



# 中原银行股份有限公司

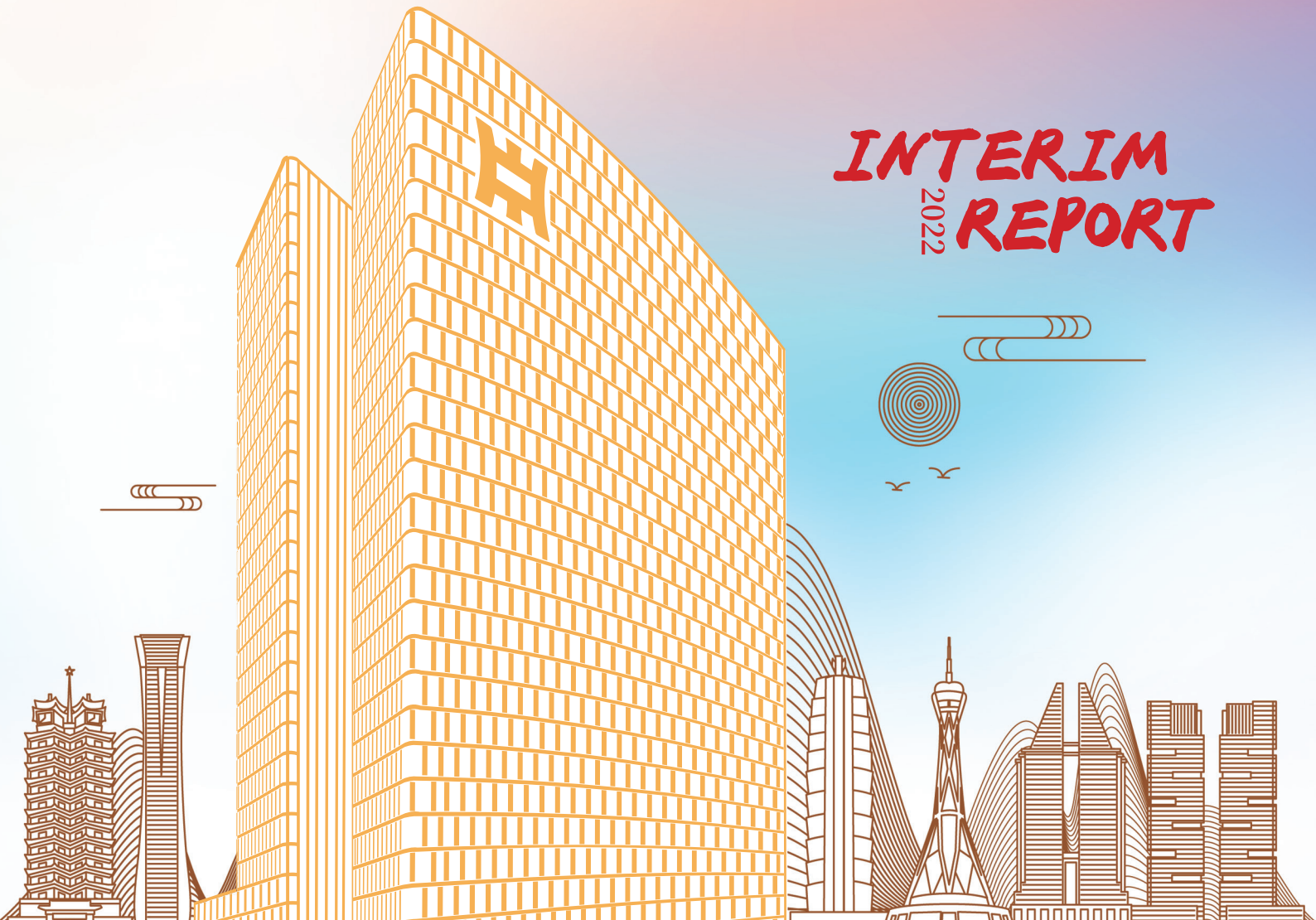
## ZHONGYUAN BANK CO., LTD.

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

Stock Code: 1216

Preference Shares Stock Code: 4617

**INTERIM**  
2022  
**REPORT**



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# I. Corporate Information

## Legal Name of the Company

中原銀行股份有限公司<sup>1</sup> (abbreviated as 中原銀行)

## English Name of the Company

ZHONGYUAN BANK CO., LTD.<sup>1</sup> (abbreviated as ZYBANK)

## Registered Office

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

## Headquarters in China

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

## Principal Business Place in Hong Kong

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

## Board of Directors

### Executive Directors<sup>2</sup>:

XU Nuojin (Chairman)  
Mr. WANG Jiong  
Mr. LI Yulin

### Non-Executive Directors:

Ms. ZHANG Qiuyun  
Mr. MI Hongjun

### Independent non-executive Directors:

Ms. PANG Hong  
Mr. LI Hongchang  
Mr. JIA Tingyu  
Mr. CHAN Ngai Sang Kenny

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

<sup>2</sup> Mr. WEI Jie, an executive director and the vice chairman of the Board of the Bank, tendered his resignation to the Board on June 17, 2022 for personal reason and resigned as an executive Director, the vice chairman, the member of the Strategic Development Committee, the member of the Related Party Transactions Control Committee and the member of the Risk Management Committee of the Bank. For details, please refer to the Bank's announcement dated June 17, 2022.

# I. Corporate Information

## Legal Representative

Mr. XU Nuojin

## Authorized Representatives

Mr. JIA Tingyu  
Mr. ZHANG Ke

## Joint Company Secretaries

Mr. ZHANG Ke  
Ms. CHAN Yin Wah<sup>1</sup>

## Unified Social Credit Code

9141000031741675X6

## Financial License Institution Number

B0615H241010001

## Auditors

### PRC Auditors

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

### International Auditors

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

<sup>1</sup> On March 30, 2022, Ms. LEUNG Wing Han Sharon resigned as the joint company secretary of the Bank, an alternate to authorized representative of the Bank under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and an authorized representative under the Chapter 622 of the Laws of Hong Kong and Ms. CHAN Yin Wah has been appointed as a joint company secretary, alternate to authorized representative and the authorized representative. For details, please refer to the Bank's announcement dated March 30, 2022.

# I. Corporate Information

## **Legal Advisors as to PRC Laws**

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

## **Legal Advisors as to Hong Kong Laws**

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

## **H Share Registrar**

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

## **Domestic Shares Trustee Agency**

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

## **H Share Stock Code**

1216

## **Preference Share Stock Code**

4617

## **Investor's Enquiry**

Website Address: [www.zybank.com.cn](http://www.zybank.com.cn)  
Contact Telephone No.: (86) 0371-85517898  
Fax: (86) 0371-85519888  
Email: [dongshihui@zybank.com.cn](mailto:dongshihui@zybank.com.cn)



## II. Summary of Accounting Information and Financial Indicators

	For the six months ended June 30		
	2022	2021	Change over the corresponding period of last year
<i>(Expressed in millions of Renminbi, except percentages, unless otherwise stated)</i>			
<b>Operating Results</b>			<b>Rate of Change (%)</b>
Net interest income	<b>8,377.1</b>	8,448.6	(0.8)
Net fee and commission income	<b>994.5</b>	1,119.8	(11.2)
Operating income	<b>10,407.2</b>	9,717.8	7.1
Operating expenses	<b>(3,324.3)</b>	(3,031.9)	9.6
Impairment losses on assets	<b>(5,071.9)</b>	(4,375.5)	15.9
Profit before taxation	<b>2,153.6</b>	2,411.8	(10.7)
Net profit	<b>2,139.2</b>	2,111.6	1.3
Net profit attributable to equity shareholders of the Bank	<b>2,093.3</b>	2,079.5	0.7
<b>Calculated on a per share basis (RMB)</b>			<b>Rate of Change (%)</b>
Net assets per share attributable to equity shareholders of the Bank <sup>(1)</sup>	<b>2.04</b>	2.52	(19.0)
Earnings per share <sup>(2)</sup>	<b>0.09</b>	0.10	(10.0)
<b>Profitability Indicators (%)</b>			<b>Change</b>
Return on average total assets <sup>(3)</sup>	<b>0.42</b>	0.56	(0.14)
Return on average equity <sup>(4)</sup>	<b>7.21</b>	8.38	(1.17)
Net interest spread <sup>(5)</sup>	<b>1.88</b>	2.15	(0.27)
Net interest margin <sup>(6)</sup>	<b>2.03</b>	2.33	(0.30)
Net fee and commission income to operating income	<b>9.56</b>	11.52	(1.96)
Cost-to-income ratio <sup>(7)</sup>	<b>30.89</b>	30.15	0.74

## II. Summary of Accounting Information and Financial Indicators

	June 30, 2022	December 31, 2021	Change over the end of last year
<i>(Expressed in millions of Renminbi, except percentages, unless otherwise stated)</i>			
<b>Capital adequacy ratio indicators<sup>(8)</sup> (%)</b>			<b>Change</b>
Calculated based on Capital Administrative Measures			
Core Tier-one capital adequacy ratio	<b>7.97</b>	8.70	(0.73)
Tier-one capital adequacy ratio	<b>9.48</b>	10.39	(0.91)
Capital adequacy ratio	<b>12.00</b>	13.30	(1.30)
Total equity to total assets	<b>7.30</b>	8.12	(0.82)
<b>Asset quality indicators (%)</b>			<b>Change</b>
Non-performing loans to total loans <sup>(9)</sup>	<b>1.82</b>	2.18	(0.36)
Allowance for loan impairment losses to non-performing loans <sup>(10)</sup>	<b>153.72</b>	153.49	0.23
Allowance to gross loan ratio <sup>(11)</sup>	<b>2.79</b>	3.35	(0.56)
<b>Other indicator (%)</b>			
Loan-to-deposit ratio	<b>78.77</b>	86.56	(7.79)
<b>Scale indicators</b>			<b>Rate of Change (%)</b>
<b>Total assets</b>	<b>1,267,299.5</b>	768,233.3	65.0
Of which: net loans to customers	<b>641,051.1</b>	378,116.5	69.5
<b>Total liabilities</b>	<b>1,174,833.2</b>	705,853.7	66.4
Of which: deposits from customers	<b>849,255.5</b>	455,692.2	86.4
<b>Share capital</b>	<b>36,549.8</b>	20,075.0	82.1
Equity attributable to equity shareholders of the Bank	<b>88,346.8</b>	61,210.1	44.3
Non-controlling interests	<b>4,119.5</b>	1,169.5	252.2
<b>Total equity</b>	<b>92,466.3</b>	62,379.6	48.2

## II. Summary of Accounting Information and Financial Indicators

Notes:

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



### III. Management Discussion and Analysis

#### 1. Past Economic and Financial Environment and Future Prospects

During the Reporting Period, high inflation became the greatest challenge to the current economic development. The momentum of world economic growth became weak due to the more rapid tightening of the monetary policy of major developed economies, the resurgence of the pandemic, geopolitical conflict, energy and food crisis and other factors. In the future, the coexistence of short supply and the faltering demand in the labor markets of major developed economies will continue. High inflation, flare-ups of the pandemic, food and energy crises will also have a continuous impact on the economy. The global economic environment will become more complicated and severe.

During the Reporting Period, China's economy was steady with a tendency for improvement. The high-quality development trend continued, with the effective control of the resurgence of the pandemic, the improvement in the marginal production demand, the basically stable market prices, and the effective livelihood guarantee. Despite difficulties, the national economy continued to grow, with a GDP of RMB56,264.2 billion, representing a year-on-year increase of 2.5%. Market sales improved, with total retail sales of consumer goods reaching RMB21,043.2 billion, representing a year-on-year decrease of 0.7%. Fixed asset investment continued to grow. Fixed asset investment (excluding farmers) amounted to RMB27,143.0 billion, representing a year-on-year increase of 6.1%. The import and export of goods grew rapidly, with a total import and export volume of RMB19,802.2 billion, representing a year-on-year increase of 9.4%. The consumer price index rose modestly, with a year-on-year increase of 1.7%. The resident income increased steadily. The nationwide per capita disposable income was RMB18,463, representing a year-on-year increase of 3.0%. Despite unexpected factors including the complicated and severe international environment and the impact of the pandemic in China, the long-term improving economic fundamentals of China remained unchanged, with sufficient resilience, great potential and large space. The national economy was expected to gradually recover and maintain steady growth.

During the Reporting Period, despite unexpected factors, the economy of Henan was stable with a tendency for improvement and was expected to improve continuously and gradually in the second half of the year, with strong resilience, great potential and the ability to resist risks and impact. GDP was RMB3,075.720 billion, representing a year-on-year increase of 3.1%, 0.6 percentage points higher than the national level. Fixed asset investment maintained double-digit growth, with a year-on-year increase of 10.3%, 4.2 percentage points higher than the national level. The consumer goods market rebounded strongly, with the total retail sales of consumer goods reaching RMB211.378 billion, representing a year-on-year increase of 3.1%. The provincial consumer price index rose modestly, with a year-on-year increase of 1.2%. The resident income increased steadily. The per capita disposable income was RMB13,322, representing a year-on-year increase of 4.6%.

During the Reporting Period, the Central Bank enhanced macro-policy adjustments, adopted a prudent and flexible monetary policy, effectively implemented a package of policies and measures to stabilize the economy, and firmly supported the efforts to stabilize the economy. The total monetary credit grew reasonably. The balance of the broad money supply (M2) was RMB258.1 trillion, representing a year-on-year increase of 11.4%. Credit support for the real economy increased, with the balance of RMB and foreign currency loans of financial institutions reaching RMB212.3 trillion, representing a year-on-year increase of 10.8%. Public financing saw a reasonable growth with existing public financing amounting to RMB334.27 trillion, representing a year-on-year increase of 10.8%. The RMB exchange rate fluctuated and remained basically stable at an appropriate and balanced level, giving play to the role as an automatic stabilizer of macroeconomics and international payments. In the next step, the Central Bank will enhance the implementation of the prudent monetary policy, maintain reasonable and sufficient liquidity, pay close attention to and properly respond to inflation changes at home and abroad, comprehensively apply structural monetary policy tools, and strive to stabilize the macroeconomic market and keep the economic operation within a reasonable range.

### III. Management Discussion and Analysis

#### 2. Overall Operation Overview

During the Reporting Period, despite the pressure from shrinking demand, supply shocks, and weaker expectations and huge challenges arising out of external unexpected factors including flare-ups of the pandemic, the Bank overcame difficulties, carried out exploitation and innovation, fully promoted merger by absorption, accelerated steady business development, and maintained a good development trend with a focus on “Three Small Goals and One Big Goal (三小一大)”, and under the business philosophy of “Intimate, Professional, Cooperative and Win-win (貼心、專業、合作、共贏)” and the general principle of “Seeking Growth, Realities and optimum through Steady Progress (穩中求進、穩中求實、穩中求優).” In “Top 1000 World Banks 2022” by The Banker, the Bank ranked 180th, up 5 places as compared with the previous year.

**The merger by absorption was successfully approved, which continued to empower the local economy.** Firstly, the Bank received the regulatory approval for the merger by absorption of three banks. In order to deepen the financial reform in an all-round way, strengthen the local finance, strive to build a first-class city commercial bank, and enhance the role of finance in serving the economic and social development of the province, and according to the overall work plan of the reform and restructuring of city commercial banks published by the provincial government of Henan Provincial Committee and the provincial government, the Bank completed key work including asset check, capital verification, and follow-on offering of H shares and regulatory approval, and obtained regulatory approval for the merger by absorption of Bank of Luoyang, Bank of Pingdingshan and Jiaozuo Bank of China Travel Service. The new Zhongyuan Bank after the restructuring had assets exceeding RMB1.2 trillion, thus officially starting a new journey of the development of a trillion-level bank. Secondly, the Bank actively fulfilled the responsibility of a legal person and boosted the high-quality economic development of Henan. Taking the unveiling of the nameplate for restructuring as a new starting point, the Bank provided high-quality financial services and solid financial support for ensuring Henan province’s high-quality building of modernization and high-level realization of modernization and implementing the “Ten Strategies”, under the principle of “rooting in, cultivating, relying on, and serving central China (紮根中原、深耕中原、依靠中原、服務中原).” With a focus on the implementation of the “Ten Strategies” and the construction of major projects, the Bank prepared a three-year RMB300 billion special action plan. The Bank actively implemented the work requirements to stabilize the economy and launched a RMB100 billion special credit support plan. The Bank established a special team for “Ten thousand People Helping Ten Thousand Enterprises (萬人助萬企)” and “President’s Visit to 10,000 enterprises (行長進萬企)” to effectively reduce the financing and operating costs of enterprises, and decrease fees and give up a share of profits, totaling RMB0.35 billion, for enterprises. The Bank optimized the government-bank cooperation mechanism, and signed strategic cooperation agreements with Zhengzhou, Hebi, Anyang and other cities. Specifically, the Bank provided 5-year RMB500 billion financial support for Zhengzhou. The Bank established a new inclusive finance line as well as a personal small and micro credit center, and launched special credit products such as “Shangyi Loan (商易貸)” and “Zhenghao Anjia (鄭好安家)”, and created a “five-in-one” service model for rural revitalization, improved the standard of service to new citizens, and effectively expanded the coverage of financial services.

### III. Management Discussion and Analysis

**The business development and quality were stable with a tendency for improvement.**

Firstly, the assets exceeded RMB1 trillion and the structure of assets and liabilities was gradually optimized. As at June 30, 2022, the total assets of the Bank were RMB1,267,299 million, representing an increase of RMB499,066 million or 65.0% as compared to the beginning of the year. The total loans (excluding accrued interest) amounted to RMB657,035 million, representing an increase of RMB268,875 million or 69.3% as compared to the beginning of the year. The balance of deposits (excluding accrued interest) amounted to RMB834,119 million, representing an increase of RMB385,694 million or 86.0% as compared to the beginning of the year. The Bank continuously promoted the business transformation and increased credit supply, supported the real economy, strictly controlled the proportion of interbank liabilities, and continuously optimized the asset-liability structure. The total loans (excluding accrued interest) accounted for 51.8% of the total assets, representing an increase of 1.3 percentage points as compared with the beginning of the year. General deposits (excluding accrued interest) accounted for 71.0% of the total liabilities, representing an increase of 7.5 percentage points as compared with the beginning of the year. The interbank liabilities (including interbank deposits issued) accounted for 18.4% of the total liabilities, representing a decrease of 6.2 percentage points as compared with the beginning of the year. Secondly, business operations remained stable, with continuous improvement in profitability. The operating income was RMB10,407 million, representing a year-on-year increase of RMB689 million or 7.1%. The net profit was RMB2,139 million, representing a year-on-year increase of RMB27 million or 1.3%. Net non-interest income accounted for 19.5% of operating income, representing a year-on-year increase of 6.4 percentage points. Thirdly, the Bank continuously promoted risk mitigation, thus steadily improving the asset quality. The Bank firmly implemented the reform to mitigate risks, vigorously promoted the recovery and activation of non-performing assets, and continuously reduced non-performing loans and high-risk assets through comprehensively using various means including cash recovery, litigation hold and transfer of debts, thus significantly improving the asset quality. As at June 30, 2022, the non-performing loan ratio was 1.82%, representing a decrease of 0.36 percentage points as compared with the beginning of the year; the allowance coverage ratio was 153.72%, representing an increase of 0.23 percentage points as compared with the beginning of the year.

## III. Management Discussion and Analysis

### 3. Analysis on Income Statement

For the six months ended June 30, 2022, the Bank recorded operating income of RMB10,407 million, representing a year-on-year increase of 7.1%, and net profit of RMB2,139 million, representing a year-on-year increase of 1.3%.

	For the six months ended June 30,			
	2022	2021	Change	Rate of change
	(in millions of RMB, except percentages)			
Interest income	<b>17,136.6</b>	15,995.2	1,141.4	7.1%
Interest expense	<b>(8,759.5)</b>	(7,546.6)	(1,212.9)	16.1%
<b>Net interest income</b>	<b>8,377.1</b>	8,448.6	(71.5)	(0.8%)
Fee and commission income	<b>1,349.3</b>	1,328.5	20.8	1.6%
Fee and commission expense	<b>(354.8)</b>	(208.7)	(146.1)	70.0%
<b>Net fee and commission income</b>	<b>994.5</b>	1,119.8	(125.3)	(11.2%)
Net trading gains/(losses)	<b>558.1</b>	(110.1)	668.2	N/A
Net gains arising from investment securities	<b>416.6</b>	231.5	185.1	80.0%
Other operating income <sup>(1)</sup>	<b>60.9</b>	28.0	32.9	117.5%
<b>Operating income</b>	<b>10,407.2</b>	9,717.8	689.4	7.1%
Operating expenses	<b>(3,324.3)</b>	(3,031.9)	(292.4)	9.6%
Impairment losses on assets	<b>(5,071.9)</b>	(4,375.5)	(696.4)	15.9%
Share of gains of joint ventures	<b>142.6</b>	101.4	41.2	40.6%
<b>Operating profit</b>	<b>2,153.6</b>	2,411.8	(258.2)	(10.7%)
<b>Profit before taxation</b>	<b>2,153.6</b>	2,411.8	(258.2)	(10.7%)
Income tax	<b>(14.4)</b>	(300.2)	285.8	(95.2%)
<b>Net profit</b>	<b>2,139.2</b>	2,111.6	27.6	1.3%
Net profit attributable to equity shareholders of the Bank	<b>2,093.3</b>	2,079.5	13.8	0.7%
Non-controlling interests	<b>45.9</b>	32.1	13.8	43.0%

Note:

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

## III. Management Discussion and Analysis

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

For the six months ended June 30, 2022, the Bank recorded net interest income of RMB8,377 million, representing a decrease of RMB72 million or 0.8% as compared to the same period of last year. Among this, a growth of net interest income of RMB1,290 million as compared to last year was attributable to the expansion of the Bank's business scale and a decrease in net interest income of RMB1,362 million was attributable to the changes in yield or cost rate.

The following table sets forth the average balance of the Bank's interest-earning assets and interest-bearing liabilities, interest income and expense from these assets and liabilities, and the average yield of these interest-earning assets and the average cost rate of these interest-bearing liabilities for the six months ended June 30, 2021 and 2022.

	2022			2021		
	Average balance	Interest income/expense	Average yield/cost <sup>(1)</sup>	Average balance	Interest income/expense	Average yield/cost <sup>(1)</sup>
(in millions of RMB, except percentages)						
<b>Interest-earning assets</b>						
Loans and advances to customers	444,721.5	10,929.4	4.92%	371,773.3	9,702.8	5.22%
Investment securities and other financial assets <sup>(2)</sup>	218,949.4	3,723.5	3.40%	217,578.2	4,064.1	3.74%
Lease receivables	38,343.4	1,314.8	6.86%	34,070.2	1,249.7	7.34%
Deposits with the Central Bank	40,561.1	263.8	1.30%	36,001.5	247.9	1.38%
Deposits with banks and other financial institutions	15,451.9	59.6	0.77%	13,019.4	73.0	1.12%
Financial assets held under resale agreements	23,801.9	199.4	1.68%	17,572.9	170.7	1.94%
Placements with banks and other financial institutions	44,996.2	646.1	2.87%	34,317.4	487.0	2.84%
<b>Total interest-earning assets</b>	<b>826,825.4</b>	<b>17,136.6</b>	<b>4.15%</b>	<b>724,332.9</b>	<b>15,995.2</b>	<b>4.42%</b>
<b>Interest-bearing liabilities</b>						
Deposits from customers	531,604.0	5,571.4	2.10%	420,183.0	4,018.4	1.91%
Financial assets sold under repurchase agreements	27,518.4	246.5	1.79%	30,824.8	389.8	2.53%
Placements from banks and other financial institutions	37,669.2	493.6	2.62%	34,074.2	498.4	2.93%
Borrowings from the Central Bank	48,301.3	603.5	2.50%	41,250.3	546.1	2.65%
Deposits from banks and other financial institutions	22,261.0	327.0	2.94%	64,488.8	912.8	2.83%
Debt securities issued <sup>(3)</sup>	105,396.2	1,517.5	2.88%	74,924.3	1,181.1	3.15%
<b>Total interest-bearing liabilities</b>	<b>772,750.1</b>	<b>8,759.5</b>	<b>2.27%</b>	<b>665,745.4</b>	<b>7,546.6</b>	<b>2.27%</b>
<b>Net interest income</b>		<b>8,377.1</b>			<b>8,448.6</b>	
<b>Net interest spread<sup>(4)</sup></b>			<b>1.88%</b>			<b>2.15%</b>
<b>Net interest margin<sup>(5)</sup></b>			<b>2.03%</b>			<b>2.33%</b>

Notes:

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

### III. Management Discussion and Analysis

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

<b>For the six months ended June 30,</b>			
<b>2022 vs 2021</b>			
<b>Reasons for increase/(decrease)</b>			
	<b>Volume<sup>(1)</sup></b>	<b>Rate<sup>(2)</sup></b>	<b>Net increase/ (decrease)<sup>(3)</sup></b>
(in millions of RMB)			
<b>Interest-earning assets</b>			
Loans and advances to customers	1,903.9	(677.3)	1,226.6
Investment securities and other financial assets	25.6	(366.2)	(340.6)
Lease receivables	156.7	(91.6)	65.1
Deposits with the Central Bank	31.4	(15.5)	15.9
Deposits with banks and other financial institutions	13.6	(27.0)	(13.4)
Financial assets held under resale agreements	60.5	(31.8)	28.7
Placements with banks and other financial institutions	151.5	7.6	159.1
<b>Changes in interest income</b>	<b>2,343.2</b>	<b>(1,201.8)</b>	<b>1,141.4</b>
<b>Interest-bearing liabilities</b>			
Deposits from customers	1,065.6	487.4	1,553.0
Financial assets sold under repurchase agreements	(41.8)	(101.5)	(143.3)
Placements from banks and other financial institutions	52.6	(57.4)	(4.8)
Borrowings from the Central Bank	93.3	(35.9)	57.4
Deposits from banks and other financial institutions	(597.7)	11.9	(585.8)
Debt securities issued	480.4	(144.0)	336.4
<b>Changes in interest expense</b>	<b>1,052.4</b>	<b>160.5</b>	<b>1,212.9</b>

Notes:

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

## III. Management Discussion and Analysis

### 3.2 Interest income

For the six months ended June 30, 2022, the Bank's interest income increased by RMB1,141 million or 7.1% to RMB17,137 million as compared to the same period last year.

#### 3.2.1 Interest income from loans and advances to customers

For the six months ended June 30, 2022, the Bank's interest income from loans and advances to customers increased by RMB1,227 million or 12.6% to RMB10,929 million as compared to the same period last year. Which was mainly due to the transfer of all the assets, liabilities and businesses of the three banks to the Bank after the merger by absorption, continuous promotion of product innovation and optimization, the enhanced support for the development of the real economy and the increasing loan size. The average balance of loans increased from RMB371,773 million to RMB444,722 million.

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

	For the six months ended June 30,					
	Average balance	2022 Interest income	Average yield	Average balance	2021 Interest income	Average yield
	(in millions of RMB, except percentages)					
Corporate loans	212,829.0	5,337.6	5.02%	152,002.4	4,209.8	5.54%
Discounted bills	39,360.3	487.0	2.47%	43,797.6	680.0	3.11%
Personal loans	192,532.2	5,104.8	5.30%	175,973.3	4,813.0	5.47%
<b>Total</b>	<b>444,721.5</b>	<b>10,929.4</b>	<b>4.92%</b>	371,773.3	9,702.8	5.22%

#### 3.2.2 Interest income from investment securities and other financial assets

For the six months ended June 30, 2022, the Bank's interest income from investment securities and other financial assets decreased by RMB341 million or 8.4% to RMB3,724 million as compared to the same period last year, primarily attributable to the decrease of 0.34 percentage point in the average yield of investment securities and other financial assets. The decrease in the average yield was primarily resulted by market factors, the yield of new investment securities and other financial assets was lower than last year.

## III. Management Discussion and Analysis

### 3.2.3 Interest income from lease receivables

For the six months ended June 30, 2022, the Bank's interest income from lease receivables was RMB1,315 million, representing a year-on-year increase of RMB65 million or 5.2%, mainly due to the increase in the asset investment as a result of the increased support of the Bank's subsidiary, AB Leasing Co., Ltd. for the real economy.

### 3.2.4 Interest income from deposits with the Central Bank

For the six months ended June 30, 2022, the Bank's interest income from deposits with the Central Bank increased by RMB16 million or 6.4% to RMB264 million as compared to the same period last year, primarily attributable to the increase in the average balance from deposits with the Central Bank.

### 3.2.5 Interest income from deposits with banks and other financial institutions

For the six months ended June 30, 2022, the Bank's interest income from deposits with banks and other financial institutions decreased by RMB13 million or 18.4% to RMB60 million as compared to the same period last year, primarily attributable to the decrease in the average yield of deposits with banks and other financial institutions.

### 3.2.6 Interest income from financial assets held under resale agreements

For the six months ended June 30, 2022, the Bank's interest income from financial assets held under resale agreements increased by RMB29 million or 16.8% to RMB199 million as compared to the same period last year, primarily attributable to the increase in the average balance of financial assets held under resale agreements.

### 3.2.7 Interest income from placements with banks and other financial institutions

For the six months ended June 30, 2022, the Bank's interest income from placements with banks and other financial institutions increased by RMB159 million or 32.7% to RMB646 million as compared to the same period last year, primarily attributable to the increase in the average balance of placements with banks and other financial institutions.



## III. Management Discussion and Analysis

### 3.3 Interest expense

For the six months ended June 30, 2022, the Bank's interest expense increased by RMB1,213 million or 16.1% to RMB8,760 million as compared to the same period last year.

#### 3.3.1 Interest expense on deposits from customers

For the six months ended June 30, 2022, the Bank's interest expense on deposits from customers increased by RMB1,553 million or 38.6% to RMB5,571 million as compared to the same period last year, primarily attributable to the increase in the average balance of deposits from customers of the Bank. The increase in the average balance of deposits from customers of the Bank was primarily due to the transfer of all the assets, liabilities and businesses of the three banks to the Bank after the merger by absorption, and the effective promotion of the growth of deposits as a result of continuous enrichment of application scenarios and product systems, expansion of customer acquisition and the scope of business linkage, and service quality improvement.

	For the six months ended June 30,					
	2022			2021		
	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost
(in millions of RMB, except percentages)						
<b>Corporate deposits</b>						
Demand	120,316.8	493.9	0.82%	118,777.6	434.5	0.73%
Time	134,862.8	1,441.6	2.14%	95,692.6	1,025.5	2.14%
<b>Sub-total</b>	<b>255,179.6</b>	<b>1,935.5</b>	<b>1.52%</b>	214,470.2	1,460.0	1.36%
<b>Personal deposits</b>						
Demand	64,067.8	181.9	0.57%	53,704.3	99.8	0.37%
Time	212,356.6	3,454.0	3.25%	152,008.5	2,458.6	3.23%
<b>Sub-total</b>	<b>276,424.4</b>	<b>3,635.9</b>	<b>2.63%</b>	205,712.8	2,558.4	2.49%
<b>Total deposits from customers</b>	<b>531,604.0</b>	<b>5,571.4</b>	<b>2.10%</b>	420,183.0	4,018.4	1.91%

#### 3.3.2 Interest expense on deposits from banks and other financial institutions

For the six months ended June 30, 2022, the Bank's interest expense on deposits from banks and other financial institutions decreased by RMB586 million or 64.2% to RMB327 million as compared to the same period last year, which was primarily attributable to the decrease in the average balance of deposits from banks and other financial institutions.

#### 3.3.3 Interest expense on debt securities issued

For the six months ended June 30, 2022, the Bank's interest expense on debt securities issued increased by RMB336 million or 28.5% to RMB1,518 million as compared to the same period last year, primarily attributable to the increase in the average balance of debt securities issued.

## III. Management Discussion and Analysis

### 3.3.4 Net interest spread and net interest margin

The Bank's net interest spread decreased from 2.15% of last year to 1.88% for the current year, while the Bank's net interest margin decreased from 2.33% of last year to 2.03% for the current year. The decrease in net interest spread and net interest margin was mainly due to (i) the decline in loan yield as a result of the decline in the loan prime rate (LPR) and the implementation by the Bank of the national policies of giving up a share of profits, which proactively reduced the financing costs of enterprises; (ii) the decrease in the yield of investment and financing businesses as a result of the overall decline in market interest rates under the guidance of more flexible and appropriate monetary policies.

### 3.4 Non-interest income

#### 3.4.1 Net fee and commission income

For the six months ended June 30, 2022, the Bank's net fee and commission income decreased by RMB125 million or 11.2% to RMB995 million as compared to the same period last year.

	For the six months ended June 30,			
	2022	2021	Change	Rate of change
	(in millions of RMB, except percentages)			
<b>Fee and commission income</b>				
Bank card service fees	337.8	244.0	93.8	38.4%
Settlement and clearing service fees	149.0	158.9	(9.9)	(6.2%)
Agency service income	87.0	67.9	19.1	28.1%
Underwriting service income	135.8	358.0	(222.2)	(62.1%)
Acceptance and guarantee service fees	64.7	76.2	(11.5)	(15.1%)
Advisory and consulting fees	93.2	115.4	(22.2)	(19.2%)
Custodial service fees	4.1	57.4	(53.3)	(92.9%)
Wealth management business fees	477.7	250.7	227.0	90.5%
<b>Sub-total</b>	<b>1,349.3</b>	1,328.5	20.8	1.6%
<b>Fee and commission expenses</b>	<b>(354.8)</b>	(208.7)	(146.1)	70.0%
<b>Net fee and commission income</b>	<b>994.5</b>	1,119.8	(125.3)	(11.2%)

For the six months ended June 30, 2022, the Bank realized bank card service fees income of RMB338 million, representing an increase of RMB94 million as compared to the same period last year, primarily because the Bank continued to develop its credit card business and diversify products offerings, leading to the rapid growth of consumption transaction and driving the growth of related fee income.

For the six months ended June 30, 2022, the Bank's wealth management business fees were RMB478 million, representing a year-on-year increase of RMB227 million, primarily due to the Bank's continuous improvement of product systems and customer service ability and increase in the size of issuance of wealth management products.

### III. Management Discussion and Analysis

For the six months ended June 30, 2022, the Bank realized agency service income of RMB87 million, representing an increase of RMB19 million as compared to the same period last year, primarily due to the Bank's in-depth promotion of the construction of the wealth management system to meet the increasingly diversified asset allocation needs of customers and the rapid growth of agency sales service income from agency sales of insurance and asset management plans.

For the six months ended June 30, 2022, the Bank recorded the underwriting service income of RMB136 million, representing a year-on-year decrease of RMB222 million, mainly due to the adjustment by the Bank of the structure of relevant underwriting business according to market conditions and policy requirements.

#### 3.4.2 Net trading gains/(losses)

For the six months ended June 30, 2022, the Bank's net trading gains were RMB558 million, representing an increase of RMB668 million as compared to the same period last year, primarily attributable to the fluctuations of exchange rate under the influence of global economy.

#### 3.4.3 Net gains arising from investment securities

For the six months ended June 30, 2022, the Bank's net gains arising from investment securities amounted to RMB417 million, representing an increase of RMB185 million as compared to the same period last year, primarily attributable to the increase in gains of financial investments at fair value through other comprehensive income for the current period.

### 3.5 Operating expenses

For the six months ended June 30, 2022, the Bank's operating expenses increased by RMB292 million or 9.6% to RMB3,324 million as compared to the same period last year.

	For the six months ended June 30,			
	2022	2021	Change	Rate of change
	(in millions of RMB, except percentages)			
<b>Staff costs</b>				
Salaries, bonuses and allowances	1,247.0	1,238.8	8.2	0.7%
Staff welfare	158.8	131.4	27.4	20.9%
Social insurance and annuity	306.1	235.6	70.5	29.9%
Housing fund	133.7	109.8	23.9	21.8%
Employee education expenses and labor union expenses	27.4	43.4	(16.0)	(36.9%)
Others <sup>(1)</sup>	40.5	25.7	14.8	57.6%
<b>Sub-total of staff costs</b>	<b>1,913.5</b>	<b>1,784.7</b>	<b>128.8</b>	<b>7.2%</b>
<b>Tax and surcharges</b>	<b>109.4</b>	<b>101.9</b>	<b>7.5</b>	<b>7.4%</b>
<b>Depreciation and amortisation</b>	<b>559.3</b>	<b>492.2</b>	<b>67.1</b>	<b>13.6%</b>
<b>Other general and administrative expenses</b>	<b>742.1</b>	<b>653.1</b>	<b>89.0</b>	<b>13.6%</b>
<b>Total</b>	<b>3,324.3</b>	<b>3,031.9</b>	<b>292.4</b>	<b>9.6%</b>

Note:

(1) Primarily included dispatched labor fees.

### III. Management Discussion and Analysis

For the six months ended June 30, 2022, the Bank's staff costs increased by RMB129 million to RMB1,914 million as compared to the same period last year, primarily attributable to the increase in social insurance premiums for employees as a result of the adjustment of the social insurance payment base.

For the six months ended June 30, 2022, depreciation and amortization expenses increased by RMB67 million to RMB559 million as compared to the same period last year, primarily because the impact of merger by absorption, which led to the increase of depreciation and amortization expenses.

For the six months ended June 30, 2022, tax and surcharges expenses amounted to RMB109 million, representing an increase of RMB8 million as compared to the same period last year. The increase was primarily due to the increase in operating income of the Bank.

For the six months ended June 30, 2022, other general and administrative expenses increased by RMB89 million to RMB742 million as compared to the same period last year. Other general and administrative expenses primarily include interest expenses on lease liabilities, property management fees, office expenses, business marketing expenses and others.

#### 3.6 Impairment losses

For the six months ended June 30, 2022, the Bank's impairment losses were RMB5,072 million, representing a year-on-year increase of RMB696 million or 15.9%, mainly due to the efforts of the Bank to further enhance the disposal of non-performing assets and make provisions for non-performing assets, the continuous consolidation of the basis for making provisions and the improvement in the risk compensation capability of the Bank.

	For the six months ended June 30,			
	2022	2021	Change	Rate of change
	(in millions of RMB, except percentages)			
Loans and advances to customers	4,430.5	2,370.1	2,060.4	86.9%
Investment securities and other financial assets <sup>(1)</sup>	656.4	1,459.6	(803.2)	(55.0%)
Lease receivables	147.1	262.7	(115.6)	(44.0%)
Other assets <sup>(2)</sup>	(162.1)	283.1	(445.2)	(157.3%)
<b>Total impairment losses</b>	<b>5,071.9</b>	<b>4,375.5</b>	<b>696.4</b>	<b>15.9%</b>

Notes:

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

## III. Management Discussion and Analysis

### 3.7 Income tax expense

For the six months ended June 30, 2022, the Bank's income tax expense decreased by RMB286 million to RMB14 million, primarily attributable to the increase in the Bank's interest incomes from treasury bonds and other tax-free incomes.

	For the six months ended June 30,			
	2022	2021	Change	Rate of change
	(in millions of RMB, except percentages)			
Current income tax	143.7	895.9	(752.2)	(84.0%)
Deferred income tax	(129.3)	(595.7)	466.4	(78.3%)
<b>Total income tax expenses</b>	<b>14.4</b>	<b>300.2</b>	<b>(285.8)</b>	<b>(95.2%)</b>

## 4. Analysis on the Major Items of Balance Sheet

### 4.1 Assets

As of June 30, 2022, the Bank's total assets increased by RMB499,066 million or 65.0% to RMB1,267,299 million as compared to the end of last year. The principal components of the Bank's assets consist of (i) loans and advances to customers (net); and (ii) investment securities and other financial assets (net), representing 50.6% and 27.5% of the Bank's total assets as of June 30, 2022, respectively.

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

	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)			
Gross loans and advances to customers	659,358.8	52.0%	390,647.1	50.8%
Allowance for impairment losses	(18,307.7)	(1.4%)	(12,530.6)	(1.6%)
Net loans and advances to customers	641,051.1	50.6%	378,116.5	49.2%
Lease receivables	60,875.8	4.8%	33,862.3	4.4%
Investment securities and other financial assets	348,623.1	27.5%	215,114.3	28.0%
Financial assets held under resale agreements	22,264.3	1.8%	11,794.4	1.5%
Cash and deposits with the Central Bank	91,411.5	7.2%	63,641.6	8.3%
Deposits with banks and other financial institutions	18,111.8	1.4%	10,696.5	1.4%
Placements with banks and other financial institutions	52,850.6	4.2%	34,354.0	4.5%
Derivative financial assets	53.3	0.0%	31.5	0.0%
Interest in joint venture	1,325.8	0.1%	1,183.2	0.2%
Other assets <sup>(1)</sup>	30,732.2	2.4%	19,439.0	2.5%
<b>Total assets</b>	<b>1,267,299.5</b>	<b>100.0%</b>	<b>768,233.3</b>	<b>100.0%</b>

Note:

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

### III. Management Discussion and Analysis

#### 4.1.1 Loans and advances to customers

As of June 30, 2022, the Bank's gross loans and advances to customers (excluding accrued interest) increased by RMB268,876 million or 69.3% to RMB657,035 million as compared to the end of last year. The Bank's loans and advances to customers consist of corporate loans, personal loans and discounted bills.

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

	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Corporate loans	361,002.5	54.8%	173,651.4	44.5%
Personal loans	240,016.6	36.4%	184,113.0	47.1%
Discounted bills	56,016.2	8.4%	30,395.1	7.8%
<b>Sub-total</b>	<b>657,035.3</b>	<b>99.6%</b>	388,159.5	99.4%
Accrued interest	2,323.5	0.4%	2,487.6	0.6%
<b>Total loans and advances to customers</b>	<b>659,358.8</b>	<b>100.0%</b>	390,647.1	100.0%

##### (1) Corporate loans

As of June 30, 2022, the Bank's corporate loans increased by RMB187,351 million or 107.9% to RMB361,003 million as compared to the end of last year, representing 54.9% of the Bank's gross loans and advances to customers (excluding accrued interest), primarily attributable to the Bank's merger by absorption of three banks, while increasing supports to real economy.

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

	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Unsecured loans	66,140.2	18.3%	22,465.4	12.9%
Guaranteed loans	157,104.9	43.5%	74,798.2	43.1%
Collateralised loans	75,651.6	21.0%	41,573.9	23.9%
Pledged loans	62,105.8	17.2%	34,813.9	20.1%
<b>Total corporate loans</b>	<b>361,002.5</b>	<b>100.0%</b>	173,651.4	100.0%

### III. Management Discussion and Analysis

#### (2) Personal loans

As of June 30, 2022, the Bank's personal loans increased by RMB55,904 million or 30.4% to RMB240,017 million as compared to the end of last year, primarily attributable to the Bank's merger by absorption of three banks, while increasing support for social consumption growth.

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

	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Personal residential mortgage loans	112,218.6	46.8%	89,511.9	48.6%
Personal business loans	64,796.7	27.0%	44,907.5	24.4%
Personal consumption loans	42,489.3	17.7%	30,763.4	16.7%
Credit card loans	20,512.0	8.5%	18,930.2	10.3%
<b>Total personal loans</b>	<b>240,016.6</b>	<b>100.0%</b>	184,113.0	100.0%

#### (3) Discounted bills

As of June 30, 2022, the Bank's discounted bills increased by RMB25,621 million or 84.3% to RMB56,016 million as compared to the end of last year, which primarily attributable to the Bank's merger by absorption of three banks.

#### 4.1.2 Investment securities and other financial assets

As of June 30, 2022, the Bank's net investment securities and other financial assets increased by RMB133,509 million or 62.1% to RMB348,623 million as compared to the end of last year, primarily due to the merger by absorption of three banks by the Bank.

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

	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Financial assets at fair value through profit or loss	45,681.2	13.1%	22,036.4	10.1%
Financial assets at fair value through other comprehensive income	95,360.4	27.3%	55,370.3	25.4%
Financial assets at amortised cost	208,239.0	59.6%	140,822.1	64.5%
<b>Total investment securities and other financial assets</b>	<b>349,280.6</b>	<b>100.0%</b>	218,228.8	100.0%
Add: accrued interest	4,850.6		2,530.1	
Less: impairment provisions	(5,508.1)		(5,644.6)	
<b>Net investment securities and other financial assets</b>	<b>348,623.1</b>		215,114.3	

### III. Management Discussion and Analysis

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

	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
<b>Debt Securities</b>				
Debt securities issued by PRC government	<b>152,182.5</b>	<b>43.7%</b>	81,581.3	37.9%
Debt securities issued by PRC policy banks and other financial institutions	<b>86,332.4</b>	<b>24.8%</b>	47,811.2	22.2%
Debt securities issued by PRC corporate issuers	<b>12,071.1</b>	<b>3.5%</b>	9,487.7	4.4%
<b>Sub-total</b>	<b>250,586.0</b>	<b>72.0%</b>	138,880.2	64.5%
<b>Other financial assets</b>				
Wealth management products issued by other PRC commercial banks	<b>515.9</b>	<b>0.1%</b>	–	–
Asset management plans	<b>8,536.1</b>	<b>2.4%</b>	2,718.1	1.3%
Trust plans	<b>37,254.4</b>	<b>10.7%</b>	22,412.3	10.4%
Others	<b>46,880.1</b>	<b>13.4%</b>	48,573.6	22.6%
<b>Sub-total</b>	<b>93,186.5</b>	<b>26.6%</b>	73,704.0	34.3%
Accrued interest	<b>4,850.6</b>	<b>1.4%</b>	2,530.1	1.2%
<b>Net investment securities and other financial assets</b>	<b>348,623.1</b>	<b>100.0%</b>	215,114.3	100.0%

#### 4.1.3 Other components of the Bank's assets

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

As of June 30, 2022, the total financial assets held under resale agreements increased by RMB10,470 million or 88.8% to RMB22,264 million as compared to the end of last year, primarily because the Bank adjusted the size of the financial assets held under resale agreements after taking comprehensive consideration of market price and the allocation demand of assets and liabilities.

As of June 30, 2022, the total cash and deposits with the Central Bank increased by RMB27,770 million or 43.6% to RMB91,412 million as compared to the end of last year. This is mainly because the merger by absorption of three banks by the Bank.

As of June 30, 2022, the total deposits with banks and other financial institutions increased by RMB7,415 million or 69.3% to RMB18,112 million as compared to the end of last year, primarily because the Bank adjusted the size of the deposits with banks and other financial institutions at the end of the Reporting Period after taking consideration of market price and the allocation demand of assets and liabilities.



### III. Management Discussion and Analysis

As of June 30, 2022, the total placements with banks and other financial institutions increased by RMB18,497 million or 53.8% to RMB52,851 million as compared to the end of last year, primarily because the Bank adjusted the size of the placements with banks and other financial institutions at the end of the Reporting Period after taking consideration of market demand.

As at June 30, 2022, the balance of lease receivables was RMB60,876 million, representing an increase of RMB27,014 million or 79.8% as compared with the end of last year. The increase was mainly due to the acquisition of BOL Financial Leasing Co., Ltd., a subsidiary of the former Bank of Luoyang, by the Bank after the merger by absorption.

#### 4.2 Liabilities

As of June 30, 2022, the Bank's total liabilities increased by RMB468,980 million or 66.4% to RMB1,174,833 million as compared to the end of last year.

	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Deposits from customers	<b>849,255.5</b>	<b>72.3%</b>	455,692.2	64.6%
Deposits from banks and other financial institutions	<b>16,743.1</b>	<b>1.4%</b>	27,400.3	3.9%
Debt securities issued	<b>127,050.1</b>	<b>10.8%</b>	96,843.9	13.7%
Financial assets sold under repurchase agreements	<b>51,668.0</b>	<b>4.4%</b>	34,014.3	4.8%
Placements from banks and other financial institutions	<b>57,938.5</b>	<b>4.9%</b>	33,229.7	4.7%
Borrowings from the Central Bank	<b>57,266.2</b>	<b>4.9%</b>	47,654.0	6.8%
Tax payable	<b>62.6</b>	<b>0.0%</b>	858.6	0.1%
Derivative financial liabilities	<b>221.9</b>	<b>0.0%</b>	31.0	0.0%
Other liabilities <sup>(1)</sup>	<b>14,627.3</b>	<b>1.3%</b>	10,129.7	1.4%
<b>Total liabilities</b>	<b>1,174,833.2</b>	<b>100.0%</b>	705,853.7	100.0%

Note:

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

### III. Management Discussion and Analysis

#### 4.2.1 Deposits from customers

As of June 30, 2022, the Bank's total deposits from customers (excluding accrued interest) were RMB834,119 million, representing an increase of RMB385,695 million or 86.0% as compared to the end of the previous year, primarily due to the merger by absorption of three banks by the Bank.

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

	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
<b>Corporate deposits</b>				
Demand	169,478.6	20.0%	133,060.2	29.2%
Time	219,769.0	25.9%	97,163.2	21.3%
<b>Sub-total</b>	<b>389,247.6</b>	<b>45.9%</b>	230,223.4	50.5%
<b>Personal deposits</b>				
Demand	93,052.8	11.0%	65,627.6	14.4%
Time	351,818.7	41.4%	152,573.6	33.5%
<b>Sub-total</b>	<b>444,871.5</b>	<b>52.4%</b>	218,201.2	47.9%
Accrued interest	15,136.4	1.7%	7,267.6	1.6%
<b>Total deposits from customers</b>	<b>849,255.5</b>	<b>100.0%</b>	455,692.2	100.0%

#### 4.2.2 Deposits from banks and other financial institutions

As of June 30, 2022, the Bank's balance of deposits from banks and other financial institutions decreased by RMB10,657 million or 38.9% to RMB16,743 million as compared to the end of last year, primarily because the Bank adjusted the size of deposits from banks and other financial institutions according to the Bank's capital needs.

#### 4.2.3 Placements from banks and other financial institutions

As of June 30, 2022, the Bank's balance of placements from banks and other financial institutions increased by RMB24,709 million or 74.4% to RMB57,939 million as compared to the end of last year, primarily because the merger by absorption of three banks.

#### 4.2.4 Debt securities issued

As at 30 June 2022, the Bank's balance of debt securities issued was RMB127,050 million, representing an increase of RMB30,206 million or 31.2% as compared with the end of the previous year. The increase in debt securities issued was mainly due to: (i) an increase in the balance of interbank certificates of deposit issued by the Bank at the end of the Reporting Period compared with the end of the previous year; (ii) the issuance of financial bonds of RMB3,000 million and small and micro financing bonds of RMB2,000 million during the Reporting Period; (iii) the transfer of the bonds of the three banks to the Bank after the merger by absorption.

### III. Management Discussion and Analysis

#### 4.2.5 Financial assets sold under repurchase agreements

As of June 30, 2022, the Bank's balance of financial assets sold under repurchase agreements was RMB51,668 million, representing an increase of RMB17,654 million or 51.9% as compared to the end of last year, which was mainly due to the increase in the balance of assets sold under repurchase agreements by the Bank at the end of the Reporting Period as compared to the end of last year.

#### 4.3 Shareholders' Equity

As of June 30, 2022, the Bank's total shareholders' equity increased by RMB30,087 million or 48.2% to RMB92,466 million as compared to the end of last year. The total equity attributable to shareholders of the Bank increased by RMB27,137 million or 44.3% to RMB88,346 million as compared to the end of last year, which was primarily attributable to the merger by absorption of three banks by the Bank.

	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Share capital	36,549.8	39.5%	20,075.0	32.2%
Other equity instrument	13,632.5	14.7%	9,632.8	15.4%
Capital reserve	19,345.4	20.9%	14,318.0	23.0%
Surplus reserve	2,424.7	2.6%	2,424.7	3.9%
General reserve	9,705.7	10.5%	9,705.7	15.6%
Re-evaluation and impairment reserve	29.3	0.0%	343.8	0.5%
Retained earnings	6,659.4	7.2%	4,710.1	7.5%
Equity attributable to shareholders of the Bank	88,346.8	95.4%	61,210.1	98.1%
Non-controlling interests	4,119.5	4.6%	1,169.5	1.9%
<b>Total shareholders' equity</b>	<b>92,466.3</b>	<b>100.0%</b>	<b>62,379.6</b>	<b>100.0%</b>

#### 5. Off-balance Sheet Commitments

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

	As of	As of
	June 30, 2022	December 31, 2021
(in millions of RMB)		
<b>Credit commitments</b>		
Loan commitments	26,586.5	12,231.6
Bank acceptance	129,993.0	59,432.2
Letters of credit	18,383.4	12,547.9
Letters of guarantees	5,083.3	3,854.2
<b>Total</b>	<b>180,046.2</b>	<b>88,065.9</b>

### III. Management Discussion and Analysis

#### 6. Analysis on Loan Quality

In 2022, in face of the complicated economic and financial situation, the Bank further deepened the adjustment of credit structure, continued to strengthen credit risk management, optimized credit procedures and strengthened post-loan management measures to step up the efforts on collection and disposal of non-performing loans, so as to keep the loan quality at a generally manageable level. As of June 30, 2022, the balance of non-performing loans of the Bank amounted to RMB11,928 million, representing an increase of RMB3,451 million as compared to the end of last year. The non-performing loan ratio was 1.82%, representing a decrease of 0.36 percentage point as compared to the end of last year. Special mention loan accounted for 2.04%, representing an decrease of 0.80 percentage point as compared to the end of last year.

##### 6.1 Distribution of Loans by Five-Category Loan Classification

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

	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)			
Normal	<b>631,721.2</b>	<b>96.15%</b>	368,642.5	94.98%
Special mention	<b>13,386.5</b>	<b>2.04%</b>	11,040.6	2.84%
Substandard	<b>5,915.1</b>	<b>0.90%</b>	3,412.0	0.87%
Doubtful	<b>3,704.3</b>	<b>0.56%</b>	2,352.0	0.61%
Loss	<b>2,308.2</b>	<b>0.35%</b>	2,712.4	0.70%
Total loans and advances to customers	<b>657,035.3</b>	<b>100.00%</b>	388,159.5	100.00%
Non-performing loans and non-performing loan ratio <sup>(1)</sup>	<b>11,927.6</b>	<b>1.82%</b>	8,476.4	2.18%

Note:

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

### III. Management Discussion and Analysis

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

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

	As of June 30, 2022				As of December 31, 2021			
	Loan amount	% of total	NPL amount	NPL ratio <sup>(4)</sup>	Loan amount	% of total	NPL amount	NPL ratio
(in millions of RMB, except percentages)								
<b>Corporate loans</b>								
Short-term loans <sup>(1)</sup>	227,788.7	34.7%	3,567.0	1.57%	80,734.9	20.8%	2,921.8	3.62%
Medium-to-long-term loans <sup>(2)</sup>	133,213.8	20.2%	3,330.2	2.50%	92,916.5	23.9%	3,384.3	3.64%
Sub-total	361,002.5	54.9%	6,897.2	1.91%	173,651.4	44.7%	6,306.1	3.63%
<b>Personal loans</b>								
Personal residential mortgage loans	112,218.6	17.1%	900.3	0.80%	89,511.9	23.1%	222.1	0.25%
Personal consumption loans	42,489.3	6.5%	1,259.4	2.96%	30,763.4	7.9%	456.5	1.48%
Personal business loans	64,796.7	9.9%	2,335.9	3.60%	44,907.5	11.6%	1,094.4	2.44%
Others <sup>(3)</sup>	20,512.0	3.1%	524.8	2.56%	18,930.2	4.9%	397.3	2.10%
Sub-total	240,016.6	36.6%	5,020.4	2.09%	184,113.0	47.5%	2,170.3	1.18%
<b>Discounted bills</b>	56,016.2	8.5%	10.0	0.02%	30,395.1	7.8%	-	0.00%
<b>Total</b>	<b>657,035.3</b>	<b>100.0%</b>	<b>11,927.6</b>	<b>1.82%</b>	<b>388,159.5</b>	<b>100.0%</b>	<b>8,476.4</b>	<b>2.18%</b>

Notes:

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

As at June 30, 2022, the balance of corporate non-performing loans of the Bank amounted to RMB6,897 million, representing an increase of RMB591 million as compared with the end of last year. The non-performing loan ratio was 1.91%, representing a decrease of 1.72 percentage point as compared with the end of last year. The increase in corporate non-performing loans of the Bank was primarily due to the significant increase in the total corporate loans of new Zhongyuan Bank Group after the merger by absorption, and corporate non-performing loan ratio decreased after the merger.

### III. Management Discussion and Analysis

The balance of personal non-performing loans of the Bank amounted to RMB5,020 million, representing an increase of RMB2,850 million as compared with the end of last year. The non-performing loan ratio was 2.09%, representing an increase of 0.91 percentage point as compared with the end of last year. The increase in personal non-performing loans of the Bank was mainly because the downturn in external economic conditions and the impact of the spread of the epidemic, certain clients of the Bank encountered difficulties in operation and are unable to secure stable income, resulting in weakened repayment abilities. Meanwhile, the Bank took proactive measures to prevent and control risk, including (i) the Bank continued to promote the digital transformation of retail business from focusing on the network service to services both online and offline. We attached great importance to customer experience, and strengthened customer acquisition through methods including mass acquisition, acquisition through scenario and online channel, and achieved desired results in the retail business transformation; (ii) the Bank proactively resolved personal non-performing loans through verification, cash collection, restructuring and other means, and strictly prevented addition of new non-performing loans by strengthening the control over the whole process of risk management.

#### 6.3 Distribution of Loans and Non-Performing Loans by Industry

	As of June 30, 2022				As of December 31, 2021			
	Loan amount	% of total	NPL amount	NPL ratio <sup>(1)</sup>	Loan amount	% of total	NPL amount	NPL ratio
(in millions of RMB, except percentages)								
Manufacturing	59,240.3	9.0%	546.1	0.92%	23,774.5	6.1%	2,026.6	8.52%
Leasing and business services	103,952.9	15.8%	73.5	0.07%	49,190.7	12.7%	162.1	0.33%
Wholesale and retail	45,256.6	6.9%	1,345.6	2.97%	16,816.1	4.3%	1,797.4	10.69%
Real estate	25,098.3	3.8%	2,354.0	9.38%	17,157.1	4.4%	551.9	3.22%
Construction	37,119.1	5.6%	443.1	1.19%	15,627.6	4.0%	514.2	3.29%
Water, environment, and public facility management	25,590.9	3.9%	–	0.00%	14,369.1	3.7%	50.2	0.35%
Electricity, gas and water production and supply	12,179.2	1.9%	1,892.2	15.54%	6,200.7	1.6%	661.3	10.66%
Agriculture, forestry, animal husbandry and fishery	5,168.2	0.8%	88.8	1.72%	2,899.3	0.7%	330.7	11.41%
Accommodation and catering	2,520.9	0.4%	48.6	1.93%	2,613.4	0.7%	52.6	2.01%
Education	6,188.8	0.9%	1.1	0.02%	4,774.6	1.2%	8.7	0.18%
Health, social security and social welfare	7,968.2	1.2%	–	0.00%	4,888.2	1.3%	–	0.00%
Mining	7,049.6	1.1%	15.2	0.22%	3,446.1	0.9%	52.1	1.51%
Transportation, storage and postal services	9,558.2	1.5%	51.7	0.54%	6,218.5	1.6%	57.9	0.93%
Others	14,111.3	2.1%	37.3	0.26%	5,675.5	1.5%	40.4	0.71%
Total corporate loans	361,002.5	54.9%	6,897.2	1.91%	173,651.4	44.7%	6,306.1	3.63%
Total personal loans	240,016.6	36.6%	5,020.4	2.09%	184,113.0	47.5%	2,170.3	1.18%
Discounted bills	56,016.2	8.5%	10.0	0.02%	30,395.1	7.8%	–	0.00%
<b>Total</b>	<b>657,035.3</b>	<b>100.0%</b>	<b>11,927.6</b>	<b>1.82%</b>	<b>388,159.5</b>	<b>100.0%</b>	<b>8,476.4</b>	<b>2.18%</b>

Note:

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

### III. Management Discussion and Analysis

As of June 30, 2022, the non-performing corporate loans of the Bank mainly concentrated in the electricity, gas and water production and supply, real estate industry and wholesale and retail industry, with non-performing loan ratio of 15.54%, 9.38% and 2.97%, respectively, of which:

- (i) the balance of non-performing loans in the electricity, gas and water production and supply industry increased by RMB1,231 million as compared with the end of last year, with an increase of 4.88 percentage points in non-performing loan ratio, and repayment abilities of credit clients in electricity, gas and water production and supply industry were deteriorated by the operation difficulties as a result of pandemic and economic downside.
- (ii) the balance of non-performing loans in the real estate industry increased by RMB1,802 million as compared with the end of last year, with an increase of 6.16 percentage point in non-performing loan ratio, which was mainly because the sales of credit clients in real estate industry were decreased by the pandemic and economic downturn, which resulted in the decrease of operating income as compared to the same period last year.
- (iii) the balance of non-performing loans in the wholesale and retail industry decreased by RMB452 million as compared with the end of last year, with a decrease of 7.72 percentage point in non-performing loan ratio, which was mainly because the Bank increased bailout fund support for wholesale and retail clients, reduced financing guarantee costs, and ensured orderly business operations and stable income for clients in respond to the national call.

#### 6.4 Distribution of Loans and Non-Performing Loans by Collateral

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

	As of June 30, 2022				As of December 31, 2021			
	Loan amount	% of total	NPL amount	NPL ratio <sup>(1)</sup>	Loan amount	% of total	NPL amount	NPL ratio
(in millions of RMB, except percentages)								
Unsecured loans	115,586.0	17.6%	2,099.5	1.82%	47,176.5	12.1%	868.2	1.84%
Guaranteed loans	172,520.1	26.3%	4,723.6	2.74%	84,498.7	21.8%	4,089.4	4.84%
Collateralised loans	260,871.3	39.7%	5,056.6	1.94%	193,717.4	49.9%	3,242.8	1.67%
Pledged loans	108,057.9	16.4%	47.9	0.04%	62,766.9	16.2%	276.0	0.44%
<b>Total</b>	<b>657,035.3</b>	<b>100.00%</b>	<b>11,927.6</b>	<b>1.82%</b>	<b>388,159.5</b>	<b>100.00%</b>	<b>8,476.4</b>	<b>2.18%</b>

Note:

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

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As of June 30, 2022, the balance of our guaranteed non-performing loans of the Bank increased by RMB634 million as compared with the end of last year, representing a decrease in non-performing loan ratio of 2.10 percentage points, mainly because the total amount of guaranteed loans significantly increased as the Bank completed the merger by absorption.

As of June 30, 2022, the balance of our pledged non-performing loans of the Bank decreased by RMB228 million as compared with the end of last year, representing a decrease in non-performing loan ratio of 0.4 percentage point, primarily because the Bank increased efforts in dealing non-performing assets, and proactively resolved non-performing loans through cash collection, verification, restructuring and other means.

#### 6.5 Borrowers Concentration

As of June 30, 2022, the balance of loans to any single borrower of the Bank did not exceed 10% of the Bank's net capital.

The following table sets forth, as of June 30, 2022, the loan balance of the top ten single borrowers (excluding group borrowers) of the Bank.

Industry		As of June 30, 2022		
		Balance	% of total loans	% of net capital
(in millions of RMB, except percentages)				
Borrower A	L—Leasing and commercial services	6,800.0	1.0%	6.2%
Borrower B	L—Leasing and commercial services	4,360.0	0.7%	4.0%
Borrower C	L—Leasing and commercial services	4,298.0	0.7%	3.9%
Borrower D	L—Leasing and commercial services	3,547.4	0.5%	3.2%
Borrower E	L—Leasing and commercial services	2,800.0	0.4%	2.5%
Borrower F	G—Transportation, storage and postal services	2,779.0	0.4%	2.5%
Borrower G	L—Leasing and commercial services	2,586.6	0.4%	2.3%
Borrower H	C—Manufacturing	2,382.4	0.4%	2.2%
Borrower I	C—Manufacturing	2,012.1	0.3%	1.8%
Borrower J	E—Construction	1,971.5	0.3%	1.8%
<b>Total</b>		<b>33,537.0</b>	<b>5.1%</b>	<b>30.4%</b>

As of June 30, 2022, the loan balance of the largest single borrower of the Bank was RMB6,800 million, accounting for 1.0% of the total amount of loans of the Bank, and the total amount of loans to the top ten single borrowers was RMB33,537 million, accounting for 5.1% of the total amount of loans of the Bank.



### III. Management Discussion and Analysis

#### 6.6 Overdue loans

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

	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Current loans	<b>635,302.7</b>	<b>96.69%</b>	373,457.4	96.21%
Overdue loans <sup>(1)</sup>				
Up to 3 months	<b>9,662.0</b>	<b>1.48%</b>	6,857.6	1.77%
Over 3 months up to 1 year	<b>8,639.7</b>	<b>1.31%</b>	3,969.8	1.02%
Over 1 year up to 3 years	<b>2,888.8</b>	<b>0.44%</b>	2,940.2	0.76%
Over 3 years	<b>542.1</b>	<b>0.08%</b>	934.5	0.24%
Sub-total	<b>21,732.6</b>	<b>3.31%</b>	14,702.1	3.79%
<b>Total loans</b>	<b>657,035.3</b>	<b>100.00%</b>	388,159.5	100.00%

Note:

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

As of June 30, 2022, the amount of overdue loans totalled RMB21,733 million, representing an increase of RMB7,031 million as compared with the end of last year. Overdue loans accounted for 3.31% of the total loans, representing a decrease of 0.48 percentage point as compared with the end of last year.

#### 7. Business Segment Report

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

	For the six months ended June 30, 2022		For the six months ended June 30, 2021	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Corporate banking business	<b>5,771.9</b>	<b>55.5%</b>	5,176.2	53.3%
Retail banking business	<b>3,044.1</b>	<b>29.2%</b>	3,318.7	34.2%
Financial markets business	<b>1,549.2</b>	<b>14.9%</b>	1,193.3	12.3%
Other businesses	<b>42.0</b>	<b>0.4%</b>	29.6	0.2%
<b>Operating income</b>	<b>10,407.2</b>	<b>100.0%</b>	9,717.8	100.0%

### III. Management Discussion and Analysis

#### 8. Analysis on Capital Adequacy Ratio

As of June 30, 2022, the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of the Bank were 7.97%, 9.48% and 12.00% respectively, representing a decrease of 0.73, 0.91 and 1.30 percentage points respectively, as compared to the end of the previous year. Due to the merger by absorption, the total risk-weighted assets increased as compared to the end of the previous year, and the capital adequacy ratio indicators decreased slightly, which met the regulatory requirements of the Administrative Measures for the Capital of Commercial Banks (Provisional) issued by CBIRC.

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

	As of June 30, 2022	As of December 31, 2021
	(in millions of RMB, except percentages)	
Share capital	36,549.8	20,075.0
Valid portion of capital reserve	19,347.9	14,181.8
Surplus reserve	2,424.7	2,424.7
General reserve	9,705.7	9,705.7
Retained earnings	6,659.4	4,710.1
Valid portion of minority interests	1,885.0	626.0
<b>Total Core tier-one capital</b>	<b>76,572.5</b>	<b>51,723.3</b>
Core tier-one capital deductions	(3,156.7)	(1,640.5)
<b>Net core tier-one capital</b>	<b>73,415.8</b>	<b>50,082.8</b>
Other tier-one capital	13,882.3	9,716.2
<b>Net tier-one capital</b>	<b>87,298.1</b>	<b>59,799.0</b>
<b>Net tier-two capital</b>	<b>23,183.0</b>	<b>16,752.8</b>
<b>Net capital base</b>	<b>110,481.1</b>	<b>76,551.8</b>
<b>Total risk-weighted assets</b>	<b>920,624.6</b>	<b>575,597.0</b>
<b>Core tier-one capital adequacy ratio</b>	<b>7.97%</b>	<b>8.70%</b>
<b>Tier-one capital adequacy ratio</b>	<b>9.48%</b>	<b>10.39%</b>
<b>Capital adequacy ratio</b>	<b>12.00%</b>	<b>13.30%</b>

# III. Management Discussion and Analysis

## 9. Business Review

### 9.1 Corporate Banking Business

During the Reporting Period, the Bank carried out its corporate business under the basic principle of making progress while maintaining stability, continuously optimized its business structure, and implemented the strategic objectives of its corporate business. With the aim of ensuring high-quality building of modernization and high-level realization of modernization and the focus on the key direction of “Ten strategies”, the Bank implemented the work plan of “Ten Thousand People Helping Ten Thousand Enterprises” of the provincial party committee and the provincial government, established the orientation of “projects first”, seized opportunities, complied with the general trend, and improved the professional operation ability to serve the real economy.

#### 9.1.1 Corporate deposits

The Bank focused on building an endogenous growth mechanism for corporate deposits and optimizing the structure of the corporate deposit business. By securing large funds from key customers, the Bank increased the coverage over strategic customers. The Bank focused on following up the marketing opportunities for the regular bidding of the provincial treasury, local and municipal special bonds, land auction and other institutional businesses, tapped into the cooperation contribution of credit customers, and carried out chain marketing of financial funds, etc., thus effectively promoting the increase in the scale of deposits.

As of June 30, 2022, the balance of corporate deposit was RMB389.248 billion, representing an increase of RMB159.025 billion or 69.1% as compared to the end of last year.

#### 9.1.2 Corporate loans

The Bank regarded serving the local economy and society as its foundation, adapted to the economic transformation and upgrading, seized the market opportunity in high-quality assets, and improved quality and efficiency to dig into key industries, create unique solutions, and explore the construction of the industry ecosystem. The Bank once served its customers through managing traditional assets, now it has transformed to create values through professional competence, meet customer needs, and improve comprehensive contribution, improved comprehensive financing service capabilities, and achieved good market performance. With a focus on the implementation of the “Ten strategies” of Henan Province, the Bank has formulated the Three-year Action Plan and Service Plan of Zhongyuan Bank to Support the Ten Strategies of Henan Province, carefully studied the internal relationship with the “Ten Strategies”, identified the start point for financial services, and made a 300 billion support plan to help realize “ensuring Henan province’s high-quality building of modernization and high-level realization of modernization”; implemented the national strategic deployment of new urbanization with counties as important carriers, conformed to the development trend of new urbanization of Henan Province, and developed the Comprehensive Financial Services Plan of Zhongyuan Bank in Relation to Promotion of Urbanization Construction with Counties as Important Carriers, reviewed key service areas, identified target customer group, provided service plans, and developed a 100 billion support plan, so as to promote high-quality development of counties. By properly carrying out regional strategies of financial services, focusing on the two major national strategies of ecological protection and

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high-quality development of the Yellow River basin and promotion of projects in relation to the rise of the central region, the “982” project of Henan Province for remediating shortcomings and the key projects of Henan Province, the Bank has properly provided financial support, adhered to “projects first”, increased its asset investment in the real economy, and further implemented the policy requirements for stabilizing the overall economy.

As of June 30, 2022, the Bank’s corporate loan balance was RMB361.003 billion, representing an increase of RMB187.351 billion or 107.9% as compared to the end of last year.

### 9.1.3 Corporate customers

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

The Bank had 378,100 corporate customers in total and 63,000 valid corporate accounts as of June 30, 2022, 15,816 new accounts, 2,305 new valid accounts, and existing valid accounts increased by 4,636, in the first half of the year.

#### 9.1.3.1 Strategic customers

The Bank actively carried out hierarchical management of corporate customers, adhered to the principle of customer first, and provided list-based services for strategic customers to enable enterprise development; established a mechanism of “specialized service team, dedicated resource guarantee, specialized business process and professional service plan” to provide financial services under the principle of “best service, best pricing and highest efficiency.” The Bank was deeply engaged in the equity chain and industrial chain of strategic customers, helped enterprises meet the financial and non-financial needs in all processes of production, operation, investment and financing, so as to support them in development, formed a symbiotic relationship with customers, built a win-win cooperation environment, and achieved in-depth cooperation with strategic customers.

As of June 30, 2022, the balance of credit assets of strategic customer at the Bank’s head office-level increased by RMB15.5 billion as compared with the end of last year; and the balance of corporate deposit of strategic customer increased by RMB11.2 billion as compared with the end of last year.

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#### *9.1.3.2 Corporate customers above designated size*

The Bank strengthened the process and delicacy management and worked intensively to consolidate the customer base. In terms of securing new accounts, the Bank expanded the sources of account opening through channel connection, acquisition of core corporate customers in the upstream and downstream parts, scenario-based services, acquisition of customers based on business models, etc.; and increased its customer stickiness by optimizing the experience in account opening process, and settlement services, carrying out activities including fee reduction and point-based rewards. In terms of prevention of customer churn and increase in the number of existing customers, the Bank strengthened the promotion of digital use cases, and assisted its branches in strengthening the increase in the number of critical accounts and prevention of customer churn.

As of June 30, 2022, the Bank had 10,812 accounts opened by enterprises above designated size in the province, representing an increase of 445 as compared with the end of last year, with a coverage of 30.7%, and 2,778 valid accounts opened by enterprises above designated size, representing an increase of 219 as compared with the end of last year, and a daily average deposit per year of RMB31.2 billion, representing an increase of RMB3.2 billion as compared with the end of last year, and an asset balance of RMB42.9 billion, representing an increase of RMB9.3 billion as compared to the end of last year.

#### *9.1.3.3 Institutional customers*

With a focus on the major decisions and arrangements of the provincial party committee and the provincial government, the Bank actively gave play to the role and advantages of provincial corporate banks, continuously deepened the cooperation between banks and governments, and made efforts to become the best bank serving local governments. Firstly, the Bank made special debt brands well-known. The Bank, together with 18 municipal governments, held more than 50 special debt planning meetings, trained more than 2,000 employees of government departments, and increased the service coverage of special debt to 84%, thus ranking first in the market. For the special debt service, the Bank received recognition and praise from the Finance Department of Henan Province, Xinxiang, Hebi, Kaifeng and other governments. Secondly, the Bank was honored by the government. The Bank was awarded the “Advanced Organization in Comprehensive Evaluation” for centralized payment agency banks and non-tax income collection banks of the provincial treasury in 2021. Thirdly, the Bank improved the linkage between departments and bureaus. The Bank steadily carried out the “ice-breaking” action for the linkage between departments and bureaus, continuously expanded the scope of cooperation, innovated the service contents, enriched cooperative products, and together with more than 20 provincial government departments and bureaus, established a regular mechanism of linkage between provincial departments and bureaus.

The institutional business services of the Bank have made a positive effect on improving the efficiency of government fund management and financing and promoting the smart construction of the government, building a good reputation of being based on local economic development and serving local economic development, and establishing a good relationship of mutual benefit and win-win and sustainable development with governments at all levels.

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#### 9.1.3.4 Special customer groups

##### 9.1.3.4.1 Customer groups in the industries of scientific and technological innovation, carbon peaking and carbon neutrality

Since the establishment of the financial service center of scientific and technological innovation, carbon peaking and carbon neutrality, the Bank has focused on the provincial party committee and the provincial government's strategies of "innovation-driven development, development of the province through science and education and a talent power-house" and "green and low-carbon transition", and the new stage of development, seized the strategic opportunities to construct a new development paradigm, gained a toehold in Henan, and according to the strategic direction of "serving strategies, the real economy, enterprises and the people", vigorously supported the low-carbon transition of traditional industries, cultivation and development of emerging industries, development of green industries, and forward-looking arrangement for future industries, built a financial service organization system of scientific and technological innovation, carbon peaking and carbon neutrality, enriched and improved the scientifically innovative and green financial product system, actively performed the responsibilities of a provincial corporate bank, supported the high-quality and sustainable development of the economy and society of Henan Province through considerate and professional financial services, and made efforts to create a brand image of "best service, best pricing and highest efficiency."

As of June 30, 2022, the loan balance of the customer group in scientific and technological innovation, carbon peaking and carbon neutrality was RMB53.413 billion, representing an increase of RMB5.75 billion or 10.77% as compared with the end of last year. Loans to enterprises that apply special, sophisticated techniques to produce unique and novel products amounted to RMB7.229 billion, with 452 accounts; the green credit increased by RMB6.052 billion, and the balance increased by RMB3.66 billion or 26.63% as compared with the beginning of the year.

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#### 9.1.3.4.2 Customer groups in the health care industry

The Bank has assumed the responsibility of serving the development of the cause of the people's livelihood and continuously explored new financial service models. It has innovated service forms with a focus on the construction of regional medical centers at all levels, "four hospitals" at the municipal level, "three hospitals" at the county level, county-level closely-connected medical service communities, stable supply of medical equipment and enhancement of aged care service capabilities, etc. It has comprehensively used credit, science and technology, channels and other resources to provide inclusive, convenient and stable financial services to its customers, and supported the high-quality development of medicine, health and aged care services, so as to achieve in-depth management of customer groups.

As of June 30, 2022, the Bank cooperated with 86% of public hospitals above level 2 and 48% of medical service communities; the balance of deposits in the medical, pharmaceutical and aged care sectors was RMB11.36 billion, representing an increase of RMB1.55 billion as compared with the end of last year; the loan balance was RMB10.5 billion, representing an increase of RMB0.5 billion as compared with the end of last year.

#### 9.1.3.4.3 Customer groups in the cultural tourism industry

During the 14th Five-Year Plan period, the cultural creativity and tourism industries will grow rapidly, while cultural and tourism spending will become an important engine for stimulating domestic demand, and cultural tourism will become a strategic pillar industry, leading the high-quality development of the economy and society and the modernization construction of Henan Province. The Bank has also included cultural tourism finance in its strategic business. The financial service center for cultural tourism enhanced its service capabilities and assisted operating organizations in acquiring customers in batches and implementing their cultural tourism projects, thus boosting their business confidence.

As of June 30, 2022, the loan balance of customers of the Bank in cultural tourism was RMB20.474 billion, representing an increase of RMB1.635 billion or 8.7% as compared with the end of last year; the average daily deposits of customers in cultural tourism were RMB7.427 billion, representing an increase of RMB0.471 billion or 6.8% as compared with the end of last year.

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### 9.1.4 Corporate products

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

In terms of debt products, the Bank actively followed up the regulatory policies, took customers as the center, used a combination of deposit products and wealth management products to customize, and improved the capital income on the basis of meeting the liquidity of customers; and continued to optimize the transfer function of corporate large-denomination certificates of deposit, and continuously improved the competitiveness of the products in market.

In terms of investment banking products, the Bank actively expanded innovative business products such as non-financial corporate debt financing instrument underwriting, asset securitization, fund matching and merger and acquisition loan.

In terms of financial products for the supply chain, based on the strategy of creating “data-based bank, tech bank”, the Bank actively embraced the digital transformation and focused on creating its supply chain platform. For the platform (phase 1), the Bank focused on creating the ZY e-chain products to include “electronic debt certificates” in the payment and settlement process of core enterprises, and provided them with comprehensive financial services such as issuance of vouchers of accounts payable, payment upon maturity, online settlement and financing. As of June 30, 2022, the platform had 21 core corporate customers and provided supply chain financing of RMB0.601 billion for 156 suppliers in total; for the platform (phase 2), the Bank focused on creating “Daohuo Loan (到貨貸)” products to realize the visibility and controllability of “logistics, information flow and capital flow” in transaction scenarios, and integrate digital risk control methods and online convenient channels, so as to get rid of the high dependence of the financial business of the traditional supply chain on the cooperation with core enterprises, thus expanding the coverage of the financial business of the supply chain.

In terms of international financial products, the Bank actively implemented the requirements of regulatory policies, steadily conducted business research, continuously strengthened financial support for export-oriented enterprises, and provided a package of international financial services such as international settlement, foreign exchange settlement and sale, trade financing and exchange rate hedging for import and export enterprises. The Bank took the digital and intelligent transition as a breakthrough point, and followed the development trend of “scenario as the start point, transaction as the basis and data as the core.” It successfully created a new “export credit loan” product, and carried out the first business. For the “export credit loan”, the Bank focused on selecting small and medium-sized export enterprises with “employment, production, market and foreign exchange collection” as characteristic or advantageous customer groups. The Bank granted the export enterprises the credit trade financing according to their historical foreign exchange collection data, and gave approval to three customers in the month of implementation, thus providing the financing of RMB8 million.



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In terms of financial services for scientific and technological innovation, carbon peaking and carbon neutrality, the Bank has established a “Scientifically Innovative Zhongyuan” life-cycle exclusive product system and a “Green Finance of Zhongyuan Bank” green financial product system. The Bank customized exclusive products with a focus on the different stages of the life cycle of scientific and technological innovation enterprises, and provided full-scenario and featured financial services with a focus on “innovation, entrepreneurship, spending and wealth management” of scientific and technological innovation talents; provided five exclusive product and service systems covering financing, investment, inclusion, industrial chain and financial intelligence, with a focus on six major green project areas, including the green and low-carbon transition of traditional sectors and the green upgrading of infrastructure. Secondly, the Bank continuously increased the innovation of financial products and service models. The Bank successively innovated various featured products, including “Loan to Enterprises that Apply Special, Sophisticated Techniques to Produce Unique and Novel Products”, “IPR Pledge Loan”, “Zhongyuan Talent Loan”, “Chip Loan”, “Green Technology Transformation Loan”, “Carbon Allowance Pledge Loan” and “Green Supply Chain.” The Bank carried out the first business for various innovative products including “Loan to Enterprises that Apply Special, Sophisticated Techniques to Produce Unique and Novel Products”, “Loan with the Pledge of the Right to New Varieties of Plants” and “Loan with the Pledge of Geographical Indications” in the province. The Bank launched the first county (city and district)-wide rooftop distributed photovoltaic project loans in the province. As the lead bank and the correspondent bank, the Bank completed the formation of syndication for the green manufacturing syndicated loan business of RMB1 billion, promoted its first green supply chain business for new energy vehicles, published the management measures for carbon allowance pledge loans, and promoted the forestry carbon sink pledge loans of the Bank.

In terms of financial services for cultural tourism, through in-depth research on key customer groups and scenarios, and with featured cultural tourism products as the start point, the Bank realized product innovation under new models and in new areas, thus developing drivers for future business growth. Firstly, the Bank has created a comprehensive financial service platform for cultural tourism, providing one-stop and professional business travel and corporate-individual linkage services for corporate users. At present, the construction of the business travel platform progresses normally, and the platform (phase 1) was launched on June 24, which supported the subsequent cultural tourism business of the Bank. Secondly, the Bank innovated products of “Home Rental Loan” and “Intangible Cultural Heritage Inheritor Loan” to support rural revitalization by the cultural tourism industry, and the micro-resort complexes with home rental as the core. The Bank promoted the “Home Rental Loan” product in key regions including Zhengzhou, Kaifeng, Luoyang, Jiaozuo, Xinyang and Jiyuan, to support beautiful countryside and all-for-one tourism strategies. The Bank provided the financial service of “Intangible Cultural Heritage Inheritor Loan” for intangible cultural heritage inheritors in the province, so as to support the inheritance and development of intangible cultural heritage projects in the province.

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

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### 9.1.5 Investment banking

During the Reporting Period, the Bank vigorously promoted the steady development and transformation of investment banking business, continued to enrich investment banking business products, actively expanded innovative business products such as non-financial corporate debt financing instruments and asset securitization, and successfully issued 11 non-financial corporate debt financing instruments, with a total scale of RMB6.9 billion.

The Bank accurately implemented major national strategies, “accurately” served the real economy and issued the financial bonds for ecological protection and high-quality development of the Yellow River Basin of RMB3 billion to support the implementation of the national Yellow River Basin development strategy; and issued special financial bonds for loans to small and micro enterprises with an amount of RMB2 billion to provide small and micro enterprises with better financial services.

The Bank continues to expand the investor resources in the bond market, improves the “headquarters-to-headquarters” communication mechanism and sales channels, and properly serves as a bridge between issuers and investors, to “bring in investment for Henan” and support the development of the regional bond market; meanwhile, the Bank keeps track of the latest developments of the bond market to enable the high-quality development of the bond market in the province.

The Bank actively revitalized the resources of its peers, established a cooperation circle with banking, insurance, trust, leasing and other peer financial institutions, and provided all-round and multi-channel integrated financial services for large and medium-sized customers within the province through syndicated loans, fund matching and other forms.

The Bank focuses on key projects and taps into high-quality assets. With a focus on platform transformation, industrial integration of listed companies, and bail-out for private enterprises, the Bank increases its support for merger and acquisition loans.



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### 9.1.6 Supply chain finance

With regard to its supply chain finance business, the Bank adheres to the customer-oriented principle, improves the supply chain efficiency, creates value for all participants in the industrial chain, supports major project construction in Henan Province and industrial transformation and development, and enables business development through digital transformation.

As of June 30, 2022, the Bank recorded the supply chain financing of RMB30.7 billion, and intermediary business income of RMB77.21 million, and continuously expanded its basic customer group.

#### *9.1.6.1 Cash management*

Through independent research and development and product innovation, the Bank has established a relatively complete cash management product system including account management, collection and payment management, liquidity management, investment and financing management, and multibank fund management, which can provide standardized and personalized cash management service solutions for various types of customers such as enterprises, governments and public institutions. During the Reporting Period, the Bank further enriched the shelves of products with liquidity and profitability, created a collection of open wealth management products, and added cyclical wealth management products thereunder to meet the diversified investment needs of institutional customers; strived to expand new scenarios of banking and government services to improve the online management and transparent supervision level of projects that benefited people's livelihood; and continued to deepen bank-enterprise cooperation, helped enterprises build cash management models suitable for their own ecological chain and industrial chain, and improved enterprise capital management level.

As of June 30, 2022, the Bank had 14,743 cash management accounts with a daily average deposit balance of RMB66.683 billion, representing an increase of RMB7.159 billion as compared with the end of last year.

#### *9.1.6.2 Supply chain finance*

The Bank adheres to the customer-oriented principle and takes "online, digital, intelligent and applied" as the path. The Bank drives product innovation through digital transformation, and integrates financial services into transaction scenarios including purchase, inventory, sales and payment collection of upstream and downstream enterprises in the industrial chain through ZY e-chains asset pool, online prepayment, electronic guarantee and other financial blockbusters of online supply chains, so as to provide convenient and efficient online financial services for small and medium-sized enterprises in the industrial chain.

As of June 30, 2022, the Bank provided financing of RMB2.062 billion to a total of 260 suppliers of 53 core enterprises in the construction, medical, manufacturing, modern agriculture and other industries through ZY e-chains representing a year-on-year increase of 329%; and activated existing assets of a total of 278 customers and provided financing of RMB18.129 billion through the asset pool, representing a year-on-year increase of 157%.

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### 9.1.7 International finance

According to the strategic deployment of the state and the provincial party committee and the provincial government, the Bank supports the stability maintenance and quality improvement of foreign trade, assists small and medium-sized foreign trade enterprises, and persists in customer research and peer benchmarking. As of June 30, 2022, the international business recorded cross-border foreign exchange collection and payment of US\$1.864 billion, representing a year-on-year increase of 27.6%, such that the Bank ranked sixth among banking peers in Henan Province, with the market share increasing from 3.7% in the previous year to 5%. International financing amounted to RMB14.33 billion, representing a year-on-year increase of 51.3%.

### 9.2 Retail banking business

During the Reporting Period, the Bank followed the leadership of the party, focused on “Four Services”, took “developing better finance, serving better society, and building the most trusted bank for people in Zhongyuan” as its mission and development vision. The Bank deeply practiced the service philosophy of “considerate, professional, cooperative and win-win”, accelerated “Four Transformations” and persisted in carrying out “Four Changes.” The Bank adhered to the customer-oriented approach, strengthened customer acquisition, innovated products, enriched rights and interests, deepened operation and further enhanced the market competitiveness of its retail business.

#### 9.2.1 Retail deposits

During the Reporting Period, under the strategic direction of “serving strategies, the real economy, enterprises and the people”, the Bank steadily increased the scale of savings. The Bank always adhered to the customer-oriented principle, continuously optimized debt and wealth products and improved customer experience. Under the principle that finance should serve and benefit the people, the Bank continuously enriched its product mixes and provided more targeted products for its customers, thus continuously improving its brand influence and making retail brands well-known.

As of June 30, 2022, the time point balance of savings deposits was RMB444.872 billion, representing an increase of RMB226.671 billion or 103.9% as compared to the end of last year; and the daily average balance of savings deposits was RMB276.424 billion, representing an increase of RMB67.130 billion or 32.1% as compared to the end of last year. The balance of asset under management was RMB606.251 billion, representing an increase of RMB284.460 billion or 88.4% as compared to the end of last year.

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### 9.2.2 Retail loans

During the Reporting Period, the Bank continuously optimized the retail loan product system, continuously enriched the product marketing channels, provided financial services for customers in a considerate manner and promoted the steady growth of the retail credit business. The Bank accelerated the online business of products and services to create a convenient, efficient, safe and reliable loan experience; closely followed credit policies, iterated and optimized product models, enhanced the risk identification capability and improved the accuracy of credit lines. Through financial technology, the Bank continuously improved its digital risk control capability and strengthened its compliant operation and risk prevention and control.

As of June 30, 2022, the time point balance of the personal loans was RMB240.017 billion, representing an increase of RMB55.904 billion or 30.4% as compared to the end of last year; and the daily average balance of personal loans was RMB192.532 billion, representing an increase of RMB13.599 billion or 7.6% as compared to the end of last year.

### 9.2.3 Retail customers

As of June 30, 2022, the Bank's retail customers reached 25,052,700 in total, representing an increase of 5,708,100 as compared with the end of last year, of which 6,105,300 were valid accounts, representing an increase of 316,500 as compared with the end of last year.

#### *9.2.3.1 Mass customers*

As of June 30, 2022, the scale of assets under management (including savings) of the Bank's mass customers was RMB416.055 billion, representing an increase of RMB190.494 billion as compared to the end of last year; of which the scale of savings deposits was RMB329.958 billion, representing an increase of RMB168.211 billion as compared to the end of last year. During the Reporting Period, new progress was made in the operation of agency customers, and there were 539,700 new agency customers, of which there were 215,000 new continuous agency customers, representing a year-on-year increase of 11.23%, and the assets under management (including savings) increased by RMB10.169 billion as compared with last year, representing a year-on-year increase of 44.02%.

#### *9.2.3.2 Wealth management & private banking customer*

As of June 30, 2022, the scale of assets under management (including savings) of wealth management customers of the Bank was RMB109.033 billion, representing an increase of RMB13.300 billion or 13.9% as compared with the end of last year, of which the savings deposits of wealth management customers increased by RMB10.859 billion or 24.0%; the number of customers with a balance exceeding RMB3 million was 7,600, representing an increase of 900 or 12.9% as compared with the end of last year; and the balance of off-balance sheet assets was RMB52.868 billion, representing an increase of RMB2.441 billion or 4.84% as compared with the end of last year.

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#### 9.2.4 Personal financial business

During the Reporting Period, the Bank continuously strengthened its service capabilities with a focus on key customer groups. For the aged customer group, the Bank constructed a “Happy Life” comprehensive service system, including “Happy Wealth”, “Happy College”, “Happy Life” and “Happy Health Maintenance”, and launched “Happy Life” cards. As of June 30, 2022, the Bank had 9,841,000 aged customers with managed assets of RMB328.376 billion. For the child customer group, the Bank established the “Imagination Family” children management system, launching a series of activities including children’s growth savings and “Little Banker.” As of June 30, 2022, the Bank had 44,900 child customers with managed assets of RMB0.391 billion. For the customer group in the payment agency business, the Bank established a comprehensive service system of “salary payment agency.” Through measures including holding corporate-individual linkage enabling conferences, promoting payment agency projects in the pipeline, promoting the “salary payment” case, optimizing the e-salary payment function, and launching a local payment agency system, the Bank increased the number of customers of the payment agency business by 539,700, of which 215,000 were customers of the continuous payment agency business, representing a year-on-year increase of 11.23%, with managed assets (including savings) increasing by RMB10.169 billion or 44.02% as compared to the end of last year.

During the Reporting Period, the Bank continuously integrated various online scenario-based platforms to optimize customer experience. The Bank completed the first two steps of the four-step plan for the construction of the system of mutual recognition of the rights and interests between the online mall and the point mall, allowing the deduction of points for commodities in the online mall, and the setting of full points, fixed points + cash and discretionary point commodities; completed the integration of payment business systems, to carry out product integration for campus payment and cloud payment, optimize the payment experience of customers, and facilitate unified customer management. As of June 30, 2022, the Bank had a total of 9,953,000 registered users of payment and mall business, representing an increase of 1,094,200 as compared with the previous year. The new time point savings deposits of conversion customers were RMB1.914 billion and the time point savings deposits of conversion customers were RMB12.724 billion. With regard to the intelligent community business, the Bank explored the content operation through its WeChat official account, with a focus on the daily needs in the community scenario, and properly acquired new customers. As of June 30, 2022, the Zhongyuan intelligent community platform had a total of 1,370 online communities, covering 598 property companies, and had 4.75 million online registered users.

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#### 9.2.5 Credit card business

During the Reporting Period, with regard to the credit card business, through digital and intelligent transition, the Bank continuously enhanced its data-driven customer acquisition capability, improved its targeted marketing system and intelligent risk control system, and continuously improved its customer service standards, thus achieving steady growth in transaction volume and income. Under the customer-oriented principle, the Bank improved and upgraded its products, constructed a new customer management model for the whole process of “application-approval-start-first use-rights collection”, and issued the Youth Boundless Card, a pure digital credit card. With scenario and data-based enabling, the Bank gradually enhanced its capabilities for online and scenario-based acquisition of batches of customers. With a focus on the people’s livelihood scenario, the Bank enriched the “Liuliu Daji (六六大集)” brand activity, improved the point and membership systems, and enhanced customer experience and brand reputation through life-cycle management. The Bank protected its business through whole-process and thoughtful risk prevention and control, continuous optimization of its strategies and customer groups, improvement in credit accuracy, and continuous upgrading of its intelligent risk control. As of June 30, 2022, the Bank issued a total of 3,382,300 credit cards, representing an increase of 313,800 as compared with the end of the previous year; the transaction amount for the current period was RMB58.366 billion, representing a year-on-year increase of 23.97%; the total income was RMB0.624 billion, representing a year-on-year increase of 35.60%; the loan balance was RMB20.512 billion.

#### 9.2.6 Housing finance business

During the Reporting Period, the Bank enhanced its housing-related financing services and effectively improved its service quality. The Bank actively implemented the policies of the provincial party committee and the provincial government to support a virtuous circle of real estate, established a mechanism for rapid response in the market, accelerated the grant of housing-related loans, and continuously optimized products to meet diversified financing needs in consideration of market and customer demand. The Bank launched “Good Settlement in Zhengzhou (鄭好安家)”, a characteristic mortgage loan product for four major customer groups, namely college students who stay in Zhengzhou, new citizens in Zhengzhou, the people who go and live with relatives or for aged care in Zhengzhou, and the people who live in Zhengzhou for life improvement and change. The Bank continuously enriched its perpetual loan products, provided the remote video interview function in Zhengzhou, and optimized the model of “seamless conversion to a mortgage loan + renewal of loans without repayment of the principal” for perpetual loans. The Bank implemented the requirements of the provincial government on a bailout for real estate enterprises in the province, deepened the cooperation with leading real estate enterprises in the province, and increased its support for key real estate enterprises in the province. As of June 30, 2022, the Bank provided personal housing mortgage loans of RMB5.682 billion and perpetual loans of RMB11.376 billion for the year.

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### 9.2.7 Wealth and private banking business

During the Reporting Period, the Bank continuously optimized the service system of high-net-worth financial products, continuously enriched and optimized the high-net-worth financial product mix based on the “3+1+N” product system, and provided customers with an exclusive asset allocation platform through three major investment strategies, namely “Perfect Choice – Fixed Income, Best Choice – Pure Bond Investment, and Smart Choice – Fixed Income Enhancement”, and N types of investment strategies in “Selected Manager – Diversified Strategies.” Meanwhile, the Bank provided customized products to meet customers’ personalized needs and help customers realize wealth preservation and appreciation; Zhongyuan Family – Family Trust Service helped high net worth customers to realize wealth inheritance.

During the Reporting Period, the Bank’s business scale of high-net-worth exclusive products such as trust and asset management plans continued to grow, and the sales of high-net-worth exclusive products amounted to RMB11.476 billion. According to statistics from regulatory institutions of Henan province, the Bank ranked first among 31 banks in the province in terms of sales of high-net-worth exclusive products in 2022.

### 9.2.8 Auto finance business

During the Reporting Period, the Bank adhered to the service-oriented principle and focused on the automotive sector. In spite of the adverse impact of flare-ups of the outbreak on the auto finance market, under the customer-oriented principle, the Bank made a rapid response, and actively implemented the policies and measures of the central government, the provincial government and the municipal government for stabilizing the economy and promoting spending. The Bank was committed to facilitating a better travel life for residents. The Bank continuously increased its support in purchase of automobiles, iterated and optimized its new car business, so as to improve the customer experience. Capitalizing on the car scenario segment, the Bank innovated its products. The Bank developed the second-hand car business, supported and activated the second-hand car market, and promoted the commercialization and circulation of second-hand cars. The Bank actively practiced green finance, served the green and low-carbon transformation strategy, and developed and launched “Green Travel and Excellence Vehicle.” With “Yidiantong (一點通)” of Zhongyuan Bank, it launched and operated “Zhongyuan e Car (中原e車)” to meet residents’ demand for the purchase, change, use and maintenance of cars, and serve the better travel of residents multidimensionally. The Bank carried out centralized approval, unified standards, established a full-process and intelligent risk control system, and strengthened its full-process risk management. As of June 30, 2022, the Bank provided auto finance loans of RMB20.8 billion in total, serving more than 240,000 customers, and facilitating the transactions of RMB38.9 billion in auto supply chain finance.



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### 9.3 Financial market business

#### 9.3.1 Treasury business

During the Reporting Period, at the critical stage of merger by absorption, the Bank persisted in the focus on stability and took proactive and active actions. The Bank persisted in carrying out financial market business in a compliant and prudent manner. Based on ensuring its liquidity safety, the Bank effectively conveyed monetary policies, actively assumed the responsibility for regional liquidity, and fully played the role of a market stabilizer, thus making an important contribution to the smooth operation of the inter-bank market. The Bank actively promoted the application of innovative instruments in the inter-bank market, deeply participated in the innovative business of RFQ transactions, and ranked among the top 30 companies in “innovative and active dealers in repurchase” for the sixth month in a row, thus maintaining its market activity and continuously improving its market influence.

During the Reporting Period, due to the flare-ups of the outbreak and the Russia-Ukraine war, the bond market was subject to a rapid change in the expected environment. The bond yield was volatile as the strength of China’s policies to stabilize the growth and the downward pressure on the economy both exceeded expectations, and overseas inflation remained high. The Bank gave full play to its investment and research capabilities, grasped the law of the bond market, actively adjusted its position, adopted a small swing trade strategy, and steadily obtained interest spread income. During the Reporting Period, the monetary policies of major overseas economies were tightened rapidly, and the overvaluation of RMB was corrected. With the interaction between two major factors, namely the economic fundamentals of China and the dollar index, RMB was expected to devalue. The Bank strengthened market research and locked in the cross-market spread by seizing the opportunity that the swap points between USD and RMB would fall back from the high level, thus laying a solid foundation for profitability.

#### 9.3.2 Interbank business

The interbank business has returned to the origin of liquidity management, continued to provide liquidity support for the whole bank, strengthened the interbank customer management and served the development of the interbank business of the whole bank. In the face of the continuous impact of the COVID-19 epidemic, the Bank has continued to improve customer service capabilities while ensuring stable business growth, to effectively promote the healthy and sustainable development of the interbank business.

During the Reporting Period, the Bank continuously optimized the structure of interbank liabilities, promoted the use of online products, and improved business processing efficiency and market influence. As the major participating institution of CFETS interbank deposits, the Bank vigorously expanded the scope of CFETS interbank deposit business cooperation. As of the end of the Reporting Period, the Bank had cooperated with 52 CFETS interbank deposit institutions and the cumulative turnover of CFETS interbank deposits was RMB32.250 billion, representing a year-on-year increase of 1%.

Based on the industry, type, scale and characteristics of its customers, the Bank managed interbank customers by levels and categories, developed differentiated marketing plans and service plans, and provided targeted services to financial interbank customers, so as to achieve mutual benefit and win-win outcomes of cooperation in interbank businesses.

## III. Management Discussion and Analysis

### 9.3.3 Bill business

During the Reporting Period, the Bank actively performed its responsibility and mission of serving the regional economic and social development, and practically solved the urgent problems of micro, small and medium-sized, and private enterprises including turnover and financing expansion. The Bank established a good bill brand image with a comprehensive bill product system and formed a benign model of bills supporting the real economy and serving small and medium-sized enterprises.

The Bank has achieved the online discounting of bank bills and commercial bills, continuously deepened the innovative application of financial technology in the bill business, improved the discounting efficiency and enhanced the customer experience and the capability of the bill business of the Bank to serve the real economy. As of June 30, 2022, the Bank carried out the discounting business of approximately RMB64 billion, thus ranking first among financial institutions in Henan Province. Specifically, the number of micro, small and medium-sized enterprises accounted for more than 95%, and the bill discounting of micro, small and medium-sized enterprises accounted for more than 85%, with a focus on the construction of a modern industrial system, green and low-carbon transition and other industries that followed the national policy orientation.

The Bank actively supported the People's Bank of China in implementing monetary policy instruments including rediscount, properly and fully utilized national financial support policies, made efforts to support the bailout for enterprises, reduced financing costs of enterprises and practiced the philosophy of inclusive finance. As of June 30, 2022, the Bank ranked first among financial institutions in Henan Province in terms of rediscount amount and balance.

### 9.3.4 Asset management

During the Reporting Period, under the guidance of the new development concept, the Bank strictly implemented regulatory requirements, actively fulfilled its social responsibilities, conscientiously performed its duties as an investment manager, and strived to do a good job in customer wealth management for its wealth management business. As of June 30, 2022, the scale of the Bank's wealth management products was RMB128.170 billion, representing an increase of RMB32.572 billion compared with the end of last year, all of which were net-worth products that met the requirements of the new asset management regulations.

During the Reporting Period, the Bank adhered to the bottom line of business risks, realized the organic integration of wealth management business at the initial stage of the merger, insisted on focusing on investment and research capabilities in a customer demand-oriented manner, and continued to strengthen investment and research capabilities, optimize its product structure, and improve its net-worth product system with fixed income as the core, and "fixed income +" as a supplement, so as to effectively meet the full-life-cycle asset allocation needs of customers. During the Reporting Period, the wealth management business developed steadily and a good wealth management brand image of Zhongyuan Bank was established.

## III. Management Discussion and Analysis

### 9.4 Distribution Channels

During the Reporting Period, the Bank thoroughly implemented the strategic requirements of “Internetization and Ruralization of Banking Services” and “Digital Intelligence Future.” With a focus on making “Yidiantong” well-known and achieving the strategic goal of “serving the households and the people”, the Bank carried out its channel planning and construction and online closed-loop operation of users.

#### 9.4.1 Mobile banking

During the Reporting Period, the Bank adhered to the “customer-oriented” principle and made efforts to create an “open”, “intelligent” and “scenario-based” “Yidiantong” service platform. The Bank built an open user system and innovated the model of services for other bank cards; enriched life service scenarios, and built a one-stop service matrix including “Yidian Information (一點資訊)”, “Yidian Welfare (一點福利)” and “Yidian Life (一點生活)”, created special urban areas, and supported local management; deepened the intelligent application, built an audio and video-based online service and content operation model, and improved the intelligent operation standard of Yidiantong. As of June 30, 2022, the number of mobile banking users of the Bank was 12,545,000 in total, representing an increase of 1,044,700 as compared with the end of last year, and the number of active users was 3,362,500.

#### 9.4.2 Personal online banking

As of June 30, 2022, the Bank’s personal online banking attracted 19,900 new users, with the total number of users reaching 1,112,600; and during the Reporting Period, the total number of transactions reached 1,631,300, and the total transaction amount reached RMB295.681 billion.

#### 9.4.3 WeChat bank

The Bank has been deeply engaged in the WeChat ecosystem, innovated the content operation model, added the video content operation on the basis of graphic content, adopted various measures to convey the value of the Bank, and established a brand image. During the Reporting Period, the Bank published 143 promotional articles on the official account of the WeChat bank, with 3.27 million views, and 60 videos on the video channel, with 1.23 million views. As of June 30, 2022, the official account of the WeChat bank had a total of 6,160,000 fans, representing an increase of 456,300 as compared with the end of the previous year; there were 4,400,000 customers with accounts linked to their mobile phone numbers, representing an increase of 370,000 as compared with the end of the previous year.

#### 9.4.4 Self-service bank

As of June 30, 2022, the total number of self-service devices of the Bank in use was 6,269, including 1,646 ATMs and CRSs, 1,086 intelligent teller machines, 410 smart cash cabinets, 23 VTMs, 837 multimedia inquiry machines, 2,142 mobile PADs and 125 self-service receipt printers. During the Reporting Period, the total number of transactions of offline self-service channels was 17,108,000 with a transaction amount of RMB44.609 billion.

## III. Management Discussion and Analysis

### 9.4.5 Customer service center

During the Reporting Period, the customer service center of remote banking received a total of 1,725,700 incoming customer calls, including 920,800 calls transferred to automated voice service, accounting for 53.36% and 804,900 calls transferred to manual service, accounting for 46.64%. 91.09% of calls were received, with customer satisfaction of 99.54% in the first half of the year. 2,282,400 customer calls, including 147,800 calls transferred to manual service, were received by online customer service, and 93.52% of the calls were transferred to intelligent text, with customer satisfaction of 94.90%.

### 9.4.6 Direct bank

During the Reporting Period, with the goal of creating digital transformation service brand for small and medium-sized financial institutions, the Bank devoted itself to promoting the joint innovative business of perpetual loans. Under this business model, the Bank packaged the perpetual loan business technology and risk control technology and provided services to cooperative banks to support them in providing housing mortgage loan services for individuals and small and micro merchants in the area where they conducted businesses. The Bank obtained intermediary business income without taking risks, providing funds and occupying risky assets. As of June 30, 2022, 25 cooperative banks have signed agreements with us on jointly innovative business of perpetual loan, of which 19 banks have started operations, and managed an amount of RMB33.594 billion of assets, establishing a good brand image and word-of-mouth effect in the industry.

In order to support the efficient operation of the jointly innovative business of perpetual loan, the Bank continuously iterated the construction of standardized operation systems in terms of projects operation; in terms of risk control, it actively constructed company-level intelligent decision-making platform, and supported that risk control strategy was determined by cooperative banks on their own in accordance with risk preference; and in terms of digital operation, it supported the provision of a wide range of digital management tools to cooperative banks, laying a solid foundation for the sustainable and healthy development of the joint innovative business of perpetual loans.

## III. Management Discussion and Analysis

### 9.5 Inclusive finance business

#### 9.5.1 Small and micro finance business

During the Reporting Period, the Bank adjusted and optimized its business process and risk control model and accelerated business transformation through a series of measures including accelerated construction of mechanisms and systems, strengthening of the use of products, and in-depth management of customer groups according to the requirements of “treatment of individuals, small and micro-sized enterprises in batch, individual treatment of group companies and special treatment of government customers.”

##### *9.5.1.1 Mechanism construction*

During the Reporting Period, the Bank defined the independent line management of the inclusive small and micro businesses, and established a lead department for the small and micro business in branches, so as to coordinate the management of inclusive small and micro customers in regions and comprehensive operation. As of June 30, 2022, the Bank had a total of 35 special teams and 4 branches for small and micro-sized businesses. The Bank strengthened the teams for small and micro-sized businesses, and revised the Guiding Opinions of Zhongyuan Bank on Evaluation of Account Managers for Small and Micro-sized Businesses, adjusted and optimized the evaluation indicator system for account managers for small and micro-sized businesses, emphasized the customer-oriented approach, managed account managers for small and micro-sized businesses in a separate sequence, and paid attention to the improvement in the comprehensive service ability.

##### *9.5.1.2 Provision of loans*

The Bank strengthened its efforts to tap into and utilize credit information of small and micro-sized enterprises, and built a digital, intelligent, scenario-based and standardized product system, so as to improve the process experience for small and micro loans. During the Reporting Period, the Bank launched two small and micro credit products, namely Shangyi Loan (商易贷) (for enterprises) and Shangyi Loan (商易贷) (for individuals), and innovatively introduced guarantee companies to mitigate business risks. As of June 30, 2022, the Bank provided inclusive small and micro loans of RMB29.850 billion in total for 44,000 small and micro customers, with an average loan interest rate of 4.84%. As of June 30, 2022, the balance of inclusive small and micro loans granted by the Bank was RMB76.031 billion, representing an increase of RMB6.132 billion as compared with the end of last year, and there was a total of 113,600 small and micro customers with loan balances.

##### *9.5.1.3 Customer service*

During the Reporting Period, the Bank improved the service coverage over small and micro customers by making arrangements for key industries and cluster markets, promoting payment and settlement services, expanding customer acquisition channel through scenario-based marketing, and reaching customers in a targeted manner through digital marketing. As of June 30, 2022, the Bank served a total of more than 650,000 small and micro customers.

## III. Management Discussion and Analysis

### 9.5.2 Agriculture-related business

During the Reporting Period, the Bank allocated more financial resources to the key areas and to remediate shortcomings in rural economic and social development, with a focus on major customer groups of “agriculture, rural areas, farmers and migrant workers”, and according to the overall working philosophy of one station, one card, one product, one platform and one system.

#### *9.5.2.1 Mechanism construction*

As of June 30, 2022, the Bank established a total of 276 financial institutions at and below the county level, including 191 sub-branches at the county level, 73 sub-branches at the township level, 12 sub-branches at the community level and 7,858 inclusive finance service stations, covering 18 cities and more than 95% of the villages and towns in the province, benefiting more than 30 million rural residents who enjoyed convenient financial services, namely “indoor service, local withdrawal and credit for every household.”

#### *9.5.2.2 Provision of loans*

As of June 30, 2022, the Bank launched the Henan Farmer E Loan (豫農E貸), a credit product for farmers, and recognized 85 credit villages each with a pre-credit line of RMB0.381 billion, withdrawal by a total of 64 customers, and a balance of RMB1.984 million.

#### *9.5.2.3 Customer services*

As of June 30, 2022, the rural online management service platform had 2 million registered users, representing an increase of 0.96 million as compared with the end of last year, and the number of villages that established village committees on the platform reached 8,339.

### III. Management Discussion and Analysis

#### 9.6 Investment business of subsidiaries and joint ventures

##### 9.6.1 Village bank business

###### 9.6.1.1 Shareholding percentages of village banks

Name	Percentage of shareholding of the Bank
Linzhou Zhongyuan County Bank Co., Ltd. (林州中原村鎮銀行股份有限公司)	51.00%
Qixian Zhongyuan County Bank Co., Ltd. (淇縣中原村鎮銀行股份有限公司)	51.00%
Xinxiang Zhongyuan County Bank Co., Ltd. (新鄉中原村鎮銀行股份有限公司)	78.46%
Puyang Zhongyuan County Bank Co., Ltd. (濮陽中原村鎮銀行股份有限公司)	51.00%
Lushi Zhongyuan County Bank Co., Ltd. (盧氏中原村鎮銀行股份有限公司)	51.00%
Xiangcheng Zhongyuan County Bank Co., Ltd. (襄城中原村鎮銀行股份有限公司)	51.00%
Xinyang Pingqiao Zhongyuan County Bank Co., Ltd. (信陽平橋中原村鎮銀行股份有限公司)	51.73%
Xiping Zhongyuan County Bank Co., Ltd. (西平中原村鎮銀行股份有限公司)	43.69%
Suiping Zhongyuan County Bank Co., Ltd. (遂平中原村鎮銀行股份有限公司)	51.02%
Shenzhen Nanshan Baosheng County Bank Co., Ltd. (深圳南山寶生村鎮銀行股份有限公司)	42.05%
Henan Luanchuan Minfeng County Bank Co., Ltd. (河南樂川民豐村鎮銀行股份有限公司)	30.33%
Mengjin Minfeng County Bank Co., Ltd. (孟津民豐村鎮銀行股份有限公司)	34.58%
Jiaxian Guangtian County Bank Co., Ltd. (郊縣廣天村鎮銀行股份有限公司)	51.28%
Luohe Yancheng Development County Bank Co., Ltd. <sup>1</sup> (漯河市鄆城發展村鎮銀行有限責任公司)	51.00%

###### 9.6.1.2 Business development during the Reporting Period

The county banks provide local small and micro enterprises and retail banking customers with a broad range of financial products and services, including business and consumer loans, deposits from customers and fee-based and commission-based products and services, such as settlement services, remittance services and bank card services. The Bank takes advantage of its own technology, products, management and other resources to continuously help the county banks to enrich their own financial service system, better serve the target customer base of county banks, and contribute financial strength of country banks to the local rural revitalization, so as to further enhance the Bank's brand awareness.

During the Reporting Period, the county banks always adhered to their market positioning of serving "agriculture, rural areas and farmers (三農)" and "small and micro enterprises (小微)" and extended credit principles of "micro, mobile and disperse (小額、流動、分散)". Their size of assets remained stable with the structure of deposits and loans approaching rational, along with intensified support to agriculture and small and micro enterprises. As of June 30, 2022, the balance of deposits amounted to RMB29,070 million, representing an increase of RMB190 million, or 0.65% as compared to the beginning of the year. The total loans amounted to RMB25,060 million, representing an increase of RMB360 million, or 1.45% as compared to the beginning of the year.

<sup>1</sup> As at June 29, 2022, the Bank has received "CBRC's Approval in respect of the Change of Equity of Luohe Yancheng Development County Bank Co., Ltd. (漯河市鄆城發展村鎮銀行有限責任公司)". As at July 1, 2022, the Bank completed the payment of the final payment for the equity transfer, and Luohe Yancheng Development County Bank Co., Ltd. (漯河市鄆城發展村鎮銀行有限責任公司) officially became the Bank's holding subsidiary. As at July 14, 2022, the business registration for equity change has been completed.

## III. Management Discussion and Analysis

### 9.6.2 Consumer Finance Company

During the Reporting Period, Zhongyuan Consumer Finance Company firmly practiced the strategies of the Group, followed the guidance of integrative party building of “four conversions, four integrations”, stuck to the bottom line against risks, consolidated the foundation for compliance, adhered to the practical and innovative philosophy, vigorously promoted the business transformation and upgrading, enhanced the core competitiveness, and developed inclusive finance to ensure the high-quality and steady development of the Company. As of June 30, 2022, the amount of loans issued by Zhongyuan Consumer Finance Company for the year reached RMB35,220 million with accumulated amount of loans issued of RMB202,098 million. During the Reporting Period, the new loan balance was RMB4,839 million, and the loan balance was RMB30,012 million, with the number of loans transaction exceeding 6.9044 million, and the aggregated number of loans transaction exceeding 57.4097 million. We achieved operating revenue of RMB1,465 million, and increased the number of customers by 1.9181 million. We provided consumer finance services for an aggregate of 17.0960 million customers and contributed to the development of the real economy in Henan Province and the promotion of consumption upgrades.

### 9.6.3 Financial Leasing Company

During the Reporting Period, on the one hand, AB Leasing continuously improved party building, steadily implemented the new requirements for party building of the party committee of the Bank on “four conversion, four integration”, and further improved the level of party building work. On the other hand, it actively promoted the relocation of the place of registration, effectively prevented and resolved business risks, actively and steadily promoted strategic transformation and carried out new business. It made steady progress in all work, made breakthroughs in business transformation, and steadily improved its operating results.

During the Reporting Period, the Bank took up the equity interest held by former Bank of Luoyang in BOL Financial Leasing Co., Ltd. With party building, BOL Financial Leasing Co., Ltd. carried out steady operation and development, adjusted its operation strategy in a timely manner, steadily promoted the credit enhancement work, and fully ensured the implementation of businesses based on ensuring liquidity safety. Meanwhile, the Bank strengthened its business transformation, stuck to the path of characteristic and professional development, focused on moving closer to areas including green leasing, industrial enterprises and cultural tourism, and actively practiced the development and transformation philosophy.



## III. Management Discussion and Analysis

### 10. Risk management

During the Reporting Period, in the face of internal and external difficult challenges including global economic growth slowdown, intensification of geopolitical conflicts and flare-ups of the outbreak, the Bank firmly supported the real economy, continuously strengthened the risk compliance awareness, stuck to the bottom line of avoiding regional and systemic financial risks, and promoted the high-quality economic development of Henan, with a focus on “ensuring high-quality building of modernization and high-level realization of modernization” and “Ten Strategies.” During the Reporting Period, the Bank successfully merged Bank of Luoyang, Bank of Pingdingshan and Jiaozuo Bank of China Travel Service, thus laying a solid foundation for comprehensively deepening financial reform and developing local financial institutions.

During the Reporting Period, in active response to the call of the national policy, the Bank adhered to the principle of “establishing bases in Zhongyuan, being deeply engaged in Zhongyuan, relying on Zhongyuan and serving Zhongyuan”, identified “three small development goals and one major development goal”, practiced the principle of “serving strategies, the real economy, enterprises and the people”, implemented “philosophy, business, digital and intelligent and style transformation”, optimized the credit process and approval logic, improved the construction of intelligent risk control systems, enhanced the professional ability of teams against risks, advanced the integration of risk systems and risk culture in depth, carried out “reduction in existing loans and control over new loans” in a practical and considerate manner, enhanced the risk compensation ability, and ensured the steady development of various businesses of the Bank.

#### 10.1 Credit risk management

During the Reporting Period, the Bank maintained its prudent risk preference, proactively responded to the credit risk exposures arising from external factors such as the spread of the COVID-19 pandemic in multiple places and changes in the international situation, persisted in preventing and defusing financial risks in the course of steady development to facilitate the high-quality development of the Bank.

The Bank adhered to the strategy of “properly managing new loans, strictly controlling the variables and improving the quality”, specified the objectives of controlling non-performing loans, implemented policies by categories, and made achievements in preventing new loans from becoming non-performing loans. The Bank continuously promoted the recovery and disposal of non-performing assets and made overall arrangements with a focus on the goals of recovery and pressure reduction for the year, as well as major branches and projects. The Bank strengthened supervision, made a reverse schedule, and comprehensively promoted the recovery of non-performing assets to maximize the recovery value. The Bank continuously optimized the credit structure, and thus the concentration risk was controllable. In strict compliance with regulatory requirements, the Bank recorded all loans overdue for more than 90 days as non-performing loans.

With a focus on digital transformation, the Bank continuously enabled online, digital and intelligent construction of risk management. The Bank continuously strengthened the data-driven approach and improved the accuracy of digital profiling of customers to improve business quality and efficiency. The Bank continuously strengthened and improved the construction of intelligent risk control and quality control systems, improved the functions of model management platforms, strengthened model risk management, and achieved unified and closed-loop management of model assets. The Bank coordinated and promoted the application for the construction of the anti-fraud management platform, so as to achieve online management of anti-fraud review, decision-making and monitoring, and enabled transformation and development through innovative risk control measures. During the Reporting Period, credit businesses of the Bank were carried out in an orderly manner, with stable and controllable credit risk.

# III. Management Discussion and Analysis

## 10.2 Market risk management

During the Reporting Period, the Bank continued to explore the market risk management mode suitable for the development of the Bank. Relying on the market risk management system, the Bank continuously enhanced the level of market risk measurement and established market risk management framework for the whole process of market risk identification, measurement, monitoring and reporting, to continuously improve the refined management level of market risks.

During the Reporting Period, the Bank formulated a market risk monitoring mechanism during the transition period in accordance with the work arrangement for merger by absorption, and completed the data integration of the market risk management system after its listing, so as to realize the unified monitoring, unified measurement and unified management of the market risk of the new Zhongyuan Bank; based on the different scales and characteristics of the market risk before and after its commencement of business, the Bank formulated the 2022 market risk limit management plan, improved the management level of limit indicators, and monitored various market risk limits on a daily basis to ensure that market risk limit indicators are effectively implemented; the Bank carried out market risk stress tests on a daily basis to fully assess the market risk tolerance of the Bank under various extreme situations and improve the foresight and comprehensiveness of market risk management. During the Reporting Period, the Bank's market risk was stable and controllable.

## 10.3 Operational risk management

During the Reporting Period, by improving the internal control compliance and operational risk management system, the Bank continued to enhance its refined management capabilities for operational risks and built a long-term mechanism for internal control compliance management.

The Bank has established an operational risk management structure composed of the Board, the Board of Supervisors, senior management, compliance department, internal audit department, all lines (departments) and branches. When enhanced the operational risk management through business line inspection and employee behavior investigation, system improvement, and compliance education activities, the Bank, in accordance with the Guidelines for Operational Risk Management of Zhongyuan Bank and the requirements of the management system of three major instruments, and through its internal control compliance and operational risk management system, established and further perfected the procedure featured by the identification, assessment, monitoring and early warning of operational risk. Continuous optimization of the system and process design had helped maintaining the continuity and effectiveness of the internal control and compliance and operational risk management of the Bank, and further improve the refined management of operational risk.

During the Reporting Period, the Bank continuously improved the internal control compliance and operational risk management system, strengthened the application of the three tools, and conducted monitoring and analysis of key risk indicators. Based on strengthening internal control and implementing compliance management, the Bank organized and carried out employee behavior investigation and employee account abnormal transaction monitoring and verification, potentiated risk monitoring and prevention in key positions and critical areas to ensure effectiveness in the identification, monitoring and reporting of risks. Simultaneously, the business continuity and emergency management mechanism were improving. The Bank unceasingly made effort to upgrade and transform the important information system, ensuring that the Bank could take timely measures in case of emergency, so that the impact and loss could be minimized. During the Reporting Period, the Bank's overall operation was standardized and orderly, and there was no major operational risk event.

### III. Management Discussion and Analysis

#### 10.4 Liquidity risk management

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

During the Reporting Period, the Bank continued to optimize and improve the organizational structure of liquidity risk management, strengthened the three-level linkage of the head office, branches and sub-branches, clarified the responsibilities of all levels, establishing the coordinated management and control of the liquidity risk from the group level, guiding and assisting subsidiaries to strengthen liquidity management, regularly monitoring its operating conditions and liquidity risk levels to ensure the safety of the Group's liquidity; providing a systematic basis for liquidity management by improving management policies, management methods and operational procedures related to liquidity risk; realizing effective transmission of liquidity management strategies through the decisions of the Asset and Liability Management Committee, continuously improving management tools such as market and business analysis, daily management, stress test and emergency drill, and enhancing liquidity risk resilience; strengthening asset-liability structure management and duration management, and rationally adjusting the business term structure. The level of overall term mismatch is controlled within a reasonable range; the active liability tools are rationally used to improve the diversity and stability of liability sources; the management of daily positions is refined, and the management of intraday positions and the reporting of large amounts of funds are improved through online management of capital positions to ensure sufficient intraday liquidity to fully meet the needs of various business development; continued to improve the macro-level research and discussion mechanism of the Bank, continued to improve its macroeconomic analysis capabilities, enhanced the forward-looking and proactive nature of liquidity management, and dynamically adjusted liquidity management strategies to guide the Bank's business development. The Bank, as a primary dealer in the open market, actively disseminated the monetary policy of the central bank, strengthened its responsibility, and effectively maintained the safety and stability of regional liquidity. During the Reporting Period, the Bank's overall liability level was stable and the liquidity risk was controllable.

#### 10.5 Information technology risk management

During the Reporting Period, the Bank constantly improved its information technology risk management system, actively implemented the three lines of defense of IT management, formulated standards and strategies of information technology risk management, conducted information technology risk control self-assessment, timely revised and monitored information technology key risk indicators, established the information technology risk periodic reporting mechanism, and formed an effective risk management process system that supports risk identification, assessment, control/release, monitoring/reporting. The Bank also paid great attention to information security management, established and improved the information technology risk monitoring system, built defense-in-depth system for safe operation, implemented the technical specifications and requirements of Internet application security and data security, improved the management of the whole life cycle of application security, improved the data security governance system, fully implemented the construction of the whole life cycle of data security, strengthened the access management and risk assessment of information technology outsourcing, so as to further improve the management level of information security technology.

During the Reporting Period, the information technology construction and risk management of the Bank was rated 2C in the CBIRC's 2021 regulatory rating, demonstrating that the information technology risk management capability of the Bank is becoming better and better.

# III. Management Discussion and Analysis

## 10.6 Reputational risk management

The Bank's reputation risk management adhered to the combination of prevention and disposal, and followed the principles of "forward-looking", "matching", "full coverage" and "effectiveness" to constantly improve the ability and efficiency of preventing reputation risks and handling reputation events.

During the Reporting Period, the Bank earnestly implemented the regulatory requirements on reputation risk management. The Bank revised the Measures for Reputation Risk Management of Zhongyuan Bank in consideration of the advanced experience of peers and further improved the system of whole-process management of reputation risks. The Bank strengthened public opinion surveys and properly handled public opinion events to effectively prevent reputational risks. Meanwhile, the Bank actively responded to social concerns and organized and promoted influential communication activities, thus further enhancing its brand reputation. During the Reporting Period, the reputation risk awareness and response capacity of the Bank were continuously enhanced, with the reputation risk controllable.

## 10.7 Exchange rate risk management

During the Reporting Period, the Bank maintained its prudent risk preference. Against the background of large fluctuations in the international exchange rate market resulting from slowing global economic growth, high inflation and continuing geopolitical conflicts, the Bank promoted the implementation of staged foreign exchange hedging strategies, smoothed the hedging cost, and hedged the foreign exchange risks by applying exchange rate-based derivatives. During the Reporting Period, the Bank paid continuous attention to the exposure positions of various foreign currencies held by the Bank during the daily management, summarized and reported the Bank's foreign exchange exposure, monitored the foreign exchange quota indicators on a daily basis, and continuously managed foreign exchange business and quota. During the Reporting Period, the Bank's exchange rate risk was stable and controllable.

## 11. Corporate Strategies and Outlook

In the first half of 2022, affected by internal and external factors such as the Russian-Ukrainian conflict, resurgence of the domestic pandemic, and interest rate hikes of the Federal Reserve, the "triple pressure" faced by China's economy continued to increase, both supply and demand declined, market expectations deteriorated, and major economic indicators fell in April. The Party Central Committee and the State Council made scientific decisions, launched a package of policies and measures to stabilize the economy, and implemented both fiscal and monetary policies. The economy achieved positive growth in the second quarter, with a GDP of RMB56,264.2 billion, representing a year-on-year increase of 2.5%.

### III. Management Discussion and Analysis

Looking forward to the second half of the year, the external environment will still be complicated, but China's economy will still have strong resilience, and domestic demand may replace external demand as the key to stabilizing the macro-economic market. As the impact of the epidemic on the economy is expected to be further weakened, a series of economic stabilization policies will gradually take effect, and the economy is expected to stabilize and recover. We focused more on effective transmission and targeted implementation of the proactive fiscal policy, and made every effort to help companies to alleviate their difficulties and expand effective investment. We will take proactive measures to implement prudent monetary policies, and the structural monetary policy tools will be further used to stabilize the macro-economic market, focusing on business development in key areas and weak links such as small and micro enterprises, rural revitalization, green and low-carbon, and the elderly industry, as well as financial security and financial risk prevention and control. The division of labor, complementarity, coordination and cooperation between fiscal and monetary policies will be further improved, and the economic operation will move toward the goal of total balance and structural optimization.

Under the current internal and external environment, in the first half of the year, Zhongyuan Bank successfully completed the merger by absorption of Bank of Luoyang, Bank of Pingdingshan and Bank of JZCTS, with an asset scale of RMB1.2 trillion, rendering a rise in ranking from 12th to 8th of urban commercial banks across the country, completing the first small goal of "achieving one trillion yuan of total assets or more" (突破萬億) and achieving a new departure for Zhongyuan Bank. In the second half of the year, Zhongyuan Bank will adhere to the principle of "Seeking Growth, Realities and Optimum through Steady Progress" (穩中求進、穩中求實、穩中求優), inherit the business philosophy of "Intimate, Professional, Cooperative and Win-win" (貼心、專業、合作、共贏), practice the strategic path of "Internetization and Ruralization of Banking Services, Digital and Intelligent Future, Integrity and Innovation, Striving Forward" (上網下鄉、數智未來、守正創新、砥礪前行), and continue to forge ahead towards the strategic goal of "Striving for a World-class Bank and Building a Century-old Foundation"(爭創一流銀行，打造百年基業).

First, to accelerate the pace of substantive integration. At present, Zhongyuan Bank has entered into the integration period from the transition period of merger by absorption, we should continue to maintain our strategic determination, firmly believe that "the stage cannot be surpassed, but the step can be crossed" (階段不能逾越，但台階可以跨越), and accelerate the pace of substantive integration. We will do a good job in the integration of concept and culture, optimization of mechanism convergence, integration of business process and integration of science and technology system to ensure that the "Morale of Stable"(軍心定) and the "Overall Stability"(大局穩) during the integration period, so as to consolidate the development of a Century-old Foundation.

Second, to build a brand image of "Best Service, Best Pricing and Highest Efficiency" (服務最好、定價最優、效率最高). We will implement the "Best Service, Best Pricing and Highest Efficiency" brand image into every product, every service and every business. Around the "Best Service", we will improve the assessment and evaluation system of service quality and efficiency, and improve customers' experience; around the "Best Pricing", we will classify and stratify customers, and make accurate pricing; around the "Highest Efficiency", we will implement the "1310" working mechanism.

### III. Management Discussion and Analysis

Third, to implement the strategic focus of “Serving Strategies, Serving Entities, Serving Enterprises and Serving People” (服務戰略、服務實體、服務企業、服務人民). In the new development stage, Zhongyuan Bank will focus more on taking root in Henan, adhere to the work orientation of “Project is the King” (項目為王) with every endeavor to support local economic construction, serve the society, constantly enhance the sense of identification among the masses, and build Zhongyuan Bank into people’s own bank in the Central China.

Fourth, to deeply promote the four major transformations of “Concept Transformation, Business Transformation, Digital and Intelligent Transformation, Style Transformation” (理念轉型、業務轉型、數智轉型、作風轉型). With the Concept Transformation as premise, we firmly establish the concept of risk, pay attention to the concept of social responsibility, practice the service concept of client orientation, adhere to the concept of compliance operations, and keep firmly in mind the long-term development concept from Century-old Foundation. With the Business Transformation as core, we constantly optimize the credit asset structure of the Bank and achieve four quarter adjustment goals, namely, individuals, small and micro farmers, corporate customers and government platform loans account for 25%, respectively. With the Digital and Intelligent Transformation as support, the Digital and Intelligent Transformation will achieve “Five Modernizations” and “Three Orientations”. The “Five Modernizations” are online, digitization, intellectualization, automatization and application, and the “Three Orientations” are business orientation, problem orientation and effect orientation. With the Style Transformation as guarantee, we practically improve the sense of responsibility, working ability, execution efficiency and service quality of cadres and employees of the Bank.

Fifth, to realize the four changes as soon as possible. Changing from product orientation to client orientation. Starting from solving customers’ problems and difficulties, we will design differentiated products, provide high-quality services, and effectively solve customers’ problems; changing from customer operation to customer service. We will improve customers’ experience from the perspective of customers and from the interests of customers; changing from interest drive to responsibility drive. We will establish an image of responsible bank through solid financial services, and obtain the support and trust of the government, enterprises and people to win a larger room for market development; fourthly, changing from seeking large scale, fast speed and short-term practices to seeking quality, excellence and being pragmatic and steady. We will establish a modern business thinking mode that is respecting goodness and altruistic, adhere to win-win cooperation and achieve long-term and steady development.

## IV. Changes in Share Capital and Information on Shareholders

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

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

#### H Share Placement on May 10, 2022

In order to replenish its core tier 1 capital to ensure continuing compliance with regulatory requirements, to enhance the Bank's resilience to risks, and meanwhile to continue to comply with the minimum public float in compliance with the requirements of the Hong Kong Listing Rules, on May 10, 2022, the Bank completed the placement of 3,150,000,000 new H Shares with a nominal value of RMB1.0 each at the placing price of HK\$1.80 per H Share (the "**H Share Placement**").

The placing price under the H Share Placement represents a premium of approximately 119.51% to the closing price of HK\$0.82 per H Share as quoted on the Stock Exchange on April 27, 2022, being the last trading day immediately prior to the date of the Placing Agreement.

The placing shares under the H Share Placement were placed to no less than six independent Placees who were professional, institutional and other investors that were, eligible to subscribe for the placing shares, and together with their respective ultimate beneficial owners, third parties independent of the Bank and connected persons (as defined under the Listing Rules) of the Bank.

The total gross proceeds raised from the H Share Placement are approximately HK\$5,670 million and the net proceeds (after deducting any commission and relevant expenses) from the H Share Placement are approximately HK\$5,667 million, which was proposed to be entirely used to replenish core tier 1 capital of the Bank. As of the end of the Reporting Period, the net proceeds from the H Share Placement have been entirely used to replenish core tier 1 capital of the Bank.

## IV. Changes in Share Capital and Information on Shareholders

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

As of the end of the Reporting Period, there was no controlling shareholder and actual controller of the Bank. As at June 30, 2022, the shareholdings of the Bank's top ten Shareholders of ordinary Shares were as follows:

No.	Name of Shareholders	Nature of Shareholders	Number of Shares held at the end of the Reporting Period	Approximate percentage of the total share capital of issued ordinary shares of the Bank at the end of the Reporting Period
1	Henan Investment Group Co., Ltd. (河南投資集團有限公司)	State-owned Legal Person Shares	2,264,396,518	6.20%
2	Luoyang Municipal Finance Bureau	State Shares	1,361,571,120	3.73%
3	China Tourism Group Corporation Limited (中國旅遊集團有限公司)	State-owned Legal Person Shares	1,061,521,911	2.90%
4	Henan Zhaoteng Investment Group Co., Ltd. (河南省兆騰投資集團有限公司)	Privately-owned Legal Person Shares	683,252,415	1.87%
5	Zhongyuan Trust Co., Ltd. (中原信託有限公司)	State-owned Legal Person Shares	637,582,850	1.74%
6	Henan Guangcai Group Development Co., Ltd. (河南光彩集團發展有限公司)	Privately-owned Legal Person Shares	568,000,000	1.55%
7	Zhengzhou Kangqiao Real Estate Development Co., Ltd. (鄭州康橋房地產開發有限責任公司)	Privately-owned Legal Person Shares	553,109,303	1.51%
8	Henan Shengrun Holdings Group Co., Ltd. (河南盛潤控股集團有限公司)	Privately-owned Legal Person Shares	553,000,000	1.51%
9	Henan Machinery Investment Group Co., Ltd. (河南機械裝備投資集團有限責任公司)	State-owned Legal Person Shares	506,751,425	1.39%
10	Luoyang Urban and Rural Construction Investment Group Co., Ltd. (洛陽城鄉建設投資集團有限公司)	State-owned Legal Person Shares	504,435,685	1.38%
Total			8,693,621,227	23.79%



## IV. Changes in Share Capital and Information on Shareholders

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

So far as is known to the Bank and the Directors, as of June 30, 2022, substantial shareholders of the Bank and other persons (other than Directors, Supervisors and chief executive officers of the Bank) who had interests and short positions in the Shares and underlying Shares of the Bank which were required to be notified to the Bank or the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Bank under Section 336 of the SFO were as follows:

Name of Shareholders	Class of Shares	Nature of interests	Number of Shares <sup>(1)</sup>	Approximate percentage of the total issued share capital of the relevant class of the Bank (%) <sup>(2)</sup>	Approximate percentage of the total issued share capital of ordinary shares of the Bank (%) <sup>(2)</sup>
Henan Investment Group Co., Ltd. <sup>(3)</sup> (河南投資集團有限公司)	Domestic Shares	Beneficial owner	2,264,396,518 (L)	7.65	6.20
	Domestic Shares	Interest in controlled corporation	655,279,776 (L)	2.21	1.79
AMTD Group Company Limited <sup>(4)</sup>	H Shares	Interest in controlled corporation	482,288,000 (L)	6.94	1.32
L.R. Capital Management Company (Cayman) Limited <sup>(4)</sup>	H Shares	Interest in controlled corporation	482,288,000 (L)	6.94	1.32
NEW MERIT GROUP LIMITED	H Shares	Beneficial owner	453,636,000 (L)	6.53	1.24
GOLD LEADING CAPITAL LIMITED	H Shares	Held Security interest in Shares	573,964,000 (L)	8.26	1.57
DBS Group Holdings Ltd <sup>(5)</sup>	H Shares	Interest in controlled corporation	1,210,773,348 (L)	17.43	3.31
	H Shares	Interest in controlled corporation	1,210,773,348 (S)	17.43	3.31
Piramid Park Co., Ltd <sup>(6)</sup>	H Shares	Beneficial owner	999,831,000 (L)	14.40	2.74
XU Yan (徐雁)	H Shares	Interest in controlled corporation	999,831,000 (L)	14.40	2.74

## IV. Changes in Share Capital and Information on Shareholders

Notes:

- (1) (L) represents the long position, (S) represents short position.
- (2) As at June 30, 2022, the number of total issued Shares of the Bank was 36,549,823,322, comprising 6,945,000,000 H Shares and 29,604,823,322 Domestic Shares. Up to now, the registration for change with the competent authority of industry and commerce is still in progress.
- (3) Henan Investment Group Co., Ltd. (河南投資集團有限公司) is wholly owned by the Finance Department of Henan Province (河南省財政廳). Henan Investment Group Co., Ltd. directly holds 2,264,396,518 Domestic shares of the Bank (long position), indirectly holds 17,696,926 Domestic Shares of the Bank (long position) through its controlled corporation, Henan Investment Group Guarantee Co., Ltd. (河南投資集團擔保有限公司), and indirectly holds 637,582,850 Domestic Shares of the Bank (long positions) through controlled corporation, Zhongyuan Trust Co., Ltd. (中原信託有限公司).
- (4) L.R. Capital Management Company (Cayman) Limited, through its controlled corporations, namely L.R. Capital Financial Holdings Limited, AMTD Group Company Limited and AMTD Asia (Holdings) Limited, indirectly holds 482,288,000 H Shares of the Bank (long positions) held by AMTD Asia Limited. Therefore, by virtue of the SFO, each of L.R. Capital Management Company (Cayman) Limited, L.R. Capital Financial Holdings Limited, AMTD Group Company Limited and AMTD Asia (Holdings) Limited is deemed to be interested in the H Shares of the Bank (long positions) held by AMTD Asia Limited.
- (5) DBS Bank Ltd. directly holds 1,210,773,348 H Shares (long positions) and 1,210,773,348 H Shares (short positions) of the Bank. DBS Bank Ltd. is a controlled corporation 100% owned by DBS Group Holdings Ltd. Therefore, by virtue of the SFO, DBS Group Holdings Ltd. is deemed to be interested in the 1,210,773,348 H Shares (long positions) and 1,210,773,348 H Shares (short positions) of the Bank held by DBS Bank Ltd..
- (6) Pyramid Park Co., Ltd is wholly owned by XU Yan (徐雁).

Save as disclosed above, to the knowledge of the Bank, none of the substantial Shareholders or other persons had, as at June 30, 2022, any interests or short positions in the Shares or underlying Shares of the Bank as recorded in the register required to be kept under Section 336 of the SFO.

## IV. Changes in Share Capital and Information on Shareholders

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

As at the end of the Reporting Period, the top ten Shareholders of the Bank together held 41.40% of the Bank's total share capital. Among the top ten Shareholders, the largest Shareholder of Domestic Shares was Henan Investment Group Co., Ltd. (河南投資集團有限公司), which held 6.20% of the total share capital. The second largest Shareholder was Luoyang Municipal Finance Bureau, which held 3.73% of the total share capital, and the third largest Shareholder was China Tourism Group Corporation Limited (中國旅遊集團有限公司), which held 2.90% of the total share capital. The first and third largest Shareholders of Domestic Shares are wholly state-owned enterprises, the second largest Shareholder is a local finance department.

The shareholdings of the top ten Shareholders were as follows:

No.	Name of Shareholders	Nature of Shareholders	Nature of Shareholders	Number of Shares held at the end of the Reporting Period	Approximate percentage of the total share capital of issued ordinary shares of the Bank at the end of the Reporting Period <sup>(2)</sup>
1	HKSCC Nominees Limited <sup>(1)</sup>	H Shares	Other	6,944,259,900	19.00%
2	Henan Investment Group Co., Ltd. (河南投資集團有限公司)	Domestic Shares	State-owned Legal Person Shares	2,264,396,518	6.20%
3	Luoyang Municipal Finance Bureau	Domestic Shares	State Shares	1,361,571,120	3.73%
4	China Tourism Group Corporation Limited (中國旅遊集團有限公司)	Domestic Shares	State-owned Legal Person Shares	1,061,521,911	2.90%
5	Henan Zhaoteng Investment Group Co., Ltd. (河南省兆騰投資集團有限公司)	Domestic Shares	Privately-owned Legal Person Shares	683,252,415	1.87%
6	Zhongyuan Trust Co., Ltd. (中原信託有限公司)	Domestic Shares	State-owned Legal Person Shares	637,582,850	1.74%
7	Henan Guangcai Group Development Co., Ltd. (河南光彩集團發展有限公司)	Domestic Shares	Privately-owned Legal Person Shares	568,000,000	1.55%
8	Zhengzhou Kangqiao Real Estate Development Co., Ltd. (鄭州康橋房地產開發有限責任公司)	Domestic Shares	Privately-owned Legal Person Shares	553,109,303	1.51%
9	Henan Shengrun Holdings Group Co., Ltd. (河南盛潤控股集團有限公司)	Domestic Shares	Privately-owned Legal Person Shares	553,000,000	1.51%
10	Henan Machinery Investment Group Co., Ltd. (河南機械裝備投資集團有限責任公司)	Domestic Shares	State-owned Legal Person Shares	506,751,425	1.39%
Total				15,134,185,542	41.40%

(1) HKSCC Nominees Limited, as a nominee, held 6,944,259,900 H Shares in aggregate of the Bank on behalf of several clients, representing 19.00% of the issued share capital of the Bank. As a member of the Central Clearing and Settlement System, HKSCC Nominees Limited conducts registration and custodian business for clients.

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

## IV. Changes in Share Capital and Information on Shareholders

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

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

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

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

- (1) Zhengzhou Kangqiao Real Estate Development Co., Ltd. (鄭州康橋房地產開發有限公司), which holds 553,109,303 Domestic Shares of the Bank. The company was incorporated in Erqi District, Zhengzhou City, Henan Province on January 20, 2010 with a registered capital of RMB100 million. The company’s business scope includes development and sale of real estate, property leasing, engineering project consultation, engineering cost professional consultation service, real estate information consultation, enterprise management consultation and conference and exhibition service. Ms. LI Weizhen (李偉真), a Shareholder Representative Supervisor of the Bank, was nominated by the company.
- (2) Henan Zongheng Gas Pipeline Co., Ltd. (河南縱橫燃氣管道有限公司), which holds 200,000,000 Domestic Shares of the Bank. The company was incorporated in Luolong District, Luoyang City, Henan Province on November 4, 2005 with a registered capital of RMB300 million. The company’s business scope includes the construction and operation of long-distance natural gas pipelines, and the research, development, construction and operation of LPG and other oil and gas utilization projects (business within the above scope which is subject to approval shall not be operated before obtaining relevant approval(s)). During the Reporting Period, Mr. LI Wanbin (李萬斌), a Shareholder Representative Supervisor of the Bank, was the de facto controller of the company. Henan Wanzhong Group Co., Ltd. (河南萬眾集團有限公司) and Henan Tianli Energy Co., Ltd. (河南天利能源股份有限公司), which are effectively controlled by Mr. LI Wanbin, hold 290,996,271 Domestic Shares and 120,068,000 Shares of the Bank respectively.

### 7. Equity Pledge and Freezing

As of the end of the Reporting Period, so far as is known to the Bank, the Bank’s 7,671,244,578 Domestic Shares were subject to pledge, accounting for 20.99% of the total number of issued ordinary Shares (of which, the Domestic Shares pledged by the Bank’s substantial Shareholders accounted for 1.20% of the total number of issued ordinary Shares). In addition, there were 2,397,728,537 Domestic Shares which were judicially frozen.

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

During the six months ended June 30, 2022, save as disclosed in section “Changes in Ordinary Shares of the Bank during the Reporting Period” in this interim report, neither the Bank nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Bank.

## IV. Changes in Share Capital and Information on Shareholders

### 9. Non-public Issuance of Offshore Preference Shares

#### 9.1 The issuance and listing of Offshore Preference Shares

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

Based on the CNY Central Parity Rate published by the China Foreign Exchange Trading System on November 21, 2018, the gross proceeds from the issuance of the Offshore Preference Shares amounted to approximately RMB9,688 million. The proceeds raised from the issuance of the Offshore Preference Shares (after deducting the issuance expenses) were all used to replenish the Bank's additional Tier 1 capital, to increase the Bank's Tier 1 capital adequacy ratio and optimize the capital structure, which was consistent with the specific use previously disclosed.

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

#### 9.2 Number of Offshore Preference Shareholders and particulars of shareholding

At the end of the Reporting Period, the Bank had 1 Offshore Preference Shareholder.

The shareholdings of the top 10 Offshore Preference Shareholders (or nominees) of the Bank are set out in the table below (the following data are based on the register of Offshore Preference Shareholders as at June 30, 2022):

Name of Shareholder	Nature of Shareholder	Type of Shares	Increase/decrease during the Reporting Period (shares)	Shareholding percentage (%)	Total shareholdings (shares)	Number of Shares subject to restriction on sale (shares)	Number of pledged or frozen shares (shares)
The Bank of New York Depository (Nominees) Limited	Foreign legal person	Offshore preference shares	-	100	69,750,000	-	Unknown

Notes:

1. The shareholding of Offshore Preference Shareholders is based on the information set out in the register of Offshore Preference Shareholders of the Bank.
2. As the Offshore Preference Shares were issued by way of offshore non-public issuance, the information recorded on the register of Offshore Preference Shareholders is the information on the nominee of the investor(s) to whom the Offshore Preference Shares were allotted.

## IV. Changes in Share Capital and Information on Shareholders

### 9.3 Profit distribution on the Offshore Preference Shares

Dividends would be paid in cash by the Bank to Preference Shareholders. Each dividend will be payable annually in arrears on the dividend payment date. On November 22, 2021, the Bank completed the dividend payment of the Offshore Preference Shares. For details, please refer to the announcement on payment of a dividend for the Offshore Preference Shares published by the Bank separately on August 27, 2021. During the Reporting Period, the Offshore Preference Shares issued by the Bank were not yet due for dividend distribution. No dividends on Offshore Preference Shares have been distributed.

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

*Unit: RMB'000*

Year of distribution	Amount of distribution (before tax)	Net profit attributable to the Shareholders of the Bank in the consolidated financial statements of the Bank for the year of distribution	Percentage of net profit attributable to the Shareholders of the Bank in the consolidated financial statements of the Bank (%)	Balance accumulated to the next accounting year due to insufficiency of distributable profits or the part that can be used for the distribution of retained profits
2021	563,012	3,565,013	15.79	–
2020	573,487	3,300,822	17.37	–
2019	609,224	3,163,849	19.26	–

## IV. Changes in Share Capital and Information on Shareholders

### 9.4 Other information on the Offshore Preference Shares

During the Reporting Period, no Offshore Preference Shares have been repurchased, converted into ordinary shares or had their voting rights restored, and there was no occurrence of any triggering event that would result in mandatory conversion of Offshore Preference Shares into H Shares.

In accordance with Accounting Standards for Enterprise No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprise No. 37 – Presentation of Financial Instruments and Rules on the Differences between Financial Liability and Equity Instruments and Relevant Accounting Treatment promulgated by the Ministry of Finance of the PRC, as well as IAS 39 – Financial Instruments: Recognition and Measurement and IAS 32 – Financial Instruments: Presentation formulated by the International Accounting Standards Board, the provisions of the issued and existing Offshore Preference Shares conform to the requirements as equity instruments, and will be calculated as equity instruments.

During the Reporting Period, the Bank did not enter into any equity-linked agreements. Upon approvals by the former CBRC Henan Office and the CSRC, respectively, the Bank issued non-cumulative perpetual Offshore Preference Shares in the amount of USD1,395 million on November 21, 2018 through a non-public offering on the overseas market. Pursuant to regulations including the Measures on Capital Management of Commercial Banks (Trial) and the Trial Administrative Measures on Preference Shares, a commercial bank shall set up the provisions of coercive conversion of preference shares into ordinary shares, under which the commercial bank shall convert the preference shares into ordinary shares as contractually agreed in case of a trigger event. Such trigger event happens when the core tier-one capital adequacy ratio has decreased to 5.125% (or below) and when the China Banking and Insurance Regulatory Commission determines that the Bank will not be able to exist if shares of the Bank are not transferred or written down, or when relevant regulators determine that the Bank will not be able to exist if there is no capital injection from public sectors or supports with coordinative effects. The Bank, according to relevant regulations, has formulated provisions of trigger events under which Offshore Preference Shares shall be coercively converted into H Shares. If such trigger events happen to the Bank and all Offshore Preference Shares need to be coercively converted into H Shares in accordance with their initial conversion price, the total amount of the Offshore Preference Shares which would be converted into H Shares will not exceed 4,416,050,404 H Shares. Upon conversion of the Offshore Preference Shares, the total issued share capital of the Bank will increase to 24,491,050,404 Shares (comprising 8,211,050,404 H Shares and 16,280,000,000 Domestic Shares). During the Reporting Period, the Bank did not experience any trigger event in which the Offshore Preference Shares need to be coercively converted into H Shares.

## V. Directors, Supervisors, Senior Management and Employees

### 1. Existing Directors, Supervisors and Senior Management

The constitution of the Board of Directors, the Board of Supervisors<sup>1</sup> and the senior management of the Bank as of June 30, 2022 were as follows:

The Board of Directors of the Bank consisted of a total of 9 members, including 3 executive Directors, namely Mr. XU Nuojin, Mr. WANG Jiong and Mr. LI Yulin; 2 non-executive Directors, namely Ms. ZHANG Qiuyun and Mr. MI Hongjun; and 4 independent non-executive Directors, namely Ms. PANG Hong, Mr. LI Hongchang, Mr. JIA Tingyu and Mr. CHAN Ngai Sang Kenny.

The Board of Supervisors of the Bank consisted of 8 Supervisors, including 2 Shareholder representative Supervisors, namely Ms. LI Weizhen and Mr. LI Wanbin; 4 external Supervisors, namely Mr. LI Xiaojian, Mr. HAN Wanghong, Mr. SUN Xuemin and Mr. Pan Xinmin; and 2 employee representative Supervisors, namely Ms. JIA Jihong and Mr. ZHANG Yixian.

The senior management of the Bank consisted of 10 members, including 1 president, namely Mr. WANG Jiong; 3 vice presidents, namely Mr. LIU Kai, Mr. LI Yulin and Mr. ZHOU Litao; 5 assistants to the president, namely Mr. LIU Qingfen, Mr. SHAO Qiang, Mr. WANG Le, Mr. YOU Xiang and Mr. YAO Hongbo; 1 secretary to the Board, namely Mr. ZHANG Ke.

### 2. Changes in the Information of Directors

During the Reporting Period, there was no change in the information of Directors.

### 3. Changes of Directors, Supervisors and Senior Management during the Reporting Period

#### 3.1 Changes of Directors

On June 17, 2022, Mr. WEI Jie, an executive director and the vice chairman of the Board of the Bank, tendered his resignation to the Board and resigned as an executive Director, the vice chairman of the Board, the member of the Strategic Development Committee, the member of the Related Party Transactions Control Committee and the member of the Risk Management Committee of the Bank due to his personal reason. Please refer to the Bank's announcement dated June 17, 2022 for details.

#### 3.2 Changes of Supervisors

During the Reporting Period, there was no change in the Supervisors of the Bank.

<sup>1</sup> The three-year term of the second session of the Board and the Board of Supervisors of the Bank expired. Given that the re-election of the Board and the Board of Supervisors of the Bank is still in progress, in order to maintain the continuity of the work of the Board and the Board of Supervisors of the Bank, the re-election of the second session of the Board and the Board of Supervisors of the Bank shall be postponed accordingly. Meanwhile, the terms of office of the members of the special committees under the Board and the special committees under the Board of Supervisors of the Bank shall be postponed accordingly.



## V. Directors, Supervisors, Senior Management and Employees

### 3.3 Changes of Senior Management

During the Reporting Period, Mr. SHAO Qiang, Mr. WANG Le and Mr. YOU Xiang were appointed as assistants to the president, after consideration and approval at the 41st meeting of the second session of the Board of Directors of the Bank<sup>1</sup> and filing with Henan Office of China Banking and Insurance Regulatory Commission.

### 3.4 Securities Transactions by Directors, Supervisors and Relevant Employees

As of June 30, 2022, the Bank has adopted the Model Code as the code of conduct for securities transactions of the Bank by all Directors and Supervisors. The Bank has also put in place guidelines in respect of dealings in securities of the Bank with terms no less exacting than those of the Model Code, for the relevant employees (as defined in the Hong Kong Listing Rules). Having made specific enquiries to all Directors and Supervisors regarding their compliance with the Model Code, each of the Directors and Supervisors confirmed that those standards as provided thereunder have been complied with during the Reporting Period. Having made specific enquiries to the relevant employees regarding their compliance with the guidelines of dealing in securities of the Bank, the Bank is not aware of any incompliance with the guidelines.

## 4. Interests and Short Positions of Directors, Supervisors and Chief Executive Officers in Shares, Underlying Shares and Debentures

As at June 30, 2022, the interests and short positions of the Directors, Supervisors or chief executive officers of the Bank in the Shares, underlying Shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Bank under Section 352 of the SFO, or which were required to be notified to the Bank and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code were as follows:

### Interests in Shares of the Bank (Long Positions)

Name	Class of Shares	Nature of interests	Number of Shares	Approximate percentage of the total issued share capital of the relevant class of the Bank <sup>(1)</sup> (%)	Approximate percentage of the total issued share capital of the Bank <sup>(1)</sup> (%)
Ms. JIA Jihong	Domestic Shares	Beneficial owner	2,472	0.00	0.00
Mr. LI Wanbin <sup>(2)</sup>	Domestic Shares	Interest in controlled corporation	527,725,871	1.78	1.44

Notes:

- (1) As at June 30, 2022, the number of total issued Shares of the Bank was 36,549,823,322, including 29,604,823,322 Domestic Shares and 6,945,000,000 H Shares.
- (2) Mr. LI Wanbin is the de facto controller of Henan Wanzhong Group Co., Ltd. (河南萬眾集團有限公司) and Henan Zongheng Gas Pipeline Co., Ltd. (河南縱橫燃氣管道有限公司). Therefore, by virtue of the SFO, Mr. LI Wanbin is deemed to be interested in the 527,725,871 Domestic Shares of the Bank (long positions) directly held by Henan Wanzhong Group Co., Ltd. (河南萬眾集團有限公司), Henan Zongheng Gas Pipeline Co., Ltd. (河南縱橫燃氣管道有限公司) and Henan Tianli Energy Co., Ltd. (河南天利能源股份有限公司).

<sup>1</sup> The qualification of Mr. WANG Tianqi (王天奇) as assistant to the president was approved by the China Banking and Insurance Regulatory Commission Henan Office as at July 29, 2022; and Ms. LIU Juan (劉娟) is pending approval by the China Banking and Insurance Regulatory Commission Henan Office.

## V. Directors, Supervisors, Senior Management and Employees

### 5. Employees' Remuneration Policies and Training Programs

#### 5.1 Employees' Remuneration Policies

As of June 30, 2022, we had 19,953 employees. We totally had 1,971 employees at village and township banks sponsored by the Bank, 161 employees at AB Leasing Co., Ltd., 82 employees at BOL Financial Leasing Co., Ltd. and 490 employees at Henan Zhongyuan Consumer Finance Corp., Ltd. (河南中原消费金融股份有限公司). During the Reporting Period, the Bank's remuneration policy did not change significantly. In accordance with relevant national laws and regulations and industry regulatory requirements, the Bank has established a complete remuneration incentive system based on post sequence and rank of employees to ensure that the overall remuneration is competitive in the market and the remuneration cost is prudently managed.

The Bank gave full play to the guiding role of remuneration in operation and risk management and control of the Bank, so as to promote stable operation and sustainable development. In accordance with regulatory requirements and based on the principle of combining immediate incentives with long-term incentives and combining effective incentives and responsibility constraints, the Bank formulated relevant management measures for the deferred payment of performance-based compensation and recourse deductions.

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

#### 5.2 Training Programs

During the Reporting Period, the Bank carried out training work in line with strategic direction and with a focus on the development orientation of "supporting strategies, supporting businesses, promoting integration and giving full play to achievements", which helped establish a talent base, so as to provide more talents for the Bank, and support the Bank in achieving the "three small development goals and one major development goal." The Bank implemented its training plans with a focus on its strategic priorities and enhanced the comprehensive ability of its personnel with a focus on core work, and provided personnel training and learning resources to support its business development. With the goal of "strengthening overall planning of resources and improving training quality and effectiveness", the Bank carried out work with a focus on optimization and improvement of training systems, overall planning and integration of training resources, construction and operation of online platforms and closed-loop management of training projects.

Based on its business development strategy and under the people-oriented philosophy, the Bank developed its education and training plans. The Bank implemented a management mechanism of unified principles and plans, hierarchical management and classified implementation for employee training, and established a hierarchical training system comprising piloting, voyaging and sailing. During the Reporting Period, the Bank held a total of 33 level 1 training sessions with a total of 11,300 participants; 18 branched carried out 746 level 2 training sessions, with a total of 47,000 participants, covering all employees. Meanwhile, the Bank actively promoted online training. During the Reporting Period, the number of online training sessions accounted for 44%. The Bank continuously improved the online learning platform function. Employees actively participated in online learning through the online learning platform, and independently arranged their learning contents, with the average learning hours of 28.74 hours.

## V. Directors, Supervisors, Senior Management and Employees

### 6. Basic Information of Institutions under the Bank

As of June 30, 2022, the Bank had 18 branches and 3 directly affiliated branches, with a total of 750 business outlets. Among them, there are 445 urban branches, 48 community branches and 2 small and micro branches; 183 county branches; and 72 township sub-branches.



## VI. Corporate Governance

### 1. Compliance with the Corporate Governance Code

Saved as disclosed in “Chapter V Directors, Supervisors, Senior Management and Employees – 1. Existing Directors, Supervisors and Senior Management” of this report, the Bank has been in compliance with all the code provisions as stated in the Corporate Governance Code in Part 2 of Appendix 14 to the Hong Kong Listing Rules, and most of the recommended best practices have been adopted by the Bank during the Reporting Period.

### 2. Information Regarding the Convening of the Shareholders’ General Meetings

5 Shareholders’ general meeting were held during the Reporting Period.

On March 10, 2022, in Zhengzhou, Henan, the Bank held the 2022 first extraordinary general meeting, the 2022 first H shareholders’ class meeting, the 2022 first domestic shareholders’ class meeting and the 2022 first preference shareholders’ class meeting, which considered and approved resolutions including the Resolution on Non-public Offering of Overseas Listed Foreign Shares (H Shares), the Resolution on Approval for the Merger by Absorption of Bank of Luoyang, Bank of Pingdingshan and Jiaozuo Bank of China Travel Service by Zhongyuan Bank, and the Resolution on Approval for Implementation of the Merger by Absorption and Connected Transaction Plan.

On June 27, 2022, the Bank held the 2021 Annual General Meeting in Zhengzhou, Henan, at which proposals were considered and approved, including “Proposal on the Work Report of the Board of Directors of Zhongyuan Bank Co., Ltd. for 2021”, “Proposal on the Work Report of the Board of Supervisors of Zhongyuan Bank Co., Ltd. for 2021”, “Proposal on the Final Account Report of Zhongyuan Bank Co., Ltd. for 2021” and Proposal on Profit Distribution Plan of Zhongyuan Bank Co., Ltd. for 2021”.

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

During the Reporting Period, 5 meetings of the Board of Directors were organised, at which 66 items of business were heard or considered; the Strategic Development Committee of the Board of Directors met 4 and heard or considered 13 items of business; the Related Party Transactions Control Committee of the Board of Directors met 4 times and heard or considered 7 items of business; the Consumer Rights Protection Committee of the Board of Directors met 1 and heard or considered 3 items of business; the Risk Management Committee of the Board of Directors met 2 and heard or considered 15 items of business; the Nomination and Remuneration Committee of the Board of Directors met 3 and heard or considered 10 items of business; and the Audit Committee of the Board of Directors met 3 and heard or considered 17 items of business.

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

During the Reporting Period, 4 meetings of the Board of Supervisors were organised, at which 41 items of business were heard or considered, and 1 meeting of the Supervisory Committee of the Board of Supervisors was organised, at which 22 items of business were heard or considered. The Nomination Committee of the Board of Supervisors held 2 meetings, at which 6 items of business were heard or considered.

## VI. Corporate Governance

### 5. Public Float

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

### 6. Internal Control

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

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

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

The Bank continued to promote the culture building of internal control compliance and actively organized compliance training courses and campaigns for all of its staff, with a view to refining its long-term policy on compliance education, and further enhance the effectiveness of its internal control system through continuously organizing case study discussions, compliance speech competitions and special trainings on compliance and campaigns in different levels.

## VII. Important Events

### 1. Use of Proceeds

On May 10, 2022, the Bank has issued 3.150 billion new H Shares, the total gross proceeds raised from the H Share Placement are approximately HK\$5,670 million and the net proceeds (after deducting any commission and relevant expenses) from the H Share Placement are approximately HK\$5,667 million. The net proceeds from the H Share Placement will be entirely used to replenish core tier 1 capital of the Bank. Please refer to the announcement of the Bank dated May 10, 2022 for details.

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

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

On November 21, 2018, the Bank issued non-cumulative perpetual Offshore Preference Shares of USD1,395 million. For details of the use of proceeds from this issue of preference shares, please refer to “Changes in Share Capital and Information on Shareholders – 9.1 The Issuance and Listing of Offshore Preference Shares”.

### 2. Profits and Dividends

During the Reporting Period, the Board has not recommended the payment of any interim dividend for the six months ended June 30, 2022. With the approval of the meeting of the Board of Directors of the Bank on March 30, 2022, it is proposed that the 2021 final dividend should not be paid to all Shareholders. Such proposal on non-payment of dividends has been approved by the Bank at the 2021 AGM held on June 27, 2022.

### 3. Material Connected Transactions

During the Reporting Period, the merger by absorption of Bank of Luoyang Co., Ltd., Bank of Pingdingshan Co., Ltd. and Jiaozuo Bank of China Travel Service Co., Ltd. by Zhongyuan Bank (the “merger by absorption”) constituted a very substantial acquisition. Zhongyuan Trust Co., Ltd. (中原信託有限公司) (“Zhongyuan Trust”, as one of converting shareholders) is a non-wholly owned subsidiary of Henan Investment Group Co., Ltd. (河南投資集團有限公司) (a substantial shareholder of the Bank), and Henan Tianli Energy Co., Ltd. (河南天利能源股份有限公司) (“Henan Tianli”, as one of converting shareholders) is a company actually controlled by Mr. LI Wanbin (current supervisor of the Bank), and therefore, Zhongyuan Trust and Henan Tianli are both connected persons of the Bank pursuant to the Listing Rules. Pursuant to the Merger, the Bank conditionally agreed to acquire all the shares held by the selling shareholders in the Target Banks at a total consideration of approximately RMB28,470 million (equivalent to approximately HK\$34,164 million) to be paid by way of separate issue of consideration shares to the selling shareholders. On May 25, 2022, the Merger was approved by China Banking and Insurance Regulatory Commission, and the Bank issued a total of 13,324,823,322 consideration shares to the selling shareholders in the target banks to settle the consideration for the Merger on May 25, 2022. For further details, please refer to the announcement of the Bank dated January 26, 2022 and the circular of the Bank dated February 18, 2022.

## VII. Important Events

### 4. Material Litigations and Arbitrations

As of June 30, 2022, the pending litigation cases which were initiated against the Group involved a total amount of approximately RMB1,954.78 million.

#### 4.1 A Series of Disputes of Zhongyuan Bank Co., Ltd. in relation to construction project contract

Henan Zhongjian Urban Construction Co., Ltd. against Puyang Municipal People's Government, Puyang Federation of Trade Unions, Zhongyuan Bank and Puyang Investment Group Co., Ltd.; Henan Zhongjian Urban Construction Co., Ltd. against Puyang Municipal People's Government, Puyang Health School, Zhongyuan Bank and Puyang Investment Group Co., Ltd.; and Henan Zhongjian Urban Construction Co., Ltd. against Puyang Municipal People's Government, Puyang Culture, Radio, Film, Tourism and Sports Bureau, Zhongyuan Bank and Puyang Investment Group Co., Ltd.. The above three cases have been heard for the first instance in court currently, and the first-instance judgment is pending.

#### 4.2 Dispute in relation to equity transfer of Nanyang Branch

Hong Chongxi as the plaintiff filed a lawsuit against Nanyang Branch of Zhongyuan Bank as the defendant for the dispute over equity transfer, and demanded compensation from Nanyang Branch for its principal and interest. In the first instance, Nanyang Branch of Zhongyuan Bank was sentenced to pay Hong Chongxi RMB26 million and interest. At present, this case has been heard in the second instance, and the second-instance judgment is pending.

#### 4.3 Equity pledge guarantee dispute of Zhongyuan Bank Co., Ltd.

Hong Kong Chuang Yue Co., Limited, plaintiff of the case and a shareholder of China First Capital Group Limited, filed a lawsuit against Zhongyuan Bank as the defendant, requesting a denial of the validity of the guarantee contract and return of the proceeds from the disposal of the equity interest, due to the dispute arising from the disposal by the Bank of the shares of China First Capital Group Limited pledged by Hong Kong Chuang Yue Co., Limited, but the case is pending hearing.

#### 4.4 Property damages dispute of Zhongyuan Bank Co., Ltd.

Evergrowing Bank, a plaintiff of the case, incurred losses in the criminal case involving bill fraud and believed that Industrial and Commercial Bank of China and the former Jiaozuo Bank of China Travel Service were at fault and should jointly compensate for the principal and corresponding interest losses totaling approximately RMB1,188 million. The case has been referred by Shanghai Financial Court to Zhengzhou Intermediate People's Court, and pending a hearing at the first instance.

#### 4.5 Guarantee contract dispute of Jiaozuo Branch

Jiaozuo Branch of Zhongyuan Bank Co., Ltd. (formerly known as Jiaozuo Bank of China Travel Service) provided the maximum guarantee for the loan granted by Jiaozuo Branch of Agricultural Development Bank of China (as the plaintiff of the case) to Good Friend Tyre Co., Ltd. (好友輪胎有限公司). Due to the failure of Good Friend Tyre Co., Ltd. to repay the loan as scheduled as a result of its operating difficulties, the plaintiff filed a lawsuit in the court, requesting that the former Jiaozuo Bank of China Travel Service should assume the guarantee liability. The case is under execution.

## VII. Important Events

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

During the Reporting Period, the Bank and its directors, supervisors and senior management were not subject to any severe administrative penalty by the regulatory authority.

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

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

### 7. Material Contracts and their Performance

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

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

During the Reporting Period, the Bank entered into the merger by absorption agreement with Bank of Luoyang, Bank of Pingdingshan and Jiaozuo Bank of China Travel Service, all of which were target banks, and merged the target banks in accordance with the Company Law and other applicable laws of China. The Bank conditionally agreed to acquire all the shares held by the selling shareholders in the Target Banks at a total consideration of approximately RMB28,470 million (equivalent to approximately HK\$34,164 million) to be paid by way of separate issue of consideration shares to the selling shareholders. On May 25, 2022, the merger by absorption of Bank of Luoyang, Bank of Pingdingshan and Jiaozuo Bank of China Travel Service by the Bank was approved by China Banking and Insurance Regulatory Commission. On May 25, 2022, the Bank issued a total of 13,324,823,322 consideration shares to the selling shareholders in the target banks to settle the consideration for the above mergers of the target banks. For further details, please refer to the announcement of the Bank dated January 26, 2022 and the circular of the Bank dated February 18, 2022.

During the Reporting Period, the Bank entered into an asset transfer agreement with Zhongyuan Asset Management Co., Ltd. (中原資產管理有限公司) and disposed of assets at a total consideration of RMB10 billion. The disposal was completed upon the signature of the asset transfer agreement. The rights, interests and obligations in relation to the disposal of the assets, and the request, demand for, obtaining and receipt of receivables arising therefrom, and other rights, and the total amount of any loan repayments, the rights and powers in relation to the value of the disposal assets realized were transferred from the Bank to the purchaser. The total consideration of RMB10 billion for the disposal was paid by the purchaser to the Bank in cash on the completion date.

For details, please see the announcements of the Bank dated January 26, March 10, April 14 and May 25, 2022 and the circular dated February 18, 2022.

Except for the above disclosure, no significant investment, acquisitions and disposals of assets and business mergers has occurred during the Reporting Period.



## VII. Important Events

### 9. Implementation of Share Incentive Scheme during the Reporting Period

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

### 10. Appointment and Dismissal of Auditors

After consideration and approval in the 2021 annual general meeting convened on June 27, 2022, the Bank re-appointed KPMG Huazhen LLP and KPMG as our domestic and international auditors in 2022, respectively, with the term of office till the end of the next annual general meeting of the Bank.

### 11. Events after the End of the Reporting Period

As of the date of this interim report, no major events need to be disclosed after the end of the Reporting Period.

### 12. Review of the Interim Report

The interim financial statements disclosed in this report have not been audited. KPMG has reviewed the interim financial statements of the Bank for the six months ended June 30, 2022, which were prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, pursuant to the Hong Kong Standards on Review Engagements.

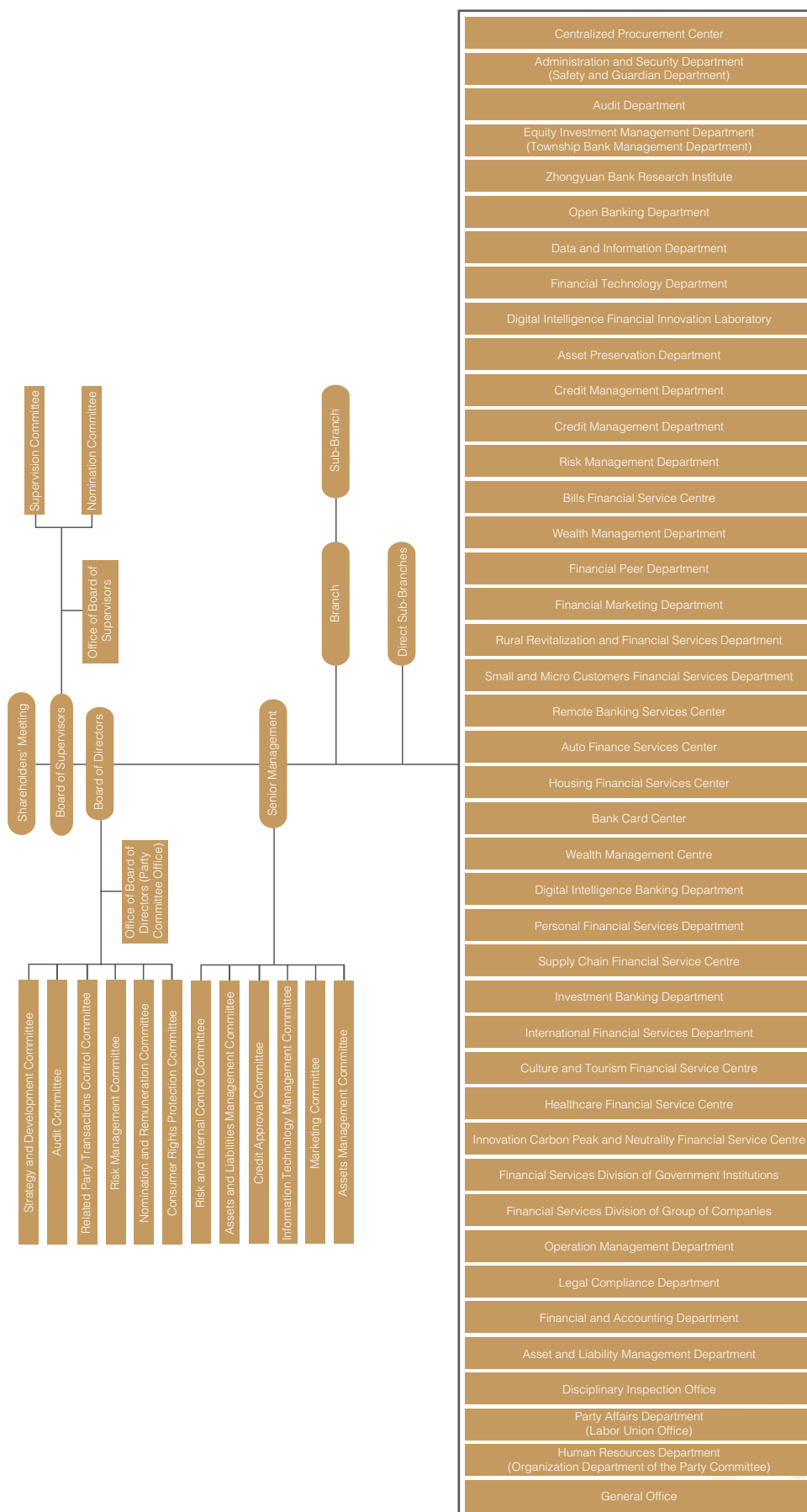
On August 29, 2022, the audit committee has reviewed and confirmed the interim results announcement of the Group for the six months ended June 30, 2022, the 2022 interim report and the unaudited interim financial statements for the six months ended June 30, 2022 prepared in accordance with the requirements of the International Accounting Standards.

### 13. Interim Results

The interim results announcement of the Group for the six months ended June 30, 2022 has been published on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Bank's website ([www.zybank.com.cn](http://www.zybank.com.cn)) on August 30, 2022.



## VIII. Organizational Structure



## IX. Review Report to the Board of Directors

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

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

#### **Introduction**

We have reviewed the interim financial report set out on page 83 to 178 which comprises the consolidated statement of financial position of Zhongyuan Bank Co., Ltd. (the “Bank”) and its subsidiaries (collectively the “Group”) as at June 30, 2022 and the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

#### **Scope of review**

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

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial report as at June 30, 2022 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong  
August 30, 2022

# Consolidated statement of profit or loss and other comprehensive income

for the six months ended June 30, 2022 – unaudited  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended June 30,	
		2022	2021
Interest income		17,136,648	15,995,221
Interest expense		(8,759,537)	(7,546,630)
<b>Net interest income</b>	4	<b>8,377,111</b>	8,448,591
Fee and commission income		1,349,280	1,328,467
Fee and commission expense		(354,796)	(208,694)
<b>Net fee and commission income</b>	5	<b>994,484</b>	1,119,773
Net trading gains/(losses)	6	558,061	(110,072)
Net gains arising from investment securities	7	416,616	231,478
Other operating income	8	60,943	28,033
<b>Operating income</b>		<b>10,407,215</b>	9,717,803
Operating expenses	9	(3,324,347)	(3,031,937)
Impairment losses on assets	10	(5,071,861)	(4,375,499)
Share of gains of joint venture		142,596	101,476
<b>Profit before tax</b>		<b>2,153,603</b>	2,411,843
Income tax	11	(14,436)	(300,215)
<b>Net profit for the period</b>		<b>2,139,167</b>	2,111,628
<b>Net profit attributable to:</b>			
Equity shareholders of the Bank		2,093,295	2,079,477
Non-controlling interests		45,872	32,151
<b>Profit for the period</b>		<b>2,139,167</b>	2,111,628
Basic and diluted earnings per share (in RMB)	12	0.09	0.10

The notes on pages 93 to 178 form part of these financial statements.

## Consolidated statement of profit or loss and other comprehensive income

for the six months ended June 30, 2022 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended June 30,	
		2022	2021
<b>Net profit for the period</b>		<b>2,139,167</b>	2,111,628
<b>Other comprehensive income</b>			
<i>Other comprehensive income net of tax attributable to equity shareholders of the Bank</i>			
Items that may be reclassified subsequently to profit or loss:			
– Financial assets at fair value through other comprehensive income: net movement in the fair value reserve	35(d)(i)	<b>655,977</b>	(203,724)
– Financial assets at fair value through other comprehensive income: net movement in impairment losses	35(d)(ii)	<b>(970,602)</b>	113,882
Items that will not be reclassified subsequently to profit or loss			
– Remeasurement of net defined benefit liability	35(d)(iii)	<b>51</b>	(403)
<i>Other comprehensive income net of tax attributable to non-controlling interests</i>		<b>(2,074)</b>	2,981
<b>Other comprehensive income, net of tax</b>		<b>(316,648)</b>	(87,264)
<b>Total comprehensive income</b>		<b>1,822,519</b>	2,024,364
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Bank		<b>1,778,721</b>	1,989,232
Non-controlling interests		<b>43,798</b>	35,132
<b>Total comprehensive income</b>		<b>1,822,519</b>	2,024,364

The notes on pages 93 to 178 form part of these financial statements.

# Consolidated statement of financial position

at June 30, 2022 – unaudited  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	June 30, 2022	December 31, 2021
<b>Assets</b>			
Cash and deposits with the central bank	13	91,411,469	63,641,621
Deposits with banks and other financial institutions	14	18,111,770	10,696,529
Placements with banks and other financial institutions	15	52,850,609	34,354,006
Derivative financial assets	16	53,324	31,506
Financial assets held under resale agreements	17	22,264,302	11,794,368
Loans and advances to customers	18	641,051,051	378,116,534
Financial investments:	19		
Financial investments at fair value through profit or loss		45,681,206	22,036,414
Financial investments at fair value through other comprehensive income		96,557,556	56,092,112
Financial investments at amortised cost		206,384,357	136,985,777
Lease receivables	20	60,875,789	33,862,349
Interest in joint venture	21	1,325,828	1,183,232
Property and equipment	23	8,229,712	4,244,294
Deferred tax assets	24	10,535,136	5,773,126
Goodwill	25	1,982,050	970,780
Other assets	26	9,985,292	8,450,700
<b>Total assets</b>		<b>1,267,299,451</b>	<b>768,233,348</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Borrowing from the central bank		57,266,215	47,654,025
Deposits from banks and other financial institutions	28	16,743,053	27,400,343
Placements from banks and other financial institutions	29	57,938,461	33,229,671
Derivative financial liabilities	16	221,917	30,993
Financial assets sold under repurchase agreements	30	51,667,950	34,014,348
Deposits from customers	31	849,255,517	455,692,186
Income tax payable		62,568	858,635
Debt securities issued	32	127,050,129	96,843,899
Other liabilities	33	14,627,315	10,129,616
<b>Total liabilities</b>		<b>1,174,833,125</b>	<b>705,853,716</b>

The notes on pages 93 to 178 form part of these financial statements.

# Consolidated statement of financial position

at June 30, 2022 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	June 30, 2022	December 31, 2021
<b>Equity</b>			
Share capital	34	<b>36,549,823</b>	20,075,000
Other equity instruments	37	<b>13,632,510</b>	9,632,791
Reserves	35	<b>31,505,124</b>	26,792,284
Retained earnings	36	<b>6,659,362</b>	4,710,067
Total equity attributable to equity shareholders of the Bank		<b>88,346,819</b>	61,210,142
Non-controlling interests		<b>4,119,507</b>	1,169,490
<b>Total equity</b>		<b>92,466,326</b>	62,379,632
<b>Total liabilities and equity</b>		<b>1,267,299,451</b>	768,233,348

Approved and authorised for issue by the board of directors on August 30, 2022.

**Xu Nuojin**

*Chairman of the Board of Directors  
Executive Director*

**Wang Jiong**

*President  
Executive Director*

**Wang Le**

*Vice President in charge of  
accounting affairs*

**Wang Shanshan**

*General Manager of the Planning and  
Finance Department*

(Company chop)

The notes on pages 93 to 178 form part of these financial statements.

# Consolidated statement of changes in equity

for the six months ended June 30, 2022 – unaudited  
(Expressed in thousands of Renminbi, unless otherwise stated)

Note	Attributable to equity shareholders of the Bank									Non-controlling interests	Total
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings	Sub-total			
<b>Balance at December 31, 2021 and January 1, 2022</b>	<b>20,075,000</b>	<b>9,632,791</b>	<b>14,317,981</b>	<b>2,424,709</b>	<b>9,705,709</b>	<b>343,885</b>	<b>4,710,067</b>	<b>61,210,142</b>	<b>1,169,490</b>	<b>62,379,632</b>	
Changes in equity for the period:											
Net profit for the period	-	-	-	-	-	-	2,093,295	2,093,295	45,872	2,139,167	
Other comprehensive income	-	-	-	-	-	(314,574)	-	(314,574)	(2,074)	(316,648)	
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(314,574)</b>	<b>2,093,295</b>	<b>1,778,721</b>	<b>43,798</b>	<b>1,822,519</b>	
Issuance of H shares	34	3,150,000	-	1,696,208	-	-	-	4,846,208	-	4,846,208	
Issuance of shares for merger by absorption	34	13,324,823	-	3,331,206	-	-	-	16,656,029	-	16,656,029	
Arising from merger by absorption		-	3,999,719	-	-	-	-	3,999,719	2,907,658	6,907,377	
Appropriation to non-controlling interests		-	-	-	-	-	-	-	(1,439)	(1,439)	
Cash interests on perpetual bond		-	-	-	-	-	(144,000)	(144,000)	-	(144,000)	
<b>Balance at June 30, 2022</b>		<b>36,549,823</b>	<b>13,632,510</b>	<b>19,345,395</b>	<b>2,424,709</b>	<b>9,705,709</b>	<b>29,311</b>	<b>6,659,362</b>	<b>88,346,819</b>	<b>4,119,507</b>	<b>92,466,326</b>

The notes on pages 93 to 178 form part of these financial statements.



# Consolidated statement of changes in equity

for the six months ended June 30, 2022 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank								Non-controlling interests	Total
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings	Sub-total		
<b>Balance at December 31, 2020 and January 1, 2021</b>	20,075,000	9,632,791	14,317,963	2,115,521	9,660,324	397,306	2,062,639	58,261,544	1,093,717	59,355,261
Changes in equity for the period:										
Net profit for the period	-	-	-	-	-	-	2,079,477	2,079,477	32,151	2,111,628
Other comprehensive income	-	-	-	-	-	(90,245)	-	(90,245)	2,981	(87,264)
<b>Total comprehensive income</b>	-	-	-	-	-	(90,245)	2,079,477	1,989,232	35,132	2,024,364
Appropriation to non-controlling interests										
	-	-	-	-	-	-	-	-	(4,111)	(4,111)
<b>Balance at June 30, 2021</b>	20,075,000	9,632,791	14,317,963	2,115,521	9,660,324	307,061	4,142,116	60,250,776	1,124,738	61,375,514

The notes on pages 93 to 178 form part of these financial statements.

# Consolidated statement of changes in equity

for the six months ended June 30, 2022 – unaudited  
(Expressed in thousands of Renminbi, unless otherwise stated)

Attributable to equity shareholders of the Bank

	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings	Sub-total	Non-controlling interests	Total
<b>Balance at July 1, 2021</b>	20,075,000	9,632,791	14,317,963	2,115,521	9,660,324	307,061	4,142,116	60,250,776	1,124,738	61,375,514
Changes in equity for the period:										
Net profit for the period	-	-	-	-	-	-	1,485,536	1,485,536	36,089	1,521,625
Other comprehensive income	-	-	-	-	-	36,824	-	36,824	11,560	48,384
<b>Total comprehensive income</b>	-	-	-	-	-	36,824	1,485,536	1,522,360	47,649	1,570,009
Purchase of non-controlling interests	-	-	18	-	-	-	-	18	(18)	-
Appropriation to surplus reserve	-	-	-	309,188	-	-	(309,188)	-	-	-
Appropriation to general reserve	-	-	-	-	45,385	-	(45,385)	-	-	-
Appropriation to non-controlling interests	-	-	-	-	-	-	-	-	(2,879)	(2,879)
Cash dividends on preference shares	-	-	-	-	-	-	(563,012)	(563,012)	-	(563,012)
<b>Balance at December 31, 2021</b>	20,075,000	9,632,791	14,317,981	2,424,709	9,705,709	343,885	4,710,067	61,210,142	1,169,490	62,379,632

The notes on pages 93 to 178 form part of these financial statements.

# Consolidated cash flow statement

for the six months ended June 30, 2022 – unaudited  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended June 30,	
	2022	2021
<b>Cash flows from operating activities</b>		
Profit before tax	<b>2,153,603</b>	2,411,843
Adjustments for:		
– Impairment losses on assets	<b>5,071,861</b>	4,375,499
– Depreciation and amortization	<b>559,271</b>	492,209
– Depreciation of investment properties	<b>369</b>	377
– Unrealized foreign exchange (gains)/losses	<b>(1,153,392)</b>	196,534
– Net (gains)/losses on disposal of property and equipment	<b>(22,673)</b>	2,280
– Net trading gains	<b>(81,947)</b>	(10,039)
– Net gains arising from fair value of derivatives	<b>169,106</b>	(17,149)
– Net gains on disposal of investment securities	<b>(416,616)</b>	(231,478)
– Share of gains of joint venture	<b>(142,596)</b>	(101,476)
– Interest expense on debts securities issued	<b>1,517,458</b>	1,181,141
– Interest expense on lease liabilities	<b>24,854</b>	35,755
	<b>7,679,298</b>	8,335,496
<i>Changes in operating assets</i>		
Net increase in deposits with the central bank	<b>(649,729)</b>	(1,240,129)
Net increase in deposits and placements with banks and other financial institutions	<b>(10,671,443)</b>	(11,671,834)
Net (increase)/decrease in financial assets held for trading	<b>(118,040)</b>	2,038,540
Net increase in loans and advances to customers	<b>(39,944,205)</b>	(29,996,262)
Net increase in lease receivables	<b>(2,696,715)</b>	(4,492,327)
Net decrease/(increase) in other operating assets	<b>12,979,461</b>	(1,036,731)
	<b>(41,100,671)</b>	(46,398,743)

The notes on pages 93 to 178 form part of these financial statements.

# Consolidated cash flow statement

for the six months ended June 30, 2022 – unaudited  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended June 30,	
	2022	2021
<b>Cash flows from operating activities</b>		
<i>Changes in operating liabilities</i>		
Net decrease in borrowing from central bank	<b>(601,842)</b>	(3,617,202)
Net (decrease)/increase in deposits from banks and other financial institutions	<b>(15,454,708)</b>	1,279,984
Net increase in placements from banks and other financial institutions	<b>5,730,794</b>	887,455
Net increase/(decrease) in financial assets sold under repurchase agreements	<b>17,654,375</b>	(32,695,679)
Net increase in deposits from customers	<b>44,658,398</b>	23,518,341
Net (decrease)/increase in other operating liabilities	<b>(2,754,582)</b>	996,503
	<b>49,232,435</b>	(9,630,598)
<b>Net cash flows generated from/(used in) operating activities before income tax paid</b>	<b>15,811,062</b>	(47,693,845)
Income tax paid	<b>(1,954,147)</b>	(1,621,961)
<b>Net cash flows generated from/(used in) operating activities</b>	<b>13,856,915</b>	(49,315,806)
<b>Cash flows from investing activities</b>		
Cash and cash equivalents from merger by absorption	<b>24,947,128</b>	–
Proceeds from disposal and redemption of investments	<b>162,445,731</b>	172,117,791
Proceeds from disposal of property and equipment, intangible assets and other assets	<b>26,571</b>	1,849
Payments on acquisition of investments	<b>(182,929,725)</b>	(161,142,519)
Payments on acquisition of property and equipment, intangible assets and other assets	<b>(370,334)</b>	(79,160)
<b>Net cash flows generated from investing activities</b>	<b>4,119,371</b>	10,897,961

The notes on pages 93 to 178 form part of these financial statements.

# Consolidated cash flow statement

for the six months ended June 30, 2022 – unaudited  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended June 30,	
		2022	2021
<b>Cash flows from financing activities</b>			
Proceeds from issued shares		4,846,208	–
Proceeds from issued debt securities		100,451,358	75,030,997
Repayment of debts securities issued		(96,879,526)	(71,313,273)
Interest paid on debts securities issued		(1,332,700)	(1,060,021)
Dividends paid		(164,546)	(48,535)
Capital element of lease liabilities paid		(178,312)	(122,748)
Interest element of lease liabilities paid		(43,168)	(23,156)
<b>Net cash flows generated from financing activities</b>		<b>6,699,314</b>	<b>2,463,264</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>620,287</b>	<b>(96,118)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	40(a)	<b>25,295,887</b>	<b>(36,050,699)</b>
<b>Cash and cash equivalents as at January 1</b>		<b>71,891,805</b>	<b>72,151,316</b>
<b>Cash and cash equivalents as at June 30</b>	40(b)	<b>97,187,692</b>	<b>36,100,617</b>
Interest received		18,292,077	15,697,791
Interest paid (excluding interest expense on debts securities issued)		(10,374,605)	(5,860,739)

The notes on pages 93 to 178 form part of these financial statements.

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 1 Background information

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

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

The Bank obtained its financial institution license No. B0615H241010001 from the former CBRC, and obtained its business license with unified social credit code 9141000031741675X6 from the State Administration for Industry and Commerce of the PRC. The Bank is regulated by China Banking Insurance Regulatory Commission (the "CBIRC") authorized by the State Council.

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

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

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

## 2 Basis of preparation

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Basis of preparation (Continued)

This interim financial report contains condensed financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

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

The financial information relating to the financial year ended December 31, 2021 that is included in the interim financial report as comparative information does not constitute the Bank’s statutory annual financial statements for that financial year but is derived from those financial statements.

## 3 Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

The changes in accounting policies are also expected to be reflected in the Group’s annual financial statements for the year ending December 31, 2022.

None of the developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 4 Net interest income

	Six months ended June 30,	
	2022	2021
<b>Interest income arising from</b>		
Deposits with the central bank	<b>263,830</b>	247,859
Deposits with banks and other financial institutions	<b>59,647</b>	73,003
Placements with banks and other financial institutions	<b>646,062</b>	487,002
Loans and advances to customers		
– Corporate loans and advances	<b>5,337,631</b>	4,209,795
– Personal loans and advances	<b>5,104,803</b>	4,813,096
– Discounted bills	<b>486,945</b>	679,961
Financial assets held under resale agreements	<b>199,446</b>	170,739
Financial investments	<b>3,723,475</b>	4,064,066
Lease receivables	<b>1,314,809</b>	1,249,700
Sub-total	<b>17,136,648</b>	15,995,221
<b>Interest expenses arising from</b>		
Borrowing from the central bank	<b>(603,487)</b>	(546,071)
Deposits from banks and other financial institutions	<b>(326,974)</b>	(912,808)
Placements from banks and other financial institutions	<b>(493,626)</b>	(498,434)
Deposits from customers	<b>(5,571,477)</b>	(4,018,417)
Financial assets sold under repurchase agreements	<b>(246,515)</b>	(389,759)
Debts securities issued	<b>(1,517,458)</b>	(1,181,141)
Sub-total	<b>(8,759,537)</b>	(7,546,630)
<b>Net interest income</b>	<b>8,377,111</b>	8,448,591

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



# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 5 Net fee and commission income

	Six months ended June 30,	
	2022	2021
<b>Fee and commission income</b>		
Underwriting fees	135,842	358,015
Wealth management business fees	477,722	250,732
Bank card services fees	337,690	243,895
Settlement and clearing services fees	149,044	158,922
Advisory and consulting fees	93,200	115,359
Acceptance and guarantee services fees	64,671	76,169
Agency services fees	87,019	67,929
Custodial services fees	4,092	57,446
Sub-total	1,349,280	1,328,467
<b>Fee and commission expense</b>	(354,796)	(208,694)
<b>Net fee and commission income</b>	994,484	1,119,773

## 6 Net trading gains/(losses)

	Note	Six months ended June 30,	
		2022	2021
Net gains from debt securities	(a)	25,663	45,109
Net foreign exchange gains/(losses)	(b)	495,957	(156,547)
Net gains from interest rate swaps		36,441	1,366
Total		558,061	(110,072)

- (a) Net gains from debt securities include gains arising from the buying and selling of, and changes in the fair value of debt securities held for trading.
- (b) Net foreign exchange gains/(losses) mainly included gains/(losses) from foreign currency derivatives, the purchase and sale of foreign currency spot, and translation of foreign currency monetary assets and liabilities into Renminbi.

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 7 Net gains arising from investment securities

	Note	Six months ended June 30,	
		2022	2021
Net gains of financial investments at fair value through profit or loss	(a)	70,379	77,836
Net gains of financial investments at fair value through other comprehensive income		346,243	153,715
Others		(6)	(73)
<b>Total</b>		<b>416,616</b>	231,478

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

## 8 Other operating income

	Six months ended June 30,	
	2022	2021
Government grants	5,834	5,653
Rental income	3,308	14,143
Net gains/(losses) on disposal of property and equipment	22,673	(2,280)
Others	29,128	10,517
<b>Total</b>	<b>60,943</b>	28,033

## 9 Operating expenses

	Six months ended June 30,	
	2022	2021
Staff costs		
– Salaries, bonuses and allowances	1,246,997	1,238,794
– Social insurance and annuity	303,477	233,275
– Staff welfares	158,837	131,444
– Housing allowances	133,742	109,757
– Employee education expenses and labor union expenses	27,354	43,425
– Supplementary retirement benefits	2,581	2,341
– Others	40,515	25,674
<b>Sub-total</b>	<b>1,913,503</b>	1,784,710
Office expenses	467,459	418,145
Depreciation and amortization	407,072	350,512
Depreciation charge for the right-of-use assets	152,199	141,697
Taxes and surcharges	109,433	101,892
Interest expense on lease liabilities	24,854	35,755
Other general and administrative expenses	249,827	199,226
<b>Total</b>	<b>3,324,347</b>	3,031,937

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 10 Impairment losses on assets

	Six months ended June 30,	
	2022	2021
Loans and advances to customers	4,430,450	2,370,100
Financial investments	656,420	1,459,572
Credit commitments	(319,434)	9,013
Others	304,425	536,814
Total	5,071,861	4,375,499

## 11 Income tax

### (a) Income tax:

	Six months ended June 30,	
	2022	2021
Current tax	143,696	895,934
Deferred tax	(129,260)	(595,719)
Total	14,436	300,215

### (b) Reconciliations between income tax and accounting profit are as follows:

	Note	Six months ended June 30,	
		2022	2021
Profit before tax		2,153,603	2,411,843
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		538,401	602,961
Non-deductible expenses			
– Staff welfare expenses		1,096	4,190
– Others		6,163	7,990
Non-taxable income	(i)	(531,224)	(314,926)
Income tax		14,436	300,215

(i) The non-taxable income mainly represents the interest income from the PRC government bonds.

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 12 Basic and diluted earnings per share

	Note	Six months ended June 30,	
		2022	2021
Net profit attributable to ordinary shareholders of the Bank		<b>2,093,295</b>	2,079,477
Weighted average number of ordinary shares (in thousands)	(i)	<b>22,820,804</b>	20,075,000
Basic and diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB)		<b>0.09</b>	0.10

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

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

	Six months ended June 30,	
	2022	2021
Number of ordinary shares as at January 1	<b>20,075,000</b>	20,075,000
New added weighted average number of ordinary shares	<b>2,745,804</b>	–
Weighted average number of ordinary shares	<b>22,820,804</b>	20,075,000

## 13 Cash and deposits with the central bank

	Note	June 30,	December 31,
		2022	2021
Cash on hand		<b>2,713,040</b>	1,200,161
Deposits with the central bank			
– Statutory deposit reserves	(a)	<b>46,136,009</b>	27,409,899
– Surplus deposit reserves	(b)	<b>41,000,076</b>	34,505,343
– Fiscal deposits		<b>1,540,603</b>	511,897
Sub-total		<b>88,676,688</b>	62,427,139
Accrued interest		<b>21,741</b>	14,321
Total		<b>91,411,469</b>	63,641,621

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 13 Cash and deposits with the central bank (Continued)

- (a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at June 30, 2022 and December 31, 2021, the statutory deposit reserve ratios applicable to the Bank were as follows:

	June 30, 2022	December 31, 2021
Reserve ratio for RMB deposits	5.50%	6.00%
Reserve ratio for foreign currency deposits	8.00%	9.00%

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

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

## 14 Deposits with banks and other financial institutions

### Analyzed by type and location of counterparty

	June 30, 2022	December 31, 2021
Deposits in mainland China		
– Banks	7,055,061	3,895,863
– Other financial institutions	955,451	726,698
Sub-total	8,010,512	4,622,561
Deposits outside mainland China		
– Banks	10,046,157	6,073,784
Total	18,056,669	10,696,345
Accrued interest	63,807	3,532
Less: Provision for impairment losses	(8,706)	(3,348)
Net carrying amount	18,111,770	10,696,529

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 15 Placements with banks and other financial institutions

### Analyzed by type and location of counterparty

	June 30, 2022	December 31, 2021
Placements in mainland China		
– Banks	34,204	1,483,196
– Other financial institutions	40,844,957	32,544,959
Sub-total	40,879,161	34,028,155
Placements outside mainland China		
– Banks	11,530,185	–
Sub-total	11,530,185	–
Accrued interest	478,978	357,033
Less: Provision for impairment losses	(37,715)	(31,182)
Net carrying amount	52,850,609	34,354,006

## 16 Derivative financial instruments

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

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

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

	Notional amount	June 30, 2022	
		Fair Value (Assets)	Fair Value (Liabilities)
Interest rate swaps	5,360,000	25,616	24,998
Foreign exchange forwards	9,731,530	–	165,299
Currency swaps	4,477,639	27,708	31,620
Total	19,569,169	53,324	221,917

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 16 Derivative financial instruments (Continued)

	Notional amount	December 31, 2021	
		Fair Value (Assets)	Fair Value (Liabilities)
Interest rate swaps	7,060,000	31,292	30,614
Foreign exchange forwards	389,705	–	–
Currency swaps	19,375	214	–
Precious metal derivatives	20,088	–	379
<b>Total</b>	<b>7,489,168</b>	<b>31,506</b>	<b>30,993</b>

## 17 Financial assets held under resale agreements

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

	June 30, 2022	December 31, 2021
In mainland China		
– Banks	<b>9,082,385</b>	4,381,669
– Other financial institutions	<b>13,182,110</b>	7,412,262
<b>Total</b>	<b>22,264,495</b>	11,793,931
Accrued interest	<b>1,971</b>	1,187
Less: Provision for impairment losses	<b>(2,164)</b>	(750)
<b>Net carrying amount</b>	<b>22,264,302</b>	11,794,368

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

	June 30, 2022	December 31, 2021
Debt securities	<b>22,264,495</b>	11,793,931
Accrued interest	<b>1,971</b>	1,187
Less: Provision for impairment losses	<b>(2,164)</b>	(750)
<b>Net carrying amount</b>	<b>22,264,302</b>	11,794,368

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 18 Loans and advances to customers

### (a) Analyzed by nature

	Note	June 30, 2022	December 31, 2021
Loans and advances to customers measured at amortised cost			
Corporate loans and advances		<b>348,814,695</b>	172,662,953
Personal loans and advances			
– Residential mortgage		<b>112,218,655</b>	89,511,886
– Personal business loans		<b>64,796,728</b>	30,763,359
– Personal consumption loans		<b>42,489,257</b>	44,907,494
– Others		<b>20,512,004</b>	18,930,239
Sub-total		<b>240,016,644</b>	184,112,978
Accrued interest		<b>2,323,505</b>	2,487,565
Less: Provision for loans and advances to customers measured at amortised cost		<b>(18,307,725)</b>	(12,530,545)
Sub-total		<b>572,847,119</b>	346,732,951
Loans and advances to customers measured at fair value through other comprehensive income			
Corporate loans and advances		<b>12,187,842</b>	988,405
Discounted bills	(i)	<b>56,016,090</b>	30,395,178
Sub-total		<b>68,203,932</b>	31,383,583
Net loans and advances to customers		<b>641,051,051</b>	378,116,534

(i) As at the end of the reporting period/year, certain discounted bills were pledged for repurchase agreements (Note 27(a)).



# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 18 Loans and advances to customers (Continued)

### (b) Analyzed by economic sector

	June 30, 2022		
	Amount	Percentage	Loans and advances secured by collaterals
Renting and business activities	103,952,757	15.83%	33,833,609
Manufacturing	59,240,289	9.02%	18,582,406
Wholesale and retail trade	45,256,607	6.89%	19,711,245
Construction	37,119,091	5.65%	15,433,602
Water, environment and public utility	25,590,924	3.89%	9,998,318
Real estate	25,098,333	3.82%	18,424,126
Production and supply of electric power, gas and water	12,179,248	1.85%	3,309,207
Transportation, storage and postal services	9,558,196	1.45%	4,544,139
Mining	7,049,617	1.07%	929,875
Education	6,188,809	0.94%	2,884,989
Agriculture, forestry, animal husbandry and fishery	5,168,214	0.79%	1,358,616
Accommodation and catering	2,520,869	0.38%	1,633,272
Others	22,079,583	3.36%	7,114,035
Sub-total of corporate loans and advances	361,002,537	54.94%	137,757,439
Personal loans and advances	240,016,644	36.53%	186,648,520
Discounted bills	56,016,090	8.53%	44,523,263
Gross loans and advances to customers	657,035,271	100.00%	368,929,222

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 18 Loans and advances to customers (Continued)

### (b) Analyzed by economic sector (Continued)

	December 31, 2021		Loans and advances secured by collaterals
	Amount	Percentage	
Renting and business activities	49,190,662	12.67%	18,376,443
Manufacturing	23,774,495	6.12%	7,679,971
Real estate	17,157,111	4.42%	13,732,781
Wholesale and retail trade	16,816,107	4.33%	9,575,691
Construction	15,627,581	4.03%	6,850,570
Water, environment and public utility	14,369,136	3.70%	7,108,569
Production and supply of electric power, gas and water	6,200,702	1.60%	1,516,991
Agriculture, forestry, animal husbandry and fishery	2,899,288	0.75%	870,921
Education	4,774,592	1.23%	2,330,480
Accommodation and catering	2,613,439	0.67%	1,729,318
Transportation, storage and postal services	6,218,530	1.60%	3,372,947
Mining	3,446,081	0.89%	608,767
Others	10,563,634	2.72%	2,634,355
Sub-total of corporate loans and advances	173,651,358	44.73%	76,387,804
Personal loans and advances	184,112,978	47.43%	152,570,194
Discounted bills	30,395,178	7.84%	27,526,358
Gross loans and advances to customers	388,159,514	100.00%	256,484,356

### (c) Analysed by type of collateral

	June 30, 2022	December 31, 2021
Unsecured loans	<b>115,585,976</b>	47,176,476
Guaranteed loans	<b>172,520,073</b>	84,498,682
Collateralised	<b>260,871,334</b>	193,717,462
Pledged	<b>108,057,888</b>	62,766,894
Gross loans and advances to customers	<b>657,035,271</b>	388,159,514
Accrued interest	<b>2,323,505</b>	2,487,565
Less: Provision for loans and advances to customers measured at amortised cost	<b>(18,307,725)</b>	(12,530,545)
Net loans and advances to customers	<b>641,051,051</b>	378,116,534

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 18 Loans and advances to customers (Continued)

### (d) Overdue loans analyzed by overdue period

	June 30, 2022				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	739,942	1,550,527	563,923	32,011	2,886,403
Guaranteed loans	3,262,121	3,329,148	1,356,886	133,001	8,081,156
Collateralised	5,021,619	3,725,041	966,354	377,100	10,090,114
Pledged	638,298	34,995	1,685	–	674,978
<b>Total</b>	<b>9,661,980</b>	<b>8,639,711</b>	<b>2,888,848</b>	<b>542,112</b>	<b>21,732,651</b>
As a percentage of gross loans and advances to customers	1.48%	1.31%	0.44%	0.08%	3.31%

	December 31, 2021				
	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	177,785	517,888	286,783	11,858	994,314
Guaranteed loans	2,091,193	2,177,847	1,301,956	241,340	5,812,336
Collateralised	3,827,730	1,249,776	1,315,667	470,132	6,863,305
Pledged	760,880	24,269	35,840	211,189	1,032,178
<b>Total</b>	<b>6,857,588</b>	<b>3,969,780</b>	<b>2,940,246</b>	<b>934,519</b>	<b>14,702,133</b>
As a percentage of gross loans and advances to customers	1.77%	1.02%	0.76%	0.24%	3.79%

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

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 18 Loans and advances to customers (Continued)

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

	June 30, 2022			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Total loans and advances to customers measured at amortised cost	562,976,916	13,596,046	12,258,377	588,831,339
Accrued interest	2,323,505	–	–	2,323,505
Less: Provision for impairment losses	(7,496,677)	(2,828,479)	(7,982,569)	(18,307,725)
Carrying amount of loans and advances to customers measured at amortised cost	557,803,744	10,767,567	4,275,808	572,847,119
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	68,193,932	–	10,000	68,203,932
Total carrying amount of loans and advances to customers	625,997,676	10,767,567	4,285,808	641,051,051
	December 31, 2021			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
Total loans and advances to customers measured at amortised cost	337,256,833	11,008,429	8,510,669	356,775,931
Accrued interest	2,487,565	–	–	2,487,565
Less: Provision for impairment losses	(4,021,330)	(2,565,993)	(5,943,222)	(12,530,545)
Carrying amount of loans and advances to customers measured at amortised cost	335,723,068	8,442,436	2,567,447	346,732,951
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	31,383,583	–	–	31,383,583
Total carrying amount of loans and advances to customers	367,106,651	8,442,436	2,567,447	378,116,534

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 18 Loans and advances to customers (Continued)

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

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

	Six months ended June 30, 2022			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at January 1	4,021,330	2,565,993	5,943,222	12,530,545
Arising from merger by absorption	6,160,979	1,759,740	3,561,034	11,481,753
Transferred:				
– to expected credit losses over the next 12 months	209,255	(167,805)	(41,450)	–
– to lifetime expected credit losses: not credit-impaired loans	(108,859)	171,902	(63,043)	–
– to lifetime expected credit losses: credit-impaired loans	(52,168)	(1,738,279)	1,790,447	–
(Release)/charge for the period	(2,733,860)	236,928	6,963,803	4,466,871
Recoveries	–	–	145,785	145,785
Write-offs and disposals	–	–	(10,317,229)	(10,317,229)
As at June 30, 2022	7,496,677	2,828,479	7,982,569	18,307,725

	Year ended December 31, 2021			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at January 1	4,406,550	2,295,558	5,016,863	11,718,971
Transferred:				
– to expected credit losses over the next 12 months	365,875	(248,165)	(117,710)	–
– to lifetime expected credit losses: not credit-impaired loans	(63,705)	466,064	(402,359)	–
– to lifetime expected credit losses: credit-impaired loans	(41,855)	(349,024)	390,879	–
(Release)/charge for the year	(645,535)	401,560	4,478,186	4,234,211
Recoveries	–	–	254,464	254,464
Write-offs and disposals	–	–	(3,677,101)	(3,677,101)
As at December 31, 2021	4,021,330	2,565,993	5,943,222	12,530,545

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 18 Loans and advances to customers (Continued)

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

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

	Six months ended June 30, 2022			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at January 1	6,139	–	473,981	480,120
Arising from merger by absorption	51,197	–	5,921	57,118
Release for the period	(33,500)	–	(2,921)	(36,421)
Write-offs and disposals	–	–	(473,981)	(473,981)
As at June 30, 2022	23,836	–	3,000	26,836

	Year ended December 31, 2021			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at January 1	11,125	–	355,486	366,611
(Release)/charge for the year	(4,986)	–	118,495	113,509
As at December 31, 2021	6,139	–	473,981	480,120

### (g) Disposal of loans and advances to customers

In the first half of 2022, the Group disposed loans and advances with gross amount of RMB15,533.42 million. The consideration received by the Group amounted to RMB6,496.81 million.

In the first half of 2021, the Group disposed loans and advances with gross amount of RMB1,518.33 million. The consideration received by the Group amounted to RMB665.00 million.

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 19 Financial investments

	Note	June 30, 2022	December 31, 2021
Financial investments at fair value through profit or loss	(a)	<b>45,681,206</b>	22,036,414
Financial investments at fair value through other comprehensive income	(b)	<b>96,557,556</b>	56,092,112
Financial investments at amortised cost	(c)	<b>206,384,357</b>	136,985,777
Total		<b>348,623,119</b>	215,114,303

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

	Note	June 30, 2022	December 31, 2021
Debt securities	(i)		
– Government		<b>5,940,272</b>	43,162
– Policy banks		<b>2,352,341</b>	–
– Banks and other financial institutions		<b>5,020,607</b>	2,158,001
– Corporate		<b>50,006</b>	1,089,280
Sub-total		<b>13,363,226</b>	3,290,443
Listed		<b>5,940,272</b>	43,162
Unlisted		<b>7,422,954</b>	3,247,281
Sub-total		<b>13,363,226</b>	3,290,443
Wealth management products issued by financial institutions		<b>515,873</b>	–
Investment management products managed by securities companies		<b>6,123,759</b>	–
Investment management products managed by trust plans		<b>24,472</b>	–
Investment fund managed by public fund manager		<b>24,814,233</b>	18,343,633
Sub-total		<b>31,478,337</b>	18,343,633
Equity investments		<b>839,643</b>	402,338
Total		<b>45,681,206</b>	22,036,414

- (i) As at the end of the reporting period, certain debt securities were pledged for repurchase agreements (Note 27(a)). No other investment was subject to material restrictions in the realization.

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 19 Financial investments (Continued)

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

	Note	June 30, 2022	December 31, 2021
Debt securities	(i)		
– Government		<b>53,458,012</b>	36,516,163
– Policy banks		<b>33,003,255</b>	16,065,614
– Banks and other financial institutions		<b>4,816,251</b>	1,371,713
– Corporate		<b>3,783,352</b>	1,392,873
Sub-total		<b>95,060,870</b>	55,346,363
Listed		<b>54,875,240</b>	36,704,987
Unlisted		<b>40,185,630</b>	18,641,376
Sub-total		<b>95,060,870</b>	55,346,363
Investment management products managed by securities companies		<b>174,685</b>	–
Sub-total		<b>174,685</b>	–
Accrued interest		<b>1,197,122</b>	721,853
Equity investments	(ii)	<b>124,879</b>	23,896
Total		<b>96,557,556</b>	56,092,112

(i) As at the end of the reporting period, certain debt securities were pledged for repurchase agreements (Note 27(a)). No other investment was subject to material restrictions in the realization.

(ii) The Group designates non-trading equity investments as financial investments at fair value through other comprehensive income. The Group did not dispose of any such equity investment, nor transfer any cumulative gain or loss from other comprehensive income to retained earnings during the reporting period.



# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 19 Financial investments (Continued)

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

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

	Six months ended June 30, 2022			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at January 1,2022	10,364	75,035	160,678	246,077
Arising from merger by absorption	17,937	23,575	154,427	195,939
Release for the period	(8,659)	(16,540)	(12,984)	(38,183)
Write-offs and disposal	–	–	(166,973)	(166,973)
Balance at June 30,2022	19,642	82,070	135,148	236,860

	Year ended December 31, 2021			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at January 1,2021	37,831	13,678	127,501	179,010
Transfers:				
– to lifetime expected credit losses: not credit-impaired	(6,750)	6,750	–	–
(Release)/charge for the year	(20,717)	54,607	33,177	67,067
Balance at December 31,2021	10,364	75,035	160,678	246,077

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 19 Financial investments (Continued)

### (c) Financial investments at amortised cost

	Note	June 30, 2022	December 31, 2021
Debt securities	(i)		
– Government		<b>92,805,165</b>	45,027,682
– Policy banks		<b>39,719,637</b>	28,106,520
– Banks and other financial institutions		<b>1,431,910</b>	120,000
– Corporate		<b>8,862,474</b>	8,218,455
Sub-total		<b>142,819,186</b>	81,472,657
Listed		<b>92,250,328</b>	44,487,844
Unlisted		<b>50,568,858</b>	36,984,813
Sub-total		<b>142,819,186</b>	81,472,657
Investment management products managed by trust plans		<b>41,073,454</b>	24,563,251
Debt investment plans		<b>16,213,885</b>	23,384,621
Investment fund managed by private fund manager		<b>4,337,654</b>	7,671,337
Investment management products managed by securities companies		<b>2,506,570</b>	3,028,950
Investment fund managed by financial institutions		<b>738,254</b>	701,327
Others		<b>550,000</b>	–
Sub-total		<b>65,419,817</b>	59,349,486
Accrued interest		<b>3,653,407</b>	1,808,262
Less: Provision for impairment losses	(ii)	<b>(5,508,053)</b>	(5,644,628)
Total		<b>206,384,357</b>	136,985,777

- (i) As at the end of the reporting period, certain debt securities were pledged for repurchase agreements (Note 27(a)). No other investment was subject to material restrictions in the realization.

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 19 Financial investments (Continued)

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

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

	Six months ended June 30, 2022			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at January 1,2022	99,140	370,685	5,174,803	5,644,628
Arising from merger by absorption	300,476	2,416,754	2,600,964	5,318,194
Transfers:				
– to lifetime expected credit losses: not credit-impaired	(3,290)	3,290	–	–
– to lifetime expected credit losses: credit-impaired	(215)	(314,604)	314,819	–
(Release)/charge for the period	292,275	(1,445,822)	2,432,700	694,603
Recoveries	–	–	19,914	19,914
Write-offs and disposal	–	–	(6,169,286)	(6,169,286)
Balance at June 30,2022	103,836	1,030,303	4,373,914	5,508,053
	Year ended December 31, 2021			
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	Total
Balance at January 1,2021	132,621	212,770	3,600,876	3,946,267
Transfers:				
– to expected credit losses over the next 12 months	(2,022)	2,022	–	–
– to lifetime expected credit losses: credit-impaired	(4,078)	(107,287)	111,365	–
(Release)/charge for the year	(27,381)	263,180	1,186,880	1,422,679
Recoveries	–	–	375,682	375,682
Write-offs	–	–	(100,000)	(100,000)
Balance at December 31,2021	99,140	370,685	5,174,803	5,644,628

### (d) Disposal of Financial investments

In the first half of 2022, the Group disposed financial investments with gross amount of RMB9,545.60 million. The consideration received by the Group amounted to RMB3,390.16 million.

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 20 Lease receivables

	Note	June 30, 2022	December 31, 2021
Minimum finance lease receivables	(i)	<b>989,849</b>	132,706
Less: unearned finance lease income	(i)	<b>(98,528)</b>	(10,731)
Present value of finance lease receivables	(i)	<b>891,321</b>	121,975
Receivables from sale-and-leaseback transactions		<b>63,003,878</b>	35,463,873
Sub-total	(ii)	<b>63,895,199</b>	35,585,848
Less: provision for impairment losses	(iii)	<b>(3,019,410)</b>	(1,723,499)
Total		<b>60,875,789</b>	33,862,349

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

	June 30, 2022		
	Minimum finance lease receivables	Unearned finance income	Present value of finance lease receivables
Less than 1 year	<b>7,823</b>	<b>(784)</b>	<b>7,039</b>
1 year to 2 year	<b>114,163</b>	<b>(11,053)</b>	<b>103,110</b>
2 year to 3 year	<b>59,803</b>	<b>(5,695)</b>	<b>54,108</b>
Over 5 years	<b>808,060</b>	<b>(80,996)</b>	<b>727,064</b>
Total	<b>989,849</b>	<b>(98,528)</b>	<b>891,321</b>

	December 31, 2021		
	Minimum finance lease receivables	Unearned finance income	Present value of finance lease receivables
Less than 1 year	14,913	(1,484)	13,429
1 year to 2 year	72,913	(5,724)	67,189
2 year to 3 year	44,880	(3,523)	41,357
Total	132,706	(10,731)	121,975

- (ii) Receivables from sale-and-leaseback transactions which do not satisfy sales under IFRS 15 for the seller-lessees, were recognised as receivables from sale-and-leaseback transactions.

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 20 Lease receivables (Continued)

(iii) Movements of provision for impairment losses:

	Six months ended June 30, 2022			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at January 1	1,031,496	379,196	312,807	1,723,499
Arising from merger by absorption	569,653	227,508	666,749	1,463,910
Transfers:				
– to expected credit losses over the next 12 months	310,653	(181,542)	(129,111)	–
– to lifetime expected credit losses: not credit-impaired	(51,214)	51,214	–	–
– to lifetime expected credit losses: credit-impaired	(1,587)	(11,438)	13,025	–
(Release)/charge for the period	(170,618)	183,887	133,861	147,130
Recoveries	–	–	2,400	2,400
Write-offs	–	–	(317,529)	(317,529)
Balance at June 30	1,688,383	648,825	682,202	3,019,410
	Year ended December 31, 2021			
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	Total
Balance at January 1	973,417	213,666	197,058	1,384,141
Transfers:				
– to expected credit losses over the next 12 months	379,469	(211,913)	(167,556)	–
– to lifetime expected credit losses: not credit-impaired	(42,669)	42,669	–	–
– to lifetime expected credit losses: credit-impaired	(13,525)	–	13,525	–
(Release)/charge for the year	(265,196)	334,774	431,820	501,398
Recoveries	–	–	2,000	2,000
Write-offs	–	–	(164,040)	(164,040)
Balance at December 31	1,031,496	379,196	312,807	1,723,499

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 21 Investments in subsidiaries and interest in joint venture

### (a) Investment in subsidiaries

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

Subsidiary	Note	Amount invested by the Bank		Percentage of equity interest		Voting rights	Registered capital	Establishment date	Place of incorporation registration	Principal activity
		June 30, 2022	2021	June 30, 2022	2021	June 30, 2022	June 30, 2022			
				%	%	%	million			
AB Leasing Co., Ltd. (“邦銀金融租賃股份有限公司”)		4,525,199	4,525,199	90.00	90.00	90.00	3,000.00	August 16, 2013	Tianjin City	Leasing
BOL Financial Leasing Co., Ltd. (“洛銀金融租賃股份有限公司”)	(i)	2,228,739	-	57.50	-	57.50	2,000.00	December 18, 2014	Luoyang, Henan Province	Leasing
Xiping Zhongyuan County Bank Co., Ltd. (“西平中原村鎮銀行股份有限公司”)	(ii)	176,686	176,686	43.69	43.69	67.64	208.52	December 17, 2009	Zhumadian, Henan Province	Banking
Xinyang Pingqiao Zhongyuan County Bank Co., Ltd. (“信陽平橋中原村鎮銀行股份有限公司”)		38,341	38,341	51.73	51.73	51.73	83.52	December 13, 2010	Xinyang, Henan Province	Banking
Qixian Zhongyuan County Bank Co., Ltd. (“淇縣中原村鎮銀行股份有限公司”)		41,531	41,531	51.00	51.00	51.00	50.00	December 23, 2010	Hebi, Henan Province	Banking
Xinxiang Zhongyuan County Bank Co., Ltd. (“新鄉中原村鎮銀行股份有限公司”)		150,306	150,306	78.46	78.46	78.46	130.00	March 23, 2010	Xinxiang, Henan Province	Banking
Linzhou Zhongyuan County Bank Co., Ltd. (“林州中原村鎮銀行股份有限公司”)		29,771	29,771	51.00	51.00	51.00	75.00	September 30, 2011	Linzhou, Henan Province	Banking
Puyang Zhongyuan County Bank Co., Ltd. (“濮陽中原村鎮銀行股份有限公司”)		30,736	30,736	51.00	51.00	51.00	58.75	March 16, 2012	Puyang, Henan Province	Banking
Lushi Zhongyuan County Bank Co., Ltd. (“盧氏中原村鎮銀行股份有限公司”)		32,497	32,497	51.00	51.00	51.00	60.00	May 15, 2012	Sanmenxia, Henan Province	Banking
Xiangcheng Zhongyuan County Bank Co., Ltd. (“襄城中原村鎮銀行股份有限公司”)		38,044	38,044	51.00	51.00	51.00	61.00	October 27, 2011	Xuchang, Henan Province	Banking
Suiping Zhongyuan County Bank Co., Ltd. (“遂平中原村鎮銀行股份有限公司”)		35,084	35,084	51.02	51.02	51.02	56.15	March 12, 2012	Zhumadian, Henan Province	Banking
Jiaxian Guangtian County Bank Co., Ltd. (“郟縣廣天村鎮銀行股份有限公司”)	(iii)	-	-	51.28	-	51.28	78.00	October 23, 2009	Pingdingshan, Henan Province	Banking
Henan Luanchuan Minfeng County Bank Co., Ltd. (“河南樂川民豐村鎮銀行股份有限公司”)	(iv)	180,854	-	30.33	-	55.69	152.40	June 12, 2008	Luanchuan, Henan Province	Banking
Mengjin Minfeng County Bank Co., Ltd. (“孟津民豐村鎮銀行股份有限公司”)	(v)	140,376	-	34.58	-	60.35	150.00	November 23, 2011	Mengjin, Henan Province	Banking
Shenzhen Nanshan Baosheng County Bank Co., Ltd. (“深圳南山寶生村鎮銀行股份有限公司”)	(vi)	419,510	-	42.05	-	50.81	713.50	March 15, 2011	Nanshan, Shenzhen City	Banking
Total		8,067,674	5,098,195							

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 21 Investments in subsidiaries and interest in joint venture (Continued)

### (a) Investment in subsidiaries (Continued)

Notes:

- (i) The Bank assumed the equity of BOL Financial Leasing Co., Ltd. (“BOL Leasing”) held by the former Bank of Luoyang after the Bank completed merger by absorption of Bank of Luoyang on May 25, 2022. and the Bank holds 57.5% of equity interest and voting rights of BOL Leasing as at June 30, 2022. The fair value of the 57.5% of equity interest in BOL leasing is RMB2,228.74 million as at May 25, 2022.
- (ii) The Bank holds 43.69% of equity interest of Xiping Zhongyuan County Bank Co., Ltd. (“Xiping Zhongyuan”) as at June 30, 2022 (2021: 43.69%). According to the acting in concert arrangement between the Bank and certain other shareholders with 23.95% equity interest of Xiping, Xiping Zhongyuan was deemed to be controlled by the Bank and was a subsidiary of the Bank since 2014.
- (iii) Jiaxian Guangtian County Bank Co., Ltd. (“Jiaxian Guangtian”) was initiated and established by the former Bank of Pingdingshan. The Bank assumed the equity of Jiaxian Guangtian held by the former Bank of Pingdingshan after the Bank completed merger by absorption of Bank of Pingdingshan on May 25, 2022.
- (iv) Henan Luanchuan Minfeng County Bank Co., Ltd. (“Luanchuan Minfeng”) was initiated and established by the former Bank of Luoyang. The Bank assumed the equity of Luanchuan Minfeng held by the former Bank of Luoyang after the Bank completed merger by absorption of Bank of Luoyang on May 25, 2022. As at 30 June 2022, the Bank held 30.33% of the equity of Luanchuan Minfeng, and according to the concerted action agreement signed by the former Bank of Luoyang and other shareholders who owned 25.36% of the equity of Luanchuan Minfeng. Luanchuan Minfeng is deemed to be controlled by the Bank, and the voting rights ratio of the Bank and the shareholders combined is 55.69%.
- (v) Mengjin Minfeng County Bank Co., Ltd. (“Mengjin Minfeng”) was initiated and established by the former Bank of Luoyang. The Bank assumed the equity of Mengjin Minfeng held by the former Bank of Luoyang after the Bank completed merger by absorption of Bank of Luoyang on May 25, 2022. As at 30 June 2022, the Bank held 34.58% of the equity of Mengjin Minfeng, and according to the concerted action agreement signed by the former Bank of Luoyang and other shareholders who owned 25.77% of the equity of Mengjin Minfeng. Mengjin Minfeng is deemed to be controlled by the Bank, and the voting rights ratio of the Bank and the shareholders combined is 60.35%.
- (vi) Shenzhen Nanshan Baosheng County Bank Co., Ltd. (“Nanshan Baosheng”) was initiated and established by the former Bank of Luoyang. The Bank assumed the equity of Nanshan Baosheng held by the former Bank of Luoyang after the Bank completed merger by absorption of Bank of Luoyang on May 25, 2022. As at 30 June 2022, the Bank held 42.05% of the equity of Nanshan Baosheng, and according to the concerted action agreement signed by the former Bank of Luoyang and other shareholders who owned 8.76% of the equity of Nanshan Baosheng. Nanshan Baosheng is deemed to be controlled by the Bank, and the voting rights ratio of the Bank and the shareholders combined is 50.81%.

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 21 Investments in subsidiaries and interest in joint venture (Continued)

### (b) Interest in joint venture

	Note	June 30, 2022	December 31, 2021
Interest in joint venture	(i)	<b>1,325,828</b>	1,183,232

Note:

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

Name	Percentages of equity/voting rights%		Place of incorporation/ registration	Business sector
	June 30, 2022	December 31, 2021		
Consumer Finance	<b>49.25%</b>	49.25%	Zhengzhou, China	Consumer credit

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

	June 30, 2022	December 31, 2021
Aggregate carrying amount of the joint venture in the consolidated statements of financial position of the Bank	<b>1,325,828</b>	1,183,232
Aggregate amounts of the Bank's share of results of the joint venture		
– Gains from continuing operations	<b>142,596</b>	99,265
– Other comprehensive income	–	–
– Total comprehensive income	<b>142,596</b>	99,265



# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 22 The Merger by Absorption

Pursuant to the Merger and Absorption Agreement entered by the Bank, Bank of Luoyang, Bank of Pingdingshan and Bank of JZCTS (collectively “the Target Banks”) and the approval from CBIRC, on May 25, 2022, the Bank issued 13,324,823,322 ordinary shares to the shareholders in the Target Bank as the consideration to acquire all the assets and liabilities of the Target Bank. After the completion of acquisition, the Target Banks had been merged and absorbed into the Bank. The fair value of the consideration amounted to approximately RMB16,656.03 million which was measured by a qualified independent valuer. The Bank obtained the control of the Target Banks on May 25, 2022, which has been determined as the acquisition date. The Bank in process of changing business registration of the Target Banks.

Pursuant to the entire arrangement of merger by absorption, the merger by absorption can only be considered completed when all the three Target Banks have been merged into the Bank. The acquisition of the three Targets Banks forms a single transaction designed to achieve an overall commercial effect. Therefore, the Bank considers the acquisition of the Target Banks to be a single transaction as a whole and recognizes the goodwill accordingly.

### (a) Consideration transferred

	Amount
Equity instruments	16,656,029

### (b) Identifiable assets acquired and liabilities assumed

	Note	May 25, 2022
Cash and deposits with central bank		41,044,719
Deposits with banks and other financial institutions		3,085,890
Placements with banks and other financial institutions		8,354,593
Loans and advances to customers		228,032,583
Financial investments:		
Financial investments at fair value through profit or loss		16,086,527
Financial investments at amortised cost		48,985,721
Financial investments at fair value through other comprehensive income		47,959,862
Property and equipment	23	4,059,369
Deferred tax assets		4,850,870
Intangible assets	26(d)	414,334
Lease receivables		24,063,854
Other assets		13,568,769
Borrowing from the central bank		(10,000,910)
Deposits from banks and other financial institutions		(4,990,957)
Placements from banks and other financial institutions		(19,096,669)
Deposits from customers		(352,121,805)
Income tax payable		(321,695)
Debt securities issued		(26,449,640)
Other liabilities		(4,973,278)
<b>Total identifiable net assets acquired</b>		<b>22,552,137</b>

The intangible assets contain the leasing licence amounting to RMB184.58 million, identified from the merger by absorption (Note 26(a)).

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 22 The Merger by Absorption (Continued)

### (c) Goodwill

Goodwill arising from the merger by absorption has been recognised as follows:

	May 25, 2022
Consideration transferred	16,656,029
Plus: Non-controlling interests of the Target Banks	2,907,658
Plus: Equity of Perpetual bondholders of the Target Banks	3,999,720
Less: Net identifiable assets acquired	(22,552,137)
Goodwill	1,011,270

Goodwill arose from benefit of expected synergies, revenue growth and future market development after the merger by absorption. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

### (d) Impact of the merger by absorption on the results of the Group

From the acquisition date to June 30, 2022, Bank of Luoyang, Bank of Pingdingshan and Bank of JZCTS contributed operating income of RMB672.04 million totally. If the acquisition had occurred on January 1, 2022, management estimates that the Group's consolidated net operating income would have been RMB13,656.20 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2022.

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 23 Property and equipment

	Premises	Investment properties	Electronic equipments	Motor vehicles	Office equipment & others	Construction in progress	Total
<b>Cost</b>							
As at January 1, 2021	5,173,166	10,095	1,316,374	26,552	517,119	1,019,284	8,062,590
Additions	139,310	–	122,711	1,684	26,662	317,141	607,508
Disposals	(15,367)	–	(81,732)	(4,150)	(26,481)	–	(127,730)
Transfers out of construction in progress	–	–	–	–	–	(175,557)	(175,557)
As at December 31, 2021	5,297,109	10,095	1,357,353	24,086	517,300	1,160,868	8,366,811
Arising from merger by absorption	3,614,357	21,496	298,519	13,336	89,521	22,140	4,059,369
Additions	8,441	–	61,760	343	5,953	99,632	176,129
Disposals	(23,061)	–	(18,697)	(255)	(3,621)	–	(45,634)
Transfers out of construction in progress	–	–	–	–	–	(796)	(796)
As at June 30, 2022	8,896,846	31,591	1,698,935	37,510	609,153	1,281,844	12,555,879
<b>Accumulated depreciation</b>							
As at January 1, 2021	(2,297,000)	(7,296)	(1,117,832)	(18,887)	(343,108)	–	(3,784,123)
Additions	(291,818)	(747)	(84,183)	(2,286)	(47,892)	–	(426,926)
Disposals	11,953	–	56,617	4,057	25,951	–	98,578
As at December 31, 2021	(2,576,865)	(8,043)	(1,145,398)	(17,116)	(365,049)	–	(4,112,471)
Additions	(160,850)	(369)	(59,754)	(1,838)	(24,635)	–	(247,446)
Disposals	22,325	–	18,143	242	3,041	–	43,751
As at June 30, 2022	(2,715,390)	(8,412)	(1,187,009)	(18,712)	(386,643)	–	(4,316,166)
<b>Impairment</b>							
As at January 1, 2021	(6,626)	–	(1,891)	(229)	(1,843)	–	(10,589)
Disposals	–	–	522	–	21	–	543
As at December 31, 2021	(6,626)	–	(1,369)	(229)	(1,822)	–	(10,046)
Disposals	–	–	38	–	7	–	45
As at June 30, 2022	(6,626)	–	(1,331)	(229)	(1,815)	–	(10,001)
<b>Net book value</b>							
As at December 31, 2021	2,713,618	2,052	210,586	6,741	150,429	1,160,868	4,244,294
As at June 30, 2022	6,174,830	23,179	510,595	18,569	220,695	1,281,844	8,229,712

The carrying amount of the premises with incomplete title deeds as June 30, 2022 was RMB1,302.69 million (December 31, 2021: RMB1,097.75 million). The Group is still in the progress of application for the outstanding title deeds for the above premises. The directors of the Group are of the opinion that there would be no significant cost in obtaining the title deeds.

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 23 Property and equipment (Continued)

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

	June 30, 2022	December 31, 2021
Held in mainland China		
– Long-term leases (over 50 years)	<b>735,703</b>	752,241
– Medium-term leases (10 – 50 years)	<b>4,432,849</b>	1,564,020
– Short-term leases (less than 10 years)	<b>1,006,278</b>	397,357
<b>Total</b>	<b>6,174,830</b>	2,713,618

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

	June 30, 2022	December 31, 2021
Held in mainland China		
– Medium-term leases (10 – 50 years)	<b>23,179</b>	2,052

## 24 Deferred tax assets

### (a) Analyzed by nature

	June 30, 2022		December 31, 2021	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets/(liabilities):				
Allowance for impairment losses	<b>30,510,320</b>	<b>7,627,580</b>	21,382,372	5,345,593
Accrued staff cost payable	<b>1,559,972</b>	<b>389,993</b>	1,101,344	275,336
Supplemental retirement benefits	<b>268,644</b>	<b>67,161</b>	232,884	58,221
Fair value changes of financial assets	<b>700,256</b>	<b>175,064</b>	767,100	191,775
Deferred income	<b>409,236</b>	<b>102,309</b>	526,792	131,698
Assets appraisal and related depreciation	<b>(4,642,820)</b>	<b>(1,160,705)</b>	(1,298,248)	(324,562)
Deductible losses	<b>16,036,092</b>	<b>4,009,023</b>	74,568	18,642
Others	<b>(2,701,156)</b>	<b>(675,289)</b>	305,692	76,423
<b>Net balances</b>	<b>42,140,544</b>	<b>10,535,136</b>	23,092,504	5,773,126

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 25 Goodwill

	Note	Goodwill
<b>Cost:</b>		
At January 1, 2021 and December 31, 2021		970,780
Arising from merger by absorption	22(c)	1,011,270
<hr/>		
At June 30, 2022		1,982,050
<hr/>		
<b>Accumulated impairment losses:</b>		
At January 1, 2021, December 31, 2021 and June 30, 2022		-
<hr/>		
<b>Carrying amount:</b>		
At December 31, 2021		970,780
<hr/>		
At June 30, 2022		1,982,050

### Impairment testing on goodwill

For the purpose of impairment testing, goodwill has been allocated to three individual cash generating units (CGUs), including corporate banking, retail banking and financial markets business. The carrying amounts of goodwill at the end of the reporting period allocated to these units are as follows:

	June 30, 2022	December 31, 2021
Corporate banking	1,432,016	811,602
Retail banking	426,501	97,029
Financial markets business	123,533	62,149
<hr/>		
Total	1,982,050	970,780

The recoverable amounts of corporate banking unit, retail banking unit and financial markets business unit have been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and the discount rate at June 30, 2022. Cash flows beyond five-year period are extrapolated using an estimated weighted average growth rate. The cash flows are discounted using a discount rate which is used are pre-tax and reflect specific risks relating to the CGUs. At the end of the reporting period, the directors of the Bank determine that there is no impairment of any of its CGUs containing goodwill.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of each of these CGUs to exceed its recoverable amount.

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 26 Other assets

	Note	June 30, 2022	December 31, 2021
Other receivables		<b>1,711,962</b>	982,309
Continuing involvement assets	(a)	<b>1,645,717</b>	1,680,283
Interests receivable	(b)	<b>1,309,136</b>	1,245,518
Repossessed assets	(c)	<b>1,304,482</b>	1,172,906
Intangible assets	(d)	<b>1,174,708</b>	669,725
Right-of-use assets	(e)	<b>973,561</b>	696,945
Land use rights		<b>908,188</b>	905,233
Advanced payment of income tax		<b>398,015</b>	–
Leasehold improvements		<b>422,249</b>	370,897
Advances for fiscal payments		<b>137,274</b>	–
Receivables from disposal of loans		–	726,884
Total		<b>9,985,292</b>	8,450,700

### (a) Continuing involvement assets

In 2020 and 2021, the Bank entered into securitization transactions by which it transferred its loans to the structured entities which issued asset-backed securities to investors at China Credit Assets Registration & Exchange Co., Ltd. The total loans amounted to RMB7,523.92 million. The total consideration amounted to RMB7,523.92 million and the Bank held RMB1,680.28 million tranche.

The Bank retains part of interests in the form of senior and subordinated tranche which gives rise to the Bank's continuing involvement in the transferred assets. The financial asset is recognized on the consolidated statements of financial position to the extent of the Bank's continuing involvement. The extent of the Bank's continuing involvement is the extent to which the Bank is exposed to the changes in the value of the transferred assets.

As at June 30, 2022, arising from this continuing involvement, the Bank recognized continuing involvement assets and liabilities of RMB1,645.72 million respectively (December 31, 2021: RMB1,680.28 million).

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 26 Other assets (Continued)

### (b) Interests receivable

	June 30, 2022	December 31, 2021
Interests receivable arising from:		
Investments	525,723	590,260
Loans and advances to customers	987,324	864,372
Total	1,513,047	1,454,632
Less: Provision for impairment losses	(203,911)	(209,114)
Net carrying amount	1,309,136	1,245,518

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

### (c) Repossessed assets

	June 30, 2022	December 31, 2021
Repossessed assets	2,233,808	1,865,409
Less: Provision for impairment losses	(929,326)	(692,503)
Net carrying amount	1,304,482	1,172,906

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 26 Other assets (Continued)

### (d) Intangible assets

	Computer software	Leasing license	Total
<b>Cost</b>			
As at January 1, 2021	1,189,248	173,305	1,362,553
Additions	166,211	–	166,211
Disposals	(24,815)	–	(24,815)
As at December 31, 2021 and January 1, 2022	1,330,644	173,305	1,503,949
Arising from merger by absorption	229,759	184,575	414,334
Additions	184,676	–	184,676
As at June 30, 2022	1,745,079	357,880	2,102,959
<b>Accumulated amortization</b>			
As at January 1, 2021	(720,677)	–	(720,677)
Additions	(134,905)	–	(134,905)
Disposals	21,358	–	21,358
As at December 31, 2021 and January 1, 2022	(834,224)	–	(834,224)
Additions	(94,027)	–	(94,027)
As at June 30, 2022	(928,251)	–	(928,251)
<b>Impairment</b>			
As at January 1, 2021	(1,310)	–	(1,310)
Disposals	1,310	–	1,310
As at December 31, 2021 and January 1, 2022 and June 30, 2022	–	–	–
<b>Net book value</b>			
As at December 31, 2021	496,420	173,305	669,725
As at June 30, 2022	816,828	357,880	1,174,708



# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 26 Other assets (Continued)

### (e) Right-of-use assets

	Leased properties and buildings	Leased other equipments	Total
<b>Cost</b>			
As at January 1, 2021	1,354,792	24,015	1,378,807
Additions	158,191	4,619	162,810
As at December 31, 2021	1,512,983	28,634	1,541,617
Arising from merger by absorption	384,863	1,082	385,945
Additions	46,952	686	47,638
As at June 30, 2022	1,944,798	30,402	1,975,200
<b>Accumulated depreciation</b>			
As at January 1, 2021	(552,318)	(13,545)	(565,863)
Additions	(272,946)	(5,863)	(278,809)
As at December 31, 2021	(825,264)	(19,408)	(844,672)
Additions	(154,592)	(2,375)	(156,967)
As at June 30, 2022	(979,856)	(21,783)	(1,001,639)
<b>Net book value</b>			
As at December 31, 2021	687,719	9,226	696,945
As at June 30, 2022	964,942	8,619	973,561

## 27 Pledged assets

### (a) Assets pledged as collateral

	Note	June 30, 2022	December 31, 2021
For repurchase agreements			
– Discounted bills	18(a)	–	877,540
– Financial investments at fair value through other comprehensive income	19(b)	<b>27,482,518</b>	–
– Financial investments at amortised cost	19(c)	<b>24,857,841</b>	23,004,451
– Financial investments at fair value through profit or loss	19(a)	<b>1,677,041</b>	11,737,549
Total		<b>54,017,400</b>	35,619,540

Financial assets pledged by the Group as collaterals for liabilities which are for repurchase agreements.

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 27 Pledged assets (Continued)

### (b) Received pledged assets

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. As at June 30, 2022, fair value of the received pledged assets is RMB24,452.98 million (December 31, 2021: RMB13,004.82 million).

## 28 Deposits from banks and other financial institutions

### Analyzed by type and location of counterparty

	June 30, 2022	December 31, 2021
In mainland China		
– Banks	7,032,188	2,418,959
– Other financial institutions	9,651,677	24,854,394
Sub-total	16,683,865	27,273,353
Accrued interest	59,188	126,990
Total	16,743,053	27,400,343

## 29 Placements from banks and other financial institutions

	June 30, 2022	December 31, 2021
In mainland China		
– Banks	47,196,889	25,754,908
– Other financial institutions	6,513,000	5,470,000
Sub-total	53,709,889	31,224,908
Outside mainland China		
– Banks	3,755,869	1,667,149
Sub-total	57,465,758	32,892,057
Accrued interest	472,703	337,614
Total	57,938,461	33,229,671

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 30 Financial assets sold under repurchase agreements

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

	June 30, 2022	December 31, 2021
In mainland China		
– Banks	<b>41,722,920</b>	30,034,795
– PBOC	<b>9,940,000</b>	3,260,000
– Other financial institutions	–	713,750
Sub-total	<b>51,662,920</b>	34,008,545
Accrued interest	<b>5,030</b>	5,803
Total	<b>51,667,950</b>	34,014,348

### (b) Analyzed by collateral

	June 30, 2022	December 31, 2021
Debt securities	<b>51,662,920</b>	33,131,850
Discounted bills	–	876,695
Sub-total	<b>51,662,920</b>	34,008,545
Accrued interest	<b>5,030</b>	5,803
Total	<b>51,667,950</b>	34,014,348

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 31 Deposits from customers

	June 30, 2022	December 31, 2021
Demand deposits		
– Corporate customers	<b>160,246,822</b>	123,646,175
– Individual customers	<b>93,049,710</b>	65,623,653
Sub-total	<b>253,296,532</b>	189,269,828
Time deposits		
– Corporate customers	<b>154,935,043</b>	71,718,043
– Individual customers	<b>351,818,626</b>	152,572,126
Sub-total	<b>506,753,669</b>	224,290,169
Pledged deposits	<b>73,041,772</b>	34,780,452
Inward and outward remittances	<b>1,027,144</b>	84,098
Sub-total	<b>834,119,117</b>	448,424,547
Accrued interest	<b>15,136,400</b>	7,267,639
Total	<b>849,255,517</b>	455,692,186

## 32 Debt securities issued

	Note	June 30, 2022	December 31, 2021
Interbank deposits issued	(a)	<b>100,387,032</b>	82,613,779
Financial bonds	(b)	<b>11,992,719</b>	3,996,912
Tier-two capital bonds	(c)	<b>13,999,613</b>	9,999,588
Sub-total		<b>126,379,364</b>	96,610,279
Accrued interest		<b>670,765</b>	233,620
Total		<b>127,050,129</b>	96,843,899

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 32 Debt securities issued (Continued)

Notes:

- (a) For the six months end June 30, 2022, the Bank issued a number of certificates of interbank deposits with total nominal amount of RMB96,520.00 million and duration between 1-12 months. The coupon rates ranged from 1.53% to 2.70% per annum.

In 2021, the Bank issued a number of certificates of interbank deposits with total nominal amount of RMB163,900.00 million and duration between 1-12 months. The coupon rates ranged from 2.00% to 3.25% per annum.

As at June 30, 2022, the fair value of interbank deposits issued was RMB100,549.56 million (December 31, 2021: RMB83,520.00 million).

- (b) Fixed rate financial bonds of RMB3 billion with a term of three years was issued by the Bank in May 2022. The coupon rate is 2.95% per annum.

Fixed rate micro-business financial bonds of RMB2 billion with a term of three years was issued by the Bank in June 2022. The coupon rate is 2.90% per annum.

Fixed rate financial bonds of RMB3 billion with a term of three years was issued by former Bank of Luoyang in September 2020. The bond has inherited by the Bank after the completion of the merger by absorption. The coupon rate is 3.68% per annum.

Fixed rate financial bonds of RMB2 billion with a term of three years was issued by the Bank in March 2021. The coupon rate is 3.60% per annum.

Fixed rate micro-business financial bonds of RMB2 billion with a term of three years was issued by the Bank in June 2021. The coupon rate is 3.48% per annum.

As at June 30, 2022, the fair value of financial bonds issued was RMB12,099.00 million (December 31, 2021: RMB4,054.30 million).

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

Fixed rate tier-two capital bonds of RMB10 billion with a term of 10 years was issued by the Bank in September 2018. The coupon rate is 5.20% per annum.

Fixed rate tier-two capital bonds of RMB2 billion with a term of 10 years was issued by Bank of Luoyang in December 2017. The bond has inherited by the Bank after the completion of the merger by absorption. The coupon rate is 5.00% per annum.

As at June 30, 2022, the fair value of tier-two capital bonds issued was RMB14,867.00 million (December 31, 2021: RMB10,682.39 million).

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 33 Other liabilities

	Note	June 30, 2022	December 31, 2021
Finance lease deposits		<b>4,701,131</b>	2,972,163
Accrued staff cost	(a)	<b>2,176,807</b>	2,329,431
Continuing involvement in liabilities	26(a)	<b>1,645,717</b>	1,680,283
Lease liabilities		<b>972,053</b>	727,233
Other tax payable		<b>665,110</b>	497,974
Payment and collection clearance accounts		<b>1,631,154</b>	411,764
Dividend payable		<b>210,092</b>	198,185
Provisions	(b)	<b>514,743</b>	367,607
Other payable		<b>2,110,508</b>	944,976
<b>Total</b>		<b>14,627,315</b>	10,129,616

### (a) Accrued staff cost

	Note	June 30, 2022	December 31, 2021
Salary, bonuses and allowances payable		<b>1,514,178</b>	1,921,533
Labor union fee, staff and workers' education fee		<b>122,555</b>	132,151
Supplementary retirement benefits payable	(1)	<b>477,329</b>	234,629
Social insurance payable		<b>58,720</b>	39,849
Housing allowances payable		<b>4,025</b>	1,269
<b>Total</b>		<b>2,176,807</b>	2,329,431

### (1) Supplementary retirement benefits

The supplementary retirement benefits of the Bank include early retirement plan and supplementary retirement plan. The early retirement benefits is provided to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date. The supplementary retirement plan is provided to the Bank's eligible employees.

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

	June 30, 2022	December 31, 2021
Present value of early retirement plan	<b>89,500</b>	57,893
Supplementary retirement plan	<b>387,829</b>	176,736
<b>Total</b>	<b>477,329</b>	234,629

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 33 Other liabilities (Continued)

### (a) Accrued staff cost (Continued)

#### (1) Supplementary retirement benefits (Continued)

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

	June 30, 2022	December 31, 2021
As at January 1	234,629	79,759
Arising from merger by absorption	252,965	–
Benefits paid during the period/year	(12,795)	(20,420)
Defined benefit cost recognized in profit or loss	2,581	174,004
Defined benefit cost recognized in other comprehensive income	(51)	1,286
As at June 30/December 31	477,329	234,629

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

Early retirement plan	June 30, 2022	December 31, 2021
Discount rate	2.50%	2.50%
Annual increase rate of internal salary	4.50%	4.50%
Supplementary retirement plan	June 30, 2022	December 31, 2021
Discount rate	3.25%	3.25%

### (b) Provisions

	Note	June 30, 2022	December 31, 2021
Litigations and disputes provision		378,444	11,993
Credit commitments provision	(i)	136,299	355,614
Total		514,743	367,607

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 33 Other liabilities (Continued)

### (b) Provisions (Continued)

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

	Six months ended June 30, 2022			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at January 1, 2021	97,336	5,787	252,491	355,614
Arising from merger by absorption	64,154	7,858	28,107	100,119
Transfers:				
– to expected credit losses over the next 12 months	279	(192)	(87)	–
– to lifetime expected credit losses not credit-impaired	(60)	78	(18)	–
– to lifetime expected credit losses credit-impaired	(4)	(143)	147	–
(Release)/charge for the period	(68,844)	22,045	(272,635)	(319,434)
Balance at June 30, 2022	92,861	35,433	8,005	136,299
	Year ended December 31, 2021			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at January 1	88,091	463	3,158	91,712
Transfers:				
– to expected credit losses over the next 12 months	45	(39)	(6)	–
– to lifetime expected credit losses not credit-impaired	(12)	12	–	–
– to lifetime expected credit losses credit-impaired	(36)	(179)	215	–
Charge for the year	9,248	5,530	249,124	263,902
Balance at December 31	97,336	5,787	252,491	355,614



# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 34 Share capital

### Authorised and issued share capital

	Note	June 30, 2022	December 31, 2021
Ordinary shares in Mainland China	(a)	<b>29,604,823</b>	16,280,000
Ordinary shares listed in Hong Kong (H-share)	(b)	<b>6,945,000</b>	3,795,000
Total		<b>36,549,823</b>	20,075,000

Note:

- (a) As disclosed in Note 22, on May 25, 2022, the Bank issued 13,324,823,322 ordinary shares to the shareholders in the Target Bank as the consideration to complete the merger by absorption of the Target Bank. After the completion of the merger by absorption, the registered capital and share capital of the Bank increased to RMB36,549.82 million. The capital contribution was verified by KPMG Huazhen LLP.
- (b) On July 19, 2017, the Bank issued 3,000.00 million H-shares with a par value of RMB1 at an offering price of HKD2.45 per share (the "H-share offering"). On August 15, 2017, the Bank exercised the over-allotment option and issued 450.00 million H-shares with a nominal value of RMB1.00 at HKD2.45 per share. The capital contribution was verified by KPMG Huazhen LLP.

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

On May 10, 2022, the Bank issued 3,150.00 million H-shares with a par value of RMB1 at an offering price of HKD1.80 per share, the registered capital and share capital of the Bank increased to RMB23,225 million. The capital contribution was verified by KPMG Huazhen LLP.

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

## 35 Reserves

### (a) Capital reserve

	June 30, 2022	December 31, 2021
Share premium	<b>19,504,885</b>	14,477,471
Changes in ownership in subsidiaries without changes in control	<b>(159,490)</b>	(159,490)
Total	<b>19,345,395</b>	14,317,981

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 35 Reserves (Continued)

### (b) Surplus reserve

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

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

### (c) General reserve

Pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis, and shall be raised within five years.

### (d) Other reserves

	Note	June 30, 2022	December 31, 2021
Investment revaluation reserve	(i)	277,647	(378,330)
Impairment reserve	(ii)	(244,405)	726,197
Deficit on remeasurement of net defined benefit liability	(iii)	(3,931)	(3,982)
Total		29,311	343,885

#### (i) Investment revaluation reserve

	June 30, 2022	December 31, 2021
As at January 1	(378,330)	(145,619)
Changes in fair value recognised in other comprehensive income	922,866	417,771
Transfer to profit or loss upon disposal	(48,230)	(728,052)
Less: deferred income tax	(218,659)	77,570
Total	277,647	(378,330)

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 35 Reserves (Continued)

### (d) Other reserves (Continued)

#### (ii) Impairment reserve

	June 30, 2022	December 31, 2021
As at January 1	726,197	545,621
Impairment losses recognized in other comprehensive income	(970,602)	180,576
Total	(244,405)	726,197

#### (iii) Deficit on remeasurement of net defined benefit liability

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

	June 30, 2022	December 31, 2021
As at January 1	(3,982)	(2,696)
Changes in fair value recognised in other comprehensive income	51	(1,286)
Total	(3,931)	(3,982)

## 36 Retained earnings

As at June 30, 2022, the consolidated retained profits attributable to equity shareholders of the Bank included an appropriation of RMB527.49 million of surplus reserve made by subsidiaries (December 31, 2021: RMB215.71 million).

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 37 Other equity instruments

### (1) Preference Shares

#### (a) Preference shares outstanding

Financial instrument outstanding	Time issued	Classifications	Dividend yield ratio/ Interest rate	Issue price	Quantities	In original currency million	In RMB million	Maturity	Conversion conditions
Offshore preference shares	21/11/2018	Equity	5.60%	USD20/ share	69,750,000	1,395	9,688	None	Mandatory conversion trigger events
Less: issuing cost							(55)		
Book value							9,633		

#### (b) Main clause

##### (i) Dividend

Fixed rate for a certain period after issuance. Dividend reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread. The fixed spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The fixed spread will remain unchanged throughout the term of the preference shares. Dividends will be paid annually.

If the Bank has distributable after-tax profit after making up for previous years' losses and contributing to the statutory reserve and general reserve, the Bank may pay dividends to the offshore preference shareholders in accordance with the articles of association of the Bank, provided that the capital adequacy ratio of the Bank meets regulatory requirements. The offshore preference shareholders shall rank in priority to the ordinary shareholders in terms of dividend distribution.

Any declaration and payment of all of the dividends on the offshore preference shares by the Bank will be determined by the board in accordance with the authorisation given by the general meeting. Any cancellation of all or part of the dividends on the offshore preference shares shall be subject to the consideration and approval by the general meeting. If the Bank cancels all or part of the distribution of dividends on the offshore preference shares, the Bank shall not distribute any dividends to the ordinary shareholders from the next day following the resolution being approved at the general meeting until the resumption of payment of dividends in full.

##### (ii) Dividend accumulation

The dividends on the offshore preference shares will be non-cumulative (namely, in the event of any cancellation by the Bank of all or part of the dividends on the offshore preference shares, any amount of dividends not paid to the offshore preference shareholders in full in the current period will not be accumulated to the following dividend periods).

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 37 Other equity instruments (Continued)

### (1) Preference Shares (Continued)

#### (b) Main clause (Continued)

##### (iii) Distribution of residual profits

After receiving the dividends at the prescribed dividend rate, the offshore preference shareholders shall not be entitled to any distribution of residual profits of the Bank together with the ordinary shareholders.

##### (iv) Mandatory conversion trigger events

Upon the occurrence of an additional tier 1 capital trigger event (namely, the core tier 1 capital adequacy ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert, without the approval of the offshore preference shareholders, all or part of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares in order to restore the core tier 1 capital adequacy ratio of the Bank to above 5.125%. In case of partial conversion, the offshore preference shares shall be converted ratably and on the same conditions. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances.

Upon the occurrence of a tier 2 capital trigger event, the Bank shall have the right to convert, without the approval of the offshore preference shareholders, all of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances. A tier 2 capital trigger event means the earlier of the following events: (1) the former CBRC having concluded that without a conversion or write-off of the Bank's capital, the Bank would become non-viable, and (2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

##### (v) Conditional redemption

From the fifth year following the date of issuance of the offshore preference shares, and subject to obtaining the approval of the former CBRC or its affiliates and the compliance with the relevant requirements, the Bank shall have the right to redeem all or part of the offshore preference shares. The redemption price of the offshore preference shares will be an amount equal to the issue price plus the amount of dividend declared but unpaid for the current period.

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 37 Other equity instruments (Continued)

### (2) Perpetual Bond

#### (a) Perpetual Bond outstanding

Financial instrument outstanding	Time issued	Classifications	Dividend yield ratio/ Interest rate	Issue price	Quantities	In original currency million	In RMB million	Maturity	Conversion conditions
Perpetual Bonds	December 2, 2020	Equity	4.80%	100CNY	10,000,000	1,000	1,000	N/A	N/A
Perpetual Bonds	June 25, 2021	Equity	4.80%	100CNY	10,000,000	1,000	1,000	N/A	N/A
Perpetual Bonds	June 25, 2021	Equity	4.80%	100CNY	20,000,000	2,000	2,000	N/A	N/A
Less: issuing cost							(0.29)		
Book value							3,999.71		

#### (b) Main clause

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

##### (i) Interest

Each Perpetual Bond has a par value of RMB100, and the interest rate of the bonds for the first five years are 4.8% for Perpetual Bond, resetting every 5 years. The rates are determined by a benchmark rate plus a fixed spread.

##### (ii) Interest stopper and setting mechanism

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

##### (iii) Order of distribution and liquidation method

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

##### (iv) Write down conditions

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

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 37 Other equity instruments (Continued)

### (2) Perpetual Bond (Continued)

#### (b) Main clause (Continued)

##### (v) Redemption

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

## 38 Involvement with unconsolidated structured entities

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

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

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the consolidated statements of financial position in which relevant assets are recognized as at June 30, 2022 and December 31, 2021:

	June 30, 2022	
	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	31,478,337	31,478,337
Financial investments at fair value through other comprehensive income	202,791	202,791
Financial investments at amortised cost	47,426,803	47,426,803
Total	79,107,931	79,107,931
	December 31, 2021	
	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	18,343,633	18,343,633
Financial investments at amortised cost	32,878,661	32,878,661
Total	51,222,294	51,222,294

As at June 30, 2022 and December 31, 2021, the carrying amounts of the unconsolidated structural entities are equal to the maximum exposures.

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 38 Involvement with unconsolidated structured entities (Continued)

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

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at June 30, 2022 and December 31, 2021, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognized are not material in the statement of financial positions.

As at June 30, 2022, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, was RMB128,170.31 million (December 31, 2021: RMB95,598.11 million).

### (c) Unconsolidated structure entities sponsored by the Group during the years which the Group does not consolidate but have an interest in at the end of the reporting period:

For the six months ended June 30, 2022, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, but matured before June 30 amounted to RMB nil million (December 31, 2021: RMB7,356.02 million).

## 39 Capital management

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the former CBRC. The capital of the Group is divided into core tier-one capital, other tier-one capital and tier-two capital.

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

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

The Group calculates its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the former CBRC.

The former CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.



# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 Capital management (Continued)

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

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP.

The Group's capital adequacy ratios as at the end of the reporting period calculated in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the former CBRC are as follows:

	June 30, 2022	December 31, 2021
Total core tier-one capital		
– Share capital	<b>36,549,823</b>	20,075,000
– Qualifying portion of capital reserve	<b>19,345,395</b>	14,317,981
– Qualifying portion of other reserves	<b>2,475</b>	(136,235)
– Surplus reserve	<b>2,424,709</b>	2,424,709
– General reserve	<b>9,705,709</b>	9,705,709
– Retained earnings	<b>6,659,362</b>	4,710,067
– Qualifying portions of non-controlling interests	<b>1,885,045</b>	626,043
Core tier-one capital deductions		
– Goodwill	<b>(1,982,050)</b>	(970,780)
– Other intangible assets other than land use rights	<b>(1,174,708)</b>	(669,725)
Net core tier-one capital	<b>73,415,760</b>	50,082,769
Other tier-one capital	<b>13,882,388</b>	9,716,263
Net tier-one capital	<b>87,298,148</b>	59,799,032
Tier-two capital		
– Instruments issued and share premium	<b>13,999,613</b>	9,999,588
– Surplus provision for loan impairment	<b>8,681,802</b>	6,588,625
– Qualifying portions of non-controlling interests	<b>501,510</b>	164,507
Net capital base	<b>110,481,073</b>	76,551,752
Total risk weighted assets	<b>920,624,581</b>	575,596,985
Core tier-one capital adequacy ratio	<b>7.97%</b>	8.70%
Tier-one capital adequacy ratio	<b>9.48%</b>	10.39%
Capital adequacy ratio	<b>12.00%</b>	13.30%

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 Notes to the consolidated cash flow statement

### (a) Net increase/(decrease) in cash and cash equivalents

	June 30, 2022	June 30, 2021
Cash and cash equivalents as at June 30	97,187,692	36,100,617
Less: Cash and cash equivalents as at January 1	71,891,805	72,151,316
Net increase/(decrease) in cash and cash equivalents	25,295,887	(36,050,699)

### (b) Cash and cash equivalents

	June 30, 2022	June 30, 2021
Cash on hand	2,713,040	1,300,672
Deposits with the central bank	41,000,076	24,737,253
Deposits with banks and other financial institutions	17,196,668	3,021,563
Financial assets held under resale agreements	14,013,413	3,682,725
Placements with banks and other financial institutions	22,264,495	3,358,404
Total	97,187,692	36,100,617

## 41 Related party relationships and transactions

### (a) Relationship of related parties:

#### (i) Major shareholders

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

Shareholding in the Bank:

	June 30, 2022	December 31, 2021
Henan Investment Group Co., Ltd.	6.20%	10.25%

#### (ii) Subsidiaries and joint venture of the Bank

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

#### (iii) Other related parties

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

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 41 Related party relationships and transactions (Continued)

### (b) Related party transactions and balances:

#### (i) Transactions between the Bank and major shareholders:

	Six months ended June 30,	
	2022	2021
Transactions during the reporting period:		
Interest income	31,608	27,986
Interest expense	208	671
	June 30, 2022	December 31, 2021
Balances at end of the reporting period/year:		
Financial investments	1,254,753	1,399,118
Deposits from customers	61,359	177,029

#### (ii) Transactions between the Bank and subsidiaries:

The subsidiaries of the Bank are its related parties. The transactions between the Bank and its subsidiaries and among the subsidiaries are eliminated on combination and therefore are not disclosed in this note.

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

	Six months ended June 30,	
	2022	2021
Transactions during the reporting period:		
Interest income	229,412	228,200
Interest expense	9,099	20,217
Operating expense	11,337	8,586
Assets disposal	7,100	160,160

On May 25, 2022, the Bank issued 557,650,850 shares to Zhongyuan Trust Co., Ltd. (“中原信託有限公司”) and Henan Tianli Energy Co., Ltd. (“河南天利能源股份有限公司”) to acquire the equity interests in the Target Banks for the merger by absorption.

	Six months ended June 30,	
	2022	2021
	June 30, 2022	December 31, 2021
Balances at end of the reporting period/year:		
Loans and advances to customers	5,598,210	2,722,124
Financial investments	2,793,566	213,629
Lease receivables	636,606	–
Placements with banks and other financial institutions	–	4,977,980
Right-of-use assets	21,769	25,185
Deposits from customers	1,246,946	1,511,634
Deposits from banks and other financial institutions	2,129,695	2,648,393
Lease liabilities	24,470	29,697
	June 30, 2022	December 31, 2021
Balances of items off the consolidated statement of financial position outstanding at the end of the reporting period/year:		
Bank acceptances	86,487	1,405,999

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 41 Related party relationships and transactions (Continued)

### (c) Key management personnel

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

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

	Six months ended June 30,	
	2022	2021
Transactions during the reporting period:		
Interest income	273	366
Interest expense	174	169
	June 30, 2022	December 31, 2021
Balances at end of the reporting period/year:		
Loans and advances to customers	11,185	18,974
Deposits from customers	12,543	16,360

#### (ii) Key management personnel compensation

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

	Six months ended June 30,	
	2022	2021
Salaries and other emoluments	5,391	6,464
Discretionary bonuses	2,359	3,736
Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	506	580
Total	8,256	10,780

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

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), are as follows:

	June 30, 2022	December 31, 2021
Aggregate amount of relevant loans outstanding at the end of the period/year	4,901	8,648
Maximum aggregate amount of relevant loans outstanding during the period/year	4,901	8,648

There was no amount due but unpaid, nor any impairment provision made against the principal or interest on these loans at June 30, 2022 and December 31, 2021.

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 42 Segment reporting

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

### Corporate banking

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

### Retail banking

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

### Financial markets business

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

### Others

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

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

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

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the six months ended June 30, 2022 and year 2021 to acquire property and equipment, intangible assets and other long-term assets.

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 42 Segment reporting (Continued)

### Others (Continued)

	Six months ended June 30, 2022				
	Corporate banking	Retail banking	Financial markets business	Others	Total
Operating income					
External net interest income	5,751,303	1,541,722	1,084,086	–	8,377,111
Internal net interest (expense)/income	(611,857)	1,187,511	(575,654)	–	–
Net interest income	5,139,446	2,729,233	508,432	–	8,377,111
Net fee and commission income	288,449	307,180	398,855	–	994,484
Net trading gains	331,371	–	226,690	–	558,061
Net gains arising from investment securities	630	–	415,986	–	416,616
Other operating income/(expense)	12,026	7,736	(768)	41,949	60,943
Operating income	5,771,922	3,044,149	1,549,195	41,949	10,407,215
Operating expenses	(1,390,752)	(1,448,194)	(313,786)	(171,615)	(3,324,347)
Impairment losses on assets	(3,696,822)	(351,794)	(913,719)	(109,526)	(5,071,861)
Share of profits of joint venture	–	–	142,596	–	142,596
Profit/(loss) before tax	684,348	1,244,161	464,286	(239,192)	2,153,603
Other segment information					
– Depreciation and amortization	285,173	190,823	80,982	2,293	559,271
– Capital expenditure	188,834	126,358	53,624	1,518	370,334
	June 30, 2022				
	Corporate banking	Retail banking	Financial markets business	Others	Total
Segment assets	479,852,247	282,165,213	430,655,200	64,091,655	1,256,764,315
Deferred tax assets	–	–	–	10,535,136	10,535,136
Total assets	479,852,247	282,165,213	430,655,200	74,626,791	1,267,299,451
Segment liabilities	330,135,029	456,748,300	310,934,092	77,015,704	1,174,833,125
Total liabilities	330,135,029	456,748,300	310,934,092	77,015,704	1,174,833,125

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 42 Segment reporting (Continued)

### Others (Continued)

	Six months ended June 30, 2021				
	Corporate banking	Retail banking	Financial markets business	Others	Total
Operating income					
External net interest income	5,457,850	2,319,049	671,692	–	8,448,591
Internal net interest (expense)/income	(935,970)	711,910	224,060	–	–
Net interest income	4,521,880	3,030,959	895,752	–	8,448,591
Net fee and commission income	631,989	287,735	200,049	–	1,119,773
Net trading gains/(losses)	22,195	–	(132,267)	–	(110,072)
Net gains arising from investment securities	1,717	–	229,761	–	231,478
Other operating (expense)/income	(1,563)	19	7	29,570	28,033
Operating income	5,176,218	3,318,713	1,193,302	29,570	9,717,803
Operating expenses	(1,154,347)	(1,408,244)	(220,626)	(248,720)	(3,031,937)
Impairment losses on assets	(3,124,761)	(956,397)	(192,320)	(102,021)	(4,375,499)
Share of profits of joint venture	–	–	101,476	–	101,476
Profit/(loss) before tax	897,110	954,072	881,832	(321,171)	2,411,843
Other segment information					
– Depreciation and amortization	248,517	178,327	63,101	2,264	492,209
– Capital expenditure	39,968	28,680	10,148	364	79,160
	December 31, 2021				
	Corporate banking	Retail banking	Financial markets business	Others	Total
Segment assets	309,024,607	213,512,187	237,719,212	2,204,216	762,460,222
Deferred tax assets	–	–	–	5,773,126	5,773,126
Total assets	309,024,607	213,512,187	237,719,212	7,977,342	768,233,348
Segment liabilities	232,870,229	226,903,864	239,488,390	6,591,233	705,853,716
Total liabilities	232,870,229	226,903,864	239,488,390	6,591,233	705,853,716

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Risk management

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

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

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

### (a) Credit risk

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

#### **Credit business**

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

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

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



# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Risk management (Continued)

### (a) Credit risk (Continued)

#### **Credit business (Continued)**

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

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

#### **Financial markets business**

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

#### **Credit risk management**

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

##### *Stage 1*

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

##### *Stage 2*

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

##### *Stage 3*

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

Significant increase in credit risk

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

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Risk management (Continued)

### (a) Credit risk (Continued)

#### ***Credit business (Continued)***

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

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

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

As at June 30, 2022, the Group has not considered that any of its financial assets has lower credit risk and no longer compared the credit risk at the balance sheet date with that at the initial recognition to identify whether there was a significant increase in credit risk.

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Risk management (Continued)

### (a) Credit risk (Continued)

#### **Credit business (Continued)**

##### *Definition of “default” and “credit-impaired assets”*

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;
- the disappearance of an active market for a security because of financial difficulties of the issuer; or
- overdue more than 90 days.

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

##### *Measurement of expected credit losses (“ECL”)*

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

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

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

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Risk management (Continued)

### (a) Credit risk (Continued)

#### **Credit business (Continued)**

##### *Measurement of expected credit losses (“ECL”) (Continued)*

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

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

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

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

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

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

As at June 30, 2022, the Group has taken into account different macroeconomic scenarios, combined with the impact of factors such as the Covid-19 epidemic on economic development trends, and made forward-looking forecasts of macroeconomic indicators. Including: quarter-on-quarter GDP growth, used to estimate ECL, ranges from 4.82% to 5.62% in the neutral scenario for the second half of 2022.

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Risk management (Continued)

### (a) Credit risk (Continued)

#### ***Credit business (Continued)***

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

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

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

#### **(i) Maximum credit risk exposure**

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

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Risk management (Continued)

### (a) Credit risk (Continued)

(ii) Financial assets analyzed by credit quality are summarized as follows:

	At June 30, 2022							
	Balance				Provision for impairment losses			
	Assessed for expected credit losses over the next 12 months	Not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired and assessed for lifetime expected credit loss	Total	Assessed for expected credit losses over the next 12 months	Not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired and assessed for lifetime expected credit loss	Total
Financial assets measured at amortised cost (not including accrued interest)								
Cash and deposits with the central bank	91,389,728	-	-	91,389,728	-	-	-	-
Deposits/Placements with banks and other financial institutions	70,446,988	-	19,027	70,466,015	(27,394)	-	(19,027)	(46,421)
Financial assets held under resale agreements	22,264,495	-	-	22,264,495	(2,164)	-	-	(2,164)
Loans and advances to customers	562,976,916	13,596,046	12,258,377	588,831,339	(7,496,677)	(2,828,479)	(7,982,569)	(18,307,725)
Financial investments	183,178,775	10,656,264	14,403,964	208,239,003	(103,836)	(1,030,303)	(4,373,914)	(5,508,053)
Lease receivables	60,199,445	2,775,296	920,458	63,895,199	(1,688,383)	(648,825)	(682,202)	(3,019,410)
<b>Total</b>	<b>990,456,347</b>	<b>27,027,606</b>	<b>27,601,826</b>	<b>1,045,085,779</b>	<b>(9,318,454)</b>	<b>(4,507,607)</b>	<b>(13,057,712)</b>	<b>(26,883,773)</b>
Financial assets at fair value through other comprehensive income (not including accrued interest)								
Loans and advances to customers	68,151,511	-	10,000	68,161,511	(23,836)	-	(3,000)	(26,836)
Financial investments	93,943,043	790,000	240,000	94,973,043	(19,642)	(82,070)	(135,148)	(236,860)
<b>Total</b>	<b>162,094,554</b>	<b>790,000</b>	<b>250,000</b>	<b>163,134,554</b>	<b>(43,478)</b>	<b>(82,070)</b>	<b>(138,148)</b>	<b>(263,696)</b>

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Risk management (Continued)

### (a) Credit risk (Continued)

#### (ii) Financial assets analyzed by credit quality are summarized as follows: (Continued)

	At December 31, 2021							
	Balance				Provision for impairment losses			
	Assessed for expected credit losses over the next 12 months	Not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired and assessed for lifetime expected credit loss	Total	Assessed for expected credit losses over the next 12 months	Not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired and assessed for lifetime expected credit loss	Total
Financial assets measured at amortised cost (not including accrued interest)								
Cash and deposits with the central bank	62,427,139	-	-	62,427,139	-	-	-	-
Deposits/Placements with banks and other financial institutions	44,705,473	-	19,027	44,724,500	(15,503)	-	(19,027)	(34,530)
Financial assets held under resale agreements	11,793,931	-	-	11,793,931	(750)	-	-	(750)
Loans and advances to customers	337,256,833	11,008,429	8,510,669	356,775,931	(4,021,330)	(2,565,993)	(5,943,222)	(12,530,545)
Financial investments	124,542,574	2,759,017	13,520,552	140,822,143	(99,140)	(370,685)	(5,174,803)	(5,644,628)
Lease receivables	33,870,127	1,215,619	500,102	35,585,848	(1,031,496)	(379,196)	(312,807)	(1,723,499)
<b>Total</b>	<b>614,596,077</b>	<b>14,983,065</b>	<b>22,550,350</b>	<b>652,129,492</b>	<b>(5,168,219)</b>	<b>(3,315,874)</b>	<b>(11,449,859)</b>	<b>(19,933,952)</b>
Financial assets at fair value through other comprehensive income (not including accrued interest)								
Loans and advances to customers	31,383,583	-	473,981	31,857,564	(6,139)	-	(473,981)	(480,120)
Financial investments	54,762,046	550,000	170,000	55,482,046	(10,364)	(75,035)	(160,678)	(246,077)
<b>Total</b>	<b>86,145,629</b>	<b>550,000</b>	<b>643,981</b>	<b>87,339,610</b>	<b>(16,503)</b>	<b>(75,035)</b>	<b>(634,659)</b>	<b>(726,197)</b>

\* Financial investments don't include financial investments at fair value through profit or loss and non-trading equity investments designated as financial investments at fair value through other comprehensive income.

As at June 30, 2022, the fair value of collaterals held against loans and advances that are not credit-impaired and assessed for lifetime expected credit losses amounted to RMB21,569.48 million (December 31, 2021: RMB18,062.28 million). The fair value of collaterals held against loans and advances that are assessed for lifetime expected credit losses amounted to RMB3,009.56 million (December 31, 2021: RMB1,411.44 million). The collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals was estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Risk management (Continued)

### (a) Credit risk (Continued)

#### (iii) Amounts due from banks and other financial institutions

The amounts due from banks and non-bank financial institutions including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions. Neither overdue nor impaired amounts due from banks and non-bank financial institutions are rated with reference to major rating agencies accepted by the People's Bank of China.

	June 30, 2022	December 31, 2021
Neither overdue nor impaired		
Ratings		
– A to AAA	68,441,140	39,357,160
– unrated	24,785,541	17,487,743
Total	93,226,681	56,844,903

#### (iv) Debt securities

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

	June 30, 2022	December 31, 2021
Neither overdue nor impaired		
Ratings		
– AAA	237,974,740	132,187,962
– AA- to AA+	6,212,718	1,193,216
– BB- to BB+	126,462	103,967
– B- to B+	264,421	213,930
– unrated	7,955,428	6,463,513
Overdue and credit impaired		
– unrated	1,020,731	781,993
Total	253,554,500	140,944,581



# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Risk management (Continued)

### (b) Market risk

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

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

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

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

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

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

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

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

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Risk management (Continued)

### (b) Market risk (Continued)

#### ***Interest rate risk***

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

#### *Repricing risk*

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

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

#### *Trading interest rate risk*

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

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Risk management (Continued)

### (b) Market risk (Continued)

#### Interest rate risk (Continued)

Trading interest rate risk (Continued)

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

	At June 30, 2022					Total
	Within three months	Three months to one year	One year to five years	More than five years	Non-interest bearing	
<b>Assets</b>						
Cash and deposits with the central bank	88,676,688	-	-	-	2,734,781	91,411,469
Deposits with banks and other financial institutions	17,188,378	859,585	-	-	63,807	18,111,770
Placement with banks and other financial institutions	25,015,558	27,356,073	-	-	478,978	52,850,609
Derivative financial assets	-	-	-	-	53,324	53,324
Financial assets held under resale agreements	22,262,331	-	-	-	1,971	22,264,302
Loans and advances to customers (Note (1))	433,559,613	104,026,985	85,587,903	15,553,045	2,323,505	641,051,051
Financial investments (Note (2))	31,236,544	40,075,949	153,822,117	72,831,895	50,656,614	348,623,119
Lease receivables (Note (3))	40,497,056	3,742,211	16,290,233	-	346,289	60,875,789
Others	-	-	-	-	32,058,018	32,058,018
<b>Total assets</b>	<b>658,436,168</b>	<b>176,060,803</b>	<b>255,700,253</b>	<b>88,384,940</b>	<b>88,717,287</b>	<b>1,267,299,451</b>
<b>Liabilities</b>						
Borrowing from the central bank	14,994,829	41,666,740	-	-	604,646	57,266,215
Deposits from banks and other financial institutions	13,381,865	3,302,000	-	-	59,188	16,743,053
Placement from banks and other financial institutions	27,369,390	28,721,758	1,374,610	-	472,703	57,938,461
Derivative financial liabilities	-	-	-	-	221,917	221,917
Financial assets sold under repurchase agreements	51,662,920	-	-	-	5,030	51,667,950
Deposits from customers	357,906,287	219,892,514	256,320,316	-	15,136,400	849,255,517
Debt securities issued	50,938,652	47,397,250	14,043,849	13,999,613	670,765	127,050,129
Others	138,923	171,563	541,902	92,525	13,744,970	14,689,883
<b>Total liabilities</b>	<b>516,392,866</b>	<b>341,151,825</b>	<b>272,280,677</b>	<b>14,092,138</b>	<b>30,915,619</b>	<b>1,174,833,125</b>
<b>Asset-liability gap</b>	<b>142,043,302</b>	<b>(165,091,022)</b>	<b>(16,580,424)</b>	<b>74,292,802</b>	<b>57,801,668</b>	<b>92,466,326</b>

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Risk management (Continued)

### (b) Market risk (Continued)

#### Interest rate risk (Continued)

##### Trading interest rate risk (Continued)

##### (i) Continued

	At December 31, 2021					
	Within three months	Three months to one year	One year to five years	More than five years	Non-interest bearing	Total
<b>Assets</b>						
Cash and deposits with the central bank	62,427,139	–	–	–	1,214,482	63,641,621
Deposits with banks and other financial institutions	10,649,997	43,000	–	–	3,532	10,696,529
Placement with banks and other financial institutions	13,717,702	20,279,271	–	–	357,033	34,354,006
Derivative financial assets	–	–	–	–	31,506	31,506
Financial assets held under resale agreements	11,793,181	–	–	–	1,187	11,794,368
Loans and advances to customers (Note (1))	224,604,049	91,897,939	33,229,688	25,897,293	2,487,565	378,116,534
Financial investments (Note (2))	21,113,545	31,248,892	93,204,074	44,957,367	24,590,425	215,114,303
Lease receivables (Note (3))	18,818,765	1,875,186	13,168,398	–	–	33,862,349
Others	–	–	–	–	20,622,132	20,622,132
<b>Total assets</b>	<b>363,124,378</b>	<b>145,344,288</b>	<b>139,602,160</b>	<b>70,854,660</b>	<b>49,307,862</b>	<b>768,233,348</b>
<b>Liabilities</b>						
Borrowing from the central bank	11,401,269	35,985,818	–	–	266,938	47,654,025
Deposits from banks and other financial institutions	27,273,353	–	–	–	126,990	27,400,343
Placement from banks and other financial institutions	13,899,053	18,553,015	439,990	–	337,613	33,229,671
Derivative financial liabilities	–	–	–	–	30,993	30,993
Financial assets sold under repurchase agreements	34,008,545	–	–	–	5,803	34,014,348
Deposits from customers	247,805,001	86,047,069	106,822,186	–	15,017,930	455,692,186
Debt securities issued	31,586,054	51,027,725	3,996,912	9,999,588	233,620	96,843,899
Others	71,333	146,980	457,301	47,493	10,265,144	10,988,251
<b>Total liabilities</b>	<b>366,044,608</b>	<b>191,760,607</b>	<b>111,716,389</b>	<b>10,047,081</b>	<b>26,285,031</b>	<b>705,853,716</b>
<b>Asset-liability gap</b>	<b>(2,920,230)</b>	<b>(46,416,319)</b>	<b>27,885,771</b>	<b>60,807,579</b>	<b>23,022,831</b>	<b>62,379,632</b>

##### Notes:

- (1) As at June 30, 2022, for loans and advances to customers, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB12,171.99 million (December 31, 2021: RMB7,692.55 million).
- (2) As at June 30, 2022, for financial investments, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB11,771.89 million (December 31, 2021: RMB7,714.80 million).
- (3) As at June 30, 2022, for lease receivables, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB600.18 million (December 31, 2021: RMB1,023.94 million).

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Risk management (Continued)

### (b) Market risk (Continued)

#### Interest rate risk (Continued)

Trading interest rate risk (Continued)

#### (ii) Interest rate sensitivity analysis

	30 June 2022	31 December 2021
	Increase/ (decrease)	Increase/ (decrease)
Changes in net interest income		
Up 100 bps parallel shift in yield curves	<b>(136,688)</b>	(282,994)
Down 100 bps parallel shift in yield curves	<b>136,688</b>	282,994
	30 June 2022	31 December 2021
	Increase/ (decrease)	Increase/ (decrease)
Changes in equity		
Up 100 bps parallel shift in yield curves	<b>(2,176,000)</b>	(1,778,752)
Down 100 bps parallel shift in yield curves	<b>2,349,112</b>	1,912,409

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

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

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

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Risk management (Continued)

### (b) Market risk (Continued)

#### Foreign currency risk

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

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

	At June 30, 2022				
	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>					
Cash and deposits with the central bank	91,077,129	332,611	511	1,218	91,411,469
Deposits with banks and other financial institutions	6,751,653	4,198,397	7,073,856	87,864	18,111,770
Placement with banks and other financial institutions	41,308,647	11,541,962	–	–	52,850,609
Financial assets held under resale agreements	22,264,302	–	–	–	22,264,302
Loans and advances to customers	635,064,415	5,931,335	–	55,301	641,051,051
Financial investments	338,365,924	9,551,094	706,101	–	348,623,119
Lease receivables	60,875,789	–	–	–	60,875,789
Derivative financial assets	53,324	–	–	–	53,324
Others	31,508,204	545,300	4,500	14	32,058,018
<b>Total assets</b>	<b>1,227,269,387</b>	<b>32,100,699</b>	<b>7,784,968</b>	<b>144,397</b>	<b>1,267,299,451</b>
<b>Liabilities</b>					
Borrowing from the central bank	57,266,215	–	–	–	57,266,215
Deposits from banks and other financial institutions	16,743,053	–	–	–	16,743,053
Placement from banks and other financial institutions	49,567,863	8,315,232	–	55,366	57,938,461
Financial assets sold under repurchase agreements	51,667,950	–	–	–	51,667,950
Deposits from customers	844,417,881	4,762,920	1,122	73,594	849,255,517
Debt securities issued	127,050,129	–	–	–	127,050,129
Derivative financial liabilities	221,917	–	–	–	221,917
Others	14,441,469	198,333	49,699	382	14,689,883
<b>Total liabilities</b>	<b>1,161,376,477</b>	<b>13,276,485</b>	<b>50,821</b>	<b>129,342</b>	<b>1,174,833,125</b>
<b>Asset-liability gap</b>	<b>65,892,910</b>	<b>18,824,214</b>	<b>7,734,147</b>	<b>15,055</b>	<b>92,466,326</b>

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Risk management (Continued)

### (b) Market risk (Continued)

#### Foreign currency risk (Continued)

	At December 31, 2021				
	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>					
Cash and deposits with the central bank	63,472,140	168,324	249	908	63,641,621
Deposits with banks and other financial institutions	3,348,985	5,813,266	1,453,061	81,217	10,696,529
Placement with banks and other financial institutions	34,334,892	19,114	–	–	34,354,006
Financial assets held under resale agreements	11,794,368	–	–	–	11,794,368
Loans and advances to customers	374,614,630	3,420,680	–	81,224	378,116,534
Financial investments	205,937,883	7,178,620	1,997,800	–	215,114,303
Lease receivables	33,862,349	–	–	–	33,862,349
Derivative financial assets	31,506	–	–	–	31,506
Others	19,526,975	356,792	738,315	50	20,622,132
<b>Total assets</b>	<b>746,923,728</b>	<b>16,956,796</b>	<b>4,189,425</b>	<b>163,399</b>	<b>768,233,348</b>
<b>Liabilities</b>					
Borrowing from the central bank	47,654,025	–	–	–	47,654,025
Deposits from banks and other financial institutions	27,400,342	1	–	–	27,400,343
Placement from banks and other financial institutions	31,247,270	1,901,107	–	81,294	33,229,671
Financial assets sold under repurchase agreements	34,014,348	–	–	–	34,014,348
Deposits from customers	453,954,931	1,737,255	–	–	455,692,186
Debt securities issued	96,843,899	–	–	–	96,843,899
Derivative financial liabilities	30,993	–	–	–	30,993
Others	10,704,554	164,986	44,571	74,140	10,988,251
<b>Total liabilities</b>	<b>701,850,362</b>	<b>3,803,349</b>	<b>44,571</b>	<b>155,434</b>	<b>705,853,716</b>
<b>Asset-liability gap</b>	<b>45,073,366</b>	<b>13,153,447</b>	<b>4,144,854</b>	<b>7,965</b>	<b>62,379,632</b>

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Risk management (Continued)

### (b) Market risk (Continued)

#### Foreign currency risk (Continued)

	June 30, 2022 Increase/ (decrease)	December 31, 2021 Increase/ (decrease)
Changes in profit after taxation and equity		
Up 100 bps change of foreign exchange rate	<b>89,421</b>	52,164
Down 100 bps change of foreign exchange rate	<b>(89,421)</b>	(52,164)

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

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

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



# Notes to the unaudited interim financial report

*(Expressed in thousands of Renminbi, unless otherwise stated)*

## 43 Risk management (Continued)

### (c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet repayment obligations. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

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

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

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

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

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

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Risk management (Continued)

### (c) Liquidity risk (Continued)

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

	Six months ended June 30, 2022							Total
	Indefinite Note (i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>								
Cash and deposits with the central bank	47,676,612	43,713,116	21,741	-	-	-	-	91,411,469
Deposits with banks and other financial institutions	-	17,178,190	42,800	-	890,780	-	-	18,111,770
Placements with banks and other financial institutions	-	-	10,756,755	14,319,053	27,774,801	-	-	52,850,609
Derivative financial assets	-	-	13,485	10,698	4,114	25,027	-	53,324
Financial assets held under resale agreements	-	-	22,264,302	-	-	-	-	22,264,302
Loans and advances to customers	7,438,668	4,382,984	83,206,842	45,187,177	184,620,571	154,530,111	161,684,698	641,051,051
Financial investments	10,928,353	23,369,590	11,742,279	15,859,138	45,264,994	162,793,215	78,665,550	348,623,119
Lease receivables	444,119	189,660	124,608	680,646	4,141,186	53,429,006	1,866,564	60,875,789
Others	21,522,882	-	-	389,993	582,685	9,562,458	-	32,058,018
<b>Total assets</b>	<b>88,010,634</b>	<b>88,833,540</b>	<b>128,172,812</b>	<b>76,446,705</b>	<b>263,279,131</b>	<b>380,339,817</b>	<b>242,216,812</b>	<b>1,267,299,451</b>
<b>Liabilities</b>								
Borrowing from the central bank	-	155,008	4,321,822	10,651,177	42,138,208	-	-	57,266,215
Deposits from banks and other financial institutions	-	3,638,300	4,452,211	5,309,332	3,343,210	-	-	16,743,053
Placements from banks and other financial institutions	-	-	10,492,957	16,938,440	29,088,037	1,419,027	-	57,938,461
Derivative financial liabilities	-	-	14	31,541	165,954	24,408	-	221,917
Financial assets sold under repurchase agreements	-	-	51,667,950	-	-	-	-	51,667,950
Deposits from customers	-	296,510,997	17,636,386	44,240,389	222,440,260	268,427,485	-	849,255,517
Debt securities issued	-	-	19,244,882	32,271,720	47,490,065	14,043,849	13,999,613	127,050,129
Others	-	4,961,914	398,800	510,364	3,316,483	5,242,996	259,326	14,689,883
<b>Total liabilities</b>	<b>-</b>	<b>305,266,219</b>	<b>108,215,022</b>	<b>109,952,963</b>	<b>347,982,217</b>	<b>289,157,765</b>	<b>14,258,939</b>	<b>1,174,833,125</b>
<b>Long/(short) position</b>	<b>88,010,634</b>	<b>(216,432,674)</b>	<b>19,957,790</b>	<b>(33,506,258)</b>	<b>(84,703,086)</b>	<b>91,182,052</b>	<b>227,957,873</b>	<b>92,466,326</b>

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Risk management (Continued)

### (c) Liquidity risk (Continued)

	Year ended December 31, 2021							Total
	Indefinite Note (i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>								
Cash and deposits with the central bank	27,921,796	35,705,504	14,321	-	-	-	-	63,641,621
Deposits with banks and other financial institutions	-	4,744,650	5,686,581	222,061	43,237	-	-	10,696,529
Placements with banks and other financial institutions	-	-	6,473,250	7,373,583	20,507,173	-	-	34,354,006
Derivative financial assets	-	-	27	33	1,504	29,942	-	31,506
Financial assets held under resale agreements	-	-	11,794,368	-	-	-	-	11,794,368
Loans and advances to customers	3,875,054	3,422,114	33,127,865	28,439,422	104,802,100	75,231,835	129,218,144	378,116,534
Financial investments	7,214,782	17,910,807	1,873,807	12,699,074	33,375,759	94,881,544	47,158,530	215,114,303
Lease receivables	658,588	365,356	106,154	313,794	3,440,368	28,266,413	711,676	33,862,349
Others	14,849,006	-	-	275,336	468,538	5,029,252	-	20,622,132
<b>Total assets</b>	<b>54,519,226</b>	<b>62,148,431</b>	<b>59,076,373</b>	<b>49,323,303</b>	<b>162,638,679</b>	<b>203,438,986</b>	<b>177,088,350</b>	<b>768,233,348</b>
<b>Liabilities</b>								
Borrowing from the central bank	-	52,786	5,279,341	6,103,951	36,217,947	-	-	47,654,025
Deposits from banks and other financial institutions	-	2,860,716	3,101,288	16,800,172	4,638,167	-	-	27,400,343
Placements from banks and other financial institutions	-	-	7,370,756	6,653,459	18,758,857	446,599	-	33,229,671
Derivative financial liabilities	-	-	27	33	1,669	29,264	-	30,993
Financial assets sold under repurchase agreements	-	-	34,014,348	-	-	-	-	34,014,348
Deposits from customers	-	210,696,521	16,081,028	28,895,248	86,879,501	113,139,888	-	455,692,186
Debt securities issued	-	-	9,452,611	22,193,213	51,201,574	3,996,913	9,999,588	96,843,899
Others	-	2,694,469	511,241	1,122,927	3,234,481	3,256,796	168,337	10,988,251
<b>Total liabilities</b>	<b>-</b>	<b>216,304,492</b>	<b>75,810,640</b>	<b>81,769,003</b>	<b>200,932,196</b>	<b>120,869,460</b>	<b>10,167,925</b>	<b>705,853,716</b>
<b>Long/(short) position</b>	<b>54,519,226</b>	<b>(154,156,061)</b>	<b>(16,734,267)</b>	<b>(32,445,700)</b>	<b>(38,293,517)</b>	<b>82,569,526</b>	<b>166,920,425</b>	<b>62,379,632</b>

Note:

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

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Risk management (Continued)

### (c) Liquidity risk (Continued)

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

	At June 30, 2022							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Non-derivative financial liabilities</b>								
Borrowing from the central bank	57,266,215	57,779,980	155,008	4,334,052	10,696,211	42,594,709	-	-
Deposits from banks and other financial institutions	16,743,053	16,824,680	3,638,300	4,455,282	5,330,633	3,400,465	-	-
Placements from banks and other financial institutions	57,938,461	58,852,051	-	10,508,668	17,042,571	29,795,941	1,504,871	-
Financial assets sold under repurchase agreements	51,667,950	51,674,536	-	51,674,536	-	-	-	-
Deposits from customers	849,255,517	872,213,980	296,510,997	17,685,555	44,519,193	227,587,208	285,911,027	-
Debt securities issued	127,050,129	131,479,499	-	19,271,707	32,572,670	48,423,886	16,425,236	14,786,000
Lease liabilities	972,053	1,034,493	-	87,116	54,176	183,094	582,640	127,467
<b>Total non-derivative financial liabilities</b>	<b>1,160,893,378</b>	<b>1,189,859,219</b>	<b>300,304,305</b>	<b>108,016,916</b>	<b>110,215,454</b>	<b>351,985,303</b>	<b>304,423,774</b>	<b>14,913,467</b>
Loan commitments	-	26,586,468	-	26,586,468	-	-	-	-
	At December 31, 2021							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Non-derivative financial liabilities</b>								
Borrowing from the central bank	47,654,025	48,378,255	52,805	5,282,535	6,116,395	36,926,520	-	-
Deposits from banks and other financial institutions	27,400,343	27,416,290	2,860,762	3,102,077	16,810,491	4,642,960	-	-
Placements from banks and other financial institutions	33,229,671	33,970,380	-	7,406,649	6,741,177	19,347,670	474,884	-
Financial assets sold under repurchase agreements	34,014,348	34,078,768	-	34,078,768	-	-	-	-
Deposits from customers	455,692,186	465,089,742	210,728,581	16,094,417	28,992,662	87,978,485	121,295,597	-
Debt securities issued	96,843,899	101,745,653	-	9,470,383	22,324,307	52,027,763	6,363,200	11,560,000
Lease liabilities	727,233	774,107	-	16,682	62,411	180,520	466,399	48,095
<b>Total non-derivative financial liabilities</b>	<b>695,561,705</b>	<b>711,453,195</b>	<b>213,642,148</b>	<b>75,451,511</b>	<b>81,047,443</b>	<b>201,103,918</b>	<b>128,600,080</b>	<b>11,608,095</b>
Loan commitments	-	12,231,637	-	12,231,637	-	-	-	-

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

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Risk management (Continued)

### (c) Liquidity risk (Continued)

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

	At June 30, 2022							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Derivatives settled on net basis</b>								
Foreign exchange forwards	(165,299)	(169,365)	-	-	-	(169,365)	-	-
Interest rate swaps	618	604	-	-	-	-	604	-
<b>Derivatives settled on gross basis</b>								
Currency swaps								
- cash outflow	(12,275,079)	(12,383,404)	-	(3,483,217)	(6,655,205)	(2,244,982)	-	-
- cash inflow	12,271,167	12,326,263	-	3,334,992	6,757,934	2,233,337	-	-
Total	(168,593)	(225,902)	-	(148,225)	102,729	(181,010)	604	-

	At December 31, 2021							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Derivatives settled on net basis</b>								
Foreign exchange forwards	-	-	-	-	-	-	-	-
Interest rate swaps	678	661	-	-	-	-	661	-
<b>Derivatives settled on gross basis</b>								
Currency swaps								
- cash outflow	(19,373)	(19,375)	-	-	-	(19,375)	-	-
- cash inflow	19,587	19,842	-	-	-	19,842	-	-
Precious metal derivatives								
- cash outflow	(20,102)	(20,356)	-	-	-	(20,356)	-	-
- cash inflow	19,723	19,969	-	-	-	19,969	-	-
Total	513	741	-	-	-	80	661	-

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

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

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 Risk management (Continued)

### (d) Operational risk

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

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

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

## 44 Fair value

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

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

#### (i) Debt securities and equity investments

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

#### (ii) Investments and other non-derivative financial assets

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

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

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

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 44 Fair value (Continued)

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

#### (iv) Derivative financial liabilities

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

### (b) Fair value measurement

#### (i) Financial assets

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

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

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

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

#### (ii) Financial liabilities

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

Financial liabilities designated at fair value through profit or loss is presented with fair value. The book value and fair value of debt securities issued is presented in Note 32. The carrying amounts of other financial liabilities approximate their fair value.

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 44 Fair value (Continued)

### (c) Fair value hierarchy

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

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

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

Level 3: Fair value measured using significant unobservable inputs

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

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss	785,448	44,817,091	78,667	45,681,206
Derivative financial assets	–	53,324	–	53,324
Financial investments at fair value through other comprehensive income	–	96,432,677	124,879	96,557,556
Loans and advances to customers measured at fair value through other comprehensive income	–	68,203,932	–	68,203,932
Total	785,448	209,507,024	203,546	210,496,018
Liabilities				
Derivative financial liabilities	–	221,917	–	221,917
Other liabilities	–	31,050	–	31,050
Total	–	252,967	–	252,967



# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 44 Fair value (Continued)

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

	December 31, 2021			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss	356,365	21,634,076	45,973	22,036,414
Derivative financial assets	–	31,506	–	31,506
Financial investments at fair value through other comprehensive income	–	56,068,216	23,896	56,092,112
Loans and advances to customers measured at fair value through other comprehensive income	–	31,857,564	–	31,857,564
Total	356,365	109,591,362	69,869	110,017,596
Liabilities				
Derivative financial liabilities	–	30,993	–	30,993
Total	–	30,993	–	30,993

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

## 45 Entrusted lending business

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

	June 30, 2022	December 31, 2021
Entrusted loans	19,796,435	15,101,156
Entrusted funds	19,796,435	15,101,156

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Commitments and contingent liabilities

### (a) Credit commitments

The Group's credit commitments take the form of approved loans with signed contracts, bank acceptances, letters of credit and financial guarantees.

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

	June 30, 2022	December 31, 2021
Bank acceptances	<b>129,992,999</b>	59,432,191
Letters of credit	<b>18,383,442</b>	12,547,853
Loan commitments	<b>26,586,468</b>	12,231,637
Letters of guarantees	<b>5,083,296</b>	3,854,189
Total	<b>180,046,205</b>	88,065,870

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

### (b) Credit risk-weighted amount

	June 30, 2022	December 31, 2021
Credit risk-weighted amount	<b>55,791,416</b>	33,870,665

The credit risk-weighted amount represents the amount calculated with reference to the guidelines issued by the former CBRC.

### (c) Capital commitments

As at June 30, 2022 and December 31, 2021, the Group's authorized capital commitments are as follows:

	June 30, 2022	December 31, 2021
Contracted but not paid for	<b>813,927</b>	1,001,842
Approved but not contracted for	<b>492,720</b>	17,678
Total	<b>1,306,647</b>	1,019,520

# Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Commitments and contingent liabilities (Continued)

### (d) Outstanding litigations and disputes

As at June 30, 2022, the Group was the defendant in certain pending litigation and disputes with an estimated gross amounts of RMB1,954.78 million (December 31, 2021: RMB724.06 million). The Group recognised the related litigation provision, which they believed to be reasonable and sufficient.

## 47 Possible impact of amendments, new standards and interpretations issued but not yet effected for the six months ended June 30, 2022

Up to the date of issue of these financial statements, a number of amendments, new standards and interpretations are issued which are not yet effective for the six months ended June 30, 2022 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	<b>Effective for accounting period beginning on or after</b>
<i>Classification of Liabilities as current or non-current – Amendments to IAS 1</i>	January 1, 2023
<i>IFRS 17 Insurance Contracts</i>	January 1, 2023
<i>Disclosure of accounting policies – Amendments to IAS 1 and IFRS practice statement 2</i>	January 1, 2023
<i>Definition of accounting estimate – Amendments to IAS 8</i>	January 1, 2023
<i>Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12</i>	January 1, 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

## 48 Subsequent events

On June 29, 2022, the Bank received the Approval for changing of shareholder of Luohe Yancheng Development County Bank Co., Ltd. (Yu Yin Bao Jian Fu [2022] No. [200]). The Bank fully paid consideration on July 1, 2022. According to the agreement, the Bank held 51% of equity interest and controlled Luohe Yancheng Development County Bank Co., Ltd. since July 1, 2022.

# Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

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

## 1 Liquidity coverage ratio and leverage ratio

	June 30, 2022	Average for the period ended June 30, 2022
Qualified high-quality liquid assets	<b>162,019,568</b>	
Net cash outflow	<b>49,614,408</b>	
Liquidity coverage ratio (RMB and foreign currency)	<b>326.56%</b>	<b>329.08%</b>

	December 31, 2021	Average for the year ended 2021
Qualified high-quality liquid assets	83,563,751	
Net cash outflow	23,374,795	
Liquidity coverage ratio (RMB and foreign currency)	357.50%	200.90%

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

### Leverage ratio

	June 30, 2022	December 31, 2021
Leverage ratio	<b>5.68%</b>	7.09%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the former CBRC and was effective since April 1, 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.

## 2 Net stable funding ratio

	June 30, 2022	March 31, 2022	December 31, 2021
Available stable funding	<b>760,538,335</b>	<b>467,978,368</b>	433,390,768
Required stable funding	<b>571,089,482</b>	<b>384,734,707</b>	368,303,104
Net stable funding ratio	<b>133.17%</b>	<b>121.64%</b>	117.67%

# Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

## 3 Currency concentrations

	June 30, 2022			Total
	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	
Spot assets	32,026,874	7,784,968	144,397	39,956,239
Spot liabilities	(22,325,888)	3,085,250	(143,400)	(19,384,038)
Net position	9,700,986	10,870,218	997	20,572,201

	December 31, 2021			Total
	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	
Spot assets	16,956,796	4,189,425	163,399	21,309,620
Spot liabilities	(3,803,349)	(44,571)	(155,434)	(4,003,354)
Net position	13,153,447	4,144,854	7,965	17,306,266

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

## 4 International claims

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

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

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

	June 30, 2022			Total
	Banks and other financial institutions	Public sector entities	Non-bank private sectors	
Asia Pacific	22,858,157	–	15,296,735	38,154,892
North America	445,130	–	–	1,048,785
Others	1,048,785	–	–	445,130
	24,352,072	–	15,296,735	39,648,807

# Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

	December 31, 2021			Total
	Banks and other financial institutions	Public sector entities	Non-bank private sectors	
Asia Pacific	7,243,369	–	8,252,211	15,495,580
North America	218,213	–	–	218,213
Others	44,938	–	–	44,938
	7,506,520	–	8,252,211	15,758,731

## 5 Gross amount of overdue loans and advances

	June 30, 2022	December 31, 2021
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	<b>4,411,141</b>	1,467,402
– between 6 months and 1 year (inclusive)	<b>4,228,570</b>	2,502,378
– over 1 year	<b>3,430,960</b>	3,874,765
Total	<b>12,070,671</b>	7,844,545
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	<b>0.67%</b>	0.38%
– between 6 months and 1 year (inclusive)	<b>0.64%</b>	0.64%
– over 1 year	<b>0.52%</b>	1.00%
Total	<b>1.83%</b>	2.02%

## X. Definition of Terms

“Articles of Association”	the articles of association of the Bank as may be amended, supplemented or otherwise modified from time to time
“Bank”, “Our Bank”, “we”, “us”, or “Zhongyuan Bank”	Zhongyuan Bank Co., Ltd. (中原銀行股份有限公司), a joint stock company established on December 23, 2014 in the PRC with limited liability pursuant to the relevant PRC laws and regulations, and, if the context requires, includes its predecessors, branches and subbranches and all subsidiaries
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“Directors”	directors of the Bank
“Supervisors”	the supervisors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBRC”	China Banking Regulatory Commission, the predecessor of China Banking and Insurance Regulatory Commission
“CIRC”	China Insurance Regulatory Commission, the predecessor of China Banking and Insurance Regulatory Commission
“CSRC”	China Securities Regulatory Commission
“CBIRC Henan Office”	China Banking and Insurance Regulatory Commission Henan Office
“China” or “PRC”	the People’s Republic of China, but for the purpose of this interim report only, excluding Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan
“Commercial Banking Law”	the Commercial Banking Law of the PRC (中華人民共和國商業銀行法)
“Consumer Finance Company”	Henan Zhongyuan Consumer Finance Co., Ltd. (河南中原消費金融股份有限公司), a joint stock company established in the PRC on December 29, 2016 and a subsidiary of our Bank
“AB Leasing”	AB Leasing Co., Ltd. (邦銀金融租賃股份有限公司), a joint stock company incorporated in the PRC with limited liability and a subsidiary of our Bank

## X. Definition of Terms

“Corporate Governance Code”	the Code on Corporate Governance and the Report on Corporate Governance under Appendix 14 to the Hong Kong Listing Rules
“Domestic Shares”	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
“H Shares”	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
“Preference Shares” or “Offshore Preference Shares”	69,750,000 non-cumulative perpetual Offshore Preference Shares with a nominal value of RMB100 each issued by the Bank and listed on the Hong Kong Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Date”	July 19, 2017, the date on which dealings in the H Shares commence on the Main Board of Hong Kong Stock Exchange
“Main Board”	the stock market operated by the Hong Kong Stock Exchange (excluding the option market), independent of and to be operated in parallel with the GEM Board of the Hong Kong Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
“Fourteen County Banks”	Xinyang Pingqiao Zhongyuan County Bank Co., Ltd. (信陽平橋中原村鎮銀行股份有限公司), Linzhou Zhongyuan County Bank Co., Ltd. (林州中原村鎮銀行股份有限公司), Qixian Zhongyuan County Bank Co., Ltd. (淇縣中原村鎮銀行股份有限公司), Puyang Zhongyuan County Bank Co., Ltd. (濮陽中原村鎮銀行股份有限公司), Xiping Zhongyuan County Bank Co., Ltd. (西平中原村鎮銀行股份有限公司), Suiping Zhongyuan County Bank Co., Ltd. (遂平中原村鎮銀行股份有限公司), Lushi Zhongyuan County Bank Co., Ltd. (盧氏中原村鎮銀行股份有限公司), Xiangcheng Zhongyuan County Bank Co., Ltd. (襄城中原村鎮銀行股份有限公司), Xinxiang Zhongyuan County Bank Co., Ltd. (新鄉中原村鎮銀行股份有限公司), Shenzhen Nanshan Baosheng County Bank Co., Ltd. (深圳南山寶生村鎮銀行股份有限公司), Henan Luanchuan Minfeng County Bank Co., Ltd. (河南樂川民豐村鎮銀行股份有限公司), Mengjin Minfeng County Bank Co., Ltd. (孟津民豐村鎮銀行股份有限公司), Jiaxian Guangtian County Bank Co., Ltd. (郊縣廣天村鎮銀行股份有限公司), Luohe Yancheng Development County Bank Co., Ltd. (漯河市郾城發展村鎮銀行有限責任公司)



## X. Definition of Terms

“PBOC” or “Central Bank”	The People’s Bank of China (中國人民銀行)
“Reporting Period”	the six months ended June 30, 2022
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as may be amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	the holder(s) of the Shares of the Bank
“Shares”	ordinary shares of RMB1.00 each in the share capital of the Bank, including Domestic Shares and H Shares