



鄭州銀行股份有限公司

BANK OF ZHENGZHOU CO., LTD.

(於中華人民共和國註冊成立的股份有限公司)
(A joint stock company incorporated in the People's Republic of China with limited liability)
股份代號 Stock Code: 6196

2024

INTERIM REPORT

中期報告



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



IMPORTANT NOTICE

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

The 2024 interim report (the “**Report**”) and the announcement of interim results were reviewed and approved at the Bank’s 14th meeting of the seventh session of the Board of Directors held on 29 August 2024; 8 Directors were eligible to attend the meeting and 8 of them attended in person, with certain Supervisors of the Bank being in attendance.

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

The 2024 interim financial report prepared in accordance with China Accounting Standards for Business Enterprises and International Financial Reporting Standards by the Bank was unaudited. Ernst & Young Hua Ming LLP and Ernst & Young had reviewed the Report in accordance with the PRC and International Review Standards, respectively.

Mr. ZHAO Fei, the 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 the accounting department of the Bank hereby declare and warrant the truthfulness, accuracy, and completeness of the financial statements in this Report.

The Bank had no plan to distribute cash dividends and bonus shares or implement capitalization issue for the first half of 2024.

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

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

DEFINITIONS

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

“2023 AGM”	the annual general meeting of the Bank convened on 27 June 2024
“Articles of Association”	the articles of association of the Bank, as amended from time to time
“A Share(s)”	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Bank, which are listed and traded on the SZSE (stock code: 002936)
“A Shareholder(s)”	holder(s) of A Share(s)
“Bank”, “Bank of Zhengzhou”, or “we”	Bank of Zhengzhou Co., Ltd.* (鄭州銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability on 16 November 1996 in accordance with the PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“Company Law”	the Company Law of the People’s Republic of China
“Corporate Governance Code”	the 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
“Fugou Zhengyin County Bank”	Fugou Zhengyin County Bank Co., Ltd. (扶溝鄭銀村鎮銀行股份有限公司)
“Group”	the Bank and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“H Share(s)”	overseas-listed foreign share(s) in the share capital of the Bank, with a nominal value of RMB1.00 each, which are listed and traded on the Main Board of the Hong Kong Stock Exchange (stock code: 6196)
“H Shareholder(s)”	holder(s) of H Share(s)

“Jiuding Financial Leasing Company”	Henan Jiuding Financial Leasing Co., Ltd. (河南九鼎金融租賃股份有限公司)
“Latest Practicable Date”	29 August 2024, being the latest practicable date prior to the publication of this Report for the purpose of ascertaining certain information contained hereof
“Law on Commercial Banks”	Law on Commercial Banks of the People’s Republic of China
“Macao”	the Macao Special Administrative Region of the PRC
“MOF”	the Ministry of Finance of the People’s Republic of China
“PRC” or “China”	the People’s Republic of China, and for the purpose of this Report only, excluding Hong Kong, Macao and Taiwan regions
“Queshan Zhengyin County Bank”	Queshan Zhengyin County Bank Co., Ltd. (確山鄭銀村鎮銀行股份有限公司)
“Reporting Period”	the six months from 1 January 2024 to 30 June 2024
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)” or “Ordinary Share(s)”	the A Share(s) and the H Share(s)
“Shareholders” or “Ordinary Shareholders”	the holders of Ordinary Shares
“Stock Exchange Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Bank
“SZSE”	the Shenzhen Stock Exchange
“SZSE Listing Rules”	the Rules Governing the Listing of Stocks on the SZSE
“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)

DEFINITIONS

“Yanling Zhengyin County Bank” Yanling Zhengyin County Bank Co., Ltd. (鄢陵鄭銀村鎮銀行股份有限公司)

“Zhongmu Zhengyin County Bank” Zhongmu Zhengyin County Bank Co., Ltd. (中牟鄭銀村鎮銀行股份有限公司)

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

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

1 BASIC INFORMATION

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

Note: The Board of the Bank considered and approved to appoint Ms. HAN Huili as the Secretary to the Board of the Bank on 29 April 2024, and she officially took office after her qualification was approved by the National Financial Regulatory Administration Henan Office (國家金融監督管理總局河南監管局) on 7 June 2024; at the same time, Ms. HAN Huili was appointed as the joint company secretary and authorized representative of the Bank under Rule 3.05 of the Stock Exchange Listing Rules. She officially assumed her duties on 2 May 2024 upon obtaining the waiver granted by the Hong Kong Stock Exchange for the qualification of company secretary. In the meantime, Dr. NGAI Wai Fung resigned as the authorized representative of the Bank, acted as an alternate to the authorized representative and acted as the other joint company secretary of the Bank on 2 May 2024.

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

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

2 MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

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

Unit: RMB'000

Major accounting data	For the six months ended 30 June			
	2024	2023	Increase/ decrease for the Reporting Period as compared to the same period of the previous year (%)	2022
Operating results				
Operating income ⁽¹⁾	6,405,142	6,903,597	(7.22)	7,564,388
Total profit	1,869,575	2,526,990	(26.02)	3,245,690
Net profit attributable to Shareholders of the Bank	1,593,861	2,046,633	(22.12)	2,531,066
Net cash flow used in operating activities	(4,404,722)	(467,243)	842.70	(18,129,194)
Calculated on a per Share basis (RMB/Share)				
Basic earnings per Share ⁽²⁾	0.18	0.23	(21.74)	0.28
Diluted earnings per Share ⁽²⁾	0.18	0.23	(21.74)	0.28

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

Scale indicators	As at 30 June 2024	As at 31 December 2023	Increase/ decrease as at the end of the Reporting Period as compared to the end of the previous year (%)	As at 31 December 2022
Total assets	645,680,374	630,709,429	2.37	591,513,618
Gross loans and advances to customers (excluding accrued interest)	372,827,943	360,608,206	3.39	330,921,097
Provision for impairment losses on loans and advances to customers ⁽³⁾	13,382,639	11,815,080	13.27	10,311,525
Total liabilities	589,356,033	576,394,573	2.25	538,888,382
Gross principal of deposits from customers (excluding accrued interest)	386,360,381	360,961,439	7.04	337,708,162
Share capital	9,092,091	9,092,091	–	8,265,538
Shareholders' equity	56,324,341	54,314,856	3.70	52,625,236
Including: equity attributable to Shareholders of the Bank	54,407,058	52,452,824	3.73	50,772,566
Net assets per Share attributable to Ordinary Shareholders of the Bank ⁽⁴⁾ (RMB/Share)	4.88	4.67	4.50	4.93
Net capital base ⁽⁵⁾	60,260,538	56,372,605	6.90	55,291,681
Including: net tier-one capital ⁽⁵⁾	54,254,716	50,718,655	6.97	50,566,245
Total risk-weighted assets ⁽⁵⁾	475,095,361	455,490,556	4.30	434,769,547

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

Major financial indicators	As at 30 June 2024	As at 31 December 2023	Change as at the end of the Reporting Period as compared to the end of the previous year		As at 31 December 2022
Capital adequacy ratio (%)					
Core tier-one capital adequacy ratio ⁽⁵⁾	9.26	8.90	0.36		9.29
Tier-one capital adequacy ratio ⁽⁵⁾	11.42	11.13	0.29		11.63
Capital adequacy ratio ⁽⁵⁾	12.68	12.38	0.30		12.72
Asset quality indicators (%)					
Non-performing loan ratio ⁽⁶⁾	1.87	1.87	–		1.88
Allowance to non-performing loans ⁽⁶⁾	191.47	174.87	16.60		165.73
Allowance to total loans ⁽⁶⁾	3.59	3.28	0.31		3.12
For the six months ended 30 June					
	2024	2023	Change for the Reporting Period as compared to the same period of the previous year		2022
Profitability indicators (%)					
Weighted average return on net assets ⁽²⁾ (annualized)	7.34	9.77	(2.43)		12.27
Return on total assets ⁽⁷⁾ (annualized)	0.52	0.70	(0.18)		0.91
Cost-to-income ratio ⁽⁸⁾	24.73	20.93	3.80		16.98
Net interest spread ⁽⁹⁾ (annualized)	1.70	2.06	(0.36)		2.22
Net interest margin ⁽¹⁰⁾ (annualized)	1.80	2.13	(0.33)		2.35

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

	As at 30 June 2024	As at 31 December 2023	Change as at the end of the Reporting Period as compared to the end of the previous year	As at 31 December 2022
Other financial indicators (%)				
Leverage ratio ⁽¹⁾	7.50	7.60	(0.10)	7.69
Liquidity ratio ⁽¹⁾	74.83	59.10	15.73	72.34
Liquidity coverage ratio ⁽¹⁾	207.98	265.83	(57.85)	300.13
Loan-to-deposit ratio ⁽¹⁾	96.50	99.90	(3.40)	97.99
Percentage of loans to the single largest customer ⁽¹⁾	4.96	5.32	(0.36)	5.18
Percentage of loans to the top ten single customers ⁽¹⁾	36.54	35.36	1.18	34.06
Percentage of credit granted to the single largest group customer ⁽¹⁾	7.07	9.32	(2.25)	5.63
Normal loan migration ratio ⁽¹⁾	0.89	1.98	(1.09)	1.33
Special mention loan migration ratio ⁽¹⁾	3.59	11.38	(7.79)	16.92
Substandard loan migration ratio ⁽¹⁾	37.30	85.59	(48.29)	25.19
Doubtful loan migration ratio ⁽¹⁾	11.15	47.40	(36.25)	9.33

Notes:

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

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

- Including the provision for impairment losses on the loans and advances to customers measured at amortized costs and the loans and advances to customers at fair value through other comprehensive income.
- 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.
- Starting from 2024, the Bank calculated the capital adequacy ratio in accordance with the relevant provisions of the “Administrative Measures for the Capital of Commercial Banks” published by the National Financial Regulatory Administration.

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

6. Non-performing loan ratio was calculated by dividing total non-performing loans (excluding accrued interests) by gross loans and advances to customers (excluding accrued interest); the allowance to non-performing loans was calculated by dividing allowance for impairment losses on loans and advances to customers by total non-performing loans (excluding accrued interest); and the allowance to total loans was calculated by dividing allowance for impairment losses on loans and advances to customers by gross loans and advances to customers (excluding accrued interest).
7. Representing the net profit for the Reporting Period as a percentage of the average balance of the total assets as at the beginning and end of the Reporting Period.
8. Calculated by dividing operating expenses (excluding tax and surcharges) by operating income.
9. Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities based on the daily average of the interest-earning assets and the interest-bearing liabilities.
10. Calculated by dividing net interest-earning by the daily average interest-earning assets based on the daily average interest earning assets.
11. Leverage ratio, percentage of loans to the single largest customer, percentage of loans to the top ten single customers and percentage of credit granted to the single largest group customer were recalculated in accordance with regulatory criteria based on audited (reviewed) data. Loan-to-deposit ratio was recalculated as per audited (reviewed) total loans divided by total deposits. Other indicators represent data reported to regulatory authorities. Loan migration ratio was based on the criteria of the Bank (the parent).

3 DIFFERENCE IN ACCOUNTING DATA UNDER DOMESTIC AND INTERNATIONAL ACCOUNTING STANDARDS

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

1 REVIEW OF THE ECONOMIC ENVIRONMENT AND THE INDUSTRY

In the first half of 2024, confronted with challenges brought by the obvious increase in the complexity, severity and uncertainty of the external environment and the continued progress on domestic structural adjustments, China adhered to the general principle of seeking progress while maintaining stability, responded to the risks and challenges brought by the uncertainties with determined transformation and upgrading, solidly promoted the high-quality development, and maintained a relatively strong momentum in the development of new quality productive forces. The gross domestic product increased by 5.0% year-on-year, and the primary, secondary and tertiary sectors recorded a year-on-year growth of 3.5%, 5.8% and 4.6%, respectively. Firstly, the industrial production was generally stable and positive, and the industrial structure was continuously optimized. The added value of China's industrial enterprises above designated size increased by 6.0% year-on-year, with more than 90% of industries and regions and more than 60% of products maintaining a trend of growth. The added value of the equipment manufacturing industry above designated size increased by 7.8% year-on-year, which further enhanced its role as a "cornerstone"; the added value of the high-tech manufacturing industries above designated size increased by 8.7% year-on-year, accelerating the premium, intelligent and green development of the manufacturing industries. Secondly, the service industry continued to recover, and the growth speed of new drivers increased. The added value of the service industries increased by 4.6% year-on-year, driving the gross domestic product to increase by 2.6 percentage points, among which, the modern service industry experienced relatively rapid growth, and the emerging areas such as the high-tech service industry and the science and technology service industry showed a positive growth trend. Thirdly, the size of the consumer market continued to increase, and new types of consumption constantly expanded. The total retail sales of consumer goods increased by 3.7% year-on-year, with a good momentum of growth in the sales of basic necessities and upgraded goods. The proportion of Internet retail continued to increase, with online retail sales of physical commodities growing by 8.8% year-on-year. Fourthly, the investments in fixed assets grew steadily, and the adjustment of structure and improvement of quality and efficiency continuously made contributions. China's investments in fixed assets (excluding rural households) increased by 3.9% year-on-year, of which investments in high-tech industries increased by 10.6% year-on-year. Fifthly, the prices in the consumer sector rebounded moderately, while the price decline in the production sector narrowed. China's Consumer Price Index rose by 0.1% year-on-year; China's Producer Price Index declined by 2.1% year-on-year, narrowing by 0.6 percentage point as compared to the first quarter. Sixthly, the exports showed strong resilience, supporting the continuous recovery and improvement of the economy. Net exports of goods and services contributed 13.9% to economic growth, driving the GDP growth by 0.7 percentage point.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2024, Henan Province overcame difficulties, and forged ahead, to effectively enhance the “quality” of economic development, significantly strengthen the “efficiency” of transformation, and continuously expand the “quantity” of growth, showing a trend of steady progress and continuous improvement in economic operation. The GDP in Henan Province grew by 4.9% year-on-year, in which the primary, secondary and tertiary sectors recorded a year-on-year growth of 3.7%, 7.5% and 3.2%, respectively. Firstly, the industries above the designated size grew rapidly with the manufacturing industry playing a significant supporting role. The added value of industries above the designated size in the province increased by 7.8% year-on-year, 1.8 percentage points higher than the national level; the added value of manufacturing enterprises above the designated size increased by 8.9%, driving the growth of industries above the designated size by 7.0 percentage points, contributing 90.2% to it. Secondly, the fixed assets investment proliferated with major projects driving significant growth. The province’s fixed assets investment increased by 6.5% year-on-year, and the completed investment in projects of RMB100 million or above increased by 10.1%, driving the investment growth in the province by 6.1 percentage points. Thirdly, the vitality of the consumer market was continuously released, and the effect of the trade-in policy of old consumer goods continued to emerge. The province’s total retail sales of consumer goods increased by 5.6% year-on-year, of which the retail sales of consumer goods by units above the designated size increased by 7.6%, and the retail sales of goods by units above the designated size in the categories of communication equipment, new energy vehicles, smart household appliances and audio-visual equipment increased by 29.0%, 23.0%, and 12.1%, respectively. Fourthly, the cultivation of new industries was accelerated, and momentum potential was accumulated and strengthened. The added value of the province’s high-tech manufacturing industry and industrial strategic emerging industries increased by 14.3% and 7.7%, respectively, driving the growth of the industries above the designated size in the province by 1.8 and 1.7 percentage points, respectively.

In the first half of 2024, the People’s Bank of China implemented a precise and robust monetary policy to provide strong support for the sustained recovery of the economy. The financial system actively revitalized existing assets, preventing funds from becoming stagnant or idle, and the short-term “water squeezing” effect in financial aggregate data continued to manifest. Firstly, revitalizing existing loans has injected new impetus into high-quality economic development. At the end of the first half of 2024, the balance of various RMB loans was RMB250.85 trillion, representing a year-on-year increase of 8.8%. Secondly, financial support for key sectors has intensified, with a continual improvement in the credit structure. At the end of the first half of 2024, medium- and long-term loans to the manufacturing industry increased by 18.1% year-on-year, with medium- and long-term loans to the high-tech manufacturing industry increasing by 16.5% year-on-year. Loans to enterprises producing unique, sophisticated, special and novel products grew by 15.2% year-on-year, and inclusive micro-loans rose by 16.9% year-on-year. Thirdly, although the growth rate of financial aggregate indicators has slowed, the support for the real economy remained solid. In terms of social financing, the incremental amount of social financing in the first half of 2024 decreased by RMB3.45 trillion compared to the same period last year. At the end of the first half of 2024, the stock of social financing scale grew by 8.1% year-on-year. Regarding M2, the balance of broad money increased by 6.2% year-on-year at the end of the first half of 2024.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2024, in the face of increasing uncertainties and operational pressure, the banking industry continued to deepen reform, adhering to the principle of serving the real economy through financial services, and it operated steadily. Firstly, the total assets maintained growth. At the end of the first half of 2024, the total amount of assets in domestic and foreign currency of the banking industry amounted to RMB433.1 trillion, representing a year-on-year increase of 6.6%. Secondly, the financial services continued to improve. At the end of the first half of 2024, the loan balance of the banking industry used for small and micro enterprises amounted to RMB78 trillion, with the balance of inclusive loans to small and micro enterprises of RMB32 trillion, representing a year-on-year increase of 17.1%. Thirdly, the overall quality of credit assets was stable. At the end of the first half of 2024, the balance of non-performing loans of banking industry amounted to RMB3.3 trillion and the non-performing loan ratio was 1.56%, representing a decrease of 0.03 percentage point as compared to the beginning of the year. Fourthly, risk compensation capability was generally sufficient. At the end of the first half of 2024, the provision coverage ratio of the banking industry was 209.32%, up 4.18 percentage points from the beginning of the year; the loan provision ratio was 3.26%, down 0.01 percentage point from the beginning of the year. Fifthly, the liquidity indicator of commercial banks remained stable. At the end of the first half of 2024, the liquidity coverage rate of commercial banks was 150.7%, down 0.9 percentage point from the beginning of the year; the liquidity ratio was 72.38%, up 4.50 percentage points from the beginning of the year.

2 BUSINESS REVIEW

2.1 Principal Business

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

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

2.2 Operational Performance

During the Reporting Period, the Bank thoroughly implemented the spirit of the financial work conference of the central, provincial and municipal committees, adhered to the political and people-oriented nature of financial work, comprehensively deepened reform, and prevented and defused risks. Business transformation has been promoted to enhance endogenous power. The Bank enhanced the cadre management mechanism, and strengthened the rigid constraints on performance assessment. Resources were prioritized for sectors of high performance and the first line. With steady promotion of business transformation, five aspects of finance have been accomplished to constantly improve its ability to the serve real economy.

Strengthening the Party's leadership to ensure correct direction. The Bank fully implemented the “First Topic” and center group learning system and carried out in-depth study and education of Party discipline to bring the leadership of the Party committee into full play and improve the system of planning, deployment, and assessment of Party building and business development. The work orientation and standard of behavior in operation and management were adjusted around the financial culture with Chinese characteristics to constantly strengthen the political function and organizational cohesion of Party organizations at all levels and fully exert the “two roles” of Party organizations and Party members.

Adhering to business positioning and improving service quality and efficiency. The Bank actively integrated into the provincial and municipal strategic deployment, strongly supported the construction of key projects such as the “Three in One Batch” in the province, and assisted in the modernization of seven major provincial and municipal industrial clusters and the “28+20+N” industrial chain and the stable and healthy development of the real estate market. The Bank supported the development, large-scale equipment upgrading, and trade-in of consumer goods in the manufacturing industry. We gave full play to the role of the policy financial operation body serving technological innovation which was assigned by the provincial party committee and the provincial government and facilitated the accelerated growth of technology-based SMEs. Community finance and rural finance have been further developed to make finance accessible to the public and benefit the people.

Carrying out reform and reshaping to stimulate impetus and vitality. The Bank promoted the reform of the system and mechanism, built a strong cadre and talent team, strengthened incentives and constraints, and prioritized resources for the front line, thereby facilitating business transformation. We maintained a customer-centric approach, delving into community and rural finance, and continually optimized our product and service systems. We integrated our operations with regionally advantageous and distinctive industries, improved our risk internal control systems, and enhanced our online service capabilities, thereby building a foundational framework for high-quality development.

2.3 Analysis of Core Competitiveness

Clear strategic objectives and distinctive business characteristics. With the strategic vision of “creating 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 steadily promotes business transformation, and 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 a close integration with the local economy for common development. 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, being the first to resolve problems and making precise efforts. It continues to improve the capability to serve technological innovation through strengthening the top-level layout, forming a synergy between the government and the bank, enriching financial products and building innovative ecosystems, and serves the strategic layout of technological innovation in the province with financial measures, creating a role model of “finance supporting technology”.

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 the end, thus consolidating the foundation for internal control and compliance; promotes employee behaviour management, and implements swindle prevention and control 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.

Cultivating a strong leadership team and optimizing the leadership and support of talents. To address the shortage of personnel in business and management roles, the Bank actively seeks to attract top-tier talent and professionals under a flexible recruitment mechanism, and employs various methods to identify and select outstanding leader candidates who demonstrate strong political integrity and significant contributions. Moreover, the Bank is committed to reforming its leadership structure comprehensively by prioritizing loyalty, integrity, and accountability in its hiring practices. It focuses on improving its business training systems and developing a learning-empowered and expert workforce to ensure professional and dedicated services for its customers.

Creating a corporate culture and adhering to the corporate vision. By embracing the values of professionalism, dedication, diligence, entrepreneurship, and business acumen, the Bank has enhanced the professional capabilities of its employees across the board. In its pursuit of excellence, the Bank has fostered a meticulous, rigorous, and detail-oriented mindset, encouraging all employees to embody the “spirit of craftsmanship.” Its goal is to cultivate an iron army marked by unwavering faith, steadfast commitment, and strict discipline, ensuring that its team remains politically engaged, resolute, and highly skilled.

2.4 Major Awards

In January 2024, the Bank was granted “Advanced Group in Resettlement Housing Construction and Problematic Properties Resolution for 2023” by the Zhengzhou Municipal Committee of the Communist Party of China and the Zhengzhou Municipal People’s Government;

In February 2024, the Bank was granted the “Excellent Contribution Award for Financial Institutions Supporting the Development of the Real Economy in 2023” by China Finance Net;

In April 2024, the Bank was honored with the “Best Retail Bank for Customer Experience of the Year” under the “Golden Tripod Award” series at the 6th Annual Retail Bank Leaders Conference;

In April 2024, the Bank won the “2024 Retail Banking Award” during the 9th Asia Pacific Banking Development and Innovation Summit and “Chinese Eagle Awards” Ceremony.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3 FINANCIAL STATEMENTS ANALYSIS

3.1 Income Statement Analysis

During the Reporting Period, confronting with the complex and volatile macroeconomic situation, the Bank insisted on the implementation of the decisions and deployments of the CPC Central Committee and the provincial and municipal governments on financial work, aimed at the goals, moved forward with determination and actively carried out the development of various businesses. Subject to the continuous narrowing of interest spread and LPR repricing, the operating income and net profit were lower than those of the same period. During the Reporting Period, the Bank recorded an operating income of RMB6,405 million, representing a year-on-year decrease of 7.22%; net profit of RMB1,649 million, representing a year-on-year decrease of 22.01%; and net profit attributable to Shareholders of the Bank of RMB1,594 million, representing a year-on-year decrease of 22.12%. Major items of and changes in the Bank's income statement are set out as follows:

Unit: RMB'000

Item	For the six months ended 30 June			
	2024	2023	Change	Rate of change (%)
Net interest income	5,295,547	5,925,783	(630,236)	(10.64)
Non-interest income	1,109,595	977,814	131,781	13.48
Operating income	6,405,142	6,903,597	(498,455)	(7.22)
Less: Operating expenses	1,663,805	1,522,801	141,004	9.26
Less: Asset impairment loss	2,860,823	2,877,516	(16,693)	(0.58)
Less: Other business costs	7,239	–	7,239	N/A
Operating profit	1,873,275	2,503,280	(630,005)	(25.17)
Share of profits of associates	(3,700)	23,710	(27,410)	(115.61)
Profit before taxation	1,869,575	2,526,990	(657,415)	(26.02)
Less: Income tax expenses	220,463	412,507	(192,044)	(46.56)
Net profit	1,649,112	2,114,483	(465,371)	(22.01)
Including: Shareholders of the Bank	1,593,861	2,046,633	(452,772)	(22.12)
Non-controlling interests	55,251	67,850	(12,599)	(18.57)

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

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

During the Reporting Period, the Bank recorded net interest income of RMB5,296 million, representing a year-on-year decrease of RMB630 million or 10.64% and accounted for 82.68% of the operating income. In particular, business scale adjustment resulted in an increase of RMB538 million in net interest income and changes in yield or cost rate resulted in a decrease of RMB1,168 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 of such 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 six months ended 30 June					
	2024			2023		
	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	363,054,331	7,728,598	4.26	340,135,651	8,294,709	4.88
Investment in securities and other financial assets ⁽¹⁾	153,726,396	2,621,268	3.41	143,465,490	2,707,964	3.78
Deposits with the central bank	22,953,937	157,344	1.37	22,572,657	151,509	1.34
Amounts due from banks and other financial institutions ⁽²⁾	15,377,906	160,019	2.08	17,514,310	174,634	1.99
Lease receivables	34,089,803	1,110,229	6.51	32,163,518	1,068,706	6.65
Total interest-earning assets	589,202,373	11,777,458	4.00	555,851,626	12,397,522	4.46
Interest-bearing liabilities						
Deposits from customers	362,899,366	3,943,416	2.17	342,558,156	3,910,149	2.28
Amounts due to banks and other financial institutions ⁽³⁾	67,418,020	883,608	2.62	75,619,659	1,000,195	2.65
Bonds payable	103,842,123	1,310,753	2.52	98,341,377	1,259,136	2.56
Due to the central bank	28,263,614	344,134	2.44	23,203,534	302,259	2.61
Total interest-bearing liabilities	562,423,123	6,481,911	2.30	539,722,726	6,471,739	2.40
Net interest income		5,295,547			5,925,783	
Net interest spread ⁽⁴⁾			1.70			2.06
Net interest margin ⁽⁵⁾			1.80			2.13

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

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

During the Reporting Period, the net interest spread and net interest margin of the Bank was comprehensively affected by changes in the volume and interest rate. Changes in volume are measured by changes in the average balance of the interest-earning assets and interest-bearing liabilities while changes in interest rate are measured by changes in the average interest rate of the interest-earning assets and interest-bearing liabilities.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	For the six months ended 30 June		
	2024 vs. 2023		Net increase/ (decrease) ⁽³⁾
	Increase/(decrease) due to Volume ⁽¹⁾	Interest rate ⁽²⁾	
Interest-earning assets			
Loans and advances to customers	558,906	(1,125,017)	(566,111)
Investment in securities and other financial assets	193,678	(280,374)	(86,696)
Deposits with the central bank	2,559	3,276	5,835
Amounts due from banks and other financial institutions	(21,302)	6,687	(14,615)
Lease receivables	64,005	(22,482)	41,523
Changes in interest income	797,846	(1,417,910)	(620,064)
Interest-bearing liabilities			
Deposits from customers	232,186	(198,919)	33,267
Amounts due to banks and other financial institutions	(108,480)	(8,107)	(116,587)
Bonds payable	70,430	(18,813)	51,617
Due to the central bank	65,915	(24,040)	41,875
Changes in interest expenses	260,051	(249,879)	10,172

Notes:

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Net interest spread and net interest margin

During the Reporting Period, the Bank's net interest spread amounted to 1.70%, representing a decrease of 0.36 percentage point as compared to the same period of the previous year, while the Bank's net interest margin amounted to 1.80%, representing a decrease of 0.33 percentage point as compared to the same period of the previous year. The main reasons for the decrease in net interest spread and net interest margin are the factors such as continuous narrowing of interest spreads and the repricing of LPRs.

3.1.2 Interest Income

During the Reporting Period, the Bank achieved interest income of RMB11,777 million, representing a year-on-year decrease of RMB620 million or 5.00%, mainly due to the continuous narrowing of interest spreads and the repricing of LPRs.

Interest income from loans

During the Reporting Period, the Bank steadily promoted credit granting. The average balance of loans and advances to customers issued by the Bank increased by RMB22,919 million as compared to the same period of the previous year. The interest income from loans amounted to RMB7,729 million, representing a decrease of RMB566 million or 6.82% as compared to the same period of the previous year. Set out below are the average balance, interest income and average yield for each component of the Bank's loans and advances to customers during the Reporting Period:

Unit: RMB'000

Item	For the six months ended 30 June			2023		
	Average balance	2024 Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	256,751,359	6,034,853	4.70	237,643,267	6,328,947	5.33
Personal loans	85,638,279	1,536,750	3.59	81,922,002	1,753,430	4.28
Discounted bills	20,664,693	156,995	1.52	20,570,382	212,332	2.06
Gross loans and advances to customers	363,054,331	7,728,598	4.26	340,135,651	8,294,709	4.88

Interest income from investment in securities and other financial assets

During the Reporting Period, interest income from investment in securities and other financial assets of the Bank amounted to RMB2,621 million, representing a year-on-year decrease of RMB87 million or 3.20%, which was principally attributable to the decrease in average yield of investment in 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 decreased by RMB15 million or 8.37% year-on-year to RMB160 million, which was primarily attributable to the decrease in the scale of such assets.

Interest income from lease receivables

During the Reporting Period, interest income from lease receivables of the Bank increased by RMB42 million or 3.89% as compared to the same period of the previous year to RMB1.11 billion, which was primarily attributable to the increase in the scale of lease receivables of Jiuding Financial Leasing Company, a subsidiary of the Bank.

3.1.3 Interest Expense

During the Reporting Period, the Bank's interest expense amounted to RMB6,482 million, representing an increase of RMB10 million or 0.16% 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.

Interest expense on deposits from customers

During the Reporting Period, the Bank's interest expense on deposits from customers amounted to RMB3,943 million, representing an increase of RMB33 million or 0.85% as compared to the same period of the previous year, and accounted for 60.84% of all interest expenses.

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Unit: RMB'000

Item	2024			2023		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
For the six months ended 30 June						
Corporate deposits						
Demand	73,576,887	310,103	0.84	80,617,772	278,233	0.69
Time	75,281,382	847,043	2.25	72,892,820	990,378	2.72
Subtotal	148,858,269	1,157,146	1.55	153,510,592	1,268,611	1.65
Personal deposits						
Demand	33,298,898	60,326	0.36	35,515,676	74,703	0.42
Time	150,124,172	2,379,741	3.17	117,752,983	2,220,610	3.77
Subtotal	183,423,070	2,440,067	2.66	153,268,659	2,295,313	3.00
Others	30,618,027	346,203	2.26	35,778,905	346,225	1.94
Total deposits from customers	362,899,366	3,943,416	2.17	342,558,156	3,910,149	2.28

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 RMB884 million, representing a decrease of RMB117 million or 11.66% as compared to the same period of the previous year, which was primarily attributable to the decrease in both the scale and interest rate on amounts due to banks and other financial institutions during the Reporting Period.

Interest expense on debt securities payable

During the Reporting Period, the Bank's interest expense on debt securities payable amounted to RMB1,311 million, representing an increase of RMB52 million or 4.10% as compared to the same period of the previous year, which was primarily attributable to the increase in the scale of bond issuance and interbank deposits during the Reporting Period.

Interest expense arising from amounts due to the central bank

During the Reporting Period, the Bank's interest expense arising from amounts due to the central bank amounted to RMB344 million, representing an increase of RMB42 million or 13.85% as compared to the same period of the previous year, which was primarily attributable to the increase in scale of medium-term lending facility and small enterprises supporting re-lending during the Reporting Period.

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3.1.4 Non-interest Income

During the Reporting Period, the Bank achieved non-interest income of RMB1.11 billion, representing an increase of RMB132 million or 13.48% as compared to the same period of the previous year and accounted for 17.32% of the operating income. Such income includes net fee and commission income of RMB266 million, representing a decrease of RMB56 million as compared to the same period of the previous year; other non-interest income of RMB844 million, representing an increase of RMB188 million as compared to the same period of the previous year.

Net fee and commission income

Unit: RMB'000

Item	For the six months ended 30 June			
	2024	2023	Change	Rate of change (%)
Fee and commission income				
Agency and custody services fees	189,037	203,306	(14,269)	(7.02)
Underwriting and advisory fees	34,391	72,055	(37,664)	(52.27)
Acceptance and guarantee services fees	29,620	38,881	(9,261)	(23.82)
Bank card services fees	52,025	55,312	(3,287)	(5.94)
Others	34,638	26,558	8,080	30.42
Subtotal	339,711	396,112	(56,401)	(14.24)
Fee and commission expenses	73,712	74,015	(303)	(0.41)
Net fee and commission income	265,999	322,097	(56,098)	(17.42)

During the Reporting Period, the Bank's net fee and commission income amounted to RMB266 million, representing a decrease of RMB56 million or 17.42% as compared to the same period of the previous year, which was primarily attributable to the decrease in the scale of underwriting and advisory business.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Other non-interest income

Unit: RMB'000

Item	For the six months ended 30 June			
	2024	2023	Change	Rate of change (%)
Net trading gains	450,279	401,244	49,035	12.22
Net gains arising from investment	333,609	193,646	139,963	72.28
Other operating income	59,708	60,827	(1,119)	(1.84)
Total	843,596	655,717	187,879	28.65

During the Reporting Period, other non-interest income amounted to RMB844 million, representing an increase of RMB188 million or 28.65% as compared to the same period of the previous year, which was primarily due to the change in income from financial investments at fair value through profit or loss.

3.1.5 Operating Expenses

During the Reporting Period, the Bank strengthened financial resources allocation to record operating expenses of RMB1,664 million, representing an increase of RMB141 million or 9.26% as compared to the same period of the previous year.

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Unit: RMB'000

For the six months ended 30 June				
Item	2024	2023	Change	Rate of change (%)
Staff costs	866,118	828,921	37,197	4.49
Depreciation and amortization	218,388	230,240	(11,852)	(5.15)
Rental and property management expenses	34,631	34,375	256	0.74
Office expenses	8,821	16,618	(7,797)	(46.92)
Tax and surcharges	79,942	78,008	1,934	2.48
Others	455,905	334,639	121,266	36.24
Total operating expenses	1,663,805	1,522,801	141,004	9.26

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

Unit: RMB'000

For the six months ended 30 June				
Item	2024	2023	Change	Rate of change (%)
Salaries, bonuses and allowances	574,750	541,918	32,832	6.06
Social insurance and annuity	150,822	151,202	(380)	(0.25)
Supplementary retirement benefits	2,454	3,878	(1,424)	(36.72)
Staff welfare	32,844	21,343	11,501	53.89
Housing allowances	63,645	63,723	(78)	(0.12)
Others	41,603	46,857	(5,254)	(11.21)
Total	866,118	828,921	37,197	4.49

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.1.6 Credit Impairment Losses

During the Reporting Period, the Bank provided for credit impairment losses of RMB2,861 million based on changes in the market operating environment and asset risks, representing a decrease of RMB17 million or 0.58% from the same period of the previous year.

Unit: RMB'000

Item	For the six months ended 30 June			
	2024	2023	Change	Rate of change (%)
Impairment losses on loans and advances to customers	1,513,972	2,485,862	(971,890)	(39.10)
Impairment losses on financial investments measured at amortized cost	860,988	(106,315)	967,303	(909.85)
Impairment losses on lease receivables	377,064	338,869	38,195	11.27
Impairment losses on off-balance sheet credit commitments	10,531	28,508	(17,977)	(63.06)
Impairment losses on financial investments at fair value through other comprehensive income	317	(23,727)	24,044	(101.34)
Others ^(Note)	97,951	154,319	(56,368)	(36.53)
Total provision for credit impairment losses	2,860,823	2,877,516	(16,693)	(0.58)

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, and other receivables, etc.

3.1.7 Income Tax Expenses

During the Reporting Period, the Bank's income tax expenses amounted to RMB220 million, representing a decrease of RMB192 million or 46.56% as compared to the same period of the previous year. This was mainly due to the increase in the interest income from state-owned bonds and local government bonds held by the Bank and other tax-exempt income that in compliance with the relevant PRC tax law, and the decrease in total profit as compared to the same period of the previous year.

Unit: RMB'000

Item	For the six months ended 30 June			
	2024	2023	Change	Rate of change (%)
Current tax	677,866	950,949	(273,083)	(28.72)
Deferred tax	(457,403)	(538,442)	81,039	(15.05)
Total income tax expenses	220,463	412,507	(192,044)	(46.56)

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 RMB645,680 million, representing an increase of RMB14,971 million or 2.37% 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 amortized cost, and placements with banks and other financial institutions. The balances (after provision) of the components of the Bank's total assets and their respective percentages are as follows:

Unit: RMB'000

Item	As at 30 June 2024		As at 31 December 2023		Change	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Assets						
Cash and deposits with the central bank	26,106,678	4.04	26,369,865	4.18	(263,187)	(0.14)
Deposits with banks and other financial institutions	956,432	0.15	1,244,162	0.20	(287,730)	(0.05)
Placements with banks and other financial institutions	7,744,407	1.20	6,227,699	0.99	1,516,708	0.21
Financial assets held under resale agreements	8,003,534	1.24	10,689,146	1.69	(2,685,612)	(0.45)
Loans and advances to customers	360,955,481	55.90	350,325,297	55.54	10,630,184	0.36
Lease receivables	33,458,706	5.18	32,817,168	5.20	641,538	(0.02)
Financial investments					-	-
- Financial investments at fair value through profit or loss	38,933,684	6.03	40,723,996	6.46	(1,790,312)	(0.43)
- Financial investments at fair value through other comprehensive income	27,945,297	4.33	22,872,676	3.63	5,072,621	0.70
- Financial investments at amortized cost	123,275,199	19.09	122,756,433	19.46	518,766	(0.37)
Investments in associates	600,701	0.09	604,401	0.10	(3,700)	(0.01)
Property and equipment	3,443,583	0.53	3,424,145	0.54	19,438	(0.01)
Deferred tax assets	6,612,336	1.02	6,278,278	1.00	334,058	0.02
Other assets	7,644,336	1.20	6,376,163	1.01	1,268,173	0.19
Total assets	645,680,374	100.00	630,709,429	100.00	14,970,945	-

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 RMB372,828 million, representing an increase of RMB12,220 million or 3.39% from the end of the previous year. The Bank's loans and advances to customers were mainly composed of corporate loans, personal loans and discounted bills. Set out below is a breakdown of the Bank's loans by business line:

Unit: RMB'000

Item	As at 30 June 2024		As at 31 December 2023	
	Amount	% of total (%)	Amount	% of total (%)
Corporate loans ⁽¹⁾	268,414,787	71.99	253,460,203	70.29
Personal loans	86,403,292	23.18	84,146,734	23.33
Discounted bills	18,009,864	4.83	23,001,269	6.38
Total loans and advances to customers	372,827,943	100.00	360,608,206	100.00
Add: Accrued interest	1,502,755		1,526,725	
Less: Provision for impairment losses ⁽²⁾	13,375,217		11,809,634	
Book value of loans and advances to customers	360,955,481		350,325,297	

Notes:

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

(1) Corporate loans

Corporate loan is the largest component of the Bank's loans and advances to customers. As at the end of the Reporting Period, the Bank's corporate loans amounted to RMB268,415 million, accounting for 71.99% of the Bank's total loans and advances to customers and representing an increase of RMB14,955 million or 5.90% from the end of the previous year. During the Reporting Period, the Bank upheld the business philosophy of "focusing on the main business and serving the real economy" and steadily carried out credit issuance, thereby achieving steady growth in corporate loans.

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

Unit: RMB'000

Item	As at 30 June 2024		As at 31 December 2023	
	Amount	% of total (%)	Amount	% of total (%)
Unsecured loans	60,344,898	22.49	57,582,114	22.71
Guaranteed loans	162,933,232	60.70	154,061,416	60.78
Loans secured by mortgages	22,096,442	8.23	23,042,386	9.09
Pledged loans	23,040,215	8.58	18,774,287	7.42
Total corporate loans	268,414,787	100.00	253,460,203	100.00

(2) Personal loans

As at the end of the Reporting Period, the Bank's total personal loans amounted to RMB86,403 million, accounting for 23.18% of the Bank's total loans and advances to customers and representing an increase of RMB2,257 million or 2.68% from the end of the previous year, which was primarily attributable to the increase in the size of the personal business loans 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 30 June 2024		As at 31 December 2023	
	Amount	% of total (%)	Amount	% of total (%)
Personal business loans	36,415,982	42.15	35,102,789	41.71
Personal residential mortgage loans	32,512,481	37.63	33,562,120	39.89
Personal consumption loans	14,082,407	16.30	12,336,833	14.66
Credit card loans	3,392,422	3.92	3,144,992	3.74
Total personal loans	86,403,292	100.00	84,146,734	100.00

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(3) Discounted bills

As at the end of the Reporting Period, the Bank's discounted bills amounted to RMB18,010 million, representing a decrease of RMB4,991 million or 21.70% from the end of the previous year. During the Reporting Period, the Bank flexibly adjusted the scale of bill financing according to the needs of business development and the financing needs of customers.

Investments in securities and other financial assets

As at the end of the Reporting Period, the Bank's total investments in securities and other financial assets amounted to RMB193,347 million, representing an increase of RMB4,830 million or 2.56% from the end of the previous year. Details are set out as follows:

Unit: RMB'000

Item	As at 30 June 2024		As at 31 December 2023	
	Amount	% of total (%)	Amount	% of total (%)
Financial investments at amortized cost	126,784,990	65.57	125,195,830	66.41
Financial investments at fair value through other comprehensive income	27,628,314	14.29	22,597,088	11.99
Financial investments at fair value through profit or loss	38,933,684	20.14	40,723,996	21.60
Total investments in securities and other financial assets	193,346,988	100.00	188,516,914	100.00
Add: Accrued interest	1,806,330		1,895,093	
Less: Provision for impairment losses ^(Note)	4,999,138		4,058,902	
Book value of investments in securities and other financial assets	190,154,180		186,353,105	

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

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

Unit: RMB'000

Item	As at 30 June 2024		As at 31 December 2023	
	Amount	% of total (%)	Amount	% of total (%)
Debt securities investments				
Government bonds	68,417,295	35.50	65,744,474	35.00
Debt securities issued by policy banks	36,215,203	18.79	34,908,073	18.58
Debt securities issued by banks and other financial institutions	12,651,831	6.56	8,247,396	4.39
Debt securities issued by corporate issuers	10,621,570	5.51	9,285,893	4.94
Subtotal	127,905,899	66.36	118,185,836	62.91
Investment products under trust scheme	35,654,075	18.50	37,910,402	20.18
Investment products managed by securities companies	29,044,354	15.07	30,497,609	16.24
Others ^(Note)	113,923	0.07	1,248,293	0.67
Total debt instruments	192,718,251	100.00	187,842,140	100.00
Equity instruments	628,737		674,774	
Total investments in securities and other financial assets	193,346,988		188,516,914	

Note: Others consist of debt financing schemes, etc.

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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	2019 financial bonds	1,360,000	3.45	2029/09/20	—
7	2021 financial bonds	1,280,000	3.12	2031/09/13	—
8	2016 financial bonds	1,180,000	3.18	2026/04/05	—
9	2019 financial bonds	1,170,000	3.74	2029/07/12	—
10	2023 financial bonds	1,080,000	2.55	2025/12/01	—

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3.2.2 Liabilities

As at the end of the Reporting Period, the Bank's total liabilities amounted to RMB589,356 million, representing an increase of RMB12,961 million or 2.25% from the end of the previous year, which was mainly due to the increase in liabilities such as deposits from customers and bonds payable.

Unit: RMB'000

Item	As at 30 June 2024		As at 31 December 2023		Change	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Due to the central bank	28,652,279	4.86	30,960,269	5.37	(2,307,990)	(0.51)
Deposits from banks and other financial institutions	13,237,639	2.25	14,307,609	2.48	(1,069,970)	(0.23)
Placements from banks and other financial institutions	30,355,301	5.15	33,246,902	5.77	(2,891,601)	(0.62)
Financial assets sold under repurchase agreements	14,363,697	2.44	25,131,941	4.36	(10,768,244)	(1.92)
Deposits from customers	392,756,086	66.64	366,521,910	63.59	26,234,176	3.05
Tax payable	1,006,429	0.17	1,092,496	0.19	(86,067)	(0.02)
Debt securities issued	105,876,838	17.96	102,068,783	17.71	3,808,055	0.25
Other liabilities	3,107,764	0.53	3,064,663	0.53	43,101	-
Total	589,356,033	100.00	576,394,573	100.00	12,961,460	-

Note: Other liabilities primarily consist of payment and collection clearance accounts, staff costs payable, and estimated liabilities, etc.

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Deposits from customers

As at the end of the Reporting Period, the Bank's gross principal of deposits from customers amounted to RMB386,360 million, representing an increase of RMB25,399 million or 7.04% from the end of the previous year. The steady growth in the Bank's deposits from customers was mainly attributable to the overall growth of the deposit business as a result of the Bank's vigorous efforts in building its customer base. Set out below is a breakdown of the Bank's deposits from customers by product type and maturity profile:

Unit: RMB'000

Item	As at 30 June 2024		As at 31 December 2023	
	Amount	% of total (%)	Amount	% of total (%)
Corporate deposits				
Demand	75,130,377	19.45	85,668,796	23.73
Time	82,204,111	21.28	71,870,379	19.91
Subtotal	157,334,488	40.73	157,539,175	43.64
Personal deposits				
Demand	37,173,907	9.62	32,011,191	8.87
Time	162,365,458	42.02	136,632,026	37.85
Subtotal	199,539,365	51.64	168,643,217	46.72
Other deposits	29,486,528	7.63	34,779,047	9.64
Gross principal of deposits from customers	386,360,381	100.00	360,961,439	100.00
Add: Accrued interest	6,395,705		5,560,471	
Total deposits from customers	392,756,086		366,521,910	

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.2.3 Shareholders' Equity

As at the end of the Reporting Period, the Bank's total Shareholders' equity amounted to RMB56,324 million, representing an increase of RMB2,009 million or 3.70% from the end of the previous year. The total equity attributable to shareholders of the Bank amounted to RMB54,407 million, representing an increase of RMB1,954 million or 3.73% from the end of the previous year, which was mainly due to the sustained profit of the Bank.

Unit: RMB'000

Item	As at 30 June 2024		As at 31 December 2023	
	Amount	% of total (%)	Amount	% of total (%)
Shareholders' equity				
Share capital	9,092,091	16.14	9,092,091	16.74
Capital reserve	5,985,102	10.63	5,985,102	11.02
Surplus reserve	3,689,605	6.55	3,689,605	6.79
General risk reserve	8,266,509	14.68	8,266,509	15.22
Fair value reserve	559,423	0.99	189,386	0.35
Remeasurement of net defined benefit liability	(83,707)	(0.15)	(74,043)	(0.14)
Retained earnings	16,899,180	30.00	15,305,319	28.18
Other equity instruments	9,998,855	17.76	9,998,855	18.41
Total equity attributable to Shareholders of the Bank	54,407,058	96.60	52,452,824	96.57
Non-controlling interests	1,917,283	3.40	1,862,032	3.43
Total Shareholders' equity	56,324,341	100.00	54,314,856	100.00

3.2.4 Off-balance Sheet Commitments

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

Unit: RMB'000

Item	As at 30 June 2024	As at 31 December 2023
Credit commitments		
Bank acceptances	56,669,146	59,793,479
Letters of credit	6,659,600	8,941,953
Guarantees	387,424	885,185
Unused credit card commitments	10,126,841	7,747,672
Loan commitments	1,306,238	2,783,237
Total	75,149,249	80,151,526

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 "(a) Credit commitments" of Note 39 "COMMITMENTS AND CONTINGENCIES" to the financial statements in the chapter headed "Independent Auditor's Review Report" of this Report.

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

Details of the Bank's pledged assets are disclosed in "(e) Pledged assets" of Note 39 "COMMITMENTS AND CONTINGENCIES" to the financial statements in the chapter headed "Independent Auditor's Review Report" of this Report.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3 Loan Quality Analysis

During the Reporting Period, the Bank continuously strengthened its credit risk management and the disposal of non-performing assets, thus keeping the overall quality of loans under control. As at the end of the Reporting Period, the balance of non-performing loans amounted to RMB6,989 million and the non-performing loan ratio was 1.87%, remaining at the same level as the end of the previous year.

3.3.1 Distribution of Loans by Five-Category Loan Classification

Unit: RMB'000

Item	As at 30 June 2024		As at 31 December 2023	
	Amount	% of total (%)	Amount	% of total (%)
Normal	357,488,566	95.88	346,468,982	96.08
Special mention	8,349,903	2.24	7,382,722	2.05
Substandard	2,673,839	0.72	3,674,439	1.02
Doubtful	2,503,206	0.67	1,292,407	0.36
Loss	1,812,429	0.49	1,789,656	0.49
Total loans and advances to customers	372,827,943	100.00	360,608,206	100.00
NPLs and NPL ratio^(Note)	6,989,474	1.87	6,756,502	1.87

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

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: RMB'000

Item	As at 30 June 2024				As at 31 December 2023			
	Amount	% of total (%)	NPL amount	NPL ratio (%)	Amount	% of total (%)	NPL amount	NPL ratio (%)
Corporate loans								
Short-term loans	76,964,567	20.64	2,662,829	3.46	68,514,853	19.00	1,525,221	2.23
Medium and long-term loans	191,450,220	51.35	2,911,686	1.52	184,945,350	51.29	3,783,881	2.05
Subtotal	268,414,787	71.99	5,574,515	2.08	253,460,203	70.29	5,309,102	2.09
Discounted bills	18,009,864	4.83	-	-	23,001,269	6.38	-	-
Personal loans								
Personal business loans	36,415,982	9.77	840,430	2.31	35,102,789	9.73	856,327	2.44
Personal residential mortgage loans	32,512,481	8.72	363,577	1.12	33,562,120	9.31	391,487	1.17
Personal consumption loans	14,082,407	3.78	135,582	0.96	12,336,833	3.42	133,349	1.08
Credit card balance	3,392,422	0.91	75,370	2.22	3,144,992	0.87	66,237	2.11
Subtotal	86,403,292	23.18	1,414,959	1.64	84,146,734	23.33	1,447,400	1.72
Total	372,827,943	100.00	6,989,474	1.87	360,608,206	100.00	6,756,502	1.87

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 2.08%, decreased by 0.01 percentage point from the end of the previous year; the NPL ratio of personal loans was 1.64%, decreased by 0.08 percentage point from the end of the previous year.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3.3 Distribution of Loans and Non-Performing Loans by Industry

Unit: RMB'000

Item	As at 30 June 2024				As at 31 December 2023			
	Amount	% of total (%)	NPL amount	NPL ratio (%)	Amount	% of total (%)	NPL amount	NPL ratio (%)
Wholesale and retail	49,699,798	13.33	1,347,128	2.71	46,762,339	12.97	1,299,719	2.78
Manufacturing	14,238,694	3.82	836,994	5.88	15,304,020	4.24	793,529	5.19
Construction	28,068,587	7.53	302,523	1.08	25,121,959	6.97	252,046	1.00
Real estate	28,932,360	7.76	1,984,414	6.86	29,167,987	8.09	1,890,752	6.48
Leasing and commercial services	68,229,303	18.30	705,744	1.03	63,228,460	17.53	704,567	1.11
Water, environment and public facility management	46,281,349	12.41	4,606	0.01	44,633,596	12.38	4,474	0.01
Agriculture, forestry, animal husbandry and fishery	1,686,218	0.45	32,325	1.92	1,840,607	0.51	11,776	0.64
Transportation, storage and postal services	4,183,124	1.12	19,012	0.45	3,910,370	1.08	18,379	0.47
Production and supply of electricity, heating power, gas and water	2,906,854	0.78	3,006	0.10	3,142,391	0.87	2,490	0.08
Accommodation and catering	1,074,937	0.29	287,986	26.79	1,121,046	0.31	293,475	26.18
Mining	3,152,368	0.85	-	-	3,299,948	0.92	-	-
Culture, sports and entertainment	1,379,816	0.37	9,183	0.67	1,190,817	0.33	620	0.05
Others	18,581,379	4.98	41,594	0.22	14,736,663	4.09	37,275	0.25
Total corporate loans	268,414,787	71.99	5,574,515	2.08	253,460,203	70.29	5,309,102	2.09
Total personal loans	86,403,292	23.18	1,414,959	1.64	84,146,734	23.33	1,447,400	1.72
Discounted bills	18,009,864	4.83	-	-	23,001,269	6.38	-	-
Total	372,827,943	100.00	6,989,474	1.87	360,608,206	100.00	6,756,502	1.87

As at the end of the Reporting Period, the non-performing corporate loans of the Bank were mainly concentrated in the real estate industry, wholesale and retail industry, and manufacturing industry, with NPL ratios of 6.86%, 2.71% and 5.88%, respectively.

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3.3.4 Distribution of Loans and Non-Performing Loans by Collateral

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

Unit: RMB'000

Item	As at 30 June 2024				As at 31 December 2023			
	Amount	% of total (%)	NPL amount	NPL ratio (%)	Amount	% of total (%)	NPL amount	NPL ratio (%)
Unsecured loans	73,092,156	19.60	958,873	1.31	68,759,100	19.07	899,739	1.31
Guaranteed loans	165,564,647	44.41	2,874,245	1.74	156,899,690	43.51	2,684,885	1.71
Loans secured by								
mortgages	90,781,568	24.35	3,066,478	3.38	91,491,982	25.37	3,080,937	3.37
Pledged loans	43,389,572	11.64	89,878	0.21	43,457,434	12.05	90,941	0.21
Total	372,827,943	100.00	6,989,474	1.87	360,608,206	100.00	6,756,502	1.87

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3.3.5 Borrower Concentration

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

Unit: RMB'000

Item	Industry	As at 30 June 2024		
		Principal balance	% of total loans (%)	% of net capital (%)
Borrower A	Leasing and commercial service	2,987,200	0.80	4.96
Borrower B	Leasing and commercial service	2,716,600	0.73	4.51
Borrower C	Water, environment and public facility management	2,448,500	0.66	4.06
Borrower D	Real estate	2,341,000	0.63	3.88
Borrower E	Construction	2,212,647	0.59	3.67
Borrower F	Water, environment and public facility management	2,120,831	0.57	3.52
Borrower G	Water, environment and public facility management	1,891,700	0.51	3.14
Borrower H	Transportation, storage and postal services	1,805,500	0.48	3.00
Borrower I	Construction	1,779,450	0.48	2.95
Borrower J	Leasing and commercial service	1,719,805	0.46	2.85
Total		22,023,233	5.91	36.54

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3.3.6 Overdue Loans

Unit: RMB'000

Item	As at 30 June 2024		As at 31 December 2023	
	Amount	% of total (%)	Amount	% of total (%)
Current loans	355,504,256	95.35	345,784,540	95.89
Loans past due for ^(Note)				
3 months (inclusive) or less	7,110,762	1.91	8,508,222	2.36
Over 3 months to 1 year (inclusive)	5,296,718	1.42	2,162,135	0.60
Over 1 year	4,916,207	1.32	4,153,309	1.15
Subtotal	17,323,687	4.65	14,823,666	4.11
Gross loan principal	372,827,943	100.00	360,608,206	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 RMB17,324 million, representing an increase of RMB2,500 million or 16.87% as compared to the end of the previous year. Overdue loans accounted for 4.65% of the total loans, up by 0.54 percentage point as compared to the end of the previous year.

3.3.7 Repossessed Assets and Provision for Impairment

As at the end of the Reporting Period, the book value of the Bank's repossessed assets was RMB2,857 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 loan loss reserve of RMB1,514 million, with RMB1,512 million provided for loans and advances to customers measured at amortized cost, and RMB2 million for loans and advances to customers measured at fair value through other comprehensive income. RMB54 million of written-off loans was recovered. As at the end of the Reporting Period, the balance of the Bank's loan loss reserve was RMB13,383 million, of which the balance of impairment losses on loans and advances to customers measured at amortized cost was RMB13,375 million and the balance of impairment losses on loans and advances to customers measured at fair value through other comprehensive income was RMB8 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	As at 30 June 2024	As at 31 December 2023
Opening balance	11,809,634	10,308,636
Increase for the period	1,511,996	5,889,383
Write-off and disposal for the period	(623)	(4,766,864)
Recovery of written-off loans	54,210	378,479
Closing balance	13,375,217	11,809,634

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

Unit: RMB'000

Item	As at 30 June 2024	As at 31 December 2023
Opening balance	5,446	2,889
Provision for the period	1,976	2,557
Closing balance	7,422	5,446

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.4 Cash Flow Statement Analysis

During the Reporting Period, the Bank's net cash outflow used in operating activities was RMB4,405 million, where the cash inflow was RMB38,951 million, representing a decrease of RMB5,702 million from the same period of the previous year, mainly due to the decrease in the net increment of amount due to the central bank and net increment in placements from banks and other financial institutions; and the cash outflow was RMB43,356 million, representing a decrease of RMB1,765 million from the same period of the previous year, mainly due to the decreases in the net increment of loans and advances to customers.

During the Reporting Period, the Bank's net cash outflow used in investing activities was RMB997 million, where the cash inflow was RMB39,286 million, representing a decrease of RMB18,979 million from the same period of the previous year, mainly due to the decrease in cash inflow received from the recovery of investments; the cash outflow was RMB40,284 million, representing a decrease of RMB24,409 million from the same period of the previous year, mainly due to the decrease in cash outflow for investment payments.

During the Reporting Period, the Bank's net cash inflow from financing activities was RMB2,434 million, where the cash inflow was RMB77,028 million, representing a decrease of RMB1,082 million from the same period of the previous year, mainly due to the decrease in cash inflows received from the issuance of bonds; the cash outflow was RMB74,594 million, representing an increase of RMB3,905 million from the same period of the previous year, mainly due to the increase in cash outflows for the repayment of the bonds.

Unit: RMB'000

Item	For the six months ended 30 June		
	2024	2023	Year-on-year change
Subtotal of cash inflows from operating activities	38,951,152	44,653,187	(5,702,035)
Subtotal of cash outflows from operating activities	43,355,874	45,120,430	(1,764,556)
Net cash flows used in operating activities	(4,404,722)	(467,243)	(3,937,479)
Subtotal of cash inflows from investing activities	39,286,385	58,265,582	(18,979,197)
Subtotal of cash outflows from investing activities	40,283,727	64,692,820	(24,409,093)
Net cash flows used in investing activities	(997,342)	(6,427,238)	5,429,896
Subtotal of cash inflows from financing activities	77,028,309	78,109,875	(1,081,566)
Subtotal of cash outflows from financing activities	74,593,817	70,688,513	3,905,304
Net cash flows generated from financing activities	2,434,492	7,421,362	(4,986,870)
Effect of exchange rate changes on cash and cash equivalents	9,262	10,414	(1,152)
Net (decrease)/increase in cash and cash equivalents	(2,958,310)	537,295	(3,495,605)

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	2024		2023	
	Amount	% of total (%)	Amount	% of total (%)
Corporate banking business	3,690,218	57.61	4,318,812	62.56
Retail banking business	1,193,334	18.63	1,162,010	16.83
Treasury business	1,461,882	22.82	1,361,948	19.73
Others ^(Note)	59,708	0.94	60,827	0.88
Total operating income	6,405,142	100.00	6,903,597	100.00

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

3.6 Significant Accounting Policies, Accounting Estimates and Accounting Methods

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

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

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

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

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

There are no changes in the scope of the consolidated statements for the current period as compared with the financial report for the previous accounting period.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.7 Assets and Liabilities at Fair Value

Unit: RMB'000

Item	Opening balance	Gains and losses from changes in fair value for the Reporting Period	Accumulated changes in fair value recognised in equity	Impairment accrued during the Reporting Period	Closing balance
Financial investments at fair value through profit or loss (excluding derivative financial assets)	40,723,996	(201,568)	–	–	38,933,684
Financial investments at fair value through other comprehensive income	22,872,676	–	699,787	(317)	27,945,297
Subtotal of financial assets	63,596,672	(201,568)	699,787	(317)	66,878,981

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 six months ended 30 June			Analysis of major reasons
	2024	2023	Change compared to the same period of the previous year (%)	
Net gains arising from investments	333,609	193,646	72.28	Mainly due to the changes in fair value from financial assets at fair value through profit or loss.
Share of profits of associates	(3,700)	23,710	(115.61)	Mainly due to the decrease in profits from associates of the Bank as compared to the same period last year.
Income tax expense	(220,463)	(412,507)	(46.56)	Mainly due to the decrease in total profit of the Bank as compared to the same period last year.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	As at 30 June 2024	As at 31 December 2023	Changes compared to As at the end of the previous year (%)	Analysis of major reasons
Financial assets sold under repurchase agreements	14,363,697	25,131,941	(42.85)	Mainly due to the decrease in the scale of the Bank's business in sold under repurchase agreements for bonds and bills after comprehensive consideration of asset and liability matching and market liquidity situation.
Fair value reserve	559,423	189,386	195.39	Mainly due to the increase of changes in fair value of financial investments at fair value through other comprehensive income during the Reporting Period as compared to the same period last year.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

4 INVESTMENT ANALYSIS

4.1 Overview

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

Unit: RMB'000

Item	As at 30 June 2024	As at 31 December 2023	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	555,870	555,870	49.51
Yanling Zhengyin County Bank	34,950	34,950	49.58
China UnionPay Co., Ltd.	27,200	27,200	0.27
Clearing Center for City Commercial Banks	400	400	1.29
Total	1,863,000	1,863,000	

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

4.2 Significant Equity Investments Made During the Reporting Period

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

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

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

4.4 Use of Proceeds

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

4.5 Operations of Subsidiaries

4.5.1 Operations of Subsidiaries

Jiuding Financial Leasing Company

As at the end of the Reporting Period, the Bank held 51.00% equity interest in Jiuding Financial Leasing Company, a subsidiary of the Bank with a registered capital of RMB2 billion. Jiuding Financial Leasing Company was established in the PRC where it carries out its business. Its principal businesses include: (1) financial leasing business; (2) outward or inward transfer of financial leasing assets; (3) fixed income securities investment business; (4) acceptance of leasing deposits from lessees; (5) taking time deposits with a term of three months or more from non-banking shareholders; (6) interbank lending; (7) borrowing from financial institutions; (8) offshore borrowing; (9) sale and disposal of leased assets; (10) economic consultancy; (11) other business approved by the CBIRC (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Jiuding Financial Leasing Company had total assets of RMB36,071 million, net assets of RMB3,937 million, and total financial leasing of RMB34,229 million. During the Reporting Period, it recorded operating income of RMB650 million, operating profit of RMB215 million and net profit of RMB161 million.

Fugou Zhengyin County Bank

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

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Xinmi Zhengyin County Bank

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

Xunxian Zhengyin County Bank

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

Queshan Zhengyin County Bank

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

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Xinzheng Zhengyin County Bank

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

4.5.2 Operations of Investee Companies

As at the end of the Reporting Period, the Bank held 49.51% and 49.58% equity interest in Zhongmu Zhengyin County Bank and Yanling Zhengyin County Bank, respectively. Zhengyin county banks 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 did not have material acquisitions and disposals of subsidiaries, associates and joint ventures.

4.6 Structured Entities Controlled by the Bank

Details of the structured entities controlled by the Bank are set out in Note 40 to the financial statements in the chapter headed “Independent Auditor’s Review Report” in this Report.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

5 CAPITAL MANAGEMENT

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

During the Reporting Period, the Bank actively organized and advanced the implementation of the Administrative Measures for Capital of Commercial Banks. This included data analysis, policy revisions, and the formulation of plans for the measurement of three major risks. The Bank successfully completed regulatory reporting and third-pillar information disclosure under the new regulations. In line with the requirements for capital-intensive development, the Bank, on the one hand, strived to optimize the capital allocation strategy, strengthen the management of asset and liability portfolios, improve the capital structure, improve the efficiency of capital use, and strengthen capital constraints and value return management; and on the other hand, the Bank strengthened the endogenous growth of capital; strived to realize the balance and coordination between self-development, profitability, and capital constraints; replenished capital via measures like profit growth, keeping surplus reserve and allocating sufficient provision for impairment losses; optimized capital structure, and improved capital adequacy ratios. These efforts further strengthened the foundation for serving the real economy and promoted high-quality business development.



CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

In accordance with the latest requirements of the Administrative Measures for Capital of Commercial Banks, the Bank continuously improves the ICAAP work mechanism by conducting a comprehensive diagnosis of current risks and scientifically identifying and assessing various types of risks. This process enables us to determine the additional capital requirements for the second pillar of the Bank and apply these results to capital planning, thereby integrating risk management, stress testing, and capital planning. First, the Bank enhances the construction of the internal capital adequacy assessment procedures by expanding the coverage of key risk dimensions, optimizing the risk assessment system, and ensuring that all major risks are fully identified, measured, monitored, and reported. This will strengthen the foundation for capital and risk management. Second, the Bank carries out the 2024-2026 capital planning in accordance with the relevant requirements of the regulatory authorities and the needs of the Bank's future development strategy. When conducting capital planning, the Bank prudently evaluates asset quality, profit growth and capital market volatility, fully considers factors that may have a significant negative impact on capital levels, including contingent risk exposure, severe and prolonged market recession, and other events exceeding risk tolerance, ensures that the target capital level is commensurate with the business development strategy, risk appetite, risk management capability, and external operating environment, balances short-term and long-term capital needs, and considers the long-term sustainability of various sources of capital replenishment. Third, following the requirements of external regulatory authorities and internal risk management requirements, the Bank conducts stress tests on capital adequacy ratio on a regular or irregular basis as an important part of the internal capital adequacy assessment procedures to evaluate the risk exposures of the Bank under stressful conditions, the interaction between risks, the ability of capital to absorb losses and support business continuity, as well as the reasonableness of capital management objectives, capital replenishment arrangements and response measures. The results of stress tests are applied in medium and long-term capital planning. For severe stress scenarios, the Bank formulates contingency capital plans to meet unplanned capital needs, specifying corresponding capital replenishment policies and response measures to ensure stable operations.

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 《商業銀行資本管理辦法》 issued by the National Financial Regulatory Administration and other relevant requirements issued:

Unit: RMB'000

Item	As at 30 June 2024	As at 31 December 2023
Core tier-one capital		
Share capital	9,092,091	9,092,091
Valid portion of capital reserve	5,892,719	5,985,102
Fair value reserve	564,924	189,386
Remeasurement of net defined benefit liability	(83,707)	(74,043)
Surplus reserve	3,689,493	3,689,605
General risk reserve	8,366,492	8,266,509
Retained earnings	16,796,986	15,305,319
Valid portion of minority interests	2,540,268	1,449,620
Total core tier-one capital	46,859,266	43,903,589
Core tier-one capital deductions	(2,842,222)	(3,377,072)
Net core tier-one capital	44,017,044	40,526,517
Additional tier-one capital		
Additional tier-one capital instruments and related premium	9,998,855	9,998,855
Valid portion of minority interests	238,817	193,283
Net tier-one capital	54,254,716	50,718,655
Tier-two capital		
Surplus provision for loan impairment	5,528,189	5,257,125
Valid portion of minority interests	477,633	396,825
Net tier-two capital	6,005,822	5,653,950
Net capital base	60,260,538	56,372,605
Total risk-weighted assets	475,095,361	455,490,556
Core tier-one capital adequacy ratio (%)	9.26	8.90
Tier-one capital adequacy ratio (%)	11.42	11.13
Capital adequacy ratio (%)	12.68	12.38

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

5.2 Leverage Ratio Analysis

Unit: RMB'000

Item	30 June 2024	31 March 2024	31 December 2023	30 September 2023
Net tier-one capital	54,254,716	53,042,929	54,229,055	54,940,953
Balance of on/off-balance sheet assets after adjustment	723,014,496	705,091,526	713,854,338	709,251,765
Leverage ratio (%)	7.50	7.52	7.60	7.75

Note: Starting from 2024, indicators related to leverage ratio are calculated based on the requirements of the Administrative Measures for the Capital of Commercial Banks published by National Financial Regulatory Administration. For details, please refer to the column headed “Financial Summary” under Investor Relations on the Bank’s website.

6 BUSINESS OPERATION

6.1 Corporate Banking Business

During the Reporting Period, the Bank adhered to the positioning of “serving the local economy and serving small and medium enterprises”, actively implemented the important strategic deployments of the central and local governments, such as the “ecological protection and high-quality development of the Yellow River basin,” the “Rise of Central China,” and the provincial government’s “Ten Strategies” and “Ten Constructions,” and fully supported the high-quality development of key sectors and industries in the province and the city. To achieve the development goals of becoming the “Preferred Bank for the Government, the Industry Partner Bank, the Specialized Bank for Technological Innovation, and the Professional Inclusive Finance Bank,” the Bank continuously strengthened its industry research capabilities and improved its financial services, thereby contributing to the high-quality development of the local economy.

6.1.1 Corporate Deposits

The Bank continuously refined its customer service precision, with a clear focus on becoming the “Preferred Bank for the Government.” It significantly enhanced its public finance service capabilities and steadily strengthened its business foundations. The Bank adopted a “one-year, one-target” development strategy, gradually expanding its coverage across key industries. The Bank continuously optimized services like treasury management and scenario-based settlement according to the personalized needs of customers. It also established a customer points system based on the behavior of customers in terms of account opening, application of treasury management products, account transactions, and account deposits. This system helped constantly increase customer loyalty, stabilize the volume of existing customer deposits, and expand new customer settlement funds.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

6.1.2 Corporate Loans

During the Reporting Period, the Bank implemented the spirit of the Central Economic and Financial Work Conference, actively promoting five major areas: technological finance, green finance, inclusive finance, pension finance and digital finance. It allocated more credit resources to the real economy such as technological innovation, green and low-carbon initiatives, advanced manufacturing, and inclusive loans to small and micro enterprises. The Bank further promoted the “President Visiting Enterprises” initiative, targeting major projects, seven major industrial clusters in the province and cities, the “28+20+N” industry chains, and technological innovation enterprises and their upstream and downstream key companies and other focus areas. By focusing on private small and micro enterprises, the Bank conducted extensive outreach and engagement activities, strengthening financial support in weaker sectors. The Bank concentrated on the province’s “Three in One Batch, Major Projects” strategy, gradually increasing medium- and long-term project loans to expand credit support in areas such as urban renewal, industrial transformation and upgrading, ecological and environmental protection, and public welfare. In accordance with the provincial and municipal government work deployments, the Bank orderly advanced all tasks under the “Real Estate Financing Coordination Mechanism” and “Affordable Housing Projects.” It established specialized task forces, formulated specific action plans, and introduced specialized credit policies while creating a fast-track approval process. As at the end of the Reporting Period, the total corporate loans (including advances, forfeiting and discounted bills) of the Bank amounted to RMB286,425 million, representing an increase of RMB9,963 million or 3.60% from the end of the previous year.

6.1.3 Investment Banks

The Bank’s underwriting business of non-financial corporate debt financing instruments saw steady growth. During the Reporting Period, the Bank issued 17 types of debt financing instruments, totaling RMB11.59 billion. It ranked 5th in underwriting share and 4th in the number of issuances within the province. The Bank actively supported the high-quality development of the bond market in Henan Province, with an additional RMB4.04 billion invested in credit bonds during the Reporting Period, contributing to the Credit Henan. Through facilitating business, the Bank actively supported enterprises in the province to expand their financing channels, leverage resources from various financial institutions, and maintain relationships with core customers, thereby enhancing customer loyalty.

6.1.4 Transaction Banks

The Bank's transaction banking business focused on supply chain finance during the Reporting Period. It offered products such as factoring, letters of credit, and merchant bills to serve customers across entire industry chains. The Bank reviewed customer lists and strengthened visits and research around key provincial and municipal industry chains to better understand client needs. It continuously optimized and iterated its products, launching transaction banking features like cross-product contract limit control and full electronic bill entry, enhancing risk control capabilities and customer experience. In the realm of cross-border finance, the Bank successfully launched and implemented products to "finance exporting orders". It developed centralized operations management for corporate foreign exchange remittances and promoted the transformation of its foreign exchange services. During the Reporting Period, the Bank provided RMB10.01 billion in loans to nearly 1,000 industry chain customers.

6.1.5 Technological Innovation Finance

During the Reporting Period, the Bank thoroughly implemented the strategic deployment of the Henan Provincial Party Committee and the Provincial Government, fully leveraging its main role in policy-based technological innovation finance operation to delve deeply into the "Big Picture of Technology Finance". It strengthened technological empowerment support and created a system for comprehensively evaluating the technological innovation capabilities by focusing on such technological innovation indicators as R&D, patents and talents of enterprises, to provide a "benchmark" for identifying technology-based enterprises and assessing their technological innovation capabilities. The Bank optimized technology innovation financial products, improved product adaptability and enhanced the quality and efficiency of technology innovation financial services, by focusing on the characteristics throughout the lifecycle of technology-based enterprises. The Bank engaged in specialized collaborations and collaborated with research institutions and key laboratories by focusing on the unique operational model of "Four Chain Integration", to increase financial support for the transformation of scientific and technological achievements. As of the end of the Reporting Period, the balance of policy-based technology innovation financial loans of the Bank stood at RMB38,322 million, representing an increase of RMB4,922 million from the beginning of the year.

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 RMB199,539 million, representing an increase of 18.32% from the end of the previous year. The Bank’s personal loans amounted to RMB86,403 million, representing an increase of 2.68% from the end of the previous year. The Bank had issued a total of 8,064,100 debit cards, representing an increase of 236,500 cards from the end of the previous year. The Bank had issued a total of 804,600 Shangding credit cards, representing an increase of 79,900 cards from the end of the previous year. The size of wealth financial assets reached RMB51.99 billion. The Bank had issued a total of 217,000 Rural Revitalization Cards, representing an increase of 45,200 cards from the end of the previous year. During the Reporting Period, the Bank received several honors, including the “Retail Banking Award” at the 2024 BDI Huaying Awards Event, the “Retail Banking Transformation Breakthrough Award for Commercial Banks” at the 8th Retail Banking Development Summit, and the “Best Retail Banking Customer Experience Award” at the 6th Retail Banking Leaders Forum.

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 demands 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. During the Reporting Period, the Bank established a refined customer base service system, providing exclusive products and rights for diversified customer base, optimizing financial and non-financial services, and improving the finance accessibility to residents. The credit card business continues to make efforts in customer base construction, digital transformation, scene construction, and risk control strategy optimization. During the Reporting Period, the Bank issued 15 “Splendid Henan” urban theme credit cards, and the credit card business recorded RMB85 million in operating income with a transaction amount and an online transaction amount of RMB8,856 million and RMB2,450 million, representing a year-on-year increase of 16.78%.

6.2.2 Financing Steward

During the Reporting Period, the Bank earnestly implemented the decision and deployment of the Central Financial Work Conference and the Central Economic Work Conference on “promoting high-quality development of inclusive finance”. Guided by “being a boutique bank with regional characteristics”, the Bank aimed at continuous provision of inclusive financial characteristic brand services and steadily advanced inclusive finance.

Innovation and optimization of products to expand customer coverage. The Zheng e loan new product was launched to provide more inclusive pure credit loan services for stable wholesalers, small and micro merchants and other customer bases through the integration of digitalization and IPC, increase the proportion of credit loan business, and expand the customer coverage. The Bank optimized “Housing e-finance (房e融)” mortgage loan products, implemented differentiated pricing policies, promoted the direct connection between local and municipal real estate centers and the banking system, and improved the digital service level. The Bank actively responded to and implemented the policy of “promoting consumption”, and launched “Zheng e loan consumption” products with the customer-centred principle, aiming to create simpler, faster and more flexible loan products for customers.

The Bank deepened bank-government cooperation and optimized the external development ecology. The Bank strengthened its in-depth integration with the “Zhenghaorong (鄭好融)” platform system, which served as a crucial tool to bridge the last mile of delivering “financial benefits to enterprises,” advanced partnerships in risk-sharing, joint modeling, harbor operations, etc., and increased the availability of inclusive loans. As at the end of the Reporting Period, the Bank issued 1,920 loans totaling RMB2,169 million through the platform, and established and operated 21 offline sites for financial service harbors.

As at the end of the Reporting Period, the balance of the Bank’s inclusive loans to small and micro enterprises amounted to RMB51,596 million, representing an increase of RMB1,636 million or 3.27% from the end of the previous year. The number of small and micro enterprises receiving inclusive loans with loan balance stood at 67,926.

6.2.3 *Wealth Steward*

During the Reporting Period, the Bank unswervingly adhered to the “customer-centred” core value in the field of wealth management. We practiced the transformation and development philosophy of “enhancing products and deepening operations”, strived to build a diversified ecosystem of wealth products, and comprehensively improved the professional service level of wealth management, in order to continuously improve the brand influence of “Zhenghao Wealth (鄭好財富)” and become the “wealth steward” for the citizens.

The Bank built a diversified ecosystem of wealth products. During the Reporting Period, the Bank kept making efforts to build a distinctive wealth management product system, which aimed to meet the diverse demands of its customers for investment and wealth management. The Bank accelerated the promotion of access for partner institutions and products, established a comprehensive wealth management product system; expedited the development of investment advisory services to provide customers with specialized and customized allocation solutions for wealth financial products; and continued to implement pension finance and launched exclusive financial products for middle-aged and elderly customers to meet their wealth management services needs in pension planning. As at the end of the Reporting Period, the Bank’s “Zhenghao Wealth(鄭好財富)” series products had been continuously improved, and the Bank kept enriching such product categories, including small change management, steady investment, and investment gains, and launched and developed a relatively comprehensive matrix of consigned wealth management products.

The Bank comprehensively improved the professional level of wealth management. During the Reporting Period, the Bank strengthened global market analysis and major asset allocation assessments, constantly improved its investment research capability, asset allocation service capability and risk control level, and fully integrated asset trend research findings with customer services and product allocation, in an effort to enhance customers’ investment satisfaction. The Bank strengthened support for customer investment, increased the depth and breadth of investor education, guided customers to recognize opportunities, identify risks, and reinforce the concept of long-term investment; effectively managed product lifecycle, and continuously provided sound after-sales service through tracking, analysis, judgment, service and other processes, thereby continually improving customer experience.

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, gradually establishing competitive advantages in county-level finance.

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 at a faster pace. 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, such as free medical consultations, "cashback promotions" on card purchases, and subsidies for social security payments. The Bank boosted the publicity of "financial literacy in rural areas" and publicized knowledge on anti-counterfeit money, saying no to illegal fundraising and the prevention of phone fraud among left-behind groups in rural areas. It initiatively focused on groups lacking knowledge in rural areas and circulated knowledge and policies on credit publicity, the prevention of phone fraud and the protection of personal financial knowledge. These efforts aimed to help rural residents accurately identify false and fraudulent information and stay away from illegal financial activities, thereby maintaining stability in the rural financial order.

6.3 Financial Market Business

6.3.1 Money Market Transactions

During the Reporting Period, the Central Bank's monetary policy enhanced countercyclical regulation, resulting in reasonably abundant liquidity in the banking system. This created a favorable monetary and financial environment for economic recovery. A comprehensive set of tools, including open market operations, was implemented in the policy to manage the monetary aggregate, thereby ensuring reasonably abundant liquidity. In terms of structure, it continued to give play to the precise trickle-down and leveraging roles of structural monetary policy tools; regarding policy transmission, the focus was on regulating market behaviors and revitalizing inefficient existing financial resources. As a primary trader in the open market business, the Bank continued to strengthen its ability to research and analyze the money market, implemented various measures to optimize its liability structure, managed financing costs, played an active role in transmitting fiscal and monetary policies, and played the role of market stabilizer, all with the goal of ensuring 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 RMB16,704 million, accounting for 2.59% 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 RMB57,957 million, accounting for 9.83% of the Bank's total liabilities.

6.3.2 Investment in Securities and Other Financial Assets

During the Reporting Period, to proactively address the complex and volatile external environment and various risks and challenges and achieve stable and orderly business development, the Bank fulfilled its market-making responsibilities and actively participated in the interbank market, to facilitate the high-quality development of the bond market. The Bank continued to promote its underwriting and distribution business, support and cooperate with the issuance of government bonds and local government bonds in Henan Province, so as to contribute our strength to the issuance of government bonds. In terms of other financial asset investments, the Bank continued to promote the layout optimization and structural adjustment of investment business and reinforce the interaction at home and abroad, to increase investment returns.

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 RMB192,718 million, representing an increase of RMB4,846 million or 2.60% from the end of the previous year. Among them, the total investment in bonds was RMB127,906 million, representing a year-on-year increase of 8.22%; and the total investment in investment products under trust schemes, investment products managed by securities companies and other securities financial assets was RMB64,812 million, representing a year-on-year decrease of 6.95%.

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 customers with 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 enriched exclusive products such as payroll services, agricultural support, and retirement plans, providing customers with differentiated and dedicated services. As at the end of the Reporting Period, the Bank had signed up 3,507,000 personal mobile banking customers, and the number of transactions completed increased by 11.57% year-on-year. The Bank continued to provide high-quality customer service. 508,400 times of service were provided via the customer service hotline of 95097. At the same time, by means of text message, video and voice, the Bank provided 397,500 times of intelligent customer service, efficiently addressing customer demands.

Corporate channel

The Bank steadily promotes the construction of corporate e-channel. The Bank adhered to the customer experience-centered and value creation-oriented principle; continuously innovated the business application scenarios, focusing on the needs of digital transformation and operational development of enterprises. Based on the differentiated demands of enterprises in the growth, expansion and maturity stages, the Bank fully activated the treasury efficiency, and provided new power for the business and finance integration as well as digital transformation for enterprises. As at the end of the Reporting Period, the Bank handled 3,167,100 transactions through corporate e-channels with a total amount of RMB612,633 million.

7 RISK MANAGEMENT

During the Reporting Period, the Bank proactively responded to changes in the regulatory and market environment based on internal and external circumstances and actively established the “prudent and sound” risk management philosophy. Led by high-quality development, the Bank continuously improved its comprehensive risk management system, constantly enriched and enhanced its risk management tools, and steadily boosted its risk management capabilities, with risk management becoming more refined and effective. The primary risks faced by the Bank in its operation and its risk management measures are as follows:

7.1 Credit Risk

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

Firstly, we continued to strengthen our unified credit management. After comprehensively considering the overall situation of the credit applicant, we formulated a reasonable credit line, strictly reviewed and approved the credit extension for single customers and group customers, to avoid multiple credit extensions, and do a good job in pre-loan risk prevention and control. Secondly, we strengthened our credit policy risk guidance. By combining with the national macroeconomic and industrial policy guidance, we determined the risk management and control approaches, clarified the basic principles of credit extension, the direction of asset structure adjustment and the management and control requirements of key areas, thus effectively guiding the business development. Thirdly, we continuously improved the risk warning system. With early warning as the core of post-loan operations, we expanded the scope of risk monitoring and established a risk database. We developed a borrower repayment capacity and risk warning monitoring system from multiple dimensions, including customers' financial conditions, operational management, guarantees, and external information. Fourthly, we comprehensively strengthened post-loan management. By establishing a standardized post-loan management process and scientific post-loan management measures, we continuously monitored and reduced customers' credit risk, enhanced credit risk management levels, and improved the efficiency of credit fund recovery, so as to promote the sustainable development of credit business.

As at the end of the Reporting Period, the Bank's single customer loan concentration was 4.96%, in compliance with the 10% cap regulatory requirement; single group customer credit concentration was 7.07%, in compliance with the 15% cap regulatory requirement; the loan concentration of the top ten customers was 36.54%; the credit concentration of a single related party customer was 3.82%, in compliance with the 10% cap regulatory requirement; and the credit concentration of all related party customers was 14.97%, in compliance with the 50% cap regulatory requirement.

7.2 Market Risk

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

Firstly, we optimized our quota index system by adjusting the quota logic, refining management levels, and introducing three tiers of quota management indexes and processes tailored to specific business types and individual transactions, and further clarified risk control objectives at different levels, including the Board of Directors, senior management and business departments. Secondly, we improved our stress test framework by developing test plans focused on post-penetration assets and derivatives, defining specific test scenarios and evaluating losses in extreme conditions. Thirdly, we facilitated the optimization and upgrade of our management system and implemented enhancements to our market risk management platform. Moreover, we clearly outlined the reform requirements for quotas, stress tests, authorizations and financial indicators, and improved the level of digital risk control on market risks.

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 is dedicated to strengthening its operational risk management framework by reinforcing the governance responsibilities of all parties involved, refining management procedures and tools, and consistently elevating the standards of operational risk management. During the Reporting Period, the main measures for managing operational risks of the Bank are as follows:

Firstly, we worked to establish and enhance the measurement system for the new standardized approach to operational risk, clarified the subject mapping relationships and the data retrieval rules for business indicators under the new standardized approach, and performed effective measurement and management of operational risk capital. Secondly, we continuously refined our operational risk management mechanisms. This included standardizing the criteria for operational risk loss data, reporting requirements and processing procedures, developing a stress test plan for operational risks based on the new standardized approach, and facilitating the upgrade and transformation of our operational risk information system. Thirdly, we remained committed to identifying and assessing operational risks. We focused on recognizing various types of operational risk events that may arise from the Bank's products and management activities, analyzed risk factors and loss types, and evaluated inherent risks and the effectiveness of control measures, and prevented risks in advance. Fourthly, we deepened our support to bolster legal empowerment and consistently reviewed and revised the Bank's standard form contracts, with a focus on essential services such as contract file reviews, legal issue consultations, and training on legal risks, all designed to help the Bank operate in a compliant and sound manner.

7.4 Liquidity Risk

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

Firstly, we stepped up daily liquidity management. We closely monitored the changes in macro and monetary policies as well as the source and use of funds, and arranged the financing term structure in a rational manner to 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. Liquidity stress tests are carried out on a regular basis to assess potential liquidity risk levels and the results from the stress tests are applied to the assets and liabilities plans. Meanwhile, we conducted liquidity emergency 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 74.83%, in compliance with the 25% minimum regulatory requirement; its liquidity coverage rate was 207.98%, in compliance with the 100% minimum regulatory requirement; its net stable funding ratio was 114.63%, in compliance with the 100% minimum regulatory requirement. Overall, the Bank's key liquidity regulatory 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 constantly promoted the construction of an information technology risk management system and was committed to improving the quality and effectiveness of its information technology risk evaluation and monitoring and scientifically organized information system emergency drills, resulting in steady improvements in business continuity management. We mainly adopted the following measures:

Firstly, we strengthened our information technology management capability. During the Reporting Period, the Bank revised and released several documents related to the information technology systems, steadily carried out security protection and assessment work, and enhanced inspection and monitoring management, so as to ensure safe, stable and efficient operation of the Bank's information system. Secondly, we implemented effective measures for information technology risk management. During the Reporting Period, the Bank implemented various measures for information technology risk management, actively planned and conducted risk assessments in specialized areas of information technology, and regularly urged the rectification of issues identified during the assessments. The Bank promoted the investigation of risk alerts and risk notifications issued by regulatory authorities, and effectively fulfilled various functions related to the management of information technology outsourcing risks. Thirdly, we enhanced the refinement of business continuity management. We propelled a high-level decision-making mechanism for business continuity management and drill advancement. Based on the IT service continuity plan, we constantly improved the construction of the local and remote disaster recovery for information systems, and enhanced our IT service continuity management capability through practical drills involving information systems.

7.6 Reputational Risk

Reputational risk refers to the risk of negative comments from 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 assessment, 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 risk evaluation, proposals and monitoring of public opinions and disposal mechanism to enhance management level. It emphasized external communications and proactively conducted brand publicity to create a favorable public opinion environment.

7.7 Anti-Money Laundering Management

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

Firstly, we established sound policies and systems for money laundering risk management, added and revised two systems, and implemented our anti-money laundering laws, regulations, and regulatory requirements. Secondly, we carried out the evaluation work of money laundering risks. We initiated institutional self-assessment of money laundering risks, continued to do a good job in the assessment of new product money laundering risks and customer money laundering risks, identified and analyzed inherent risks, evaluated the effectiveness of control measures, and prevented money laundering risks. Thirdly, we strengthened the construction of an anti-money laundering system. We optimized the effectiveness of the suspicious transaction monitoring model, upgraded the classification function of customer money laundering risks, improved the blacklist monitoring and early warning mechanism, strengthened risk monitoring and early warning activities, and continuously improved anti-money laundering and anti-terrorist financing capabilities. Fourthly, we carried out anti-money laundering inspections and supervisions, and data screening to timely identify and rectify weak links and potential hazards, and to enhance the quality and efficiency of our anti-money laundering work. Fifthly, we arranged anti-money laundering training and issued the Anti-money laundering Special Issue to comprehensively enhance the anti-money laundering performance capabilities of employees and to promote the anti-money laundering risk management culture. Sixthly, by continuous publicity of anti-money laundering, we promoted knowledge on anti-money laundering and anti-terrorism to the public to improve their awareness of anti-money laundering.

8 IMPLEMENTATION OF THE ACTION PLAN OF “DOUBLE IMPROVEMENT IN QUALITY AND RETURN”

During the Reporting Period, the Bank did not disclose the announcement in relation to the action plan of “double improvement in quality and return”.

9 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.

10 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

10.1 Significant Environmental Protection Issues

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

10.2 Social Responsibility

The Bank enhanced its financial services for rural revitalization. Specifically, the Bank stabilized the efforts in financial support, ensured strong credit support for targeted poverty alleviation, and achieved continuous growth in targeted poverty alleviation loans. The Bank also offered internal pricing discounts on agriculture-related loans and implemented due diligence and exemption policies. In addition, it strengthened financial services for new agricultural business entities to resolve the issue of difficulty and high cost in obtaining financing for all kinds of new agricultural business entities within the province, and to provide financing services for all kinds of new agricultural business entities, such as professional farmer households, farmers’ cooperatives, agricultural enterprises, and agricultural social service organizations. As at the end of the Reporting Period, the balance of agriculture-related loans of the Bank was RMB83,295 million, representing an increase of RMB1,056 million or 1.28% from the end of the previous year. The balance of financial targeted poverty alleviation loans was RMB977 million, representing an increase of RMB25 million from the end of the previous year.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

The Bank improved the basic financial service experience for rural residents. The Bank made solid progress in building rural financial infrastructure, made continuous efforts in building rural inclusive financial payment service outlets and the registration thereof, filled the gaps in rural financial services, enhanced the quality of rural financial services, and improved the rural financial service environment. The Bank continuously stepped up the promotion and issuance of themed cards and debit cards for rural revitalization. By implementing relevant discount policies and combining them with UnionPay themed card benefits, the Bank aimed to deepen the coverage and accessibility of financial services in rural areas. In addition, the Bank regularly conducted exclusive activities for rural residents, such as “Agricultural Merchant Discount Programs”. Focusing on rural inclusive financial payment service outlets, the Bank continuously advanced the development of rural financial service scenarios. Targeting high-frequency production, lifestyle, and social activities of rural residents, we offered services through the rural revitalization version of mobile banking of Zhengzhou Bank, including specialized activities such as payment services and discount promotions. This creates an “offline + online” rural financial service scenario. As at the end of the Reporting Period, we had expanded to 4,947 merchants in rural areas.

The Bank furthered its ongoing village support efforts. During the Reporting Period, the Bank coordinated external funding to build a strawberry culture square, a strawberry seedling base, and freezers for the target villages; previously implemented projects such as stone mill processing workshops, quick-freeze tunnels, and large refrigerated warehouses have consistently generated earnings, which increased the income of the village collective. We organized activities such as the “Plant New Seedlings and Green Hope” Tree-planting Day event and the “15 March” Financial Consumer Rights and Interests Protection Education campaign to support rural cultural revitalization.

11 OUTLOOK

In the second half of 2024, the Bank will continue to adhere to the strategic vision of “being a boutique bank with regional characteristics” and stay committed to high-quality development. We will continue to enhance our own strength and core competitiveness through differentiated positioning, accelerating service to the real economy, and advancing technological finance and digital transformation, so as to contribute to the financial power driving the rise of Henan in Central China. First, differentiation in positioning and strategic transformation. In line with the requirements of the “Five Major Areas” initiative, we will focus on five key areas: technological finance, green finance, inclusive finance, pension finance, and digital finance. We will comprehensively support business development in these areas, deeply engage with the regional economy, and drive strategic transformation. Second, serving the real economy. We will thoroughly implement the directives from the central, provincial and municipal financial and economic work conferences, actively fulfill our responsibility to serve the real economy, and assist in the modernization of the seven major provincial and municipal industrial clusters and the “28+20+N” industrial chain and the stable and healthy development of the real estate market. Our goal is to continuously enhance the quality and effectiveness of our services to the real economy. Third, advancing technological finance and digital transformation. We will actively drive digital transformation by using technology to enhance financial service efficiency and customer experience. In the future, the Bank will continue to increase investment in technology and promote the deep integration of financial technology with banking operations.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1 CHANGES IN ORDINARY SHARES

1.1 Table of Changes in Ordinary Shares

Unit: Shares

	As at 31 December 2023		Increase/decrease during the Reporting Period (+/-)					As at 30 June 2024	
	Number	Proportion (%)	Issuance of new shares	Bonus shares	Capitalization issue	Others	Sub-total	Number	Proportion (%)
I. Shares subject to trading moratorium	372,981,017	4.10	-	-	-	-60,587	-60,587	372,920,430	4.10
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. Shares held by state-owned legal persons	207,515,000	2.28	-	-	-	-	-	207,515,000	2.28
3. Shares held by other domestic investors	165,466,017	1.82	-	-	-	-60,587	-60,587	165,405,430	1.82
Including: Shares held by domestic legal persons	143,525,238	1.58	-	-	-	-	-	143,525,238	1.58
Shares held by domestic natural persons	21,940,779	0.24	-	-	-	-60,587	-60,587	21,880,192	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	8,719,110,341	95.90	-	-	-	60,587	60,587	8,719,170,928	95.90
1. Ordinary Shares denominated in RMB	6,698,652,341	73.68	-	-	-	60,587	60,587	6,698,712,928	73.68
2. Domestically-listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas-listed foreign shares	2,020,458,000	22.22	-	-	-	-	-	2,020,458,000	22.22
4. Others	-	-	-	-	-	-	-	-	-
III. Total	9,092,091,358	100.00	-	-	-	-	-	9,092,091,358	100.00

Notes:

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

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

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1.2 Description of Changes in Ordinary Shares

Changes in Ordinary Shares were mainly due to the changes in the Shares subject to trading moratorium held by departing Directors and senior management personnel in the second half of 2023.

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

During the Reporting Period, there were no changes in the total number of Ordinary Shares of the Bank. The share changes shown in “1.1 Table of Changes in Ordinary Shares” of this chapter had no impact on financial indicators such as earnings per share and net assets per share in the previous year and the latest period.

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	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
Directors, Supervisors and senior management personnel of the Bank (including Directors, Supervisors and senior management personnel before the initial public offering of A Shares)	796,173	-	60,587	735,586	Locked shares held by senior management	-
Total	796,173	-	60,587	735,586		

Note: The Shares of Directors, Supervisors and senior management were locked and lifted from trading moratorium in accordance with the Company Law, the Securities Law and the relevant regulations promulgated by the CSRC, the SZSE and other regulatory authorities. Changes in Shares subject to trading moratorium during the Reporting Period were due to the changes in the Shares subject to trading moratorium held by departing Directors and senior management personnel in the second half of 2023.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

2 ISSUANCE AND LISTING OF SECURITIES

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

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

3 INFORMATION ON ORDINARY SHAREHOLDERS

Number of Ordinary Shareholders and Their Shareholdings

As at the end of the Reporting Period, the Bank had a total of 99,412 Ordinary Shareholders, of whom 99,361 were holders of A Shares and 51 were holders of H Shares.

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

Unit: Shares

Name of Shareholder	Nature of Shareholder	Class of Shares	Shareholdings percentage (%)	Number of	Changes over	Number of	Number of	Pledged, labelled or frozen	
				Ordinary Shares held at the end of the Reporting Period	the Reporting Period (+/-)	Ordinary Shares held subject to trading moratorium	Ordinary Shares held not subject to trading moratorium	Shares	Number
HKSCC Nominees Limited	Overseas legal person	H Shares	22.22	2,020,252,753	-300	-	2,020,252,753	Unknown	-
Zhengzhou Finance Bureau (鄭州市財政局)	State-owned	A Shares	7.23	657,246,311	-	-	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	-	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	-	-	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	-	-	348,722,000	Pledged	348,722,000
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Domestic non-state-owned legal person	A Shares	3.53	320,590,857	-9,406,572	121,000,000	199,590,857	Pledged	198,984,500
Zhongyuan Trust Co., Ltd. (中原信託有限公司)	State-owned legal person	A Shares	3.50	318,676,633	-	-	318,676,633	-	-
Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司)	Domestic non-state-owned legal person	A Shares	1.63	147,904,992	-12,467,229	-	147,904,992	Pledged	146,404,992
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	-	-	133,100,000	Pledged	133,100,000
Henan Investment Group Co., Ltd. (河南投資集團有限公司)	State-owned legal person	A Shares	1.31	119,482,821	-	-	119,482,821	-	-

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Strategic investors or ordinary legal persons becoming top 10 Shareholders by way of placing new Shares (if any)	None
Description of related party relationships or concerted actions of the above Shareholders	<p>Zhengzhou Finance Bureau wholly owns Zhengzhou Investment Group Co., Ltd. (鄭州市投資集團有限公司), which in turn wholly owns Zhengzhou Talent Development Group Co., Ltd. (鄭州人才發展集團有限公司), which in turn wholly owns Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), which in turn wholly owns Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司).</p> <p>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). 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》).</p>
Description of entrusting/being entrusted voting rights or waiving voting rights of the above Shareholders	Henan Investment Group Co., Ltd. (河南投資集團有限公司) and Zhongyuan Trust Co., Ltd. signed the Voting Rights Entrustment Agreement, entrusting the corresponding voting rights of 98,746,133 A Shares (the number of shares before the Bank implemented the capitalization issuance plan in December 2021 and June 2023) held by Henan Investment Group Co., Ltd. (河南投資集團有限公司) to Zhongyuan Trust Co., Ltd. (中原信託有限公司).
Special description of the special accounts for repurchase held by the top 10 Shareholders	None
Description of the top 10 Ordinary Shareholders participating in margin financing and securities lending business (if any)	Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) holds 429,905,180 A Shares through ordinary securities account and 178,200,000 A Shares through the customer credit transaction guaranteed securities account of CITIC Construction Investment Securities Co., Ltd. (中信建投證券股份有限公司), holding a total of 608,105,180 A Shares.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

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

Unit: Shares

Name of Shareholder	Number of Ordinary Shares held not subject to trading moratorium at the end of the Reporting Period	Type of Shares	
		Type of Shares	Number
HKSCC Nominees Limited	2,020,252,753	H Shares	2,020,252,753
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)	199,590,857	A Shares	199,590,857
Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司)	147,904,992	A Shares	147,904,992
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
Henan Investment Group Co., Ltd. (河南投資集團有限公司)	119,482,821	A Shares	119,482,821
Description of related party relationships or concerted actions among the top 10 Ordinary Shareholders not subject to trading moratorium, and between the top 10 Ordinary Shareholders not subject to trading moratorium and the top 10 Ordinary Shareholders	Please refer to the line headed "Description of related party relationships or concerted actions of the above Shareholders" in the table of the direct shareholdings of the top 10 Ordinary Shareholders.		

Notes:

- The above data are sourced from the register of members of the Bank as at 30 June 2024.
- The Shares held by HKSCC Nominees Limited are held by it in the capacity of an agent and represent the aggregate number of H Shares held by all institutional and individual investors registered in HKSCC Nominees Limited as at the end of the Reporting Period.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

During the Reporting Period, no Shares were lent out by Shareholders holding more than 5% of the Shares, the top 10 Shareholders and the top 10 Shareholders of tradable shares not subject to trading moratorium of the Bank to be involved in the margin refinancing business. There were no changes in the top 10 Shareholders and the top 10 Shareholders of tradable shares not subject to trading moratorium due to the lending/returning of the margin refinancing compared to the previous period.

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

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

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

Name of substantial Shareholder	Class of Shares	Long/Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued Ordinary Shares (%)
Zhengzhou Finance Bureau (鄭州市財政局)	A Shares	Long	Beneficial owner and interest of controlled corporation ⁽¹⁾	1,418,761,196	20.06	15.60
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	A Shares	Long	Beneficial owner	608,105,180	8.60	6.69
Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司)	A Shares	Long	Interest of controlled corporation ⁽¹⁾	608,105,180	8.60	6.69
Zhengzhou Talent Development Group Co., Ltd. (鄭州人才發展集團有限公司)	A Shares	Long	Interest of controlled corporation ⁽¹⁾	608,105,180	8.60	6.69
Zhengzhou Investment Group Co., Ltd. (鄭州市投資集團有限公司)	A Shares	Long	Interest of controlled corporation ⁽¹⁾	608,105,180	8.60	6.69
Henan Investment Group Co., Ltd. (河南投資集團有限公司)	A Shares	Long	Beneficial owner and interest of controlled corporation ⁽²⁾	438,159,454	6.20	4.82
Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	A Shares	Long	Beneficial owner	385,930,906	5.46	4.24
SPIC Capital Holding Co., Ltd. (國家電投集團資本控股有限公司)	A Shares	Long	Interest of controlled corporation ⁽³⁾	385,930,906	5.46	4.24
SPIC Industry-Finance Holding Co., Ltd. (國家電投集團產融控股股份有限公司)	A Shares	Long	Interest of controlled corporation ⁽³⁾	385,930,906	5.46	4.24
State Power Investment Corporation Limited (國家電力投資集團有限公司)	A Shares	Long	Interest of controlled corporation ⁽³⁾	385,930,906	5.46	4.24

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Name of substantial Shareholder	Class of Shares	Long/Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued Ordinary Shares (%)
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 ⁽⁴⁾	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 ⁽⁵⁾	302,619,651	14.98	3.33
Yunnan Provincial Energy Investment Group Co., Ltd.	H Shares	Long	Interest of controlled corporation ⁽⁵⁾	302,619,651	14.98	3.33
Beijing Shang Finance Corporation (北京尚融資本管理有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁶⁾	171,699,000	8.50	1.89
WEI Lidong (尉立東)	H Shares	Long	Interest of controlled corporation ⁽⁶⁾	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 ⁽⁷⁾	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 ⁽⁷⁾	133,167,881	6.59	1.46
CHEN Xingming (陳星明)	H Shares	Long	Interest of controlled corporation ⁽⁷⁾	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 ⁽⁸⁾	133,100,000	6.59	1.46
Goncius I Limited	H Shares	Long	Beneficial owner ⁽⁹⁾	115,501,859	5.72	1.27
	H Shares	Short	Beneficial owner ⁽⁹⁾	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 the summary of DI Forms and the register of members of the Bank as well as each of the capital reserve capitalization plans.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Notes:

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

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

4. CITIC Securities Company Limited held 326,292,751 H Shares (short position) of the Bank in aggregate through certain of its wholly-owned subsidiaries. These 326,292,751 H Shares (short position) involve derivatives in the classes below:

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

As the relevant interests involve derivatives, the information disclosed has not taken into account the capital reserve capitalization plan implemented in June 2023 by the Bank.

5. 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 Yunnan 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.
6. Beijing Shang Finance Corporation (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 Corporation (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 Corporation (北京尚融資本管理有限公司).
7. 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).
8. Zhengzhou Zhengdong New District Construction Development Investment Co., Ltd. (鄭州市鄭東新區建設開發投資總公司) was established by the Zhengzhou Zhengdong New District Management Committee (鄭州鄭東新區管理委員會).
9. These 115,501,859 H Shares (long position) and 115,501,859 H Shares (short position) held by Goncius I Limited involve derivatives in the classes below:

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

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

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.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

5 INFORMATION ON CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

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

6 SUBSTANTIAL SHAREHOLDERS

6.1 Holders with 5% or More Shareholding in the Bank

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

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

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

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》), information on other substantial Shareholders of the Bank as at the end of the Reporting Period is as below:

Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司): incorporated on 5 December 2005; the registered capital is RMB200 million; the Unified Social Credit Code is 91410100783405337J; the legal representative is Mr. ZHU Zhihui (朱志暉); the main business scope covers the sales of building and decorative materials, mechanical and electrical products (excluding automobiles), hardware and electrical equipment, etc.; house leasing; wholesale and retail as well as prepackaged food. As at the end of the Reporting Period, Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) held 320,590,857 A Shares, accounting for 3.53% of the total issued Ordinary Shares of the Bank. Mr. ZHU Zhihui (朱志暉), a Supervisor of the Bank, is the legal representative, executive director and general manager of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司). The controlling shareholder and de facto controller of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) is Mr. ZHU Zhihui (朱志暉). Related parties include Zhengzhou Huida Industrial Development Co., Ltd. (鄭州暉達實業發展有限公司), Henan Huida Construction Investment Co., Ltd. (河南暉達建設投資有限公司) and Huida Holdings Co., Ltd. (暉達控股有限公司), etc. The ultimate beneficiary of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) is itself.

7 RESTRICTIONS ON THE 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 the 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, 1,779,382,185 Ordinary Shares of the Bank (accounting for 19.57% of the total issued Ordinary Shares) were subject to pledges and 741,757,497 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.

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

During the Reporting Period, none of the Bank and its subsidiaries had purchased, sold or redeemed any listed securities or redeemable securities (including treasury shares, if any) of the Bank. As of the end of the Reporting Period, the Bank did not hold any treasury shares. For details of bond issuance and redemption, please refer to “Issuance and Repurchase of Bonds” in the chapter headed “Significant Events” of this Report.

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

1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR DIRECT SHAREHOLDINGS

Directors

Name	Gender	Date of birth	Position	Status	Term of office	Class of Shares	Number of Shares held as at the beginning of the Reporting Period	Increase in the number of Shares held during the Reporting Period	Decrease in the number of Shares held during the Reporting Period	Number of Shares held as at the end of the Reporting Period	Number of Shares granted	
											Number of Shares subject to trading moratorium as at the beginning of the Reporting Period	Number of Shares subject to trading moratorium as at the end of the Reporting Period
ZHAO Fei (趙飛)	Male	February 1975	Chairman	In office	2023.7.14 to present	-	-	-	-	-	-	-
			Executive Director	In office	2023.5.25 to present	-	-	-	-	-	-	-
WANG Dan (王丹)	Female	January 1978	Non-executive Director	In office	2021.11.8 to present	-	-	-	-	-	-	-
LIU Bingheng (劉炳恒)	Male	September 1969	Non-executive Director	In office	2021.11.9 to present	-	-	-	-	-	-	-
WANG Shihao (王世豪)	Male	April 1950	Non-executive Director	In office	2018.7.5 to present	A Shares	24,200	-	-	24,200	-	-
LI Yanyan (李燕燕)	Female	January 1968	Independent non-executive Director	In office	2018.7.5 to present	-	-	-	-	-	-	-
LI Xiaojian (李小建)	Male	August 1954	Independent non-executive Director	In office	2021.12.20 to present	-	-	-	-	-	-	-
SONG Ke (宋科)	Male	April 1982	Independent non-executive Director	In office	2022.1.19 to present	-	-	-	-	-	-	-
LI Shuk Yin Edwina (李淑賢)	Female	December 1962	Independent non-executive Director	In office	2021.12.20 to present	-	-	-	-	-	-	-

Note:

- The starting dates of the term of office represent the dates on which the relevant qualifications are approved by the banking regulatory authority.

Note: According to code provision B.2.2 of the Corporate Governance Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The three-year term of the seventh session of the Board and Board of Supervisors of the Bank has expired. As the election of the session of the Board and the Board of Supervisors is still in preparation, in order to ensure the continuity of the work of the Board and the Board of Supervisors, according to the Articles of Association, the term of the seventh session of the Board and the Board of Supervisors will be extended accordingly to cooperate with the relevant election work. The term of each special committee of the Board and the Board of Supervisors will also be extended accordingly.

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						
							Number of Shares held as at the beginning of the Reporting Period	Increase in the number of Shares held during the Reporting Period	Decrease in the number of Shares held during the Reporting Period	Number of Shares held as at the end of the Reporting Period	Number of Shares subject to trading moratorium as at the beginning of the Reporting Period	Number of Shares subject to trading moratorium during the Reporting Period	Number of Shares subject to trading moratorium as at the end of the Reporting Period
ZHU Zhihui (朱志暉)	Male	August 1969	Shareholder Supervisor	In office	2015.6.18 to present	-	-	-	-	-	-	-	-
XU Changsheng (徐長生)	Male	October 1963	External Supervisor	In office	2021.6.17 to present	-	-	-	-	-	-	-	-
GENG Mingzhai (耿明齋)	Male	February 1952	External Supervisor	In office	2023.6.15 to present	-	-	-	-	-	-	-	-
HUANG Jinju (黃金菊)	Female	February 1974	Employee Supervisor	In office	2024.7.18 to present	-	-	-	-	-	-	-	-
HU Yue (胡躍)	Male	January 1980	Employee Supervisor	In office	2024.7.18 to present	-	-	-	-	-	-	-	-
LI Huaibin (李懷斌)	Male	September 1969	Employee Supervisor	Resigned	2018.6.15 to 2024.3.28	A Shares	59,620	-	-	59,620	-	-	-
CHEN Xinxiu (陳新秀)	Female	June 1973	Employee Supervisor	Resigned upon expiration of term of office	2021.6.17 to 2024.6.16	A Shares	52,030	-	-	52,030	-	-	-

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

Senior Management

Name	Gender	Date of birth	Position	Status	Term of office	Class of Shares	Number of Shares						
							held as at the beginning of the Reporting Period	Increase in the number of Shares held during the Reporting Period	Decrease in the number of Shares held during the Reporting Period	Number of Shares held as at the end of the Reporting Period	Number of Shares subject to trading moratorium as at the beginning of the Reporting Period	Number of Shares subject to trading moratorium as at the end of the Reporting Period	Number of granted Shares
SUN Haigang (孫海剛)	Male	August 1977	Vice President	In office	2018.2.28 to present	A Shares	52,470	-	-	52,470	-	-	-
FU Chunqiao (傅春喬)	Male	October 1973	Vice President	In office	2019.3.29 to present	A Shares	53,020	-	-	53,020	-	-	-
GUO Zhibin (郭志彬)	Male	October 1968	Vice President	In office	2015.12.30 to present	A Shares	102,914	-	-	102,914	-	-	-
HAN Huihui (韓慧麗)	Female	October 1973	Secretary to the Board	In office	2024.6.7 to present	-	-	-	-	-	-	-	-
SUN Runhua (孫潤華)	Male	May 1972	Vice President	In office	2022.5.20 to present	-	-	-	-	-	-	-	-
LI Lei (李磊)	Male	August 1973	Assistant to President	In office	2017.11.21 to present	A Shares	149,408	-	-	149,408	-	-	-
ZHANG Houlin (張厚林)	Male	June 1976	Assistant to President	In office	2017.11.21 to present	A Shares	46,222	-	-	46,222	-	-	-
LI Hong (李紅)	Female	February 1973	Assistant to President	In office	2019.3.29 to present	A Shares	86,419	-	-	86,419	-	-	-
LIU Jiuqing (劉久慶)	Male	March 1978	Assistant to President	In office	2019.3.29 to present	A Shares	54,450	-	-	54,450	-	-	-
WANG Yanli (王艷麗)	Female	October 1970	Chief Risk Officer	In office	2018.2.12 to present	A Shares	191,986	-	-	191,986	-	-	-

Note:

- The starting dates of the term of office represent the dates on which the relevant qualifications are approved by the banking regulatory authority.

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

2 CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Type	Date	Reason
HUANG Jinju (黃金菊)	Employee Supervisor	Elected	2024.7.18	
HU Yue (胡躍)	Employee Supervisor	Elected	2024.7.18	
LI Huaibin (李懷斌)	Employee Supervisor	Resigned	2024.3.28	
CHEN Xinxiu (陳新秀)	Employee Supervisor	Resigned upon expiration of term of office	2024.6.16	
HAN Huili (韓慧麗)	Secretary to the Board	Appointed	2024.6.7	

On 18 July 2024, the meeting of the labour union committee of the Bank, upon deliberation and approval, agreed to elect Ms. HUANG Jinju and Mr. HU Yue as employee supervisors of the seventh session of the Board of Supervisors. They shall assume their duties from the date of approval of the election and serve the same term as the seventh session of the Board of Supervisors of the Bank. The appointments were made to fill the vacancies of the employee supervisors of the Bank, including Mr. LI Huaibin, who resigned for personal reasons, and Ms. CHEN Xinxiu, who resigned upon expiry of her term of office. For details, please refer to the announcements dated 29 March 2024 and 21 July 2024 published by the Bank on the website of CNINFO and the announcements dated 28 March 2024 and 21 July 2024 published by the Bank on the website of the Hong Kong Stock Exchange.

On 29 April 2024, the Board of the Bank, upon deliberation and approval, agreed to appoint Ms. HAN Huili as the Secretary to the Board of the Bank. On 7 June 2024, her qualification was approved by the National Financial Regulatory Administration Henan Office. For details, please refer to the announcements dated 30 April 2024 and 13 June 2024 published by the Bank on the website of CNINFO and the announcements dated 29 April 2024 and 13 June 2024 published by the Bank on the website of the Hong Kong Stock Exchange.

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

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

Mr. LIU Bingheng, a non-executive Director, ceased to be the director of the financial operation center of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) since April 2024.

Ms. LI Yanyan, an independent non-executive Director, has served as the director of the Academic Committee Office of Zhengzhou University from January 2024.

Mr. SONG Ke, an independent non-executive Director, ceased to act as the deputy director of the Academic Affairs Office of Renmin University of China from March 2024, and has served as the executive vice president of the Shenzhen Research Institute of Renmin University of China and the executive president of the Institute of Advanced Social Sciences (Shenzhen) since March 2024.

Ms. LI Shuk Yin Edwina, an independent non-executive Director, ceased to act as an external supervisor of PICC Property and Casualty Company Limited (listed on the Hong Kong Stock Exchange, stock code: 02328) from June 2024.

4 JOINT COMPANY SECRETARIES AND AUTHORIZED REPRESENTATIVES

On 29 April 2024, the Board of the Bank considered and approved to appoint Ms. HAN Huili as the joint company secretary and authorized representative of the Bank under Rule 3.05 of the Stock Exchange Listing Rules. She officially assumed her duties on 2 May 2024 upon obtaining the waiver granted by the Hong Kong Stock Exchange for the qualification of company secretary. In the meantime, Dr. NGAI Wai Fung resigned as the authorized representative of the Bank, acted as an alternate to the authorized representative and acted as the other joint company secretary of the Bank on 2 May 2024. For details, please refer to the announcements dated 29 April 2024, 3 May 2024 and 13 June 2024 published by the Bank on the website of the Hong Kong Stock Exchange.

5 SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

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

The Bank is not aware of any breach of the restrictive share trading requirements promulgated by the Company Law, the Securities Law, the CSRC, the SZSE and other regulatory authorities by any Director, Supervisor or senior management personnel during the Reporting Period.

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

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

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

Name	Position	Class of Shares	Nature	Number of Shares held directly or indirectly (Shares) (Long position)	Percentage of the relevant class of Shares in issue (%)	Percentage of all Ordinary Shares in issue (%)
WANG Shihao	Director	A Share	Beneficial owner	24,200	0.00034	0.00027
ZHU Zhihui ^(Note)	Supervisor	A Share	Interest of controlled corporation	320,590,857	4.53348	3.52604

Note: 320,590,857 A Shares of the Bank are held directly by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司), which is owned as to 90% and 10% by Mr. ZHU Zhihui, a Supervisor of the Bank, and his spouse, Ms. WANG Linhui, respectively. By virtue of the SFO, Mr. ZHU Zhihui is deemed to be interested in the Shares held by Henan Guoyuan Trade Co., Ltd.

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

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

7 STAFF

7.1 Composition

As at the end of the Reporting Period, the Bank had 5,258 employees, and its subsidiaries had 564 employees. The Group had a total of 5,822 employees.

By department/function

Job category	Number of employees	Percentage (%)
Corporate banking	833	14.31
Retail banking	1,874	32.19
Risk management, internal audit and legal compliance	782	13.43
Finance and accounting	1,001	17.19
Information technology	302	5.19
Business management and support	1,030	17.69
Total	5,822	100.00

By age

Age group	Number of employees	Percentage (%)
30 and below	1,304	22.40
31 – 40	3,583	61.54
41 – 50	632	10.86
Above 50	303	5.20
Total	5,822	100.00

By level of education

Highest level of education	Number of employees	Percentage (%)
Master's degree or above	1,207	20.73
Bachelor's degree	4,221	72.50
Associate degree	359	6.17
Others	35	0.60
Total	5,822	100.00

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

7.2 Staff Training Plan

Based on the annual development strategy, the Bank vigorously promoted transformation, and enhanced the comprehensive and innovative abilities of all cadres and employees, so as to provide strong talent and system support to complete the Bank's various tasks with high quality. During the Reporting Period, the Bank developed a training system construction plan to clarify the vision and objectives of the training system, aligning with the Provincial Party Committee's goal of establishing a first-class city commercial bank. This plan also presents targeted solutions to address current training challenges and outlines the design of the training system in terms of training content and format and project design, intending to deeply and effectively support the Bank's reform and transformation efforts. The Bank formulated and revised the training management system to continuously improve the institutional framework and lay a solid foundation for training management. The Bank updated and revised the Management Measures for Training, Management Measures for Internal Trainers, and Management Measures for Reimbursement of Professional (Vocational) Qualification Certificate Fees to adapt to changes and support the needs of training management and business development. It conducted training sessions for talent teams at all levels to enhance the relevance and timeliness of talent development, and also organized specialized party classes focused on party discipline learning and education, collective integrity education, and policy transmission training for all employees at the supervisory level and above of the whole bank. These training initiatives include thematic party classes, integrity education, strategy interpretation, and explanations of party discipline and regulations. The Bank carried out reserve talent training, which covers specialized knowledge in science and technology, office skills, and practical tools for reserve talents. The Bank conducted the selection, training and certification of junior internal trainers for 2024 utilizing the cultivation and selection method that combines "pain point identification, one-on-one coaching, course refinement, and on-site assessment", with a focus on "curriculum development and the cultivation of internal trainers". It conducted professional training for corporate, retail, risk and other teams to improve their professional ability, and laid a sound talent foundation for the business development of the whole bank.

7.3 Remuneration Policy for Staff

In formulating its remuneration policy, the Bank adheres to the principles of "fairness, competitiveness and incentivization" to establish a comprehensive, scientific and reasonable employee remuneration policy. The remuneration policy aims to achieve fairness while also considering efficiency. It emphasizes the principle of "payment according to work" in income distribution and implements differentiated remuneration based on the concept of more rewards for greater contributions. It shall be conducive to enhancing our market competitiveness and attractiveness to talented people. Based on the market salary level, the Bank makes corresponding adjustments for positions whose remunerations are far below that level. It shall also be able to make our salary more motivative, namely to motivate our employees through the design of performance-based remuneration, and to provide employees at different positions with equal promotion opportunities by designing different promotion channels. In accordance with regulatory requirements and business management needs, the Bank has established mechanisms related to deferred payment of salary and recourse and deduction of bonus and salary, so as to improve the salary-based incentive and restraint mechanism and mitigate various business and management risks. The Bank makes social insurance contributions and housing provident fund contributions and provides other employee benefit packages for employees in accordance with applicable laws, rules and regulations of the PRC, and establishes a corporate annuity system and a supplementary medical fund to improve the pension payment and medical security of employees. For details of accrued staff costs, please refer to Note 29 to the financial statements in the chapter headed "Independent Auditor's Review Report" of this Report.

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

8 BASIC INFORMATION OF INSTITUTIONS UNDER THE BANK

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

Region	Name of branch	Business address (China)	Number of its affiliated institutions	Number of employees	Asset size (RMB'000)
Zhengzhou, Henan	Headquarters	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province	116 branch institutions in Zhengzhou for conducting external business and 66 institutions in other prefectural-level cities in Henan for conducting external business	5,258	609,482,192
Zhengzhou, Henan	Branch institutions in Zhengzhou for conducting external businesses directly managed by the headquarters	–	99 institutions for conducting external business	3,673	452,763,029
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	333	27,080,070
Nanyang, Henan	Nanyang branch	The junction of Zhongjing Road and Fanli Road, Wancheng District, Nanyang City, Henan Province	10 institutions for conducting external business	161	9,805,143
Xinxiang, Henan	Xinxiang branch	No. 278, Xiangyang Road, Xinxiang City, Henan Province	7 institutions for conducting external business	124	10,551,251
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	18,330,607

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

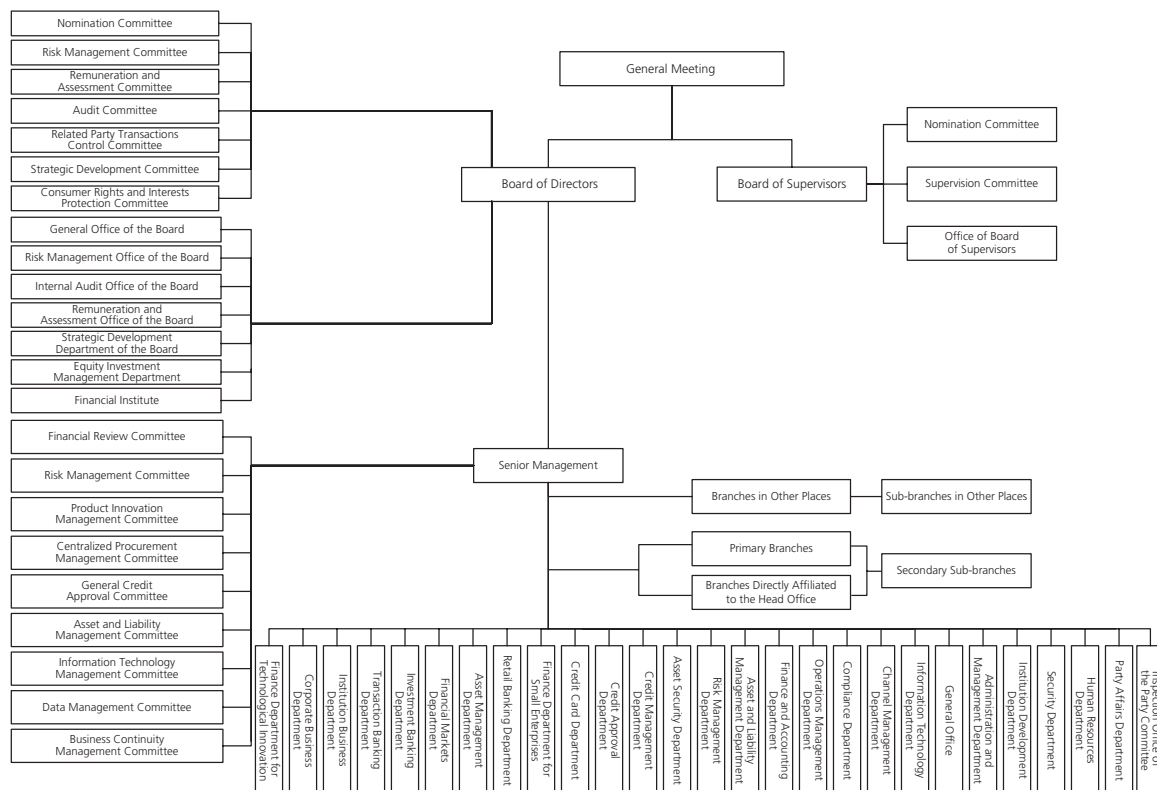
Region	Name of branch	Business address (China)	Number of its affiliated institutions	Number of employees	Asset size (RMB'000)
Anyang, Henan	Anyang branch	Yiwu International Business & Trade Mansion, the junction of Zhonghua Road and Delong Street, Andong New District, Anyang City, Henan Province	7 institutions for conducting external business	107	9,095,212
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	115	11,026,322
Xuchang, Henan	Xuchang branch	Hengtong 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	84	11,609,986
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	70	6,309,524
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	99	7,018,981
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	7,487,346
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	8,791,396

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

Region	Name of branch	Business address (China)	Number of its affiliated institutions	Number of employees	Asset size (RMB'000)
Zhumadian, Henan	Zhumadian branch	The southwest of junction of Huaihe Avenue and Tianzhongshan Avenue, Zhumadian City, Henan Province	2 institutions for conducting external business	51	7,167,904
Kaifeng, Henan	Kaifeng branch	The southeast of junction of Jinming Avenue and Hanxing Road, Kaifeng City, Henan Province	4 institutions for conducting external business	73	9,900,962
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	7,785,411
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	43	4,759,048

CHAPTER V CORPORATE GOVERNANCE

1 COMPANY STRUCTURE DIAGRAM



2 OVERVIEW OF CORPORATE GOVERNANCE

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

CHAPTER V CORPORATE GOVERNANCE

3 CONVENING OF GENERAL MEETING

Session and type of meeting	Investor participation ratio	Date of convening	Date of disclosure	Meeting resolution
2023 AGM	40.60%	27 June 2024	28 June 2024	Please refer to the announcement published by the Bank on the website of CNINFO
			27 June 2024	Please refer to the announcement published by the Bank on the website of the Hong Kong Stock Exchange

During the Reporting Period, the Bank held 1 general meeting, the particulars of which are as follows:

On 27 June 2024, the Bank held the 2023 AGM in Zhengzhou, Henan Province. At the meeting, 11 resolutions regarding, among other things, 2023 Board of Directors work report, 2023 Board of Supervisors work report, 2023 annual financial statements, 2023 annual report and its summary, and 2023 profit distribution plan were considered and approved.

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

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

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

During the Reporting Period, the Board held five meetings, at which 32 resolutions were considered and approved. The special committees of the Board held 13 meetings in total, at which 29 resolutions were considered and approved. In particular, the strategic development committee held one meeting, at which one resolution was considered and approved; the risk management committee held three meetings, at which 12 resolutions were considered and approved; the related party transactions control committee held three meetings, at which five resolutions were considered and approved; the audit committee held three meetings, at which eight resolutions were considered and approved; the nomination committee held two meetings, at which two resolutions were considered and approved; the remuneration and assessment committee held one meeting, at which one resolution was considered and approved; and the consumer rights and interests protection committee did not held a meeting.

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

During the Reporting Period, the Board of Supervisors held two meetings, at which 13 resolutions were considered and approved. The nomination committee of the Board of Supervisors held two meetings, at which five resolutions were considered and approved; the supervision committee of the Board of Supervisors held one meeting, at which two resolutions were considered and approved.

6 INTERNAL CONTROL AND INTERNAL AUDIT

Internal Control

During the Reporting Period, the Bank continuously strengthened the construction of internal control mechanisms, coordinated supervision and inspection, and fostered a compliance culture. Firstly, we organized the formulation of the work plan for the year, coordinated the system revisions, risk identification and assessment, compliance inspections, compliance culture and training, and case prevention and control throughout the year; secondly, we continuously carried out system sorting, strictly conducted system examinations, and constantly improved and optimized the internal control system; thirdly, we carried out risk identification and assessment work, identified risks in business products and management processes, and evaluated the effectiveness of key control measures; fourthly, we enhanced the quality and effectiveness of supervision and inspection through the collaboration of the three lines of defense, strengthened the implementation of internal control systems, delved into root causes of issues, and continuously improved the internal control mechanisms; fifthly, we developed a compliance culture by conducting self-inspections on the implementation of industry regulations such as the Self-Discipline Convention of the Banking Industry of China, organizing the signing of responsibility letters for case prevention targets, and providing training on regulatory dynamics and risk warning cases, so as to create a favorable compliance cultural atmosphere.

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, and being risk-oriented, 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, risk management and other aspects across the Bank. Moreover, it continuously expands the coverage of audit works, strengthens audit supervision, follows up the correction of identified audit problems, and constantly improves the quality and efficiency of internal audit.

CHAPTER VI SIGNIFICANT EVENTS

1 PROFIT DISTRIBUTION AND CAPITALIZATION ISSUE DURING THE REPORTING PERIOD

Upon consideration and approval at the 2023 AGM of the Bank, the Bank did not distribute cash dividends or bonus shares or implement capitalization issue in year 2023.

The Bank had no plan to distribute cash dividends and bonus shares or implement capitalization issue for the first half of 2024.

2 ISSUANCE AND REPURCHASE OF BONDS

The Bank issued the 2021 innovative and entrepreneurial financial bonds (Bonds code: 2120070), whose book-building was recorded in the national interbank bond market on 19 August 2021, in an amount of RMB5 billion, with a fixed rate for a term of 3 years and a coupon rate of 3.16%. The proceeds will be specifically used for credit extension in the fields of innovation and entrepreneurship. The bonds were fully cashed on 23 August 2024.

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

The Bank issued the 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 proceeds will be specifically 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%.

The Bank issued the 2024 green financial bonds (Bonds code: 2420020), whose book-building was recorded in the national interbank bond market on 24 May 2024, in an amount of RMB2 billion, for a term of 3 years. The coupon rate is 2.25%. The proceeds will be specifically 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.

CHAPTER VI SIGNIFICANT EVENTS

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

Undertaking	Undertaking party	Undertaking type	Details of the undertaking	Date of undertakings	Term of undertakings	Performance
Undertakings made in the 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 listing 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 upon the listing, 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 shareholdings, the selling price shall be no less than the issue price of the initial public offering of the Bank's A Shares (if there is any dividend distribution, bonus issue of shares, capitalization of capital reserve, share placing, share subdivision and other ex-rights and ex-dividend events of the Bank's shares, the selling price will be adjusted accordingly by ex-rights and ex-dividend).</p>	2018-09-19	Refer to the details of the undertakings	During the course of performance

CHAPTER VI SIGNIFICANT EVENTS

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

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

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4 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

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

4.2 Significant Related Party Transactions

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

4.3 Related Party Transactions

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

4.3.1 Credit grant related party transactions with general associated corporations

Unit: RMB'000

Number	Related client	Estimated quota on recurring related party transactions for 2024	Total credit granted as at the end of June 2024	Related legal persons	Credit granted as at the end of June 2024	Business line
1	Zhengzhou Development Investment Group Co., Ltd. (鄭州發展投資集團有限公司) and its associated corporations	2,600,000	1,135,591	Henan Zhongyuan Financial Holding Co., Ltd. (河南中原金控有限公司)	1,135,591	Loan business and investment business

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Number	Related client	Estimated quota on recurring related party transactions for 2024	Total credit granted as at the end of June 2024	Related legal persons	Credit granted as at the end of June 2024	Business line
2	Zhengzhou Construction Investment Group Co., Ltd. (鄭州市建設投資集團有限公司) and its associated corporations	4,100,000	2,234,835	Zhengzhou Construction Investment Group Co., Ltd. (鄭州市建設投資集團有限公司)	748,800	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)	772,760	Loan business and bill business
				Zhengzhou Songyue Highway Development Co., Ltd. (鄭州嵩岳公路開發有限公司)	569,200	Loan business and investment business
				Zhengzhou City Highway Engineering Company (鄭州市公路工程公司)	144,075	Loan business
3	Zhengzhou Transportation Construction Investment Co., Ltd. (鄭州交通建設投資有限公司) and its associated corporations	1,200,000	998,437	Zhengzhou Transportation Construction Investment Co., Ltd. (鄭州交通建設投資有限公司)	876,278	Loan business and investment business
				Zhengzhou Trading Dikun Industrial Co., Ltd. (鄭州交投地坤實業有限公司)	122,159	Investment business
4	Zhengzhou Municipal Group Co., Ltd. (鄭州市政集團有限公司) and its associated corporations	400,000	171,990	Zhengzhou Municipal Group Co., Ltd. (鄭州市政集團有限公司)	69,990	Bill business
				Henan Kanghui Cement Products Co., Ltd. (河南康輝水泥製品有限公司)	102,000	Loan business
5	Zhengzhou Metro Group Co., Ltd. (鄭州地鐵集團有限公司) and its associated corporations	3,500,000	1,805,500	Zhengzhou Metro Group Co., Ltd. (鄭州地鐵集團有限公司)	1,805,500	Loan business

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Number	Related client	Estimated quota on recurring related party transactions for 2024	Total credit granted as at the end of June 2024	Related legal persons	Credit granted as at the end of June 2024	Business line
6	Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司) and its associated corporations	7,000,000	2,317,697	Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司)	760,000	Investment business
				Henan Digital Town Development and Construction Co., Ltd. (河南數字小鎮開發建設有限公司)	192,000	Loan business
				Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	1,221,000	Loan business and investment business
				Zhengzhou Jinyang Electric Co., Ltd. (鄭州金陽電氣有限公司) ^(Note)	30,000	Loan business
				Henan Guochuang Cultural Development Co., Ltd. (河南國創文化發展有限公司)	114,697	Loan business
7	Henan Investment Group Co., Ltd. (河南投資集團有限公司) and its associated corporations	3,800,000	561,544	Henan Yicheng Holdings Co., Ltd. (河南穎城控股有限公司)	460,000	Loan business
				Dahe International Trading Co., Ltd. (大河國際貿易有限公司)	80,000	Loan business
				Henan Ancai Photovoltaic Advanced Material Co., Ltd. (河南安彩光伏新材料有限公司)	4,500	Loan business
				Henan Tou Wisdom Energy Co., Ltd. (河南省投智慧能源有限公司)	7,144	Loan business
				Henan Health Care Group Co., Ltd. (河南康養集團有限公司)	9,900	Loan business

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Number	Related client	Estimated quota on recurring related party transactions for 2024	Total credit granted as at the end of June 2024	Related legal persons	Credit granted as at the end of June 2024	Business line
8	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	Henan Huida Construction Investment Co., Ltd. (河南輝達建設投資有限公司)	943,613	Loan business
				Henan Yingshuo Construction Engineering Co., Ltd. (河南盈碩建築工程有限公司)	523,800	Loan business
				Zhengzhou Huida Industrial Development Co., Ltd. (鄭州輝達實業發展有限公司)	497,370	Loan business
				Henan Kairui Real Estate Co., Ltd. (河南凱睿置業有限公司)	269,800	Loan business
				Likard (Zhengzhou) Hotel Management Co., Ltd. (麗卡德(鄭州)酒店管理有限公司)	189,300	Loan business
				Zhengzhou Yingshou Trading Co., Ltd. (鄭州盈首商貿有限公司)	147,500	Loan business
				Henan Jianyuan Decoration Engineering Co., Ltd. (河南建苑裝飾工程有限公司)	145,200	Loan business
				Henan Xincheng Real Estate Co., Ltd. (河南新城置業有限公司)	124,200	Loan business
				Xinxiang City Zhongkai Real Estate Co., Ltd. (新鄉市中開置業有限公司)	48,220	Loan business
9	Henan Asset Management Co., Ltd. (河南資產管理有限公司) and its associated corporations	3,000,000	865,400	Henan Asset Management Co., Ltd. (河南資產管理有限公司)	865,400	Loan business and investment business

Note: Zhengzhou Jinyang Electric Co., Ltd. is an enterprise controlled by Zhengzhou Investment Holdings Co., Ltd., which is a major shareholder of the Bank within the past 12 months.

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4.3.2 Credit grant related party transactions with financial institutions

Unit: RMB'000

Number	Related client	Estimated quota on recurring related party transactions for 2024	Total credit granted as at the end of June 2024	Related legal persons	Credit granted as at the end of June 2024	Business line
1	Central China Securities Co., Ltd. (中原證券股份有限公司) and its associated corporations	500,000	-	Central China Securities Co., Ltd. (中原證券股份有限公司)	-	/
2	Zhongyuan Trust Co., Ltd. (中原信託有限公司) and its associated corporations	1,000,000	500,000	Zhongyuan Trust Co., Ltd. (中原信託有限公司)	500,000	General credit grant among financial institutions, revolving throughout the validity period of the credit
3	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	General credit grant among financial institutions, revolving throughout the validity period of the credit
4	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	General credit grant among financial institutions, revolving throughout the validity period of the credit
5	Great Wall Fund Management Co., Ltd. (長城基金管理有限公司)	300,000	-	Great Wall Fund Management Co., Ltd. (長城基金管理有限公司)	-	/
6	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	General credit grant among financial institutions, revolving throughout the validity period of the credit

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Number	Related client	Estimated quota on recurring related party transactions for 2024	Total credit granted as at the end of June 2024	Related legal persons	Credit granted as at the end of June 2024	Business line
7	Zhongmu Zhengyin County Bank (中牟鄭銀村鎮銀行)	600,000	400,000	Zhongmu Zhengyin County Bank (中牟鄭銀村鎮銀行)	400,000	General credit grant among financial institutions, revolving throughout the validity period of the credit
8	Yanling Zhengyin County Bank (鄆陵鄭銀村鎮銀行)	500,000	200,000	Yanling Zhengyin County Bank (鄆陵鄭銀村鎮銀行)	200,000	General credit grant among financial institutions, revolving throughout the validity period of the credit

4.3.3 Credit grant related party transactions with natural persons

As at the end of the Reporting Period, the credit balance of natural person related parties in the Bank was RMB93.94 million, which did not exceed the limit of RMB300 million for the aggregate quota of natural person related parties under estimated quota on recurring related party transactions for 2024.

4.3.4 Other related party transactions

During the Reporting Period, the Bank's largest single transaction of financial market transactions with open market price such as spot bond trading and pledge-style repo with each of the Bank of Lanzhou Co., Ltd. (蘭州銀行股份有限公司), Zhongyuan Bank Co., Ltd. (中原銀行股份有限公司) and Central China Securities Co., Ltd. (中原證券股份有限公司) amounted to RMB800 million, RMB800 million and RMB99 million respectively. The amount of service-related transactions including trust custody and supervision fees with Zhongyuan Trust Co., Ltd (中原信託有限公司) amounted to RMB31.03 million. The amount of deposit business transactions with all related parties amounted to RMB14,628.93 million. 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), Great Wall Fund Management Co., Ltd. (長城基金管理有限公司), and Jiuding Financial Leasing Company (九鼎金融租賃公司). There was no asset trading business between the Bank and Henan Asset Management Company Limited (河南資產管理有限公司).

5 SIGNIFICANT CONTRACTS AND INFORMATION ON THEIR PERFORMANCE

5.1 Entrustment, Contracting and Leasing Matters

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

5.2 Significant Guarantees

During the Reporting Period, the Bank had no other significant guarantee matters that needed to be disclosed save for the guarantee business within the normal banking business scope.

5.3 Entrusted Wealth Management

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

5.4 Other Significant Contracts

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

6 LOAN AGREEMENTS OR FINANCIAL ASSISTANCE OF THE BANK

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

7 SIGNIFICANT ACQUISITION, DISPOSAL OR ABSORPTION OF ASSETS AND EQUITY

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

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8 SIGNIFICANT LITIGATION AND ARBITRATION

Case progress of financial loan contract dispute between the Bank's Xisihuan Sub-branch and Zhengzhou Changke Trading Co., Ltd. and other parties; case acceptance and progress of financial loan contract disputes between the Bank's Changchun Road Sub-branch and Zhengzhou Kangqiao Real Estate Development Co., Ltd. and other parties, and with Henan Meijing Xinrui Real Estate Development Co., Ltd. and other parties; case acceptance and progress of financial loan contract disputes between the Bank's Weier Road Sub-branch and Zhengzhou Xinying Real Estate Co., Ltd. and other parties. For details, please refer to the relevant announcements of the Bank published on CNINFO and the website of the Hong Kong Stock Exchange. Other significant litigation and arbitration previously involved by the Bank are detailed in the relevant litigation and arbitration announcements published by the Bank.

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 total amount of the pending litigation and arbitration of the Bank acting as the defendant or the respondent was RMB9 million. These litigation and arbitration matters are not expected to have material adverse impacts on the financial position or operating results of the Bank.

9 OTHER SIGNIFICANT SOCIAL SECURITY ISSUES

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

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

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

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

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

12 ILLEGAL PROVISION OF EXTERNAL GUARANTEE

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

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

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

14 CAPITAL FLOWS WITH CONTROLLING SHAREHOLDERS AND THEIR RELATED PARTIES

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

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

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

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

16 IMPLEMENTATION 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.

17 MATTERS RELATED TO BANKRUPTCY AND RESTRUCTURING

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

CHAPTER VI SIGNIFICANT EVENTS

18 APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

As considered and approved at the 2023 AGM, the Bank re-appointed Ernst & Young Hua Ming LLP and Ernst & Young as its domestic and overseas auditors for year 2024, respectively, and their respective terms shall last until the conclusion of the 2024 annual general meeting of the Bank.

19 AUDIT REVIEW

The financial statements for the six months ended 30 June 2024 were prepared by the Bank according to the China Accounting Standards for Business Enterprises and International Financial Reporting Standards, and were unaudited. Ernst & Young Hua Ming LLP and Ernst & Young had reviewed such financial statements, respectively. This Report has been reviewed by the audit committee of the Board and the Board.

20 EXPLANATION OF OTHER SIGNIFICANT EVENTS

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

21 SIGNIFICANT EVENTS OF THE BANK'S SUBSIDIARIES

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

22 EVENTS AFTER THE REPORTING PERIOD

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

CHAPTER VII Independent Auditor's Review Report

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CHAPTER VII Independent Auditor's Review Report

INDEPENDENT REVIEW REPORT

To the Board of Directors of Bank of Zhengzhou Co., Ltd.

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

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial information of Bank of Zhengzhou Co., Ltd. (the "Bank") and its subsidiaries (together, the "Group"), which comprises the interim condensed consolidated statement of financial position as at 30 June 2024 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

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

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong

29 August 2024

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2024
(In RMB thousands, unless otherwise stated)

	Note	For the six months ended 30 June	
		2024 (Unaudited)	2023 (Unaudited)
Interest income		11,777,458	12,397,522
Interest expense		(6,481,911)	(6,471,739)
Net interest income	3	5,295,547	5,925,783
Fee and commission income		339,711	396,112
Fee and commission expense		(73,712)	(74,015)
Net fee and commission income	4	265,999	322,097
Net trading gains	5	450,279	401,244
Net gains arising from investments	6	333,609	193,646
Other operating income	7	59,708	60,827
Operating income		6,405,142	6,903,597
Operating expenses	8	(1,663,805)	(1,522,801)
Credit impairment losses	9	(2,860,823)	(2,877,516)
Other operating cost		(7,239)	–
Operating profit		1,873,275	2,503,280
Share of (losses)/profits of associates	19	(3,700)	23,710
Profit before taxation		1,869,575	2,526,990
Income tax expense	10	(220,463)	(412,507)
Net profit for the period		1,649,112	2,114,483
Net profit attributable to:			
Equity shareholders of the Bank		1,593,861	2,046,633
Non-controlling interests		55,251	67,850
		1,649,112	2,114,483

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

	Note	For the six months ended 30 June	
		2024 (Unaudited)	2023 (Unaudited)
Other comprehensive income	31		
Other comprehensive income net of tax attributable to equity shareholders of the Bank		360,373	173,854
<i>Items that may be reclassified subsequently to profit or loss</i>			
– Changes in fair value/credit losses from debt investments measured at fair value through other comprehensive income		368,981	179,508
<i>Items that will not be reclassified subsequently to profit or loss</i>			
– Changes in fair value from investments in equity instruments designated as fair value through other comprehensive income		1,056	(1,303)
– Remeasurement of net defined benefit liability		(9,664)	(4,351)
Non-controlling interests		–	–
Other comprehensive income net of tax		360,373	173,854
Total comprehensive income		2,009,485	2,288,337
Total comprehensive income attributable to:			
Equity shareholders of the Bank		1,954,234	2,220,487
Non-controlling interests		55,251	67,850
		2,009,485	2,288,337
Basic and diluted earnings per share (in RMB)	11	0.18	0.23

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

Interim Condensed Consolidated Statement of Financial Position

30 June 2024

(In RMB thousands, unless otherwise stated)

	Note	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Assets			
Cash and deposits with Central Bank	12	26,106,678	26,369,865
Deposits with banks and other financial institutions	13	956,432	1,244,162
Placements with banks and other financial institutions	14	7,744,407	6,227,699
Financial assets held under resale agreements	15	8,003,534	10,689,146
Loans and advances to customers	16	360,955,481	350,325,297
Financial investments:			
Financial investments at fair value through profit or loss	17	38,933,684	40,723,996
Financial investments at fair value through other comprehensive income	17	27,945,297	22,872,676
Financial investments measured at amortised cost	17	123,275,199	122,756,433
Lease receivables	18	33,458,706	32,817,168
Interests in associates	19	600,701	604,401
Property and equipment	20	3,443,583	3,424,145
Deferred tax assets	21	6,612,336	6,278,278
Other assets	22	7,644,336	6,376,163
Total assets		645,680,374	630,709,429
Liabilities			
Due to Central Bank	23	28,652,279	30,960,269
Deposits from banks and other financial institutions	24	13,237,639	14,307,609
Placements from banks and other financial institutions	25	30,355,301	33,246,902
Financial assets sold under repurchase agreements	26	14,363,697	25,131,941
Deposits from customers	27	392,756,086	366,521,910
Tax payable		1,006,429	1,092,496
Debt securities issued	28	105,876,838	102,068,783
Other liabilities	29	3,107,764	3,064,663
Total liabilities		589,356,033	576,394,573

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

Interim Condensed Consolidated Statement of Financial Position (Continued)

30 June 2024

(In RMB thousands, unless otherwise stated)

	Note	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Equity			
Share capital	30	9,092,091	9,092,091
Other equity instruments	33	9,998,855	9,998,855
Capital reserve	31	5,985,102	5,985,102
Surplus reserve	31	3,689,605	3,689,605
General reserve	31	8,266,509	8,266,509
Fair value reserve	31	559,423	189,386
Remeasurement of net defined benefit liability	31	(83,707)	(74,043)
Retained earnings	32	16,899,180	15,305,319
Total equity attributable to equity shareholders of the Bank		54,407,058	52,452,824
Non-controlling interests		1,917,283	1,862,032
Total equity		56,324,341	54,314,856
Total liabilities and equity		645,680,374	630,709,429

Zhao Fei
Chairman of the Board of Directors

Sun Haigang
Person in Charge of Accounting Affairs

Yuan Dongyun
Head of Accounting Department

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

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

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024
(In RMB thousands, unless otherwise stated)

Note	Equity attributable to shareholders of the Bank										Total equity
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Sub-total	Non-controlling interests	
Balance at 1 January 2024 (audited)	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
Profit for the period	-	-	-	-	-	-	-	1,593,861	1,593,861	55,251	1,649,112
Other comprehensive income	-	-	-	-	-	370,037	(9,664)	-	360,373	-	360,373
Total comprehensive income	-	-	-	-	-	370,037	(9,664)	1,593,861	1,954,234	55,251	2,009,485
Balance at 30 June 2024 (unaudited)	9,092,091	9,998,855	5,985,102	3,689,605	8,266,509	559,423	(83,707)	16,899,180	54,407,058	1,917,283	56,324,341

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

	Equity attributable to shareholders of the Bank										Total equity	
	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Sub-total		Non-controlling interests
Balance at 1 January 2023 (audited)		8,265,538	9,998,855	6,811,655	3,505,562	7,767,704	(126,163)	(69,635)	14,618,050	50,772,566	1,852,670	52,625,236
Profit for the period		-	-	-	-	-	-	-	2,046,633	2,046,633	67,850	2,114,483
Other comprehensive income	31(d)(e)	-	-	-	-	-	178,205	(4,351)	-	173,854	-	173,854
Total comprehensive income		-	-	-	-	-	178,205	(4,351)	2,046,633	2,220,487	67,850	2,288,337
Appropriation of profit:												
- Appropriation to general reserve		-	-	-	-	29,749	-	-	(29,749)	-	-	-
Capital reserve converted into share capital	30	826,553	-	(826,553)	-	-	-	-	-	-	-	-
Sub-total		826,553	-	(826,553)	-	29,749	-	-	(29,749)	-	-	-
Balance at 30 June 2023 (unaudited)		9,092,091	9,998,855	5,985,102	3,505,562	7,797,453	52,042	(72,986)	16,634,934	52,993,053	1,920,520	54,913,573

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

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

Attributable to equity shareholders of the Bank												
	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement		Non-controlling interests	Total equity	
								of net defined benefit liability	Retained earnings			Sub-total
Balance at 1 January 2023 (audited)		8,265,538	9,998,855	6,811,655	3,505,562	7,767,704	(126,163)	(68,635)	14,618,050	50,772,566	1,852,670	52,625,236
Profit for the year		-	-	-	-	-	-	-	1,850,117	1,850,117	9,362	1,859,479
Other comprehensive income	31(d)(e)	-	-	-	-	-	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	31(b)	-	-	-	184,043	-	-	-	(184,043)	-	-	-
- Appropriation to general reserve	31(c)	-	-	-	-	498,805	-	-	(498,805)	-	-	-
- Cash dividends on perpetual debits	32(a)	-	-	-	-	-	-	-	(480,000)	(480,000)	-	(480,000)
Conversion of capital reserves into share capital	30	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 (audited)		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 accompanying notes form an integral part of this interim consolidated financial statements.

Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Cash flows from operating activities		
Profit before tax	1,869,575	2,526,990
<i>Adjustments for:</i>		
Credit Impairment losses	2,860,823	2,877,516
Depreciation and amortisation	225,403	230,240
Unrealised foreign exchange gains	(10,881)	(119,245)
Net losses/(gains) from disposal of long-term assets	2,279	(10,246)
Net trading gains of financial investments at fair value through profit or loss	(58,151)	(40,864)
Net gains arising from investments	(333,609)	(193,646)
Share of losses/(profits) of associates	3,700	(23,710)
Interest expense on financing activities	1,315,070	1,259,136
Interest income on financial investments	(2,621,268)	(2,707,964)
<i>Changes in operating assets</i>		
Net (increase)/decrease in deposits with Central Bank	(1,300,306)	593,760
Net increase in deposits and placements with banks and other financial institutions	(2,600,000)	(1,700,000)
Net (increase)/decrease in financial investments at fair value through profit or loss	(539,122)	3,194,195
Net decrease in financial assets held under resale agreements	2,685,820	5,528,170
Net increase in loans and advances to customers	(12,503,116)	(21,999,004)
Net increase in lease receivables	(1,181,059)	(2,066,015)
Net increase in other operating assets	(722,203)	(441,448)
<i>Changes in operating liability:</i>		
Net (decrease)/increase in amounts due to Central Bank	(2,302,265)	5,996,775
Net decrease in deposits and placements from banks and other financial institutions	(3,928,335)	(8,308,039)
Net (decrease)/increase in financial assets sold under repurchase agreements	(10,763,068)	199,731
Net increase in deposits from customers	25,398,942	14,823,400
Net increase in other operating liabilities	876,960	436,847
Income tax paid	(779,911)	(523,822)
Net cash flows generated from operating activities	(4,404,722)	(467,243)

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

Interim Condensed Consolidated Cash Flow Statement (Continued)

For the six months ended 30 June 2024
(In RMB thousands, unless otherwise stated)

	Note	For the six months ended 30 June	
		2024 (Unaudited)	2023 (Unaudited)
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		36,532,614	55,499,615
Proceeds from disposal of property and equipment and other assets		–	10,715
Payments on acquisition of investments		(40,115,870)	(64,062,174)
Return on investments		2,753,771	2,755,252
Payments on acquisition of property and equipment and other assets		(167,857)	(282,776)
Payment for the capital increase of the associated company		–	(347,870)
Net cash flows generated from investing activities		(997,342)	(6,427,238)
Cash flows from financing activities			
Proceeds received from debt securities issued		77,028,309	78,109,875
Repayment of debt securities issued		(73,015,713)	(69,365,611)
Interest paid on debt securities issued		(1,515,294)	(1,269,614)
Cash flows used in other financing activities		(62,810)	(53,288)
Net cash flows generated from financing activities		2,434,492	7,421,362
Net (decrease)/increase in cash and cash equivalents		(2,967,572)	526,881
Cash and cash equivalents as at 1 January		12,019,973	10,515,331
Effect of foreign exchange rate changes on cash and cash equivalents		9,262	10,414
Cash and cash equivalents as at 30 June	34(a)	9,061,663	11,052,626
Net cash flows generated from operating activities include:			
Interest received		9,759,165	9,795,885
Interest paid		(4,405,577)	(4,746,780)

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

1 GENERAL INFORMATION

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

The Bank obtained its financial institution license No. B1036H241010001 from the former China Banking Regulatory Commission ("the former CBRC") and obtained its business licence from Henan Province Administration for Market Regulation, the unified social credit code is 914100001699995779. The Bank is regulated by the National Financial Regulatory Administration.

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

The principal activities of the Bank and its subsidiaries (collectively the "Group") include receiving deposits from the public; short, 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.

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

These financial statements have been approved by the board of directors on 29 August 2024.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024
(In RMB thousands, unless otherwise stated)

2 BASIS OF PRESENTATION, MATERIAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The principal accounting policies adopted in the preparation of the unaudited interim financial information are consistent with those used in the Group's annual financial statements for the year ended 31 December 2023 unless otherwise stated.

(a) Basis of presentation

The interim consolidated financial statements of the Group have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. The consolidated interim financial information should be read in conjunction with the audited financial statements for the year ended 31 December 2023.

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

(b) Material accounting policies

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

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

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

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

In preparing the interim consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2023. Please refer to the financial statements for the year ended 31 December 2023 for details.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

3 NET INTEREST INCOME

	For the six months ended 30 June	
	2024	2023
Interest income arising from		
Deposits with Central Bank	157,344	151,509
Deposits and placements with banks and other financial institutions	110,639	74,947
Loans and advances to customers		
– Corporate loans and advances	6,034,853	6,328,947
– Personal loans and advances	1,536,750	1,753,430
– Discounted bills	156,995	212,332
Financial assets held under resale agreements	49,380	99,687
Financial investments	2,621,268	2,707,964
Lease receivables	1,110,229	1,068,706
Sub-total	11,777,458	12,397,522
Interest expense arising from		
Amounts due to Central Bank	(344,134)	(302,259)
Deposits and placements from banks and other financial institutions	(706,541)	(845,752)
Deposits from customers	(3,943,416)	(3,910,149)
Financial assets sold under repurchase agreements	(177,067)	(154,443)
Debt securities issued	(1,310,753)	(1,259,136)
Sub-total	(6,481,911)	(6,471,739)
Net interest income	5,295,547	5,925,783

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024
(In RMB thousands, unless otherwise stated)

4 NET FEE AND COMMISSION INCOME

	For the six months ended 30 June	
	2024	2023
Fee and commission income		
Agency and custody services fees	189,037	203,306
Underwriting and advisory fees	34,391	72,055
Acceptance and guarantee services fees	29,620	38,881
Bank card services fees	52,025	55,312
Others	34,638	26,558
Sub-total	339,711	396,112
Fee and commission expense		
Payment, settlement and agency fees	(16,872)	(17,479)
Bank card services fees	(36,777)	(35,883)
Others	(20,063)	(20,653)
Sub-total	(73,712)	(74,015)
Net fee and commission income	265,999	322,097

5 NET TRADING GAINS

	Note	For the six months ended 30 June	
		2024	2023
Net gains from debt securities and investment funds	(a)	454,073	416,132
Net foreign exchange losses	(b)	(3,794)	(14,888)
Total		450,279	401,244

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

6 NET GAINS ARISING FROM INVESTMENTS

	For the six months ended 30 June	
	2024	2023
Net gains/(losses) from debt securities	41,207	(32,659)
Net gains from other debt instruments	292,402	226,305
Total	333,609	193,646

7 OTHER OPERATING INCOME

	For the six months ended 30 June	
	2024	2023
Rental income	1,086	1,316
Government grants	33,216	36,825
Net gains on disposal of property and equipment	4	10,246
Others	25,402	12,440
Total	59,708	60,827

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024
(In RMB thousands, unless otherwise stated)

8 OPERATING EXPENSES

	For the six months ended 30 June	
	2024	2023
Staff costs		
– Salaries, bonuses and allowances	574,750	541,918
– Social insurance and annuity	150,822	151,202
– Supplementary retirement benefits	2,454	3,878
– Staff welfare	32,844	21,343
– Housing allowances	63,645	63,723
– Others	41,603	46,857
	866,118	828,921
Depreciation and amortisation	218,388	230,240
Rental and property management expenses	34,631	34,375
Office expenses	8,821	16,618
Tax and surcharges	79,942	78,008
Interest expense of lease liabilities	4,317	5,565
Other general and administrative expenses	451,588	329,074
Total	1,663,805	1,522,801

9 CREDIT IMPAIRMENT LOSSES

	For the six months ended 30 June	
	2024	2023
Loans and advances to customers measured at amortised cost	1,511,996	2,484,894
Loans and advances to customers measured at fair value through other comprehensive income	1,976	968
Financial investments measured at amortised cost	860,988	(106,315)
Financial investments at fair value through other comprehensive income	317	(23,727)
Lease receivables	377,064	338,869
Financial assets held under resale agreements	(1,705)	(2,946)
Placements with banks and other financial institutions	1,296	2,573
Deposits with banks and other financial institutions	841	980
Off-balance sheet credit commitments	10,531	28,508
Other impairment losses	97,519	153,712
Total	2,860,823	2,877,516

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

10 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2024	2023
Current tax	677,866	950,949
Deferred tax	(457,403)	(538,442)
Total	220,463	412,507

Reconciliations between income tax and accounting profit are as follows:

	Note	For the six months ended 30 June	
		2024	2023
Profit before tax		1,869,575	2,526,990
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		467,394	631,748
Non-deductible expenses	(1)	27,000	18,130
Non-taxable income	(2)	(269,563)	(249,265)
Deductible temporary difference for unrecognised deferred tax assets		13,590	16,084
Adjustment for prior years		(17,958)	(4,190)
Income tax expense		220,463	412,507

- (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 Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024
(In RMB thousands, unless otherwise stated)

11 BASIC AND DILUTED EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2024	2023
Earnings:		
Profit for the period attributable to ordinary shareholders of the Bank	1,593,861	2,046,633
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)	0.18	0.23

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

	For the six months ended 30 June	
	2024	2023
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

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

12 CASH AND DEPOSITS WITH CENTRAL BANK

	Note	30 June 2024	31 December 2023
Cash on hand		860,392	908,846
Deposits with Central Bank			
– Statutory deposit reserves	(a)	18,916,344	17,380,273
– Surplus deposit reserves	(b)	6,253,310	7,768,889
– Fiscal deposits		67,651	303,416
Sub-total		26,097,697	26,361,424
Interest accrued		8,981	8,441
Total		26,106,678	26,369,865

- (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:

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

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

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024
(In RMB thousands, unless otherwise stated)

13 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2024	31 December 2023
Deposits with banks in Mainland China	683,470	826,701
Deposits with other financial institutions in Mainland China	179,094	317,842
Deposits with banks outside Mainland China	93,423	97,450
Sub-total	955,987	1,241,993
Interest accrued	2,909	3,792
Less: Provision for impairment losses	(2,464)	(1,623)
Total	956,432	1,244,162

14 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2024	31 December 2023
Placements with banks in mainland China	391,974	–
Placements with other financial institutions in mainland China	7,300,000	6,200,000
Interest accrued	57,472	31,442
Less: Provision for impairment losses	(5,039)	(3,743)
Total	7,744,407	6,227,699

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

15 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	30 June 2024	31 December 2023
In Mainland China		
– Banks	5,895,876	3,607,600
– Other financial institutions	2,105,857	7,079,953
Sub-total	8,001,733	10,687,553
Interest accrued	1,909	3,406
Less: Provision for impairment losses	(108)	(1,813)
Total	8,003,534	10,689,146

(b) Analysed by type of collateral

	30 June 2024	31 December 2023
Debt securities	8,001,733	10,687,553
Interest accrued	1,909	3,406
Less: Provision for impairment losses	(108)	(1,813)
Total	8,003,534	10,689,146

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024
(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	30 June 2024	31 December 2023
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	249,696,277	237,218,933
Personal loans and advances		
– Personal business loans	36,415,982	35,102,789
– Residential mortgage	32,512,481	33,562,120
– Personal consumption loans	14,082,407	12,336,833
– Credit card	3,392,422	3,144,992
Sub-total	86,403,292	84,146,734
Total amount of loans and advances to customers measured at amortised cost	336,099,569	321,365,667
Loans and advances to customers measured at fair value through other comprehensive income		
– Forfaiting	18,718,510	16,241,270
– Discounted bills	18,009,864	23,001,269
Sub-total	36,728,374	39,242,539
Gross loans and advances to customers	372,827,943	360,608,206
Interest accrued	1,502,755	1,526,725
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(13,375,217)	(11,809,634)
Net loans and advances to customers	360,955,481	350,325,297

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by economic sector

	30 June 2024		
	Amount	Percentage	Loans and advances secured by collateral
Leasing and commercial services	68,229,303	18.30%	7,099,486
Wholesale and retail	49,699,798	13.33%	13,028,651
Water, environment and public facility management	46,281,349	12.41%	3,746,730
Real estate	28,932,360	7.76%	10,229,200
Construction	28,068,587	7.53%	5,156,760
Manufacturing	14,238,694	3.82%	2,137,730
Transportation, storage and postal services	4,183,124	1.12%	1,043,424
Mining	3,152,368	0.85%	477,700
Production and supply of electric and heating power, gas and water	2,906,854	0.78%	227,787
Agriculture, forestry, animal husbandry and fishery	1,686,218	0.45%	336,280
Culture, sports and entertainment	1,379,816	0.37%	29,555
Accommodation and catering	1,074,937	0.29%	613,551
Others	18,581,379	4.98%	1,009,803
Sub-total of corporate loans and advances	268,414,787	71.99%	45,136,657
Personal loans and advances	86,403,292	23.18%	71,024,620
Discounted bills	18,009,864	4.83%	18,009,864
Gross loans and advances to customers	372,827,943	100.00%	134,171,141

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(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by economic sector (Continued)

	31 December 2023		Loans and advances secured by collateral
	Amount	Percentage	
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

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For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Analysed by type of collateral

	30 June 2024	31 December 2023
Unsecured loans	73,092,156	68,759,100
Guaranteed loans	165,564,647	156,899,690
Loans secured by mortgages	90,781,568	91,491,982
Pledged loans	43,389,572	43,457,434
Gross loans and advances to customers	372,827,943	360,608,206
Interest accrued	1,502,755	1,526,725
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(13,375,217)	(11,809,634)
Net loans and advances to customers	360,955,481	350,325,297

(d) Overdue loans analysed by overdue period

	30 June 2024				
	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	638,953	899,770	355,665	108,530	2,002,918
Guaranteed loans	4,232,534	2,633,276	1,894,745	259,672	9,020,227
Loans secured by mortgages	2,239,275	1,669,371	1,534,314	342,857	5,785,817
Pledged loans	-	94,301	355,998	64,426	514,725
Total	7,110,762	5,296,718	4,140,722	775,485	17,323,687
As a percentage of gross loans and advances to customers	1.91%	1.42%	1.11%	0.21%	4.65%

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For the six months ended 30 June 2024
(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	31 December 2023				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	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%

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For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(e) Loans and advances and provision for impairment losses

	30 June 2024			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
Total loans and advances to customers measured at amortised cost	296,823,596	21,550,971	17,725,002	336,099,569
Interest accrued	785,180	547,783	169,792	1,502,755
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(2,774,179)	(3,727,715)	(6,873,323)	(13,375,217)
Carrying amount of loans and advances to customers measured at amortised cost	294,834,597	18,371,039	11,021,471	324,227,107
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	36,726,413	1,961	–	36,728,374
Total carrying amount of loans and advances to customers	331,561,010	18,373,000	11,021,471	360,955,481

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For the six months ended 30 June 2024
(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	31 December 2023			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
Total loans and advances to customers measured at amortised cost	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

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For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses

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

	30 June 2024			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
As at 1 January 2024	3,219,275	3,295,512	5,294,847	11,809,634
Transferred:				
– to Stage 1	76,553	(72,071)	(4,482)	–
– to Stage 2	(69,557)	664,485	(594,928)	–
– to Stage 3	(70,609)	(657,876)	728,485	–
Increase/(decrease) for the period	(381,483)	497,665	1,395,814	1,511,996
Write-offs and disposals	–	–	(623)	(623)
Recoveries of loans previously written off	–	–	54,210	54,210
As at 30 June 2024	2,774,179	3,727,715	6,873,323	13,375,217
	31 December 2023			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
As at 1 January 2023	3,284,478	2,206,004	4,818,154	10,308,636
Transferred:				
– to Stage 1	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

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For the six months ended 30 June 2024
(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

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

	30 June 2024			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2024	5,440	6	–	5,446
Increase/(decrease) for the period	1,977	(1)	–	1,976
As at 30 June 2024	7,417	5	–	7,422

	31 December 2023			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2023	2,889	–	–	2,889
Increase for the year	2,551	6	–	2,557
As at 31 December 2023	5,440	6	–	5,446

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For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

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

	30 June 2024			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2024	289,260,776	20,378,370	11,726,521	321,365,667
Transferred:				
– to Stage 1	341,409	(329,064)	(12,345)	–
– to Stage 2	(4,518,272)	5,835,636	(1,317,364)	–
– to Stage 3	(4,397,273)	(3,544,430)	7,941,703	–
Increase/(decrease) for the period	16,136,956	(789,541)	(612,890)	14,734,525
Write-offs and disposals	–	–	(623)	(623)
As at 30 June 2024	296,823,596	21,550,971	17,725,002	336,099,569
	31 December 2023			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
As at 1 January 2023	284,013,582	10,937,984	8,821,573	303,773,139
Transferred:				
– to Stage 1	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

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For the six months ended 30 June 2024
(In RMB thousands, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

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

	30 June 2024			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2024	39,240,219	2,320	–	39,242,539
Decrease for the period	(2,513,806)	(359)	–	(2,514,165)
As at 30 June 2024	36,726,413	1,961	–	36,728,374

	31 December 2023			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2023	27,147,958	–	–	27,147,958
Increase for the year	12,092,261	2,320	–	12,094,581
As at 31 December 2023	39,240,219	2,320	–	39,242,539

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17 FINANCIAL INVESTMENTS

	Note	30 June 2024	31 December 2023
Financial investments at fair value through profit or loss	(a)	38,933,684	40,723,996
Financial investments at fair value through other comprehensive income	(b)	27,945,297	22,872,676
Financial investments measured at amortised cost	(c)	123,275,199	122,756,433
Total		190,154,180	186,353,105

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

	Note	30 June 2024	31 December 2023
Debt securities			
– Debt securities held for trading purpose	(1)	12,836,300	12,560,598
Investment funds and other investments			
– Investment funds held for trading purpose		13,238,412	12,864,889
– Other financial investments at fair value through profit or loss	(2)	12,858,972	15,298,509
Total		38,933,684	40,723,996

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For the six months ended 30 June 2024
(In RMB thousands, unless otherwise stated)

17 FINANCIAL INVESTMENTS (CONTINUED)

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

(1) Debt securities held for trading purpose

	30 June 2024	31 December 2023
Mainland China		
– Government	8,826,242	8,205,491
– Policy banks	2,601,811	3,254,280
– Banks and other financial institutions	1,208,288	588,853
– Corporate	199,959	511,974
Total	12,836,300	12,560,598
Debt securities analysed into		
– Debt securities listed outside Hong Kong	8,852,096	7,140,334
– Debt securities unlisted	3,984,204	5,420,264
Total	12,836,300	12,560,598

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

	30 June 2024	31 December 2023
Other financial investments at fair value through profit or loss		
– Investment management products managed by securities companies	7,136,832	7,692,610
– Investment management products under trust schemes	5,063,909	6,191,954
– Others	658,231	1,413,945
Total	12,858,972	15,298,509

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(In RMB thousands, unless otherwise stated)

17 FINANCIAL INVESTMENTS (CONTINUED)

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

	30 June 2024	31 December 2023
Debt instruments		
– Government	17,384,061	14,546,239
– Policy banks	6,860,302	4,770,271
– Banks and other financial institutions	3,135,195	3,029,401
– Corporate	181,036	184,864
Sub-total	27,560,594	22,530,775
Interest accrued	316,983	275,588
Total of debt instruments	27,877,577	22,806,363
Equity instruments	67,720	66,313
Total	27,945,297	22,872,676
Debt securities by category		
– Listed outside Hong Kong	17,442,938	13,688,114
– Unlisted	10,117,656	8,842,661
Sub-total	27,560,594	22,530,775
Interest accrued	316,983	275,588
Total of debt instruments	27,877,577	22,806,363
Equity instrument investment by category		
– Unlisted	67,720	66,313
Total	27,945,297	22,872,676

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17 FINANCIAL INVESTMENTS (CONTINUED)

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

Fair value analysis of financial investments at fair value through other comprehensive income:

	30 June 2024	31 December 2023
Amortised cost	27,245,510	22,622,117
Fair value	27,945,297	22,872,676
Accumulated changes in fair value through other comprehensive income	699,787	250,559
Amount of provision for impairment	(1,541)	(1,224)

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

	30 June 2024			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2024	1,224	-	-	1,224
Increase for the period	317	-	-	317
As at 30 June 2024	1,541	-	-	1,541

	31 December 2023			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2023	794	-	66,620	67,414
Increase/(decrease) for the year	430	-	(66,620)	(66,190)
As at 31 December 2023	1,224	-	-	1,224

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(In RMB thousands, unless otherwise stated)

17 FINANCIAL INVESTMENTS (CONTINUED)

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

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

	30 June 2024			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2024	22,530,775	–	–	22,530,775
Increase for the period	5,029,819	–	–	5,029,819
As at 30 June 2024	27,560,594	–	–	27,560,594

	31 December 2023			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2023	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

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(In RMB thousands, unless otherwise stated)

17 FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial investments measured at amortised cost

	Note	30 June 2024	31 December 2023
Debt securities	(1)	87,509,005	83,094,463
Investment management products under the trust scheme		30,590,166	31,718,448
Investment management products managed by securities companies		8,669,110	9,940,110
Others		16,709	442,809
Sub-total		39,275,985	42,101,367
Interest accrued		1,489,347	1,619,505
Less: Provision for impairment losses	(2)	(4,999,138)	(4,058,902)
Total		123,275,199	122,756,433

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For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

17 FINANCIAL INVESTMENTS (CONTINUED)

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

(1) Debt securities:

	30 June 2024	31 December 2023
Debt securities		
– Government	42,206,992	42,992,744
– Policy banks	26,753,090	26,883,522
– Banks and other financial institutions	8,308,348	4,629,142
– Corporate	10,240,575	8,589,055
Sub-total	87,509,005	83,094,463
Interest accrued	1,116,875	1,288,838
Total	88,625,880	84,383,301
Analysed into		
– Debt securities listed outside Hong Kong	48,383,964	36,233,040
– Debt securities unlisted	39,125,041	46,861,423
Sub-total	87,509,005	83,094,463
Interest accrued	1,116,875	1,288,838
Total	88,625,880	84,383,301

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17 FINANCIAL INVESTMENTS (CONTINUED)

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

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

	30 June 2024			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
As at 1 January 2024	355,161	346,746	3,356,995	4,058,902
Transferred:				
– to Stage 3	(25,242)	(342,258)	367,500	–
Increase/(decrease) for the period	(20,409)	(2,072)	883,469	860,988
Recoveries of financial investments previously written off	–	–	79,248	79,248
As at 30 June 2024	309,510	2,416	4,687,212	4,999,138

	31 December 2023			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
As at 1 January 2023	566,582	44,187	3,466,268	4,077,037
Transferred:				
– to Stage 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

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(In RMB thousands, unless otherwise stated)

17 FINANCIAL INVESTMENTS (CONTINUED)

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

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

	30 June 2024			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
As at 1 January 2024	107,867,443	3,710,451	13,617,936	125,195,830
Transferred:				
– to Stage 3	(1,457,900)	(3,684,951)	5,142,851	–
Increase/(decrease) for the period	1,670,503	(5,500)	(75,843)	1,589,160
As at 30 June 2024	108,080,046	20,000	18,684,944	126,784,990

	31 December 2023			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
As at 1 January 2023	110,498,193	440,646	12,726,672	123,665,511
Transferred:				
– to Stage 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

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For the six months ended 30 June 2024
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18 LEASE RECEIVABLES

	30 June 2024	31 December 2023
Minimum Lease Receipts	38,962,751	37,758,794
Less: Unearned finance lease income	(4,733,639)	(4,324,071)
Present value of lease receivables	34,229,112	33,434,723
Interest accrued	316,648	307,398
Less: Provision for impairment losses	(1,087,054)	(924,953)
Total	33,458,706	32,817,168

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

	30 June 2024		
	Minimum lease receivables	Unearned finance lease income	Present value of lease receivables
Less than 1 year	16,924,966	(2,400,790)	14,524,176
1 year to 2 years	12,073,414	(1,304,888)	10,768,526
2 years to 3 years	5,754,100	(611,449)	5,142,651
3 years to 5 years	4,191,785	(413,895)	3,777,890
More than 5 years	18,486	(2,617)	15,869
Total	38,962,751	(4,733,639)	34,229,112

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18 LEASE RECEIVABLES (CONTINUED)

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

	31 December 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

(b) Movements of provision for impairment

	30 June 2024			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
As at 1 January 2024	516,205	101,059	307,689	924,953
Transferred:				
– to Stage 1	30,138	(30,138)	–	–
– to Stage 2	(9,046)	9,046	–	–
– to Stage 3	(5,033)	(5,900)	10,933	–
Increase for the period	4,002	55,427	102,672	162,101
As at 30 June 2024	536,266	129,494	421,294	1,087,054

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18 LEASE RECEIVABLES (CONTINUED)

(b) Movements of provision for impairment (Continued)

	31 December 2023			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2023	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	–
Increase/(decrease) for the year	72,883	58,429	(169,205)	(37,893)
As at 31 December 2023	516,205	101,059	307,689	924,953

(c) Movements of present value of lease receivables

	30 June 2024			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2024	32,121,367	705,937	607,419	33,434,723
Transferred:				
– to Stage 1	255,070	(255,070)	–	–
– to Stage 2	(561,035)	561,035	–	–
– to Stage 3	(326,594)	(43,289)	369,883	–
Increase/(decrease) for the period	1,057,193	(14,235)	(248,569)	794,389
As at 30 June 2024	32,546,001	954,378	728,733	34,229,112

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(In RMB thousands, unless otherwise stated)

18 LEASE RECEIVABLES (CONTINUED)

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

	31 December 2023			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2023	29,732,239	677,303	878,052	31,287,594
Transferred:				
– to Stage 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

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19 INVESTMENT IN SUBSIDIARIES AND INTERESTS IN ASSOCIATES

(a) Investment in subsidiaries

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

Name	Percentage of equity interest		Voting rights 30 June 2024 %	Paid-in capital 30 June 2024	Amount invested by the Bank	Place of incorporation registration	Principal activity
	30 June 2024 %	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. The six subsidiaries have no material non-controlling interest to the Group.

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(In RMB thousands, unless otherwise stated)

19 INVESTMENT IN SUBSIDIARIES AND INTERESTS IN ASSOCIATES (CONTINUED)

(b) Interests in associates

	30 June 2024	31 December 2023
Interests in associates	600,701	604,401
Total	600,701	604,401

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

Name	Percentages of equity/ voting rights%		Place of incorporation/ registration	Business sector
	30 June 2024	31 December 2023		
Zhongmu Zhengyin County Bank Co., Ltd.	49.51	49.51	China	Banking
Yanling Zhengyin County Bank Co., Ltd.	49.58	49.58	China	Banking

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

	30 June 2024	31 December 2023
Aggregate carrying amount of the individually immaterial associates in the consolidated statements of financial position of the Group	600,701	604,401

	For the six months ended 30 June	
	2024	2023
Aggregate amounts of the Group's share of results of the associates		
– (Losses)/Profits from continuing operations	(3,700)	23,710
– Other comprehensive income	–	–
– Total comprehensive income	(3,700)	23,710

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20 PROPERTY AND EQUIPMENT

	Premises	Electronic equipment	Vehicles	Office equipment and others	Assets under operating leases	Construction in progress	Total
Cost							
As at 1 January 2023	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
Additions	–	6,061	216	1,292	4,042	83,846	95,457
Disposals	–	(4,975)	–	(3,345)	–	–	(8,320)
As at 30 June 2024	2,549,553	841,924	8,872	249,333	148,025	1,299,080	5,096,787
Accumulated depreciation							
As at 1 January 2023	(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)
Additions	(38,984)	(21,694)	(231)	(7,649)	(7,015)	–	(75,573)
Disposals	–	4,726	–	3,148	–	–	7,874
As at 30 June 2024	(666,692)	(721,506)	(7,551)	(237,697)	(15,754)	–	(1,649,200)
Impairment							
As at 31 December 2023/ 30 June 2024	(1,355)	(1,893)	–	(756)	–	–	(4,004)
Net book value							
As at 31 December 2023	1,920,490	134,407	1,336	17,434	135,244	1,215,234	3,424,145
As at 30 June 2024	1,881,506	118,525	1,321	10,880	132,271	1,299,080	3,443,583

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20 PROPERTY AND EQUIPMENT (CONTINUED)

The carrying amount of premises without title deeds as at 30 June 2024 was RMB166 million (31 December 2023: RMB169 million). The Group is still in the progress of applying for the outstanding title deeds for the above premises. The Group expected that there would be no significant cost in obtaining the title deeds.

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

	30 June 2024	31 December 2023
Held in Mainland China		
– Medium-term leases (10 to 50 years)	1,873,765	1,911,534
– Short-term leases (less than 10 years)	7,741	8,956
Total	1,881,506	1,920,490

21 DEFERRED TAX ASSETS

Deferred tax assets/liabilities before offsetting as follows:

	30 June 2024	31 December 2023
Deferred tax assets	6,978,032	6,482,337
Deferred tax liabilities	(365,696)	(204,059)
Total	6,612,336	6,278,278

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21 DEFERRED TAX ASSETS (CONTINUED)

(a) Analysed by nature

	30 June 2024		31 December 2023	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred tax assets				
Allowance for impairment losses	26,991,884	6,747,971	25,184,328	6,296,082
Accrued staff costs	371,572	92,893	344,360	86,090
Lease liabilities	213,803	53,451	243,455	60,864
Provisions	99,437	24,860	88,906	22,227
Others	235,428	58,857	68,296	17,074
Total	27,912,124	6,978,032	25,929,345	6,482,337
Deferred tax liabilities				
Fair value changes of financial investments at fair value through other comprehensive income	(736,196)	(184,049)	(245,108)	(61,277)
Fair value changes of financial investments at fair value through profit or loss	(419,932)	(104,983)	(218,364)	(54,591)
Right of use assets	(224,150)	(56,037)	(254,477)	(63,619)
Others	(82,508)	(20,627)	(98,288)	(24,572)
Total	(1,462,786)	(365,696)	(816,237)	(204,059)

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21 DEFERRED TAX ASSETS (CONTINUED)

(b) Analysed by movement

	At 1 January 2024	Recognised in profit or loss	Recognised in other comprehensive income	At 30 June 2024
Allowance for impairment losses	6,296,082	452,462	(573)	6,747,971
Accrued staff costs	86,090	6,803	-	92,893
Fair value changes of financial investments at fair value through other comprehensive income	(61,277)	-	(122,772)	(184,049)
Fair value changes of financial investments at fair value through profit or loss	(54,591)	(50,392)	-	(104,983)
Right of use assets	(63,619)	7,582	-	(56,037)
Lease liabilities	60,864	(7,413)	-	53,451
Provisions	22,227	2,633	-	24,860
Others	(7,498)	45,728	-	38,230
Net deferred income tax assets	6,278,278	457,403	(123,345)	6,612,336

	At 1 January 2023	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 of financial investments at fair value through other comprehensive income	59,814	-	(121,091)	(61,277)
Fair value changes of financial investments at fair value through profit or loss	20,687	(75,278)	-	(54,591)
Right of use assets	(75,776)	12,157	-	(63,619)
Lease liabilities	69,976	(9,112)	-	60,864
Provisions	17,738	4,489	-	22,227
Others	(5,594)	(1,904)	-	(7,498)
Net deferred income tax assets	4,880,568	1,502,893	(105,183)	6,278,278

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22 OTHER ASSETS

	Note	30 June 2024	31 December 2023
Interest receivable	(a)	2,077,651	1,900,667
Other receivables		1,330,032	591,061
Intangible assets	(b)	735,900	749,374
Continuously involved assets	(d)	588,853	588,853
Right-of-use assets	(c)	535,723	569,610
Leasehold improvements		77,616	79,958
Prepayments		210,996	213,139
Repossessed assets	(e)	2,857,198	2,355,613
Sub-total		8,413,969	7,048,275
Less: Allowance for impairment losses		(769,633)	(672,112)
Total		7,644,336	6,376,163

(a) Interest receivable

	30 June 2024	31 December 2023
Interest receivable arising from:		
– Investments	1,885,419	1,680,119
– Loans and advances to customers	145,313	176,740
– Others	46,919	43,808
Sub-total	2,077,651	1,900,667
Less: Allowance for impairment losses	(641,258)	(549,178)
Total	1,436,393	1,351,489

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

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For the six months ended 30 June 2024

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22 OTHER ASSETS (CONTINUED)

(b) Intangible assets

	For the six months ended 30 June 2024	For the year ended 31 December 2023
Cost		
As at 1 January	1,317,578	1,231,620
Additions	53,741	86,552
Decrease	-	(594)
As at 30 June/31 December	1,371,319	1,317,578
Accumulated amortisation		
As at 1 January	(568,204)	(442,910)
Additions	(67,215)	(125,714)
Decrease	-	420
As at 30 June/31 December	(635,419)	(568,204)
Net book value		
As at 1 January	749,374	788,710
As at 30 June/31 December	735,900	749,374

Intangible assets of the Group mainly represent computer software.

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22 OTHER ASSETS (CONTINUED)

(c) Right-of-use assets

	Premises	Land use rights	Vehicles	Other equipments	Total
Cost					
As at 1 January 2023	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
Additions	26,331	–	752	1,758	28,841
Disposals	(14,968)	–	(1,553)	–	(16,521)
As at 30 June 2024	550,477	369,299	8,152	3,782	931,710
Accumulated depreciation					
As at 1 January 2023	(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)
Additions	(56,477)	(3,560)	(1,465)	(1,226)	(62,728)
Disposals	14,968	–	1,553	–	16,521
As at 30 June 2024	(330,205)	(57,726)	(5,384)	(2,672)	(395,987)
Allowance for impairment losses					
As at 31 December 2023	–	(145)	–	–	(145)
As at 30 June 2024	–	(145)	–	–	(145)
Net book value					
As at 31 December 2023	250,418	314,988	3,481	578	569,465
As at 30 June 2024	220,272	311,428	2,768	1,110	535,578

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22 OTHER ASSETS (CONTINUED)

(d) Continuously involved assets

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

During the period ended 30 June 2024, the Bank neither transferred nor retained substantially all the risks (mainly including the credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of the ownership and retained the control and has continuing involvement in these financial assets. As at 30 June 2024, the Bank continued to recognise the financial assets with a carrying amount of RMB589 million (31 December 2023 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

	30 June 2024	31 December 2023
Premises	2,558,103	2,056,518
Land use rights	178,961	178,961
Others	120,134	120,134
Book value	2,857,198	2,355,613

The Group plans to dispose of the repossessed assets through auction, bidding, and transfer in the future.

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23 DUE TO CENTRAL BANK

	30 June 2024	31 December 2023
Medium-term lending facility	21,100,000	21,300,000
Small enterprises and agriculture supporting re-lending	7,235,348	8,426,792
Others	32,730	943,551
Sub-total	28,368,078	30,670,343
Interest accrued	284,201	289,926
Total	28,652,279	30,960,269

24 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2024	31 December 2023
In Mainland China		
– Banks	6,425,606	6,493,302
– Other financial institutions	6,731,771	7,721,613
Sub-total	13,157,377	14,214,915
Interest accrued	80,262	92,694
Total	13,237,639	14,307,609

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25 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2024	31 December 2023
In Mainland China		
– Banks	24,245,000	26,984,097
– Other financial institutions	5,298,300	5,430,000
Sub-total	29,543,300	32,414,097
Outside Mainland China		
– Banks	500,000	500,000
Interest accrued	312,001	332,805
Total	30,355,301	33,246,902

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26 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	30 June 2024	31 December 2023
In Mainland China		
– PBOC	850,000	16,900,000
– Banks	13,509,523	8,222,591
Sub-total	14,359,523	25,122,591
Interest accrued	4,174	9,350
Total	14,363,697	25,131,941

(b) Analysed by type of collateral

	30 June 2024	31 December 2023
Debt securities	12,297,020	23,425,443
Bills	2,062,503	1,697,148
Sub-total	14,359,523	25,122,591
Interest accrued	4,174	9,350
Total	14,363,697	25,131,941

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27 DEPOSITS FROM CUSTOMERS

	30 June 2024	31 December 2023
Demand deposits		
– Corporate deposits	75,130,377	85,668,796
– Personal deposits	37,173,907	32,011,191
Sub-total	112,304,284	117,679,987
Time deposits		
– Corporate deposits	82,204,111	71,870,379
– Personal deposits	162,365,458	136,632,026
Sub-total	244,569,569	208,502,405
Pledged deposits		
– Acceptances	25,658,141	29,270,248
– Letters of guarantees	285,925	304,415
– Letters of credit	2,647,406	4,201,599
– Others	474,823	671,857
Sub-total	29,066,295	34,448,119
Others	420,233	330,928
Interest accrued	6,395,705	5,560,471
Total	392,756,086	366,521,910

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28 DEBT SECURITIES ISSUED

	Note	30 June 2024	31 December 2023
Financial bonds	(a)	19,998,230	17,998,315
Interbank deposits		85,542,286	83,855,214
Sub-total		105,540,516	101,853,529
Interest accrued		336,322	215,254
Total		105,876,838	102,068,783

(a) Financial bonds

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

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

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

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

Fixed rate green financial bonds of RMB2.0 billion with a term of three years was issued in May 2024. The coupon rate is 2.25% per annum.

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29 OTHER LIABILITIES

	Note	30 June 2024	31 December 2023
Accrued staff costs	(a)	939,755	1,161,938
Finance lease payable		186,136	210,979
Dormant accounts		38,426	41,797
Payment and collection clearance accounts		414,507	186,388
Dividend payable		26,584	26,584
Expected credit losses of credit commitments	(b)	99,437	88,906
Lease liabilities	(c)	213,803	243,455
Continuously involved liabilities	22(d)	588,853	588,853
Others		600,263	515,763
Total		3,107,764	3,064,663

(a) Accrued staff costs

	Note	30 June 2024	31 December 2023
Salaries, bonuses and allowances payable		686,203	954,743
Social insurance and annuity payable		5,608	228
Housing allowances payable		238	112
Labour union fee, staff and workers' education fee		11,991	5,420
Supplementary retirement benefits payable	(1)	208,076	201,435
Other short-term salary payable		27,639	–
Total		939,755	1,161,938

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024
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29 OTHER LIABILITIES (CONTINUED)

(a) Accrued staff costs (Continued)

(1) Supplementary retirement benefits (“SRB”)

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

The Group has not forfeited any retirement benefit scheme contributions (i.e., contributions which are processed by the employer on behalf of the employee after the employee has withdrawn from the scheme before the relevant contributions become his/her own). At 30 June 2024, 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 accessed using projected unit credit method by qualified staff (a member of society of Actuaries in China) of an external independent actuary, Towers Watson Management Consulting (Shenzhen) Co., Ltd. The signed actuaries are North American Actuary (FSA) and Chinese Actuary (FCAA).

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

	30 June 2024	31 December 2023
Present value of early retirement plan	8,821	10,513
Present value of supplementary retirement plan	199,255	190,922
Total	208,076	201,435

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29 OTHER LIABILITIES (CONTINUED)

(a) Accrued staff costs (Continued)

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

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

	30 June 2024	31 December 2023
As at 1 January	201,435	194,626
Benefits paid during the period/year	(5,477)	(14,190)
Defined benefit cost recognised in profit or loss	2,454	15,591
Defined benefit cost recognised in other comprehensive income	9,664	5,408
As at 30 June/31 December	208,076	201,435

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

	30 June 2024	31 December 2023
Early retirement plan		
Discount rate	2.00%	2.50%
Retirement age		
– Male	60	60
– Female	55	55
Annual increase rate of internal salary	6.00%	6.00%
Supplementary retirement plan		
Discount rate	2.25%	2.75%
Retirement age		
– Male	60	60
– Female	55	55
Death rate for people aged 20 – 105		
	30 June 2024	31 December 2023
– Male	0.0248% -100%	0.0248% -100%
– Female	0.012% -100%	0.012% -100%

Notes to the Unaudited Interim Condensed Consolidated Financial Information

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29 OTHER LIABILITIES (CONTINUED)

(b) Expected credit losses of credit commitments

As at 30 June 2024 and 31 December 2023, movements of expected credit losses of credit commitments during the period/year are as follows:

	30 June 2024			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2024	86,200	478	2,228	88,906
Increase/(decrease) for the period	11,487	(199)	(757)	10,531
As at 30 June 2024	97,687	279	1,471	99,437

	31 December 2023			Total
	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
As at 1 January 2023	68,796	305	1,850	70,951
Transferred:				
– to Stage 1	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

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For the six months ended 30 June 2024

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29 OTHER LIABILITIES (CONTINUED)

(c) Lease liabilities

The maturity analysis of lease liabilities – undiscounted analysis:

	30 June 2024	31 December 2023
Within one year (inclusive)	95,729	108,203
Between one year and two years (inclusive)	67,984	72,714
Between two years and three years (inclusive)	37,962	47,372
Between three years and five years (inclusive)	14,741	25,581
More than five years	12,313	10,675
Total undiscounted lease liabilities	228,729	264,545
Carrying amount of lease liabilities	213,803	243,455

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For the six months ended 30 June 2024
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30 SHARE CAPITAL

Authorised and issued share capital

For the six months ended 30 June 2024

	31 December 2023		Increase		Decrease		30 June 2024	
	Quantity ('000)	Amount ('000)	Quantity ('000)	Amount ('000)	Quantity ('000)	Amount ('000)	Quantity ('000)	Amount ('000)
Ordinary shares listed in Mainland China (A-share)	7,071,633	7,071,633	-	-	-	-	7,071,633	7,071,633
Ordinary shares listed in Hong Kong (H-share)	2,020,458	2,020,458	-	-	-	-	2,020,458	2,020,458
Total	9,092,091	9,092,091	-	-	-	-	9,092,091	9,092,091

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

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

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

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31 RESERVES

(a) Capital reserve

For the six months ended 30 June 2024

	31 December 2023	Increase	Decrease	30 June 2024
Share premium	5,920,487	–	–	5,920,487
Others	64,615	–	–	64,615
Total	5,985,102	–	–	5,985,102

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

(b) Surplus reserve

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

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

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

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31 RESERVES (CONTINUED)

(c) General reserve

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

(d) Fair value reserve

	30 June 2024	31 December 2023
As at 1 January	189,386	(126,163)
Change in fair value/credit losses recognised in other comprehensive income	485,446	397,552
Transfer to profit or loss upon disposal	6,529	27,193
Less: Deferred income tax	(122,994)	(106,186)
Sub-total	368,981	318,559
Change in fair value of equity instruments recognised in other comprehensive income	1,407	(4,013)
Less: Deferred income tax	(351)	1,003
Sub-total	1,056	(3,010)
As at 30 June/31 December	559,423	189,386

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

31 RESERVES (CONTINUED)

(e) Remeasurement of net defined benefit liability

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

	30 June 2024	31 December 2023
As at 1 January	(74,043)	(68,635)
Remeasurement of net defined benefit liability	(9,664)	(5,408)
Less: Deferred income tax	-	-
Sub-total	(9,664)	(5,408)
As at 30 June/31 December	(83,707)	(74,043)

31 RESERVES (CONTINUED)

(f) Movements in components of equity

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

The Bank

Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement		Total
							of net defined benefit liability	Retained earnings	
Balance at 1 January 2024	9,092,091	9,998,855	5,985,160	3,689,605	7,950,752	189,386	(74,043)	14,916,948	51,748,754
Profit for the period	-	-	-	-	-	-	-	1,536,202	1,536,202
Other comprehensive income	-	-	-	-	-	370,037	(9,664)	-	360,373
Total comprehensive income	-	-	-	-	-	370,037	(9,664)	1,536,202	1,896,575
Balance at 30 June 2024	9,092,091	9,998,855	5,985,160	3,689,605	7,950,752	559,423	(83,707)	16,453,150	53,645,329

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For the six months ended 30 June 2024
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(f) Movements in components of equity (Continued)

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

The Bank (Continued)

	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2023		8,265,538	9,998,855	6,811,713	3,505,562	7,500,200	(126,163)	(68,635)	14,191,117	50,078,187
Profit for the 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
Appropriation of profit:										
- Appropriation to surplus reserve		-	-	-	184,043	-	-	-	(184,043)	-
- Appropriation to general reserve		-	-	-	-	450,552	-	-	(450,552)	-
- Interest on perpetual debits	32	-	-	-	-	-	-	-	(480,000)	(480,000)
Conversion of capital reserves into share capital		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	9,998,855	5,985,160	3,689,605	7,950,752	189,386	(74,043)	14,916,948	51,748,754

Notes to the Unaudited Interim Condensed Consolidated Financial Information

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Notes to the Unaudited Interim Condensed Consolidated Financial Information

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32 PROFIT DISTRIBUTION

(a) Dividends for Perpetual Bond

The Bank distributed a dividend of 480 million to the perpetual bond holders in November 2023.

(b) Retained earnings

As at 30 June 2024, retained earnings of the Group included the statutory surplus reserve of RMB106 million appropriated by the subsidiaries and attributable to the Bank (31 December 2023: RMB106 million).

33 OTHER EQUITY INSTRUMENTS

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

Financial instrument outstanding	Time issued	Classifications	Dividend yield ratio/ Interest rate	Issue price	Quantity	As at 30 June 2024 million	Maturity	Conversion conditions
Undated additional tier 1 capital bonds(i)	2021/11/11	Equity	4.80%	RMB100	100,000,000	10,000	None	None
Less: Issuing cost						(2)		
Total						9,998		

(b) Main clause

(i) Undated additional tier 1 capital bonds

(1) Issuance

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

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33 OTHER EQUITY INSTRUMENTS (CONTINUED)

(b) Main clause (Continued)

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

(2) *Conditional redemption*

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

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

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

(4) *Write-down clauses*

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

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33 OTHER EQUITY INSTRUMENTS (CONTINUED)

(b) Main clause (Continued)

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

(5) Distributions

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

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

34 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Cash and cash equivalents comprise:

	30 June 2024	30 June 2023
Cash on hand	860,392	1,020,917
Surplus deposit reserves with Central Bank	6,253,310	7,080,806
Deposits with banks and other financial institutions with original maturity of three months or less	955,987	1,814,856
Placements with banks and other financial institutions with original maturity of three months or less	991,974	1,136,047
Total	9,061,663	11,052,626

(b) Total cash outflows related to leases:

For the six months ended 30 June 2024, the total leasehold related cash outflow the Group paid as a lessee was RMB66,954 thousand (For the six months ended 30 June 2023: RMB54,916 thousand), of which RMB62,810 thousand was included in financing activities to repay lease liabilities (For the six months ended 30 June 2023: RMB53,288 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.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

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35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) Major shareholders

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

Shareholdings in the Bank:

	30 June 2024	31 December 2023
Zhengzhou Finance Bureau	7.23%	7.23%
Zhengzhou Investment Holdings Co., Ltd.	6.69%	6.69%

(ii) Subsidiaries and associates of the Bank

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

(iii) Other related parties

Other related parties can be individuals or enterprises, which include members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; shareholders holding less than 5% shares of the Bank while having significant influence on the Bank's operation and management; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 35 (a)(i) or their controlling shareholders. Other related parties also include post-employment benefit plans of the Bank (Note 29(a)).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

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35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances

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

(i) Transactions with major shareholders

	30 June 2024	31 December 2023
Balances at the end of the period/year:		
Financial investments measured at amortised cost	922,483	977,228
Deposits from customers	3,085,013	3,640,008
Other liabilities	64,285	64,285
	For the six months ended 30 June	
	2024	2023
Transactions during the period:		
Interest income	33,642	1,678
Interest expense	5,393	1,708

Notes to the Unaudited Interim Condensed Consolidated Financial Information

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35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances (Continued)

(ii) Transactions with subsidiaries

	30 June 2024	31 December 2023
Balances at the end of the period/year:		
Deposits/placements with banks and other financial institutions	3,215,970	2,706,690
Deposits from banks and other financial institutions	2,429,384	1,963,587
Guarantee for subsidiaries	179,390	257,690
	For the six months ended 30 June	
	2024	2023
Transactions during the period:		
Interest income	48,034	34,912
Interest expense	30,605	16,978

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

(iii) Transactions with associates

	30 June 2024	31 December 2023
Balances at the end of the period/year:		
Deposits/placements with banks and other financial institutions	955	951
Deposits from banks and other financial institutions	737,134	754,747
	For the six months ended 30 June	
	2024	2023
Transactions during the period:		
Interest income	4	3
Interest expense	2,162	2,905

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35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances (Continued)

(iv) Transactions with other major related parties

	30 June 2024	31 December 2023
Balances at the end of the period/year:		
Loans and advances to customers	11,391,180	12,111,042
Financial assets held under resale agreements	598,636	699,895
Deposits/placements with banks and other financial institutions	19,155	25,841
Financial investments measured at amortised cost	1,845,312	1,868,136
Financial investments at fair value through profit or loss	145,129	145,129
Financial investments at fair value through other comprehensive income	130,045	123,162
Deposits from customers	2,129,608	2,322,603
Deposits/placements from banks and other financial institutions	1,757,764	2,133,945
Guarantees	1,000	1,000
Bank acceptances	116,771	311,591
Unused credit card commitments	78,531	80,751
Loan commitments	910,000	910,000
	For the six months ended 30 June	
	2024	2023
Transactions during the period:		
Interest income	271,256	293,721
Interest expense	34,648	49,199
Fee and commission income	31,028	37,276

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35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Key management personnel

(i) Transactions with key management personnel

	30 June 2024	31 December 2023
Balances at the end of the period/year:		
Deposits from customers	16,179	18,757
Unused credit card commitments	9,035	7,552
	For the six months ended 30 June	
	30 June 2024	30 June 2023
Transactions during the period:		
Interest income	–	–
Interest expense	290	355

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35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Key management personnel (Continued)

(ii) Key management personnel remuneration

	30 June 2024	30 June 2023
Salaries and other emoluments	3,859	5,181
Discretionary bonuses	6,529	7,705
Social insurance and welfare plans, housing allowances	390	525
Total	10,778	13,411

* Remuneration of employee supervisors only paid for their acting as employee representative supervisors of the Bank.

The remuneration of key management personnel of the Bank for the period ended 30 June 2024 has been reviewed by the Party Committee of the Bank, approved by the Remuneration and Appraisal Committee of the Board of Directors, and approved by the Board of Directors (the period ended 30 June 2023: the same).

No post-employment benefits, termination benefits or other long-term benefits were provided to key management personnel for the period ended 30 June 2024 (the period ended 30 June 2023: the same).

(iii) Loans to key officers

The Group had no balance of loans to directors, supervisors and senior management as at the end of reporting period (31 December 2023: the same).

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36 SEGMENT REPORTING

(a) Business Segment

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

Corporate banking

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

Retail banking

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

Treasury business

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

Others

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

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

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

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

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36 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	Six months ended 30 June 2024				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	5,415,152	(346,312)	226,707	-	5,295,547
Internal net interest expense/ (income)	(1,880,401)	1,493,331	387,070	-	-
Net interest income	3,534,751	1,147,019	613,777	-	5,295,547
Net fee and commission income	154,506	46,315	65,178	-	265,999
Net trading gains	-	-	450,279	-	450,279
Net gains arising from investments	961	-	332,648	-	333,609
Other operating income	-	-	-	59,708	59,708
Operating income	3,690,218	1,193,334	1,461,882	59,708	6,405,142
Operating expenses	(908,527)	(414,532)	(322,365)	(18,381)	(1,663,805)
Credit Impairment losses	(1,794,421)	(107,146)	(959,256)	-	(2,860,823)
Other operating expenses	-	-	-	(7,239)	(7,239)
Operating profit	987,270	671,656	180,261	34,088	1,873,275
Share of losses of associates	-	-	-	(3,700)	(3,700)
Profit before taxation	987,270	671,656	180,261	30,388	1,869,575
Other segment information					
- Depreciation and amortisation	69,685	141,562	14,157	-	225,404
- Capital expenditure	90,314	42,496	33,978	1,070	167,858

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36 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	30 June 2024				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	324,856,250	102,879,517	209,593,738	1,738,533	639,068,038
Deferred tax assets					6,612,336
Total assets					645,680,374
Segment liabilities/ Total liabilities	189,197,379	205,445,947	192,855,620	1,857,087	589,356,033
Credit commitments	65,022,408	10,126,841	-	-	75,149,249

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36 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

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

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36 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	31 December 2023				Total
	Corporate banking	Retail banking	Treasury business	Others	
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

(b) Geographical information

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

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37 RISK MANAGEMENT

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

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

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

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

(a) Credit risk

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

Credit business

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

Treasury Business

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

37 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL

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

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

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

(i) Significant increase in credit risk

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

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

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

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

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37 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

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

(1) Quantitative criterion

The financial assets are more than 90 days past due.

(2) Qualitative criterion

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

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

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

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37 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

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

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

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

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

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024
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37 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

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

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

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

(1) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the carrying amount of each type of financial assets as at the end of each of the reporting period. The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of each of the reporting period is disclosed in Note 39(a).

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37 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

(2) *Loans and advances to customers*

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

	30 June 2024	31 December 2023
Gross balance of loans and advances that are assessed for 12-month ECL		
– Overdue but not credit-impaired	3,130,346	724,150
– Neither overdue nor credit-impaired	330,419,663	327,776,845
Sub-total	333,550,009	328,500,995
Gross balance of loans and advances that are not credit-impaired and assessed for lifetime ECL		
– Overdue but not credit-impaired	3,451,352	6,832,721
– Neither overdue nor credit-impaired	18,101,580	13,547,969
Sub-total	21,552,932	20,380,690
Gross balance of credit-impaired loans and advances that are assessed for lifetime ECL		
– Overdue and credit-impaired	10,741,989	7,266,795
– Not overdue but credit-impaired	6,983,013	4,459,726
Sub-total	17,725,002	11,726,521
Interest accrued	1,502,755	1,526,725
Less: Provision for impairment losses	(13,375,217)	(11,809,634)
Net loans and advances to customers	360,955,481	350,325,297

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For the six months ended 30 June 2024
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37 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

(2) Loans and advances to customers (Continued)

(ii) Neither overdue nor credit-impaired

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

	30 June 2024	31 December 2023
Corporate loans and advances	266,437,777	260,829,320
Personal loans and advances	82,083,466	80,495,494
Total gross balance	348,521,243	341,324,814

(iii) Overdue but not credit-impaired

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

	30 June 2024		
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	Total
Corporate loans and advances	3,293,760	1,900,090	5,193,850
Personal loans and advances	584,327	803,521	1,387,848
Total gross balance	3,878,087	2,703,611	6,581,698

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37 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

(2) Loans and advances to customers (Continued)

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

	31 December 2023		Total
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	
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

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

	30 June 2024	31 December 2023
Fair value of collateral held against loans and advances overdue but not credit-impaired	2,796,941	4,223,092

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

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37 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

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

(iv) Credit-impaired loans

Credit-impaired loans were analysed as follows:

	30 June 2024	31 December 2023
Gross balance		
– Corporate loans and advances	14,793,024	9,127,014
– Personal loans and advances	2,931,978	2,599,507
Sub-total	17,725,002	11,726,521
Interest accrued		
– Corporate loans and advances	150,526	154,863
– Personal loans and advances	19,266	19,228
Sub-total	169,792	174,091
Provision for impairment losses		
– Corporate loans and advances	(5,646,727)	(4,207,630)
– Personal loans and advances	(1,226,596)	(1,087,217)
Sub-total	(6,873,323)	(5,294,847)
Net balance		
– Corporate loans and advances	9,296,823	5,074,247
– Personal loans and advances	1,724,648	1,531,518
Total	11,021,471	6,605,765
Fair value of collateral held against credit-impaired loans and advances	9,698,639	5,737,431

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37 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

(2) Loans and advances to customers (Continued)

(iv) Credit-impaired loans (Continued)

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

(3) Amounts due from banks and other financial institutions

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

	30 June 2024	31 December 2023
Carrying amount		
– Grade A to AAA	14,750,091	11,149,757
– Unrated	1,953,924	7,011,250
Total	16,704,015	18,161,007

As at 30 June 2024, amounts due from banks and other financial institutions of the Group were neither overdue nor credit-impaired (31 December 2023: the same).

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37 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

(4) Debt securities investments

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

	30 June 2024						Total
	Unrated	AAA	AA+	AA	AA-	Below A+	
Debt securities							
- Government	69,018,519	-	-	-	-	-	69,018,519
- Policy banks	36,719,786	-	-	-	-	-	36,719,786
- Banks and other financial institutions	-	11,630,938	1,133,954	-	-	-	12,764,892
- Corporate	130,045	4,288,530	4,661,139	1,527,111	-	229,735	10,836,560
Total	105,868,350	15,919,468	5,795,093	1,527,111	-	229,735	129,339,757

	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

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(In RMB thousands, unless otherwise stated)

37 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

(5) Financial investments measured at amortised cost

The Group

	30 June 2024	31 December 2023
Balance of financial investments measured at amortised cost that are assessed for 12-months ECL		
– Neither overdue nor credit-impaired	108,080,046	107,867,443
Less: Provision for impairment losses	(309,510)	(355,161)
Sub-total	107,770,536	107,512,282
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
– Neither overdue nor credit-impaired	20,000	25,500
Less: Provision for impairment losses	(2,416)	(346,746)
Sub-total	17,584	3,363,705
Balance of credit-impaired financial investments measured at amortised cost that are assessed for lifetime ECL		
– Overdue and credit-impaired	18,684,944	13,617,936
Less: Provision for impairment losses	(4,687,212)	(3,356,995)
Sub-total	13,997,732	10,260,941
Interest accrued	1,489,347	1,619,505
Total	123,275,199	122,756,433
Fair value of collateral held against credit-impaired financial investments that are measured at amortised cost	8,190,375	13,933,265

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37 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

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

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

(6) Looking-forward Information

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

The Group conducts sensitivity analysis on the core economic indicators used in forward-looking measurement. As at 30 June 2024, 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 30 June 2024, the weights assigned to various macro scenarios were: “central” 60%, “upside” 20%, and “downside” 20%.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

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37 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

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

(6) Looking-forward Information (Continued)

The multi-scenario weight is based on the principle of the benchmark scenario and supplemented by other scenarios. According to the sensitivity analysis, at 30 June 2024, 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 strategies and policies, determining the acceptable level of market risk and authorising the Risk Management Committee to supervise the market risk management conducted by senior management. The Risk Management Department, the Financial Markets Department and the Asset and Liability Management Department are responsible for identifying, measuring, monitoring and reporting the market risk.

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

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

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37 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

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

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

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

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

(1) Interest rate risk

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

(i) Repricing risk

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

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

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(In RMB thousands, unless otherwise stated)

37 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

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

	30 June 2024					
	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	26,106,678	937,758	25,168,920	-	-	-
Deposits/placements with banks and other financial institutions	8,700,839	60,381	4,260,584	4,379,874	-	-
Financial assets held under resale agreements	8,003,534	1,911	8,001,623	-	-	-
Loans and advances to customers ⁽¹⁾	360,955,481	1,502,755	77,231,550	196,833,820	73,919,216	11,468,140
Investments ⁽²⁾	190,754,881	3,048,900	35,210,091	36,141,948	68,605,670	47,748,272
Lease receivables ⁽¹⁾	33,458,706	316,648	3,857,100	10,053,623	19,215,730	15,605
Others	2,631,475	2,631,475	-	-	-	-
Total assets	630,611,594	8,499,828	153,729,868	247,409,265	161,740,616	59,232,017
Liabilities						
Due to Central Bank	28,652,279	284,201	6,803,465	21,564,613	-	-
Deposits/placements from banks and other financial institutions	43,592,940	392,263	18,920,377	23,525,300	755,000	-
Financial assets sold under repurchase agreements	14,363,697	4,174	14,359,523	-	-	-
Deposits from customers	392,756,086	6,755,776	149,610,062	106,249,254	130,140,994	-
Debt securities issued	105,876,838	336,322	37,784,273	52,757,967	14,998,276	-
Others	1,149,448	1,149,448	-	-	-	-
Total liabilities	586,391,288	8,922,184	227,477,700	204,097,134	145,894,270	-
Asset-liability gap	44,220,306	(422,356)	(73,747,832)	43,312,131	15,846,346	59,232,017

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37 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

	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 ⁽¹⁾	350,325,297	1,526,725	78,649,136	168,191,382	91,713,478	10,244,576
Investments ⁽²⁾	186,957,506	3,199,922	31,062,828	30,043,517	76,944,495	45,706,744
Lease receivables ⁽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

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For the six months ended 30 June 2024

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37 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

- (1) For the Group's loans and advances to customers, the category "Within three months (inclusive)" as at 30 June 2024 includes overdue amounts (net of allowance for impairment losses) of RMB12,411 million (31 December 2023: RMB10,248 million). For the Group's lease receivables, the category "Within three months (inclusive)" as at 30 June 2024 includes overdue amounts (net of allowance for impairment losses) of RMB256 million (31 December 2023: RMB120 million).
- (2) As at 30 June 2024, 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 category "Within three months (inclusive)" as at 30 June 2024 includes overdue amounts (net of allowance for impairment losses) of RMB14,397 million (31 December 2023: RMB12,898 million).

(ii) Interest rate sensitivity analysis

	30 June 2024 (Decrease)/ increase	31 December 2023 (Decrease)/ increase
Changes in net profit		
Up 100 bps parallel shift in yield curves	(362,155)	(585,096)
Down 100 bps parallel shift in yield curves	362,155	585,096
Changes in equity		
Up 100 bps parallel shift in yield curves	(1,454,765)	(1,426,836)
Down 100 bps parallel shift in yield curves	1,563,419	1,512,893

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37 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

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

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

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

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37 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(2) Currency risk

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

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

	30 June 2024			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with Central Bank	26,102,926	788	2,964	26,106,678
Deposits/placements with banks and other financial institutions	8,210,195	475,680	14,964	8,700,839
Financial assets held under resale agreements	7,504,351	499,183	-	8,003,534
Loans and advances to Customers	360,955,481	-	-	360,955,481
Investments [®]	190,443,734	311,147	-	190,754,881
Lease receivables	33,458,706	-	-	33,458,706
Others	2,630,693	782	-	2,631,475
Total assets	629,306,086	1,287,580	17,928	630,611,594
Liabilities				
Due to Central Bank	28,652,279	-	-	28,652,279
Deposits/placements from banks and other financial institutions	43,592,940	-	-	43,592,940
Financial assets sold under repurchase agreements	13,293,563	1,070,134	-	14,363,697
Deposits from customers	392,752,272	3,457	357	392,756,086
Debt securities issued	105,876,838	-	-	105,876,838
Others	1,149,344	104	-	1,149,448
Total liabilities	585,317,236	1,073,695	357	586,391,288
Net position	43,988,850	213,885	17,571	44,220,306
Off-balance sheet credit commitments	75,123,402	19,546	6,301	75,149,249

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(In RMB thousands, unless otherwise stated)

37 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(2) Currency risk (Continued)

	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 ⁽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

(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.

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37 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(2) Currency risk (Continued)

	30 June 2024	31 December 2023
	Increase/ (Decrease)	Increase/ (Decrease)
Change in profit after taxation and equity		
Up 100 bps change of foreign exchange rate	1,736	(3,057)
Down 100 bps change of foreign exchange rate	(1,736)	3,057

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

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

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

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37 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

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

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

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

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

These deposits from customers are widely diversified in terms of types and durations and represent a major source of funds.

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37 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(1) Maturity analysis

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

	30 June 2024						Total
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets							
Cash and deposits with Central Bank ⁽ⁱⁱ⁾	18,983,995	7,113,702	8,981	-	-	-	26,106,678
Deposits/placements with banks and other financial institutions	-	955,066	3,351,080	4,394,693	-	-	8,700,839
Financial assets held under resale agreements	-	-	8,003,534	-	-	-	8,003,534
Loans and advances to customers ⁽ⁱⁱⁱ⁾	13,272,184	3,741,647	50,971,018	146,734,256	98,320,837	47,915,539	360,955,481
Investments ^(iv)	15,621,027	1,352,926	18,855,068	32,438,090	72,722,948	49,764,822	190,754,881
Lease receivables ^(v)	103,161	152,696	3,917,891	10,053,623	19,215,730	15,605	33,458,706
Others	1,436,392	-	1,191,396	3,687	-	-	2,631,475
Total assets	49,416,759	13,316,037	86,298,968	193,624,349	190,259,515	97,695,966	630,611,594
Liabilities							
Due to Central Bank	-	-	6,910,820	21,741,459	-	-	28,652,279
Deposits/placements from banks and other financial institutions	-	1,428,672	17,674,957	23,724,305	765,006	-	43,592,940
Financial assets sold under repurchase agreements	-	-	14,363,697	-	-	-	14,363,697
Deposits from customers	-	115,106,245	35,628,483	107,953,744	134,067,614	-	392,756,086
Debt securities issued	-	-	37,983,696	52,894,866	14,998,276	-	105,876,838
Others	-	549,270	46,439	303,840	223,958	25,941	1,149,448
Total liabilities	-	117,084,187	112,608,092	206,618,214	150,054,854	25,941	586,391,288
Net position	49,416,759	(103,768,150)	(26,309,124)	(12,993,865)	40,204,661	97,670,025	44,220,306

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37 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(1) Maturity analysis (Continued)

	31 December 2023						Total
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets							
Cash and deposits with Central Bank ⁽ⁱ⁾	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 ⁽ⁱⁱ⁾	11,184,746	1,640,560	56,450,749	120,429,322	113,542,465	47,077,455	350,325,297
Investments ⁽ⁱ⁾	14,988,970	1,609,036	16,819,615	29,576,116	77,796,935	46,166,834	186,957,506
Lease receivables ⁽ⁱⁱⁱ⁾	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

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37 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”. Equity investments are reported under indefinite period.
- (ii) For cash and deposits with Central Bank, the “indefinite” period amount represents statutory deposit reserves and fiscal deposits maintained with the PBOC.
- (iii) For loans and advances to customers, the “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not impaired is included in “repayable on demand”.
- (iv) For lease receivables, the “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not impaired is included in “repayable on demand”.

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

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

	30 June 2024						
	Carrying amount	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Non-derivative financial liabilities cash flows:							
Due to Central Bank	28,652,279	28,982,447	-	6,963,913	22,018,534	-	-
Deposits/placements from banks and other financial institutions	43,592,940	43,896,133	1,428,672	17,756,451	23,934,674	776,336	-
Financial assets sold under repurchase agreements	14,363,697	14,365,242	-	14,365,242	-	-	-
Deposits from customers	392,756,086	403,883,779	115,106,245	35,762,325	109,581,786	143,433,423	-
Debt securities issued	105,876,838	107,319,000	-	38,048,000	53,803,000	15,468,000	-
Others	1,149,448	1,149,448	549,270	46,439	303,840	223,958	25,941
Total	586,391,288	599,596,049	117,084,187	112,942,370	209,641,834	159,901,717	25,941

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37 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

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

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

		31 December 2023					
Carrying amount	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Non-derivative financial liabilities cash flows:							
Due to Central Bank	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	-
Debt 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

(ii) The Group had no derivative financial instruments at the end of the reporting period and therefore an analysis of the cash flows of derivative financial instruments under undiscounted contracts is not presented here.

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37 RISK MANAGEMENT (CONTINUED)

(d) Operational risk

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

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

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

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

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37 RISK MANAGEMENT (CONTINUED)

(e) Capital management

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

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

- monitor the level of asset quality based on the Group's business strategy and maintain adequate capital to support the implementation of the Group's strategic development plan and meet the regulatory requirements; and
- effectively identify, quantify, monitor, mitigate and control the major risks to which the Group is exposed, and maintain the appropriate level of capital after considering the Group's risk exposure and risk management needs.

The Group monitors the capital adequacy ratio periodically and adjusts the capital management plan when necessary to ensure the capital adequacy ratio meets both the regulatory requirements and business development needs.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

37 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

The Group calculates the capital adequacy ratios as at 30 June 2024 and 31 December 2023 in accordance with the Regulation Governing Capital of Commercial Banks (商業銀行資本管理辦法) issued by the National Financial Regulatory Administration in 2023 and relevant requirements promulgated by the National Financial Regulatory Administration. The calculations based on statutory financial statements of the Group prepared under Accounting Standards for Business Enterprises are as follows:

	Note	30 June 2024	31 December 2023
Total core tier-one capital			
– Share capital		9,092,091	9,092,091
– Valid portion of capital reserve		5,892,719	5,985,102
– Fair value reserve		564,924	189,386
– Remeasurement of net defined benefit liability		(83,707)	(74,043)
– Surplus reserve		3,689,493	3,689,605
– General reserve		8,366,492	8,266,509
– Retained earnings		16,796,986	15,305,319
– Valid portion of minority interests		2,540,268	1,449,620
Core tier-one capital		46,859,266	43,903,589
Core tier-one capital deductions		(2,842,222)	(3,377,072)
Net core tier-one capital		44,017,044	40,526,517
Additional tier-one capital			
– Additional tier-one capital instruments and related premium		9,998,855	9,998,855
– Valid portion of minority interests		238,817	193,283
Net tier-one capital		54,254,716	50,718,655
Tier two capital			
– Surplus provision for loan impairment		5,528,189	5,257,125
– Valid portion of minority interests		477,633	396,825
Net tier-two capital		6,005,822	5,653,950
Net capital base		60,260,538	56,372,605
Total risk weighted assets	(1)	475,095,361	455,490,556
Core tier-one capital adequacy ratio		9.26%	8.90%
Tier-one capital adequacy ratio		11.42%	11.13%
Capital adequacy ratio		12.68%	12.38%

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024
(In RMB thousands, unless otherwise stated)

37 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

- (1) Both the on-balance and off-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty as well as any eligible collateral or guarantees.
- (2) Pursuant to the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法》), the National Financial Regulatory Administration requires that the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio for commercial banks shall not fall below 10.5%, 8.5% and 7.5% at 30 June 2024 and 31 December 2023.

38 FAIR VALUE

(a) Methods and assumptions for measurement of fair value

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

- | | |
|----------|---|
| Level 1: | Fair value measured using only Level 1 inputs i.e., unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date; |
| Level 2: | Fair value measured using Level 2 inputs i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and |
| Level 3: | Fair value measured using significant unobservable inputs. |

The Group has established policies and internal controls with respect to the measurement of fair values, specifying the framework, methodologies and procedures of fair value measurement of financial instruments.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

38 FAIR VALUE (CONTINUED)

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

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

(1) *Debt securities investments*

Regarding the fair values of debt securities investments, the Bank performs valuation by referring to prices from valuation service providers or on the basis of discounted cash flows models. Valuation parameters include market interest rates, expected future default rates, prepayment rates and market liquidity. The fair values of RMB bonds are mainly determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd.. The fair values of unlisted equity investments are estimated using comparable firm approach, after adjustment for the specific circumstances of the issuers.

(2) *Other debt investments*

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

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

Fair values of debt securities issued are based on their quoted market prices at the end of each of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of each of the reporting period.

(4) *Derivative financial instruments*

Derivative financial instruments use valuation techniques that only include observable market data for valuation, which are forward foreign exchange contracts. The most common valuation techniques include the discounted cash flow model and the Black-Scholes Model. The model parameters include forward foreign exchange rates, foreign exchange rate volatility, and interest rate curves.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024
(In RMB thousands, unless otherwise stated)

38 FAIR VALUE (CONTINUED)

(b) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	30 June 2024			
	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	–	12,836,300	–	12,836,300
– Investment funds	–	13,238,412	–	13,238,412
– Equity investments	385,005	–	176,012	561,017
– Other financial investments	–	–	12,297,955	12,297,955
Financial investments at fair value through other comprehensive income				
– Debt instruments	–	27,877,577	–	27,877,577
– Equity investments	–	–	67,720	67,720
Loans and advances to customers measured at fair value through other comprehensive income				
– Discounted bills and forfaiting	–	36,728,374	–	36,728,374
Total	385,005	90,680,663	12,541,687	103,607,355

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

38 FAIR VALUE (CONTINUED)

(b) Financial instruments recorded at fair value (Continued)

	31 December 2023			Total
	Level 1	Level 2	Level 3	
Assets measured at fair value on a recurring basis				
Financial investments at fair value through profit or loss				
– Debt securities	–	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	–	–	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

During the period, there were no transfers of financial instruments between different levels (2023: Nil).

(c) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening balance and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the period/year:

	1 January 2024	Total effects of profit and loss during the period	Total effects of other comprehensive income during the period	Acquisition	Sales/ settlement	Transferred from Level 3 to Level 2	30 June 2024	Profit attributable to the change in unrealised gains/ (losses) recognized in profit for the period relating to assets held at the end of the period
Financial assets:								
Financial investments at fair value through profit or loss								
– Other financial investments at fair value through profit or loss	14,690,048	296,596	-	2,071,000	(4,759,669)	-	12,297,955	193,543
– Equity investments	176,012	-	-	-	-	-	176,012	-
Financial investments at fair value through other comprehensive income	66,313	-	1,407	-	-	-	67,720	-
– Equity investments								
Total	14,932,373	296,596	1,407	2,071,000	(4,759,669)	-	12,541,687	193,543

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024
(In RMB thousands, unless otherwise stated)

(c) Movement in level 3 financial instruments measured at fair value (Continued)

The following table shows a reconciliation of the opening balance and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the period/year: (Continued)

	1 January 2023	Total effects of profit and loss during the year	Total effects of other comprehensive income during the year	Acquisition	Sales/ settlement	Transferred from Level 3 to Level 2	31 December 2023	Profit attributable to the change in unrealised gains/ (losses) recognized in profit for the year relating to assets held at the end of the year
Financial assets:								
Financial investments at fair value through profit or loss								
- Other financial investments at fair value through profit or loss	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	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

During the reporting period, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

During the reporting period, total gains or losses recorded in profit or loss are recognised in the line item “net gains arising from investments” on the face of the consolidated statement of profit or loss and other comprehensive income.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

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For the six months ended 30 June 2024
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38 FAIR VALUE (CONTINUED)

(d) Fair value of financial assets and liabilities not carried at fair value

	30 June 2024				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost					
– Debt securities	88,541,881	91,702,383	–	91,702,383	–
Total	88,541,881	91,702,383	–	91,702,383	–
Financial liabilities					
Debt securities issued					
– Financial bonds	20,334,552	20,511,986	–	20,511,986	–
– Interbank deposits	85,542,286	85,617,280	–	85,617,280	–
Total	105,876,838	106,129,266	–	106,129,266	–
	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 Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

38 FAIR VALUE (CONTINUED)

(d) Fair value of financial assets and liabilities not carried at fair value (Continued)

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods are adopted to determine the fair values of these assets and liabilities.

The fair values of debt securities in financial investments measured at amortised cost and debt securities issued are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

Financial investments measured at amortised cost with the exception of debt securities are stated at amortised cost using the effective interest method. The fair value of financial investments measured at amortised cost are estimated based on future cash flows expected to be received which is discounted at current market rates. The majority of financial investments measured at amortised cost are repriced at least annually to the market rate. Accordingly, their carrying values approximate their fair values.

The above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Those financial instruments of which the carrying amounts are the reasonable approximations of the fair values because, for example, they are short-term in nature or repriced at current market rates frequently, are as follows:

Assets	Liabilities
Cash and deposits with Central Bank	Due to Central Bank
Deposits with banks and other financial institutions	Deposits from banks and other financial institutions
Placements with banks and other financial institutions	Placements from banks and other financial institutions
Financial assets held under resale agreements	Financial assets sold under repurchase agreements
Loans and advances to customers (measured at amortised cost)	Deposits from customers
Lease receivables	Other financial liabilities
Other financial assets	

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024
(In RMB thousands, unless otherwise stated)

39 COMMITMENTS AND CONTINGENCIES

(a) Credit commitments

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

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

	30 June 2024	31 December 2023
Bank acceptances	56,669,146	59,793,479
Letters of credit	6,659,600	8,941,953
Guarantees	387,424	885,185
Unused credit card commitments	10,126,841	7,747,672
Loan commitments	1,306,238	2,783,237
Total	75,149,249	80,151,526

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

39 COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Credit risk-weighted amount

	30 June 2024	31 December 2023
Credit risk-weighted amount of commitments and contingencies	9,261,664	8,723,961

The credit risk weighted amount represents the amount calculated with reference to the guidelines issued by the Regulation Governing Capital of Commercial Banks (商業銀行資本管理辦法). The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights range from 0% to 150% for credit commitments.

(c) Capital commitments

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

	30 June 2024	31 December 2023
Contracted but not paid for	161,867	87,616
Approved but not contracted for	4,988	34,805
Total	166,855	122,421

(d) Outstanding litigations and disputes

As at 30 June 2024, there are no outstanding legal proceedings that have a significant impact on the financial statements against the Group (31 December 2023: Nil).

(e) Pledged assets

	30 June 2023	31 December 2022
Debt securities	44,608,534	55,661,134
Bills	2,059,152	2,642,320
Total	46,667,686	58,303,454

Some of the Group's assets are pledged as collateral under repurchase agreements and due to Central Bank.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

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(In RMB thousands, unless otherwise stated)

40 STRUCTURED ENTITIES

(a) Consolidated structured entities

The consolidated structured entities are asset-backed securities. The Group considers whether it has control over the structured entities as the sponsor of the asset-backed securities, and judges whether these structured entities should be consolidated based on the decision-making scope, the power held, the remuneration for providing management services and the variable income risk exposure faced. During the period ended 30 June 2024, the Group did not provide financial support to the consolidated structured entities (2023: Nil).

(b) Unconsolidated structured entities

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

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include investment management products under funds, trust schemes, investment management products managed by securities companies and wealth management products issued by financial institutions. The Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and finance through the issue of notes to investors.

The following tables set out an analysis of the carrying amounts of interests held by the Group in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	30 June 2024	
	Carrying amount	Maximum exposure
Financial investments		
– Financial investments at fair value through profit or loss	25,439,153	25,439,153
– Financial investments measured at amortised cost	34,360,847	34,360,847
Interest accrued	372,472	372,472
Total	60,172,472	60,172,472

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

40 STRUCTURED ENTITIES (CONTINUED)

(b) Unconsolidated structured entities (Continued)

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

	31 December 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 accrued	330,667	330,667
Total	65,198,648	65,198,648

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amount of the assets held by the Group and the related interest receivable at the end of each of the reporting period.

The interest income, net trading gains and investment gains arising from the above unconsolidated structured entities for the period ended 30 June 2024 amounted to RMB1,492 million (the six months ended 30 June 2023: RMB1,696 million).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024
(In RMB thousands, unless otherwise stated)

40 STRUCTURED ENTITIES (CONTINUED)

(b) Unconsolidated structured entities (Continued)

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

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

As at 30 June 2024, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB44,061 million (31 December 2023: RMB44,388 million).

During the period ended 30 June 2024, the Group recognised net commission income from the non-principal-guaranteed wealth management products with the amount of RMB102 million through provision of asset management services (the six months ended 30 June 2023: RMB105 million). The Group expected that the variable return would be insignificant as to the structured entities.

During the period ended 30 June 2024, the Group did not provide financial support to the unconsolidated structured entities (2023: Nil).

41 FIDUCIARY ACTIVITIES

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

As at 30 June 2024, the balance of the entrusted loans of the Group is RMB25,448 million (31 December 2023: RMB24,445 million).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

42 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	30 June 2024	31 December 2023
Assets		
Cash and deposits with Central Bank	25,659,414	25,938,464
Deposits with banks and other financial institutions	1,466,625	1,725,757
Placements with banks and other financial institutions	9,957,209	8,030,543
Financial assets held under resale agreements	8,003,534	10,689,146
Loans and advances to customers	356,904,440	346,025,819
Financial investments:		
Financial investments at fair value through profit or loss	38,157,672	40,047,984
Financial investments at fair value through other comprehensive income	27,945,297	22,872,676
Financial investments measured at amortised cost	123,275,199	122,756,433
Interests in associates and subsidiaries	1,833,496	1,837,196
Property and equipment	3,210,847	3,185,874
Deferred tax assets	6,080,105	5,718,793
Other assets	6,988,354	5,849,855
Total assets	609,482,192	594,678,540
Liabilities		
Due to Central Bank	28,485,274	30,702,524
Deposits from banks and other financial institutions	15,663,706	16,266,037
Placements from banks and other financial institutions	1,040,636	4,422,241
Financial assets sold under repurchase agreements	14,363,697	25,131,941
Deposits from customers	386,831,937	360,829,817
Tax payable	879,722	865,951
Debt securities issued	105,876,838	102,068,783
Other liabilities	2,695,053	2,642,492
Total liabilities	555,836,863	542,929,786

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024
(In RMB thousands, unless otherwise stated)

42 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	30 June 2024	31 December 2023
Equity		
Share capital	9,092,091	9,092,091
Other financial instruments	9,998,855	9,998,855
Capital reserve	5,985,160	5,985,160
Surplus reserve	3,689,605	3,689,605
General reserve	7,950,752	7,950,752
Fair value reserve	559,423	189,386
Remeasurement of net defined benefit liability	(83,707)	(74,043)
Retained earnings	16,453,150	14,916,948
Total equity	53,645,329	51,748,754
Total liabilities and equity	609,482,192	594,678,540

Zhao Fei
Chairman of the Board of Directors

Sun Haigang
Person in Charge of Accounting Affairs

Yuan Dongyun
Head of Accounting Department

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

Unaudited Supplementary Financial Information

For the six months ended 30 June 2024

(In RMB thousands, unless otherwise stated)

1 CURRENCY CONCENTRATIONS

	30 June 2024			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	1,287,580	6,673	11,255	1,305,508
Spot liabilities	(1,073,695)	(63)	(294)	(1,074,052)
Net position	213,885	6,610	10,961	231,456

	31 December 2023			
	US Dollars (RMB equivalent)	HK 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)

The Group has no structural position at the reporting periods.

Unaudited Supplementary Financial Information

For the six months ended 30 June 2024
(In RMB thousands, unless otherwise stated)

2 INTERNATIONAL CLAIMS

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

International claims include loans and advances to customers, amounts due from banks and other financial institutions and debt investments.

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

	30 June 2024			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	4,110,603	–	–	4,110,603
Europe	303,196	–	–	303,196
North America	81,745	–	–	81,745
Total	4,495,544	–	–	4,495,544

	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