement plans and supplementary retirement plans. The plan requires payment of fees to independently managed funds. No capital has been injected into the plan. The benefits cost under the defined benefit plan is calculated using the projected accumulative benefit unit method.

The items to be remeasured as a result of the defined benefit pension plan, which include actuarial gains or losses, movements arising from assets cap (net of amounts included in net interest of liabilities in the defined benefit plan) and return on plan assets (net of amounts included in net interest of liabilities in the defined benefit plan), are all immediately recognised in the statement of financial position, and are included in shareholders' equity through other comprehensive income during the period in which they are incurred. They will not be reversed to profit or loss in subsequent periods.

The past service costs are recognised as expenses for the current period when the defined benefit plan is modified or when the Group recognises relevant restructuring costs or termination benefits, whichever occurs earlier.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

10 Employee benefits (Continued)

Post-employment benefits – defined benefit plan (Continued)

Net interest is calculated by multiplying net liabilities or net assets of the defined benefit plan by the discount rate. The Group recognises changes in net liabilities of the defined benefit plan under administrative expense and finance expenses in the income statement. Service costs include current service cost, past service cost and gains or losses on settlement; net interest includes interest income on plan assets, interest expenses on plan obligations and interest arising from assets cap.

Termination benefits

If the Group provides termination benefits to employees, the employee benefits liabilities arising from termination benefits are recognised in profit or loss for the current period at the earlier of the following dates: when the Group cannot unilaterally withdraw the offer of these termination benefits as a result of termination of employment plan or downsizing proposal, and when the Group recognises restructuring costs involving the payment of termination benefits

11 Accrued liabilities

In addition to contingent consideration and contingent liability assumed in a business combination not under the same control, the Group recognises a contingent obligation as an accrued liability when all of the following conditions are satisfied:

- the obligation is a present obligation of the Group;
- it is probable that the performance of the obligation will result in an outflow of economic benefits from the Group;
- the amount of the obligation can be measured reliably.

Contingent liabilities are initially measured at the best estimate of the expenditure required to settle the related present obligation, with comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of accrued liabilities is reviewed and adjusted to the best estimate at the end of each reporting period.

Financial guarantee contracts that are subsequently measured with expected credit losses are listed in accrued liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

12 Other equity instruments

The preference shares issued by the Group do not include the contractual obligations to pay cash or other financial assets to other parties, or exchange financial assets or financial liabilities with other parties under potential adverse conditions. Meanwhile, these preferred shares are non-derivative financial instruments that must be settled with their own equity instruments in the future, but do not include the contractual obligation to deliver a variable number of their own equity instruments for settlement. The preference shares issued by the Group are equity instruments. The transaction costs such as handling fees and commissions incurred in issuing the preference shares are deducted from the equity. The interest on preference shares is recognised as profit distribution at the time of declaration.

The perpetual bonds issued by the Group do not include the contractual obligations to pay cash or other financial assets to other parties, or exchange financial assets or financial liabilities with other parties under potential adverse conditions. In addition, there are no terms and arrangement that the bonds must or will alternatively be settled in the Group's own equity instruments. The perpetual bonds issued by the Group are equity instruments. The handling fees, the transaction costs and commissions incurred in issuing the perpetual bonds are deducted from the equity. The interest on perpetual bond is recognised as profit distribution at the time of declaration.

13 Deferred income tax

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the taxable temporary differences arises from the initial recognition of goodwill or an asset or liability in a single transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and, the initial recognition of assets and liabilities do not result in equal taxable temporary differences or deductible temporary differences; and
- In respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

13 Deferred income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deductible temporary differences arises from single transactions in which the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and, the initial recognition of assets and liabilities do not result in equal taxable temporary differences or deductible temporary differences; and
- In respect of deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset when the following conditions are satisfied: a legally enforceable right exists to set off current tax assets against current tax liabilities; the deferred taxes relate to the same taxable entity and the same taxation authority, or the involved taxable entities are intended to settle the current income tax assets and current income tax liabilities on a net basis or to simultaneously acquire assets and repay debts during each future period in which significant amounts of deferred income tax assets and deferred income tax liabilities are expected to be reversed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

14 Leases

On the contract start date, the Group assesses whether the contract is a lease or contains a lease. If one party in the contract transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is a lease or contains a lease.

As lessee

The Group recognises the right-of-use assets and lease liabilities except for short-term leases and low-value asset leases.

Right-of-use assets

At the commencement date of the lease, the Group recognises its right to use the lease assets over the lease term as the right-of-use asset and initially measures it at cost. The cost of right-of-use assets includes: the amount of initial measurement of the lease liability; any lease payments made at or before the commencement date of the lease less any lease incentives received; the initial direct expenses incurred by the lessee; and an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms of the lease. If the Group re-measures the lease liabilities due to the changes in lease payments, the book value of the right-of-use assets shall be adjusted accordingly. The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset and the lease term.

Lease liabilities

On the commencement date of the lease term, the Group recognises the present value of the outstanding lease payments as lease liabilities, except for short-term leases and low-value asset leases. The amount of lease payment includes the amount of fixed payment and substantial fixed payment after deducting the lease incentive, the amount of variable lease payment depending on the index or ratio, the amount expected to be paid according to the guarantee residual value, and the exercise price of the purchase option or the payment amount to exercise the lease termination option, provided that the Group reasonably determines that the option will be exercised or the lease term reflects that the Group will exercise the lease termination option.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

14 Leases (Continued)

As lessee (Continued)

Lease liabilities (Continued)

In calculating the present value of the lease payments, the Group uses the implicit interest rate in the lease as the discount rate; if the implicit interest rate of the lease cannot be determined, the lessee's incremental borrowing rate is used as the discount rate. The Group calculates the interest expense of the lease liabilities for each period of the lease term based on the fixed periodic interest rate and recognises it in profit or loss for the current period, unless otherwise stipulated to be recognised in related asset costs. The variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss when incurred, unless otherwise stipulated to be recognised in related asset costs.

After the commencement date of the lease term, the Group increases the carrying amount of the lease liability while recognising the interest, and decreases the carrying amount of the lease liability while paying the lease payment. If either (i) the substantially fixed payment amount changes; (ii) the expected amount payable of the guarantee residual value changes; (iii) the index or ratio used to determine the lease payment amount changes; or (iv) the assessment results or actual exercise of the purchase option, renewal option or termination option changes, the Group re-measures the lease liabilities based on the present value of the changed lease payments.

Short-term leases and low-value asset leases

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease; and a lease for which the value of the individual underlying asset is lower at inception as a lease of a low-value asset. The Group chooses not to recognise the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and the rent is amortised on a straight-line basis in each period of the lease term and included in the statement of profit or loss.

As lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

14 Leases (Continued)

As lessor under finance lease

When the Group is a lessor under finance leases, at the commencement date of the lease, the Group recognises finance lease receivable and derecognises finance lease assets. In the initial measurement of the finance lease receivable, the Group recognises the net investment of the lease as the book value. The net investment in a lease is the sum of the unguaranteed residual value and the present value of the unreceived minimum lease payment receivable at the commencement date, which is discounted by the interest rate implicit in the lease, including initial direct costs. The Group calculates and recognises the interest income in each period during the lease term using the constant periodic rate of interest. Variable lease payments that are not measured as part of the net investment in the lease are recognised in profit or loss as incurred.

As lessor under operating lease

Rental income under an operating lease is recognised through profit or loss using the straight-line method for each period of the lease term. Variable lease payments not included in the measurement of the net investment in the lease are recognised in profit or loss as incurred. Initial direct costs are capitalised and amortised over the lease term on the same basis as rental income is recognised, and are charged to profit or loss.

Sale and leaseback transactions

As lessee

If the asset transfer under a sale and leaseback transaction belongs to sale, the Group, as a lessee, measures the right-of-use assets created by the sale and leaseback based on the portion of carrying amount of the original assets related to right of use obtained upon leaseback, and only recognise relevant profit or loss for the right transferred to the lessor. If the asset transfer under a sale and leaseback transaction does not belong to sale, the Group, as a lessee, will continue to recognise the transferred assets while recognise a financial liability equal to the transfer income.

As lessor

If the asset transfer under a sale and leaseback transaction belongs to sale, the Group, as a lessor, accounts for the purchase of the assets and the lease of the assets in accordance with the foregoing; If the asset transfer under a sale and leaseback transaction does not belong to sale, the Group, as a lessor, will not recognize the transferred asset while recognise a financial asset equal to the transfer income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

15 Profit distribution

The cash dividends of the Group are recognised as liabilities after being approved at the shareholders' general meeting.

16 Fair value measurement

Fair value refers to the price that market participants can receive or pay to transfer an asset in an orderly transaction on the measurement date.

For the assets and liabilities measured or disclosed at fair value in the statement of financial position, the level of fair value is determined according to the lowest level input value that is significant to the measurement of fair value as a whole: Level 1 inputs – unadjusted quoted prices unadjusted in active markets for identical assets or liabilities at the measurement date; Level 2 inputs – the observable inputs, either directly or indirectly, of the relevant assets or liabilities other than Level 1 inputs; and Level 3 inputs – unobservable inputs of the relevant assets or liabilities.

At each financial reporting date, the Group reassesses the assets and liabilities recognised in the statement of financial position that are continuously measured at fair value to determine whether there is a conversion between the fair value measurement levels.

17 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system, and the operating results of the segments are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance. Any segments which do not comply with the reporting of segments by division of quantities are reported at consolidation level.

18 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 amounts. No provision for impairment loss is made for entrusted loans.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

19 Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Repossessed assets in the form of financial assets are recognised and presented as the appropriate class of financial assets based on the business models and contractual cash flow characteristics, and repossessed assets that are not financial assets are recognised and reported in “other assets” in the balance sheet when the Group intends to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower.

When using repossessed assets as compensation for losses on loans and advances to customers and interest receivable, the Group recognises repossessed assets in the form of financial assets at fair value, and records any taxes payable, advance payment for litigation fees, tax arrears and other transaction costs incurred to obtain repossessed assets in profit or loss or into the initial book value, respectively, depending on the type of financial assets.

Repossessed assets that are not financial assets are initially recognised at the fair value of the rights given up by creditors, and the Group records any taxes payable, advance payment for litigation fees, tax arrears and other transaction costs incurred to obtain the repossessed assets into the book value of repossessed assets.

20 Income recognition

Interest income

Interest income is calculated using the effective interest rate. The effective interest refers to the interest rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. If the Group’s estimate of future income changes, the book value of financial assets may also be adjusted accordingly. Since the adjusted book value is calculated according to the original effective interest rate, the change is also recorded in interest income.

For the purchased or originated credit-impaired financial assets, the Group calculates the interest income according to the amortised cost of the financial assets and the effective interest rate after credit adjustment since the initial recognition by the Group. The effective interest rate after credit adjustment refers to the estimated future cash flows of the acquired or originated financial assets with credit impairment in the expected duration, which is converted into the interest rate of amortised cost of the financial assets.

For the financial assets acquired or originated without any credit impairment, but incurred credit impairment in the subsequent period, the Group calculates the interest income in accordance with the amortised cost and the effective interest rate of the financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

20 Income recognition (Continued)

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income is accrued in accordance with the terms and conditions of the service agreement. For other service fee and commission income, they are recognised when the transactions are completed.

Dividend income

Dividends are recognised when the right to receive the dividends is established.

Other income

Other income is recognised on an accrual basis.

Interest expense

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

Other expense

Other expenses are recognised on an accrual basis.

21 Related parties

If the Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, these parties are considered to be related parties. Related parties may be individuals or enterprises. If the enterprises are only under common control from the State with the Group and have no other related party relationships, they are not regarded as related parties.

22 Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

22 Critical accounting estimates and judgements (Continued)

Judgments

In the process of applying the Group's accounting policies, management has made the following judgements that may have significant effect on the amounts recognised in the financial statements:

Business model

The classification of financial assets at initial recognition is dependent on the Group's business model for managing financial assets. Factors considered by the Group in judging the business model include the method that the enterprise evaluate and report the performance of financial assets to key management members, risks affecting the results of financial assets and the method for managing such risks, as well as the form of remuneration received by related management of the businesses. In assessing whether the business model is aimed at receiving contract cash flows, the Group is required to analyse and exercise judgement in respect of the reasons, timing, frequency and values of any disposals prior to maturity.

Characteristics of contract cash flows

The classification of financial assets at initial recognition is dependent on the characteristics of the contract cash flows of the types of financial assets. Judgement is required to determine whether the contract cash flows represent principals and interest payments in relation to principal amounts based on outstanding principal amounts only, including judgement of whether it is significantly different from the benchmark cash flow when assessing modifications to the time value of currencies, and judgement of whether the fair value of early repayment features is minimal where the financial assets include such early repayment features.

Judgement in assessing control over structured entities

For the structured entities involved in the Group's daily business, the Group needs to analyse and judge whether there is control over these structured entities to determine whether they shall be consolidated. When determining whether the Group has control over the structured entity, the Group takes into account the power arising from rights it directly owns or indirectly owns through subsidiaries (including controlled structured entities), variable returns, and the link between power and returns.

The Group gets variable returns from structured entities, including decision makers' remuneration (such as management fees and performance-related fees), as well as other benefits (such as direct investment income, remuneration and possible losses for providing credit enhancement or liquidity support, and variable returns from transactions with structured entities). When assessing whether the Group controls a structured entity, the Group not only considers applicable legal or regulations, and the essence of contractual agreements, but also considers other circumstances that may lead to the Group's ultimate bearing of the losses of the structured entity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

22 Critical accounting estimates and judgements (Continued)

Judgments (Continued)

Judgement in assessing control over structured entities (Continued)

The Group reassesses whether to control the structured entity if changes in relevant facts and circumstances lead to changes in the relevant elements involved in the definition of control.

Uncertainty of estimation

The following are the key assumptions about the future and other key sources of estimation uncertainty on the financial reporting date, which may lead to significant adjustment of the carrying amount of assets and liabilities in the future accounting period.

Impairment of financial instruments

The Group uses expected credit losses model to assess the impairment of financial instruments. The application of expected credit losses model requires significant judgement and estimation, taking into account all reasonable and reliable information, including forward-looking information. When making such judgement and estimation, the Group deduces the expected changes in the debtor's credit risk based on the historical repayment data together with factors such as economic policy, macroeconomic indicators and industry risk. Differences in estimates may affect the impairment provision, and the impairment provision may not be equal to the actual amount of impairment losses in the future.

Impairment of non-current assets other than financial assets

The Group assesses whether there is any indication of impairment for all non-current assets other than financial assets at the end of the reporting period. Intangible assets with indefinite useful lives are tested for impairment annually and at other times when such indication exists. Other non-current assets other than financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable. Where the carrying amount of an asset or asset group is higher than its recoverable amount (i.e., the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from it), it is indicated that such asset or asset group is impaired. The fair value less costs to sell is determined with reference to the price in sales agreement or observable market price in arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset or asset group. Estimating the present value of the expected future cash flows requires the management to make an estimation of the expected future cash flows from an asset or asset group and also choose a suitable discount rate in order to calculate the present value of those future cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

22 Critical accounting estimates and judgements (Continued)

Uncertainty of estimation (Continued)

Fair value of unlisted equities

The fair values of unlisted equity investments are estimated using comparable firm approach. It contains uncertainty as it requires the Group to determine comparable listed equities, market ratios, liquidity discounts, etc.

Fair value of financial instruments

For financial instruments lacking active market, the Group uses valuation method to determine their fair value. The valuation method includes referring to the transaction price determined by the fair transaction between economic entities with complete information and willing to buy and sell in the market, referring to the fair value of another similar financial instrument in the market, or using the discounted cash flow analysis and option pricing model to estimate. The valuation method utilizes market information to the maximum extent. However, when market information is unavailable, the management will estimate the credit risk, market fluctuation and correlation of the Group and its counterparties. Changes in these relevant assumptions will affect the fair value of financial instruments.

Deferred tax assets

If there is likely to be enough taxable income to offset the deductible loss, the Group recognises deferred income tax assets for all unused deductible losses. This requires the management to use considerable judgements to estimate the time and amount of taxable income in the future, combined with tax planning strategies, to determine the amount of deferred income tax assets that should be recognised.

III TAXATION

The Group's main applicable taxes and tax rates are as follows:

- (a) Value-added tax: charged at 3% to 13% on taxable added value.
- (b) City construction tax: calculated as 1% to 7% of VAT.
- (c) Education surcharge: calculated as 3% of VAT.
- (d) Local education surcharge: calculated as 2% of VAT.
- (e) Income tax: calculated on taxable income at an income tax rate of 25% that is applicable to the Bank and its subsidiaries.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Net interest income

	2023	2022
Interest income arising from		
Deposits with Central Bank	304,158	311,531
Deposits and placements with banks and other financial institutions	160,776	104,702
Loans and advances to customers		
– Corporate loans and advances	12,494,500	12,092,944
– Personal loans and advances	3,538,674	3,878,779
– Discounted bills	403,078	349,079
Financial assets held under resale agreements	220,360	213,530
Financial investments	5,424,985	6,047,455
Lease receivables	2,213,273	2,059,142
Sub-total	24,759,804	25,057,162
Interest expense arising from		
Amounts due to Central Bank	(660,517)	(550,026)
Deposits and placements from banks and other financial institutions	(1,627,584)	(1,929,366)
Deposits from customers	(7,803,132)	(7,718,855)
Financial assets sold under repurchase agreements	(339,330)	(232,829)
Debt securities issued	(2,589,620)	(2,372,248)
Other interest expenses	(8)	–
Sub-total	(13,020,191)	(12,803,324)
Net interest income	11,739,613	12,253,838

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 Net fee and commission income

	2023	2022
Fee and commission income		
Agency and custody service fees	379,892	507,546
Underwriting and advisory fees	116,713	161,495
Acceptance and guarantee service fees	82,493	111,322
Bank card service fees	110,227	115,614
Others	46,550	41,731
Sub-total	735,875	937,708
Fee and commission expense	(156,949)	(146,805)
Net fee and commission income	578,926	790,903

3 Net trading gains

	<i>Note</i>	2023	2022
Net gains from debt securities and investment funds	(a)	788,103	395,152
Net foreign exchange (losses)/gains	(b)	(6,358)	1,063,372
Total		781,745	1,458,524

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

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

4 Net gains arising from investments

	2023	2022
Net gains from other debt instruments	533,155	685,222
Net losses from debt securities	(39,274)	(110,169)
Total	493,881	575,053

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Other operating income

	2023	2022
Rental income	3,761	2,049
Government grants	58,964	120,343
Net gains on disposal of property and equipment	10,299	133
Others	32,221	25,000
Total	105,245	147,525

6 Operating expenses

	Note	2023	2022
Staff costs			
– Salaries, bonuses and allowances		1,510,160	1,504,375
– Social insurance and annuity		304,106	334,886
– Supplementary retirement benefits		15,591	14,210
– Staff welfare		94,616	90,821
– Housing allowances		128,607	125,241
– Others		110,349	108,112
Sub-total		2,163,429	2,177,645
Depreciation and amortisation		450,316	468,042
Rental and property management expenses		91,972	113,367
Office expenses		42,139	61,932
Tax and surcharges		153,309	157,846
Interest expense of lease liabilities		9,797	12,813
Other general and administrative expenses	(1)	947,604	664,996
Total		3,858,566	3,656,641

(1) Auditor's remuneration of the Bank was RMB5.09 million for the year ended 31 December 2023 (2022: RMB5.09 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 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:

Name	Note	Year ended 31 December 2023				
		Fees	Salaries	Discretionary bonus	Social insurance and welfare plans, housing allowance, etc.	Total emoluments before tax
Executive directors						
Zhao Fei	(1)	-	77	333	52	462
Wang Tianyu	(1)	-	227	-	19	246
Xia Hua	(1)	-	381	390	39	810
Non-executive directors						
Ji Hongjun	(2)	-	-	-	-	-
Wang Shihao		192	-	-	-	192
Wang Dan		-	-	-	-	-
Liu Bingheng		-	-	-	-	-
Independent non-executive directors						
Li Yanyan		210	-	-	-	210
Song Ke	(3)	210	-	-	-	210
Li Xiaojian		210	-	-	-	210
Li Shuk Yin Edwina		210	-	-	-	210
Supervisors						
Zhao Lijuan	(4)	-	-	-	-	-
Ma Baojun	(4)	83	-	-	-	83
Zhu Zhihui		60	-	-	-	60
Li Huaibin		-	390	635	78	1,103
Chen Xinxiu		-	500	684	78	1,262
Xu Changsheng		180	-	-	-	180
Geng Mingzhai	(4)	98	-	-	-	98
Total		1,453	1,575	2,042	266	5,336

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 Directors' and supervisors' emoluments (Continued)

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: (Continued)

Name	Note	Year ended 31 December 2022					Total emoluments before tax
		Fees	Salaries	Discretionary bonus	Social insurance and welfare plans, housing allowance, etc.		
Executive directors							
Wang Tianyu	(1)	–	910	–	74	984	
Shen Xueqing	(1)	–	540	549	51	1,140	
Xia Hua	(1)	–	764	781	77	1,622	
Non-executive directors							
Ji Hongjun	(2)	–	–	–	–	–	
Wang Shihao		192	–	–	–	192	
Wang Dan		–	–	–	–	–	
Liu Bingheng		–	–	–	–	–	
Su Xiaojun	(2)	–	–	–	–	–	
Independent non-executive directors							
Li Yanyan		88	–	–	–	88	
Song Ke	(3)	201	–	–	–	201	
Li Xiaojian		210	–	–	–	210	
Li Shuk Yin Edwina		210	–	–	–	210	
Wu Ge	(3)	18	–	–	–	18	
Supervisors							
Zhao Lijuan		–	767	781	74	1,622	
Ma Baojun		180	–	–	–	180	
Zhu Zhihui		60	–	–	–	60	
Li Huaibin		–	519	912	77	1,508	
Chen Xinxiu		–	434	712	77	1,223	
Xu Changsheng		180	–	–	–	180	
Total		1,339	3,934	3,735	430	9,438	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 Directors' and supervisors' emoluments (Continued)

- (1) On April 14, 2023, Mr. Zhao Fei was elected as an executive director at the 2023 First Extraordinary General Meeting of Shareholders of the Bank, whose qualification for the position was approved by the Henan Regulatory Bureau of the former CBRC on May 25, 2023. On 21 March 2023, the executive director and chairman of the Bank, Mr. Wang Tianyu, resigned due to work adjustment. On 11 July 2023, the executive director of the Bank, Mr. Xia Hua resigned due to work adjustment. On 13 September 2022, the executive director of the Bank, Mr. Shen Xueqing, resigned due to reaching the retirement age.
- (2) On August 29, 2023, Mr. Ji Hongjun, the independent non-executive director of the Bank, resigned due to reaching the retirement age. On 28 October 2022, Mr. Su Xiaojun, the independent non-executive director of the Bank, resigned due to work adjustment.
- (3) On 19 January 2022, Mr. Song Ke's qualification was approved by the Henan Regulatory Bureau of the China Banking and Insurance Regulatory Commission, and Mr. Wu Ge ceased to serve as an independent non-executive director of the Bank.
- (4) On April 18, 2023, Mr. Ma Baojun resigned as an external supervisor of the bank due to personal reasons. On March 31, 2023, Mr. Geng Mingzhai was elected as the external supervisor of the Bank at the 2022 Annual General Meeting of Shareholders. On March 21, 2023, Ms Zhao Lijuan, the external supervisor of the Bank, resigned due to reaching the retirement age.

During the year, there was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration (2022: Nil).

During the year, no emolument was paid by the Group to any of the directors or supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office (2022: Nil).

The total compensation packages (including discretionary bonus) for executive directors and supervisors for the year ended 31 December 2023 have not yet been finalised in accordance with the regulations of PRC relevant authorities. The amount of the compensation not provided is not expected to have any significant impact on the Group's consolidated financial statements for the year ended 31 December 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8 Individuals with highest emoluments

The five individuals with highest emoluments exclude directors and supervisors, all of whom were senior executives, including 4 senior executives with equal emoluments (2022: 1 directors and 1 supervisors and 3 senior executives with equal emoluments) of the Group. Directors and supervisors' remuneration disclosed in Note 7. The emoluments of the remaining top five executives are listed below (the total remuneration of the senior executives with equal emoluments are disclosed as follows):

	2023	2022
Salaries and other emoluments	5,553	2,154
Discretionary bonuses	5,740	2,214
Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	627	231
Total	11,920	4,599

The individuals' emoluments before individual income tax is within the following band:

	2023	2022
RMB1,000,001 – 1,500,000	4	–
RMB1,500,001 – 2,000,000	4	3

9 Credit impairment losses

	2023	2022
Loans and advances to customers measured at amortised cost	5,889,383	6,535,038
Loans and advances to customers measured at fair value through other comprehensive income	2,557	115,957
Financial investments measured at amortised cost	1,420,455	1,153,260
Financial investments at fair value through other comprehensive income	(66,190)	(8,723)
Lease receivables	698,763	453,943
Financial assets held under resale agreements	(1,133)	2,608
Placements with banks and other financial institutions	2,610	509
Deposits with banks and other financial institutions	677	232
Off-balance sheet credit commitments	17,955	(137,649)
Others	110,246	544,783
Total	8,075,323	8,659,958

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Income tax expense

(a) *Income tax for the year:*

	2023	2022
Current tax	1,383,050	1,175,575
Deferred tax	(1,502,893)	(968,293)
Total	(119,843)	207,282

(b) *Reconciliations between income tax and accounting profit are as follows:*

	Note	2023	2022
Profit before tax		1,739,636	2,807,230
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		434,909	701,808
Non-deductible expenses	(1)	44,085	30,256
Tax effect of non-taxable income and deduction of interest expense	(2)	(628,457)	(533,300)
Deductible temporary difference for unrecognised deferred tax assets		30,405	9,231
Adjustment for prior years		(785)	(713)
Income tax		(119,843)	207,282

(1) Non-deductible expenses are mainly include non-deductible employee benefits and entertainment expenses.

(2) Tax effect of non-taxable income and deduction of interest expense mainly includes interest income from central and local government bonds which is exempted from corporate income tax in accordance with the tax law and interest expense from perpetual bonds issued by the Bank.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 Basic and diluted earnings per share

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

	Note	2023	2022
Earnings:			
Net profit attributable to equity shareholders of the Bank		1,850,117	2,422,304
Less: Profit for the year attributable to other equity instrument holders of the Bank		(480,000)	(997,491)
Profit for the year attributable to ordinary shareholders of the Bank		1,370,117	1,424,813
Shares:			
Weighted average number of ordinary shares (in thousand shares)	(a)	9,092,091	9,092,091
Basic and diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB)		0.15	0.16

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

	2023	2022
Number of ordinary shares as at 1 January	9,092,091	9,092,091
Increase in weighted average number of ordinary shares	–	–
Weighted average number of ordinary shares	9,092,091	9,092,091

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12 Cash and deposits with Central Bank

	Note	31 December 2023	31 December 2022
Cash on hand		908,846	1,089,526
Deposits with Central Bank			
– Statutory deposit reserves	(a)	17,380,273	17,952,476
– Surplus deposit reserves	(b)	7,768,889	7,005,009
– Fiscal deposits		303,416	431,809
Sub-total		26,361,424	26,478,820
Interest accrued		8,441	8,630
Total		26,369,865	26,487,450

- (a) The Bank and its subsidiaries place statutory deposit reserves with the PBOC in accordance with relevant regulations. The statutory deposit reserves are not available for the Group's daily business. As at the end of the reporting period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December 2023	31 December 2022
Reserve ratio for RMB deposits	5.00%	5.25%
Reserve ratio for foreign currency deposits	4.00%	6.00%

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13 Deposits with banks and other financial institutions

	31 December 2023	31 December 2022
Deposits with banks in Mainland China	826,701	1,444,091
Deposits with other financial institutions in Mainland China	317,842	301,573
Deposits with banks outside Mainland China	97,450	174,887
Sub-total	1,241,993	1,920,551
Interest accrued	3,792	2,661
Less: Provision for impairment losses	(1,623)	(946)
Total	1,244,162	1,922,266

At 31 December 2023, the Group's and the Bank's deposits with banks and other financial institutions on Stage 2 were RMB3,719 thousand, with an expected credit impairment provision of RMB7 thousand. The remaining deposits with banks and other financial institutions were on Stage 1 (At 31 December 2022: on Stage 1).

14 Placements with banks and other financial institutions

	31 December 2023	31 December 2022
Placements with other financial institutions in mainland China	6,200,000	2,400,000
Interest accrued	31,442	11,585
Less: Provision for impairment losses	(3,743)	(1,133)
Total	6,227,699	2,410,452

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 Financial assets held under resale agreements

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

	31 December 2023	31 December 2022
In mainland China		
– Banks	3,607,600	5,925,135
– Other financial institutions	7,079,953	6,460,938
Total	10,687,553	12,386,073
Interest accrued	3,406	3,374
Less: Provision for impairment losses	(1,813)	(2,946)
Total	10,689,146	12,386,501

(b) *Analysed by type of collateral*

	31 December 2023	31 December 2022
Debt securities	10,687,553	12,386,073
Interest accrued	3,406	3,374
Less: Provision for impairment losses	(1,813)	(2,946)
Total	10,689,146	12,386,501

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers

(a) *Analysed by nature*

	31 December 2023	31 December 2022
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	237,218,933	222,456,812
Personal loans and advances		
– Personal business loans	35,102,789	33,478,008
– Residential mortgage	33,562,120	37,743,240
– Personal consumption loans	12,336,833	7,037,730
– Credit card	3,144,992	3,057,349
Sub-total	84,146,734	81,316,327
Total amount of loans and advances to customers measured at amortised cost	321,365,667	303,773,139
Loans and advances to customers measured at fair value through other comprehensive income		
– Forfeiting	16,241,270	10,305,667
– Discounted bills	23,001,269	16,842,291
Sub-total	39,242,539	27,147,958
Gross loans and advances to customers	360,608,206	330,921,097
Interest accrued	1,526,725	1,594,573
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(11,809,634)	(10,308,636)
Net loans and advances to customers	350,325,297	322,207,034

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (Continued)

(b) *Analysed by economic sector*

	31 December 2023		
	Amount	Percentage	Loans and advances secured by collateral
Leasing and commercial services	63,228,460	17.53%	5,741,647
Wholesale and retail	46,762,339	12.97%	11,280,234
Water, environment and public facility management	44,633,596	12.38%	3,811,370
Real estate	29,167,987	8.09%	9,983,438
Construction	25,121,959	6.97%	4,570,147
Manufacturing	15,304,020	4.24%	2,147,758
Transportation, storage and postal services	3,910,370	1.08%	1,539,896
Mining	3,299,948	0.92%	194,495
Production and supply of electric and heating power, gas and water	3,142,391	0.87%	197,549
Agriculture, forestry, animal husbandry and fishery	1,840,607	0.51%	393,406
Culture, sports and entertainment	1,190,817	0.33%	29,785
Accommodation and catering	1,121,046	0.31%	667,731
Others	14,736,663	4.09%	1,259,217
Sub-total of corporate loans and advances	253,460,203	70.29%	41,816,673
Personal loans and advances	84,146,734	23.33%	70,131,474
Discounted bills	23,001,269	6.38%	23,001,269
Gross loans and advances to customers	360,608,206	100.00%	134,949,416

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (Continued)

(b) *Analysed by economic sector (Continued)*

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (Continued)

(c) *Analysed by type of collateral*

	31 December 2023	31 December 2022
Unsecured loans	68,759,100	61,617,398
Guaranteed loans	156,899,690	133,810,471
Loans secured by mortgages	91,491,982	97,978,701
Pledged loans	43,457,434	37,514,527
Gross loans and advances to customers	360,608,206	330,921,097
Interest accrued	1,526,725	1,594,573
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(11,809,634)	(10,308,636)
Net loans and advances to customers	350,325,297	322,207,034

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (Continued)

(d) *Overdue loans analysed by overdue period*

	31 December 2023				
	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	Total
Unsecured loans	825,838	792,902	230,151	47,801	1,896,692
Guaranteed loans	3,535,914	1,001,147	1,420,922	203,884	6,161,867
Loans secured by mortgages	3,736,032	287,203	1,536,337	291,006	5,850,578
Pledged loans	410,438	80,883	418,574	4,634	914,529
Total	8,508,222	2,162,135	3,605,984	547,325	14,823,666
As a percentage of gross loans and advances to customers	2.36%	0.60%	1.00%	0.15%	4.11%

	31 December 2022				
	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	Total
Unsecured loans	243,204	217,256	175,750	7,958	644,168
Guaranteed loans	2,389,244	568,984	647,873	373,042	3,979,143
Loans secured by mortgages	1,529,029	1,814,831	1,404,061	327,204	5,075,125
Pledged loans	47,157	19,281	70,354	3,978	140,770
Total	4,208,634	2,620,352	2,298,038	712,182	9,839,206
As a percentage of gross loans and advances to customers	1.27%	0.79%	0.69%	0.22%	2.97%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (Continued)

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

	31 December 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Total loans and advances to customers measured at amortised cost	289,260,776	20,378,370	11,726,521	321,365,667
Interest accrued	966,505	386,129	174,091	1,526,725
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(3,219,275)	(3,295,512)	(5,294,847)	(11,809,634)
Carrying amount of loans and advances to customers measured at amortised cost	287,008,006	17,468,987	6,605,765	311,082,758
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	39,240,219	2,320	-	39,242,539
Total carrying amount of loans and advances to customers	326,248,225	17,471,307	6,605,765	350,325,297

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (Continued)

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (Continued)

(f) Movements of provision for impairment losses

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

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at 1 January 2023	3,284,478	2,206,004	4,818,154	10,308,636
Transferred:				
- to Stage 1	147,815	(130,889)	(16,926)	-
- to Stage 2	(255,947)	480,446	(224,499)	-
- to Stage 3	(67,245)	(786,822)	854,067	-
Increase for the year	110,174	1,526,773	4,252,436	5,889,383
Write-offs and disposals	-	-	(4,766,864)	(4,766,864)
Recoveries of loans previously written off	-	-	378,479	378,479
As at 31 December 2023	3,219,275	3,295,512	5,294,847	11,809,634

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 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:

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at 1 January 2023	2,889	–	–	2,889
Increase for the year	2,551	6	–	2,557
As at 31 December 2023	5,440	6	–	5,446
	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at 1 January 2022	8,677	–	292,500	301,177
Increase/(decrease) for the year	(5,788)	–	121,745	115,957
Disposals	–	–	(414,245)	(414,245)
As at 31 December 2022	2,889	–	–	2,889

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (Continued)

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

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

	31 December 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at 1 January 2023	284,013,582	10,937,984	8,821,573	303,773,139
Transferred:				
- to Stage 1	682,924	(635,765)	(47,159)	-
- to Stage 2	(14,908,025)	15,368,452	(460,427)	-
- to Stage 3	(6,058,467)	(4,313,889)	10,372,356	-
Increase/(decrease) for the year	25,530,762	(978,412)	(1,080,793)	23,471,557
Write-offs and disposals	-	-	(5,879,029)	(5,879,029)
As at 31 December 2023	289,260,776	20,378,370	11,726,521	321,365,667

	31 December 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at 1 January 2022	255,290,534	7,334,453	7,120,916	269,745,903
Business combination involving enterprises not under common control	1,794,565	410,155	441,992	2,646,712
Transferred:				
- to Stage 1	643,886	(628,844)	(15,042)	-
- to Stage 2	(5,397,255)	5,417,422	(20,167)	-
- to Stage 3	(4,841,566)	(1,348,507)	6,190,073	-
Increase/(decrease) for the year	36,523,418	(246,695)	284,739	36,561,462
Write-offs and disposals	-	-	(5,180,938)	(5,180,938)
As at 31 December 2022	284,013,582	10,937,984	8,821,573	303,773,139

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (Continued)

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

(ii) Movements of gross amount of loans and advances to customers measured at fair value through other comprehensive income:

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at 1 January 2023	27,147,958	-	-	27,147,958
Increase for the year	12,092,261	2,320	-	12,094,581
As at 31 December 2023	39,240,219	2,320	-	39,242,539

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Financial investments

	Note	31 December 2023	31 December 2022
Financial investments at fair value through profit or loss	(a)	40,723,996	44,441,710
Financial investments at fair value through other comprehensive income	(b)	22,872,676	17,150,060
Financial investments measured at amortised cost	(c)	122,756,433	121,679,176
Total		186,353,105	183,270,946

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

	Note	31 December 2023	31 December 2022
Debt securities			
– Debt securities held for trading purpose	(1)	12,560,598	14,972,478
Investment funds and other investments			
– Investment funds held for trading purpose		12,864,889	14,366,427
– Other financial investments at fair value through profit or loss	(2)	15,298,509	15,102,805
Total		40,723,996	44,441,710

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Financial investments (Continued)

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

(1) Debt securities held for trading purpose

	31 December 2023	31 December 2022
Mainland China		
– Government	8,205,491	10,792,486
– Policy banks	3,254,280	2,552,736
– Banks and other financial institutions	588,853	1,411,431
– Corporate	511,974	215,825
Total	12,560,598	14,972,478
Analysed into		
– debt securities listed outside Hong Kong	7,140,334	5,969,024
– debt securities unlisted	5,420,264	9,003,454
Total	12,560,598	14,972,478

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

	31 December 2023	31 December 2022
Other financial investments at fair value through profit or loss		
– Investment management products managed by securities companies	7,692,610	5,115,778
– Investment management products under trust scheme	6,191,954	6,882,696
– Others	1,413,945	3,104,331
Total	15,298,509	15,102,805

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Financial investments (Continued)

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

	31 December 2023	31 December 2022
Debt securities		
– Government	14,546,239	11,008,635
– Policy banks	4,770,271	3,571,111
– Banks and other financial institutions	3,029,401	1,875,331
– Corporate	184,864	426,035
Sub-total	22,530,775	16,881,112
Interest accrued	275,588	198,622
Total of debt instruments	22,806,363	17,079,734
Equity instruments	66,313	70,326
Total	22,872,676	17,150,060
Debt securities by category		
– Listed outside Hong Kong	13,688,114	5,352,707
– Unlisted	8,842,661	11,528,405
Sub-total	22,530,775	16,881,112
Interest accrued	275,588	198,622
Total of debt instruments	22,806,363	17,079,734
Equity instrument investment by category		
– Unlisted	66,313	70,326
Total	22,872,676	17,150,060

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Financial investments (Continued)

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

- (1) Fair value analysis of financial investments at fair value through other comprehensive income:

	31 December 2023	31 December 2022
Amortised cost	22,622,117	17,366,232
Fair value	22,872,676	17,150,060
Accumulated changes in fair value through other comprehensive income	250,559	(216,172)
Amount of provision for impairment	(1,224)	(67,414)

- (2) Movements of provision for impairment of debt securities measured at fair value through other comprehensive income during the period:

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at 1 January 2023	794	-	66,620	67,414
Increase/(decrease) for the year	430	-	(66,620)	(66,190)
As at 31 December 2023	1,224	-	-	1,224

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Financial investments (Continued)

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

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

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at 1 January 2023	16,639,824	-	241,288	16,881,112
Increase/(decrease) for the year	5,890,951	-	(241,288)	5,649,663
As at 31 December 2023	22,530,775	-	-	22,530,775

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Financial investments (Continued)

(c) *Financial investments measured at amortised cost:*

	<i>Note</i>	31 December 2023	31 December 2022
Debt securities	(1)	83,094,463	70,028,008
Investment management products under the trust scheme		31,718,448	31,934,179
Investment management products managed by securities companies		9,940,110	15,681,452
Others		442,809	6,021,872
Sub-total		42,101,367	53,637,503
Interest accrued		1,619,505	2,090,702
Less: Provision for impairment losses	(2)	(4,058,902)	(4,077,037)
Total		122,756,433	121,679,176

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Financial investments (Continued)

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

(1) Debt securities:

	31 December 2023	31 December 2022
Debt securities		
– Government	42,992,744	35,159,507
– Policy banks	26,883,522	28,696,752
– Banks and other financial institutions	4,629,142	2,250,000
– Corporate	8,589,055	3,921,749
Sub-total	83,094,463	70,028,008
Interest accrued	1,288,838	1,146,047
Total	84,383,301	71,174,055
Analysed into		
– debt securities listed outside Hong Kong	36,233,040	22,728,683
– debt securities unlisted	46,861,423	47,299,325
Sub-total	83,094,463	70,028,008
Interest accrued	1,288,838	1,146,047
Total	84,383,301	71,174,055

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Financial investments (Continued)

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

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

	31 December 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at 1 January 2023	566,582	44,187	3,466,268	4,077,037
Transferred:				
– to Stage 2	(109,093)	109,093	–	–
– to Stage 3	(84,221)	–	84,221	–
Increase/(decrease) for the year	(18,107)	193,466	1,245,096	1,420,455
Write-offs and disposals	–	–	(1,438,590)	(1,438,590)
As at 31 December 2023	355,161	346,746	3,356,995	4,058,902

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Financial investments (Continued)

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

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

	31 December 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at 1 January 2023	110,498,193	440,646	12,726,672	123,665,511
Transferred:				
- to Stage 2	(3,407,883)	3,407,883	-	-
- to Stage 3	(3,130,000)	-	3,130,000	-
Increase/(decrease) for the year	3,907,133	(138,078)	(725,118)	3,043,937
Write-offs and disposals	-	-	(1,513,618)	(1,513,618)
As at 31 December 2023	107,867,443	3,710,451	13,617,936	125,195,830

	31 December 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at 1 January 2022	127,183,481	2,306,708	12,711,989	142,202,178
Transferred:				
- to Stage 2	(388,640)	388,640	-	-
- to Stage 3	(525,352)	(1,772,708)	2,298,060	-
Decrease for the year	(15,771,296)	(481,994)	(10,484)	(16,263,774)
Write-offs and disposals	-	-	(2,272,893)	(2,272,893)
As at 31 December 2022	110,498,193	440,646	12,726,672	123,665,511

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Lease receivables

	31 December 2023	31 December 2022
Minimum Lease Receipts	37,758,794	35,461,294
Less: Unearned finance lease income	(4,324,071)	(4,173,700)
Present value of lease receivables	33,434,723	31,287,594
Interest accrued	307,398	308,699
Less: Provision for impairment losses	(924,953)	(962,846)
Total	32,817,168	30,633,447

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Lease receivables (Continued)

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

	31 December 2023		
	Minimum lease receivables	Unearned finance lease income	Present value of lease receivables
Less than 1 year	16,917,579	(2,395,492)	14,522,087
1 year to 2 years	11,992,873	(1,186,439)	10,806,434
2 years to 3 years	5,836,327	(530,024)	5,306,303
3 years to 5 years	3,010,273	(211,756)	2,798,517
More than 5 years	1,742	(360)	1,382
Total	37,758,794	(4,324,071)	33,434,723

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Lease receivables (Continued)

(b) *Movements of provision for impairment losses:*

	31 December 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at 1 January 2023	454,120	102,858	405,868	962,846
Transferred:				
– to Stage 2	(9,659)	9,659	–	–
– to Stage 3	(1,139)	(69,887)	71,026.00	–
Increase/(decrease) for the year	72,883	58,429	(326,204)	(194,892)
Recovery of write-offs	–	–	156,999	156,999
As at 31 December 2023	516,205	101,059	307,689	924,953

	31 December 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at 1 January 2022	336,954	138,723	347,922	823,599
Transferred:				
– to Stage 1	24,179	(24,179)	–	–
– to Stage 2	(6,734)	6,734	–	–
– to Stage 3	–	(78,734)	78,734	–
Increase/(decrease) for the year	99,721	60,314	(69,898)	90,137
Recovery of write-offs	–	–	49,110	49,110
As at 31 December 2022	454,120	102,858	405,868	962,846

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Lease receivables (Continued)

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

	31 December 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at 1 January 2023	29,732,239	677,303	878,052	31,287,594
Transferred:				
– to Stage 2	(636,159)	636,159	–	–
– to Stage 3	(72,143)	(427,484)	499,627	–
Increase/(decrease) for the year	3,097,430	(180,041)	(770,260)	2,147,129
As at 31 December 2023	32,121,367	705,937	607,419	33,434,723

	31 December 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at 1 January 2022	26,907,112	987,785	852,270	28,747,167
Transferred:				
– to Stage 1	171,384	(171,384)	–	–
– to Stage 2	(551,958)	551,958	–	–
– to Stage 3	–	(558,080)	558,080	–
Increase/(decrease) for the year	3,205,701	(132,976)	(532,298)	2,540,427
As at 31 December 2022	29,732,239	677,303	878,052	31,287,594

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 Investments in subsidiaries and interests in associates

(a) Investments in subsidiaries

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

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

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

(b) Interests in associates

	31 December 2023	31 December 2022
Interests in associates	604,401	273,881
Total	604,401	273,881

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 Investments in subsidiaries and interests in associates (Continued)

(b) Interests in associates (Continued)

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

Name	Percentage of equity/voting right		Place of incorporation/ registration	Business sector
	2023	2022		
Zhongmu Zhengyin County Bank Co., Ltd.	49.51	18.53	China	Banking
Yanling Zhengyin County Bank Co., Ltd.	49.58	49.58	China	Banking

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

	31 December 2023	31 December 2022
Aggregate carrying amount of the individually immaterial associates in the consolidated statements of financial position of the Group	604,401	273,881
Aggregate amounts of the Group's share of results of the associates for the year		
– Profit from continuing operations	(17,350)	(102,014)
– Other comprehensive income	–	–
– Total comprehensive income	(17,350)	(102,014)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 Property and equipment

	Premises	Electronic equipment	Vehicles	Office equipment and others	Operating leased assets	Construction in progress	Total
Cost							
As at 1 January 2022	2,510,160	795,098	12,638	240,697	-	621,996	4,180,589
Business combination involving enterprises not under common control	17,059	2,387	2,463	2,038	-	-	23,947
Additions	1,672	50,674	-	17,062	-	255,900	325,308
Disposals	-	(15,313)	(795)	(5,884)	-	-	(21,992)
As at 31 December 2022	2,528,891	832,846	14,306	253,913	-	877,896	4,507,852
Additions	20,662	27,475	-	6,079	143,983	337,338	535,537
Disposals	-	(19,483)	(5,650)	(8,606)	-	-	(33,739)
As at 31 December 2023	2,549,553	840,838	8,656	251,386	143,983	1,215,234	5,009,650
Accumulated depreciation							
As at 1 January 2022	(464,286)	(620,819)	(9,183)	(207,862)	-	-	(1,302,150)
Additions	(84,823)	(63,582)	(3,021)	(21,242)	-	-	(172,668)
Disposals	-	14,541	755	5,481	-	-	20,777
As at 31 December 2022	(549,109)	(669,860)	(11,449)	(223,623)	-	-	(1,454,041)
Additions	(78,599)	(53,176)	(644)	(17,611)	(8,739)	-	(158,769)
Disposals	-	18,498	4,773	8,038	-	-	31,309
As at 31 December 2023	(627,708)	(704,538)	(7,320)	(233,196)	(8,739)	-	(1,581,501)
Impairment							
As at 31 December 2022 and 31 December 2023	(1,355)	(1,893)	-	(756)	-	-	(4,004)
Net book value							
As at 31 December 2022	1,978,427	161,093	2,857	29,534	-	877,896	3,049,807
As at 31 December 2023	1,920,490	134,407	1,336	17,434	135,244	1,215,234	3,424,145

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 Property and equipment (Continued)

The carrying amount of premises without title deeds as at 31 December 2023 was RMB169 million (31 December 2022: RMB207 million). The Group is still in the progress of applying for the outstanding title deeds for the above premises. The Group expected that there would be no significant cost in obtaining the title deeds.

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

	31 December 2023	31 December 2022
Held in mainland China		
– Medium-term leases (10 to 50 years)	1,911,534	1,978,017
– Short-term leases (less than 10 years)	8,956	410
Total	1,920,490	1,978,427

21 Deferred tax assets

(a) *Analysed by nature*

	31 December 2023		31 December 2022	
	Deductible /(taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible /(taxable) temporary differences	Deferred income tax assets/ (liabilities)
Allowance for impairment losses	25,184,328	6,296,082	19,019,136	4,754,784
Accrued staff costs	344,360	86,090	155,756	38,939
Fair value changes in financial instruments	(463,472)	(115,868)	322,004	80,501
Provisions	88,906	22,227	70,951	17,738
Others	(41,010)	(10,253)	(45,575)	(11,394)
Total	25,113,112	6,278,278	19,522,272	4,880,568

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21 Deferred tax assets (Continued)

(b) *Analysed by movement*

	At 31 December 2022	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2023
Allowance for impairment losses	4,754,784	1,525,390	15,908	6,296,082
Accrued staff costs	38,939	47,151	-	86,090
Fair value changes in financial instruments	80,501	(75,278)	(121,091)	(115,868)
Provisions	17,738	4,489	-	22,227
Others	(11,394)	1,141	-	(10,253)
Net deferred income tax assets	4,880,568	1,502,893	(105,183)	6,278,278

	At 31 December 2021	Recognised in profit or loss	Recognised in other comprehensive income	Others	At 31 December 2022
Allowance for impairment losses	3,694,449	955,831	76,753	27,751	4,754,784
Accrued staff costs	31,809	7,130	-	-	38,939
Fair value changes in financial instruments	122,457	50,562	(92,518)	-	80,501
Provisions	52,150	(34,412)	-	-	17,738
Others	(576)	(10,818)	-	-	(11,394)
Net deferred income tax assets	3,900,289	968,293	(15,765)	27,751	4,880,568

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22 Other assets

	Note	31 December 2023	31 December 2022
Interest receivables	(a)	1,900,667	994,557
Other receivables		591,061	1,111,375
Intangible assets	(b)	749,374	788,710
Continuously involved assets	(d)	588,853	588,853
Right-of-use assets	(c)	569,610	625,778
Leasehold improvements		79,958	91,390
Prepayments		213,139	329,934
Repossessed assets	(e)	2,355,613	29,944
Others		–	149
Sub-total		7,048,275	4,560,690
Less: Allowance for impairment losses		(672,112)	(569,424)
Total		6,376,163	3,991,266

(a) Interest receivables

	31 December 2023	31 December 2022
Interest receivables arising from:		
– Investments	1,680,119	787,771
– Loans and advances to customers	176,740	165,087
– Others	43,808	41,699
Sub-total	1,900,667	994,557
Less: Allowance for impairment losses	(549,178)	(456,398)
Total	1,351,489	538,159

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22 Other assets (Continued)

(b) Intangible assets

	2023	2022
Cost		
As at 1 January	1,231,620	1,107,648
Business combination involving enterprises not under common control	–	5,432
Additions	86,552	118,540
Decrease	(594)	–
As at 31 December	1,317,578	1,231,620
Accumulated amortisation		
As at 1 January	(442,910)	(329,787)
Additions	(125,714)	(113,123)
Decrease	420	–
As at 31 December	(568,204)	(442,910)
Net book value		
As at 1 January	788,710	777,861
As at 31 December	749,374	788,710

Intangible assets of the Group mainly represent computer software.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22 Other assets (Continued)

(c) Right-of-use assets

	Premises	Land use rights	Vehicles	Other equipment	Total
Cost					
As at 1 January 2022	633,566	375,830	9,725	2,318	1,021,439
Additions	68,110	–	2,340	3,804	74,254
Disposals	(147,694)	(5,614)	(1,454)	(3,984)	(158,746)
As at 31 December 2022	553,982	370,216	10,611	2,138	936,947
Additions	70,287	–	1,881	3,527	75,695
Disposals	(85,155)	(917)	(3,539)	(3,641)	(93,252)
As at 31 December 2023	539,114	369,299	8,953	2,024	919,390
Accumulated depreciation					
As at 1 January 2022	(251,053)	(43,461)	(3,614)	(307)	(298,435)
Additions	(136,643)	(7,121)	(3,305)	(4,517)	(151,586)
Disposals	130,563	3,040	1,265	3,984	138,852
As at 31 December 2022	(257,133)	(47,542)	(5,654)	(840)	(311,169)
Additions	(114,953)	(7,121)	(3,357)	(4,247)	(129,678)
Disposals	83,390	497	3,539	3,641	91,067
As at 31 December 2023	(288,696)	(54,166)	(5,472)	(1,446)	(349,780)
Allowance for impairment losses					
As at 31 December 2022	–	(145)	–	–	(145)
As at 31 December 2023	–	(145)	–	–	(145)
Net book value					
As at 31 December 2022	296,849	322,529	4,957	1,298	625,633
As at 31 December 2023	250,418	314,988	3,481	578	569,465

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22 Other assets (Continued)

(d) Continuously involved assets

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

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

(e) Repossessed assets

	31 December 2023	31 December 2022
Premises	2,056,518	29,944
Land use rights	178,961	-
Others	120,134	-
Book value	2,355,613	29,944

The Group plans to dispose of the repossessed assets through auction, bidding, and transfer in the future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23 Due to Central Bank

	31 December 2023	31 December 2022
Medium-term lending facility	21,300,000	15,500,000
Small enterprises and agriculture supporting re-lending	8,426,792	2,592,290
Rediscounting	943,551	1,651,067
Others	–	164,079
Sub-total	30,670,343	19,907,436
Interest accrued	289,926	198,389
Total	30,960,269	20,105,825

24 Deposits from banks and other financial institutions

	31 December 2023	31 December 2022
In mainland China		
– Banks	6,493,302	13,383,074
– Other financial institutions	7,721,613	16,020,813
Sub-total	14,214,915	29,403,887
Interest accrued	92,694	137,153
Total	14,307,609	29,541,040

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25 Placements from banks and other financial institutions

	31 December 2023	31 December 2022
In mainland China		
– Banks	26,984,097	24,754,450
– Other financial institutions	5,430,000	4,040,000
Sub-total	32,414,097	28,794,450
Outside mainland China		
– Banks	500,000	500,000
Interest accrued	332,805	254,345
Total	33,246,902	29,548,795

26 Derivative financial instruments

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

	31 December 2023		
	Notional amount	Fair value (assets)	Fair value (liabilities)
Non-deliverable forwards	-	-	-
Total	-	-	-

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27 Financial assets sold under repurchase agreements

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

	31 December 2023	31 December 2022
In mainland China		
– PBOC	16,900,000	7,238,584
– Banks	8,222,591	11,653,676
– Other financial institutions	–	199,500
Sub-total	25,122,591	19,091,760
Interest accrued	9,350	6,435
Total	25,131,941	19,098,195

(b) *Analysed by type of collateral*

	31 December 2023	31 December 2022
Debt securities	23,425,443	17,819,984
Bills	1,697,148	1,271,776
Sub-total	25,122,591	19,091,760
Interest accrued	9,350	6,435
Total	25,131,941	19,098,195

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28 Deposits from customers

	31 December 2023	31 December 2022
Demand deposits		
– Corporate deposits	85,668,796	84,238,516
– Personal deposits	32,011,191	36,396,552
Sub-total	117,679,987	120,635,068
Time deposits		
– Corporate deposits	71,870,379	74,836,500
– Personal deposits	136,632,026	104,666,313
Sub-total	208,502,405	179,502,813
Pledged deposits		
– Acceptances	29,270,248	30,091,444
– Letters of guarantees	304,415	413,678
– Letters of credit	4,201,599	4,194,688
– Others	671,857	1,372,908
Sub-total	34,448,119	36,072,718
Others	330,928	1,497,563
Sub-total	330,928	1,497,563
Interest accrued	5,560,471	4,089,604
Total	366,521,910	341,797,766

Deposits from customers are measured at amortised cost.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29 Debt securities issued

	Note	31 December 2023	31 December 2022
Financial bonds	(a)	17,998,315	14,397,271
Interbank deposits		83,855,214	80,497,196
Sub-total		101,853,529	94,894,467
Interest accrued		215,254	98,439
Total		102,068,783	94,992,906

(a) Financial bonds

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

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

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

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

Fixed rate financial bond of RMB1.4 billion with a term of three years was issued in November 2020 by Henan Jiuding Financial Leasing Co., Ltd. The coupon rate is 4.20% per annum. The bond had been redeemed in November 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Other liabilities

	Note	31 December 2023	31 December 2022
Accrued staff costs	(a)	1,161,938	1,082,105
Finance lease payable		210,979	266,280
Dormant accounts		41,797	39,748
Payment and collection clearance accounts		186,388	158,672
Dividend payable		26,584	26,633
Expected credit losses of credit commitment	(b)	88,906	70,951
Lease liabilities	(c)	243,455	279,903
Continuously involved liabilities	22(d)	588,853	588,853
Others		515,763	632,849
Total		3,064,663	3,145,994

(a) Accrued staff costs

	Note	31 December 2023	31 December 2022
Salary, bonuses and allowances payable		954,743	881,078
Social insurance and annuity payable		228	223
Housing allowances payable		112	119
Labour union fees and education fees of staff and workers		5,420	4,182
Supplementary retirement benefits payable	(1)	201,435	194,626
Other short-term salary payable		—	1,877
Total		1,161,938	1,082,105

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Other liabilities (Continued)

(a) Accrued staff costs (Continued)

(1) Supplementary retirement benefits ("SRB")

The supplementary retirement benefits of the Group include early retirement plan and supplementary retirement plan. The early retirement benefits payments are provided to employees who voluntarily 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 Group's eligible employees.

The Group has not forfeited any retirement benefit scheme contributions (i.e., contributions which are processed by the employer on behalf of the employee after the employee has withdrawn from the scheme before the relevant contributions become his/her own). At 31 December 2023, there are no forfeited contributions under the Group's retirement benefit plans which can be used to deduct contributions payable for future years.

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

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

	31 December 2023	31 December 2022
Present value of early retirement plan	10,513	11,592
Present value of supplementary retirement plan	190,922	183,034
Total	201,435	194,626

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Other liabilities (Continued)

(a) Accrued staff costs (Continued)

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

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

	2023	2022
As at 1 January	194,626	196,079
Benefits paid during the year	(14,190)	(15,043)
Defined benefit cost recognised in profit or loss	15,591	14,210
Defined benefit cost recognised in other comprehensive income	5,408	(620)
As at 31 December	201,435	194,626

(iii) Key actuarial assumptions and sensitivity analysis:

1. Key actuarial assumptions of the Group are as follows:

	31 December 2023	31 December 2022
Early retirement plan		
Discount rate	2.50%	2.50%
Retired age		
– Male	60	60
– Female	55	55
Annual increase rate of internal salary	6.00%	6.00%

	31 December 2023	31 December 2022
Supplementary retirement plan		
Discount rate	2.75%	3.00%
Retired age		
– Male	60	60
– Female	55	55

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Other liabilities (Continued)

(a) *Accrued staff costs (Continued)*

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

(iii) Key actuarial assumptions and sensitivity analysis: *(Continued)*

1. Key actuarial assumptions of the Group are as follows: *(Continued)*

Death rate for age 20 to 105	31 December 2023	31 December 2022
– Male	0.0248%-100%	0.0248%-100%
– Female	0.012%-100%	0.012%-100%

2. As at the end of the reporting period, while keeping other assumptions unchanged, the reasonable possible changes in the following assumptions will result in a (decrease)/increase in the Group's defined benefit plan obligations as follows:

	2023		2022	
	Up 25 bps	Down 25 bps	Up 25 bps	Down 25 bps
Discount rate	(5,734)	6,027	(5,446)	5,722

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Other liabilities (Continued)

(b) Expected credit losses of credit commitment

As at 31 December 2023, movements of expected credit losses of credit commitment during the year are as follows:

	31 December 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
As at 1 January 2023	68,796	305	1,850	70,951
Transferred:				
– to Stage 1	213	(123)	(90)	–
– to Stage 2	(41)	59	(18)	–
– to Stage 3	(65)	(107)	172	–
Increase for the year	17,297	344	314	17,955
As at 31 December 2023	86,200	478	2,228	88,906

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Other liabilities (Continued)

(c) Lease liabilities

The undiscounted maturity analysis of lease liabilities:

	31 December 2023	31 December 2022
Within one year (inclusive)	108,203	105,315
Between one year and two years (inclusive)	72,714	80,601
Between two years and three years (inclusive)	47,372	57,301
Between three years and five years (inclusive)	25,581	56,517
More than five years	10,675	8,453
Total undiscounted lease liabilities	264,545	308,187
Carrying amount of lease liabilities	243,455	279,903

31 Share capital

Authorised and issued share capital

2023

	31 December 2022		Increase		Decrease		31 December 2023	
	Quantity (‘000)	Amount (‘000)	Quantity (‘000)	Amount (‘000)	Quantity (‘000)	Amount (‘000)	Quantity (‘000)	Amount (‘000)
Ordinary shares listed in Mainland China (A-share)	6,428,758	6,428,758	642,875	642,875	-	-	7,071,633	7,071,633
Ordinary shares listed in Hong Kong (H-share)	1,836,780	1,836,780	183,678	183,678	-	-	2,020,458	2,020,458
Total	8,265,538	8,265,538	826,553	826,553	-	-	9,092,091	9,092,091

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 Share capital (Continued)

Authorised and issued share capital (Continued)

2022

	31 December 2021		Increase		Decrease		31 December 2022	
	Quantity ('000)	Amount ('000)	Quantity ('000)	Amount ('000)	Quantity ('000)	Amount ('000)	Quantity ('000)	Amount ('000)
Ordinary shares listed in Mainland China (A-share)	6,428,758	6,428,758	-	-	-	-	6,428,758	6,428,758
Ordinary shares listed in Hong Kong (H-share)	1,836,780	1,836,780	-	-	-	-	1,836,780	1,836,780
Total	8,265,538	8,265,538	-	-	-	-	8,265,538	8,265,538

In June 2023, based on the total share capital of 8.27 billion ordinary shares as at 31 December 2022, the Bank converted capital reserve to share capital on the basis of 1 share for every 10 shares offered to all shareholders, and the total number of shares increased by 827 million.

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

32 Reserves

(a) Capital reserve

2023

	31 December 2022	Increase	Decrease	31 December 2023
Share premium	6,747,040	-	(826,553)	5,920,487
Others	64,615	-	-	64,615
Total	6,811,655	-	(826,553)	5,985,102

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Reserves (Continued)

(a) Capital reserve (Continued)

2022

	31 December 2021	Increase	Decrease	31 December 2022
Share premium	7,387,875	–	(640,835)	6,747,040
Others	64,615	–	–	64,615
Total	7,452,490	–	(640,835)	6,811,655

(b) Surplus reserve

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

Pursuant to the Company Law of the PRC and the Article of Association of the Bank, the Bank is required to appropriate 10% of its net profit 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. In 2023, the Bank appropriated statutory surplus reserve of approximately RMB184 million (In 2022: RMB224 million).

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

(c) General reserve

With effect from 1 July 2012, pursuant to the Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20) issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis. In 2023, the bank set aside a general reserve of approximately RMB451 million (In 2022: RMB256 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Reserves (Continued)

(d) Fair value reserve

	2023	2022
As at 1 January	(126,163)	(173,457)
Change in fair value/credit losses recognised in other comprehensive income	397,552	(84,918)
Transfer to profit or loss upon disposal	27,193	86,051
Less: Deferred income tax	(106,186)	(283)
Sub-total	318,559	850
Change in fair value of equity instruments recognised in other comprehensive income	(4,013)	61,926
Less: Deferred income tax	1,003	(15,482)
Sub-total	(3,010)	46,444
As at 31 December	189,386	(126,163)

(e) Remeasurement of net defined benefit liability

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

	2023	2022
As at 1 January	(68,635)	(69,255)
Remeasurement of net defined benefit liability	(5,408)	620
Less: Deferred income tax	-	-
Sub-total	(5,408)	620
As at 31 December	(74,043)	(68,635)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Reserves (Continued)

(f) Movements in components of equity

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

The Bank

Note IV	Other		Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement		Retained earnings	Total
	Share capital	equity instruments					of net defined benefit liability			
Balance at 1 January 2023	8,265,538	9,998,855	6,811,713	3,505,562	7,500,200	(126,163)	(68,635)	14,191,117	50,078,187	
Profit for the year	-	-	-	-	-	-	-	1,840,426	1,840,426	
Other comprehensive income	-	-	-	-	-	315,549	(5,408)	-	310,141	
Total comprehensive income	-	-	-	-	-	315,549	(5,408)	1,840,426	2,150,567	
Capital invested and reduced by shareholders:										
Appropriation of profit:										
- Appropriation to surplus reserve	32(b)	-	-	184,043	-	-	-	(184,043)	-	
- Appropriation to general reserve	32(c)	-	-	-	450,552	-	-	(450,552)	-	
- Interest on perpetual debts	33	-	-	-	-	-	-	(480,000)	(480,000)	
Conversion of capital reserves into share capital	31	826,553	(826,553)	-	-	-	-	-	-	
Sub-total		826,553	(826,553)	184,043	450,552	315,549	(5,408)	725,831	1,670,567	
Balance at 31 December 2023		9,092,091	5,985,160	3,689,605	7,950,752	189,386	(74,043)	14,916,948	51,748,754	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Reserves (Continued)

(f) Movements in components of equity (Continued)

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

The Bank

<i>Note IV</i>	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2022	8,265,538	17,824,363	7,452,548	3,281,678	7,244,200	(173,457)	(69,255)	13,429,656	57,255,271
Profit for the year	-	-	-	-	-	-	-	2,238,836	2,238,836
Other comprehensive income	-	-	-	-	-	47,294	620	-	47,914
Total comprehensive income	-	-	-	-	-	47,294	620	2,238,836	2,286,750
Capital invested and reduced by shareholders:									
- Redemption of preference shares	-	(7,825,508)	(640,835)	-	-	-	-	-	(8,466,343)
Appropriation of profit:									
- Appropriation to surplus reserve	32(b)	-	-	223,884	-	-	-	(223,884)	-
- Appropriation to general reserve	32(c)	-	-	-	256,000	-	-	(256,000)	-
- Cash dividend on preference shares	33	-	-	-	-	-	-	(517,491)	(517,491)
- Interest on perpetual debts	33	-	-	-	-	-	-	(480,000)	(480,000)
Sub-total	-	(7,825,508)	(640,835)	223,884	256,000	47,294	620	761,461	(7,177,084)
Balance at 31 December 2022	8,265,538	9,998,855	6,811,713	3,505,562	7,500,200	(126,163)	(68,635)	14,191,117	50,078,187

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33 Profit distribution

(a) Dividends for preference shares

As per the resolution and authorisation of the shareholders' general meeting, at the meeting of its Board of Directors on 30 August 2022 held by the Bank, the Proposal on Distribution of Dividends for Preference Shares was reviewed and approved, permitting the Bank to distribute the dividends on the Bank's offshore preference shares on 18 October 2022.

Dividends on the Bank's offshore preference shares are paid annually in cash and calculated based on the aggregate value of the offshore preference shares. Dividends on the preference shares are non-cumulative. Holders of preference shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution plan in the preference share issuance proposal, the Bank distributed a dividend of USD72.78 million (tax included), aggregating to RMB517.49 million at the rate on dividend declared date. In practice, the dividend was distributed in the currency of the preference share. According to relevant laws, when the Bank distributes dividends for preference shares, the enterprise income tax shall be withheld by the Bank at a rate of 10%. According to the requirements of the terms and conditions of the offshore preference shares, the Bank shall pay the relevant taxes, in addition to the dividends for offshore preference shares.

(b) Dividends for Perpetual Bond

The Bank distributed a dividend of 480 million to the perpetual bond holders In November 2023.

(c) Retained earnings

As of 31 December 2023, retained earnings of the Group included the statutory surplus reserve of RMB106 million appropriated by the subsidiaries and attributable to the Bank (31 December 2022: RMB86 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34 Other equity instruments

(a) *Other equity instruments outstanding at the end of the period:*

Financial instrument outstanding	Date issued	Classification	Dividend yield ratio/ Interest rate	Issue price	Quantity	As at		Conversion conditions
						31 December 2023	Maturity	
Undated additional tier 1 capital bonds (i)	2021/11/11	Equity	4.8%	RMB 100	100,000,000	10,000	perpetual	None
Less: Issuing cost						(2)		
Total						9,998		

(b) *Main clause*

(i) *Undated additional tier 1 capital bonds*

(1) Issuance

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

(2) Conditional redemption

The duration of the Perpetual Bonds is the same as the continuing operation of the Bank. 5 years after the issuance date of the Perpetual Bonds, the Bank shall have the right to redeem the Perpetual Bonds in whole or in part on each distribution payment date (including the fifth distribution payment date since the issuance). Upon the issuance of the Perpetual Bonds, in the event that the Perpetual Bonds is not classified as other tier-one capital bonds due to unpredictable changes in regulations, the Bank shall have the right to redeem the Perpetual Bonds fully instead of partly.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34 Other equity instruments (Continued)

(b) Main clause (Continued)

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

(3) The claims of the holders of the Bonds

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

(4) Write-down clauses

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

(5) Distributions

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35 Notes to consolidated cash flow statement

(a) *Cash and cash equivalents comprise:*

	31 December 2023	31 December 2022
Cash on hand	908,846	1,089,526
Surplus deposit reserves with Central Bank	7,768,889	7,005,009
Deposits with banks and other financial institutions with original maturity of three months or less	1,242,238	1,920,796
Placements with banks and other financial institutions with original maturity of three months or less	2,100,000	500,000
Total	12,019,973	10,515,331

(b) *Total cash outflows related to leases:*

In 2023, the total leasehold related cash outflow the Group paid as a lessee was RMB123,881 thousand (In 2022: RMB157,739 thousand), of which RMB120,121 thousand was included in financing activities to repay lease liabilities (In 2022: RMB146,394 thousand). And the rest are rents of leaseholds that are exempt from recognition of use rights assets and lease liabilities because the lease term is shorter than 12 months or the value of the individual leasehold asset is lower when new, and are included in operating activities.

36 Related party relationships and transactions

(a) *Relationship of related parties*

(i) *Major shareholders*

Major shareholders include shareholders of the Bank with shareholding of 5% or above.

Shareholding in the Bank:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Related party relationships and transactions (Continued)

(a) Relationship of related parties (Continued)

(ii) Subsidiaries and associates of the Bank

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

(iii) Other related parties

Other related parties can be individuals or enterprises, which include: members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note IV 36 (a)(i) or their controlling shareholders. Other related parties also include post-employment benefit plans of the Bank (Note IV 30(a)).

(b) Related party transactions and balances

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

(i) Transactions with major shareholders

	31 December 2023	31 December 2022
Balances at the end of the year:		
Financial investments measured at amortised cost	977,228	811,560
Deposits from customers	3,640,008	1,450,795
Other liabilities	64,285	64,285

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Related party relationships and transactions (Continued)

(b) Related party transactions and balances (Continued)

(i) Transactions with major shareholders (Continued)

	2023	2022
Transactions during the year:		
Interest income	45,415	49,400
Interest expense	28,346	30,685

(ii) Transactions with subsidiaries

	31 December 2023	31 December 2022
Balances at the end of the year:		
Deposits/placements with banks and other financial institutions	2,706,690	3,258,252
Deposits from banks and other financial institutions	1,963,587	1,205,175
Guarantee for subsidiaries	257,690	297,700

	2023	2022
Transactions during the year:		
Interest income	35,124	31,557
Interest expense	48,490	46,550

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Related party relationships and transactions (Continued)

(b) Related party transactions and balances (Continued)

(iii) Transactions with associates

	31 December 2023	31 December 2022
Balances at the end of the year:		
Deposits/placements with banks and other financial institutions	951	944
Deposits from banks and other financial institutions	754,747	470,818
	2023	2022
Transactions during the year:		
Interest income	7	7
Interest expense	14,422	24,710

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Related party relationships and transactions (Continued)

(b) Related party transactions and balances (Continued)

(iv) Transactions with other major related parties

	31 December 2023	31 December 2022
Balances at the end of the year:		
Loans and advances to customers	12,111,042	13,666,338
Financial assets held under resale agreements	699,895	–
Deposits with banks and other financial institutions	25,841	–
Financial investments measured at amortised cost	1,868,136	2,051,876
Financial investments at fair value through profit or loss	145,129	342,205
Financial investments at fair value through other comprehensive income	123,162	410,417
Deposits from customers	2,322,603	3,249,613
Deposits from banks and other financial institutions	2,133,945	148,289
Guarantees	1,000	–
Bank acceptances	311,591	1,509,282
Unused credit card commitments	80,751	57,165
Loan commitments	910,000	–
	2023	2022
Transactions during the year:		
Interest income	756,961	651,741
Interest expense	105,484	67,643
Fee and commission income	74,781	100,860
Asset trading	97,840	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Related party relationships and transactions (Continued)

(c) Key management personnel

(i) Transactions with key management personnel

	31 December 2023	31 December 2022
Balances at the end of the year:		
Deposits from customers	18,757	10,497
Unused credit card commitments	7,552	11,120

	2023	2022
Transactions during the year:		
Interest income	–	27
Interest expense	337	807

(ii) Key management personnel remuneration

	2023	2022
Salaries and other emoluments	10,376	12,732
Discretionary bonuses	18,487	23,865
Social insurance and welfare plans, housing allowance, etc.	1,131	1,261
Total	29,994	37,858

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

No post-employment benefits, termination benefits or other long-term benefits were provided to key management personnel for the year ended 31 December 2023 (31 December 2022: the same).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Related party relationships and transactions (Continued)

(c) Key management personnel (Continued)

(iii) Loans to key officers

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

37 Segment reporting

(a) Business segment

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

Corporate banking

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37 Segment reporting (Continued)

(a) Business segment (Continued)

Retail banking

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

Treasury business

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

Others

These represent equity investments and related income and any other businesses which do not form a single reportable segment.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37 Segment reporting (Continued)

(a) Business segment (Continued)

Others (Continued)

	Year ended 31 December 2023				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	11,165,352	36,616	537,645	-	11,739,613
Internal net interest (expense)/income	(1,501,664)	1,140,735	360,929	-	-
Net interest income	9,663,688	1,177,351	898,574	-	11,739,613
Net fee and commission income	305,544	72,377	201,005	-	578,926
Net trading gains	9,204	-	772,541	-	781,745
Net gains arising from investments	-	-	493,881	-	493,881
Other operating income	-	-	-	105,245	105,245
Operating income	9,978,436	1,249,728	2,366,001	105,245	13,699,410
Operating expenses	(2,626,959)	(613,980)	(591,101)	(26,526)	(3,858,566)
Credit impairment losses	(5,869,948)	(738,710)	(1,466,665)	-	(8,075,323)
Other operating expenses	-	-	-	(8,535)	(8,535)
Operating profit	1,481,529	(102,962)	308,235	70,184	1,756,986
Share of losses of associates	-	-	-	(17,350)	(17,350)
Profit before taxation	1,481,529	(102,962)	308,235	52,834	1,739,636
Other segment information					
- Depreciation and amortisation	153,109	276,771	28,561	-	458,441
- Capital expenditure	355,393	82,335	82,367	2,441	522,536

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37 Segment reporting (Continued)

(a) *Business segment (Continued)*

Others (Continued)

	Year ended 31 December 2023				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	316,444,875	99,315,995	207,194,419	1,475,862	624,431,151
Deferred tax assets					6,278,278
Total assets					630,709,429
Segment liabilities/total liabilities	194,928,725	173,586,447	206,324,909	1,554,492	576,394,573
Credit commitments	72,403,854	7,747,672	-	-	80,151,526

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37 Segment reporting (Continued)

(a) *Business segment (Continued)*

Others (Continued)

	Year ended 31 December 2022				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	10,160,801	839,739	1,253,298	–	12,253,838
Internal net interest (expense)/income	(875,340)	678,290	197,050	–	–
Net interest income	9,285,461	1,518,029	1,450,348	–	12,253,838
Net fee and commission income	322,483	82,794	385,626	–	790,903
Net trading gains	42,676	–	1,415,848	–	1,458,524
Net gains arising from investments	–	–	575,053	–	575,053
Other operating income	–	–	–	147,525	147,525
Operating income	9,650,620	1,600,823	3,826,875	147,525	15,225,843
Operating expenses	(2,218,838)	(592,855)	(813,526)	(31,422)	(3,656,641)
Credit impairment losses	(6,808,437)	(178,513)	(1,555,958)	(117,050)	(8,659,958)
Operating profit	623,345	829,455	1,457,391	(947)	2,909,244
Share of profits of associates	–	–	–	(102,014)	(102,014)
Profit before taxation	623,345	829,455	1,457,391	(102,961)	2,807,230
Other segment information					
– Depreciation and amortisation	175,556	257,910	34,576	–	468,042
– Capital expenditure	449,759	119,747	170,993	991	741,490

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37 Segment reporting (Continued)

(a) Business segment (Continued)

Others (Continued)

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

(b) Geographical information

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

38 Risk management

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

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

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

(a) Credit risk

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

Credit business

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (Continued)

Treasury Business

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

Measurement of ECL

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (Continued)

(i) Significant increase in credit risk

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

If the borrower meets one or more of the following criteria:

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (Continued)

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

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

(1) Quantitative criterion

The financial assets are more than 90 days past due.

(2) Qualitative criterion

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (Continued)

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

The Group classifies credit risk exposures according to credit risk characteristics including product type, customer type, customer industry and market distribution.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (Continued)

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (Continued)

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

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

(1) Maximum credit risk exposure

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (Continued)

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

(2) Loans and advances to customers

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

	31 December 2023	31 December 2022
Gross balance of loans and advances that are assessed for 12-month ECL		
– Overdue but not credit-impaired	724,150	1,618,222
– Neither overdue nor credit-impaired	327,776,845	309,543,318
Sub-total	328,500,995	311,161,540
Gross balance of loans and advances that are not credit-impaired and assessed for lifetime ECL		
– Overdue but not credit-impaired	6,832,721	1,698,022
– Neither overdue nor credit-impaired	13,547,969	9,239,962
Sub-total	20,380,690	10,937,984
Gross balance of credit-impaired loans and advances that are assessed for lifetime ECL		
– Overdue and credit-impaired	7,266,795	6,522,962
– Not overdue but credit-impaired	4,459,726	2,298,611
Sub-total	11,726,521	8,821,573
Interest accrued	1,526,725	1,594,573
Less: Provision for impairment losses	(11,809,634)	(10,308,636)
Net loans and advances to customers	350,325,297	322,207,034

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (Continued)

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

(2) Loans and advances to customers (Continued)

(ii) Neither overdue nor credit-impaired

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

	31 December 2023	31 December 2022
Corporate loans and advances	260,829,320	240,503,476
Personal loans and advances	80,495,494	78,279,804
Total gross balance	341,324,814	318,783,280

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) *Credit risk (Continued)*

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

(2) Loans and advances to customers (Continued)

(iii) Overdue but not credit-impaired

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

	31 December 2023		
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	Total
Corporate loans and advances	1,376,897	5,128,241	6,505,138
Personal loans and advances	449,615	602,118	1,051,733
Total gross balance	1,826,512	5,730,359	7,556,871

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (Continued)

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

(2) Loans and advances to customers (Continued)

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

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

	31 December 2023	31 December 2022
Fair value of collateral held against loans and advances overdue but not credit-impaired	4,223,092	1,561,500

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) *Credit risk (Continued)*

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

(2) Loans and advances to customers (Continued)

(iv) Credit-impaired loans

Credit-impaired loans were analysed as follows:

	31 December 2023	31 December 2022
Gross balance		
Corporate loans and advances	9,127,014	6,473,939
Personal loans and advances	2,599,507	2,347,634
Sub-total	11,726,521	8,821,573
Interest accrued		
Corporate loans and advances	154,863	63,378
Personal loans and advances	19,228	599
Sub-total	174,091	63,977
Provision for impairment losses		
Corporate loans and advances	(4,207,630)	(3,846,908)
Personal loans and advances	(1,087,217)	(971,246)
Sub-total	(5,294,847)	(4,818,154)
Net balance		
Corporate loans and advances	5,074,247	2,690,409
Personal loans and advances	1,531,518	1,376,987
Total	6,605,765	4,067,396
Fair value of collateral held against credit-impaired loans and advances	5,737,431	3,746,456

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (Continued)

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

(2) Loans and advances to customers (Continued)

(iv) Credit-impaired loans (Continued)

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

(3) Amounts due from banks and other financial institutions

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

	31 December 2023	31 December 2022
Carrying amount		
– Grade A to AAA	11,149,757	7,483,953
– Unrated	7,011,250	9,235,266
Total	18,161,007	16,719,219

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) *Credit risk (Continued)*

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

(4) Debt securities investments

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

	31 December 2023						Total
	Unrated	AAA	AA+	AA	AA-	Below A+	
Debt securities							
- Government	66,377,205	-	-	-	-	-	66,377,205
- Policy banks	35,538,741	-	-	-	-	-	35,538,741
- Banks and other financial institutions	-	7,180,834	1,125,177	-	-	-	8,306,011
- Corporate	218,946	2,719,572	4,649,941	1,711,532	-	228,314	9,528,305
Total	102,134,892	9,900,406	5,775,118	1,711,532	-	228,314	119,750,262

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (Continued)

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

(5) Financial investments measured at amortised cost

The Group

	31 December 2023	31 December 2022
Balance of financial investments measured at amortised cost that are assessed for 12-month ECL		
– Neither overdue nor credit-impaired	107,867,443	110,498,193
Less: Provision for impairment losses	(355,161)	(566,582)
Sub-total	107,512,282	109,931,611
Balance of not credit-impaired financial investments measured at amortised cost that are assessed for lifetime ECL		
– Overdue but not credit-impaired	3,684,951	381,646
– Neither overdue nor credit-impaired	25,500	59,000
Less: Provision for impairment losses	(346,746)	(44,187)
Sub-total	3,363,705	396,459
Balance of credit-impaired financial investments measured at amortised cost that are assessed for lifetime ECL		
– Overdue and credit-impaired	13,617,936	12,726,672
Less: Provision for impairment losses	(3,356,995)	(3,466,268)
Sub-total	10,260,941	9,260,404
Interest accrued	1,619,505	2,090,702
Total	122,756,433	121,679,176
Fair value of collateral held against credit-impaired financial investments that are measured at amortised cost	13,933,265	15,663,253

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) *Credit risk (Continued)*

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

(6) Looking-forward Information

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(a) Credit risk (Continued)

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

(6) Looking-forward Information (Continued)

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

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

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

(b) Market risk

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(b) Market risk (Continued)

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

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

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

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

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

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

(1) Interest rate risk

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk

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

The Asset and Liability Management Department is responsible for identifying, measuring, monitoring and managing interest rate risk. The Group regularly performs 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

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

	31 December 2023					
	Total	Non-interest-bearing	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with Central Bank	26,369,865	1,221,411	25,148,454	-	-	-
Deposits/placements with banks and other financial institutions	7,471,861	35,234	4,574,594	2,862,033	-	-
Financial assets held under resale agreements	10,689,146	3,406	10,685,740	-	-	-
Loans and advances to customers ^{(note (1))}	350,325,297	1,526,725	78,649,136	168,191,382	91,713,478	10,244,576
Investments ^{(note (2))}	186,957,506	3,199,922	31,062,828	30,043,517	76,944,495	45,706,744
Lease receivables ^{(note (1))}	32,817,168	307,398	4,050,455	9,915,891	18,542,064	1,360
Others	1,808,117	1,808,117	-	-	-	-
Total assets	616,438,960	8,102,213	154,171,207	211,012,823	187,200,037	55,952,680
Liabilities						
Due to Central Bank	30,960,269	289,926	9,574,218	21,096,125	-	-
Deposits/placements from banks and other financial institutions	47,554,511	425,499	15,848,012	30,781,000	500,000	-
Financial assets sold under repurchase agreements	25,131,941	9,350	25,122,591	-	-	-
Deposits from customers	366,521,910	5,873,070	171,734,150	77,393,477	111,521,213	-
Debt securities issued	102,068,783	215,254	31,502,563	57,352,309	12,998,657	-
Others	938,592	938,592	-	-	-	-
Total liabilities	573,176,006	7,751,691	253,781,534	186,622,911	125,019,870	-
Asset-liability gap	43,262,954	350,522	(99,610,327)	24,389,912	62,180,167	55,952,680

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

(1) For the Group's loans and advances to customers, overdue amounts (net of allowance for impairment losses) of RMB10,248 million (31 December 2022: RMB6,119 million) are included in the category "Within three months (inclusive)" as at 31 December 2023. For the Group's lease receivables, overdue amounts (net of allowance for impairment losses) of RMB120 million (31 December 2022: RMB295 million) are included in the category "Within three months (inclusive)" as at 31 December 2023.

(2) As at 31 December 2023, investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments measured at amortised cost and interests in associates. Overdue amounts (net of allowance for impairment losses) of RMB12,898 million (31 December 2022: RMB7,494 million) are included in the category "Within three months (inclusive)" as at 31 December 2023.

(ii) Interest rate sensitivity analysis

	31 December 2023 (Decrease)/ increase	31 December 2022 (Decrease)/ increase
Changes in net profit		
Up 100 bps parallel shift in yield curves	(585,096)	(1,060,789)
Down 100 bps parallel shift in yield curves	585,096	11,060,789

	31 December 2023 (Decrease)/ Increase	31 December 2022 (Decrease)/ Increase
Changes in equity		
Up 100 bps parallel shift in yield curves	(1,426,836)	(1,597,533)
Down 100 bps parallel shift in yield curves	1,512,893	1,638,978

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

The sensitivity analysis above is based on a static interest risk exposure profile of assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit 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:

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

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

(2) Currency risk

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(b) Market risk (Continued)

(2) Currency risk (Continued)

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

	31 December 2023			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with Central Bank	26,365,863	823	3,179	26,369,865
Deposits/placements with banks and other financial institutions	7,368,735	91,492	11,634	7,471,861
Financial assets held under resale agreements	10,689,146	-	-	10,689,146
Loans and advances to customers	350,325,297	-	-	350,325,297
Investments (note (i))	186,012,114	945,392	-	186,957,506
Lease receivables	32,817,168	-	-	32,817,168
Others	1,807,361	756	-	1,808,117
Total assets	615,385,684	1,038,463	14,813	616,438,960
Liabilities				
Due to Central Bank	30,960,269	-	-	30,960,269
Deposits/placements from banks and other financial institutions	46,774,929	779,582	-	47,554,511
Financial assets sold under repurchase agreements	24,494,155	637,786	-	25,131,941
Deposits from customers	366,478,757	43,027	126	366,521,910
Debt securities issued	102,068,783	-	-	102,068,783
Others	938,494	98	-	938,592
Total liabilities	571,715,387	1,460,493	126	573,176,006
Net position	43,670,297	(422,030)	14,687	43,262,954
Off-balance sheet credit commitments	79,614,761	520,071	16,694	80,151,526

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(b) Market risk (Continued)

(2) Currency risk (Continued)

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(b) Market risk (Continued)

(2) Currency risk (Continued)

	31 December 2023 Increase/ (decrease)	31 December 2022 Increase/ (decrease)
Change in profit after taxation and equity		
Up 100 bps change of foreign exchange rate	(3,057)	15,362
Down 100 bps change of foreign exchange rate	3,057	(15,362)

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(c) Liquidity risk

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

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

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

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

These deposits from customers are widely diversified in terms of types and durations and represent a major source of funds.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(c) Liquidity risk (Continued)

(1) Maturity analysis

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

	31 December 2023						Total
	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	Between five years and More than five years	More than five years	
Indefinite							
Assets							
Cash and deposits with Central Bank	17,683,689	8,677,735	8,441	-	-	-	26,369,865
Deposits/placements with banks and other financial institutions	-	1,119,052	3,417,425	2,935,384	-	-	7,471,861
Financial assets held under resale agreements	-	-	10,689,146	-	-	-	10,689,146
Loans and advances to customers	11,184,746	1,640,560	56,450,749	120,429,322	113,542,465	47,077,455	350,325,297
Investments (note (i))	14,988,970	1,609,036	16,819,615	29,576,116	77,796,935	46,166,834	186,957,506
Lease receivables	314,590	-	4,043,263	9,915,891	18,542,064	1,360	32,817,168
Others	1,391,818	4,869	379,313	10,897	21,220	-	1,808,117
Total assets	45,563,813	13,051,252	91,807,952	162,867,610	209,902,684	93,245,649	616,438,960
Liabilities							
Due to Central Bank	-	-	9,737,095	21,223,174	-	-	30,960,269
Deposits/placements from banks and other financial institutions	-	816,103	15,239,208	30,981,807	517,393	-	47,554,511
Financial assets sold under repurchase agreements	-	-	25,131,941	-	-	-	25,131,941
Deposits from customers	-	123,744,532	49,386,371	78,834,761	114,556,246	-	366,521,910
Debt securities issued	-	-	31,625,182	57,444,944	12,998,657	-	102,068,783
Others	-	325,149	68,618	154,993	308,465	81,367	938,592
Total liabilities	-	124,885,784	131,188,415	188,639,679	128,380,761	81,367	573,176,006
Long/(short) position	45,563,813	(111,834,532)	(39,380,463)	(25,772,069)	81,521,923	93,164,282	43,262,954

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(c) Liquidity risk (Continued)

(1) Maturity analysis (Continued)

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(c) Liquidity risk (Continued)

(1) Maturity analysis (Continued)

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(c) Liquidity risk (Continued)

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

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

	31 December 2023						
	Carrying amount at 31 December	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Non-derivative cash flows:							
Due to Central Bank	30,960,269	31,336,628	-	9,764,791	21,571,837	-	-
Deposits/placements from banks and other financial institutions	47,554,511	47,971,432	816,103	15,285,439	31,332,911	536,979	-
Financial assets sold under repurchase agreements	25,131,941	25,136,235	-	25,136,235	-	-	-
Deposits from customers	366,521,910	375,899,831	123,744,532	49,515,679	79,805,688	122,833,932	-
Debit securities issued	102,068,783	103,715,000	-	31,761,000	58,425,000	13,529,000	-
Others	938,592	938,592	325,149	68,618	154,993	308,465	81,367
Total	573,176,006	584,997,718	124,885,784	131,531,762	191,290,429	137,208,376	81,367

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(c) Liquidity risk (Continued)

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(c) Liquidity risk (Continued)

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

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

	31 December 2023						
	Carrying amount at 31 December	Total	Repayable on demand	Within three months (inclusive)	Between	Between	More than five years
					three months and one year (inclusive)	one year and five years (inclusive)	
Derivative cash flows: Derivative financial instruments settled on net basis	-	-	-	-	-	-	-

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, personnel mistakes and information system failures, or impact from other external events. The Group has formulated operational risk management policies and procedures, aiming to identify, assess, monitor, control and mitigate the operational risk, and reduce losses associated with the operational risk.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(e) Capital management

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

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

- monitor levels of asset quality based on the Group's business strategy and maintain adequate capital to support the implementation of the Group's strategic development plan and meet the regulatory requirements; and
- effectively identify, quantify, monitor, mitigate and control the major risks to which the Group is exposed, and maintain the appropriate level of capital after considering the Group's risk exposure and risk management needs.

The Group monitors the capital adequacy ratio periodically and adjusts the capital management plan when necessary to ensure the capital adequacy ratio meets both the regulatory requirements and business development needs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(e) Capital management (Continued)

The Group calculates the capital adequacy ratios as at 31 December 2023 and 31 December 2022 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) 《商業銀行資本管理辦法(試行)》 issued by the former CBRC in 2012 and relevant requirements promulgated by the former CBRC. The calculations based on statutory financial statements of the Group prepared under Accounting Standards for Business Enterprises are as follows:

Note	31 December 2023	31 December 2022
Total core tier-one capital		
– Share capital	9,092,091	8,265,538
– Valid portion of capital reserve	5,985,102	6,811,655
– Fair value reserve	189,386	(126,163)
– Remeasurement of net defined benefit liability	(74,043)	(68,635)
– Surplus reserve	3,689,605	3,505,562
– General reserve	8,266,509	7,767,704
– Retained earnings	15,305,319	14,618,050
– Valid portion of minority interests	1,449,620	1,437,897
Core tier-one capital	43,903,589	42,211,608
Core tier-one capital deductions	(3,377,072)	(1,828,257)
Net core tier-one capital	40,526,517	40,383,351
Additional tier-one capital		
– Additional tier-one capital instruments and related premium	9,998,855	9,998,855
– Valid portion of non-controlling interests	193,283	184,039
Net tier-one capital	50,718,655	50,566,245

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Risk management (Continued)

(e) Capital management (Continued)

	Note	31 December 2023	31 December 2022
Tier two capital			
– Surplus provision for loan impairment		5,257,125	4,343,627
– Valid portion of non-controlling interests		396,825	381,809
Net tier-two capital		5,653,950	4,725,436
Net capital base		56,372,605	55,291,681
Total risk weighted assets	(1)	455,490,556	434,769,547
Core tier-one capital adequacy ratio		8.90%	9.29%
Tier-one capital adequacy ratio		11.13%	11.63%
Capital adequacy ratio		12.38%	12.72%

(1) Both the on-balance and off-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty as well as any eligible collateral or guarantees.

(2) Pursuant to the Regulation Governing Capital of Commercial Banks (Provisional) 《商業銀行資本管理辦法(試行)》, the former CBRC requires that the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio for commercial banks shall not fall below 10.5%, 8.5% and 7.5% at 31 December 2023 and 31 December 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Fair value

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

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

- Level 1: Fair value measured using only Level 1 inputs i.e., unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: Fair value measured using significant unobservable inputs

The Group has established policies and internal controls with respect to the measurement of fair values, specified the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.

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

(1) *Debt securities investments and equity investments*

Regarding the fair values of debt securities investments, the Bank performs valuation by referring to prices from valuation service providers or on the basis of discounted cash flows models. Valuation parameters include market interest rates, expected future default rates, prepayment rates and market liquidity. The fair values of RMB bonds are mainly determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd.. The fair values of unlisted equity investments are estimated using comparable firm approach, after adjustment for the specific circumstances of the issuers.

(2) *Other debt investments 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 each of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Fair value (Continued)

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

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

Fair values of debt securities issued are based on their quoted market prices at the end of each of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of each of the reporting period.

(4) Derivative financial instruments

Derivative financial instruments that are valued using valuation techniques that only include observable market data are called forward foreign exchange contracts. The most common valuation techniques include the discounted cash flow model and the Blair Scholes model. The model parameters include forward foreign exchange rates, foreign exchange rate volatility, and interest rate curves.

(b) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis				
Financial investments at fair value through profit or loss				
– Debt securities	–	12,560,598	–	12,560,598
– Investment funds	–	12,864,889	–	12,864,889
– Equity investments	432,449	–	176,012	608,461
– Other financial investments at fair value through profit or loss	–	–	14,690,048	14,690,048
Financial investments at fair value through other comprehensive income				
– Debt instruments	–	22,806,363	–	22,806,363
– Equity investments	–	–	66,313	66,313
Loans and advances to customers measured at fair value through other comprehensive income				
– Corporate loans and advances	–	39,242,539	–	39,242,539
Total	432,449	87,474,389	14,932,373	102,839,211

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Fair value (Continued)

(b) *Financial instruments recorded at fair value (Continued)*

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis				
Financial investments at fair value through profit or loss				
– Debt securities	–	14,972,478	–	14,972,478
– Investment funds	–	14,366,427	–	14,366,427
– Equity investments	736,844	–	180,893	917,737
– Other financial investments at fair value through profit or loss	–	–	14,185,068	14,185,068
Financial investments at fair value through other comprehensive income				
– Debt instruments	–	17,079,734	–	17,079,734
– Equity investments	–	–	70,326	70,326
Loans and advances to customers measured at fair value through other comprehensive income				
– Corporate loans and advances	–	27,147,958	–	27,147,958
Total	736,844	73,566,597	14,436,287	88,739,728
Liabilities measured at fair value on a recurring basis				
Derivative financial liabilities	–	100,456	–	100,456
Total	–	100,456	–	100,456

During the year, there were no transfers between Level 1 and Level 2, or between level 2 and Level 3 (2022: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Fair value (Continued)

(c) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balances of level 3 financial assets and liabilities which are recorded at fair value and the movement during the year:

	1 January 2023	Total effects of profit and loss during the year	Total effects of other comprehensive income during the year	Acquisition	Sale/ Settlement	Transferred from Level 3 to Level 2	31 December 2023	Profit attributable to the change in unrealised gains and losses relating to assets held at the end of the year
Financial assets:								
Financial investments at fair value through profit or loss								
- Other financial investments at fair value through profit or loss	14,185,068	519,311	-	13,480,000	(13,494,331)	-	14,690,048	192,489
- Equity investments	180,893	-	-	-	(4,881)	-	176,012	-
Financial investments at fair value through other comprehensive income								
- Equity investments	70,326	-	(4,013)	-	-	-	66,313	-
Total	14,436,287	519,311	(4,013)	13,480,000	(13,499,212)	-	14,932,373	192,489

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Fair value (Continued)

(c) Movement in level 3 financial instruments measured at fair value (Continued)

	1 January 2022	Total effects of profit and loss during the year	Total effects comprehensive income during the year	Acquisition	Sale/ Settlement	Transferred from Level 3 to Level 2	31 December 2022	Profit attributable to the change in unrealised gains and losses relating to assets held at the end of the year
Financial assets:								
Financial investments at fair value through profit or loss								
- Other financial investments at fair value through profit or loss	18,469,966	(63,141)	-	6,329,394	(10,551,151)	-	14,185,068	(1,833)
- Equity investments	-	-	-	180,893	-	-	180,893	-
Financial investments at fair value through other comprehensive income								
- Equity investments	8,400	-	61,926	-	-	-	70,326	-
Total	18,478,366	(63,141)	61,926	6,510,287	(10,551,151)	-	14,436,287	(1,833)

During the reporting period, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

During the reporting period, total gains recorded in profit or loss were recognised in the line item "net gains arising from investments" on the face of the consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Fair value (Continued)

(d) Fair value of financial assets and liabilities not carried at fair value

	31 December 2023				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost					
– Debt securities	84,307,238	86,027,134	–	86,027,134	–
Total	84,307,238	86,027,134	–	86,027,134	–
Financial liabilities					
Debt securities issued					
– Financial bonds	18,213,569	18,288,034	–	18,288,034	–
– Interbank deposits	83,855,214	83,908,406	–	83,908,406	–
Total	102,068,783	102,196,440	–	102,196,440	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Fair value (Continued)

(d) Fair value of financial assets and liabilities not carried at fair value (Continued)

	31 December 2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost					
– Debt securities	71,123,274	71,343,128	–	71,343,128	–
Total	71,123,274	71,343,128	–	71,343,128	–
Financial liabilities					
Debt securities issued					
– Financial bonds	14,495,710	14,466,845	–	14,466,845	–
– Interbank deposits	80,497,196	80,493,305	–	80,493,305	–
Total	94,992,906	94,960,150	–	94,960,150	–

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods are adopted to determine the fair values of these assets and liabilities.

The fair values of debt securities in financial investments measured at amortised cost and debt securities issued are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

Financial investments measured at amortised cost with the exception of debt securities are stated at amortised cost using the effective interest method. The fair values of financial investments measured at amortised cost are estimated based on future cash flows expected to be received which are discounted at current market rates. Majority of financial investments measured at amortised cost are repriced at least annually to the market rate. Accordingly, their carrying values approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Fair value (Continued)

(d) Fair value of financial assets and liabilities not carried at fair value (Continued)

The above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently, are as follows:

Assets	Liabilities
Cash and deposits with Central Bank	Due to Central Bank
Deposits with banks and other financial institutions	Deposits from banks and other financial institutions
Placements with banks and other financial institutions	Placements from banks and other financial institutions
Financial assets held under resale agreements	Financial assets sold under repurchase agreements
Loans and advances to customers (measured at amortised cost)	Deposits from customers
Lease receivables	Other financial liabilities
Other financial assets	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Commitments and contingent liabilities

(a) Credit commitments

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

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

	31 December 2023	31 December 2022
Bank acceptances	59,793,479	80,492,970
Letters of credit	8,941,953	7,898,683
Guarantees	885,185	1,045,264
Unused credit card commitments	7,747,672	5,740,253
Loan commitments	2,783,237	696,099
Total	80,151,526	95,873,269

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Commitments and contingent liabilities (Continued)

(b) *Credit risk-weighted amount*

	31 December 2023	31 December 2022
Credit risk-weighted amount of contingent liabilities and commitments	8,723,961	10,063,831

The credit risk weighted amount represents the amount calculated with reference to the guidelines issued by the former CBRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights range from 0% to 150% for credit commitments.

(c) *Capital commitments*

As at 31 December 2023 and 31 December 2022, the authorised capital commitments of the Group are as follows:

	31 December 2023	31 December 2022
Contracted but not paid for	87,616	206,513
Approved but not contracted for	34,805	30,859
Total	122,421	237,372

(d) *Outstanding litigations and disputes*

As at 31 December 2023, there are no outstanding legal proceedings that have a significant impact on the financial statements against the Group (31 December 2022: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Commitments and contingent liabilities (Continued)

(e) Pledged assets

	31 December 2023	31 December 2022
Debt securities	55,661,134	39,234,526
Notes	2,642,320	2,927,491
Total	58,303,454	42,162,017

Some of the Group's assets are pledged as collateral under repurchase agreements.

41 Structured entities

(a) Consolidated structured entities

The consolidated structured entities are wealth management products and asset-backed securities. The Group considers whether there is control over the structured entity as the sponsor of the wealth management products and asset-backed securities, and judges whether it needs to be included in the merger based on the decision-making scope, the power held, the remuneration for providing management services and the variable income risk exposure faced. In 2023, the Group did not provide financial support to the consolidated structured entities (2022: Nil).

(b) Unconsolidated structured entities

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

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include investment management products under fund, trust scheme, investment management products managed by securities companies and wealth management products issued by financial institutions. The Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and financed through the issue of notes to investors.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41 Structured entities (Continued)

(b) Unconsolidated structured entities (Continued)

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

The following tables set out an analysis of the carrying amounts of interests held by the Group in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	31 December 2023	
	Carrying amount	Maximum exposure
Financial investments		
– Financial investments at fair value through profit or loss	26,749,453	26,749,453
– Financial investments measured at amortised cost	38,118,528	38,118,528
Interest receivables	330,667	330,667
Total	65,198,648	65,198,648
	31 December 2022	
	Carrying amount	Maximum exposure
Financial investments		
– Financial investments at fair value through profit or loss	26,364,901	26,364,901
– Financial investments measured at amortised cost	49,611,247	49,611,247
Interest receivables	944,655	944,655
Total	76,920,803	76,920,803

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41 Structured entities (Continued)

(b) Unconsolidated structured entities (Continued)

- (1) *Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)*

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amounts of the assets held by the Group and the related interest receivables at the end of each of the reporting period.

The interest income, changes in fair value and investment gains arising from the above unconsolidated structured entities for the year ended 31 December 2023 amounted to RMB3,290 million (2022: RMB4,207 million).

- (2) *Structured entities sponsored by the Group which the Group does not consolidate but holds interests in*

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

As at 31 December 2023, the amount of non-principal-guaranteed wealth management products which are sponsored by the Group but are not consolidated into was RMB44,388 million (31 December 2022: RMB45,731 million).

For the year ended 31 December 2023, the Group recognised net commission income from the non-principal-guaranteed wealth management products with the amount of RMB196 million through provision of asset management services (2022: RMB235 million). The Group expected that the variable return would be insignificant to the structured entities.

For the year ended 31 December 2023, the Group did not provide financial support to the unconsolidated structured entities (2022: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42 Fiduciary activities

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

As at 31 December 2023, the balance of entrusted loans of the Group was RMB24,445 million (31 December 2022: RMB20,153 million).

43 Events after the reporting period

According to the resolution of the Board of Directors on 28 March 2024, the 2023 Profit Distribution Plan of the Bank is as follows:

- 1) Appropriate the statutory surplus reserve of about RMB184,043 thousand at 10% of the net profit in 2023;
- 2) Set aside a general reserve of about RMB450,552 thousand based on the difference with 1.5% of the ending balance of its gross risk-bearing assets, pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the Ministry of Finance.

In addition to the above matters, the Group has no other significant events after the reporting period to be disclosed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Company-level statement of financial position

	31 December 2023	31 December 2022
Assets		
Cash and deposits with Central Bank	25,938,464	26,061,723
Deposits with banks and other financial institutions	1,725,757	2,320,673
Placements with banks and other financial institutions	8,030,543	4,717,578
Financial assets held under resale agreements	10,689,146	12,386,501
Loans and advances to customers	346,025,819	316,991,177
Financial investments:		
Financial investments at fair value through profit or loss	40,047,984	43,610,817
Financial investments at fair value through other comprehensive income	22,872,676	17,150,060
Financial investments measured at amortised cost	122,756,433	121,679,176
Interests in associates and subsidiaries	1,837,196	1,506,676
Property and equipment	3,185,874	2,950,147
Deferred tax assets	5,718,793	4,570,082
Other assets	5,849,855	3,502,880
Total assets	594,678,540	557,447,490
Liabilities		
Due to Central Bank	30,702,524	19,903,889
Deposits from banks and other financial institutions	16,266,037	30,743,841
Placements from banks and other financial institutions	4,422,241	4,706,132
Derivative financial liabilities	–	100,456
Financial assets sold under repurchase agreements	25,131,941	19,098,195
Deposits from customers	360,829,817	336,350,641
Tax payable	865,951	384,670
Debt securities issued	102,068,783	93,587,482
Other liabilities	2,642,492	2,493,997
Total liabilities	542,929,786	507,369,303

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Company-level statement of financial position (Continued)

	31 December 2023	31 December 2022
Equity		
Share capital	9,092,091	8,265,538
Other financial instruments	9,998,855	9,998,855
Capital reserve	5,985,160	6,811,713
Surplus reserve	3,689,605	3,505,562
General reserve	7,950,752	7,500,200
Fair value reserve	189,386	(126,163)
Remeasurement of net defined benefit liability	(74,043)	(68,635)
Retained earnings	14,916,948	14,191,117
Total equity	51,748,754	50,078,187
Total liabilities and equity	594,678,540	557,447,490

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

Zhao Fei

Chairman of the Board of Directors

Sun Haigang

Person in Charge of Accounting Affairs

Yuan Dongyun

Head of Accounting Department

Bank of Zhengzhou Co., Ltd.

(Company Chop)

Unaudited Supplementary Financial Information

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

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

1 CURRENCY CONCENTRATIONS

	31 December 2023			
	United States Dollars (RMB equivalent)	Hong Kong Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	1,038,463	5,609	9,204	1,053,276
Spot liabilities	(1,460,493)	(62)	(64)	(1,460,619)
Net position	(422,030)	5,547	9,140	(407,343)

	31 December 2022			
	United States Dollars (RMB equivalent)	Hong Kong Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	3,069,996	30,828	20,704	3,121,528
Spot liabilities	(1,069,192)	(62)	(4,023)	(1,073,277)
Net position	2,000,804	30,766	16,681	2,048,251

The Group has no structural position at the reporting period.

Unaudited Supplementary Financial Information

For the year ended 31 December 2023
(In RMB thousands, unless otherwise stated)

2 INTERNATIONAL CLAIMS

The Group 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 loans and advances to customers, amounts due from banks and other financial institutions and debt investments.

After all risk transfers of a country or geographical area taking into account, it is reported when the claims constitute 10% or more of the aggregate amount of international claims. 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.

	31 December 2023			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding mainland China	1,993,838	-	-	1,993,838
Europe	3,486	-	-	3,486
North America	88,749	-	-	88,749
Total	2,086,073	-	-	2,086,073

	31 December 2022			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding mainland China	2,487,512	-	-	2,487,512
Europe	6,723	-	-	6,723
North America	113,232	-	-	113,232
Total	2,607,467	-	-	2,607,467