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JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED *

吉 林 九 台 農 村 商 業 銀 行 股 份 有 限 公 司 *

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

(Stock Code: 6122)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021

The board of directors (the “**Board**” or “**Board of Directors**”) of Jilin Jiutai Rural Commercial Bank Corporation Limited (the “**Bank**”) is pleased to announce the unaudited interim results (the “**Interim Results**”) of the Bank and its subsidiaries (the “**Group**”) for the six months ended June 30, 2021 (the “**Reporting Period**”) prepared in accordance with the International Financial Reporting Standards (the “**IFRSs**”) promulgated by the International Accounting Standards Board. The Board and its audit committee have reviewed and confirmed the Interim Results.

1. BASIC INFORMATION OF THE BANK

Registered Name in Chinese:	吉林九台農村商業銀行股份有限公司 (abbreviated as “ 九台農商銀行 ”)
Registered Name in English:	Jilin Jiutai Rural Commercial Bank Corporation Limited (abbreviated as “ Jiutai Rural Commercial Bank ”)
Legal Representative:	Gao Bing
Authorized Representatives:	Gao Bing, Lau Kwok Yin
Board Secretary:	Yuan Chunyu
Joint Company Secretaries:	Yuan Chunyu, Lau Kwok Yin
Registered Office Address of the Bank:	No. 504 Xinhua Main Street, Jiutai District, Changchun, Jilin Province, the People's Republic of China (“ PRC ”)
Principal Office Address of the Bank:	No. 2559 Wei Shan Road, High-tech Zone, Changchun, Jilin Province, the PRC

Customer Service Hotline:	+86 (431) 96888
Telephone:	+86 (431) 8925 0628
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Company Website:	www.jtnsh.com
Principal Place of Business in Hong Kong:	Room 15, 11th Floor, Tower 2, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong
H Share Disclosure Websites:	The Stock Exchange of Hong Kong Limited's HKEXnews website at www.hkexnews.hk The Bank's website at www.jtnsh.com
Listing Place:	The Stock Exchange of Hong Kong Limited (the " Hong Kong Stock Exchange ")
Stock Short Name:	JIUTAI RCB
Stock Code:	06122
H Share Registrar:	Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
PRC Legal Adviser:	King & Wood Mallesons 17/F–18/F, East Tower World Financial Center 1 Dongsanhuan Zhonglu Chaoyang District, Beijing, the PRC
Hong Kong Legal Adviser:	Clifford Chance 27th Floor, Jardine House One Connaught Place Central, Hong Kong

Auditors of the Bank:

Domestic Auditor:

CAC CPA Limited Liability Partnership
52/F Centre Plaza
No. 188 Jiefang Road
Heping District, Tianjin, the PRC

International Auditor:

SHINEWING (HK) CPA Limited
43/F, Lee Garden One
33 Hysan Avenue, Causeway Bay
Hong Kong

2. FINANCIAL SUMMARY

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in percentage (%)	Year ended December 31, 2020
	2021	2020		
Operating results				
Interest income	5,686.7	4,572.8	24.4	10,371.1
Interest expenses	(2,971.4)	(2,476.2)	20.0	(5,272.6)
Net interest income	2,715.3	2,096.6	29.5	5,098.5
Fee and commission income	64.0	53.7	19.2	268.9
Fee and commission expenses	(30.6)	(16.7)	83.2	(38.3)
Net fee and commission income	33.4	37.0	(9.7)	230.6
Net trading (losses) gains	(72.3)	96.4	(175.0)	149.8
Dividend income	32.9	59.4	(44.6)	59.4
Net gains arising from investment securities	22.4	35.2	(36.4)	46.4
Gains on disposals of associated companies	—	—	—	(37.1)
Net exchange gains	7.5	4.1	82.9	10.2
Other operating income (expense), net	12.8	10.9	17.4	(11.0)
Operating income	2,752.0	2,339.6	17.6	5,546.8
Operating expenses	(1,251.6)	(1,141.4)	9.7	(2,743.7)
Impairment losses on assets	(801.1)	(655.0)	22.3	(1,306.6)
Operating profit	699.3	543.2	28.7	1,496.5
Share of results of associates	(8.9)	(2.7)	229.6	44.6
Profit before tax	690.4	540.5	27.7	1,541.1
Income tax expense	(177.9)	(125.5)	41.8	(341.4)
Profit for the period/end of year	512.5	415.0	23.5	1,199.7
Profit for the year attributable to:				
— Owners of the Bank	434.3	343.4	26.5	1,104.5
— Non-controlling interests	78.2	71.6	9.2	95.2
Profit for the period/end of year	512.5	415.0	23.5	1,199.7
		(restated)		(restated)
Basic earnings per share (RMB)	0.09	0.07	28.6	0.24
Diluted earnings per share (RMB)	0.09	0.07	28.6	0.24

(Expressed in millions of RMB, unless otherwise stated)	As at June 30, 2021	As at December 31, 2020	Change in percentage (%)
Major indicators of assets/liabilities			
Total assets	213,264.1	200,363.3	6.4
Of which: loans and advances to customers	137,690.0	126,574.6	8.8
Total liabilities	197,202.2	184,112.1	7.1
Of which: deposits from customers	165,633.1	149,763.2	10.6
Total equity	16,061.9	16,251.2	(1.2)

	Six months ended June 30, 2021	2020	Change in percentage (%)
Profitability indicators (%)			
Return on assets ⁽¹⁾⁽¹⁵⁾	0.50%	0.47%	6.4
Return on capital ⁽²⁾⁽¹⁵⁾	6.34%	5.37%	18.1
Net interest spread ⁽³⁾⁽¹⁵⁾	2.52%	2.37%	6.3
Net interest margin ⁽⁴⁾⁽¹⁵⁾	2.65%	2.46%	7.7
Net fee and commission income to operating income ratio ⁽⁵⁾	1.21%	1.58%	(23.4)
Cost-to-income ratio ⁽⁶⁾	44.24%	47.63%	(7.1)

	As at June 30, 2021	As at December 31, 2020	Change in percentage (%)	As at June 30, 2020
Capital adequacy indicators (%)				
Core tier-one capital adequacy ratio ⁽⁷⁾	8.51%	9.05%	(6.0)	8.72%
Tier-one capital adequacy ratio ⁽⁸⁾	8.61%	9.15%	(5.9)	8.81%
Capital adequacy ratio ⁽⁹⁾	10.67%	11.37%	(6.2)	10.99%
Shareholders' equity to total assets ratio	7.53%	8.11%	(7.2)	8.50%

Assets quality indicators (%)				
Non-performing loan ratio ⁽¹⁰⁾	1.89%	1.63%	16.0	1.85%
Provision coverage ratio ⁽¹¹⁾	157.21%	164.82%	(4.6)	156.55%
Provision to total loan ratio ⁽¹²⁾	2.96%	2.69%	10.0	2.90%

Other indicators⁽¹³⁾ (%)				
Loan to deposit ratio ⁽¹⁴⁾	85.67%	86.85%	(1.4)	85.04%

Notes:

- (1) Calculated by dividing the net profit for the period/year by the average balance of total assets at the beginning and the end of that period/year.
- (2) Calculated by dividing the net profit for the period/year by the average balance of total equity at the beginning and at the end of that period/year.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing net fee and commission income by operating income.
- (6) Calculated by dividing total operating expenses (net of tax and surcharges) by operating income.
- (7) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets*100%.
- (8) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets*100%.
- (9) Capital adequacy ratio = (total capital – corresponding capital deductions)/risk-weighted assets*100%.
- (10) Non-performing loan ratio = non-performing loans and advances to customers/gross loans and advances to customers*100%.
- (11) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans and advances to customers*100%.
- (12) Provision to total loan ratio = provision for impairment losses on loans/gross loans and advances to customers*100%.
- (13) These indicators refer to the ratios we report to the China Banking and Insurance Regulatory Commission (“**CBIRC**”) and calculated in accordance with PRC GAAP and relative requirements of the CBIRC regarding the financial data.
- (14) According to the revised PRC Commercial Banking Law which became effective on October 1, 2015, loan to deposit ratio is no longer applicable to the PRC Commercial Banks as a regulatory ratio.
- (15) Ratios for the six months ended June 30, 2020 and 2021 are calculated on an annualized basis.

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Environment and Outlook

During the first half of 2021, benefitted from the acceleration of vaccination, continuous policy support and enhanced epidemic resilience of economic growth, the economy of China recovered steadily. Driven by the recovery of major economies in China and the United States, the outlook of global economic growth has further improved, but the imbalance and differentiation remained obvious.

In the second half of 2021, the global political and economic conditions will continue to undergo significant changes, and there are still numerous uncertainties that may affect the development. Nonetheless, capitalizing on its solid foundation, the economy of China is expected to maintain steady and sound growth through the implementation of effective monetary and fiscal policies. From the perspective of financial institutions in the banking industry, despite the challenges arising from structural transformation and risk management, the accelerated promotion of new development pattern, continuous financial reforms and introduction of various policies including reduction of required reserve ratio have created a more favourable environment for the development of the banking industry. In addition, attributable to the coordinated development of regional economies and rural revitalization strategy, the development potential for rural commercial banks will be expanded with more solid foundation of high quality development.

Looking forward, the Bank will strictly adhere to the national policy and focus on regional development by establishing the “Four in One Mechanism” which integrates the finance for three rurals, community finance, cooperation platform and charity works. The Bank will exert more efforts in realizing steady growth, adjusting structure, strengthening management and improving quality and efficiency in order to maintain stable sound growth momentum and accomplish various objectives and missions well in the first year of the Fourteenth Five-Year plan.

3.2 Development Strategies

The Group’s strategic goal is to position itself as a professional financial services provider with unique values and strong competitive abilities in order to build a first-class modern rural commercial bank in the PRC with strong brand value. To achieve its goal, the Group plans to: (i) reinforce advantages in banking services for the “three rurals (三農)” and micro, small and medium-sized enterprises (the “SMEs”); (ii) exploit the growth potential of personal financial services to promote the growth of its retail banking business; (iii) develop emerging businesses to promote the transformation of the growth model; (iv) further strengthen the Group’s risk management and internal control; and (v) recruit, train, retain and motivate high-quality talent.

3.3 Overall Business Review

In the first half of 2021, in the face of complex economic and financial conditions and the pandemic prevention and control measures, the Group strived to maintain high quality development by solidifying its development foundation and improving its shortcomings in strict accordance with the decisions and arrangements of the Party Central Committee, the State Council, government and regulatory authorities at all levels. All of our major works were under steady progress and our business operation achieved sound results.

The Group recorded a total operating income of RMB2,752.0 million for the six months ended June 30, 2021, representing an increase of 17.6% as compared to RMB2,339.6 million for the six months ended June 30, 2020. The Group's net profit increased by 23.5% from RMB415.0 million for the six months ended June 30, 2020 to RMB512.5 million for the six months ended June 30, 2021. The net interest income of the Group increased by 29.5% from RMB2,096.6 million for the six months ended June 30, 2020 to RMB2,715.3 million for the six months ended June 30, 2021.

As at June 30, 2021, the Group's total assets amounted to RMB213,264.1 million, representing an increase of 6.4% as compared with the beginning of the year; net loans and advances to customers amounted to RMB137,690.0 million, representing an increase of 8.8% as compared with the beginning of the year; the non-performing loan ratio was 1.89%, representing an increase of 0.26 percentage point as compared with the beginning of the year; total deposits from customers amounted to RMB165,633.1 million, representing an increase of 10.6% as compared with the beginning of the year.

(a) Analysis of the Consolidated Statement of Profit or Loss

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2021	2020	Change in amount	
Interest income	5,686.7	4,572.8	1,113.9	24.4
Interest expense	(2,971.4)	(2,476.2)	(495.2)	20.0
Net interest income	2,715.3	2,096.6	618.7	29.5
Fee and commission income	64.0	53.7	10.3	19.2
Fee and commission expenses	(30.6)	(16.7)	(13.9)	83.2
Net fee and commission income	33.4	37.0	(3.6)	(9.7)

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2021	2020	Change in amount	Change in percentage (%)
Net trading (losses) gains	(72.3)	96.4	(168.7)	(175.0)
Dividend income	32.9	59.4	(26.5)	(44.6)
Net gains arising from investment securities	22.4	35.2	(12.8)	(36.4)
Net exchange gains	7.5	4.1	3.4	82.9
Other operating (expense) income, net	12.8	10.9	1.9	17.4
Operating income	2,752.0	2,339.6	412.4	17.6
Operating expenses	(1,251.6)	(1,141.4)	(110.2)	9.7
Impairment losses on assets	(801.1)	(655.0)	(146.1)	22.3
Operating profit	699.3	543.2	156.1	28.7
Share of results of associates	(8.9)	(2.7)	(6.2)	229.6
Profit before tax	690.4	540.5	149.9	27.7
Income tax expense	(177.9)	(125.5)	(52.4)	41.8
Profit for the period	512.5	415.0	97.5	23.5
Profit for the period attributable to:				
— Owners of the Bank	434.3	343.4	90.9	26.5
— Non-controlling interests	78.2	71.6	6.6	9.2
Profit for the period	512.5	415.0	97.5	23.5

In the first six months of 2021, the Group's operating income was RMB2,752.0 million, representing a year-on-year increase of 17.6%; profit before tax was RMB690.4 million, representing a year-on-year increase of 27.7%; profit for the period was RMB512.5 million, representing a year-on-year increase of 23.5%. It was mainly due to the increase in the interest-earning assets as a result of focusing on the three-rural market by increasing loans and advances to customers in order to provide further credit support to the real economy, and the increase in net interest income by refining our management and improving the structure of assets and liabilities which led to an increase in net interest spread, which was partially offset by the decrease of net trading (losses) gains, dividend income and net gains arising from investment securities, and the increase of operating expenses and impairment losses on assets.

(i) *Net interest income*

Net interest income was the largest component of the Group's operating income, representing 89.6% and 98.7% of operating income for the six months ended June 30, 2020 and 2021, respectively. The table below sets forth the interest income, interest expenses and net interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Change in
	2021	2020	Change in amount	percentage (%)
Interest income	5,686.7	4,572.8	1,113.9	24.4
Interest expense	(2,971.4)	(2,476.2)	(495.2)	20.0
Net interest income	<u>2,715.3</u>	<u>2,096.6</u>	<u>618.7</u>	<u>29.5</u>

The table below sets forth the average balance of the Group's interest-earning assets and interest-bearing liabilities, the related interest income or expense and the average yield or average cost for the periods indicated. The average balance of interest-earning assets and interest-bearing liabilities are the average of the daily balances.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2021			Six months ended June 30, 2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Interest-earning assets						
Loans and advances to customers	144,393.4	4,575.3	6.34	105,875.3	3,571.4	6.75
Investment securities and other financial assets ⁽¹⁾	28,253.7	841.9	5.96	27,619.9	687.2	4.98
Deposits with banks and other financial institutions	11,854.1	96.1	1.62	12,798.2	82.3	1.29
Financial assets held under resale agreements	3,225.1	51.0	3.16	8,192.7	93.3	2.28
Deposits with the central bank ⁽²⁾	16,162.3	105.3	1.30	13,628.5	92.9	1.36
Placements with banks and other financial institutions	810.1	17.1	4.22	1,996.0	45.7	4.58
Total interest-earning assets	<u>204,698.7</u>	<u>5,686.7</u>	<u>5.56</u>	<u>170,110.6</u>	<u>4,572.8</u>	<u>5.38</u>

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2021			Six months ended June 30, 2020		
	Average balance	Interest income	Average cost (%)	Average balance	Interest income	Average cost (%)
Interest-bearing liabilities						
Deposits from customers	163,093.3	2,453.5	3.01	127,003.3	1,819.0	2.86
Financial assets sold under repurchase agreements	6,282.3	64.7	2.06	4,982.3	42.5	1.71
Deposits from banks and other financial institutions	9,478.5	155.4	3.28	12,200.2	200.9	3.29
Debt securities issued ⁽³⁾	6,091.8	124.3	4.08	12,515.4	253.6	4.05
Placements from banks and other financial institutions	7,860.3	135.1	3.44	5,935.2	125.8	4.24
Borrowing from the central bank	2,123.9	25.4	2.39	1,406.4	18.9	2.69
Lease liabilities	549.3	13.0	4.73	683.5	15.5	4.54
Total interest-bearing liabilities	195,479.4	2,971.4	3.04	164,726.3	2,476.2	3.01
Net interest income		2,715.3			2,096.6	
Net interest spread⁽⁴⁾			2.52			2.37
Net interest margin⁽⁵⁾			2.65			2.46

Notes:

- (1) Investment securities and other financial assets include the financial assets at fair value through other comprehensive income and financial assets at amortized cost.
- (2) Primarily consist of statutory deposit reserves, surplus deposit reserves and fiscal deposit reserves.
- (3) Primarily consist of tier-two capital bonds, subordinated fixed rate bonds and interbank certificates.
- (4) Represents the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (5) Calculated by dividing net interest income by the average balance of interest-earning assets (based on the daily average of the interest-earning assets).

The table below sets forth the changes in the Group's interest income and interest expense attributable to changes in volume and interest rate for the periods indicated. Changes in volume are measured by changes in the average balance, and changes in interest rate are measured by changes in the average interest rates. Changes caused by both volume and interest rate have been allocated to changes in volume.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2021 vs 2020		
	Volume ⁽¹⁾	Interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
Interest-earning Assets			
Loans and advances to customers	1,220.5	(216.6)	1,003.9
Investment securities and other financial assets	18.9	135.8	154.7
Deposits with banks and other financial institutions	(7.7)	21.5	13.8
Financial assets held under resale agreements	(78.6)	36.3	(42.3)
Deposits with the central bank	16.5	(4.1)	12.4
Placements with banks and other financial institutions	(25.0)	(3.6)	(28.6)
Changes in interest income	<u>1,144.6</u>	<u>(30.7)</u>	<u>1,113.9</u>
Interest-bearing Liabilities			
Deposits from customers	542.9	91.6	634.5
Financial assets sold under repurchase agreements	13.4	8.8	22.2
Deposits from banks and other financial institutions	(44.6)	(0.9)	(45.5)
Debt securities issued	(131.1)	1.8	(129.3)
Placements from banks and other financial institutions	33.1	(23.8)	9.3
Borrowing from the central bank	8.6	(2.1)	6.5
Lease liabilities	(3.2)	0.7	(2.5)
Changes in interest expense	<u>419.1</u>	<u>76.1</u>	<u>495.2</u>
Changes in net interest income	<u><u>725.5</u></u>	<u><u>(106.8)</u></u>	<u><u>618.7</u></u>

Notes:

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

(ii) Interest income

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2021		2020	
	Amount	% of total	Amount	% of total
Loans and advances to customers	4,575.3	80.5	3,571.4	78.1
Investment securities and other financial assets	841.9	14.8	687.2	15.1
Deposits with banks and other financial institutions	96.1	1.7	82.3	1.8
Financial assets held under resale agreements	51.0	0.9	93.3	2.0
Deposits with the central bank	105.3	1.8	92.9	2.0
Placements with banks and other financial institutions	17.1	0.3	45.7	1.0
Total	5,686.7	100.0	4,572.8	100.0

The Group's interest income increased by 24.4% from RMB4,572.8 million for the six months ended June 30, 2020 to RMB5,686.7 million for the six months ended June 30, 2021, primarily due to an increase in the average balance of interest-earning assets from RMB170,110.6 million for the six month ended June 30, 2020 to RMB204,698.7 million for the six months ended June 30, 2021, and an increase in the average yield on interest-earning assets from 5.38% for the six months ended June 30, 2020 to 5.56% for the six months ended June 30, 2021. The increase in the average balance of interest-earning assets was primarily due to the increases in the average balances of loans and advances to customers, investment securities and other financial assets and deposits with the central bank as a result of the steady development of the Group's business, which was partially offset by the decrease in the average balance of deposits with banks and other financial institutions, financial assets held under resale agreements and placements with banks and other financial institutions. The growth in the average yield on interest-earning assets was primarily due to the increase in the average yield on investment securities and other financial assets, deposits with banks and other financial institutions and financial assets held under resale agreements as a result of the Group's effort on optimizing the structure of assets and liabilities, which was partially offset by the decrease in the average yield on loans and advances to customers, deposits with the central bank and placements with banks and other financial institutions.

(A) Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 78.1% and 80.5% of the Group's total interest income for the six months ended June 30, 2020 and 2021, respectively. The table below sets forth the average balance, interest income and average yield of loans and advances to customers by product for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,					
	2021			2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	114,509.1	3,539.6	6.18	81,493.5	2,757.3	6.77
Retail loans	27,882.0	1,001.4	7.18	22,792.1	792.7	6.96
Discounted bills	2,002.3	34.3	3.43	1,589.7	21.4	2.69
Gross loans and advances to customers	144,393.4	4,575.3	6.34	105,875.3	3,571.4	6.75

Interest income from loans and advances to customers constitutes the largest portion of the interest income of the Group, which increased by 28.1% from RMB3,571.4 million for the six months ended June 30, 2020 to RMB4,575.3 million for the six months ended June 30, 2021. The increase was primarily due to the increase in the average balance of loans and advances to customers from RMB105,875.3 million for the six months ended June 30, 2020 to RMB144,393.4 million for the six months ended June 30, 2021, which was partially offset by the decrease in the average yield of these assets from 6.75% for the six months ended June 30, 2020 to 6.34% for the six months ended June 30, 2021. The increase in the average balance of these assets was mainly due to the (1) the increase in the amount of loans for enterprises affected by the pandemic, (2) providing more loans for SMEs progressively to support the development of real economy and rural areas, (3) enriching our retail loans products, improving our service quality and expanding our customer base, resulting in steady growth in retail loans. The decrease in the average yield on such assets was primarily due to the fulfilment of the Group's social responsibility by reducing fees and interest rate of loans with an aim to reduce the financing cost of enterprises and the impact of the year-on-year decrease in loan prime rate (LPR).

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

Interest income from investment securities and other financial assets increased by 22.5% from RMB687.2 million for the six months ended June 30, 2020 to RMB841.9 million for the six months ended June 30, 2021, primarily due to an increase in the average balance of investment securities and other financial assets from RMB27,619.9 million for the six months ended June 30, 2020 to RMB28,253.7 million for the six months ended June 30, 2021, and an increase in the average yield on these assets from 4.98% for the six months ended June 30, 2020 to 5.96% for the six months ended June 30, 2021. The increase in average balance of such assets was mainly due to the reasonable increase in the investment in debt securities by the Group in accordance with the changes in market trend, business needs and the balance between revenue and risks, which was partially offset by the decrease in the investment in assets management and trust investment plans. The growth in average yield of such assets was mainly due to the changes in types of investment assets and maturity profile and the increase in market interest rate.

(C) Interest income from deposits with banks and other financial institutions

Interest income from deposits with banks and other financial institutions increased by 16.8% from RMB82.3 million for the six months ended June 30, 2020 to RMB96.1 million for the six months ended June 30, 2021, primarily due to an increase in the average yield on deposits with banks and other financial institutions from 1.29% for the six months ended June 30, 2020 to 1.62% for the six months ended June 30, 2021, which was partially offset by a decrease in the average balance of such assets from RMB12,798.2 million for the six months ended June 30, 2020 to RMB11,854.1 million for the six months ended June 30, 2021. The decrease in average balance of such assets was mainly due to the proactive adjustment of assets structure according to the business needs of the Group by decreasing the amount of deposits with banks and other financial institutions. The increase in average yield of such assets was mainly due to the increase in market interest rate.

(D) Interest income from financial assets held under resale agreements

Interest income from financial assets held under resale agreements decreased by 45.3% from RMB93.3 million for the six months ended June 30, 2020 to RMB51.0 million for the six months ended June 30, 2021, primarily due to a decrease in the average balance of financial assets held under resale agreements from RMB8,192.7 million for the six months ended June 30, 2020 to RMB3,225.1 million for the six months ended June 30, 2021, which was partially offset by an increase in the average yield on those assets from 2.28% for the six months ended June 30, 2020 to 3.16% for the six months ended June 30, 2021. The decrease in the average balance of such assets was mainly due to the Group's effort in improving market research and strategy formulation, and adjustment of the scale of such assets in a timely manner in order to balance the yield and liquidity requirement. The increase in the average yield of such assets was mainly due to the increase in market interest rate.

(E) Interest income from deposits with the central bank

Interest income from deposits with the central bank increased by 13.3% from RMB92.9 million for the six months ended June 30, 2020 to RMB105.3 million for the six months ended June 30, 2021, primarily due to an increase in the average balance of deposits with the central bank from RMB13,628.5 million for the six months ended June 30, 2020 to RMB16,162.3 million for the six months ended June 30, 2021, which was partially offset by a decrease in the average yield on those assets from 1.36% for the six months ended June 30, 2020 to 1.30% for the six months ended June 30, 2021. The increase in the average balance of deposits with the central bank was primarily due to the increase in statutory deposit reserves as a result of the increase in the deposits from customers of the Group. The decrease in the average yield of such assets was mainly due to the change in the structure of statutory deposit reserves and surplus deposit reserves.

(iii) *Interest expenses*

The table below sets forth the principal components of the Group's interest expenses for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2021		2020	
	Amount	% of total	Amount	% of total
Deposits from customers	2,453.5	82.6	1,819.0	73.5
Financial assets sold under repurchase agreements	64.7	2.2	42.5	1.7
Deposits from banks and other financial institutions	155.4	5.2	200.9	8.1
Debt securities issued	124.3	4.2	253.6	10.2
Placements from banks and other financial institutions	135.1	4.5	125.8	5.1
Borrowings from the central bank	25.4	0.9	18.9	0.8
Lease liabilities	13.0	0.4	15.5	0.6
Total	2,971.4	100.0	2,476.2	100.0

(A) Interest expenses on deposits from customers

The table below sets forth the average balance, interest expense and average cost for the components of deposits from customers for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,					
	2021			2020		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time	7,536.0	127.2	3.38	9,073.0	148.2	3.27
Demand	36,399.5	430.6	2.37	30,322.7	282.5	1.86
Subtotal	43,935.5	557.8	2.54	39,395.7	430.7	2.19
Retail deposits						
Time	100,912.4	1,732.8	3.43	66,026.2	1,196.6	3.62
Demand	18,245.4	162.9	1.79	21,581.4	191.7	1.78
Subtotal	119,157.8	1,895.7	3.18	87,607.6	1,388.3	3.17
Total deposits from customers	163,093.3	2,453.5	3.01	127,003.3	1,819.0	2.86

Interest expenses on deposits from customers increased by 34.9% from RMB1,819.0 million for the six months ended June 30, 2020 to RMB2,453.5 million for the six months ended June 30, 2021, primarily due to an increase in the average balance of deposits from customers from RMB127,003.3 million for the six months ended June 30, 2020 to RMB163,093.3 million for the six months ended June 30, 2021, and an increase in the average cost of such liabilities from 2.86% for the six months ended June 30, 2020 to 3.01% for the six months ended June 30, 2021. The increase in average balance of deposits from customers was mainly due to the Group's efforts in improving quality services, enhancing its service standards, strengthening the channel development, expanding the customer base and the coverage of targeted marketing, resulting in steady increase in deposits. The increase in average cost of deposits from customers was mainly due to the liberalization of interest rate and the changes in types and maturity structure of deposits.

(B) Interest expenses on financial assets sold under repurchase agreements

Interest expenses on financial assets sold under repurchase agreements increase by 52.2% from RMB42.5 million for the six months ended June 30, 2020 to RMB64.7 million for the six months ended June 30, 2021, primarily due to an increase in the average balance of financial assets sold under repurchase agreements from RMB4,982.3 million for the six months ended June 30, 2020 to RMB6,282.3 million for the six months ended June 30, 2021 and an increase of average cost from 1.71% for the six months ended June 30, 2020 to 2.06% for the six months ended June 30, 2021. The increase of average balance in such debts was mainly the result of the adjustment of liabilities structure of the Group to balance capital cost and stability. The increase in average cost of those liabilities was mainly due to the increase in market interest rate.

(C) Interest expenses on deposits from banks and other financial institutions

Interest expenses on deposits from banks and other financial institutions decreased by 22.6% from RMB200.9 million for the six months ended June 30, 2020 to RMB155.4 million for the six months ended June 30, 2021, mainly due to a decrease in the average balance of those liabilities from RMB12,200.2 million for the six months ended June 30, 2020 to RMB9,478.5 million for the six months ended June 30, 2021, and a decrease in the average cost of those liabilities from 3.29% for the six months ended June 30, 2020 to 3.28% for the six months ended June 30, 2021. The decrease in average balance in such debts was mainly the result of the timely adjustment of liabilities structure and reduction of the amount of such liabilities by the Group in response to market changes to lower the liability cost.

(D) Interest expenses on debt securities issued

Interest expenses on debt securities issued decreased by 51.0% from RMB253.6 million for the six months ended June 30, 2020 to RMB124.3 million for the six months ended June 30, 2021, mainly due to an decrease in the average balance of such liabilities from RMB12,515.4 million for the six months ended June 30, 2020 to RMB6,091.8 million for the six months ended June 30, 2021, which was partially offset by an increase in the average cost of such liabilities from 4.05% for the six months ended June 30, 2020 to 4.08% for the six months ended June 30, 2021. The decrease in the average balance of such liabilities was mainly due to the repayment of certain interbank certificates which were due.

(iv) Net interest spread and net interest margin

Net interest spread is the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of interest-earning assets.

Net interest spread increased by 0.15 percentage point from 2.37% for the six months ended June 30, 2020 to 2.52% for the six months ended June 30, 2021, primarily due to an increase in the average yield on interest-earning assets by 0.18 percentage point from 5.38% for the six months ended June 30, 2020 to 5.56% for the six months ended June 30, 2021, which was partially offset by an increase in the average cost of interest-bearing liabilities by 0.03 percentage point from 3.01% for the six months ended June 30, 2020 to 3.04% for the six months ended June 30, 2021. Net interest margin increased by 0.19 percentage point from 2.46% for the six months ended June 30, 2020 to 2.65% for the six months ended June 30, 2021, which was primarily due to the Group's support for the real economy, extension of more loans and the continuous increase in the proportion of loans and advances to customers in interest-earning assets. We also recorded an increase in interest income, and continuously refined the structure of assets and liabilities in accordance with the changes in macro economy and the market resulting in an increase in average yield of interest-earning assets as compared with the same period in the previous year. Average cost of interest-bearing liabilities remained stable as compared with the same period in the previous year, resulting in an increase in both net interest spread and net interest margin.

(v) *Non-interest income*

(A) Net fee and commission income

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30			
	2021	2020	Change in amount	Change in percentage (%)
Fee and commission income				
Advisory fees	16.4	14.6	1.8	12.3
Syndicated loan service fees	22.6	16.5	6.1	37.0
Settlement and clearing fees	12.9	11.9	1.0	8.4
Agency services fees	7.4	4.6	2.8	60.9
Wealth management service fees	0.3	0.8	(0.5)	(62.5)
Bank card service fees	1.8	1.9	(0.1)	(5.3)
Others ⁽¹⁾	2.6	3.4	(0.8)	(23.5)
Subtotal	64.0	53.7	10.3	19.2
Fee and commission expense	(30.6)	(16.7)	(13.9)	83.2
Net fee and commission income	33.4	37.0	(3.6)	(9.7)

Note:

(1) Primarily consist of fee income from loan business, fee and commission of guarantees and commitments and income from safe deposit box business.

Net fee and commission income decreased by 9.7% from RMB37.0 million for the six months ended June 30, 2020 to RMB33.4 million for the six months ended June 30, 2021, primarily due to the decreases in wealth management service fees and bank card service fees income, which was partially offset by the increase in advisory fees income, syndicated loan service fees income, settlement and clearing fees income and agency services fees income.

Advisory fees income increased by 12.3% from RMB14.6 million for the six months ended June 30, 2020 to RMB16.4 million for the six months ended June 30, 2021, which was primarily due to the increase in advisory services of the Group as affected by the increased market demand.

Syndicated loan service fees income increased by 37.0% from RMB16.5 million for the six months ended June 30, 2020 to RMB22.6 million for the six months ended June 30, 2021, mainly due to the increase in the transaction volume of syndicated loan business.

Settlement and clearing fees income increased by 8.4% from RMB11.9 million for the six months ended June 30, 2020 to RMB12.9 million for the six months ended June 30, 2021, mainly due to the increase in the transaction volume of settlement business.

Agency service fees income increased by 60.9% from RMB4.6 million for the six months ended June 30, 2020 to RMB7.4 million for the six months ended June 30, 2021, mainly due to the increase in the transaction volume of agency business.

Wealth management service fees income decreased by 62.5% from RMB0.8 million for the six months ended June 30, 2020 to RMB0.3 million for the six months ended June 30, 2021, mainly due to the decrease in the issue size of wealth management products.

Bank card service fees income decreased by 5.3% from RMB1.9 million for the six months ended June 30, 2020 to RMB1.8 million for the six months ended June 30, 2021, mainly due to the decrease in the transaction volume of bank cards.

Fee and commission expenses mainly included fees paid to third parties for settlement, clearing and agency services. Fee and commission expenses increased by 83.2% from RMB16.7 million for the six months ended June 30, 2020 to RMB30.6 million for the six months ended June 30, 2021, which was mainly due to the increase in the transaction volume of settlement business.

(B) Net gains arising from investment securities

Net gains arising from investment securities included net gains from selling investment securities and other financial assets and revaluation gains resulting from the reclassification from other consolidated income to profits or losses upon the disposal of assets.

Net gains arising from investment securities decreased by 36.4% from RMB35.2 million for the six months ended June 30, 2020 to RMB22.4 million for the six months ended June 30, 2021. The decrease was mainly due to the fluctuation in market prices.

(C) Dividend income

Dividend income decreased by 44.6% from RMB59.4 million for the six months ended June 30, 2020 to RMB32.9 million for the six months ended June 30, 2021. The decrease was mainly due to the decrease in dividend income as a result of the disposal of equity interest in some non-controlling rural commercial banks by the Group.

(D) Net trading (losses) gains

Net trading (losses) gains decreased by 175.0% from RMB96.4 million for the six months ended June 30, 2020 to RMB(72.3) million for the six months ended June 30, 2021, mainly due to the decrease in interest income from the financial assets at fair value through profit or loss held by the Group as a result of the decrease in the scale of securities assets, and the decrease in fair value of some financial assets as a result of the market fluctuation.

(E) Net exchange gains

Net exchange gains mainly included net gains arising out of foreign exchange settlement and foreign exchange transactions. Net exchange gains increased by 82.9% from RMB4.1 million for the six months ended June 30, 2020 to RMB7.5 million for the six months ended June 30, 2021, primarily due to the increase in the trading gains from foreign exchange and the fluctuation in foreign currency exchange rate.

(F) Other operating (expense) income, net

Other operating (expense) income, net mainly included non-recurring income such as government subsidies and insurance claim, net of non-recurring expenses such as charitable donation. Other operating (expense) income, net increased by 17.4% from RMB10.9 million for the six months ended June 30, 2020 to RMB12.8 million for the six months ended June 30, 2021, which was mainly due to the decrease in charitable donation expenses of the Group.

(vi) Operating expenses

Operating expenses increased by 9.7% from RMB1,141.4 million for the six months ended June 30, 2020 to RMB1,251.6 million for the six months ended June 30, 2021. The increase was primarily due to the increase in staff costs, property and equipment expenses and taxes and surcharges, which was partially offset by the decrease in general management and administrative expenses.

The table below sets forth the principal components of operating expenses for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2021	2020	Change in amount	Change in percentage (%)
Staff costs	774.2	672.8	101.4	15.1
Property and equipment expenses	296.3	288.0	8.3	2.9
General management and administrative expenses	146.9	153.5	(6.6)	(4.3)
Taxes and surcharges	34.2	27.1	7.1	26.2
Total	<u>1,251.6</u>	<u>1,141.4</u>	<u>110.2</u>	<u>9.7</u>

(A) Staff costs

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2021	2020	Change in amount	Change in percentage (%)
Salaries and bonuses	525.8	469.9	55.9	11.9
Social insurance	131.3	100.1	31.2	31.2
Staff welfares	52.4	46.5	5.9	12.7
Housing allowances	53.8	47.4	6.4	13.5
Labor union and staff education expenses	10.9	8.9	2.0	22.5
Total staff costs	<u>774.2</u>	<u>672.8</u>	<u>101.4</u>	<u>15.1</u>

Staff costs increased by 15.1% from RMB672.8 million for the six months ended June 30, 2020 to RMB774.2 million for the six months ended June 30, 2021. The increase in staff costs was primarily due to the fact that the Group were no longer entitled to the pandemic-related concession and concession of social insurance under the preferential policies and the increase in the headcount of staff.

(B) Property and equipment expenses

Property and equipment expenses increased by 2.9% from RMB288.0 million for the six months ended June 30, 2020 to RMB296.3 million for the six months ended June 30, 2021. The increase in property and equipment expenses was mainly due to the increase in the depreciation on long-term assets and leasing expenses incurred for newly established outlets of the Group.

(C) General management and administrative expenses

General management and administrative expenses mainly included business promotion fees, transportation fee in relation to the delivery of cash, repair expenses and others. General management and administrative expenses decreased by 4.3% from RMB153.5 million for the six months ended June 30, 2020 to RMB146.9 million for the six months ended June 30, 2021. The decrease in general management and administrative expenses was mainly due to the Group's efforts in further improving budget management and control and strengthening refined management of expenses in order to reduce general management and administrative expenses.

(D) Taxes and surcharges

Taxes and surcharges increased by 26.2% from RMB27.1 million for the six months ended June 30, 2020 to RMB34.2 million for the six months ended June 30, 2021. The increase in taxes and surcharges was primarily due to the increase in tax surcharge as a result of the increase in value-added tax paid during the year over the previous year by the Group.

(vii) Impairment losses on assets

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2021	2020	Change in amount	
Loans and advances to customers	731.5	513.4	218.1	42.5
Financial assets at fair value through other comprehensive income	0.0	0.3	(0.3)	(100.0)
Financial assets at amortized cost	67.7	140.4	(72.7)	(51.8)
Deposits with banks and other financial institutions	0.2	(0.8)	1.0	(125.0)
Placements with banks and other financial institutions	(0.7)	0.0	(0.7)	—
Other receivables and repossessed assets	(1.9)	1.7	(3.6)	(211.8)
Property and equipment	0.2	—	0.2	—
Provision for credit commitments and financial guarantees	4.1	0.0	4.1	—
Total	801.1	655.0	146.1	22.3

Impairment losses on assets increased by 22.3% from RMB655.0 million for the six months ended June 30, 2020 to RMB801.1 million for the six months ended June 30, 2021, mainly due to the increase in the provision for impairment loss of loans and advances to customers under the principle of prudence after taking account into the growth in loans and advances to customers as well as factors including the pandemic impact, which was partially offset by the decrease in the provision for impairment loss of investment securities and other financial assets due to the decrease in scale of investment securities and other financial assets.

(viii) Income tax expense

Income tax expense increased by 41.8% from RMB125.5 million for the six months ended June 30, 2020 to RMB177.9 million for the six months ended June 30, 2021. The increase in income tax expense was primarily due to the increase in profit before tax.

(b) Analysis of the Consolidated Statement of Financial Position

(i) Assets

As of June 30, 2021 and December 31, 2020, the Group's total assets amounted to RMB213,264.1 million and RMB200,363.3 million, respectively. Major components of total assets include (i) loans and advances to customers; (ii) investment securities and other financial assets; (iii) cash and deposits with the central bank; (iv) deposits with banks and other financial institutions; and (v) placements with banks and other financial institutions. The table below sets forth the components of total assets as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Assets				
Gross loans and advances to customers	141,896.9	66.5	130,076.5	64.9
Provision for impairment losses	(4,206.9)	(1.9)	(3,501.9)	(1.7)
Loans and advances to customers, net	137,690.0	64.6	126,574.6	63.2
Investment securities and other financial assets ⁽¹⁾	29,406.0	13.8	30,499.0	15.2
Cash and deposits with the central bank	29,721.9	13.9	25,155.0	12.6
Deposits with banks and other financial institutions	7,663.8	3.6	8,396.7	4.2
Placements with banks and other financial institutions	24.9	0.0	729.3	0.4
Financial assets held under resale agreements	—	—	1,102.0	0.6
Other assets ⁽²⁾	8,757.5	4.1	7,906.7	3.8
Total assets	213,264.1	100.0	200,363.3	100.0

Notes:

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

(A) Loans and advances to customers

As of June 30, 2021, the Group's gross loans and advances to customers was RMB141,896.9 million, representing an increase of 9.1% as compared to December 31, 2020. Net loans and advances to customers accounted for 64.6% of the Group's total assets, representing an increase of approximately 1.4 percentage points as compared to December 31, 2020.

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Corporate loan and advances				
— Loan	113,413.1	79.9	103,553.4	79.6
— Finance leases loan	2,802.5	2.0	2,077.8	1.6
Retail loans	25,681.3	18.1	24,445.3	18.8
Discounted bills	—	—	—	—
Gross loans and advances to customers	141,896.9	100.0	130,076.5	100.0

Loans and advances to customers are the largest component of total assets. The Group offers a variety of loan products, substantially all of which are denominated in Renminbi. Loans and advances to customers, net of provision for impairment losses, represented 64.6% and 63.2% of total assets as of June 30, 2021 and December 31, 2020, respectively.

The Group's corporate loans increased by 10.0% from RMB105,631.2 million as of December 31, 2020 to RMB116,215.6 million as of June 30, 2021, primarily due to the increase in loans in order to fully support the development of real economy and fulfill the capital needs of corporate borrowers as the Group strictly followed the national policies and focused on regional development and further expanded the coverage of its services while effectively preventing risk exposures.

The Group's retail loans mainly comprise of personal business loans, personal consumption loans, residential and commercial mortgage loans and credit card overdrafts. The Group's retail loans increased by 5.1% from RMB24,445.3 million as of December 31, 2020 to RMB25,681.3 million as of June 30, 2021, primarily due to the increase in loans as a result of the Group's enhanced credit support for the three rurals and individual industrial and commercial households and fulfillment of increasing reasonable demands from individual customers.

Loans by Collateral

Collateralized loans, pledged loans and guaranteed loans in the aggregate represented 98.2% and 98.0% of gross loans and advances to customers as of June 30, 2021 and December 31, 2020, respectively. If a loan is secured by more than one form of collateral, the classification is based on the primary form of collateral. The table below sets forth loans and advances to customers by the type of collateral as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Collateralized loans	61,243.9	43.2	54,773.1	42.1
Pledged loans	13,140.5	9.3	11,452.7	8.8
Guaranteed loans	64,897.3	45.7	61,203.7	47.1
Unsecured loans	2,615.2	1.8	2,647.0	2.0
Gross loans and advances to customers	141,896.9	100.0	130,076.5	100.0

Collateralized loans and pledged loans are the largest component of gross loans and advances to customers. Collateralized loans and pledged loans as a percentage of gross loans and advances to customers were 50.9% as of December 31, 2020 and 52.5% as of June 30, 2021, respectively.

The Group has adopted more stringent credit assessment criteria for extending guaranteed loans. Corporate loans are generally guaranteed by listed companies or guarantee companies. The Bank and each subsidiary bank consider the size, credit history and risk-resistance level of a guarantee company to decide whether or not to accept its guarantees. Guaranteed loans as a percentage of gross loans and advances to customers was 47.1% as of December 31, 2020 and 45.7% as of June 30, 2021.

The Bank and each subsidiary bank extend unsecured loans to customers with relatively high credit ratings based on their internal credit risk rating system. As of December 31, 2020 and June 30, 2021, unsecured loans represented 2.0% and 1.8% of gross loans and advances to customers.

Movements of provision for impairment losses on loans and advances to customers

(Expressed in millions of RMB, unless otherwise stated)	June 30, 2021	December 31, 2020
As at the beginning of the period/year	3,501.9	2,709.8
Charge for the period/year	701.0	805.3
Reverse for the period/year	30.5	58.2
Amounts written off as uncollectible	(30.5)	(93.6)
Recoveries of loans and advances previously written off	4.0	22.2
As of June 30/ December 31	4,206.9	3,501.9

Provision for impairment losses on loans and advances to customers increased by 20.1% from RMB3,501.9 million as of December 31, 2020 to RMB4,206.9 million as of June 30, 2021, primarily due to the increase in provisions for impairment losses on loans and advances to customers by the Group under the principle of prudence after taking account into the growth in loans and advances to customers as well as factors including the pandemic impact.

(B) Investment securities and other financial assets

As of June 30, 2021 and December 31, 2020, the Group had investment securities and other financial assets of RMB29,406.0 million and RMB30,499.0 million, respectively, representing 13.8% and 15.2% of its total assets, respectively.

Investment securities and other financial assets primarily include debt securities, asset management plans, trust plans, funds and equity investments.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Debt securities investments				
Financial assets at fair value through other comprehensive income	5,041.6	17.2	2,372.7	7.8
Financial assets at amortized cost	7,476.2	25.4	8,566.5	28.1
Subtotal	12,517.8	42.6	10,939.2	35.9
Asset management plans and trust plans				
Asset management plans	7,759.3	26.4	8,480.4	27.8
Trust plans	7,302.9	24.8	9,038.8	29.6
Subtotal	15,062.2	51.2	17,519.2	57.4
Funds	627.2	2.1	708.7	2.3
Subtotal	627.2	2.1	708.7	2.3
T+0 clearing and advances	0.0	0.0	0.0	0.0
Subtotal	0.0	0.0	0.0	0.0
Equity investments				
Financial assets at fair value through other comprehensive income	149.8	0.5	153.4	0.5
Financial assets at fair value through profit or loss	1,049.0	3.6	1,178.5	3.9
Subtotal	1,198.8	4.1	1,331.9	4.4
Total investment securities and other financial assets, net	29,406.0	100.0	30,499.0	100.0

Investment securities and other financial assets decreased by 3.6% from RMB30,499.0 million as of December 31, 2020 to RMB29,406.0 million as of June 30, 2021. The decrease in investment securities and other financial assets was primarily due to timely adjustment of investment strategy of the Group by decreasing the investments in asset management plans and trust plans and equity investments taking into account the regulatory policy and market changes and its business needs, which was partially offset by the increase in the investments in debt securities.

(ii) *Liabilities*

As of June 30, 2021 and December 31, 2020, total liabilities amounted to RMB197,202.2 million and RMB184,112.1 million, respectively. Major components of liabilities include (i) deposits from customers; (ii) debt securities issued; (iii) deposits from banks and other financial institutions; (iv) placements from banks and other financial institutions; (v) borrowing from the central bank; and (vi) financial assets sold under repurchase agreements. The table below sets forth the components of total liabilities as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Deposits from customers	165,633.1	84.0	149,763.2	81.3
Debt securities issued	6,091.8	3.1	7,504.5	4.1
Deposits from banks and other financial institutions	7,475.8	3.8	8,335.9	4.5
Placements from banks and other financial institutions	7,732.5	3.9	7,101.5	3.9
Borrowing from the central bank	2,182.3	1.1	4,011.0	2.2
Financial assets sold under repurchase agreements	2,730.5	1.4	2,654.9	1.4
Other liabilities ⁽¹⁾	5,356.2	2.7	4,741.1	2.6
Total liabilities	197,202.2	100.0	184,112.1	100.0

Note:

- (1) Primarily consist of accrued staff costs, taxes payable, interests payable, estimated liabilities and leased liabilities.

(A) Deposits from customers

The Group provides demand and time deposit products to corporate and retail customers. The table below sets forth deposits from customers by product and customer type as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand deposits	30,374.7	18.4	32,649.0	21.8
Time deposits	7,337.9	4.4	7,492.0	5.0
Subtotal	37,712.6	22.8	40,141.0	26.8
Retail deposits				
Demand deposits	16,115.7	9.7	22,559.0	15.1
Time deposits	108,387.4	65.4	82,997.6	55.4
Subtotal	124,503.1	75.1	105,556.6	70.5
Others⁽¹⁾	3,417.4	2.1	4,065.6	2.7
Total deposits from customers	165,633.1	100.0	149,763.2	100.0

Note:

(1) Primarily consist of pledged deposits held as collateral and fiscal deposits.

Total deposits from customers increased by 10.6% from RMB149,763.2 million as of December 31, 2020 to RMB165,633.1 million as of June 30, 2021. The increase was primarily due to the ongoing improvement in service quality, transformation and upgrade of outlets, enhancement of customers experience, expansion of customer base and implementation of targeted marketing by the Group.

(B) Debts securities issued

In December 2012, the Bank issued an aggregate principal amount of RMB700.0 million subordinated fixed rate bonds. The bonds have a term of 10 years and bear interest at the rate of 7.00% per annum.

In April 2015, the Bank issued tier-two capital bonds in an aggregate principal amount of RMB800.0 million. The bonds have a term of 10 years and bear interest at the rate of 6.30% per annum.

In October 2016, the Bank issued 10-year tier-two capital bonds at par value of RMB900.0 million at fixed rate of 4.20%. The Bank has an option to redeem the bonds on October 20, 2021 at par.

From January 1, 2020 to December 31, 2020, the Bank issued 77 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB7,630.0 million. The interbank certificates have a term of one month to one year and bear interest at effective rates between 3.06% and 4.20%.

From January 1, 2021 to June 30, 2021, the Bank had issued 19 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB3,400.0 million. The interbank certificates have a term of three months to one year and bear interest at effective rates between 3.25% and 3.82%.

(iii) Shareholders' equity

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Share capital	4,393.2	27.4	4,393.2	27.0
Capital reserve	4,923.7	30.7	4,921.3	30.3
Investment revaluation reserve	4.3	0.0	10.4	0.1
Surplus reserve	915.5	5.7	915.5	5.6
General reserve	2,079.2	12.9	2,077.9	12.8
Retained earnings	1,127.2	7.0	1,353.2	8.3
Non-controlling interests	2,618.8	16.3	2,579.7	15.9
Total equity	16,061.9	100.0	16,251.2	100.0

(c) *Assets Quality Analysis*

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

The non-performing loans of the Group are classified as substandard, doubtful and loss. As of June 30, 2021, the Group's non-performing loans amounted to RMB2,676.0 million. The following table sets forth loans and advances to customers by loan classification as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Normal	133,217.9	93.9	123,911.7	95.3
Special mention	6,003.0	4.2	4,040.1	3.1
Substandard	755.7	0.5	577.1	0.4
Doubtful	1,869.0	1.3	1,463.5	1.1
Loss	51.3	0.1	84.1	0.1
Gross loans and advances to customers	141,896.9	100.0	130,076.5	100.0
Non-performing loan and non-performing loan ratio⁽¹⁾	2,676.0	1.89	2,124.7	1.63

Note:

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

The non-performing loan ratio of the Group increased by 0.26 percentage point as of June 30, 2021 as compared to that as of December 31, 2020, which was primarily due to the decreased repayment ability of certain borrowers as they had difficulties in operation as affected by economic downturn and the outbreak of pandemic.

(ii) Concentration of loans

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

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021				As of December 31, 2020			
	Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio ⁽¹⁾ (%)	Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans								
Wholesale and retail	24,645.5	17.4	231.6	0.94	21,766.0	16.7	177.2	0.81
Leasing and business services	19,399.6	13.7	249.6	1.29	16,998.4	13.1	247.2	1.45
Manufacturing	17,763.5	12.5	713.0	4.01	17,354.5	13.3	461.9	2.66
Construction	14,329.5	10.1	218.0	1.52	13,855.6	10.7	123.8	0.89
Agriculture, forestry, animal husbandry and fishery	8,116.2	5.7	131.8	1.62	6,646.7	5.1	137.7	2.07
Transportation, storage and postal services	6,066.3	4.3	55.5	0.91	5,396.5	4.1	53.0	0.98
Real estate	5,672.5	4.0	140.6	2.48	5,440.0	4.2	140.6	2.58
Scientific research, technical services and geological prospecting	5,389.9	3.8	12.4	0.23	5,273.0	4.1	17.0	0.32
Information transmission, computer services and software	3,239.1	2.3	50.3	1.55	2,411.0	1.9	50.3	2.09
Accommodation and catering	2,904.9	2.0	3.5	0.12	3,110.4	2.4	1.5	0.05
Education	2,282.3	1.6	—	—	2,146.4	1.7	—	—
Electricity, gas and water production and supply	2,030.6	1.4	31.0	1.53	1,738.7	1.3	11.2	0.64
Water, environment and public facility management	1,762.5	1.3	—	—	957.9	0.7	—	—
Health and social services	893.8	0.6	—	—	1,045.1	0.8	—	—
Other industries ⁽²⁾	1,719.4	1.2	40.2	2.34	1,491.0	1.1	4.5	0.30
Retail loans	25,681.3	18.1	798.5	3.11	24,445.3	18.8	698.8	2.86
Discounted bills	—	—	—	—	—	—	—	—
Total	141,896.9	100.0	2,676.0	1.89	130,076.5	100.0	2,124.7	1.63

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.
- (2) Other industries include resident and other services, cultural, sports and entertainment, mining, public administration, social security and social organizations and finance.

Loans to borrowers in the wholesale and retail, leasing and business services, manufacturing, construction, agriculture, forestry, animal husbandry and fishery, transportation, storage and postal services, real estate, scientific research, technical services and geological prospecting represented the largest components of the Group's corporate loan portfolio. Loans to these industries accounted for 87.2% and 87.8% of total corporate loans as of June 30, 2021 and December 31, 2020, respectively.

As of June 30, 2021, the non-performing loans of the Group's corporate loans were mainly concentrated in manufacturing and real estate industries, with the ratio of non-performing loans of 4.01% and 2.48%, respectively.

(B) Borrower concentration

Loans to the 10 Largest Single Borrowers

The table below sets forth the balance of loans to the 10 largest single borrowers (excluding group borrowers) (on a consolidated or group basis) as of June 30, 2021, and such loans were classified as normal.

(Expressed in millions of RMB,
unless otherwise stated)

		As of June 30, 2021	
Customer	Industry	Amount	% of total loan
Borrower A	Leasing and business services	1,145.0	0.81%
Borrower B	Manufacturing	1,100.0	0.78%
Borrower C	Transportation, storage and postal services	1,100.0	0.78%
Borrower D	Scientific research, technical services and geological prospecting	1,099.0	0.77%
Borrower E	Manufacturing	1,047.6	0.74%
Borrower F	Scientific research, technical services and geological prospecting	1,045.0	0.74%
Borrower G	Accommodation and catering	1,000.0	0.70%
Borrower H	Leasing and business services	1,000.0	0.70%
Borrower I	Leasing and business services	996.0	0.70%
Borrower J	Transportation, storage and postal services	902.9	0.63%
Total		10,435.5	7.35%

(C) Distribution of non-performing loans by business type

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021			As of December 31, 2020		
	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)
Corporate loans						
Small and micro enterprises ⁽¹⁾	83,527.2	1,639.4	1.96	78,100.3	1,324.4	1.70
Medium enterprises ⁽¹⁾	23,969.4	163.4	0.68	18,968.0	98.3	0.52
Large enterprises ⁽¹⁾	8,272.4	74.7	0.90	8,051.4	3.2	0.04
Others ⁽²⁾	446.6	—	—	511.5	—	—
Subtotal	116,215.6	1,877.5	1.62	105,631.2	1,425.9	1.35
Retail loans						
Personal business loans	19,110.0	663.3	3.47	17,954.3	621.7	3.46
Personal consumption loans	2,738.7	117.8	4.30	2,656.0	60.3	2.27
Residential and commercial mortgage loans	3,811.7	17.1	0.45	3,813.5	16.5	0.43
Credit card overdrafts	20.9	0.3	1.44	21.5	0.3	1.40
Subtotal	25,681.3	798.5	3.11	24,445.3	698.8	2.86
Discounted bills	—	—	—	—	—	—
Total loans	141,896.9	2,676.0	1.89	130,076.5	2,124.7	1.63

Notes:

(1) The classification for large, medium, small and micro enterprises is based on the Provisions on the Standards for the Classification of Small and Medium Enterprises (《中小企業劃型標準規定》).

(2) Mainly consist of public services institutions and social organizations.

The non-performing loan ratio of corporate loans increased from 1.35% as of December 31, 2020 to 1.62% as of June 30, 2021, primarily due to the decreased repayment ability of certain borrowers as they had difficulties in operation as affected by economic downturn, adjustment of industrial structure and the pandemic.

The non-performing loan ratio of retail loans increased from 2.86% as of December 31, 2020 to 3.11% as of June 30, 2021, primarily due to the decreased repayment ability of certain retail borrowers as affected by the pandemic and economic downturn.

(D) Loan aging schedule

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Loans not overdue	135,779.3	95.7	124,899.3	96.0
Loans past due for:				
1 to 90 days	2,792.1	2.0	2,649.7	2.0
91 days to 1 year	1,274.4	0.9	819.5	0.7
1 to 3 years	1,419.4	1.0	1,170.0	0.9
3 years or more	631.7	0.4	538.0	0.4
Subtotal	6,117.6	4.3	5,177.2	4.0
Gross loans and advances to customers	141,896.9	100.0	130,076.5	100.0

(d) Segment Information

(i) Summary of geographical segment information

In presenting information on the basis of geographical segments, operating income is allocated based on the places of registration of the respective bank that generate the income. The table below sets forth the operating income attributable to each of the geographical segments for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2021		2020	
	Amount	% of total	Amount	% of total
Jilin Province	2,397.2	87.1	2,023.8	86.5
Other Regions ⁽¹⁾	354.8	12.9	315.8	13.5
Total operating income	2,752.0	100.0	2,339.6	100.0

Note:

- (1) Primarily include provinces and municipalities such as Heilongjiang, Guangdong, Hebei, Shandong, Anhui, Hubei, Hainan, Tianjin and Shaanxi.

(ii) Summary of business segments

The Group operates three principal lines of business: corporate banking, retail banking and treasury operations. The table below sets forth the Group's operating income for each of its principal business segments for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2021		2020	
	Amount	% of total	Amount	% of total
Corporate banking	1,413.7	51.4	1,380.2	59.0
Retail banking	1,272.1	46.2	952.1	40.7
Treasury operations	13.5	0.5	(66.1)	(2.8)
Others ⁽¹⁾	52.7	1.9	73.4	3.1
Total	2,752.0	100.0	2,339.6	100.0

Note:

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

(e) Off-balance Sheet Commitments

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021	As of December 31, 2020
Credit commitments		
Bank acceptances ⁽¹⁾	1,937.0	1,524.6
Letters of credit ⁽²⁾	73.7	13.1
Letters of guarantee ⁽²⁾	2,919.1	2,991.2
Unused credit card limits	161.3	161.3
Subtotal	5,091.1	4,690.2
Capital commitments	0.4	1.4
Total	5,091.5	4,691.6

Notes:

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

Off-balance sheet commitments increased by 8.5% from RMB4,691.6 million as of December 31, 2020 to RMB5,091.5 million as of June 30, 2021. The increase in off-balance sheet commitments was mainly due to the increase in bank acceptance and letter of credit business, which was partially offset by the decrease in letters of guarantee business.

3.4 Business Review

(a) Corporate Banking

The Group offers corporate customers a broad range of financial products and services, including loans, bill discounting, deposits and fee- and commission-based products and services. The Group's corporate customers primarily include state-owned enterprises, private enterprises, foreign-invested enterprises, government authorities, financial institutions, public services institutions and non-profit organizations. As of June 30, 2021, the Group had approximately 3,474 corporate borrowers with loans totalling RMB116,215.6 million. For the six months ended June 30, 2021 and 2020, operating income from the Group's corporate banking business accounted for 51.4% and 59.0% of total operating income, respectively.

The Group seeks to grow with its corporate customers, especially SMEs with strong growth potential, and the Group focuses on developing long-term customer relationships. As of June 30, 2021, the Group had 2,672 SME customers with loans totalling RMB91,177.7 million. The Group also collaborates with other financial institutions, such as securities companies, fund companies, trust companies, insurance companies, private equity funds and financial leasing companies, to provide one-stop financial services to corporate customers. The table below sets forth the financial performance of the Group's corporate banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in percentage (%)
	2021	2020	
External interest income, net ⁽¹⁾	3,009.2	2,301.1	30.8
Inter-segment interest expenses, net ⁽²⁾	(1,624.7)	(952.1)	70.6
Net interest income	1,384.5	1,349.0	2.6
Net fee and commission income	29.2	31.2	(6.4)
Operating income	1,413.7	1,380.2	2.4
Operating expenses	(842.0)	(585.8)	43.7
Impairment losses on assets	(664.6)	(360.7)	84.3
Profit before tax	(92.9)	433.7	(121.4)

Notes:

(1) Refers to net income and expenses from third parties.

(2) Refers to inter-segment income or expenses and transfer pricing.

(i) Corporate loans

The Group offers loans to corporate customers to satisfy their capital needs for operations, machinery and equipment procurement and for infrastructure and real estate development. As of June 30, 2021 and December 31, 2020, the Group's corporate loans totalled RMB116,215.6 million and RMB105,631.2 million, respectively, accounting for 81.9% and 81.2% of the Group's gross loans and advances to customers, respectively.

(ii) Discounted bills

The Group purchases bank and commercial acceptance bills at discounted prices from corporate customers to fund their working capital needs. These discounted bills generally have a remaining maturity of less than one year. The Group may re-discount these bills to the People's Bank of China ("PBOC") or other financial institutions. As of June 30, 2021, the Group had a balance of RMB nil in discounted bills.

(iii) Corporate deposits

The Group accepts time and demand deposits from corporate customers in Renminbi and major foreign currencies, such as U.S. dollars and Euros. The terms of corporate time deposits generally range from three months to three years. The Group's corporate deposit customers include state-owned enterprises, financial and government authorities and institutions, private enterprises, foreign-invested enterprises and non-profit organizations. As of June 30, 2021 and December 31, 2020, the Group's corporate deposits totalled RMB37,712.6 million and RMB40,141.0 million, respectively, accounting for 22.8% and 26.8% of total deposits from customers, respectively.

(iv) Fee- and commission-based products and services

The Group offers corporate customers a wide range of fee- and commission-based products and services, primarily including consulting and financial advisory services, syndicated loans services, settlement and clearing services, entrusted loans, agency services and wealth management services.

(A) Consulting and financial advisory services

The Group's consulting and financial advisory services primarily include financing solution structuring and asset management services to corporate customers. For the six months ended June 30, 2021 and 2020, the Group's income from consulting and financial advisory services was RMB16.4 million and RMB14.6 million, respectively.

(B) Syndicated loans services

The Group acts as lead manager, agent and lender bank for syndicated loans to corporate customers to meet their larger financing needs. For the six months ended June 30, 2021 and 2020, the Group earned service fees for syndicated loans of RMB22.6 million and RMB16.5 million, respectively.

(C) Settlement and clearing services

The Group offers settlement services, including fund remittance and transfer, drafts, cheques and other negotiable instruments, to corporate customers.

(D) Entrusted loans

The Group provides entrusted loans to borrowers designated by corporate customers in accordance with the uses of proceeds, principal amounts and interest rates determined by corporate customers. The Group also supervises borrowers' uses of loans and assists in collection of loans. The Group charges agency fees based on the principal amount of entrusted loans. The Group's corporate customers bear the risks of default under entrusted loans.

(E) Agency services

The Group provides fee collection services for corporate customers (including enterprises and public services institutions). The Group believes this enables it to maintain close relationships with customers and enhance brand recognition.

(F) Wealth management services

The Bank offers corporate customers a variety of wealth management products based on their risk and return appetites, including principal-guaranteed wealth management products and non-principal-guaranteed wealth management products. Such wealth management products primarily invest in bonds, interbank deposits, money market instruments and investment portfolios of other fixed-income products. For the six months ended June 30, 2021 and 2020, the Bank's sales of wealth management products to corporate customers totalled RMB nil and RMB40.0 million, respectively.

(b) Retail Banking

The Group offers a broad range of products and services to retail customers, including loans, deposits, debit cards and fee- and commission-based products and services. As of June 30, 2021, the Group had 63,157 retail borrowers with gross loans and advances to customers of RMB25,681.3 million. For the six months ended June 30, 2021 and 2020, the operating income from the Group's retail banking business amounted to RMB1,272.1 million and RMB952.1 million, respectively, accounting for 46.2% and 40.7% of total operating income of the Group, respectively. The table below sets forth the financial performance of the Group's retail banking business for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in percentage (%)
	2021	2020	
External interest expenses, net ⁽¹⁾	(891.7)	(612.2)	45.7
Inter-segment interest income, net ⁽²⁾	2,159.5	1,559.4	38.5
Net interest income	1,267.8	947.2	33.8
Net fee and commission income	4.3	4.9	(12.2)
Operating income	1,272.1	952.1	33.6
Operating expenses	(348.8)	(506.6)	(31.1)
Impairment losses on assets	(71.0)	(152.7)	(53.5)
Profit before tax	852.3	292.8	191.1

Note:

(1) Refers to net income and expenses from third parties.

(2) Refer to inter-segment income or expenses and transfer pricing.

(i) Retail loans

Net interest income of the Group's retail bank business as of June 30, 2021 increased by 33.8% when compared with that of June 30, 2020, which was mainly due to the growth of retail banking business of the Group.

Retail loans consist primarily of personal business loans, personal consumption loans, residential and commercial mortgage loans and credit card overdrafts. As of June 30, 2021 and December 31, 2020, the Group's retail loans totalled RMB25,681.3 million and RMB24,445.3 million, respectively, accounting for 18.1% and 18.8% of gross loans and advances to customers, respectively.

(ii) Retail deposits

The Group offers retail customers a variety of demand deposit and time deposit products denominated in Renminbi and foreign currencies. The Group's retail time deposits denominated in Renminbi generally have maturities ranging from three months to five years. Retail time deposits denominated in foreign currencies (primarily U.S. dollars and Euros) have maturities ranging from one month to two years. As of June 30, 2021 and December 31, 2020, the Group's retail deposits totalled RMB124,503.1 million and RMB105,556.6 million, respectively, accounting for 75.1% and 70.5% of total deposits from customers, respectively.

(iii) Bank cards services

(A) Debit cards

The Group issues Renminbi-denominated debit cards to retail customers who maintain deposit accounts with the Group. Customers may use debit cards for a variety of financial services, including cash deposits and withdrawal, transfers, settlement and bill payment. The Group's debit cards are classified into platinum, gold and basic cards based on customers' daily average financial asset balances. The Group also issues specialized debit cards with added features such as theme cards for different market segments and co-branded cards offering preferential value-added services. The Bank cooperates with Changchun Federation of Trade Unions (“長春市總工會”) to issue service cards for trade union members and offer cardholders comprehensive financial services, including membership management, subsidies and allowances. As of June 30, 2021, the Group had issued approximately 4.4 million debit cards.

(B) Credit cards

The general China UnionPay credit cards of the Bank have been issued to high-quality customers. We continued to pay attention to customers' needs and our service quality has been continuously improved. In the first half of 2021, in order to improve the customers' experience, the Bank enhanced the functions of the “Instal-Card (分唄卡)”, and launched updates for the “Jiutai Rural Commercial Bank Credit Card” WeChat official account and “Jiushang Credit Card” mobile APP. In order to provide more convenient and comprehensive online credit card services, the Bank actively responded to the customers' needs for consumer finance and improved the online approval efficiency of “Fortune Borrowing (財神借款)”. While improving credit card services, the Bank also closely monitored and effectively prevented and controlled risks relating to credit card business. Various business indicators showed steady improvement.

(iv) Fee- and commission-based products and services

The Group offers retail customers a wide range of fee- and commission-based products and services, primarily including wealth management services, private banking services and transfer and remittances.

(A) Wealth management services

The Bank offers retail customers a variety of wealth management products based on their risk and return appetites, primarily including principal-guaranteed wealth management products and non-principal-guaranteed wealth management products. The Bank also sells insurance products and has obtained the license to engage in fund sales business in February 2017. Funds raised from wealth management products are primarily invested in bonds, interbank deposits, money market instruments and other fixed-income products. For the six months ended June 30, 2021 and 2020, the Bank's sales of wealth management products to retail customers totalled RMB3,198.1 million and RMB6,796.8 million, respectively.

The Bank's private banking department provides one-stop financial services tailored for individual customers. These products and services primarily include wealth planning and customized wealth management products. For the six months ended June 30, 2021 and 2020, the Bank's sales of wealth management products to private banking customers totalled RMB331.5 million and RMB298.8 million, respectively. The Bank also provides private banking customers with various value-added services, primarily including priority banking services, one-on-one consultancy services, bank fee discounts and health consultancy services offered in cooperation with third parties.

(B) Other fee- and commission-based products and services

The Group provides retail customers with other fee- and commission-based products and services, including transfer and remittances, collection and bank drafts.

(c) *Treasury Operations*

The Group's treasury operations consist primarily of money market transactions, investments in securities and other financial assets and treasury operations conducted on behalf of customers. In response to the complicated and ever-changing economic and financial environment as well as changes in policies and market, the Bank placed an emphasis on optimization of the assets and liabilities structure and improvement in the yield of our treasury operations. The Bank capitalized on investment opportunities through timely adjustment of its investment strategies and compliant and prudent development of the treasury operations. For the six months ended June 30, 2021 and 2020, operating income from the Group's treasury operations was RMB13.5 million and RMB(66.1) million, accounting for 0.5% and (2.8)% of its total operating income, respectively. The table below sets forth the financial performance of the Group's treasury operations for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in percentage (%)
	2021	2020	
External interest income, net ⁽¹⁾	597.9	408.7	46.3
Inter-segment interest expenses, net ⁽²⁾	(534.8)	(607.3)	(11.9)
Net interest income	63.1	(198.6)	(131.8)
Net fee and commission income	0.3	0.9	(66.7)
Net income from other businesses ⁽³⁾	(49.9)	131.6	(137.9)
Operating income	<u>13.5</u>	<u>(66.1)</u>	<u>(120.4)</u>
Operating expenses	(50.2)	(23.5)	113.6
Impairment losses on assets	(67.2)	(139.9)	(52.0)
Profit before tax	<u>(103.9)</u>	<u>(229.5)</u>	<u>(54.7)</u>

Notes:

(1) Refers to net income from third parties.

(2) Refers to inter-segment expenses and transfer pricing.

(3) Primarily includes net trading gains and losses and net gains/(expenses) from financial assets investments.

(i) Money market transactions

Money market transactions play a significant role in liquidity management. The Group also earns interest income from money market transactions. Money market transactions mainly include (i) interbank deposits with other domestic banks and non-banking financial institutions; (ii) interbank placements; and (iii) interbank repurchase and reverse repurchase transactions.

(A) Interbank deposits

In 2021, the Bank was selected as one of the “Top 300 Trading Banks in the Interbank RMB Market in 2020” and one of the “Top 100 Banks in the Interbank RMB and Foreign Exchange Market in 2020” in each case by the China Foreign Exchange Trade System and National Interbank Funding Center.

The Group accepts deposits from banks and other financial institutions and deposit funds in other financial institutions to adjust its asset and liability structure. As of June 30, 2021 and December 31, 2020, the balance of Group’s deposits from banks and other financial institutions totalled RMB7,475.8 million and RMB8,335.9 million, respectively, and the balance of Group’s deposits at banks and other financial institutions totalled RMB7,663.8 million and RMB8,396.7 million, respectively.

(B) Interbank placement

As of June 30, 2021 and December 31, 2020, the balance of Group’s placements with banks and other financial institutions totalled RMB24.9 million and RMB729.3 million, respectively, and the balance of Group’s placements from banks and other financial institutions totalled RMB7,732.5 million and RMB7,101.5 million, respectively.

(C) Interbank repurchase and reverse repurchase transactions

The securities underlying the Group’s repurchase and reverse repurchase transactions are mainly RMB-denominated treasury bonds and policy-oriented financial bonds. As of June 30, 2021 and December 31, 2020, the Group’s financial assets held under resale agreements totalled RMB nil and RMB1,102.0 million, respectively, and the Group’s financial assets sold under repurchase agreements totalled RMB2,730.5 million and RMB2,654.9 million, respectively.

(ii) Investments in securities and other financial assets

The Group’s investment portfolio consists primarily of bonds and debt instruments issued by other financial institutions.

While reducing buy-back financing cost by taking various measures, the Bank selectively allocated some bond assets with relatively suitable maturity and yield to improve returns on assets.

(A) Securities investment by business model and characteristics of cash flow of assets of the Group

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	3,021.9	10.3	3,200.2	10.5
Financial assets at fair value through other comprehensive income	5,191.4	17.7	2,526.1	8.3
Financial assets at amortized cost	21,192.7	72.0	24,772.7	81.2
Total investment securities and other financial assets	29,406.0	100.0	30,499.0	100.0

Total investment securities and other financial assets decreased by 3.6% from RMB30,499.0 million as of December 31, 2020 to RMB29,406.0 million as of June 30, 2021.

(B) Maturity profile of the Group's investment portfolio

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Immediately due	6,174.2	21.0	7,771.6	25.4
Due in 3 months	2,394.3	8.1	1,432.6	4.7
Due between 3 and 12 months	7,943.9	27.0	9,055.7	29.7
Due between 1 and 5 years	5,728.3	19.5	7,280.4	23.9
Due over 5 years	5,966.5	20.3	3,626.8	11.9
Undefined	1,198.8	4.1	1,331.9	4.4
Total	29,406.0	100.0	30,499.0	100.0

The Bank's securities investment with a remaining maturity of between 3 months and 12 months represented the largest portion.

(C) Holding of government bonds

As of June 30, 2021, the balance of face value of the government bonds held by the Bank amounted to RMB9,769.6 million. The table below sets out the top 10 government bonds with the highest face value held by the Group as of June 30, 2021.

Name of the bond	Face value (RMB in millions)	Coupon rate (%)	Maturity date
20 Interest-bearing treasury bond 11 (20付息國債11)	1,850.0	2.64	August 13, 2022
21 Interest-bearing treasury bond 05 (21付息國債05)	1,840.0	3.72	April 12, 2051
20 Interest-bearing treasury bond 12 (20付息國債12)	940.0	3.81	September 14, 2050
20 Interest-bearing treasury bond 04 (20付息國債04)	610.0	3.39	March 16, 2050
20 Interest-bearing treasury bond 06 (20付息國債06)	370.0	2.68	May 21, 2030
15 Interest-bearing treasury bond 16 (15付息國債16)	360.0	3.51	July 16, 2025
20 Interest-bearing treasury bond 17 (20付息國債17)	340.0	3.28	December 3, 2027
20 Interest-bearing treasury bond 15 (20付息國債15)	340.0	2.89	November 19, 2021
15 Interest-bearing treasury bond 26 (15付息國債26)	230.0	3.05	October 22, 2022
21 Interest-bearing treasury bond 06 (21付息國債06)	230.0	2.36	April 22, 2022
Total	7,110.0		

(D) Holding of financial bonds

As of June 30, 2021, the balance of face value of the financial bonds (mainly the financial bonds and interbank certificates issued by policy-oriented banks, banks and other financial institutions in China) held by the Group amounted to RMB1,770.2 million. The table below sets out the 10 financial bonds with the highest face value held by the Group as of June 30, 2021.

Name of the bond	Face value (RMB in millions)	Coupon rate (%)	Maturity date
19 Guo Kai 05 (19國開05)	370.00	3.48	January 8, 2029
16 Nong Fa 05 (Additional Issuance) (16農發05 (增發))	200.00	3.33	January 6, 2026
15 Guo Kai 09 (Additional Issuance) (15國開09 (增發))	200.00	4.25	April 13, 2022
14 Guo Kai 11 (14國開11)	130.00	5.67	April 8, 2024
14 Guo Kai 28 (14國開28)	100.00	4.18	November 20, 2021
16 Nong Fa 21 (16農發21)	100.00	2.96	July 27, 2021
19 Guo Kai 15 (19國開15)	100.00	3.45	September 20, 2029
14 Nong Fa 23 (14農發23)	100.00	5.48	March 21, 2024
16 Nong Fa 05 (16農發05)	100.00	3.33	January 6, 2026
18 Guo Kai 10 (18國開10)	80.00	4.04	July 6, 2028
Total	1,480.00		

(iii) Treasury operations conducted on behalf of customers

In the Bank's treasury operations conducted on behalf of customers, the Bank manages funds received from the issuance of wealth management products to corporate and retail customers. For the six months ended June 30, 2021 and 2020, the Bank sold wealth management products totalling RMB3,198.1 million and RMB6,836.8 million, respectively.

(d) Distribution Network

(i) Physical outlets

As of June 30, 2021, the Group had an aggregate of 358 outlets, of which 164 outlets, including three branches in Changchun, Songyuan and Tonghua, were operated by the Bank and the rest by the Group's subsidiaries under their own names.

Based on different regional conditions, the Group developed community finance, finance for three rurals and corporate finance. In addition to providing traditional banking services, the Group also strove for outlet transformation. In order to accelerate the transformation of intelligent operation, smart counters, smart printers, PAD mobile terminals at lobbies and other intelligent equipment were installed to reorganize the layout of outlets and streamline the service procedures for smoother lobby services so as to increase operating efficiency while further enhancing customers' experience.

(ii) Electronic banking

(A) Self-service banking

The Group provides convenient banking services to customers at lower operation costs by using self-service facilities. Self-service facilities are available at service outlets, self-service zones, commercial complexes, hospitals, schools and other public places. As of June 30, 2021, the Group had 379 self-service outlets, 81 self-service zones and 1,068 self-service facilities.

(B) Telephone and SMS banking

The Group provides customers with account management, status reminders, transfer and remittance and consultation and other services around the clock through an interactive self-service voice system, live customer service, and SMS interaction. As of June 30, 2021, the Group had 2,278,748 phone and SMS banking customers.

(C) Internet banking

The Group provides customers with account management, transfer and remittance, interbank receipt, online loan application and online payment services through the Internet. As of June 30, 2021, the Group had 441,719 internet banking customers.

(D) Mobile phone banking

The Group provides customers with mobile phone banking services, including account inquiry and management, transfer and remittance, fee payment and mobile phone payment services. As of June 30, 2021, the Group had 984,175 mobile phone banking customers.

(E) WeChat banking

Through WeChat, the Group's customers can access information relating to its products, services and promotions, manage accounts, search for its outlet locations and reserve counter services. As of June 30, 2021, the Group had 175,751 WeChat banking customers.

(F) Remote video banking

The Group offers remote video conference counter services for retail customers.

(e) Information on the Subsidiaries

(i) Jilin Jiuyin Financial Leasing Co., Ltd.

The Bank, as the main promoter, established Jilin Jiuyin Financial Leasing Co., Ltd. (“**Jilin Jiuyin**”) after obtaining approval from the CBIRC. The registered address of Jilin Jiuyin is in Changchun of Jilin Province, and its registered capital amounts to RMB500.0 million, RMB300.0 million of which is contributed by the Bank, accounting for 60%. Jilin Jiuyin obtained the business license on February 20, 2017 from the Administration for Industry and Commerce of Jilin Province. Its scope of business includes financial leasing business, transferring assets under financial leases as transferor and transferee, fixed-income securities investment business, accepting deposits as guarantee from the lessee, taking deposits of 3 months or above from non-bank shareholders, interbank placements, obtaining loans from financial institutions, offshore lending, disposal and handling of leased articles and economic consulting. As at June 30, 2021, total assets of Jilin Jiuyin amounted to RMB2,965.5 million. For the six months ended June 30, 2021, the operating income from Jilin Jiuyin amounted to RMB53.7 million, accounting for 2.0% of total operating income of the Group.

(ii) Rural commercial banks

As of June 30, 2021, the Bank controlled and consolidated one rural commercial bank that was restructured from rural credit cooperatives the Bank acquired. The rural commercial bank offers a broad range of financial products and services to corporate and retail customers, including commercial and consumer loans, bill discounting, deposits from customers and fee- and commission-based products and services, such as settlement services, remittance services and bank card services, and is also involved in money market transactions and investment in debt securities. As at June 30, 2021, the total assets, total deposits and total loans of such rural commercial bank amounted to RMB8,815.9 million, RMB7,725.6 million and RMB6,692.2 million. For the six months ended June 30, 2021, operating income of such rural commercial bank amounted to RMB91.6 million, accounting for 3.3% of the total operating income of the Group.

(iii) Village and township banks

As of June 30, 2021, the Bank controlled and consolidated a total of 33 village and township banks in Jilin province, Heilongjiang, Hebei, Tianjin, Shandong, Anhui, Hubei, Shaanxi, Guangdong and Hainan.

As of June 30, 2021, these village and township banks had total assets of RMB56,872.7 million, total deposits of RMB47,146.6 million and total loans of RMB32,334.9 million. For the six months ended June 30, 2021, the operating income of these village and township banks was RMB811.4 million, accounting for 29.5% of the Group's total operating income.

The Bank's village and township banks provide local corporate and retail customers with a broad range of financial products and services. These products and services include commercial and consumer loans, bill discounting, deposits from customers and fee- and commission-based products and services, such as settlement services, remittance services and bank card services. Some village and township banks also engage in money market transactions and invest in debt securities.

In 2010, the Bank established a village and township bank management department to help village and township banks to establish strategic development plans, provide research, technology and human resource support and supervise their risk management. In addition, the Group and other banks in China have formed a strategic development alliance for village and township banks headquartered in Tianjin Municipality to promote information exchange and resource sharing among village and township banks in China. The Bank has also established five service centers in Jilin, Tianjin, Anhui and Guangdong to support the Bank's village and township bank operations.

(f) Operation and Safety of IT Systems

In the first half of 2021, by enhancing technological governance, supporting system development, consolidation of infrastructure, protecting information security and strengthening talent development, the Bank promoted digital transformation of and provided comprehensive and effective support for the innovative development of various businesses.

(i) Continuous enhancement of technological governance

The Bank further enhanced its technological governance through continuous deepening reforms and improvement of systems. The Bank formulated the 2021 Information Security Work Plan (《2021 年信息安全工作規劃》), analyzed the industrial development trend and stated the principles, major tasks and procurement budget in respect of information security in 2021. 11 sets of rules in respect of IT system, including project initiation, demand analysis, system design and classification of data assets, were revised to improve the IT management and control system. The Bank has attached high importance to the protection of intellectual property rights and actively consolidated its technological achievements. In the first half of 2021, the Bank obtained 8 computer software copyrights issued by the National Copyright Administration. As of the end of June 2021, the Bank had 26 software copyrights in total. The Bank ranked first among the rural credit financial institutions in the Assessment of Technological Achievements by Jilin Rural Credit Cooperative Association in 2020 (2020 年度吉林省聯社科技條線工作考核評價), and ranked first among all participating rural commercial banks in Jilin province in terms of the IT regulatory rating in 2020 (2020 年度信息科技監管評級).

(ii) Accelerated system development

In the first half of 2021, the Bank launched the fund sales agencies data reporting system, management cockpit system, credit concentration and connected transaction management system (phase II) and offline acquiring system, reformed the credit card system and FTP and RPM systems, and established connections with 5 cooperative enterprises with enterprise resources planning system or intermediary business such as Jilin University of Finance and Economics and Jilin Vocational and Technical College. The Bank fulfilled all regulatory compliance requirements, which provided strong support for our business development. As part of the transformation and development strategy of digitalization, the Bank commenced the establishment of online financial business platform. In compliance with the policy and regulatory requirements, the Bank further promoted the development of online financial business featuring multi-channel, green and convenient services in a safe and compliant way, and accelerated the transformation of retail business. The Bank also developed services to facilitate rural development. In active response to the policy requirements for rural revitalization and accelerated modernization of agriculture and villages, the Bank expanded its development in villages to better serve the three rurals and promoted the development of inclusive finance.

(iii) Consolidation of infrastructure

In the first half of 2021, the server rooms of the information center of the Bank maintained satisfactory operation. The usability of basic environment of server rooms reached 100%. Through strategically using well-developed commercial products and customizing scenarios, the Bank adopted automated operation and maintenance, realizing automated configuration library audit and virtualized filing system inspection as well as automated software deployment. The operational efficiency was significantly enhanced. In addition, the Bank refined the access to financial metropolitan area network, migrated to encryption platform and optimized and upgraded the data center, which guaranteed the safe and reliable operation of business systems. The Bank passed the annual certification of ISO22301 system, and further refined its operation and maintenance system development by establishing an integrated operation and maintenance platform to achieve more standardized and systematic management of IT operation and maintenance and business continuity. A risk management system with focus on prevention and continuous improvement was set up to facilitate more efficient IT services and business continuity.

(iv) Strong information security

The Bank established and refined its security protection mechanism through strengthening the security protection, improving the rules of systems and enhancing the safety awareness. Under the guidance of the network safety management authorities of the PBOC, Jilin province and Changchun, the Bank made substantial preparation and active prevention works, and completed 3 network security hacking and defense drills. The Bank passed the annual certification of ISO27001 system and further refined its internal control management and procedures for science and technology. In the first half of 2021, the Bank conducted 4 inspection and audit tasks on various aspects including the IT organization and structure, system development, system changes, logical access, data backup, business continuity and outsourcing management, and organized 8 emergency drills in respect of 6 categories including TSM backup system, power system of server room, firewall, air-conditioning system of server room and switching of external connection lines. The capabilities to cope with contingency was enhanced. The Bank actively organized science and technology week and publicity campaign for the fourth anniversary of the implementation of network safety law so as to effectively raise awareness on information security through publicizing laws, regulations and policies regarding network safety and spreading relevant knowledge.

(v) Strengthening technological talents development

As a member of the Financial Technology Committee of the Asian Financial Cooperation Association, the Bank has put great efforts in developing fintech and promoting digital transformation of small-and-medium sized banks during post-pandemic period and established an exchange and cooperation platform for fintech. With an aim to analyze the development trend and scenario application of fintech, the Bank and Changchun Branch of the PBOC jointly carried out the Research on the Application of AI Technology in Financial Field in Jilin Province Amid the Fintech Development (《金融科技發展背景下人工智能技術在吉林省金融領域的應用研究》), which won the research project third prize of Jilin Provincial Finance

Association. The Bank enriched the courses of online “internet college” and organized safety skills training programs and IT security verification knowledge system courses and participated in similar programs organized by well-known companies and research organizations of the industry. The Bank participated in “2021 National Internet Security Competition of Rural Financial Institutions”, cultivating “skills” by “competitions” and enhanced its information security skills. In the first half of 2021, one person passed the certification of senior project manager.

3.5 Risk Management

(a) Risk Management of the Bank

The Bank is committed to building a comprehensive risk management system to eliminate the impact of various uncertainties on the Bank’s strategy and business objectives. The Bank’s comprehensive risk management has a hierarchical structure. As the highest decision-making body of the risk management structure, the Board is responsible for establishing and maintaining an effective comprehensive risk management system. The Bank has established a sound risk management system. Risk management procedures are adopted at all managerial levels and good risk management culture is cultivated to achieve the overall objectives of risk management. The comprehensive risk management of the Bank covers all major risks, including the credit, market, operating, liquidity, reputational, legal and compliance, IT, anti-money laundering and terrorist financing risks.

(i) Credit risk management

Credit risk is the risk of loss related to failure by a debtor or counterparty to meet its contractual obligations or to changes in their credit ratings. The Bank’s credit risks arise mainly from corporate loans, personal loans and treasury operations.

The Bank’s credit risk management organization includes its president, Risk Management Committee, Credit Approval Committee, risk management department, front desk business department, internal audit department and persons-in-charge of branches and sub-branches.

The Bank prepares annual credit approval plans, credit limit plans and credit policies based on national and regional economic development plans, financial market conditions, austerity requirements, its asset and liability structure and deposit and loan growth trends.

The Bank uses the following mechanisms to manage credit risks:

- Customer screening mechanism — The Bank determines the target customers based on its market positioning and screen credit customers based on its credit policies.
- Credit exit mechanism — The Bank regularly reassesses its outstanding credit risk based on customer, industry and market conditions. The Bank reassesses the credit rating for short-term loans if there are interest payment defaults. The Bank

reassesses the credit rating for medium and long-term loans annually. The Bank also adopts measures to manage potential credit risk, including increasing the frequency of post-disbursement examination, requesting additional collateral or guarantees, and ceasing to extend new loans. The Bank determines whether or not to exit a credit based on the severity of adverse changes in the borrower's circumstances, such as its (i) financial condition; (ii) substantial shareholders; (iii) key managers and technicians; (iv) customers quality; (v) payment ability; and (vi) business environment.

- Risk alert mechanism — The Bank continually monitors outstanding credit and overall credit quality. The Bank carries out standardized management of risk alerts through the use of the post-disbursement management function of its credit system and promptly provides advice to deal with the issue.
- Non-performing asset disposal mechanism — The Bank has established an accountability mechanism for the disposal of non-performing assets.

The Bank has established a system to manage the provision of corporate and personal loans. As part of this system, the Bank has taken measures to improve credit risk management, including risk identification and monitoring policies and dividing responsibilities among its credit investigation, approval and execution departments. The Bank also sets departmental authorization limits and monitors the use of loans.

In the first half of 2021, the Bank seriously complied with the national financial policies and industrial policies and strictly implemented the regulatory requirements. The Bank further optimized its credit risk management procedures and measures, and strengthened the centralized management of credit risk, so as to effectively improve its credit risk management. Firstly, fundamental work of credit risk management was enhanced. The Bank revised 9 sets of systems including the credit management system and management measures of the risk alert system of credit assets in response to the risk management requirements in the new era. Secondly, categorized management and monitoring and early alerts of asset quality risks were adopted in order to proactively identify and promptly mitigate credit risks. In addition, the Bank implemented sound quality management of credit assets in the post-pandemic period, and issued the Implementation Opinions on the Collection and Reduction of Non-performing Loans in 2021 (《2021年不良貸款清收壓降實施意見》) which provided guidance on accurate implementation of policy in order to achieve satisfactory results in the control and reduction of non-performing assets. Thirdly, the Bank focused on its principal business to support the development of the real economy. The Bank adjusted its credit policy and effectively determined its credit approval plan accordingly to further refine the credit structure. Fourthly, the Bank reinforced the rating management and implemented stringent approval procedures for customers to ensure the quality of new loans. Fifthly, the Bank continued to monitor and analyze significant risk and strictly complied with the prevention and control requirement of significant risks for various businesses. Through effective identification, measurement and monitoring, significant risks were prevented and controlled.

(ii) Market risk management

Market risk is the risk of loss in on- and off-balance sheet positions arising from fluctuations in market prices due to changes in interest rates, exchange rates and other market factors. The Bank is exposed to market risk primarily through its banking and trading business portfolios. The market risks associated with the banking business portfolio of the Bank include interest rate risk and exchange rate risk. The primary market risks associated with the Bank's trading business portfolio are fluctuations in the market value of trading positions, which are affected by movements in observable market variables, such as interest and exchange rates. The principal objective of the Bank's market risk management is to limit potential market losses to acceptable levels based on its risk appetite while seeking to maximize risk adjusted returns.

The Bank's organizational structure for market risk management includes its front, middle and back offices. The Board of the Bank assumes ultimate responsibility for management of market risk. The Bank's senior management implements market risk management strategies and policies approved by its Board. The Bank's business departments implement market risk management measures in their daily operations.

In the first half of 2021, the Bank closely monitored market changes and further refined the market risk management system. Market risks were fully measured based on sensitive analysis, duration, value at risk (VaR) and other tools. Abilities of Identification, evaluation and prevention of market risks were further strengthened. The Bank strictly managed market risk limits and continued to monitor transaction limits, stop-loss limits and risk limits. The Bank also provided early warning and took effective measures for potential risks. Based on the results of its regular stress tests, market risk management strategies and methods were adjusted in a timely manner to further enhance the market risk management level.

(A) Interest rate risk management

Interest rate risk is the risk of economic loss to commercial banks due to adverse changes in interest rates. Based on a variety of sources, interest rate risk can be categorized into repricing risk, yield curve risk, benchmark risk and optionality risk. The interest rate risk of the Bank mainly includes re-pricing risk (also known as maturity mismatch risk), which is due to the difference between the maturity dates of assets, liabilities and off-balance sheet positions of the Bank (for fixed interest rate) or the re-pricing period (for floating interest rate). The overall goal of the interest rate risk management of the Bank is to follow the principles of sound risk preference and to ensure the adverse impacts of changes in interest rates on revenue and value of the Bank are controllable.

The Bank has established a governance structure compatible with its interest rate risk management, which comprised the Board and its Risk Management Committee, the senior management and its Asset and Liability Management Committee, departments at the front and middle offices, branches and subsidiaries. Such governance structure is also under the supervision of the

Board of Supervisors and subject to audit by the audit department. The senior management is responsible for the specific management of the interest rate risk of the Bank, while the Asset and Liability Management Committee performs relevant functions as authorized by senior management, including the formulation, evaluation, supervision and implementation of interest rate risk preferences and interest rate risk management strategies, policies and procedures. Each management level has clear division of work, ensuring that the interest rate risk management can be carried out independently and effectively with sufficient resources.

In the first half of 2021, the Bank further improved the management of internal funds transfer pricing (FTP) system and the loan rate pricing model (RPM), formulated scientific pricing strategy and established comprehensive pricing mechanism to improve its performance. Allocation of resources and structure was optimized and risk management of interest rate was further enhanced. The Bank designed different interest rate shock scenarios and pressure scenarios to measure the impact of interest rate fluctuation on its economic value under specific interest rate shock scenarios and analyze the potential interest rate risk level of banking books of the Bank based on the changes in economic values in order to strengthen its capability to cope with banking book interest rate risk. In the future, the Bank will expand the analysis of macro policies and interest rate trend, adjust the maturity profile of assets and liabilities reasonably, formulate the interest rate risk preference and strategy scientifically and optimize the interest rate risk monitoring system in order to further enhance the banking book interest rate management level of the Bank.

(B) Exchange rate risk management

Exchange rate risk is the risk of loss to on- and off-balance sheet businesses of the Bank due to adverse changes in exchange rate. The exchange rate risk of the Bank is mainly due to mismatches in the currency denominations of its assets and liabilities and the term structure of foreign exchange transactions. The Bank manages exchange rate risk by reasonable matching the sources and uses of funds. The Bank mainly uses foreign exchange exposure analysis and sensitivity analysis to measure exchange rate risk. It also seeks to minimize the management cost of exchange rate risk and impact of exchange rate fluctuations and to maintain exchange rate risk within an acceptable range by managing risk exposure limits and choosing appropriate transaction currency.

The Bank regulates transactions that have high exchange rate risks and controls exchange rate risk through on- and off-balance-sheet hedging. The Bank chooses transaction currency reasonably to reduce exchange rate risks and obtain stable income. The Bank revalues monetary balance sheet items and non-monetary items at fair value daily to enhance the management level of foreign exchange assets and liabilities. The Bank monitors foreign exchange positions on a real-time basis and promptly closes positions from major transactions. The Bank has continued to strengthen its exchange rate risk management, ensured the reasonable use of foreign exchange funds and duly considered the effect of exchange rate changes on

revenue for the current period to further improve its risk management capability of foreign exchange exposure. The Bank studies the effect of changes in the main factors of market risk on revenue and economic value to proactively regulate potential systematic risks. The exchange rate risk management level of the Bank can be extensively improved.

(iii) Operational risk management

Operational risk refers to the risk of loss caused by incomplete corporate governance structure, defective internal control procedures, failures of employees and IT systems or external events. Operational risk events include risk of internal and external fraud, risk relating to customers, products and operations and risk of errors and malfunctions of IT systems.

The Board of the Bank is ultimately responsible for operational risk management and reviewing operational risk policies. The Bank's senior management is responsible for coordinating daily operational risk management. The Bank's legal compliance department mainly leads the management of operational risks and is responsible for the daily monitoring, identification, evaluation and control of operational risks and reporting to senior management. The risk management department, all business departments, branches and sub-branches are integral to the Bank's operational risk management framework. The Bank manages and controls operational risks through reporting, balancing authority and supervision systems.

In the first half of 2021, the Bank implemented various measures to continuously optimize the operational risk management and enhance its risk management and control capability. Firstly, the Bank standardized its systems. The operational risk management measures and the template contract for credit approval were revised according to relevant laws and regulations including the Civil Code in order to continuously improve the operational risk management system based on the needs of business development. In addition, the Bank further strengthen the management of its policies by developing and introducing the policy management system to facilitate regular modification and inspection, laying a solid foundation for standardized operation. Secondly, the Bank strengthened its efforts in education. The Bank enhanced the training to all employees, developed the concept of compliance operation and reinforced the implementation of systems in order to strengthen the awareness and proactiveness of all employees in the execution of policies and systems, improve the duty performance of management and enhance the ability of frontline staff in identifying and responding to operational risk. Thirdly, the Bank strengthened its management. The Bank continued to promote its three-year "compliance task" and launched the campaign of "internal control and compliance development year" to enhance its risk prevention and control capabilities. 8 drills were carried out in six areas including TSM backup system, firewall and switching of external links, which effectively improved our emergency handling ability.

(iv) Liquidity risk management

Liquidity risk refers to the risk of failure to secure sufficient funds to fulfil payment obligations at reasonable cost and in a timely manner. Liquidity risk is largely affected by external factors such as domestic and international financial conditions, macroeconomic policies, changes in financial markets and competitive strengthens of the banking industry. Liquidity risk is also affected by internal factors such as maturity profile of assets and liabilities business structure, deposit stability, financing capability and so on. The Bank's liquidity risk management aims to establish and continuously improve the strategy, policy and procedure of liquidity risk management and to specify the organization structure and responsibilities of the relevant functional departments so as to effectively identify, measure, monitor and control liquidity risks. The objective of liquidity risk management is to maintain the balance of safety, liquidity and efficiency of its operation.

The Bank has established an effective liquidity management framework, decision-making system and related procedures. The Board of the Bank is ultimately responsible for liquidity risk management, and shall review and approve the policy, strategy and procedure relating to the liquidity management of the Bank and limit of liquidity risk according to its risk appetite. The Board will receive regular reports on the major and potential changes of the Bank's liquidity risks. The Assets and Liabilities Management Committee under the senior management is responsible for the implementation of the strategies and policies and procedures of liquidity risk management. The financial accounting department is responsible for the daily liquidity risk management and to cooperate with the inter-bank market center and other function departments to orderly and efficiently manage the liquidity risk management system.

The Bank has established comprehensive liquidity risk management system and continued to improve its liquidity risk management measures, tools and approaches based on the four principles of centralized management, safety and soundness, prospective management and full coverage. The ability to measure, identify and forecast liquidity risks was further enhanced through asset and liability management, liquidity risk indicative limits and maturity management to strengthen the liquidity risk management system development. In addition, the Bank further improved the management of cash flow and reserve of assets with high quality and explored more supplementary sources of funding. The Bank scientifically optimized the assets and liabilities structure and managed its business growth in a reasonable pace based on the liquidity gap, liquidity ratio requirement, capital strength and market changes to further strengthen its liquidity risk prevention and control capability.

In the first half of 2021, the Bank highly emphasized the liquidity risk management. The Bank insisted on prudent operation, strengthened risk alert and enhanced the comprehensive analysis on liquidity risk. The liquidity of the Bank remained stable in general. Firstly, the Bank formulated specific management strategies. Adhering to the strategy of prudent and sound management of liquidity risk and based on its actual condition and development plans, the Bank continued to optimize its asset and liability structure, adjusted the maturity profile of assets and liabilities reasonably and arranged the utilization and structure of funds in an orderly manner so to maintain the flexibility and balance among security, liquidity and efficiency while ensuring the compliance

with regulatory requirement. Secondly, the Bank strengthened the management of assets and liabilities. The Bank duly adjusted the maturity structure of assets and liabilities to ensure sufficient liquidity, and enhance the proactive management of liabilities to ensure safe and stable liquidity. Limit management was reinforced by setting up the overall limits and limits for different units based on the business features and risk appetite. The Bank also improved the credit approval procedures for transaction counterparties. Internal pricing management and daily position management were enhanced to maintain the balance of security and yield. Thirdly, the emergency handling system was refined. The Bank conducted liquidity stress test on a regular basis, formulated and improved the emergency plans and organized drills to strengthen its ability to cope with emergency.

(v) *Reputational risk management*

Reputational risk is the risk of negative evaluation of the Bank by stakeholders resulting from the Bank's operations, management, other activities or external events. The Bank's reputational risk management aims to identify, monitor, manage and mitigate reputational risk through the establishment of a proactive, reasonable and efficient reputational risk management mechanism. These efforts allow the Bank to establish and maintain a positive image for its sustainable, steady and rapid development.

The Board of the Bank bears ultimate responsibility for reputational risk management. The Risk Management Committee is responsible for providing opinions for the Board to make decisions on reputational risk management. It is also responsible for the control, management, monitoring and evaluation of the Bank's reputational risk management. The senior management is responsible for taking the lead in the reputational risk management of the Bank and implementing the reputational risk management strategies and policies formulated by the Board. The senior management is also responsible for approving systems, methods, operational procedures and handling plans of reputational events related to reputational risk management to ensure smooth and effective operation of the reputational risk management system.

In the first half of 2021, the Bank strictly fulfilled various regulatory requirements and set clear division of duties based on the rules and policies of reputational risk management in order to establish a well-coordinated, effective and rapid-response operational mechanism. The Bank continued to strengthen the assessment for early warning, formulated emergency plans and enhanced monitoring and investigation to improve the ability of early warning. The Bank strengthened its staff management, maintained strict compliance, enhanced the protection of interests of financial consumers and improved service quality. The Bank organized regular drills for various contingent events and specified the solutions for different issues in order to enhance the capability to cope with reputational risk.

(vi) Legal and compliance risk management

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, significant financial losses and reputational harm resulting from the failure to comply with laws and regulations. The Bank's legal and compliance risk management aims to establish an effective and comprehensive compliance risk management structure, specify the obligation of risk management, promote the culture of compliance, improve the comprehensive risk management system so as to ensure the compliance of operation.

The Bank incorporates legal and compliance risk management in the development of its corporate culture as well as its comprehensive risk management system in order to establish a top-down compliance risk management system. In the first half of 2021, adhering to the principle of achieving growth in compliance with the regulations, the Bank prioritized internal control and further improved the effectiveness of its compliance management. Firstly, the Bank improved its system and mechanism, and regulated its internal control processes, in order to strengthen the implementation of systems and smooth the system of compliance risk prevention. Secondly, the Bank commenced various campaigns in accordance with regulatory requirements to further consolidate and extend the results of market chaos rectification, enhance internal compliance management, establish a sound and prudent operation philosophy and create a positive compliance culture. Thirdly, the Bank strengthened the supervision and inspection mechanism and carried out special inspection and rectification in respect of non-compliance activities, shortcomings and case prevention. Fourthly, the Bank consolidated its foundation to strengthen compliant operation of grassroots institutions. The Bank instructed grassroots institutions to enhance the study of rules and regulations and conduct warning education, which further raised the compliance awareness of all employees.

(vii) IT risk management

IT risk refers to the operational, reputational, legal and other risks arising from the use of information technologies due to natural factors, human factors, technical constraints, management defects and other factors. The Bank's IT risk management aims to identify, measure, monitor and control IT risk through the development of effective systems. In doing so, the Bank seeks to ensure its safe and stable operation and promote business innovation through the application of advanced information technology. Through expanding the application of IT, the Group aims to strengthen its core competitiveness and sustainable development ability.

The Bank has established the IT Committee responsible for overseeing and guiding the work of IT. The Bank has included IT risks in its comprehensive risk management system while the IT department is responsible for implementation of specific risk management policies, plans and programs.

In the first half of 2021, the Bank strengthened the real-time monitoring and control of IT risks through optimizing its IT system and network prevention and control system and strengthening business continuity management. The Bank also established a comprehensive IT risk management mechanism covering all periods and aspects. Firstly, the Bank improved the IT governance system. The Information Security Work Plan of 2021 (《2021 年信息安全工作規劃》) was formulated. The Bank further enhanced its management of network security and established a prevention and control system network security technology covering all aspects and procedures. 11 sets of IT rules, such as project initiation, demand analysis, system design and data assets classification, were revised and modified in order to further improve the internal control management and procedures of science and technology. The Bank conducted 4 inspection and audit tasks on various aspects including the IT organization and structure, system development, system changes, logical access, data backup, business continuity and outsourcing management. Capitalizing on internet college, a learning platform, the Bank organized network safety knowledge training to gradually raise the awareness on network safety and risk prevention and control capability of employees. Secondly, the Bank refined its network prevention and control system. Through strategically using well-developed commercial products and customizing scenarios, the Bank adopted automated operation and maintenance, realizing automated configuration library audit and virtualized filing system inspection as well as automated software deployment. The operational efficiency was significantly enhanced. In addition, the Bank refined the access to financial metropolitan area network, migrated to encryption platform and optimized and upgraded the data center, which guaranteed the safe and reliable operation of business systems. Under the guidance of the network safety management authorities of the PBOC, Jilin province and Changchun, the Bank made substantial preparation and prevention works, and completed 3 network security hacking and defense drills. The Bank participated in “2021 National Internet Security Competition of Rural Financial Institutions”, cultivated “skills” by means of “competitions” and enhanced its information security skills through studying the theories and practical operations. Thirdly, the Bank improved its business continuity management. The Bank passed the annual certification of ISO27001 and ISO22301 systems, and further refined its information security and operation and maintenance system development to achieve more standardized and systematic management of IT operation and maintenance and business continuity. A risk management system with focus on prevention and continuous improvement was set up to facilitate more efficient IT services and business continuity. The Bank organized 8 emergency drills in respect of 6 categories including TSM backup system, power system of server room, firewall, air-conditioning system of server room and switching of external connection lines, in order to improve capabilities to cope with contingency and evaluate the effectiveness of emergency plan and sufficiency of emergency resources and improve risk awareness and capabilities to cope with contingency of the emergency team, and ensure the safe and reliable operation of the data center business system.

(viii) Anti-money laundering and anti-terrorism financing management

Anti-money laundering management refers to the measures for preventing money laundering activities related to cover up and conceal of drugs dealing, organized crime, terrorism, smuggling, corruption and bribery, breaking the order of financial management and financial fraud.

The Bank has included anti-money laundering risks into its comprehensive risk management system, and the Board bears the ultimate responsibilities of anti-money laundering risk management. The Board has established the management culture of anti-money laundering, reviewed and decided the strategies of anti-money laundering management and reviewed and approved the policies and procedures for anti-money laundering management. The Board receives periodic anti-money laundering report to understand major anti-money laundering events and the treatments in a timely manner. The senior management of the Bank is responsible for the implementation of anti-money laundering management and the execution of the Board's resolutions. The accounting department of the Bank is specially responsible for the management tasks of anti-money laundering, including the identification, assessment, supervision, reporting, inspection and control of anti-money laundering.

In the first half of 2021, the Bank duly performed its responsibilities in anti-money laundering and anti-terrorism financing, and continued to enhance the anti-money laundering risk management. Firstly, the Bank improved its systems and policies. In strict compliance with the regulatory requirement, the Bank further improved its anti-money laundering system and enhanced the effectiveness and comprehensiveness of the anti-money laundering management system. The Bank further consolidated the internal mechanism for anti-money laundering and coordinated the work of different departments and organizations to ensure the performance of anti-money laundering tasks in high quality. Secondly, the Bank imposed more stringent supervision and management and strengthened the development of anti-money laundering team to enhance its duty performance. Internal self-investigation of anti-money laundering was conducted to further improve the internal control level as well as the risk prevention and control ability of anti-money laundering. The Bank conducted comprehensive anti-money laundering investigation and data monitoring and analysis and further refined the management of customer identification information in order to prevent and eliminate money-laundering crimes. Thirdly, the Bank developed the culture of anti-money laundering. The Bank proactively carried out anti-money laundering promotion with innovative methods, expanded coverage and extended promotion period to further strengthen the public knowledge and participation in anti-money laundering, thereby creating a good social atmosphere valuing anti-money laundering.

(ix) Internal audit

The Bank's internal audit is risk-oriented and includes independent, objective supervision, assessment and consultancy. It reviews, assesses and supervises the improvement of business operation, risk management, internal control and compliance and effectiveness of corporate governance of the Bank through systemized and standardized methods in order to promote the sound development of the Bank and the realization of the strategic targets of the Board.

The work objective of the Bank's internal audit is to promote the implementation of government's economic and financial laws and regulations, guidelines and policies, rules of regulatory authorities and various rules and regulations of the Bank. It raises opinions and makes suggestions on risk management, internal control and compliance and the effectiveness of corporate governance of the Bank within the Bank's risk management framework so that risks can be controlled at an acceptable level. The internal audit is also aimed at continuous improvement of the Bank's business operation, and management, and the enhancement of values.

The Bank has adopted an internal audit organizational system with vertical operation and management, and the Board bears the ultimate responsibility for the independence and effectiveness of the internal audit of the Bank. The Audit Committee is a special committee under the Board and organizes and guides the internal audit pursuant to the authorization of the Board. The internal audit department is responsible for the formulation of internal audit system and the preparation and implementation of annual audit plans. Independent of business operations, risk management, and internal control and compliance, the internal audit department conducts internal audit in a timely manner and evaluates the effectiveness of the functions described above.

The Bank's internal audit performs its duties through on-site audits, off-site audits, scheduled audits, non-scheduled audits, pre-notice audits, ad-hoc audits, comprehensive audits, special audits and audit investigation, to conduct audits for audit supervision and inspection, risk management review, case risk investigation, audit supervision and evaluation, and audit supervision and rectification, and achieved the business target of the year of promoting operation and management activities, effectively preventing operation risks, promoting case prevention and control, promoting the authenticity and effectiveness of internal control evaluation, and correcting violations in a timely manner.

The Bank's internal audit audits and evaluates the Bank's operation management, practices, and performances through routine audit, including comprehensive audits, authenticity of final accounting and economic responsibility auditing, as well as audits and evaluations on the performance of key positions; strengthens the audits and supervision of the business practices and daily operations of the Bank's staff through position exchanges or ad-hoc audits to prevent operational risks and ethical risks. The Bank has also strengthened the implementation of rules and regulations and the audits have fulfilled the functions to identify, remedy and prevent errors, deviations, faults and omissions.

(b) Risk Management of the Subsidiaries

As a separate legal entity, each subsidiary has established a risk management and internal control system in accordance with the applicable regulatory requirements.

The Bank participates in formulating the risk management policies and strategies of each subsidiary through the Board representatives of the subsidiaries. The Bank supervises and monitors the implementation of the risk management processes of the subsidiaries through the risk management personnel sent or designated by the Bank and through the Bank's village and township bank management department.

(i) *Credit risk management*

The respective policies of the subsidiaries provide for the management of credit risk through various mechanisms, including customer screening mechanism, credit exit mechanism, risk alert mechanism and non-performing asset disposal mechanism.

(ii) Market risk management

The respective policies require each subsidiary to manage interest rate risks arising from its banking accounts by adjusting the mix of assets and liabilities through interest rates adjustment for different types of products and developing new products. Each subsidiary also revalues its trading account positions on a regular basis, closely monitors trading limits, stop-loss limits and risk limits, and monitors market risks using measures such as stress tests.

(iii) Operational risk management

Each subsidiary has established an operational risk management system and related policies and procedures to strictly divide the duties of front, middle and back offices.

(iv) Liquidity risk management

The respective policies of each subsidiary provide for the management of liquidity risk through (i) a reporting system for large fund movement and a reasonable allocation of funds to increase returns on assets; (ii) closely monitoring movements in key liquidity indicators; (iii) adjusting the maturity profile of assets and liabilities; and (iv) conducting periodic cash flow analyzes and liquidity stress tests.

(v) Reputational risk management

The respective policies of each subsidiary provide for the management of reputational risk through (i) a system framework that clearly defines duties and responsibilities; (ii) a public opinion reporting system and classification systems for reputational events and public opinion; and (iii) contingency plans with specific procedures for handling reputational risk.

(vi) Legal and compliance risk management

The respective policies of each subsidiary provide for the management of legal and compliance risk through (i) regular compliance training; and (ii) a whistle-blower system to encourage employees to report non-compliance events.

(vii) IT risk management

Each subsidiary has formulated comprehensive procedures and policies to manage IT risks. Each of them has also established business continuity management and contingency plans to manage the risk of business interruption.

(viii) Anti-money laundering and anti-terrorism financing management

Each subsidiary has established comprehensive anti-money laundering and anti-terrorism financing management rules and procedures in accordance with the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》) and regulations promulgated by the PBOC, including, among others, customer identification, an anti-money laundering information monitoring and reporting system and mandatory anti-money laundering training. Each subsidiary is required to report suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center (中國反洗錢監測分析中心) individually as a separate legal entity in accordance with the relevant regulatory requirements.

(ix) Internal audit

Each subsidiary has designated auditors to perform independent audits, supervision and assessments and provide independent advice.

3.6 Analysis on Capital Adequacy Ratio

All commercial banks in China are required to comply with the CBIRC's capital adequacy ratio requirements. Since January 1, 2013, the Group has calculated and disclosed capital adequacy ratios in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法（試行）》), which required commercial banks in China (except systematically important banks) to maintain (i) minimum capital adequacy ratios of 9.7%, 10.1%, 10.5%, 10.5%, 10.5% and 10.5%, (ii) minimum tier-one capital adequacy ratios of 7.7%, 8.1%, 8.5%, 8.5%, 8.5% and 8.5%, and (iii) minimum core tier-one capital adequacy ratios of 6.7%, 7.1%, 7.5%, 7.5%, 7.5% and 7.5%, respectively, as of June 30, 2016, 2017, 2018, 2019, 2020 and 2021.

The following table sets forth certain information relating to the Group's capital adequacy ratio as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	June 30, 2021	December 31, 2020
Core capital		
Paid-up capital	4,393.2	4,393.2
Qualifying portion of capital reserve	4,923.7	4,921.3
Surplus reserve	915.5	915.5
General risk reserve	2,079.2	2,077.9
Investment revaluation reserve	4.3	10.4
Retained earnings	1,127.2	1,353.2
Qualifying portions of non-controlling interests	1,497.5	1,475.3
Core tier-one capital deductions ⁽¹⁾	(502.0)	(554.4)
Net core tier-one capital	14,438.6	14,592.4
Other tier-one capital ⁽²⁾	163.7	158.3
Net tier-one capital	14,602.3	14,750.7
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	1,610.0	1,840.0
Surplus reserve for loan impairment	1,530.9	1,377.2
Qualifying portion of non-controlling interests	370.7	358.0
Net capital	18,113.9	18,325.9
Total risk-weighted assets	169,692.5	161,211.1
Core tier-one capital adequacy ratio (%)	8.51%	9.05%
Tier-one capital adequacy ratio (%)	8.61%	9.15%
Capital adequacy ratio (%)	10.67%	11.37%

Notes:

- (1) Primarily includes other intangible assets excluding land use rights, goodwill and deferred tax recognized for tax losses.
- (2) Primarily includes tier-one capital instruments such as preferred shares and their premiums and eligible portion of non-controlling interests.

4. ISSUE OF SECURITIES

4.1 Issuance of Equity Securities

The Bank has not conducted any fundraising activities in relation to issuance of equity securities during the Reporting Period.

4.2 Issuance of Bonds

For the six months ended June 30, 2021, the information of the issued bonds of the Bank is as follows:

From January 1, 2021 to June 30, 2021, the Bank issued 19 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB3,400.0 million. The interbank certificates have a term of three months to one year and bear effective interest rates between 3.25% and 3.82%.

5. OTHER INFORMATION

5.1 Corporate Governance

The Bank firmly believes that maintaining good corporate governance with high standards is the key to enhance the Bank's core competitiveness and to develop a modern rural commercial bank. Therefore, the Bank has been committed to a high level corporate governance, and actively follows the best corporate governance practices, domestic and overseas, in order to safeguard the interest of shareholders and enhance the corporate value.

The Bank has established a modern corporate governance structure in line with the requirements of the articles of association of the Bank (the “**Articles of Association**”), PRC laws and regulations and the Hong Kong Listing Rules. The Board is accountable to the Bank's shareholders as a whole and is responsible for, among others, determining the Group's business development strategies, business plans and investment proposals, appointing or removing senior management, and deciding matters such as the establishment of internal management structure. The Board has established committees to perform specified functions consisting of the Strategy and Development Committee, the Related-party Transactions Control Committee, the Remuneration Committee, the Nomination Committee, the Risk Management Committee, the Audit Committee, Consumer Rights Protection Committee and the Three Rurals Financial Services Committee. The Board of Supervisors is accountable to the Bank's shareholders as a whole and has the responsibility and power to supervise the Directors and senior management and oversee the Bank's financial activities, risk management and internal control.

The Bank has applied the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules (the “**Corporate Governance Code**”) and the Guidelines on Corporate Governance of Commercial Banks issued by the CBIRC (the “**Guidelines**”) into the Bank’s governance structure and policies. The Corporate Governance Code and Guidelines are fully reflected in the Articles of Association, and the rules of procedures of the shareholders’ general meeting, the Board and the committee under the Board. The Bank’s shareholders’ general meeting, the Board and the Board of Supervisors duly perform their duties to maintain good corporate governance. The Bank closely supervises its operation to ensure the compliance of applicable laws, regulations, codes, guidelines and the Bank’s internal policies.

During the Reporting Period, the Bank has fully complied with all provisions set out in the Corporate Governance Code. The Directors are not aware of any information revealing the non-compliance of the Corporate Governance Code by the Bank. The Bank has also strictly complied with the applicable laws and regulations and the Hong Kong Listing Rules regarding the management of inside information.

Reference is made to the Bank’s announcement dated August 16, 2021 in relation to, among others, the cessation of office of certain independent non-executive Directors of the Bank as their term of office had expired. According to the Rule A.5 of the Corporate Governance Code, the majority of the members of the Nomination Committee of the Bank shall be independent non-executive Directors. Half of the members of the Nomination Committee under the Board are independent non-executive Directors before the qualification of Mr. Fong Wai Kuk as Director is approved. The majority of the members of the Nomination Committee of the Bank will be independent non-executive Directors when the qualification of Mr. Fong Wai Kuk as Director is approved.

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

5.2 Securities Transaction of Directors, Supervisors and Senior Management

The Bank has adopted a code of conduct on Directors, Supervisors and senior management engaging in securities transaction, which is no less strict than the standards set out in Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules (the “**Model Code**”).

The Bank, after making specific enquiries to all Directors, Supervisors and senior management, confirms that they had complied with the Model Code during the Reporting Period.

5.3 Profit and Dividend

The revenues of the Bank during the Reporting Period and the financial position of the Bank as of June 30, 2021 are set out in the financial report of this announcement.

The profit distribution plan of the Bank for 2020 was considered and approved by the shareholders of the Bank at the AGM held on June 18, 2021. The Bank distributed cash dividends of approximately RMB658,985,918.25 in total (tax inclusive) for 2020. Based on the number of Shares on the record date for dividend distribution, the Bank distributed a cash dividend of RMB0.15 (tax inclusive) for each Share. The final dividend payable for 2020 was denominated in Renminbi, and was paid to holders of domestic shares in Renminbi and holders of H shares in Hong Kong dollars. The exchange rate (i.e. RMB0.826182 against HK\$1.00) adopted for dividend payable in Hong Kong dollars was based on the central parity rate of the average exchange rate of Renminbi to Hong Kong dollars as announced by the PBOC on the five working days preceding the date of declaration of the dividend at the annual general meeting on June 18, 2021 (inclusive). Accordingly, the final dividend for 2020 payable for each H share was HK\$0.181558 (tax inclusive). The Bank has completed the payment of final dividend for 2020 in August 2021.

The Board does not recommend the distribution of interim dividend for 2021.

5.4 Plan of Capital Reserve Capitalization

As resolved by the Board and considered and approved by the shareholders at the AGM, the first domestic share class meeting of 2021 and the first H share class meeting of 2021 held on June 18, 2021, the Bank issued new shares by way of capitalization of capital reserve to the holders of domestic shares and H shares whose names appeared on the share register of the Bank at the close of business on Wednesday, June 30, 2021 on the basis of 5 new shares for every 100 existing shares held by the shareholders (the “**Capitalization Issue**”). Based on the 4,393,239,455 shares of the Bank in issue as at April 30, 2021, the total number of new shares issued by way of capitalization of capital reserve is 219,661,972 shares, including 177,822,097 shares issued to holders of domestic shares and 41,839,875 shares issued to holders of H shares. Upon completion of the Capitalization Issue, the total number of shares in issue of the Bank is 4,612,901,427 shares, including 3,734,264,052 domestic shares and 878,637,375 H shares. The listing and trading of the new H shares under the Capitalization Issue has been approved by the Hong Kong Stock Exchange, and the Capitalization Issue has been approved by the CBIRC. The listing and trading of the new H shares on the Hong Kong Stock Exchange commenced on July 23, 2021.

The Bank has also changed its registered capital and amended the Articles of Association to reflect the change in registered capital as a result of the Capitalization Issue.

5.5 Purchase, Sale or Redemption of Listed Securities of the Bank

The share capital of the Bank as at June 30, 2021 is set out below:

Description of shares	Number of shares	Approximate percentage of issued shares (%)
Domestic shares	3,556,441,955	81.0
H shares	836,797,500	19.0
Total	4,393,239,455	100.0

The share capital of the Bank upon completion of the Capitalization Issue as at the date of this announcement is set out below:

Description of shares	Number of shares	Approximate percentage of issued shares (%)
Domestic shares	3,734,264,052	81.0
H shares	878,637,375	19.0
Total	4,612,901,427	100.0

During the Reporting Period, the Bank and any of its subsidiaries had not purchased, sold or redeemed any of the Bank's listed securities.

5.6 Amendment to the Articles of Association

The Bank amended the relevant articles of the Articles of Association in relation to its registered capital and capital structure to reflect the changes of registered capital and capital structure of the Bank upon the completion of the Capitalization Issue. Such amendments were approved by the Shareholders at the annual general meeting of 2020 held on June 18, 2021.

The Capitalization Issue was completed on July 23, 2021. The above amendments were filed with the CBIRC Jilin Bureau on July 26, 2021 and became effective from the same day. For details of the amendments, investors may refer to the circular of the Bank dated May 7, 2021 on the website of the Bank (www.jtnsh.com) and the designated website of the Hong Kong Stock Exchange (www.hkexnews.hk).

5.7 Proposed Private Placement of Domestic Shares and Non-Public Issuance of H Shares

Based on the actual need of capital by the Bank, the Bank intended to replenish its core tier-1 capital by way of the issuance of new shares to support future business development of the Bank, ensure the continuous compliance of the Bank's capital level with the regulatory requirements and better support the real economy. The resolutions in relation to the private placement of domestic shares (the “**Private Placement of Domestic Shares**”) and the non-public issuance of H shares (the “**Non-public Issuance of H Shares**”) of the Bank had been approved by the Board at the Board meeting held on July 12, 2018. The Private Placement of Domestic Shares and the Non-public Issuance of H Shares were conditional upon each other so as to maintain the public float.

(1) Private Placement of Domestic Shares

The Bank intended to issue 200,000,000 to 400,000,000 domestic shares to no more than 10 qualified domestic institutional investors. The actual number of domestic shares to be issued shall be subject to the approval of the regulatory authorities.

(2) Non-public Issuance of H Shares

The Bank intended to issue no more than 151,800,000 H shares to no more than 10 investors who were qualified to subscribe for the H shares of the Bank. The number of H shares to be issued shall be subject to the approval of the regulatory authorities, market conditions and the actual requirement of the Bank.

The resolutions in relation to the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were approved at the second extraordinary general meeting of 2018, the first domestic share class meeting of 2018 and the first H share class meeting of 2018 held on September 5, 2018. Resolutions regarding the extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were considered and approved at the first extraordinary general meeting of 2019, the second domestic share class meeting of 2019 and the second H share class meeting of 2019 of the Bank held on October 24, 2019. Resolutions regarding the extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were considered and approved at the first extraordinary general meeting of 2020, the second domestic share class meeting of 2020 and the second H share class meeting of 2020 of the Bank held on October 22, 2020. As the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares will expire on October 21, 2021, resolutions regarding the extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were considered and approved at the Board meeting of the Bank held on March 30, 2021 as well as the annual general meeting of 2020, the first domestic share class meeting of 2021 and the first H share class meeting of 2021 of the Bank held on June 18, 2021. For details of the Private Placement of Domestic Shares and the Non-public Issuance of H Shares, please refer to the announcements dated July 12, 2018, August 23, 2019, August 28, 2020 and March 30, 2021, and the circulars dated August 15, 2018, September 13, 2019, September 30, 2020 and May 7, 2021 of the Bank, respectively.

As of the date of this announcement, the Bank has not issued any new domestic shares or H shares. The Bank will make timely disclosure on the latest development of the Private Placement of Domestic Shares and the Non-public Issuance of H Shares in accordance with the relevant laws and regulations and the Hong Kong Listing Rules.

5.8 Election of New Session of the Board and the Board of Supervisors

(1) Election of New Session of the Board

On March 30, 2021, the Bank held the sixteenth meeting of the fourth session of the Board, and the Resolution on the Nomination of the Candidates for Directors of the Fifth Session of the Board of Directors (《關於提名第五屆董事會董事候選人的議案》) was approved. On June 18, 2021, the Bank convened the annual general meeting of 2020, and the appointment of the 13 candidates for Directors proposed at the meeting was duly approved by the shareholders.

At the first meeting of the fifth session of the Board of the Bank held on June 18, 2021, Mr. Gao Bing, an executive Director of the Bank, was appointed as the chairman of the fifth session of the Board of the Bank. At this meeting, the Board also considered and approved the appointment of the members and chairman of each of the committees of the fifth session of the Board.

On August 5, 2021, as the registration of the qualification of Director for Ms. Jin Xiaotong had been completed, her appointment as the Bank's independent non-executive Director and a member of the committees under the Board has become effective. On August 13, 2021, the qualifications of Mr. Zhang Lixin, Ms. Wang Ying, Ms. Han Lirong and Mr. Sun Jiafu as Directors of the Bank were approved, their term of office as the Bank's non-executive Directors or independent non-executive Directors and members of the committees under the Board has become effective. Mr. Fong Wai Kuk's term of office as a Director of the Bank shall be subject to the approval of regulatory authorities. With effect from August 13, 2021, Mr. Zhang Xinyou, Mr. Wang Baocheng, Dr. Fu Qiong, Mr. Jiang Ning, Mr. Chung Wing Yin and Mr. Yang Jinguan ceased to serve as a non-executive Director or independent non-executive Director of the Bank, and ceased to serve as a member of committees under the Board.

For details regarding the biographies and appointment of the Directors of the fifth session of the Board, please refer to the Bank's circular dated May 7, 2021 and the relevant announcements dated June 18, 2021 and August 16, 2021, respectively.

(2) Election of New Session of the Board of Supervisors

On March 30, 2021, the Bank held the seventeenth meeting of the fourth session of the Board of Supervisors, and the Resolution on the Nomination of the Candidates for Supervisors of the Fifth Session of the Board of Supervisors (《關於提名第五屆監事會監事候選人的議案》) was approved. On February 26, 2021, the Bank held the employee representative meeting, and the appointment of the 3 candidates for employee Supervisors proposed at the meeting was approved by the employee representatives. On June 18, 2021, the Bank convened the annual general meeting of 2020, and the appointment of the 4 candidates for non-employee Supervisors proposed at the meeting was duly approved by the shareholders. The fifth session of the Board of Supervisors was formed accordingly.

At the first meeting of the fifth session of the Board of Supervisors held on June 18, 2021, Mr. Luo Hui, an employee Supervisor of the Bank, was appointed as the chairman of the fifth session of the Board of Supervisors of the Bank. At this meeting, the Board of Supervisors also considered and approved the appointment of the members and chairman of each of the committees of the fifth session of the Board of Supervisors.

For details regarding the biographies and appointment of the Supervisors of the fifth session of the Board of Supervisors, please refer to the Bank's circular dated May 7, 2021 and the relevant announcement dated June 18, 2021.

5.9 Change of President

Due to work arrangement, Mr. Liang Xiangmin has resigned as the president of the Bank on April 16, 2021. On April 16, 2021, the Board resolved to appoint Mr. Chen Xinzhe as the president of the Bank. After the approval of the qualification of Mr. Chen Xinzhe as the president of the Bank by the Jilin Bureau of the CBIRC, Mr. Chen Xinzhe has served as the president of the Bank since June 28, 2021. Since the same date, Mr. Liang Xiangmin has ceased to serve as the president of the Bank, but continues to serve as the vice chairman of the Board and the executive Director of the Bank.

5.10 Review by Audit Committee

The audit committee of the Bank is composed of one non-executive Director, namely Ms. Wang Ying, and two independent non-executive Directors, namely Ms. Han Lirong and Ms. Jin Xiaotong. Ms. Han Lirong serves as the chairman of the committee. The audit committee of the Bank has reviewed the unaudited consolidated interim financial data for the six months ended June 30, 2021 of the Group.

5.11 Event after the Reporting Period

On July 20, 2021, the Bank issued the Tier-two Capital Bonds of Jilin Jiutai Rural Commercial Bank Corporation Limited for 2021 (the “**Bonds**”) in the national inter-bank bond market by way of book building, which was completed on July 21, 2021. The Bonds, with the total issuing size of RMB2 billion, are fixed rate bonds with a term of ten years and are conditionally redeemable by the issuer at the end of the fifth year with a coupon rate of 4.80%.

In July 2021, the Bank issued 219,661,972 ordinary shares by way of Capitalization Issue, following which the total share capital of ordinary shares of the Bank increased to 4,612,901,427 shares. For further details, please refer to the section headed “5.4 Plan of Capital Reserve Capitalization” of this announcement.

6. FINANCIAL REPORT

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Period Ended 30 June 2021

	Notes	Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Interest income		5,686,705	4,572,775
Interest expenses		(2,971,438)	(2,476,186)
Net interest income	4	2,715,267	2,096,589
Fee and commission income		64,030	53,726
Fee and commission expenses		(30,647)	(16,747)
Net fee and commission income	5	33,383	36,979
Net trading (losses) gains	6	(72,311)	96,361
Dividend income		32,892	59,402
Net gains arising from investment securities	7	22,421	35,215
Net exchange gains		7,454	4,103
Other operating income, net	8	12,843	11,000
Operating income		2,751,949	2,339,649
Operating expenses	9	(1,251,627)	(1,141,479)
Impairment losses on assets	10	(801,105)	(654,963)
Operating profit		699,217	543,207
Share of results of associates		(8,903)	(2,736)
Profit before tax		690,314	540,471
Income tax expense	11	(177,859)	(125,460)
Profit for the period		512,455	415,011
Earnings per share			(restated)
— Basic and diluted (RMB cents)	12	9.41	7.44

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit for the period	512,455	415,011
Other comprehensive (expense) income for the period:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
— Financial assets at fair value through other comprehensive income		
— Fair value (losses) gain on debt investments at fair value through other comprehensive income	(12,479)	13,860
— Reclassified to the profit or loss upon disposal	—	(2,597)
— Income tax relating to item that may be reclassified subsequently	3,116	(2,890)
— Changes in allowance for expected credit loss	15	298
— Share of other comprehensive income (expense) of associates	1,967	(1,361)
	(7,381)	7,310
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
— Financial assets at fair value through other comprehensive income		
— Fair value (losses) gain on investments in equity investments	(3,550)	8,729
— Income tax relating to item that will not be reclassified subsequently	(1,953)	—
	(5,503)	8,729
Other comprehensive (expense) income for the period, net of tax	(12,884)	16,039
Total comprehensive income for the period	499,571	431,050

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit for the period attributable to:		
— Owners of the Bank	434,300	343,398
— Non-controlling interests	78,155	71,613
	<u>512,455</u>	<u>415,011</u>
Total comprehensive income for the period attributable to:		
— Owners of the Bank	428,195	362,093
— Non-controlling interests	71,376	68,957
	<u>499,571</u>	<u>431,050</u>

Condensed Consolidated Statement of Financial Position

At 30 June 2021

	Notes	At 30 June 2021 <i>(Unaudited)</i> RMB'000	At 31 December 2020 <i>(Audited)</i> RMB'000
Assets			
Cash and deposits with the central bank		29,721,868	25,155,026
Deposits with banks and other financial institutions		7,663,831	8,396,699
Placements with banks and other financial institutions		24,950	729,253
Financial assets held under resale agreements	13	—	1,102,000
Financial assets at fair value through profit or loss	14	3,021,857	3,200,209
Interests receivables		1,694,526	874,287
Loans and advances to customers	15	137,689,950	126,574,552
Financial assets at fair value through other comprehensive income	16	5,191,388	2,526,111
Financial assets measured at amortised costs	17	21,192,694	24,772,682
Interests in associates		986,564	1,005,130
Property and equipment		3,150,832	3,249,491
Right-of-use assets		624,624	664,240
Goodwill		401,335	401,335
Deferred tax assets		920,973	773,222
Other assets		978,696	939,033
Total assets		213,264,088	200,363,270
Liabilities and equity			
Liabilities			
Borrowings from the central bank		2,182,334	4,010,960
Deposits from banks and other financial institutions		7,475,788	8,335,923
Placements from banks and other financial institutions		7,732,496	7,101,496
Financial assets sold under repurchase agreements		2,730,500	2,654,900
Deposits from customers		165,633,066	149,763,189
Accrued staff costs		69,094	176,684
Taxes payable		94,628	223,806
Interests payable		3,424,889	2,990,824
Debts securities issued	18	6,091,766	7,504,526
Lease liabilities		540,493	591,499
Other liabilities		1,227,125	758,278
Total liabilities		197,202,179	184,112,085

	Notes	At 30 June 2021 <i>(Unaudited)</i> RMB'000	At 31 December 2020 <i>(Audited)</i> RMB'000
Equity			
Share capital		4,393,239	4,393,239
Capital reserve		4,923,687	4,921,340
Investment revaluation reserve		4,296	10,401
Surplus reserve		915,524	915,524
General reserve		2,079,164	2,077,865
Retained earnings		1,127,177	1,353,162
Total equity attributable to owners of the Bank		13,443,087	13,671,531
Non-controlling interests		2,618,822	2,579,654
Total equity		16,061,909	16,251,185
Total liabilities and equity		213,264,088	200,363,270

Condensed Consolidated Statement of Changes in Equity

For the Period Ended 30 June 2021

	Attributable to owners of the Bank							Non-controlling interests	Total
	Share Capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021 (Audited)	4,393,239	4,921,340	10,401	915,524	2,077,865	1,353,162	13,671,531	2,579,654	16,251,185
Profit for the period	—	—	—	—	—	434,300	434,300	78,155	512,455
Other comprehensive expense for the period	—	—	(6,105)	—	—	—	(6,105)	(6,779)	(12,884)
Total comprehensive (expense) income for the period	<u>—</u>	<u>—</u>	<u>(6,105)</u>	<u>—</u>	<u>—</u>	<u>434,300</u>	<u>428,195</u>	<u>71,376</u>	<u>499,571</u>
Changes in ownership in subsidiaries without changes in control	—	2,347	—	—	—	—	2,347	12,653	15,000
Appropriation of profits									
— Appropriation to general reserve	—	—	—	—	1,299	(1,299)	—	—	—
— Dividends recognised as distribution	—	—	—	—	—	(658,986)	(658,986)	—	(658,986)
— Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(44,861)	(44,861)
At 30 June 2021 (Unaudited)	<u>4,393,239</u>	<u>4,923,687</u>	<u>4,296</u>	<u>915,524</u>	<u>2,079,164</u>	<u>1,127,177</u>	<u>13,443,087</u>	<u>2,618,822</u>	<u>16,061,909</u>

	Attributable to owners of the Bank							Non-controlling interests	Total
	Share Capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2020 (Audited)	4,184,037	5,148,616	12,038	814,076	1,777,674	1,403,512	13,339,953	2,320,223	15,660,176
Profit for the period	—	—	—	—	—	343,398	343,398	71,613	415,011
Other comprehensive income (expense) for the period	—	—	18,695	—	—	—	18,695	(2,656)	16,039
Total comprehensive income for the period	—	—	18,695	—	—	343,398	362,093	68,957	431,050
Changes in ownership in a subsidiary without changes in control	—	428	—	—	—	—	428	9,925	10,353
Appropriation of profits									
— Dividends recognised as distribution	—	—	—	—	—	(753,127)	(753,127)	—	(753,127)
— Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(67,039)	(67,039)
At 30 June 2020 (Unaudited)	4,184,037	5,149,044	30,733	814,076	1,777,674	993,783	12,949,347	2,332,066	15,281,413

Condensed Consolidated Statement of Cash Flows

For the Period Ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit before tax	690,314	540,471
Adjustments for:		
Depreciation of property and equipment	144,545	151,900
Depreciation of right-of-use assets	93,760	97,873
Amortisation of long-term deferred expenses	22,478	15,659
Impairment losses on assets	801,105	654,963
Interest income from impaired loans and advances to customers and impaired financial asset measured at amortised cost	115,450	147,675
Interest expense on debts securities issued	124,302	253,583
Dividend income	(32,892)	(59,402)
Gains on disposal of property and equipment	(183)	(2,391)
Loss (gain) on early termination of lease agreements	87	(1,263)
Net unrealised trading losses	94,401	63,708
Net gains arising from investment securities	(22,421)	(35,215)
Interest expenses on lease liabilities	12,988	15,531
Government grants	(15,067)	(17,200)
Interest income from financial investments	(841,890)	(687,191)
Share of results of associates	8,903	2,736
	1,195,880	1,141,437
Changes in operating assets		
Net (increase) decrease in deposits with the central bank	(1,085,471)	1,091,432
Net decrease in deposits and placements with the banks and other financial institutions	320,000	1,799,999
Net decrease in financial assets at fair value through profit or loss	83,951	2,868,862
Net increase in loans and advances to customers	(11,877,422)	(14,274,116)
Net increase in interests receivables	(836,474)	(840,255)
Net increase in other assets	(60,294)	(163,387)
	(13,455,710)	(9,517,465)

	Six months ended 30 June	
	2021	2020
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	RMB'000	RMB'000
Changes in operating liabilities		
Net decrease in borrowing from central bank	(1,828,626)	(1,528,735)
Net (decrease) increase in deposits from banks and other financial institutions	(860,135)	3,004,886
Net increase in placements from banks and other financial institutions	631,000	2,353,000
Net increase (decrease) in financial assets sold under repurchase agreements	75,600	(1,495,600)
Net increase in deposits from customers	15,869,877	6,898,000
Net decrease in accrued staff costs	(107,590)	(128,777)
Net increase in interests payable	416,428	331,552
Net (decrease) increase in other liabilities	(194,664)	723,000
	14,001,890	10,157,326
Cash from operations	1,742,060	1,781,298
Income tax paid	(453,625)	(355,850)
NET CASH FROM OPERATING ACTIVITIES	1,288,435	1,425,448
INVESTING ACTIVITIES		
Payments on acquisition of financial investments	(10,974,976)	(10,219,427)
Payments on acquisition of property and equipment	(70,488)	(76,412)
Proceeds from disposal of financial investments	11,828,388	14,934,685
Interest income received from financial investments	773,171	607,544
Dividend income received	32,892	59,402
Dividend received from associates	11,630	24,194
Proceeds from disposal of property and equipment	3,014	7,193
NET CASH GENERATED FROM INVESTING ACTIVITIES	1,603,631	5,337,179

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
FINANCING ACTIVITIES		
Net proceeds from issue of new debt securities	3,290,974	6,520,775
Proceeds from disposal of interests in subsidiaries without loss in control	15,000	10,353
Government grants received	15,067	17,200
Repayment of debt securities issued	(4,760,000)	(10,620,000)
Repayment of lease liabilities	(83,650)	(87,135)
Interest paid on debts securities issued	(50,399)	(49,882)
Dividends paid to non-controlling interests	(44,397)	(66,919)
Interest paid on lease liabilities	(12,988)	(15,531)
NET CASH USED IN FINANCING ACTIVITIES	(1,630,393)	(4,291,139)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,261,673	2,471,488
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	21,261,817	16,820,070
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	22,523,490	19,291,558
Interest received (including interest income from financial assets at fair value through profit or loss)	4,777,089	3,807,084
Interest paid (excluding interest expense on debts securities issued)	(2,417,720)	(1,875,520)

Notes to the Condensed Consolidated Financial Statements

For the Period Ended 30 June 2021

1. GENERAL

The Bank, formerly known as Jiutai Rural Credit Cooperative Union, is a joint stock commercial bank established on 16 December 2008 with approval of the former China Banking Regulatory Commission (the “**CBRC**”) (YinFu 2008 No. 320) on 15 December 2008.

The Bank obtained its finance permit No. B1001H222010001 from the former CBRC Jilin Bureau. The Bank obtained its business license (Unified Social Credit Code: 912200001243547911) from Jilin Administration of Industry and Commerce. The legal representative is Gao Bing and the address of the registered office is No. 504 Xinhua Main Street, Jiutai District, Changchun, the People’s Republic of China (the “**PRC**”).

As at 30 June 2021, the Bank has established 3 branches and 84 sub-branches. The Bank has 35 subsidiaries. The principal activities of the Bank and its subsidiaries (here in after collectively referred to as the “**Group**”) are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the China Banking and Insurance Regulatory Commission. The Group operates in mainland China.

On 12 January 2017, the Bank’s H shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (Stock code: 6122).

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2021 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange, and with International Accounting Standard (“**IAS**”) 34, “**Interim Financial Reporting**”, issued by the International Accounting Standards Board (“**IASB**”).

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated 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**”).

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to IFRSs, the accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

Changes in Accounting Policies

In the current interim period, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in IFRSs and the following amendments to IFRSs issued by the IASB which are effective for the Group's financial year beginning 1 January 2021:

Amendment to IFRS 16
Amendments to IFRS 9, IAS 39,
IFRS 7, IFRS 4 and IFRS 16

COVID-19-Related Rent Concessions
Interest Rate Benchmark Reform — Phrase 2

In addition, the Group has early applied amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021, which are effective for annual periods beginning on or after 1 April 2021.

The directors of the Bank consider that the application of the amendments to IFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. NET INTEREST INCOME

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest income arising from		
— Deposits with the central bank	105,292	92,908
— Deposits with banks and other financial institutions	96,052	82,315
— Placements with banks and other financial institutions	17,078	45,697
— Financial assets at fair value through other comprehensive income (“FVTOCI”)	112,593	146,520
— Financial assets measured at amortised costs	729,297	540,671
— Loans and advances to customers:		
— Corporate loans and advances	3,478,063	2,694,723
— Finance lease loans	61,568	62,543
— Personal loans and advances	1,001,426	792,654
— Discounted bills	34,294	21,410
— Financial assets held under resale agreements	51,042	93,334
	<u>5,686,705</u>	<u>4,572,775</u>
Less: Interest expenses arising from		
— Borrowings from the central bank	(25,439)	(18,887)
— Deposits from banks and other financial institutions	(155,388)	(200,936)
— Placements from banks and other financial institutions	(135,077)	(125,812)
— Deposits from customers:		
Corporate customers	(557,762)	(430,613)
Individual customers	(1,895,735)	(1,388,384)
— Financial assets sold under repurchase agreements	(64,747)	(42,440)
— Debts securities issued	(124,302)	(253,583)
— Lease liabilities	(12,988)	(15,531)
	<u>(2,971,438)</u>	<u>(2,476,186)</u>
	<u><u>2,715,267</u></u>	<u><u>2,096,589</u></u>

5. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Fee and commission income		
— Advisory fees	16,375	14,569
— Settlement and clearing fees	12,861	11,911
— Wealth management service fees	275	799
— Agency service fees	7,366	4,643
— Syndicated loan service fees	22,644	16,492
— Bank card service fees	1,810	1,942
— Others	2,699	3,370
	64,030	53,726
Fee and commission expenses		
— Settlement and clearing fees	(24,067)	(12,640)
— Others	(6,580)	(4,107)
	(30,647)	(16,747)
	33,383	36,979

Since most of the Group's contracts with customers have original expected duration of less than one year and therefore, the information about their remaining performance is not disclosed.

6. NET TRADING (LOSSES) GAINS

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Changes in fair value of financial assets at fair value through profit or loss ("FVTPL")		
— Unlisted equity investments	(113,315)	(30,953)
— Other debt instrument	18,914	(56,017)
Investment income from financial assets at FVTPL (Note)	26,073	183,322
Net (loss) gain on disposal of financial assets at FVTPL		
— Unlisted equity investments	(4,221)	-
— Other debt instrument	238	9
	(72,311)	96,361

Note: The investment income from financial assets at FVTPL includes interest income from financial assets at FVTPL of approximately RMB26,073,000 (six months ended 30 June 2020: approximately RMB183,322,000) for the period ended 30 June 2021.

7. NET GAINS ARISING FROM INVESTMENT SECURITIES

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net gains on disposal of financial assets measured at amortised cost	10,418	8,492
Net gains on disposal of financial assets at FVTOCI	12,003	24,126
Net revaluation gains reclassified from other comprehensive income on disposal	—	2,597
	<u>22,421</u>	<u>35,215</u>

8. OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Government grants (Note)	15,067	17,200
Loss on disposal of repossessed assets	(1,139)	—
Gain on disposal of property and equipment	183	2,391
(Loss) gain on early termination of lease agreement	(87)	1,263
Others operating expenses	(1,181)	(9,854)
	<u>12,843</u>	<u>11,000</u>

Note: Government grants recognised as other income are granted to the Group by the PRC government as incentives mainly to encourage the development of the Group and the contribution to the local economic development. There are no unfulfilled condition or contingencies attaching to government grants that have been recognised.

9. OPERATING EXPENSES

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Staff costs (including directors' and supervisors' emoluments)		
— Salaries and bonuses	525,788	469,871
— Staff welfares	52,370	46,457
— Social insurance	131,259	100,055
— Housing allowances	53,843	47,450
— Labour union and staff education expenses	10,879	8,901
	<u>774,139</u>	<u>672,734</u>
Premises and equipment expenses		
— Depreciation of property and equipment	144,545	151,900
— Amortisation of long-term deferred expenses	22,478	15,659
— Rental and property management expenses	35,539	22,623
— Depreciation of right-of-use assets	93,760	97,873
	<u>296,322</u>	<u>288,055</u>
Other tax and surcharges	34,228	27,115
Other general and administrative expenses (Note)	146,938	153,575
	<u>1,251,627</u>	<u>1,141,479</u>

Note: Auditor's remuneration for the period ended 30 June 2021 was RMB1,330,000 (six months ended 30 June 2020: RMB1,928,000).

10. IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Impairment losses (reversal of impairment losses) on:		
Loans and advances to customers	731,528	513,387
Financial assets measured at amortised costs	67,691	140,448
Financial assets at FVTOCI	15	298
Placements with banks and other financial institutions	(697)	(26)
Other receivables and repossessed assets	(1,847)	1,639
Deposits with bank and other financial institutions	170	(782)
Credit commitments and financial guarantees	4,061	(1)
Property and equipment	184	—
	<u>801,105</u>	<u>654,963</u>

11. INCOME TAX EXPENSE

(a) Income tax:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax:		
— Mainland China Enterprise Income Tax	<u>294,007</u>	<u>213,744</u>
Under provision in prior period:		
— Mainland China Enterprise Income Tax	<u>30,440</u>	<u>12,165</u>
Deferred taxation		
— Current year	<u>(146,588)</u>	<u>(100,449)</u>
	<u>177,859</u>	<u>125,460</u>

Pursuant to the Law of the Mainland China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Mainland China companies is 25%.

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit before tax	690,314	540,471
Tax at domestic income tax rate of 25%	172,578	135,117
Tax effect of share of results of associates	2,226	684
Tax effect of expenses not deductible for tax purpose (Note i)	1,956	5,570
Tax effect of income that are not taxable for tax purpose (Note ii)	(29,341)	(28,076)
Under provision in respect of prior periods	30,440	12,165
Income tax expense	177,859	125,460

Notes:

- (i) Certain of the Group's expenditure, such as entertainment expense and donations, which exceed the tax deduction limits in accordance with Mainland China tax regulation and thus, these expenses are not tax deductible in accordance with PRC tax regulation.
- (ii) Certain of the Group's interest income from the Mainland China government bonds and income from equity investment between qualified resident enterprises such as dividends and bonuses, are exempted from income tax under the Mainland China tax regulation and thus, this income are not taxable for tax purpose.

12. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit for the period attributable to owners of the Bank	434,300	343,398
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	4,612,901	4,393,239

The weighted average number of ordinary shares in issue during the period ended 30 June 2021 has been adjusted retrospectively taking into account the capitalisation issue of 219,661,972 ordinary shares as if the capitalisation issue had been effective on 1 January 2021.

The weighted average number of ordinary shares in issue during the period ended 30 June 2020 has been adjusted retrospectively taking into account the capitalisation issue of 219,661,972 and 209,201,878 ordinary shares as if the capitalisation issue had been effective on 1 January 2020.

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the period ended 30 June 2021 and 2020.

13. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	At 30 June 2021	At 31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
In Mainland China		
— Other financial institutions	—	1,102,000

(b) Analysed by type of security held

	At 30 June 2021	At 31 December 2020
	<i>(Unaudited)</i>	<i>(Audited)</i>
	RMB'000	RMB'000
Debt securities		
— Government	<u>—</u>	<u>1,102,000</u>

At 31 December 2020, the Group classifies all financial assets held under resale agreements in Stage 1, and measures the loss allowance equal to 12-month ECL basis.

During the six months ended 30 June 2021, the Group disposed all its financial asset held under resale agreement.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2021	At 31 December 2020
	<i>(Unaudited)</i>	<i>(Audited)</i>
	RMB'000	RMB'000
Unlisted equity investments measured at FVTPL		
(Notes (a))	1,048,967	1,178,502
Other debt instruments (Notes (b))	1,972,890	2,021,707
	<u>3,021,857</u>	<u>3,200,209</u>

Note:

(a) Unlisted equity investments measured at FVTPL

The Group's unlisted equity investments represent the unlisted equity securities issued by private entities incorporated in the PRC.

(b) Other debt instruments

The Group's other debt instruments mainly represented the debt investments financed by the proceeds raised from principal-guaranteed wealth management products issued by the Group. The Group accounts for the corresponding investment funds under deposits from customers.

15. LOANS AND ADVANCES TO CUSTOMERS

	At 30 June 2021 <i>(Unaudited)</i> RMB'000	At 31 December 2020 <i>(Audited)</i> RMB'000
Gross loans and advances to customers		
Corporate loans and advances		
— Loans	113,413,075	103,553,361
— Finance lease loans	2,802,510	2,077,835
	<u>116,215,585</u>	<u>105,631,196</u>
Personal loans and advances		
— Personal business loans	19,110,007	17,954,210
— Personal consumption loans	2,738,633	2,656,048
— Credit card overdrafts	20,928	21,491
— Residential and commercial mortgage loans	3,811,717	3,813,526
	<u>25,681,285</u>	<u>24,445,275</u>
	<u>141,896,870</u>	<u>130,076,471</u>
Less: Provision for impairment losses		
— Individually assessed	(1,089,228)	(1,240,419)
— Collectively assessed	(3,117,692)	(2,261,500)
	<u>(4,206,920)</u>	<u>(3,501,919)</u>
	<u><u>137,689,950</u></u>	<u><u>126,574,552</u></u>

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2021	At 31 December 2020
	<i>(Unaudited)</i> <i>RMB'000</i>	<i>(Audited)</i> <i>RMB'000</i>
Debt securities issued by the following institutions in Mainland China		
— Government	4,547,997	1,939,178
— Banks and other financial institutions	383,062	323,033
— Corporations	110,487	110,508
	<u>5,041,546</u>	<u>2,372,719</u>
Unlisted equity investments measured at FVTOCI	<u>149,842</u>	<u>153,392</u>
	<u><u>5,191,388</u></u>	<u><u>2,526,111</u></u>
Analysed as:		
Listed outside Hong Kong	5,041,546	2,372,719
Unlisted outside Hong Kong	<u>149,842</u>	<u>153,392</u>
	<u><u>5,191,388</u></u>	<u><u>2,526,111</u></u>

The Group made an irrevocable election to present changes in the fair value of certain of its equity investments in other comprehensive income.

The Group's debt which listed outside Hong Kong are traded on the China Interbank Bond Market and are included in "Listed outside Hong Kong".

At 30 June 2021 and 31 December 2020, partial of the Group's financial assets at FVTOCI were pledged as security for repurchase agreement.

17. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	At 30 June 2021 <i>(Unaudited)</i> RMB'000	At 31 December 2020 <i>(Audited)</i> RMB'000
Debt securities issued by the following institutions in		
Mainland China		
— Government	5,254,380	6,330,653
— Banks and other financial institutions	1,414,740	1,836,265
— Corporations	431,388	431,388
— Interbank certificates	411,192	—
	<u>7,511,700</u>	<u>8,598,306</u>
Trust plans	7,813,579	9,822,250
Asset management plans	6,208,465	6,625,571
Investment funds	636,036	720,906
	<u>14,658,080</u>	<u>17,168,727</u>
	22,169,780	25,767,033
Less: Provision for impairment losses	<u>(977,086)</u>	<u>(994,351)</u>
	<u><u>21,192,694</u></u>	<u><u>24,772,682</u></u>
Analysed as:		
Listed outside Hong Kong	7,476,239	8,566,462
Unlisted outside Hong Kong	13,716,455	16,206,220
	<u><u>21,192,694</u></u>	<u><u>24,772,682</u></u>

Notes:

- (a) The Group had an objective to hold these investments in order to collect contractual cash flows and had measured them at their amortised cost.
- (b) All debt securities are traded on the China Interbank Bond Market and are included in “Listed outside Hong Kong”.
- (c) At 30 June 2021 and 31 December 2020, parts of financial assets measured at amortised cost were pledged as security for repurchase agreement.

18. DEBTS SECURITIES ISSUED

	30 June 2021	31 December 2020
	<i>(Unaudited)</i>	<i>(Audited)</i>
	RMB'000	RMB'000
Fixed rate subordinated debts/tier-two capital bonds issued (Note (i))	2,397,209	2,396,807
Interbank certificates issued (Note (ii))	3,694,557	5,107,719
	6,091,766	7,504,526

Notes:

(i) Fixed rate subordinated debts/tier-two capital bonds issued

- (a) Fixed rate subordinated debts at a face value of RMB700,000,000 with a term of ten years were issued on 31 December 2012. The coupon rate is 7.00%. The effective interest rate per annum on the Group's fixed rate subordinated debts issued is 7.06%. As at 30 June 2021, the outstanding balance of this fixed rate subordinated debts issued is approximately RMB699,549,000 (31 December 2020: approximately RMB699,400,000).
- (b) Fixed rate tier-two capital bonds at a face value of RMB800,000,000 with a term of ten years were issued on 13 April 2015. The coupon rate is 6.30%. The effective interest rate per annum on the Group's tier-two capital bonds issued is 6.35%. As at 30 June 2021, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB799,092,000 (31 December 2020: approximately RMB798,973,000).
- (c) Fixed rate tier-two capital bonds at a face value of RMB900,000,000 with a term of ten years were issued on 20 October 2016. The coupon rate is 4.20%. The Group has an option to redeem the debts on 20 October 2021 at the nominal amount. The effective interest rate per annum on the Group's tier-two capital bonds issued is 4.24%. As at 30 June 2021, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB898,568,000 (31 December 2020: approximately RMB898,434,000).

(ii) Interbank certificates issued

- (a) For the period ended 30 June 2021, the Bank issued a number of zero coupon interbank certificate with total nominal amount of RMB3,400,000,000 and duration between 3 month to 1 year. As at 30 June 2021, the outstanding balance of interbank certificates issued is approximately RMB3,110,206,000. The ranges of effective interest rates per annum on the Group's interbank certificates issued are 3.25% to 3.82% per annum.
- (b) For the year ended 31 December 2020, the Bank issued a number of zero coupon interbank certificates with total nominal amount of RMB7,630,000,000 and duration between 1 month to 1 year. As at 30 June 2021, the outstanding balance of interbank certificates issued is approximately RMB584,351,000 (31 December 2020: approximately RMB5,107,719,000). The ranges of effective interest rates per annum on the Group's interbank certificates issued are 3.06% to 4.20% per annum.

19. DIVIDENDS

	30 June 2021	30 June 2020
	<i>(Unaudited)</i> RMB'000	<i>(Unaudited)</i> RMB'000
2020 final dividend (Note a)	658,986	—
2019 final dividend (Note b)	—	753,127

Notes:

- (a) Pursuant to the resolution of the shareholders meeting of 2020 on 18 June 2021, the Bank distributed cash dividends of RMB0.15 per share (tax included) based on 4,393,239,455 shares held amounting to approximately RMB658,986,000 during the period ended 30 June 2021.
- (b) Pursuant to the resolution of the shareholders meeting of 2019 on 18 June 2020, the Bank distributed cash dividends of RMB0.18 per share (tax included) based on 4,184,037,577 shares held amounting to approximately RMB753,127,000 during the period ended 30 June 2020.
- (c) No interim dividend was paid, declared or proposed during the period ended 30 June 2021 (2020: nil).

20. SEGMENT REPORTING

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

Corporate banking

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

Retail banking

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

Treasury operations

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

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 and expenses are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment, land use rights and other long-term assets.

(a) Segment results, assets and liabilities

	Period ended 30 June 2021				
	Corporate banking (Unaudited) RMB'000	Retail banking (Unaudited) RMB'000	Treasury operations (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
Operating income					
External net interest income/(expense)	3,009,180	(891,747)	597,920	(86)	2,715,267
Internal net interest (expense)/income	(1,624,652)	2,159,541	(534,889)	—	—
Net interest income/(expense)	1,384,528	1,267,794	63,031	(86)	2,715,267
Net fee and commission income	29,180	4,293	275	(365)	33,383
Net trading losses	—	—	(72,311)	—	(72,311)
Dividend income	—	—	—	32,892	32,892
Net gains arising from investment securities	—	—	22,421	—	22,421
Net exchange gains	—	—	—	7,454	7,454
Other operating income, net	—	—	—	12,843	12,843
Operating income	1,413,708	1,272,087	13,416	52,738	2,751,949
Operating expenses	(842,015)	(348,822)	(50,202)	(10,588)	(1,251,627)
Impairment losses on assets	(664,559)	(71,030)	(67,179)	1,663	(801,105)
Operating profit/ (loss)	(92,866)	852,235	(103,965)	43,813	699,217
Share of results of associates	—	—	—	(8,903)	(8,903)
Profit/ (loss) before tax	(92,866)	852,235	(103,965)	34,910	690,314
Other segment information					
— Depreciation and amortisation	183,246	66,063	9,671	1,803	260,783
— Capital expenditure	38,573	28,741	2,358	816	70,488

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

At 30 June 2021					
	Corporate banking (Unaudited) RMB'000	Retail banking (Unaudited) RMB'000	Treasury operations (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment assets	122,332,738	21,099,531	66,276,420	2,634,426	212,343,115
Deferred tax assets	—	—	—	920,973	920,973
Total assets	122,332,738	21,099,531	66,276,420	3,555,399	213,264,088
Segment liabilities	(45,777,564)	(124,078,188)	(26,342,595)	(344,372)	(196,542,719)
Dividend payable	—	—	—	(659,460)	(659,460)
Total liabilities	(45,777,564)	(124,078,188)	(26,342,595)	(1,003,832)	(197,202,179)

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

	Period ended 30 June 2020				
	Corporate banking (Unaudited) RMB'000	Retail banking (Unaudited) RMB'000	Treasury operations (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
Operating income					
External net interest income/(expense)	2,301,062	(612,165)	408,710	(1,018)	2,096,589
Internal net interest (expense)/income	(952,144)	1,559,393	(607,249)	—	—
Net interest income/(expense)	1,348,918	947,228	(198,539)	(1,018)	2,096,589
Net fee and commission income	31,245	4,935	799	—	36,979
Net trading gains	—	—	96,361	—	96,361
Dividend income	—	—	—	59,402	59,402
Net gains arising from investment securities	—	—	35,215	—	35,215
Net exchange gains	—	—	—	4,103	4,103
Other operating income, net	—	—	—	11,000	11,000
Operating income	1,380,163	952,163	(66,164)	73,487	2,339,649
Operating expenses	(585,754)	(506,555)	(23,484)	(25,686)	(1,141,479)
Impairment losses on assets	(360,682)	(152,704)	(139,938)	(1,639)	(654,963)
Operating profit/ (loss)	433,727	292,904	(229,586)	46,162	543,207
Share of results of associates	—	—	—	(2,736)	(2,736)
Profit/ (loss) before tax	433,727	292,904	(229,586)	43,426	540,471
Other segment information					
— Depreciation and amortisation	142,195	113,402	4,541	5,294	265,432
— Capital expenditure	33,938	39,376	1,146	1,952	76,412

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

	At 31 December 2020				
	Corporate	Retail	Treasury	Others	Total
	banking	banking	operations		
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	108,706,385	23,248,139	64,516,709	3,118,815	199,590,048
Deferred tax assets	—	—	—	773,222	773,222
Total assets	<u>108,706,385</u>	<u>23,248,139</u>	<u>64,516,709</u>	<u>3,892,037</u>	<u>200,363,270</u>
Segment liabilities	(47,758,367)	(107,342,342)	(28,699,141)	(312,225)	(184,112,075)
Dividend payable	—	—	—	(10)	(10)
Total liabilities	<u>(47,758,367)</u>	<u>(107,342,342)</u>	<u>(28,699,141)</u>	<u>(312,235)</u>	<u>(184,112,085)</u>

7. PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND 2021 INTERIM REPORT

This interim results announcement is published on the HKEXnews website of Hong Kong Stock Exchange (www.hkexnews.hk) and website of the Bank (www.jtnsh.com). The 2021 Interim Report of the Bank prepared in accordance with the Hong Kong Listing Rules and the IFRSs will be published on the HKEXnews website of Hong Kong Stock Exchange (www.hkexnews.hk) and website of the Bank (www.jtnsh.com) and will be despatched to the holders of H shares of the Bank in due course.

By order of the Board
Jilin Jiutai Rural Commercial Bank Corporation Limited*
Gao Bing
Chairman

Changchun, China
August 30, 2021

As at the date of this announcement, the Board of the Bank comprises Mr. Gao Bing, Mr. Liang Xiangmin and Mr. Yuan Chunyu as executive Directors; Mr. Cui Qiang, Mr. Zhang Yusheng, Mr. Wu Shujun, Mr. Zhang Lixin and Ms. Wang Ying as non-executive Directors; and Ms. Zhang Qiuhua, Ms. Han Lirong, Ms. Jin Xiaotong and Mr. Sun Jiafu as independent non-executive Directors.

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