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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 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 audited annual results (the “**Annual Results**”) of the Bank and its subsidiaries (the “**Group**”) for the year ended December 31, 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 Annual 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 (the “ 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
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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 27/F, Jardine House One Connaught Place Central Hong Kong
Auditors of the Bank:	<i>Domestic Auditor:</i> CAC CPA Limited Liability Partnership 52/F Centre Plaza No. 188 Jiefang Road Heping District, Tianjin, the PRC <i>International Auditor:</i> SHINEWING (HK) CPA Limited 43/F, Lee Garden One 33 Hysan Avenue, Causeway Bay Hong Kong

2. FINANCIAL SUMMARY

2.1 Financial Data from 2017 to 2021

(Expressed in millions of RMB,
unless otherwise stated)

	2021	2020	2019	2018	2017
Operating results					
Interest income	12,524.3	10,371.1	8,722.5	8,602.6	9,859.4
Interest expenses	(6,347.9)	(5,272.6)	(4,557.1)	(5,082.5)	(5,123.5)
Net interest income	6,176.4	5,098.5	4,165.4	3,520.1	4,735.9
Fee and commission income	169.4	268.9	349.0	407.2	652.2
Fee and commission expenses	(96.7)	(38.3)	(32.5)	(31.6)	(37.3)
Net fee and commission income	72.7	230.6	316.5	375.6	614.9
Net gains arising from investment securities	87.3	46.4	21.1	11.8	259.1
Dividend income	57.0	59.4	64.7	82.2	105.9
Net trading gains	1.0	149.8	609.8	914.5	65.6
Gain/(loss) on disposal of an associate	—	(37.1)	37.5	—	2.3
Losses on deemed partial disposal of subsidiaries/associates	(46.5)	—	—	(6.2)	—
Net exchange gains/(losses)	11.3	10.2	5.7	15.0	(38.8)
Other operating incomes (expenses), net	3.1	(11.0)	90.7	124.6	95.4
Operating income	6,362.3	5,546.8	5,311.4	5,037.6	5,840.3
Operating expenses	(3,073.9)	(2,743.7)	(2,787.4)	(2,851.4)	(3,030.1)
Impairment losses on assets	(1,569.4)	(1,306.6)	(1,088.1)	(890.2)	(748.0)
Operating profit	1,719.0	1,496.5	1,435.9	1,296.0	2,062.2
Share of profits of associates	28.5	44.6	67.6	143.7	23.2
Profit before tax	1,747.5	1,541.1	1,503.5	1,439.7	2,085.4
Income tax expense	(457.5)	(341.4)	(307.8)	(256.1)	(447.0)
Profit for the year	1,290.0	1,199.7	1,195.7	1,183.6	1,638.4
Profit for the year attributable to:					
—Owners of the Bank	1,129.4	1,104.5	1,042.2	982.9	1,275.6
—Non-controlling interests	160.6	95.2	153.5	200.7	362.8
Profit for the year	1,290.0	1,199.7	1,195.7	1,183.6	1,638.4

(Expressed in millions of RMB,
unless otherwise stated)

	2021	2020	2019	2018	2017
Major indicators of assets/liabilities					
Total assets	234,140.2	200,363.3	173,275.5	164,253.2	187,008.5
Of which: loans and advances to customers	152,222.1	126,574.6	93,394.2	75,354.5	76,492.2
Total liabilities	216,365.2	184,112.1	157,615.4	149,145.7	170,357.9
Of which: deposits from customers	193,106.2	149,763.2	122,840.4	109,521.2	129,881.6
Total equity	17,775.0	16,251.2	15,660.1	15,107.5	16,650.6
Per share (RMB)					
Net assets per share	3.16	2.96 (Restated) ⁽¹⁴⁾	3.04	3.10	3.15
Basic earnings per share	0.24	0.24 (Restated) ⁽¹⁴⁾	0.24	0.23	0.32
Diluted earnings per share	0.24	0.24 (Restated) ⁽¹⁴⁾	0.24	0.23	0.32
Profitability indicators (%)					
Return on assets ⁽¹⁾	0.59%	0.64%	0.71%	0.67%	0.87%
Return on capital ⁽²⁾	7.58%	7.52%	7.77%	7.45%	10.79%
Net interest spread ⁽³⁾	2.81%	2.58%	2.74%	2.36%	2.19%
Net interest margin ⁽⁴⁾	2.91%	2.75%	2.75%	2.22%	2.38%
Net fee and commission income to operating income ratio ⁽⁵⁾	1.14%	4.16%	5.96%	7.46%	10.53%
Cost-to-income ratio ⁽⁶⁾	46.90%	47.96%	51.08%	54.72%	50.77%
Capital adequacy indicators (%)					
Core tier-one capital adequacy ratio ⁽⁷⁾	8.83%	9.05%	9.55%	9.40%	9.47%
Tier-one capital adequacy ratio ⁽⁸⁾	8.96%	9.15%	9.66%	9.50%	9.66%
Capital adequacy ratio ⁽⁹⁾	11.63%	11.37%	11.98%	11.83%	12.20%
Shareholders' equity to total assets ratio	7.59%	8.11%	9.04%	9.20%	8.90%
Assets quality indicators (%)					
Non-performing loan ratio ⁽¹⁰⁾	1.88%	1.63%	1.68%	1.75%	1.73%
Provision coverage ratio ⁽¹¹⁾	157.33%	164.82%	167.58%	160.41%	171.48%
Provision to total loan ratio ⁽¹²⁾	2.95%	2.69%	2.82%	2.80%	2.96%
Other indicators (%)⁽¹³⁾					
Loan to deposit ratio	81.22%	86.85%	78.23%	70.79%	60.69%

Notes:

- (1) Calculated by dividing the net profit for a year by the average balance of total assets at the beginning and the end of that year.
- (2) Calculated by dividing the net profit for a year by the average balance of total equity at the beginning and at the end of that 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 = total non-performing loans/total loans and advances to customers*100%.
- (11) Provision coverage ratio = total provision for impairment losses on loans and advances to customers/total non-performing loans*100%.
- (12) Provision to total loan ratio = total provision for impairment losses on loans and advances to customers/total loans and advances to customers*100%.
- (13) The relevant indicator refers to the ratio the Bank reports to the China Banking and Insurance Regulatory Commission (the “**CBIRC**”) and calculated in accordance with PRC GAAP and relevant requirements of the CBIRC regarding financial data.
- (14) The weighted average number of ordinary shares in issue during the year ended 31 December 2020 has been adjusted retrospectively taking into account the capitalisation issue of 219,661,972 ordinary shares and 209,201,878 ordinary shares as if the capitalisation issue on 23 July 2021 and 14 August 2020 respectively had been completed on 1 January 2020.

3. MANAGEMENT DISCUSSIONS AND ANALYSIS

3.1 Environment and Outlook

We are standing at the turning point of the two centuries and the two overall situations (兩個大局). Political relationship among major countries is increasingly complex, and the global supply chain has been disrupted due to the ever-changing pandemic. The world has entered a new turbulent era and the external environment has become more complicated and uncertain. In China, the economic development is also under the triple pressure of demand contraction, supply shock and weakening expectations.

In 2022, the 20th National Congress of the Communist Party of China will be held and the “Fourteenth Five-Year Plan (十四五規劃)” will continue to implement. Despite the various challenges, the Chinese government aims to maintain stability and pursue sustainable growth by coordinating the domestic fiscal and monetary policy, implementing cross-cyclical and counter-cyclical adjustments and reducing taxes and surcharges. Setting a GDP growth target at around 5.5% this year, China is confident in achieving its expectation as the economy continues to recover driven by the new round of innovation, green transformation and quality improvement and upgrade. In addition, the regulator has issued favourable financial regulations that are conducive to economic stability, with clear policy directions in supporting common prosperity, rural revitalization, small and micro enterprises, technological innovation and green development. Various measures have also been implemented to accelerate the reform of rural credit cooperatives and support the capital replenishment of banking institutions. The development potential for rural commercial banks has been further expanded, and the resilience, sustainability and competitiveness of the real economy has been further enhanced.

Looking forward, the Bank will closely follow national policies and focus on regional development in pursuit of stable growth. The Bank will focus on maintaining high quality development and upholding its positioning to develop finance for the three rurals, community finance, cooperation platform and charity works. The Bank will shoulder its responsibilities through providing services to entities, enhance its value while contributing to the society and foster its high-quality development.

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 Enterprises (the "SMEs"); (ii) exploit the growth potential of personal financial services to enhance the capability of community financial service and 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 2021, in response to the challenges from economic downturn and the changing pandemic situation, the Group strictly followed all regulatory requirements and pushed forward the development of the "Four in One Mechanism (四位一體)" which integrated "three rural finance, community finance, cooperation platform and charity". Major operating indicators improved steadily, marking a positive beginning of the "Fourteenth Five-Year Plan".

The Group recorded a total operating income of RMB6,362.3 million in 2021, representing an increase of 14.7% as compared to RMB5,546.8 million in 2020. The Group's net profit increased by 7.5% from RMB1,199.7 million in 2020 to RMB1,290.0 million in 2021.

As of December 31, 2021, the Group's total assets amounted to RMB234,140.2 million, representing a year-on-year increase of 16.9%; total loans and advances to customers amounted to RMB156,850.2 million, representing a year-on-year increase of 20.6%; the non-performing loan ratio amounted to 1.88%, representing a year-on-year increase of 0.25 percentage point; total deposits from customers amounted to RMB193,106.2 million, representing a year-on-year increase of 28.9%.

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2021	2020	Change in amount	Change in percentage (%)
Interest income	12,524.3	10,371.1	2,153.2	20.8
Interest expense	(6,347.9)	(5,272.6)	(1,075.3)	20.4
Net interest income	6,176.4	5,098.5	1,077.9	21.1
Fee and commission income	169.4	268.9	(99.5)	(37.0)
Fee and commission expenses	(96.7)	(38.3)	(58.4)	152.5
Net fee and commission income	72.7	230.6	(157.9)	(68.5)
Net gains arising from investment securities	87.3	46.4	40.9	88.1
Dividend income	57.0	59.4	(2.4)	(4.0)
Net trading gains	1.0	149.8	(148.8)	(99.3)
Gain/(loss) on disposal of an associate	—	(37.1)	37.1	(100.0)
Losses on deemed partial disposal of subsidiaries/associates	(46.5)	—	(46.5)	—
Net exchange gains/(losses)	11.3	10.2	1.1	10.8
Other operating incomes (expenses), net	3.1	(11.0)	14.1	(128.2)
Operating income	6,362.3	5,546.8	815.5	14.7
Operating expenses	(3,073.9)	(2,743.7)	(330.2)	12.0
Impairment losses on assets	(1,569.4)	(1,306.6)	(262.8)	20.1
Operating profit	1,719.0	1,496.5	222.5	14.9
Share of profits of associates	28.5	44.6	(16.1)	(36.1)
Profit before tax	1,747.5	1,541.1	206.4	13.4
Income tax expense	(457.5)	(341.4)	(116.1)	34.0
Profit for the year	1,290.0	1,199.7	90.3	7.5
Profit for the year attributable to:				
— Owners of the Bank	1,129.4	1,104.5	24.9	2.3
— Non-controlling interests	160.6	95.2	65.4	68.7
Profit for the year	1,290.0	1,199.7	90.3	7.5

In 2021, the Group's profit before tax was RMB1,747.5 million, representing a year-on-year increase of 13.4%; profit for the year was RMB1,290.0 million, representing a year-on-year increase of 7.5%. It was mainly due to the increases in net interest income as a result of

focusing on the original business by increasing loans to customers, reasonably adjusting the asset structure and enhancing the utilization efficiency of funds in order to provide further credit support to the real economy, which was partially offset by the decreases in net fee and commission income, net trading gains and the increases in 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 91.9% and 97.1% of operating income in 2020 and 2021, respectively. The table below sets forth the interest income, interest expense and net interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2021	2020	Change in amount	Change in percentage (%)
Interest income	12,524.3	10,371.1	2,153.2	20.8
Interest expense	(6,347.9)	(5,272.6)	(1,075.3)	20.4
Net interest income	<u>6,176.4</u>	<u>5,098.5</u>	<u>1,077.9</u>	<u>21.1</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)	Year ended December 31, 2021			Year ended December 31, 2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Interest-earning Assets						
Loans and advances to customers	150,225.2	10,424.2	6.94	117,552.0	8,273.5	7.04
Investment securities and other financial assets ⁽¹⁾	28,875.4	1,557.5	5.39	32,762.2	1,469.8	4.49
Financial assets held under resale agreements	3,158.7	98.7	3.12	7,300.8	188.5	2.58
Deposits with banks and other financial institutions	11,845.9	181.3	1.53	10,586.8	154.9	1.46
Deposits with the central bank ⁽²⁾	17,021.4	219.5	1.29	14,335.3	186.6	1.30
Placements with banks and other financial institutions	917.5	43.1	4.70	2,578.1	97.8	3.79
Total interest-earning assets	<u>212,044.1</u>	<u>12,524.3</u>	5.91	<u>185,115.2</u>	<u>10,371.1</u>	5.60

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2021			Year ended December 31, 2020		
	Average balance	Interest expense	Average cost cost (%)	Average balance	Interest expense	Average cost cost (%)
Interest-bearing Liabilities						
Deposits from customers	173,993.7	5,328.5	3.06	138,741.3	3,969.0	2.86
Financial assets sold under repurchase agreements	5,723.8	117.9	2.06	5,777.1	110.3	1.91
Deposits from banks and other financial institutions	8,780.9	287.8	3.28	10,471.9	395.8	3.78
Debt securities issued ⁽³⁾	6,440.7	292.7	4.54	10,762.8	452.9	4.21
Placements from banks and other financial institutions	6,936.6	242.2	3.49	6,269.9	271.6	4.33
Borrowing from the central bank	2,404.0	54.7	2.28	1,913.4	42.6	2.23
Lease liabilities	524.5	24.1	4.59	654.9	30.4	4.64
Total interest-bearing liabilities	204,804.2	6,347.9	3.10	174,591.3	5,272.6	3.02
Net interest income		6,176.4			5,098.5	
Net interest spread⁽⁴⁾			2.81			2.58
Net interest margin⁽⁵⁾			2.91			2.75

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)	2021 vs 2020		
	Volume ⁽¹⁾	Interest rate ⁽²⁾	Net Increase/ (decrease) ⁽³⁾
Interest-earning Assets			
Loans and advances to customers	2,267.2	(116.5)	2,150.7
Investment securities and other financial assets	(209.6)	297.3	87.7
Financial assets held under resale agreements	(129.4)	39.6	(89.8)
Deposits with banks and other financial institutions	19.3	7.1	26.4
Deposits with the central bank	34.6	(1.7)	32.9
Placements with banks and other financial institutions	(78.0)	23.3	(54.7)
Changes in interest income	<u>1,904.1</u>	<u>249.1</u>	<u>2,153.2</u>
Interest-bearing Liabilities			
Deposits from customers	1,079.6	279.9	1,359.5
Financial assets sold under repurchase agreements	(1.1)	8.7	7.6
Deposits from banks and other financial institutions	(55.4)	(52.6)	(108.0)
Debt securities issued	(196.4)	36.2	(160.2)
Placements from banks and other financial institutions	23.3	(52.7)	(29.4)
Borrowing from the central bank	11.2	0.9	12.1
Lease liabilities	(6.0)	(0.3)	(6.3)
Changes in interest expense	<u>855.2</u>	<u>220.1</u>	<u>1,075.3</u>
Changes in net interest income	<u>1,048.9</u>	<u>29.0</u>	<u>1,077.9</u>

Notes:

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

(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)	Year ended December 31,			
	2021		2020	
	Amount	% of total	Amount	% of total
Loans and advances to customers	10,424.2	83.2	8,273.5	79.8
Investment securities and other financial assets	1,557.5	12.4	1,469.8	14.2
Financial assets held under resale agreements	98.7	0.8	188.5	1.8
Deposits with banks and other financial institutions	181.3	1.4	154.9	1.5
Deposits with the central bank	219.5	1.9	186.6	1.8
Placements with banks and other financial institutions	43.1	0.3	97.8	0.9
Total	12,524.3	100.0	10,371.1	100.0

The Group's interest income increased by 20.8% from RMB10,371.1 million in 2020 to RMB12,524.3 million in 2021, primarily due to the increase in the average balance of interest-earning assets from RMB185,115.2 million in 2020 to RMB212,044.1 in 2021, and the increase in the average yield of such assets from 5.60% in 2020 to 5.91% in 2021. The increase in the average balance of interest-earning assets was primarily due to increases in loans and advances to customers, deposits with banks and other financial institutions and deposits with the central bank as a result of increasing loans and advances to customers and the optimization of assets structure to provide further credit support to the real economy, which was partially offset by the decreases in the average balances of investment securities and other financial assets, financial assets held under resale agreements and placements with banks and other financial institutions. The increase in the average yield of the interest-earning assets was primarily due to the increases in the average yield of investment securities and other financial assets, financial assets held under resale agreements, deposits with banks and other financial institutions and placements with banks and other financial institutions as a result of the continuous improvement in the management of assets and liabilities and the adjustment on the financial investment portfolio, which was partially offset by the decreases in the average yield of loans and advances to customers and deposits with the central bank.

(A) Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 79.8% and 83.2% of the Group's total interest income in 2020 and 2021, respectively.

The table below sets forth the average balance, interest income and average yield on loans and advances to customers by product for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,					
	2021			2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loan and advances						
— Loan	119,630.1	8,434.0	7.05	90,967.6	6,418.1	7.06
— Finance leases loan	2,706.1	146.1	5.40	2,131.4	124.4	5.84
Retail loans	25,520.3	1,765.4	6.92	22,987.3	1,692.5	7.36
Discounted bills	2,368.7	78.7	3.32	1,465.7	38.5	2.63
Total loans and advances to customers	150,225.2	10,424.2	6.94	117,552.0	8,273.5	7.04

Being the largest component of the Group's interest income, the interest income from loans and advances to customers increased by 26.0% from RMB8,273.5 million in 2020 to RMB10,424.2 million in 2021, which was mainly due to the increase in the average balance of loans and advances to customers by 27.8% from RMB117,552.0 million in 2020 to RMB150,225.2 million in 2021, which was partially offset by the decrease in the average yield, such assets from 7.04% in 2020 to 6.94% in 2021. The increase in the average balance of such assets was primarily due to the efforts of the Group to improve the services for the real economy and adapt to the new development pattern of "Dual Circulation" by actively promoting reforms in respect of the industrial structure, technological innovation and agricultural and rural development, enhancing the quality and efficiency of financial services for entities, integrating various resources, to support the growth in the rural areas, to support the revitalization of regional economy and increasing credit support to satisfy the financing needs in the society, as well as optimization of the loan structure, accelerating the transformation of retail industry and the greater support put on the retail customers. The decrease in the average yield of such assets was primarily due to the fulfilment of the Group's social responsibility by reducing fees and interest rate of loans to ease the burden of borrowers, as well as 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 6.0% from RMB1,469.8 million in 2020 to RMB1,557.5 million in 2021, primarily due to an increase in the average yield of investment securities and other financial

assets from 4.49% in 2020 to 5.39% in 2021, which was partially offset by a decrease in the average balance of such assets from RMB32,762.2 million in 2020 to RMB28,875.4 million in 2021. The decrease in the average balance of such assets was primarily due to the optimization of assets structure of the Group by reducing such assets. The increase in the average yield of such assets was primarily due to the changes in the types of investment assets and maturity profile and the change in market interest rate.

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

Interest income from financial assets held under resale agreements decreased by 47.6% from RMB188.5 million in 2020 to RMB98.7 million in 2021, primarily due to a decrease in the average balance of the financial assets held under resale agreements, from RMB7,300.8 million in 2020 to RMB3,158.7 million in 2021, which was partially offset by the increase in the average yield on such assets from 2.58% in 2020 to 3.12% in 2021. The decrease in the average balance of such assets was primarily attributable to the adjustment of the scale of such assets based on the trend in the capital market and the capital position of the Group in a timely manner in order to balance the yield and liquidity requirement. The increase in the average yield of such assets was primarily due to the increase in market interest rate.

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

Interest income from deposits with banks and other financial institutions increased by 17.0% from RMB154.9 million in 2020 to RMB181.3 million in 2021, primarily due to the increase in the average balance of deposits with banks and other financial institutions from RMB10,586.8 in 2020 to RMB11,845.9 million in 2021, and the increase in the average yield on such assets from 1.46% in 2020 to 1.53% in 2021. The increase in the average balance of such assets was primarily due to the reasonable increase in deposits with banks and other financial institutions in order to improve the efficiency of fund use based on the needs of business operation of the Group. The increase in the average yield of such assets was primarily 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 17.6% from RMB186.6 million in 2020 to RMB219.5 million in 2021, primarily due to the increase in the average balance of deposits with the central bank from RMB14,335.3 million in 2020 to RMB17,021.4 million in 2021, which was partially offset by the decrease in the average yield of such assets from 1.30% in 2020 to 1.29% in 2021. The increase in average balance of such assets was primarily due to increase in statutory deposit reserves as a result of the increase in the deposits from customers of the Group, which was partially offset by the decrease in statutory deposit reserve ratio. The decrease in the average yield of such assets was primarily 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)	Year ended December 31,			
	2021		2020	
	Amount	% of total	Amount	% of total
Deposits from customers	5,328.5	83.9	3,969.0	75.3
Financial assets sold under repurchase agreements	117.9	1.9	110.3	2.1
Deposits from banks and other financial institutions	287.8	4.5	395.8	7.5
Debt securities issued	292.7	4.6	452.9	8.6
Placements from banks and other financial institutions	242.2	3.8	271.6	5.2
Borrowings from the central bank	54.7	0.9	42.6	0.8
Lease liabilities	24.1	0.4	30.4	0.5
Total	6,347.9	100.0	5,272.6	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 indicate

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,					
	2021			2020		
	Average balance	Interest expense	Average yield (%)	Average balance	Interest expense	Average yield (%)
Corporate deposits						
Time	7,703.6	227.4	2.95	8,425.2	308.1	3.66
Demand	41,247.6	954.6	2.31	32,231.0	849.4	2.64
Subtotal	48,951.2	1,182.0	2.41	40,656.2	1,157.5	2.85
Retail deposits						
Time	107,846.1	3,879.8	3.60	76,216.5	2,406.6	3.16
Demand	17,196.4	266.7	1.55	21,868.6	404.9	1.85
Subtotal	125,042.5	4,146.5	3.32	98,085.1	2,811.5	2.87
Total deposits from customers	173,993.7	5,328.5	3.06	138,741.3	3,969.0	2.86

Interest expenses on deposits from customers increased by 34.3% from RMB3,969.0 million in 2020 to RMB5,328.5 million in 2021, primarily due to an increase in the average balance of deposits from customers from RMB138,741.3 million in 2020 to RMB173,993.7 million in 2021 as well as an increase in the average cost of such liabilities from 2.86% in 2020 to 3.06% in 2021. The increase in average balance of such liabilities was primarily due to the Group's efforts in promoting digitalization, expanding electronic channels and our customer base, improving service quality and implementing targeted marketing. The increase in the average cost of such liabilities was primarily due to the more intensified market competition.

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

Interest expenses on financial assets sold under repurchase agreements increased by 6.9% from RMB110.3 million in 2020 to RMB117.9 million in 2021, primarily due to an increase in the average cost of financial assets sold under repurchase agreements from 1.91% in 2020 to 2.06% in 2021, which was partially offset by the decrease in average balance of such liabilities from RMB5,777.1 million in 2020 to RMB5,723.8 million in 2021. The increase in the average cost of such liabilities was primarily due to the increase in market interest rate. The decrease in the average balance of such liabilities was mainly the result of the adjustment of liabilities structure of the Group according to its business needs and the needs of liquidity management.

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

Interest expenses on deposits from banks and other financial institutions decreased by 27.3% from RMB395.8 million in 2020 to RMB287.8 million in 2021, mainly due to a decrease in the average balance of the deposits from banks and other financial institutions from RMB10,471.9 million in 2020 to RMB8,780.9 million in 2021, and a decrease in the average cost of such liabilities from 3.78% in 2020 to 3.28% in 2021. The decrease in the average balance of such liabilities was primarily due to the increase in proportion of core liabilities and adjustment to the proportion of those liabilities by the Group based on the changes in market liquidity as well as the need to match the maturity of assets and liabilities. The decrease in the average cost of such liabilities was mainly due to the changes in the maturity structure of such amounts and the changes in market interest rate.

(D) Interest expenses on debt securities issued

Interest expenses on debt securities issued decreased by 35.4% from RMB452.9 million in 2020 to RMB292.7 million in 2021, mainly due to the decrease in the average balance of the debt securities issued from RMB10,762.8 million in 2020 to RMB6,440.7 million in 2021, which was offset by the increase in the average cost of such liabilities from 4.21% in 2020 to 4.54% in 2021. The decrease in the average balance of such liabilities was primarily due to the repayment of certain interbank certificates which were due. The increase in the average yield of such liabilities was primarily due to the changes in the maturity profile.

(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 0.23 percentage point from 2.58% in 2020 to 2.81% in 2021. Net interest margin increased by 0.16 percentage point from 2.75% in 2020 to 2.91% in 2021. The increases in net interest margin and net interest spread were primarily due to the steady growth in interest income from loans and advances to customers as the Group strictly adhered to the national policies and focused on regional development, adjusted the assets structure based on its market position and provided more credit to support the “three rural” and SMEs by increasing the provision of loans in recent years and the benefits from the efforts in serving entities and supporting the agriculture and small businesses, the increase in the average yield of interest-earning assets by 0.31 percentage point as compared to the corresponding period of last year as a result of the increase in income from treasury operations attributable to the timely adjustment in investment portfolio and enhancement in risk control in response to the changes in macro and market conditions, as well as the average cost of interest-bearing liabilities remained stable as compared to the corresponding period of last year resulting from the further improvement in pricing mechanisms and more effective cost control.

(v) Non-interest income

(A) Net fee and commission income

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2021	2020	Change in amount	Change in percentage (%)
Fee and commission income				
Advisory fees	33.2	137.4	(104.2)	(75.8)
Syndicated loan service fees	45.8	59.5	(13.7)	(23.0)
Settlement and clearing fees	65.5	29.4	36.1	122.8
Agency services fees	16.6	18.5	(1.9)	(10.3)
Wealth management service fees	3.9	19.5	(15.6)	(80.0)
Bank card service fees	3.4	4.0	(0.6)	(15.0)
Others ⁽¹⁾	1.0	0.6	0.4	66.7
Subtotal	169.4	268.9	(99.5)	(37.0)
Fee and commission expense	(96.7)	(38.3)	(58.4)	152.5
Net fee and commission income	72.7	230.6	(157.9)	(68.5)

Note:

- (1) Primarily consists 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 68.5% from RMB230.6 million in 2020 to RMB72.7 million in 2021, primarily due to the decreases in advisory fees, syndicated loan service fees, agency services fees, wealth management service fees and bank card service fees, which was partially offset by the increase in settlement and clearing fees.

Advisory fees income amounted to RMB33.2 million in 2021, representing a decrease of RMB104.2 million, or 75.8%, as compared to 2020, mainly due to the decrease in advisory services of the Group as affected by the decreased market demand.

Syndicated loan service fees income amounted to RMB45.8 million in 2021, representing a decrease of RMB13.7 million, or 23.0%, as compared to 2020, mainly due to the decrease in the transaction volume of syndicated loan business.

Settlement and clearing fees income amounted to RMB65.5 million in 2021, representing an increase of RMB36.1 million, or 122.8%, as compared to 2020, mainly due to increase in the transaction volume of settlement business.

Agency service fees income amounted to RMB16.6 million in 2021, representing a decrease of RMB1.9 million, or 10.3%, as compared to 2020, mainly due to the decrease in the transaction volume of agency business.

Wealth management service fees income amounted to RMB3.9 million in 2021, representing a decrease of RMB15.6 million, or 80.0%, as compared to 2020, mainly due to the decrease in the issue size of wealth management products.

Bank card service fees income amounted to RMB3.4 million in 2021, representing a decrease of RMB0.6 million, or 15.0%, as compared to 2020, 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 152.5% from RMB38.3 million in 2020 to RMB96.7 million in 2021, 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 increased by 88.1% from RMB46.4 million in 2020 to RMB87.3 million in 2021. The increase was mainly due to the timely disposal of investments in bond assets by the Group based on the investment strategy of assets portfolio and pricing trend of the bond market.

(C) Dividend income

Dividend income decreased by 4.0% from RMB59.4 million in 2020 to RMB57.0 million in 2021. The decrease in dividend income was mainly due to the disposal of equity in certain non-controlling rural commercial banks.

(D) Net trading gains

Net trading gains primarily include gains and interest income from selling, and the fair value changes of, debt securities held for trading and wealth management products issued by other financial institutions. Net trading gains decreased by 99.3% from RMB149.8 million in 2020 to RMB1.0 million in 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 such assets.

(E) Net exchange gains/(losses)

Net exchange gains mainly included net gains arising out of foreign exchange settlement and foreign exchange transactions. Net exchange gains increased by 10.8% from RMB10.2 million in 2020 to RMB11.3 million in 2021, mainly 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 government subsidies and other non-recurring income, net of non-recurring expenses such as charitable donation. Other operating (expense) income, net increased from RMB(11.0) million in 2020 to RMB3.1 million in 2021, which was mainly due to increases in gains from interest rate swap of central bank.

(vi) Operating expenses

Operating expenses increased by 12.0% from RMB2,743.7 million in 2020 to RMB3,073.9 million in 2021. The increase was primarily due to the increases in staff cost, general management and administrative expenses and tax and surcharges, which was partially offset by the decrease in property and equipment expenses.

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2021	2020	Change in amount	Change in Percentage (%)
Staff cost	1,924.5	1,592.1	332.4	20.9
Property and equipment expenses	549.3	641.8	(92.5)	(14.4)
General management and administrative expenses	509.9	426.3	83.6	19.6
Tax and surcharges	90.2	83.5	6.7	8.0
Total	<u>3,073.9</u>	<u>2,743.7</u>	<u>330.2</u>	<u>12.0</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)	Year ended December 31,			
	2021	2020	Change in amount	Change in Percentage (%)
Salaries and bonuses	1,373.2	1,218.5	154.7	12.7
Social insurance	295.6	143.4	152.2	106.1
Staff welfares	115.7	106.2	9.5	8.9
Housing allowances	111.3	99.5	11.8	11.9
Labor union and staff education expenses	28.7	24.5	4.2	17.1
Total staff costs	<u>1,924.5</u>	<u>1,592.1</u>	<u>332.4</u>	<u>20.9</u>

Staff costs increased by 20.9% from RMB1,592.1 million in 2020 to RMB1,924.5 million in 2021. The increase in staff costs was primarily due to the fact that the Group was 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 decreased by 14.4% from RMB641.8 million in 2020 to RMB549.3 million in 2021. The decrease in property and equipment expenses was mainly due to the decrease of depreciation fees as a result of the disposal of certain properties and the expiration of depreciation and amortisation for certain leased properties and equipment 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 and repair expenses. General management and administrative expenses increased by 19.6% from RMB426.3 million in 2020 to RMB509.9 million in 2021. The increase in general management and administrative expenses was primarily due to gradual increase in expenses along with the Group's business growth and expansion in outlets during the year, while the relevant fee and expenses of last year were lower than usual due to the limited business activities as affected by the pandemic condition, which affected the comparison base.

(D) Tax and surcharges

Tax and surcharges increased by 8.0% from RMB83.5 million in 2020 to RMB90.2 million in 2021. The increase in tax and surcharges were 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)	Year ended December 31,			
	2021	2020	Change in amount	Change in Percentage (%)
Loans and advances to customers	1,232.0	863.6	368.4	42.7
Debt securities financial assets at fair value through other comprehensive income	—	(5.9)	5.9	(100.0)
Financial investments at amortized cost	308.8	358.9	(50.1)	(14.0)
Deposits with banks and other financial institutions	1.7	(0.4)	2.1	(525.0)
Placements with banks and other financial institutions	(0.5)	(0.2)	(0.3)	150.0
Other receivables and repossessed assets	10.1	47.5	(37.4)	(78.7)
Financial assets held under resale agreements	—	—	—	—
Provision for credit commitments and financial guarantees	17.1	43.1	(26.0)	(60.3)
Property and equipment	0.2	—	0.2	—
Total	<u>1,569.4</u>	<u>1,306.6</u>	<u>262.8</u>	20.1

Impairment losses on assets increased by 20.1% from RMB1,306.6 million in 2020 to RMB1,569.4 million in 2021. The increase in impairment losses on assets was mainly due to the increase in provisions for impairment loss on loans and advances to customers along with the growth in loans and advances to customers in order to strengthen its risk resistance ability under the principles of prudence and upon taking account into the uncertain factors including the potential pandemic impact and changes in external conditions.

(viii) Income tax expense

Income tax expense increased by 34.0% from RMB341.4 million in 2020 to RMB457.5 million in 2021. The increase in income tax expense was due to the increase in profit before tax.

(b) Analysis of the Consolidated Statement of Financial Position

(i) Assets

As of December 31, 2021 and 2020, the Group's total assets amounted to RMB234,140.2 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) deposits with banks and other financial institutions; (iv) cash and deposits with the central bank; (v) financial assets held under resale agreements; and (vi) 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 December 31, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Assets				
Total loans and advances to customers	156,850.2	67.0	130,076.5	64.9
Provision for impairment losses	(4,628.1)	(2.0)	(3,501.9)	(1.7)
Loans and advances to customers, net	152,222.1	65.0	126,574.6	63.2
Investment securities and other financial assets ⁽¹⁾	30,482.9	13.0	30,499.0	15.2
Deposits with banks and other financial institutions	10,828.1	4.6	8,396.7	4.2
Cash and deposits with the central bank	30,997.9	13.2	25,155.0	12.6
Financial assets held under resale agreements	1,498.5	0.7	1,102	0.6
Placements with banks and other financial institutions	134.8	0.1	729.3	0.4
Other assets ⁽²⁾	7,975.9	3.4	7,906.7	3.8
Total assets	<u>234,140.2</u>	<u>100.0</u>	<u>200,363.3</u>	<u>100.0</u>

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, interest receivables, deferred tax assets, repossessed assets, interests in associates and right-of-use assets.

(A) Loans and advances to customers

As of December 31, 2021, the Group's total loans and advances to customers was RMB156,850.2 million, representing an increase of 20.6% as compared to December 31, 2020. Net loans and advances to customers accounted for 65.0% of the Group's total assets, representing an increase of 1.8 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 December 31, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Corporate loan and advances				
— Loan	126,768.5	80.8	103,553.4	79.6
— Finance leases loan	3,473.4	2.2	2,077.8	1.6
Retail loans	26,594.9	17.0	24,445.3	18.8
Discounted bills	13.4	0.0	—	—
Total loans and advances to customers	<u>156,850.2</u>	<u>100.0</u>	<u>130,076.5</u>	<u>100.0</u>

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 65.0% and 63.2% of total assets as of December 31, 2021 and 2020, respectively.

The Group's corporate loans increased by 23.3% from RMB105,631.2 million as of December 31, 2020 to RMB130,241.9 as of December 31, 2021, primarily due to the increase in loans in order to fulfill the reasonable credit needs of enterprises of the real economy as the Group focused on providing services for the micro-, small- and medium-sized enterprises and the private sector and supported the industrial upgrade in regional economies while effectively preventing risk exposures.

The Group's retail loans mainly comprise of personal business loans, personal consumption loans and residential and commercial mortgage loans. The Group's retail loans increased by 8.8% from RMB24,445.3 million as of December 31, 2020 to RMB26,594.9 million as of December 31, 2021, primarily due to the increase in loans as a result of the Group's enhanced credit support for the three rurals, individual industrial and commercial households and talent entrepreneurs as the Group has accelerated the transformation of retail business, and fulfillment of increasing reasonable demands from individual customers.

Loans by Collateral

Collateralized loans, pledged loans and guaranteed loans in the aggregate represented 98.4% and 98.0% of total loans and advances to customers as of December 31, 2021 and 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 December 31, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
	Collateralized loans	65,738.2	41.9	54,773.1
Pledged loans	13,589.9	8.7	11,452.7	8.8
Guaranteed loans	74,951.2	47.8	61,203.7	47.1
Unsecured loans	2,570.9	1.6	2,647.0	2.0
Total loans and advances to customers	<u>156,850.2</u>	<u>100.0</u>	<u>13,076.5</u>	<u>100.0</u>

Collateralized loans and pledged loans are the largest component of total loans and advances to customers. Collateralized loans and pledged loans as a percentage of total loans and advances to customers were 50.9% as of December 31, 2020 and 50.6% as of December 31, 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 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 total loans and advances to customers was 47.1% as of December 31, 2020 and 47.8% as of December 31, 2021, respectively.

The Bank and each subsidiary extend unsecured loans to customers with relatively high credit ratings based on their internal credit risk rating system. As of December 31, 2020 and 2021, unsecured loans represented 2.0% and 1.6% of total loans and advances to customers, respectively.

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

(Expressed in millions of RMB,
unless otherwise stated)

	<u>2021</u>	<u>2020</u>
As of January 1	3,501.9	2,709.8
Charge for the year	1,171.0	805.3
Reverse for the year	61.0	58.2
Amounts written off as uncollectible	(113.9)	(93.6)
Recoveries of loans and advances previously written off	8.1	22.2
As of December 31	<u>4,628.1</u>	<u>3,501.9</u>

Provision for impairment losses on loans increased by 32.2% from RMB3,501.9 million as of December 31, 2020 to RMB4,628.1 million as of December 31, 2021, primarily due to the increase in provisions for impairment loss on loans and advances to customers along with the growth in loans and advances to customers in order to strengthen its risk resistance ability under the principles of prudence upon taking account into the uncertain factors including the potential pandemic impact and changes in external conditions.

(B) Investment securities and other financial assets

As of December 31, 2021 and 2020, the Group had investment securities and other financial assets of RMB30,482.9 million and RMB30,499.0 million, respectively, representing 13.0% and 15.2% of its total assets, respectively.

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Debt securities investments				
Financial assets at fair value through other comprehensive income	4,938.0	16.2	2,372.7	7.8
Financial assets at amortized cost	9,711.0	31.9	8,566.5	28.1
Subtotal	<u>14,649.0</u>	<u>48.1</u>	<u>10,939.2</u>	<u>35.9</u>
Asset management plans and trust plans				
Asset management plans	6,647.6	21.8	8,480.4	27.8
Trust plans	7,397.6	24.3	9,038.8	29.6
Subtotal	<u>14,045.2</u>	<u>46.1</u>	<u>17,519.2</u>	<u>57.4</u>
Funds	<u>504.7</u>	<u>1.6</u>	<u>708.7</u>	<u>2.3</u>
Subtotal	<u>504.7</u>	<u>1.6</u>	<u>708.7</u>	<u>2.3</u>
T+0 clearing and advances	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Subtotal	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Equity investments				
Financial assets at fair value through other comprehensive income	178.5	0.6	153.4	0.5
Financial assets at fair value through profit or loss	1,105.5	3.6	1,178.5	3.9
Subtotal	<u>1,284.0</u>	<u>4.2</u>	<u>1,331.9</u>	<u>4.4</u>
Total investment securities and other financial assets, net	<u>30,482.9</u>	<u>100.0</u>	<u>30,499.0</u>	<u>100.0</u>

Investment securities and other financial assets decreased by 0.1% from RMB30,499.0 million as of December 31, 2020 to RMB30,482.9 million as of December 31, 2021. The decrease in investment securities and other financial assets were primarily due to the optimization of asset portfolios based on the actual operating condition through timely disposal of certain asset management plans and trust plans according to the regulatory policy and market condition, which was partially offset by the increase in investments of bonds.

(ii) Liabilities

As of December 31, 2021 and 2020, total liabilities amounted to RMB216,365.2 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) borrowing from the central bank; and (v) placement from banks and other financial institutions. 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 December 31, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Deposits from customers	193,106.2	89.3	149,763.2	81.3
Debt securities issued	6,211.1	2.9	7,504.5	4.1
Financial assets sold under repurchase agreements	—	—	2,654.9	1.4
Deposits from banks and other financial institutions	6,763.7	3.1	8,335.9	4.5
Borrowing from the central bank	2,851.2	1.3	4,011.0	2.2
Placements from banks and other financial institutions	1,502.5	0.7	7,101.5	3.9
Other liabilities ⁽¹⁾	5,930.5	2.7	4,741.1	2.6
Total liabilities	216,365.2	100.0	184,112.1	100.0

Note:

(1) Primarily consist of accrued staff costs, taxes payable, interest payables, estimated liabilities and lease 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 December 31, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand deposits	38,020.5	19.7	32,649.0	21.8
Time deposits	7,962.4	4.1	7,492.0	5.0
Subtotal	<u>45,982.9</u>	<u>23.8</u>	<u>40,141.0</u>	<u>26.8</u>
Retail deposits				
Demand deposits	16,652.9	8.6	22,559.0	15.1
Time deposits	126,759.9	65.7	82,997.6	55.4
Subtotal	<u>143,412.8</u>	<u>74.3</u>	<u>105,556.6</u>	<u>70.5</u>
Others⁽¹⁾	<u>3,710.5</u>	<u>1.9</u>	<u>4,065.6</u>	<u>2.7</u>
Total deposits from customers	<u>193,106.2</u>	<u>100.0</u>	<u>149,763.2</u>	<u>100.0</u>

Note:

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

Total deposits from customers increased by 28.9% from RMB149,763.2 million as of December 31, 2020 to RMB193,106.2 million as of December 31, 2021. The increase was primarily due to the efforts of the Group to improve services, transform and upgrade outlets, accelerate digitalization development, enhance customer experience and expand customer base through targeted marketing.

(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 of RMB900.0 million at fixed rate of 4.20%. The Bank fully redeemed the bonds on October 20, 2021 at par.

In July 2021, the Bank issued 10-year tier-two capital bonds of RMB2,000.0 million at fixed rate of 4.80%.

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 terms ranging from one month to one year and bear interest at effective rates between 3.06% and 4.20%.

From January 1, 2021 to December 31, 2021, the Bank issued 21 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB3,550.0 million. The interbank certificates have terms ranging from 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 December 31, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Share capital	4,612.9	26.0	4,393.2	27.0
Capital reserve	5,050.5	28.4	4,921.3	30.3
Investment revaluation reserve	94.7	0.5	10.4	0.1
Surplus reserve	1,058.2	5.9	915.5	5.6
General reserve	2,322.0	13.1	2,077.9	12.8
Retained earnings	1,436.8	8.1	1,353.2	8.3
Non-controlling interests	3,199.9	18.0	2,579.7	15.9
Total equity	<u>17,775.0</u>	<u>100.0</u>	<u>16,251.2</u>	<u>100.0</u>

(c) Assets Quality Analysis

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

The non-performing loans of the Group are classified into substandard, doubtful and loss. As of December 31, 2021, the Group's non-performing loans amounted to RMB2,941.7 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 December 31, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Normal	149,270.2	95.2	123,911.7	95.3
Special mention	4,638.3	3.0	4,040.1	3.1
Substandard	647.1	0.4	577.1	0.4
Doubtful	2,226.0	1.4	1,463.5	1.1
Loss	68.6	0.0	84.1	0.1
Total loans and advances to customers	156,850.2	100.0	130,076.5	100.0
Non-performing loan and non-performing loan ratio⁽¹⁾	2,941.7	1.88	2,124.7	1.63

Note:

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

The Group's non-performing loan ratio increased from 1.63% as of December 31, 2020 to 1.88% as of December 31, 2021. The increase was primarily due to the fact that under the impact of the prolonged and changing pandemic situation, increasing prices of major raw materials for production, adjustment of industrial structure and other factors, the recovery of production and operation of enterprises in the region was slower than expected and the repayment ability of certain loan customers with difficulties in operation and inadequate cash flow decreased accordingly.

(ii) Concentration of loans

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

(Expressed in millions of RMB, unless otherwise stated)	December 31, 2021				December 31, 2020			
	Loan amount	% of total	Non- performing loan amount	Non- performing loan ratio %	Loan amount	% of total	Non- performing loan amount	Non- performing loan ratio %
Corporate loans								
Wholesale and retail	26,881.0	17.1	417.7	1.55	21,766.0	16.7	177.2	0.81
Leasing and business services	24,519.2	15.6	451.2	1.84	16,998.4	13.1	247.2	1.45
Manufacturing	19,020.4	12.1	378.8	1.99	17,354.5	13.3	461.9	2.66
Construction	16,126.8	10.3	151.8	0.94	13,855.6	10.7	123.8	0.89
Agriculture, forestry, animal husbandry and fishery	8,863.7	5.7	254.2	2.87	6,646.7	5.1	137.7	2.07
Scientific research, technical services and geological prospecting	6,997.2	4.5	77.9	1.11	5,273.0	4.1	17.0	0.32
Transportation, storage and postal services	5,908.4	3.8	60.5	1.02	5,396.5	4.1	53.0	0.98
Real estate	4,751.5	3.0	6.6	0.14	5,440.0	4.2	140.6	2.58
Information transmission, computer services and software	4,667.5	3.0	72.1	1.54	2,411.0	1.9	50.3	2.09
Accommodation and catering	2,995.1	1.9	53.5	1.79	3,110.4	2.4	1.5	0.05
Water, environment and public facility management	2,445.6	1.6	39.0	1.59	957.9	0.7	—	—
Education	2,092.9	1.3	—	—	2,146.4	1.7	—	—
Electricity, gas and water production and supply	1,882.3	1.2	75.0	3.98	1,738.7	1.3	11.2	0.64
Health and social services	1,413.3	0.9	—	—	1,045.1	0.8	—	—
Resident and other services	797.3	0.5	13.5	1.69	744.7	0.6	4.5	0.6
Cultural, sports and entertainment	485.2	0.3	13.3	2.74	507.4	0.4	—	—
Mining	213.5	0.1	6.8	3.19	53.0	0.0	—	—
Public administration, social security and social organizations	181.0	0.1	—	—	181.0	0.1	—	—
Finance	—	—	—	—	4.9	0.0	—	—
Retail loans	26,594.9	17.0	869.8	3.27	24,445.3	18.8	698.8	2.86
Discounted bills	13.4	0.0	—	—	—	—	—	—
Total	<u>156,850.2</u>	<u>100.0</u>	<u>2,941.7</u>	<u>1.88</u>	<u>130,076.5</u>	<u>100.0</u>	<u>2,124.7</u>	<u>1.63</u>

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

Loans to borrowers in the wholesale and retail, leasing and business services, manufacturing, construction, and agriculture, forestry, animal husbandry and fishery industries represented the largest components of the Group's corporate loan portfolio. Loans to these industries accounted for 73.3% and 72.5% of total corporate loans as of December 31, 2021 and 2020, respectively.

As of December 31, 2021, non-performing loans of the Group's corporate loans were mainly concentrated in the wholesale and retail, leasing and business services and manufacturing industries, with non-performing loan ratios of 1.55%, 1.84% and 1.99%.

(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 December 31, 2021. All of these loans were classified as normal.

(Expressed in millions of RMB,
unless otherwise stated)

<u>Customer</u>	<u>Industry</u>	<u>As of December 31, 2021</u>	
		<u>Amount</u>	<u>% of total loan</u>
Borrower A	Leasing and business services	1,150.0	0.73
Borrower B	Leasing and business services	1,145.0	0.73
Borrower C	Transportation, storage and postal services	1,100.0	0.70
Borrower D	Manufacturing	1,100.0	0.70
Borrower E	Scientific research, technical services and geological prospecting	1,099.0	0.70
Borrower F	Manufacturing	1,047.6	0.67
Borrower G	Accommodation and catering	1,000.0	0.64
Borrower H	Leasing and business services	996.0	0.64
Borrower I	Transportation, storage and postal services	898.3	0.57
Borrower J	Wholesale and retail	868.1	0.55
Total		<u>10,404.0</u>	<u>6.63</u>

(C) Distribution of non-performing loans by product

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2021			Year ended 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⁾	95,243.8	1,448.9	1.52	78,100.3	1,324.4	1.70
Medium enterprises ⁽¹⁾	24,761.5	370.9	1.50	18,968.0	98.3	0.52
Large enterprises ⁽¹⁾	9,754.0	252.1	2.58	8,051.4	3.2	0.04
Others ⁽²⁾	482.6	—	—	511.5	—	—
Subtotal	130,241.9	2,071.9	1.59	105,631.2	1,425.9	1.35
Retail loans						
Personal business loans	19,967.0	741.7	3.71	17,954.3	621.7	3.46
Personal consumption loans	2,850.9	109.5	3.84	2,656.0	60.3	2.27
Residential and commercial mortgage loans	3,756.4	18.2	0.48	3,813.5	16.5	0.43
Credit card overdrafts	20.6	0.4	1.94	21.5	0.3	1.40
Subtotal	26,594.9	869.8	3.27	24,445.3	698.8	2.86
Discounted bills	13.4	—	—	—	—	—
Total loans	156,850.2	2,941.7	1.88	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.
- (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 1.59% as of December 31, 2021, primarily due to the fact that under the impact of the prolonged and changing pandemic situation, increasing prices of major raw materials for production, adjustment of industrial structure and other factors, the recovery of production and operation of certain loan customers was slower than expected and enterprises along the supply chain and settlement chain experienced difficulties in operations, resulting in inadequate cash flow and decreased repayment ability of borrowers in the short term.

The non-performing loan ratio of retail loans increased from 2.86% as of December 31, 2020 to 3.27% as of December 31, 2021, which was mainly due to the fact that under the impact of the prolonged and changing pandemic situation, the recovery of production and operation of certain enterprises in the region was slower than expected and the personal income of certain borrowers became unstable and their repayment ability decreased accordingly.

(D) Loan aging schedule

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Loans not overdue	148,175.7	94.5	124,899.3	96.0
Loans past due for:				
1 to 90 days	5,212.4	3.3	2,649.7	2.0
91 days to 1 year	1,120.8	0.7	819.5	0.7
1 to 3 years	1,630.6	1.0	1,170.0	0.9
3 years or more	710.7	0.5	538.0	0.4
Subtotal	8,674.5	5.5	5,177.2	4.0
Total loans and advances to customers	156,850.2	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 banks 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)	As of December 31, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Jilin Province	5,553.4	87.3	4,894.6	88.2
Other Regions ⁽¹⁾	808.9	12.7	652.2	11.8
Total operating income	6,362.3	100.0	5,546.8	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 of each of its principal business segments for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Corporate banking	3,776.8	59.4	4,298.4	77.5
Retail banking	2,495.7	39.2	642.0	11.6
Treasury operations	65.0	1.0	586.6	10.5
Others ⁽¹⁾	24.8	0.4	19.8	0.4
Total	6,362.3	100.0	5,546.8	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 limit 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 December 31, 2021	As of December 31, 2020
Credit commitments:		
Bank acceptances ⁽¹⁾	2,553.9	1,524.6
Letters of credit ⁽²⁾	18.9	13.1
Letters of guarantee ⁽²⁾	2,849.5	2,991.2
Unused limits of credit cards	161.1	161.3
Subtotal	5,583.4	4,690.2
Operating lease commitments	—	—
Capital commitments	3.2	1.4
Total	5,586.6	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 19.1% from RMB4,691.6 million as of December 31, 2020 to RMB5,586.6 million as of December 31, 2021. The increase in off-balance sheet commitments was primarily due to the increases in business volume of bank acceptances and letters of credit, partially offset by the decrease in business volume of letters of guarantee.

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 December 31, 2021, the Group had approximately 3,620 corporate borrowers with loans and advances to customers totaling RMB130,255.3 million. In 2021 and 2020, operating income from the Group's corporate banking business was RMB3,776.8 million and RMB4,298.4 million, respectively, accounting for 59.4% and 77.5% 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 December 31, 2021, the Group had 2,806 SME customers with total loans and advances totaling RMB103,631.4 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)	Year ended December 31,		Change in percentage (%)
	2021	2020	
External interest income, net ⁽¹⁾	7,341.6	5,328.0	37.8
Inter-segment interest expenses, net ⁽²⁾	(3,624.3)	(1,216.9)	197.8
Net interest income	3,717.3	4,111.1	(9.6)
Net fee and commission income	59.5	187.3	(68.2)
Operating income	3,776.8	4,298.4	(12.1)
Operating expenses	(1,682.5)	(1,985.1)	(15.2)
Impairment losses on assets	(1,254.6)	(697.0)	80.0
Profit before tax	839.7	1,616.3	(48.0)

Notes:

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

(2) Refers to inter-segment 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 December 31, 2021 and 2020, the Group's corporate loans totaled RMB130,241.9 million and RMB105,631.2 million, accounting for 83.0% and 81.2% of the Group's total 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 rediscount these bills to the People's Bank of China (the "PBOC") or other financial institutions. As of December 31, 2021, the Group's balance of discounted bills was RMB13.4 million.

(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 December 31, 2021 and 2020, the Group's corporate deposits totaled RMB45,982.9 million and RMB40,141.0 million, accounting for 23.8% 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. In 2021 and 2020, the Group's income from consulting and financial advisory services was RMB33.2 million and RMB137.4 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 relatively large financing needs. In 2021 and 2020, the Group earned service fees for syndicated loans of RMB45.8 million and RMB59.5 million, respectively.

(C) Settlement and clearing services

The Group offers settlement services, including settlement of cash transfers, 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 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 diversified risk and return and risk appetites, including non-net worth wealth management products and net worth wealth management products. The wealth management products primarily invest in bonds, interbank deposits, money market instruments and investment portfolios of other fixed-income product portfolios. In 2021 and 2020, sales of wealth management products to the Bank's corporate customers totaled nil and RMB105.0 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 December 31, 2021, the Group had 67,155 retail borrowers with total loans and advances to customers of RMB26,594.9 million. In 2021 and 2020, the operating income from the Group's retail banking business amounted to RMB2,495.7 million and RMB642.0 million, accounting for 39.2% and 11.6% of total operating income of the Group, respectively. The table below sets forth the financial performance of the Group's retail banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		Change in percentage (%)
	2021	2020	
External interest expenses, net ⁽¹⁾	(2,411.2)	(1,135.3)	112.4
Inter-segment interest income, net	4,899.3	1,761.0	178.2
Net interest income	2,488.1	625.7	297.7
Net fee and commission income	7.6	16.3	(53.4)
Operating income	2,495.7	642.0	288.7
Operating expenses	(1,295.3)	(470.7)	175.2
Impairment losses on assets	5.4	(209.8)	(102.6)
Profit before tax	1,205.8	(38.5)	(3,231.9)

Note:

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

(i) Retail loans

Retail loans consist primarily of personal business loans, personal consumption loans and residential and commercial mortgage loans. As of December 31, 2021 and 2020, the Group's retail loans totaled RMB26,594.9 million and RMB24,445.3 million, accounting for 17.0% and 18.8% of total 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 December 31, 2021 and 2020, the Group's retail deposits totaled RMB143,412.8 million and RMB105,556.6 million, accounting for 74.3% and 70.5% of total deposits from customers, respectively.

(iii) Bank cards services

(A) Debit cards

The Group issues Renminbi 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 offer trade union member cardholders comprehensive financial services, including membership management, subsidies and allowances. In addition, the Group cooperates with well-known domestic third-party payment companies for Internet payment to enhance cardholder experience. As of December 31, 2021, the Group had issued approximately 4.49 million debit cards.

(B) Credit cards

The Bank issued standard UnionPay credit cards to high-quality customer groups and paid attention to users' needs, and the service quality has been continuously improved. In 2021, the Bank established the smart calling system for credit cards, which has effectively improved its customer services. The Bank also upgraded the interface and functions of the "Jiutai Rural Commercial Bank Credit Card (九台農商銀行信用卡)" WeChat official account and "Jiushang Credit Card (九商信用卡)" mobile APP, so to provide customers with more convenient and comprehensive online credit card services. While improving credit card services, the Bank also closely monitored and effectively prevented and controlled risks relating to credit card business. The credit card business operated smoothly during the year.

(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 net worth wealth management products and non-net worth wealth management products. Funds raised from wealth management products are primarily invested in bonds, interbank deposits, money market instruments and investment portfolios of other fixed-income products. In 2021 and 2020, the Bank's sales of wealth management products to retail customers totaled RMB8,171.5 million and RMB14,050.7 million, respectively.

(B) Private banking service

The Bank provides one-stop financial services tailored for individual customers. These products and services primarily include wealth planning and customized wealth management products. In 2021 and 2020, the Bank's sales of wealth management products to private banking customers totalled RMB512.6 million and RMB643.1 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.

(C) 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 business. In 2021 and 2020, operating income from the Group's treasury operations was RMB65.0 million and RMB586.6 million, accounting for 1.0% and 10.5% 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)	Year ended December 31,		Change in percentage (%)
	2021	2020	
External interest income, net ⁽¹⁾	1,246.1	907.5	37.3
Inter-segment interest expenses, net ⁽²⁾	(1,275.0)	(544.1)	134.3
Net interest income	(28.9)	363.4	(108.0)
Net fee and commission income	5.6	27.0	(79.3)
Net income from other businesses ⁽³⁾	88.3	196.2	(55.0)
Operating income	65.0	586.6	(88.9)
Operating expenses	(83.6)	(208.0)	(59.8)
Impairment losses on assets	(309.9)	(352.3)	(12.0)
Profit before tax	(328.5)	26.3	(1,349.0)

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.

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

(A) Interbank deposits

The Group accepts deposits from banks and other financial institutions and deposit funds in other financial institutions to regulate its asset and liability structure. As of December 31, 2021 and 2020, the Group's deposits from banks and other financial institutions totalled RMB6,763.7 million and RMB8,335.9 million, and deposits at banks and other financial institutions totalled RMB10,828.1 million and RMB8,396.7 million, respectively.

(B) Interbank placement

As of December 31, 2021 and 2020, the Group's placements with banks and other financial institutions totalled RMB134.8 million and RMB729.3 million, and the Group's placements from banks and other financial institutions totalled RMB1,502.5 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-dominated government bonds and policy financial bonds. As of December 31, 2021 and 2020, the Group's financial assets held under resale agreements totalled RMB1,498.5 million and RMB1,102.0 million, and financial assets sold under repurchase agreements totalled nil 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 at December 31, 2021		As at December 31, 2020	
	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	2,552.2	8.4	3,200.2	10.5
Financial assets at fair value through other comprehensive income	5,116.5	16.8	2,526.1	8.3
Financial assets at amortized cost	22,814.2	74.8	24,772.7	81.2
Total investment securities and other financial assets	30,482.9	100.0	30,499.0	100.0

Total investment securities and other financial assets decreased by 0.1% from RMB30,499.0 million as of December 31, 2020 to RMB30,482.9 million as of December 31, 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 at December 31, 2021		As at December 31, 2020	
	Amount	% of total	Amount	% of total
Immediately due	6,910.6	22.7	7,771.6	25.4
Due in 3 months	2,472.0	8.1	1,432.6	4.7
Due between 3 and 12 months	10,064.2	33.0	9,055.7	29.7
Due between 1 and 5 years	5,766.2	18.9	7,280.4	23.9
Due over 5 years	3,985.9	13.1	3,626.8	11.9
Undefined	1,284.0	4.2	1,331.9	4.4
Total	30,482.9	100.0	30,499.0	100.0

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

(C) Holding of government bonds

As of December 31, 2021, the balance of face value of the government bonds held by the Bank amounted to RMB12,119.6 million. The table below sets out the top 10 government bonds with the highest face value held by the Group as of December 31, 2021.

Name of the bond	Face value (RMB in millions)	Interest rate per annum (%)	Maturity date
20 Interest-bearing treasury bond 11 (20付息國債11)	2,350.0	2.64	August 13, 2022
19 Interest-bearing treasury bond 11 (19付息國債11)	2,100.0	2.75	August 8, 2022
21 Interest-bearing treasury bond 08 (21付息國債08)	790.0	2.57	May 20, 2023
21 Interest-bearing treasury bond 12 (21付息國債12)	440.0	2.47	September 2, 2024
20 Interest-bearing treasury bond 12 (20付息國債12)	370.0	3.81	September 14, 2050
15 Interest-bearing treasury bond 16 (15付息國債16)	360.0	3.51	July 16, 2025
21 Interest-bearing treasury bond 13 (21付息國債13)	360.0	2.91	October 14, 2028
20 Interest-bearing treasury bond 17 (20付息國債17)	340.0	3.28	December 3, 2027
20 Interest-bearing treasury bond 06 (20付息國債06)	280.0	2.68	May 21, 2030
21 Interest-bearing treasury bond 10 (21付息國債10)	260.0	2.00	July 22, 2022
Total	<u>7,650.0</u>		

(D) Holding of financial bonds

As of December 31, 2021, the balance of face value of the financial bonds (mainly the financial bonds issued by policy banks, banks and other financial institutions in China) held by the Group amounted to RMB1,390.2 million. The table below sets out the 10 financial bonds with the highest face value held by the Group as of December 31, 2021.

Name of the bond	Face value (RMB in millions)	Interest rate per annum (%)	Maturity date
19 Guo Kai 05 (19國開05)	370.0	3.48	January 8, 2029
15 Guo Kai 09 (15國開09) (Additional Issue)	200.0	4.25	April, 13, 2022
16 Nong Fa 05 (16農發05) (Additional Issue)	200.0	3.33	January 6, 2026
14 Guo Kai 11 (14國開11)	130.0	5.67	April 8, 2024
14 Nong Fa 23 (14農發23)	100.0	5.48	March 21, 2024
16 Nong Fa 05 (16農發05)	100.0	3.33	January 6, 2026
19 Guo Kai 15 (19國開15)	100.0	3.45	September 20, 2029
18 Guo Kai 10 (18國開10)	60.0	4.04	July 6, 2028
19 Guo Kai 03 (19國開03)	60.0	3.30	February 1, 2024
18 Nong Fa 01 (18農發01)	50.0	4.98	January 12, 2025
Total	1,370.0		

(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. In 2021 and 2020, the Bank sold wealth management products totalling RMB8,684.1 million and RMB14,798.8 million, respectively.

(d) Distribution Network

(i) Physical outlets

As of December 31, 2021, the Group had 369 outlets, of which 171 outlets, including the 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 our outlets, self-service zones, commercial complexes, hospitals, schools and other

public places. As of December 31, 2021, the Group had 398 self-service outlets, 72 self-service areas, and 1,052 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, AI customer service, SMS interaction and other means. As of December 31, 2021, the Group had 2,616,105 telephone 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 December 31, 2021, the Group had 455,894 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 December 31, 2021, the Group had 1,083,076 mobile phone banking customers.

(E) WeChat banking

Through WeChat, the Group's customers can access information about products, services and promotions, manage accounts, search for locations of bank outlets and reserve counter services. As of December 31, 2021, the Group had 200,052 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, applied to the CBIRC for the promotion and establishment of Jilin Jiuyin Financial Leasing Co., Ltd. (“**Jilin Jiuyin**”). Jilin Jiuyin's registered address is in Changchun of Jilin province, and it has a total of 525.0 million shares, 159.0 million shares of which is held by the Bank, accounting for 30.29%. 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 nonbank shareholders, interbank placements, obtaining loans from financial institutions, offshore lending, disposal and handling of leased articles and economic consulting. As at December 31, 2021, total assets of Jilin Jiuyin amounted to RMB3,646.0 million. In 2021 and 2020, the operating income of Jilin Jiuyin was RMB114.8 million and RMB90.7 million, accounting for 1.8% and 1.6% of the Group's total operating income, respectively.

(ii) Rural commercial bank

As of December 31, 2021, the Bank controlled and consolidated one rural commercial bank that was restructured from rural credit cooperatives the Bank acquired.

The Group's rural commercial bank offers a broad range of financial products and services to corporate and retail customers. 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, bank card services, money market transactions and invest in debt securities.

As of December 31, 2021, the rural commercial bank had total assets of RMB9,906.8 million, total deposits of RMB8,893.1 million and total loans of RMB7,076.0 million. In 2021 and 2020, the operating income of the rural commercial bank was RMB243.0 million and RMB201.2 million, respectively, accounting for 3.8% and 3.6% of the Group's total operating income, respectively.

(iii) Village and township banks

As of December 31, 2021, the Bank controlled and consolidated a total of 33 village and township banks in areas including Jilin, Heilongjiang, Hebei, Tianjin, Shandong, Anhui, Hubei, Shaanxi, Guangdong and Hainan.

As of December 31, 2021, these village and township banks had total assets of RMB59,480.6 million, total deposits of RMB50,459.0 million and total loans of RMB34,928.9 million. In 2021 and 2020, the operating income of these village and township banks was RMB1,816.9 million and RMB1,634.4 million, accounting for 28.6% and 29.5% of the Group's total operating income, respectively.

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 2021, the Bank improved its information technology ("IT") system through five aspects, namely enhancing technological governance, supporting system development, consolidation of infrastructure, protecting information security and strengthening talent development, in order to promote digital transformation of the Bank and provide comprehensive and effective support for the innovative development of various businesses.

1. Continuous enhancement of technological governance

The Bank further enhanced its technological governance through continuous deepening reforms and improvement of systems. Based on the Fintech Development Plan (2020–2022) (金融科技發展規劃(2020–2022年)), the Bank conducted studies on the development trend and applications of fin-tech. 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》), a research jointly carried out by the Bank and the PBOC, won the research project third prize of Jilin Provincial Finance Association. 21 sets of rules in respect of IT system, including information technology risk management, project management standards and classification of data assets, were revised to improve the IT management and control system. The Bank established a sound information technology management system based on the ISO27001 information security management system and ISO22301 business continuity management system in order to facilitate stable information technology development. The Bank passed the annual certification of PCI-DSS and the operation of international card payment business was safe and stable. The Bank has attached high importance to the protection of intellectual property rights and actively consolidated its technological achievements. As at the end of 2021, the Bank obtained 27 computer software copyrights. Taking the initiative to lead the development of financial standards, the Bank issued the Security Management Standards for Mobile Finance Client-side APP (《移動金融客戶端應用軟件安全管理規範》). The Bank ranked first among all participating enterprises in the rural credit system of Jilin province in terms of the IT regulatory rating (信息科技監管評級) and Assessment of Technological Achievements by Jilin Rural Credit Cooperative Association (省聯社信息科技條線工作考核) in 2020.

2. Accelerated system development

As part of the transformation and development strategy of digitalization, the Bank commenced the establishment of online financial business platform based on the Cloud-native system and methodology to realize microservices. Flexibility and maintainability of services were improved through centralized deployment, management and scheduling and the transformation of retail business was accelerated. The Bank also developed services to facilitate rural development. In response to

the policy requirements for rural revitalization and accelerated modernization of agriculture and villages through financial services, the Bank expanded its financial services in villages and rural areas. Efforts were made to promote the development of smart agriculture with the application of AI technology. A big data system for agriculture and villages was built to support the development of rural credit system and risk monitoring system. The agricultural related loan products, including the Farming Machinery Loan(農機貸), Jiutai Pasture Loan(九牧寶), Direct Grant(直補保) and Farm Loan(農場寶), provided great support on the development of regional economy and new rural areas. In order to provide more convenient financial services for people's livelihood, the Bank proactively set up intermediate businesses and enterprise resources planning system. In 2021, the Bank launched payment services for 6 heat supply enterprises and 1 property management enterprise, education fee cloud-payment services for 5 schools and 7 projects of enterprise resources planning system, supporting the development of inclusive finance.

3. Consolidation of infrastructure

Server rooms of the data 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 and supported the quick launch of the rapid growing business systems. The Bank developed an integrated intelligent platform for the security, operation and maintenance of big data 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. This project was awarded the "Excellent Case of Information Security" (信息安全優勢案例) at the 5th selection campaign of Excellent Innovative Services of Small and Medium Rural Financial Institution of 2021 (2021 年第五屆農村中小金融機構科技創新優秀案例評選活動) organized by the Rural Credit Banks Funds Clearing Center (農信銀資金清算中心).

4. Sound protection of 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. The Bank put more efforts in the management of network security by developing a network security technology protection system covering all aspects and procedures. Ability to cope with major network threats, material disasters and contingent events was enhanced. In an effort to establish an effective security protection system, the Bank made substantial preparation and active prevention works, and completed 3 network security hacking and defense drills. The Bank developed an integrated intelligent platform for the security, operation and maintenance of big

data and adopted various cybersecurity equipment such as IPS/AV, WAF, ADS, antivirus gateway and firewall. The Bank performed intelligent analysis and research on massive security alerts and security events were handled automatically. The security strategies were refined and an intelligent security operation system was established. Based on the analysis of business impacts, the Bank modified various contingency plans and formulated emergency drill plans. In 2021, the Bank organized 12 emergency drills, including power system of server room, fire safety, air conditioning, telecommunication networks, internet, databases, information system and contingent events, in order to improve capabilities to cope with contingency 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. The Bank organized 4 publicity and educational campaigns featuring the Science and Technology Week (科技活動周), the Fourth Anniversary of the Cybersecurity Law (網絡安全法施行四周年), Cybersecurity Week (網絡安全宣傳周) and financial standards to promote and publicize the laws and regulations related to cybersecurity and knowledge of financial standards, which has effectively raised the awareness of information security.

5. *Strengthening technological talents development*

The Bank organized 2 information security awareness training programs by making use of online and offline methods. Regular security awareness training was provided for all employees of the Bank and outsourced service providers through the “internet college” of the Bank. 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. At the “數致不凡” 2021 Business Intelligence Summit (「數致不凡」2021年商業智能峰會), the Bank shared process and experience of the development of digital system, and demonstrated the improvement in operation and efficiency of existing systems and its future commitment in digitalized development in visualized form. 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”, to cultivate “skills” by “competitions” and enhance its information security skills. In 2021, one person passed the certification of senior project manager, one person was qualified as Certified Information Systems Security Professional (CISSP), and one person passed the certification of senior reporting engineer. As at the end of 2021, technicians of the Bank possessed 14 senior certifications and qualifications in 7 categories, including system analyst, information system project manager, Project Management Professional (PMP), Certified Information Systems Auditor (CISA), Certified Information Security Professional (CISP) and Certified Information Systems Security Professional (CISSP), 13 intermediary certifications and qualifications in 10 categories, including intermediate economist, intermediate accountant and information security professional.

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 objectives of risk management. The Bank is subject to the following major risks, including the credit, market, operating, liquidity, reputational, legal and compliance, IT, 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 and risk management committee, credit approval committees and its risk management, front desk business, 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 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 12 sets of systems including the credit management system, standardized credit management system, 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 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 further standardized credit management. In order to refine the credit management system, the Bank approved the credit limit scientifically and provide credit in reasonable forms. Overall credit approval policy was adopted and different projects were managed separately. Potential risk of new credit products was assessed in order to determine the appropriate approval criteria. Fifthly, the Bank reinforced the rating management and implemented stringent approval procedures for customers to ensure the quality of new loans. Sixthly, 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 of 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 2021, the Bank paid close attention to market changes and further enhanced the market risk management system. Market risks were measured based on sensitive analysis, duration, value at risk (VaR) and other tools. 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 loss to commercial banks due to uncertainty in changes of interest rates. Changes in interest rates may cause changes in the future repricing cash flows of the on- and off-balance sheet operations of the Bank or their discounted values, resulting in a decline in the overall economic value, which in turn may result in losses to the Bank. Based on a variety of sources, interest rate risk can be categorized into re-pricing 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) and 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. By implementing interest rate risk management, the Bank aims to pursue reasonable revenue under controllable interest rate risk by conducting research and analysis on the trend of interest rate through identification, accurate measurement and continuous monitoring of interest rate risk. The Bank adopts interest rate risk management as an important tool to create profit and increase value.

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 2021, the Bank continued to adhere to the principle of sound and prudent operation, strengthen the study and assessment on interest rate risk and adopted multiple measures to strengthen the interest rate risk management. Firstly, the internal funds transfer pricing (FTP) system and the loan rate pricing model (RPM) were further improved. The Bank formulated rational pricing strategies and established a comprehensive pricing system to strengthen the interest rate pricing mechanism for more effective allocation of resources and structures. Prevention and control of interest rate risk was further enhanced. Secondly, the Bank set different interest rate shock and stress scenarios to analyze the impact of interest rate fluctuation on its economic values under specific interest rate shock scenarios

and measure the potential banking book interest rate risk based on changes in economic values in order to enhance the ability to cope with banking book interest rate risk. Thirdly, the Bank further enhanced the analysis on macro policies and interest rate movement and made use of pricing management tools effectively. The Bank adjusted the assets and liabilities maturity mix reasonably, developed interest rate risk appetite and strategy scientifically and optimized interest rate risk monitoring so to further enhance the risk management standard regarding banking book interest rate, and to enhance its ability to create value. Fourthly, the Bank established an interest rate risk management system in order to satisfy the requirement of the development strategy, risk management ability and return to Shareholders. The Bank will strive to maximize the gains from assets whereby maintaining balance between income, risk and capital.

The table below sets forth the results of the Group's gap analysis based on the earlier of (i) the expected next repricing dates and (ii) the final maturity dates of its assets and liabilities as of December 31, 2021.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021					
	Total	Non- interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	30,997.9	745.7	30,252.2	—	—	—
Deposits with banks and other financial institutions	10,828.1	—	9,978.5	849.6	—	—
Placements with banks and other financial institutions	134.8	—	—	134.8	—	—
Loans and advances to customers	152,222.1	—	22,262.2	67,101.3	53,545.5	9,313.1
Financial assets held under resale agreements	1,498.5	—	1,498.5	—	—	—
Investment securities and other financial assets	30,482.9	1,284.0	9,382.6	10,064.2	5,766.2	3,985.9
Interest receivables	908.4	908.4	—	—	—	—
Others ⁽¹⁾	7,067.5	7,067.5	—	—	—	—
Total assets	234,140.2	10,005.6	73,374.0	78,149.9	59,311.7	13,299.0

As of December 31, 2021

(Expressed in millions of RMB, unless otherwise stated)	Total	Non- interest bearing	Less than three months	Between	Between	More
				three months and one year	one year and five years	than five years
Liabilities						
Borrowings from the central bank	2,851.2	—	220.5	2,630.7	—	—
Deposits from banks and other financial institutions	6,763.7	—	4,232.7	2,501.0	30.0	—
Placements from banks and other financial institutions	1,502.5	—	2.5	1,500.0	—	—
Provision for credit commitments and financial guarantees	60.5	60.5	—	—	—	—
Financial assets sold under repurchase agreements	—	—	—	—	—	—
Deposits from customers	193,106.2	—	75,374.3	19,788.7	97,462.9	480.3
Debt securities issued	6,211.1	—	675.8	2,739.9	799.2	1,996.2
Interest payables	4,059.3	4,059.3	—	—	—	—
Others ⁽²⁾	1,810.7	1,810.7	—	—	—	—
Total liabilities	216,365.2	5,930.5	80,505.8	29,160.3	98,292.1	2,476.5
Asset-liability gap	17,775.0	4,075.1	(7,131.8)	48,989.6	(38,980.4)	10,822.5

As of December 31, 2020

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020					
	Total	Non- interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	25,155.0	739.6	24,415.4	—	—	—
Deposits with banks and other financial institutions	8,396.7	—	7,708.4	688.3	—	—
Placements with banks and other financial institutions	729.3	—	549.5	179.8	—	—
Loans and advances to customers	126,574.6	—	20,119.7	29,877.0	69,691.7	6,886.2
Financial assets held under resale agreements	1,102.0	—	1,102.0	—	—	—
Investment securities and other financial assets	30,499.0	1,331.9	9,204.2	9,055.7	7,280.4	3,626.8
Interest receivables	874.3	874.3	—	—	—	—
Others ⁽¹⁾	7,032.4	7,032.4	—	—	—	—
Total assets	<u>200,363.3</u>	<u>9,978.2</u>	<u>63,099.2</u>	<u>39,800.8</u>	<u>76,972.1</u>	<u>10,513.0</u>
Liabilities						
Borrowings from the central bank	4,011.0	—	2,146.1	1,864.9	—	—
Deposits from banks and other financial institutions	8,335.9	—	4,772.9	3,563.0	—	—
Placements from banks and other financial institutions	7,101.5	—	2,792.5	3,109.0	1,200.0	—
Provision for credit commitments and financial guarantees	43.4	43.4	—	—	—	—
Financial assets sold under repurchase agreements	2,654.9	—	2,654.9	—	—	—
Deposits from customers	149,763.2	—	72,250.6	18,201.3	58,902.8	408.5
Debt securities issued	7,504.5	—	4,257.2	850.5	1,498.4	898.4
Interest payables	2,990.8	2,990.8	—	—	—	—
Others ⁽²⁾	1,706.9	1,706.9	—	—	—	—
Total liabilities	<u>184,112.1</u>	<u>4,741.1</u>	<u>88,874.2</u>	<u>27,588.7</u>	<u>61,601.2</u>	<u>1,306.9</u>
Asset-liability gap	<u>16,251.2</u>	<u>5,237.1</u>	<u>(25,775.0)</u>	<u>12,212.1</u>	<u>15,370.9</u>	<u>9,206.1</u>

Notes:

- (1) Primarily includes property and equipment, goodwill, other receivables and prepayments, deferred tax assets, repossessed assets, interests in associates and right-of-use assets.
- (2) Primarily includes accrued staff costs, taxes payable and lease liabilities.

The Group uses sensitivity analysis to measure the impact of changes in interest rates on its net profit or loss and equity. The table below sets forth the results of the Group's interest rate sensitivity analysis based on its assets and liabilities as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31,			
	2021		2020	
	<u>Changes in net profit</u>	<u>Changes in equity</u>	<u>Changes in net profit</u>	<u>Changes in equity</u>
Increase by 100 basis points	12.1	411.7	(194.5)	(200.1)
Decrease by 100 basis points	<u>(12.1)</u>	<u>(411.7)</u>	<u>194.5</u>	<u>200.1</u>

The sensitivity analysis above is based on a static interest rate risk profile of the assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by the re-pricing of the assets and liabilities within a year. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of each fiscal year apply to non-derivative financial instruments;
- At the end of each fiscal year, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

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

(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 a acceptable range by managing risk exposure limits and choosing appropriate transaction currency.

The Bank regulates transactions that have high exchange rate risks and monitor foreign exchange positions on a real-time basis. The Bank chooses transaction currency reasonably and promptly closes positions from major transactions to reduce exchange rate risk effectively. The Bank revalues non-monetary balance sheet items and non-monetary items at fair value daily to enhance the management of foreign exchange assets and liabilities, and pays attention to the effect of accounting translation exchange rate risk on the profit and loss. The Bank has continued to strengthen its exchange rate risk management and ensured the reasonable use of foreign exchange funds to further improve its risk management of foreign exchange exposure. The Bank duly considers the effect of exchange rate changes on revenue for the current period 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 bears ultimate responsibility 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 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 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 were revised to continuously improve the operational risk management system based on the needs of business development. Secondly, the Bank established a system. The Bank developed the policy management system to further standardize its policy management and facilitate all employees to study and access the policies and rules of the Bank at any time. Thirdly, the Bank modified its contracts. According to the Civil Code, the Bank revised relevant template contracts relating to credit and other businesses in a timely manner. Fourthly, 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. Fifthly, 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”. Various drills were carried out in areas including TSM backup system, firewall and switching of external links, which effectively improved our emergency handling and risk prevention abilities.

(iv) Liquidity risk

(A) 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 strengths of the banking industry. Liquidity risk is also affected by internal factors such as the balance and maturity profile of assets and liabilities, the stability of deposits and ability to obtain financing. The Bank’s liquidity risk management aims to establish and continuously improve the strategy, policy and procedure of liquidity risk management system 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 and decision-making system and related procedures. The Board of the Bank bears ultimate responsibility for liquidity risk management, determined the policy, strategy and procedure of liquidity risk management and limit of liquidity risk according to its risk appetite. The Board will review 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 accounting department is responsible for the daily liquidity risk management and to cooperate with relevant function departments to orderly and efficiently manage the liquidity risk management system.

In 2021, adhering to the principle of sound and prudent operation, the Bank strictly implemented the liquidity risk management policy, strengthened risk alert and enhanced the comprehensive analysis on liquidity risk. The liquidity of the Bank remained overall stable. Firstly, the Bank strengthened its systems by revising relevant systems including the Provisional Rules of Liquidity Risk Management (《流動性風險管理暫行辦法》), Management Measures of Liquidity Risk Limit (Provisional) (《流動性風險限額管理辦法(試行)》), Contingency Plans for Handling Liquidity Risks (《流動性風險應急處置預案》), Stress Test Plan for Liquidity Risks (《流動性風險壓力測試方案》) and Provisional Rules of Funding Management (《資金頭寸管理暫行辦法》). The risk management indicator system, funding management, stress test and other aspects were further improved. Secondly, the Bank continuously refined its liquidity risk management system and procedures. The Bank flexibly adjusted its liquidity risk management strategies, further improved its liquidity risk management measures and established a dynamic liquidity coordination mechanism to further strengthen its liquidity risk management capabilities. Thirdly, the Bank enhanced the liquidity risk monitoring management and the analysis of risk early warning. Through closely monitoring risk indicators and limit and accurately identifying, assessing and calculating liquidity risks, the Bank was able to detect risks in a timely manner and implement initiatives in risk prevention and control and mitigation in advance. Fourthly, the Bank conducted stress test for liquidity risk on a quarterly basis by using stress scenarios based on the business types and product features of the Bank. The Bank formulated and improved contingency plan and carried out drills to enhance its ability to handle contingency. Emergencies plan was formulated based on the liquidity gap to manage liquidity risks within controllable level.

(B) Liquidity risk analysis

The Group funds its loan and investment portfolios principally through deposits from customers. Deposits from customers have been, and the Bank believes that it will continue to be, a stable source of funding. Deposits from customers with remaining maturities of less than one year represented 49.3% and 60.4% of the total deposits from customers as of December 31, 2021 and 2020, respectively.

The table below sets forth the remaining maturities of the Group's assets and liabilities as of December 31, 2021.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021							Total
	Indefinite	Overdue/ on demand	Less than one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	11,580.0	19,417.9	—	—	—	—	—	30,997.9
Deposits with banks and other financial institutions	—	8,546.1	748.6	683.8	849.6	—	—	10,828.1
Placements with banks and other financial institutions	—	—	—	—	134.8	—	—	134.8
Financial assets held under resale agreements	—	—	1,498.5	—	—	—	—	1,498.5
Financial assets at fair value through profit or loss	1,105.5	473.7	504.7	—	—	—	468.3	2,552.2
Interest receivables	—	210.7	124.4	117.2	421.5	34.0	0.6	908.4
Loans and advances to customers	4,424.3	989.5	4,953.4	8,831.0	66,419.8	53,445.3	13,158.8	152,222.1
Financial assets at fair value through other comprehensive income	178.5	—	—	—	1,642.8	1,066.5	2,228.7	5,116.5
Financial assets at amortized cost	—	6,436.9	777.5	1,189.8	8,421.4	4,699.7	1,288.9	22,814.2
Others ⁽¹⁾	6,795.3	15.3	—	—	—	256.9	—	7,067.5
Total assets	24,083.6	36,090.1	8,607.1	10,821.8	77,889.9	59,502.4	17,145.3	234,140.2
Liabilities								
Borrowings from the central bank	—	—	22.1	198.4	2,630.7	—	—	2,851.2
Deposits from banks and other financial institutions	—	25.7	1,718.0	2,489.0	2,501.0	30.0	—	6,763.7
Placements from banks and other financial institutions	—	2.5	—	—	1,500.0	—	—	1,502.5
Provision for credit commitments and financial guarantees	—	—	2.8	6.5	34.8	4.3	12.1	60.5
Financial assets sold under repurchase agreements	—	—	—	—	—	—	—	—
Deposits from customers	—	61,248.9	8,670.1	5,455.3	19,788.7	97,462.9	480.3	193,106.2
Interest payables	—	382.7	178.3	238.2	642.9	2,617.2	—	4,059.3
Debt securities issued	—	—	—	675.8	2,739.9	799.2	1,996.2	6,211.1
Others ⁽²⁾	—	697.7	637.7	126.1	135.9	169.9	43.4	1,810.7
Total liabilities	—	62,357.5	11,229.0	9,189.3	29,973.9	101,083.5	2,532.0	216,365.2
Net working capital	24,083.6	(26,267.4)	(2,621.9)	1,632.5	47,916.0	(41,581.1)	14,613.3	17,775.0

As of December 31, 2020

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020							Total
	Indefinite	Overdue/ on demand	Less than one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	11,709.6	13,445.4	—	—	—	—	—	25,155.0
Deposits with banks and other financial institutions	—	6,304.5	499.9	904.0	688.3	—	—	8,396.7
Placements with banks and other financial institutions	—	—	140.0	409.5	179.8	—	—	729.3
Financial assets held under resale agreements	—	—	1,102.0	—	—	—	—	1,102.0
Financial assets at fair value through profit or loss	1,178.5	473.7	—	—	1,548.0	—	—	3,200.2
Interest receivables	—	317.8	120.4	149.5	244.2	42.4	—	874.3
Loans and advances to customers	2,194.2	1,847.8	5,824.6	7,896.3	54,079.5	43,056.4	11,675.8	126,574.6
Financial assets at fair value through other comprehensive income	153.4	—	120.2	109.2	201.5	1,579.8	362.0	2,526.1
Financial assets at amortized cost	—	7,297.9	1,113.2	90.0	7,306.2	5,700.6	3,264.8	24,772.7
Others ⁽¹⁾	6,742.4	13.5	—	—	—	276.5	—	7,032.4
Total assets	<u>21,978.1</u>	<u>29,700.6</u>	<u>8,920.3</u>	<u>9,558.5</u>	<u>64,247.5</u>	<u>50,655.7</u>	<u>15,302.6</u>	<u>200,363.3</u>
Liabilities								
Borrowings from the central bank	—	—	2,001.5	144.6	1,864.9	—	—	4,011.0
Deposits from banks and other financial institutions	—	127.9	1,421.0	3,224.0	3,563.0	—	—	8,335.9
Placements from banks and other financial institutions	—	2.5	860.0	1,930.0	3,109.0	1,200.0	—	7,101.5
Provision for credit commitments and financial guarantees	—	0.1	1.6	4.9	18.5	12.7	5.6	43.4
Financial assets sold under repurchase agreements	—	—	2,654.9	—	—	—	—	2,654.9
Deposits from customers	—	62,063.7	6,082.0	4,104.9	18,201.3	58,902.8	408.5	149,763.2
Interest payables	—	1,689.6	126.8	267.4	382.9	524.1	—	2,990.8
Debt securities issued	—	—	349.9	3,907.3	850.5	1,498.4	898.4	7,504.5
Others ⁽²⁾	—	714.9	431.7	6.6	115.0	396.9	41.8	1,706.9
Total liabilities	<u>—</u>	<u>64,598.7</u>	<u>13,929.4</u>	<u>13,589.7</u>	<u>28,105.1</u>	<u>62,534.9</u>	<u>1,354.3</u>	<u>184,112.1</u>
Net working capital	<u>21,978.1</u>	<u>(34,898.1)</u>	<u>(5,009.1)</u>	<u>(4,031.2)</u>	<u>36,142.4</u>	<u>(11,879.2)</u>	<u>13,948.3</u>	<u>16,251.2</u>

Notes:

- (1) Primarily includes property and equipment, goodwill, deferred tax assets, other receivables and prepayments, repossessed assets, interests in associates and right-of-use assets.
- (2) Primarily includes accrued staff costs, taxes payable and lease liabilities.

(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 and steady 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 2021, the Bank implemented reputational risk management as a long-term and regular task. The Bank strengthened its reputational risk management through various measures in order to enhance the standard of reputational risk management. Firstly, the Bank revised the Administrative Measures on Reputational Risk (《聲譽風險管理辦法》), the Implementation Rules of Public Relations Management (《輿情管理工作實施細則》) and the Reporting System of Significant Events (《重大事項報告制度》), etc., which set out clear division of duties and optimized the management system. A regular investigation and monitoring system for public relations was established in order to discover and identify reputational risks in a timely manner. The Bank also optimized response plan for various kinds of contingency and established early warning mechanism and procedures, assigned tasks for handling contingencies and set up reporting channels in order to strengthen the capability for, and level of, coping with contingency. Secondly, adhering to the principle of prevention, the Bank focused on improving the services based on customers' needs. Through strengthening the compliance of operation, regulating the product sales activities, issuing clear list of service charges and improving the service standards, the Bank prevented and reduced the occurrence of reputational risk events. Thirdly, the Bank enhanced trainings and education for its employees to develop reputational risk prevention awareness. The Bank implemented reputational risk management during the course of daily operation and management to enhance the initiative of relevant works.

(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 prioritizes 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 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, smooth the system of compliance risk prevention and create a positive compliance culture. Secondly, the Bank commenced various campaigns under the "Year of Developing Internal Control and Compliance Management" (內控合規管理建設年) in accordance with regulatory requirements to further consolidate and extend the results of market chaos rectification, enhance internal compliance management, and establish a sound and prudent operation 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 risks 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 an IT committee responsible for overseeing and guiding its IT activities. IT risks are included in the comprehensive risk management system of the Bank. The IT department is responsible for the implementation of specific risk management measures, plans and proposals.

In 2021, the Bank strengthened the identification, measurement, monitoring and control of IT risks through optimizing its IT risk management system, improving the network prevention and control level and strengthening business continuity management. The Bank also established a comprehensive IT risk management mechanism covering all periods and aspects. Firstly, the Bank optimized its IT risk management system. The Bank refined the IT Risk Management Measures (《信息科技風險管理辦法》) and further enhanced risk management to prevent IT risk and secure the safe and stable operation of information system effectively. The Bank passed the annual certification of PCI-DSS and the operation of international card payment business was safe and stable. In order to improve the information security and operation system, the Bank carried out assessment on information security level protection and 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. To enhance the IT risk management capacity, the Bank further standardized its financial services. The Bank issued the Security Management Standards for Mobile Finance Client-side APP (《移動金融客戶端應用軟件安全管理規範》) which set out the corporate standards of mobile client-side APP. The development of fin-tech and risk prevention and control level of the Bank continued to grow. 21 sets of IT rules, such as project management standards 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 organized 4 publicity and educational campaigns featuring the Science and Technology Week (科技活動周), the Fourth Anniversary of the Cybersecurity Law (網絡安全法施行四周年), Cybersecurity Week (網絡安全宣傳周) and financial standards to promote and publicize the laws and regulations related to cybersecurity and knowledge of financial standards, which has effectively raised the awareness of information security. Capitalizing on internet college, a learning platform, the Bank organized network safety knowledge training to raise the awareness on network safety and risk prevention and control capability of employees. Secondly, the Bank refined its network prevention and control system. 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 and supported the quick launch of the rapidly growing business systems. The Bank developed an integrated intelligent platform for the security, operation and maintenance of big data and adopted various cybersecurity equipment such as IPS/AV, WAF, ADS, antivirus gateway and firewall. The Bank performed intelligent analysis and research on massive security alerts and security events were handled automatically. The security strategies were refined and an intelligent security operation system was established. In order to establish an effective security protection system, 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 strengthened its business continuity management. 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 and system stability was significantly enhanced. The Bank implemented ISO27001 information security management system and ISO22301 business continuity management system to facilitate the development, implementation, operation, monitoring, evaluation, maintenance and improvement of the business continuity of the Bank, so as to mitigate and avoid impacts of disaster events on the Bank and its customers. Based on the analysis of business impacts, the Bank modified various contingency plans and formulated emergency drill plans. In 2021, the Bank organized 12 emergency drills, including power system of server room, fire safety, air conditioning, telecommunication networks, internet, databases, information system and contingent events, 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, triad-organized crime, terrorism, smuggling, corruption and bribery, breaking the order of financial management and financial fraud.

The Bank has included anti-money laundering risk management 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 is in charge of the management tasks of anti-money laundering, including the identification, assessment, supervision, reporting, inspection and control of anti-money laundering.

In 2021, adhering to the risk-oriented principle and in strict compliance with the regulatory requirement, the Bank duly performed its responsibilities in anti-money laundering and anti-terrorism financing, strengthened internal control and management and continued to enhance the anti-money laundering risk management. Firstly, the Bank improved its working systems for anti-money laundering and consolidated the basic management. The Bank carried out assessment and timely rectified the deficiencies in its systems and procedures in order to strengthen the effectiveness and comprehensiveness of its systems and further improve the efficiency of anti-money laundering management. Secondly, the Bank refined its anti-money laundering working system by improving the regulations of anti-money laundering departments. Regular meetings and reporting system for anti-money laundering were set up. Joint meetings of anti-money laundering were held on a regular basis to facilitate more effective coordination among different departments and ensure the performance of anti-money laundering tasks in high quality.

Thirdly, the Bank enhanced the risk prevention and control of anti-money laundering. The Bank implemented risk management and control in early stage with effective customer identification measures in order to prevent anti-money laundering risks from the source. Fourthly, the development of anti-money laundering team was strengthened by organizing internal and external trainings to enhance its duty performance. Fifthly, 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. Sixthly, 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 awareness 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 and 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 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 and enhancement of the Bank's business operation, management and values.

The Bank has adopted a vertical internal audit organizational system, 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 the standardization of operation and management activities, effectively preventing operation risks, implementation of case prevention and control, 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 risk management and internal control systems 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 analyses and liquidity stress tests to manage the liquidity risk.

(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 antiterrorism 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 10.1%, 10.5%, 10.5%, 10.5% and 10.5%, (ii) minimum tier-one capital adequacy ratios of 8.1%, 8.5%, 8.5%, 8.5% and 8.5%, and (iii) minimum core tier-one capital adequacy ratios of 7.1%, 7.5%, 7.5%, 7.5% and 7.5%, respectively, as of December 31, 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)	December 31, 2021	December 31, 2020
Core capital		
Paid-up capital	4,612.9	4,393.2
Qualifying portion of capital reserve	5,050.5	4,921.3
Surplus reserve	1,058.2	915.5
General risk reserve	2,322.0	2,077.9
Investment revaluation reserve	94.7	10.4
Retained earnings	1,436.8	1,353.2
Qualifying portions of non-controlling interests	1,854.2	1,475.3
Core tier-one capital deductions ⁽¹⁾	(532.6)	(554.4)
Net core tier-one capital	15,896.7	14,592.4
Other tier-one capital ⁽²⁾	238.2	158.3
Net tier-one capital	16,134.9	14,750.7
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	2,640.0	1,840.0
Surplus reserve for loan impairment	1,686.3	1,377.2
Eligible portion of non-controlling interests	480.8	358.0
Net capital base	20,942.0	18,325.9
Total risk-weighted assets	180,086.9	161,211.1
Core tier-one capital adequacy ratio (%)	8.83%	9.05%
Tier-one capital adequacy ratio (%)	8.96%	9.15%
Capital adequacy ratio (%)	11.63%	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. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

4.1 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 situation 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. 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 was extended by resolutions adopted at the first extraordinary general meeting of 2019, the second domestic class meeting of 2019 and the second H share class meeting of 2019 held on October 24, 2019. 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 was further extended by resolutions adopted at the first extraordinary general meeting of 2020, the second domestic class meeting of 2020 and the second H share class meeting of 2020 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 expired on October 21, 2021, 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 for 12 months was 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 held on June 18, 2021. The resolutions regarding the adjustment and update of issue price and other matters under the Plans on the Private Placement of Domestic Shares and the Non-public

Issuance of H Shares based on market conditions and actual situation of the Bank were considered and approved at the Board meeting held on August 30, 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, March 30, 2021, August 30, 2021 and September 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.

4.2 Capital Reserve Capitalization

As resolved by the Board and considered and approved by shareholders at the 2020 annual general meeting, 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, 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. Immediately following the 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 have 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 its articles of association (the “**Articles of Association**”) to reflect the change in registered capital as a result of the Capitalization Issue.

4.3 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. 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. On September 18, 2021, the qualification of Mr. Fong Wai Kuk Dennis as an independent non-executive director of the Bank was approved by the regulatory authority, and he has officially become the independent non-executive director of the Bank and served 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, August 16, 2021 and September 24, 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.

4.4 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.

4.5 Amendments to the Articles of Association

Due to the change of the registered capital and share structure of the Bank upon completion of the Capitalization Issue, the Bank amended the provisions of its Articles of Association in relation with its registered capital and share structure. Relevant amendments were approved by its shareholders at the 2020 annual general meeting held on June 18, 2021.

The Capitalization Issue was completed on July 23, 2021. The above amendments have been approved by Jilin Bureau of the CBIRC on July 26, 2021 and became effective from the same day. For details of such amendments, investors please 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. OTHER INFORMATION

5.1 Corporate Governance

The Bank believes that maintaining high standards of corporate governance mechanisms and high quality of corporate governance is one of the key factors to improve its core competitiveness and to build a modern rural commercial bank. Therefore, the Bank has been committed to maintaining high quality of corporate governance and actively abiding by the best domestic and international corporate governance practices in order to ensure the rights and interests of shareholders and improve the corporate value.

The Bank has established a modern corporate governance structure in accordance with its Articles of Association, the PRC laws and regulations and the Hong Kong Listing Rules. The Board is accountable to the 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 setting of internal management structure. The Board has established committees to perform specified functions, including the strategy and development committee, the related-party transactions control committee, the remuneration committee, the nomination committee, the risk management committee, the audit committee, the consumer rights protection committee and the three rurals financial services committee. The Board of Supervisors is accountable to the shareholders as a whole and has the responsibility and power to supervise the Directors and senior management and oversee the Group's financial activities, risk management and internal control.

The Bank has incorporated the Code of Corporate Governance (the “**Code of Corporate Governance**”) as set out in Appendix 14 to the Hong Kong Listing Rules and the Corporate Governance Guidelines for Banking and Insurance Institutions (the “**Guidelines**”) issued by the CBIRC into the Bank's governance structure and policies. The Code of Corporate Governance and the Guidelines are well reflected in the Articles of Association and the rules of procedures of the shareholders' general meeting, the Board and the committees under the Board. The Bank's shareholders' general meeting, the Board and the Board of Supervisors perform their respective duties and form a good corporate governance structure. The Bank closely monitors its operation to ensure that it complies with the relevant requirements under applicable laws, regulations, codes, guidelines and the Bank's internal policies.

During the Reporting Period, the Bank has fully complied with substantially all provisions contained in the Code of Corporate Governance, save for the deviation from the former code provision A.5.1 (currently Rule 3.27A of the Hong Kong Listing Rules) requiring that the Nomination Committee shall comprise a majority of independent non-executive Directors. Half of the members of the Nomination Committee under the Board were independent non-executive Directors before the qualification of Mr. Fong Wai Kuk as Director was approved. The majority of the members of the Nomination Committee of the Bank has been independent non-executive Directors when the qualification of Mr. Fong Wai Kuk as Director was approved on September 18, 2021, which is in compliance with the former code provision A.5.1 (currently Rule 3.27A of the Hong Kong Listing Rules). The Bank has also strictly complied with the provisions regarding management of inside information required by applicable laws and regulations and the Hong Kong Listing Rules.

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

5.2 Securities Transactions by Directors, Supervisors and Senior Management

The Bank has adopted, in respect of securities transactions by Directors, Supervisors and senior management members, a code of conduct on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Hong Kong Listing Rules.

Having made specific enquiries to all Directors, Supervisors and members of the senior management of the Bank, the Bank confirmed that they had complied with the Model Code during the Reporting Period.

5.3 Profit and Dividend

The revenue of the Group for the year ended December 31, 2021 and the financial position of the Group as at the same day are set out in the financial report of this announcement.

The Board does not recommend the distribution of final dividend for the year ended December 31, 2021. The Board will propose the abovementioned resolution at the 2021 annual general meeting for approval. The Bank will issue an announcement separately if there are any changes in the arrangement of the abovementioned distribution of dividend.

5.4 Tax Relief

(1) Withholding and Payment of Enterprise Income Tax for Non-resident Enterprise Shareholders

Pursuant to the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules and the relevant regulations, the Bank has the obligation to withhold and pay enterprise income tax at a tax rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the H share register in the distribution of final dividend. As any shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other organizations and groups, will be treated as being held by non-resident enterprise shareholders, the dividends received shall be subject to the withholding of enterprise income tax.

Upon receipt of such dividends, a non-resident enterprise shareholder may apply to the competent tax authorities for relevant treatment under the tax treaties (arrangements) in person or through a proxy or a withholding agent, and provide evidence in support of its status as a beneficial owner as defined in the tax treaties (arrangements). Upon verification by the competent tax authorities, the difference between the tax levied and the amount of tax payable as calculated at the tax rate under the tax treaties (arrangements) will be refunded.

(2) *Withholding and Payment of Individual Income Tax for Individual Overseas Resident Shareholders*

According to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules and the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (Announcement of the State Administration of Taxation 2015 No. 60) (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》 (國家稅務總局公告 2015 年第 60 號)) (the “**Tax Convention Announcement**”), the Bank has the obligation to withhold and pay individual income tax on behalf of the individual shareholders whose names appear on the H share register (the “**Individual H Shareholder(s)**”) in the distribution of final dividend. However, Individual H Shareholders are entitled to the relevant favourable tax treatments pursuant to the provisions in the tax treaties between the countries (regions) in which they are domiciled and the PRC, and the tax arrangements between the PRC and Hong Kong (or Macau). As such, the Bank will withhold and pay the individual income tax on behalf of the Individual H Shareholders in accordance with the following arrangements:

- for the Individual H Shareholders receiving dividends who are Hong Kong or Macau residents or citizens from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Bank will withhold and pay individual income tax at the rate of 10% in the distribution of final dividend;
- for the Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Bank will temporary withhold and pay individual income tax at the rate of 10% in the distribution of final dividend. If relevant Individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Bank will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Convention Announcement. Qualified shareholders shall submit in time a letter of entrustment and all application materials as required under the Tax Convention Announcement to the Bank's H share registrar, Computershare Hong Kong Investor Services Limited. The Bank will then submit the above documents to competent tax authorities and, after their examination and approval, the Bank will assist in refunding the excess amount of tax withheld and paid;
- for the Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Bank will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of final dividend;
- for the Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of 20% or without tax treaties with the PRC or under other circumstances, the Bank will withhold and pay individual income tax at the rate of 20% in the distribution of final dividend.

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Bank. Shareholders of the Bank are taxed and/or entitled to enjoy tax relief in accordance with the aforementioned regulations.

5.5 Plan of Capital Reserve Capitalization

The Board proposed to issue new shares by way of capitalization of capital reserve to the holders of domestic shares and H shares whose names appear on the share register of the Bank at the close of business on Thursday, June 30, 2022 on the basis of 10 new shares for every 100 existing shares held by the shareholders (the “**Proposed Capitalization Issue**”). Based on the 4,612,901,427 shares of the Bank in issue as at December 31, 2021, the total number of new shares to be issued by way of capitalization of capital reserve would be 461,290,142 shares, including 373,426,405 shares to be issued to holders of domestic shares and 87,863,737 shares to be issued to holders of H shares. Upon completion of the Proposed Capitalization Issue, the total number of shares in issue of the Bank will be 5,074,191,569 shares, including 4,107,690,457 domestic shares and 966,501,112 H shares.

In order to ascertain the H shareholders entitled to receive the new H shares under the Proposed Capitalization Issue, the H share register of the Bank will be closed from Saturday, June 25, 2022 to Thursday, June 30, 2022 (both days inclusive), during which period no transfer of H Shares will be registered. In order to entitle the new H shares, share certificates accompanied by transfer documents must be lodged by holders of H Shares with the Bank's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, June 24, 2022.

Fractional domestic shares arising from the Proposed Capitalization Issue will be aggregated and one new share will be issued to each of the holders of domestic shares in descending order based on the decimal number of their fractional domestic shares, until the actual number of domestic shares issued equals the total number of domestic shares issued under the Proposed Capitalization Issue. If the number of holders of domestic shares with the same decimal number of fractional domestic shares exceeds the remaining shares, such remaining shares shall be randomly allotted by computer, which shall be conclusively evidenced by the results announced by China Securities Depository and Clearing Co., Ltd. The H shares under the Proposed Capitalization Issue shall be issued on a pro rata basis and any fractional shares will be rounded down to the nearest whole number. Fractional H shares will not be issued and allotted, but will be aggregated and sold for the benefit of the Bank. The Proposed Capitalization Issue shall be subject to the approval by way of special resolution at the AGM, the domestic share class meeting and the H share class meeting, the approval of the Hong Kong Stock Exchange for the listing and trading of H shares to be issued under the Proposed Capitalization Issue and the approval of the CBIRC. The Bank shall also comply with the relevant legal procedures and regulations according to the Company Law of the PRC.

The Board also proposed to change its registered capital and amend its Articles of Association to reflect the change in registered capital as a result of the Proposed Capitalization Issue. The change in the registered capital and amendments to the Articles of Association of the Bank shall be subject to the approval of the AGM by way of special resolution.

The circular containing, among other things, detailed arrangements regarding the Proposed Capitalization Issue (including, but not limited to, the timing, the arrangements for fractional shares and overseas shareholders) together with the notices of the AGM and the H share class meeting will be despatched to the holders of H shares of the Bank in due course.

5.6 AGM and H shareholders class meeting and Book Closure Dates

The AGM and H shareholders class meeting will be held on Friday, June 17, 2022. In order to determine the holders of H shares who are eligible to attend the AGM and/or H shareholders class meeting, the register of holders of H shares of the Bank will be closed from Wednesday, May 18, 2022 to Friday, June 17, 2022 (both days inclusive), during which period no transfer of H shares will be registered.

In order to qualify for attending the AGM and/or H shareholders class meeting, share certificates accompanied by instruments of transfer must be lodged with the Bank's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, May 17, 2022. Holders of H shares of the Bank who are registered with Computershare Hong Kong Investor Services Limited on Friday, June 17, 2022 are entitled to attend the AGM and/or H shareholders class meeting.

An H shareholder or his/her proxy should present proof of identity when attending the AGM and/or H shareholders class meeting. If an H shareholder is a legal person, its legal representative or other person authorized by the board of directors or other governing body of such shareholder may attend the AGM and/or H shareholders class meeting by providing a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the meeting(s).

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

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

Description of shares	Number of shares	Approximate percentage of issued share capital
Domestic shares	3,734,264,052	81.0%
H shares	878,637,375	19.0%
Total	<u>4,612,901,427</u>	<u>100.0%</u>

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

5.8 Effect of the novel coronavirus pneumonia

In 2021, the COVID-19 pandemic in China witnessed a trend of sporadic outbreaks in many places. The Bank has strictly implemented various measures with specific plans and tasks for pandemic prevention and control and remained highly alert. In order to maintain regular pandemic prevention and control, the Bank promoted “no-contact” services and provided diversified financial services to customers through e-banking, self-service equipment and other channels. In addition, the Bank has put great efforts in accomplishing the tasks of “six stability” and “six guarantees”. In order to support SMEs affected by the pandemic to tide over difficulties and provide strong financial support for recovery and development of local economy, the Bank adopted proper policies, took special measures, established green channel and offered preferential interest rate.

Looking forward, the Bank will continue to put utmost efforts to minimize the adverse effects brought by the pandemic. Moreover, adhering to its strategic positioning, the Bank will further extend its service coverage, focus on serving the domestic market, consolidate the customer base, improve the credit services and strengthen risk prevention and control, in an effort to achieve its goal of high-quality development.

6. FINANCIAL REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021	2020
		<u>RMB'000</u>	<u>RMB'000</u>
Interest income		12,524,305	10,371,063
Interest expenses		<u>(6,347,936)</u>	<u>(5,272,633)</u>
Net interest income	4	<u>6,176,369</u>	<u>5,098,430</u>
Fee and commission income		169,408	268,891
Fee and commission expenses		<u>(96,706)</u>	<u>(38,341)</u>
Net fee and commission income	5	<u>72,702</u>	<u>230,550</u>
Net trading gains	6	959	149,773
Dividend income		56,961	59,422
Net gains arising from investment securities	7	87,306	46,454
Losses on deemed partial disposal of an associate		(46,452)	—
Net exchange gains		11,336	10,241
(Losses)/gains on disposals of associates		—	(37,092)
Other operating income/(expenses), net	8	<u>3,113</u>	<u>(11,014)</u>
Operating income		6,362,294	5,546,764
Operating expenses	9	<u>(3,073,881)</u>	<u>(2,743,732)</u>
Impairment losses on assets, net of reversals	10	<u>(1,569,379)</u>	<u>(1,306,607)</u>
Operating profit		1,719,034	1,496,425
Share of profits of associates		<u>28,521</u>	<u>44,590</u>
Profit before tax		1,747,555	1,541,015
Income tax expense	11	<u>(457,557)</u>	<u>(341,352)</u>
Profit for the year		<u>1,289,998</u>	<u>1,199,663</u>
Earnings per share			(restated)
— Basic and diluted (RMB cents)	12	<u>24.48</u>	<u>23.94</u>

Notes	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	<u>1,289,998</u>	<u>1,199,663</u>
Other comprehensive income/(expense) for the year:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
— Financial assets at fair value through other comprehensive income		
— Changes in fair value recognised in investment revaluation reserve	79,349	2,530
— Reclassified to the profit or loss upon disposal	(960)	(6,345)
— Changes in allowance for expected credit loss	—	(5,935)
— Income tax relating to item that may be reclassified subsequently	(19,597)	2,254
— Release of reserve upon disposal of an associate	—	(958)
— Share of other comprehensive income/(expenses) of associates	9,464	(2,275)
	<u>68,256</u>	<u>(10,729)</u>
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
— Financial assets at fair value through other comprehensive income		
— Fair value gain on investments in equity investments	25,296	8,107
— Income tax relating to item that will not be reclassified subsequently	(9,164)	—
	<u>16,132</u>	<u>8,107</u>
Other comprehensive income/(expense) for the year, net of tax	<u>84,388</u>	<u>(2,622)</u>
Total comprehensive income for the year	<u><u>1,374,386</u></u>	<u><u>1,197,041</u></u>

Notes	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year attributable to:		
— Owners of the Bank	1,129,398	1,104,416
— Non-controlling interests	160,600	95,247
	<u>1,289,998</u>	<u>1,199,663</u>
Total comprehensive income for the year attributable to:		
— Owners of the Bank	1,213,658	1,102,779
— Non-controlling interests	160,728	94,262
	<u>1,374,386</u>	<u>1,197,041</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Notes	2021	2020
		<u>RMB'000</u>	<u>RMB'000</u>
Assets			
Cash and deposits with the central bank		30,997,889	25,155,026
Deposits with banks and other financial institutions		10,828,113	8,396,699
Placements with banks and other financial institutions		134,759	729,253
Financial assets held under resale agreements	13	1,498,500	1,102,000
Financial assets at fair value through profit or loss	14	2,552,214	3,200,209
Interests receivables		908,379	874,287
Loans and advances to customers	15	152,222,135	126,574,552
Financial assets at fair value through other comprehensive income	16	5,116,459	2,526,111
Financial assets measured at amortised cost	17	22,814,151	24,772,682
Interests in associates		961,033	1,005,130
Property and equipment		3,265,481	3,249,491
Right-of-use assets		614,709	664,240
Goodwill		401,335	401,335
Deferred tax assets		1,004,495	773,222
Other assets		820,588	939,033
Total assets		<u><u>234,140,240</u></u>	<u><u>200,363,270</u></u>
Liabilities and equity			
Liabilities			
Borrowings from the central bank		2,851,219	4,010,960
Deposits from banks and other financial institutions		6,763,740	8,335,923
Placements from banks and other financial institutions		1,502,496	7,101,496
Financial assets sold under repurchase agreements	18	—	2,654,900
Deposits from customers		193,106,238	149,763,189
Accrued staff costs		179,710	176,684
Tax payable		291,529	223,806
Interests payable		4,059,296	2,990,824
Debt securities issued	19	6,211,078	7,504,526
Lease liabilities		518,779	591,499
Other liabilities		881,143	758,278
Total liabilities		<u><u>216,365,228</u></u>	<u><u>184,112,085</u></u>
Equity			
Share capital		4,612,901	4,393,239
Capital reserve		5,050,510	4,921,340
Investment revaluation reserve		94,661	10,401
Surplus reserve		1,058,252	915,524
General reserve		2,321,962	2,077,865
Retained earnings		1,436,812	1,353,162
Total equity attributable to owners of the Bank		14,575,098	13,671,531
Non-controlling interests		3,199,914	2,579,654
Total equity		<u><u>17,775,012</u></u>	<u><u>16,251,185</u></u>
Total liabilities and equity		<u><u>234,140,240</u></u>	<u><u>200,363,270</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 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		
As 1 January 2021	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 year	—	—	—	—	—	1,129,398	1,129,398	160,600	1,289,998
Other comprehensive expense for the year	—	—	84,274	(1)	—	(13)	84,260	128	84,388
Total comprehensive income/(expense) for the year	—	—	84,274	(1)	—	1,129,385	1,213,658	160,728	1,374,386
Changes in ownership in subsidiaries without changes in control	—	348,832	—	—	—	—	348,832	516,393	865,225
Disposal of equity investments classified as financial assets at fair value through other comprehensive income	—	—	(14)	7	—	70	63	—	63
Changes in share capital									
— Capitalisation of capital reserve	219,662	(219,662)	—	—	—	—	—	—	—
Appropriation of profits									
— Appropriation to surplus reserve	—	—	—	142,722	—	(142,722)	—	—	—
— Appropriation to general reserve	—	—	—	—	244,097	(244,097)	—	—	—
— Dividends recognised as distribution (Note)	—	—	—	—	—	(658,986)	(658,986)	—	(658,986)
— Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(56,861)	(56,861)
At 31 December 2021	4,612,901	5,050,510	94,661	1,058,252	2,321,962	1,436,812	14,575,098	3,199,914	17,775,012
	Attributable to owners of the Bank								
	Share Capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As 1 January 2020	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 year	—	—	—	—	—	1,104,416	1,104,416	95,247	1,199,663
Other comprehensive expense for the year	—	—	(1,637)	—	—	—	(1,637)	(985)	(2,622)
Total comprehensive (expense)/income for the year	—	—	(1,637)	—	—	1,104,416	1,102,779	94,262	1,197,041
Changes in ownership in subsidiaries without changes in control	—	(18,074)	—	—	—	—	(18,074)	233,116	215,042
Changes in share capital									
— Capitalisation of capital reserve	209,202	(209,202)	—	—	—	—	—	—	—
Appropriation of profits									
— Appropriation to surplus reserve	—	—	—	101,448	—	(101,448)	—	—	—
— Appropriation to general reserve	—	—	—	—	300,191	(300,191)	—	—	—
— Dividends recognised as distribution (Note)	—	—	—	—	—	(753,127)	(753,127)	—	(753,127)
— Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(67,947)	(67,947)
At 31 December 2020	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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
OPERATING ACTIVITIES		
Profit before tax for the year	1,747,555	1,541,015
Adjustments for:		
Interest income from financial investments	(1,557,501)	(1,469,813)
Share of profits of associates	(28,521)	(44,590)
Dividend income	(56,961)	(59,422)
Government grants	(49,986)	(29,315)
Losses on disposal of associates	—	37,092
Losses on deemed partial disposal of an associate	46,452	—
Net gains arising from investment securities	(87,306)	(46,454)
Gain on disposal of property and equipment	(22,672)	(3,523)
Impairment of property and equipment	184	—
Loss/(gain) on early termination of lease agreements	351	(11,915)
Impairment losses on assets, net of reversals	1,569,195	1,306,607
Interest expense on debts securities issued	292,736	452,926
Depreciation of property and equipment	291,200	367,072
Interest income from impaired loans and advances to customers and impaired financial assets measured at amortised cost	276,064	301,038
Depreciation of right-of-use assets	168,658	194,894
Net unrealised trading losses	132,908	234,806
Interest expense on lease liabilities	24,076	30,433
Amortisation of long-term deferred expenses	33,103	32,123
	2,779,535	2,832,974
Changes in operating assets		
Net increase in loans and advances to customers	(26,940,586)	(34,102,147)
Net decrease/(increase) in other assets	64,268	(361,523)
Net decrease/(increase) in deposits with the central bank	129,596	(693,346)
Net increase in interest receivables	(15,274)	(210,357)
Net decrease in financial assets at fair value through profit or loss	515,087	6,314,370
Net decrease in deposits and placements with the banks and other financial institutions	153,540	1,486,460
	(26,093,369)	(27,566,543)
Changes in operating liabilities		
Net (decrease)/increase in financial assets sold under repurchase agreements	(2,654,900)	44,100
Net increase in deposits from customers	43,343,049	26,922,789
Net (decrease)/increase in placements from banks and other financial institutions	(5,599,000)	2,722,000
Net (decrease)/increase in deposits from banks and other financial institutions	(1,572,183)	2,058,307
Net (decrease)/increase in borrowing from central bank	(1,159,741)	665,800
Net increase in interests payable	1,033,161	785,802
Net increase in other liabilities	105,298	69,494
Net increase/(decrease) in accrued staff costs	3,026	(22,666)
	33,498,710	33,245,626
Cash generated from operations	10,184,876	8,512,057
Income tax paid	(649,868)	(507,081)

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
NET CASH GENERATED FROM OPERATING ACTIVITIES	9,533,008	8,004,976
INVESTING ACTIVITIES		
Payments on acquisition of financial investments	(32,047,181)	(25,534,109)
Payments on acquisition of property and equipment	(330,659)	(310,340)
Proceeds from disposal of financial investments	31,297,661	27,606,898
Interest income from financial investments	1,323,610	1,502,912
Dividend income received from equity investments	56,961	59,422
Dividend received from associates	35,630	49,695
Proceeds from disposal of property and equipment	35,287	686,793
Net proceeds from disposal of interests in associates	—	327,100
NET CASH GENERATED FROM INVESTING ACTIVITIES	371,309	4,388,371
FINANCING ACTIVITIES		
Repayment of debt securities issued	(6,850,000)	(14,420,000)
Dividends paid	(658,512)	(753,123)
Payment on lease liabilities	(170,611)	(176,130)
Interest paid on debts securities issued	(137,200)	(137,067)
Dividends paid to non-controlling interests	(56,861)	(67,947)
Interest paid on lease liabilities	(24,076)	(30,433)
Net proceeds from issue of new debt securities	5,436,327	7,388,743
Proceeds from disposals and dilutions of interests in subsidiaries without loss in control	865,225	215,042
Government grants received	49,986	29,315
NET CASH USED IN FINANCING ACTIVITIES	(1,545,722)	(7,951,600)
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,360,595	4,441,747
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	21,261,817	16,820,070
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	29,622,412	21,261,817
Interest received	12,333,482	10,487,200
Interest paid (excluding interest expense on debts securities issued and lease liabilities)	(4,997,963)	(4,003,472)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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”) (Ji Yin Jian Fu 2008 No. 320) on 15 December 2008.

The Bank obtained its finance permit from the China Banking and Insurance Regulatory Commission (the “CBIRC”) Jilin Bureau (institution number: No. B1001H222010001) and the business license from Market Supervision and Administration Bureau of Jilin Province (Unified Social Credit Code: 912200001243547911). 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 31 December 2021, the Bank has established 3 branches and 80 sub-branches. The Bank has 35 subsidiaries. The principal activities of the Bank and its subsidiaries (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 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 consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Bank and its subsidiaries.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) which are effective for the Group’s financial year beginning 1 January 2021.

Amendment to IFRS 16	COVID-19-Related Rent Concessions
Amendments to IFRS 9, International Accounting Standard (“IAS”) 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and related amendments ³
Amendments to IFRS 3	Reference to the Conceptual Framework ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to IAS 8	Definition of Accounting Estimates ³
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to IAS 16	Property, plant and Equipment: Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendment to IFRSs	Annual Improvements to IFRSs 2018–2020 cycle ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

The directors of the Bank anticipate that, the application of the new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

4. NET INTEREST INCOME

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income arising from		
— Deposits with the central bank	219,506	186,572
— Deposits with banks and other financial institutions	181,293	154,915
— Placements with banks and other financial institutions	43,070	97,837
— Financial assets at FVTOCI	171,488	252,473
— Financial assets measured at amortised cost	1,386,013	1,217,340
— Loans and advances to customers:		
Corporate loans and advances		
— Loans	8,433,979	6,418,123
— Finance lease loans	146,085	124,370
Personal loans and advances	1,765,399	1,692,450
Discounted bills	78,744	38,516
— Financial assets held under resale agreements	98,728	188,467
	<u>12,524,305</u>	<u>10,371,063</u>
Less: Interest expenses arising from		
— Borrowings from the central bank	(54,703)	(42,672)
— Deposits from banks and other financial institutions	(287,835)	(395,763)
— Placements from banks and other financial institutions	(242,122)	(271,614)
— Deposits from customers:		
Corporate customers	(1,182,042)	(1,157,497)
Individual customers	(4,146,557)	(2,811,460)
— Financial assets sold under repurchase agreements	(117,865)	(110,268)
— Debts securities issued	(292,736)	(452,926)
— Lease liabilities	(24,076)	(30,433)
	<u>(6,347,936)</u>	<u>(5,272,633)</u>
	<u><u>6,176,369</u></u>	<u><u>5,098,430</u></u>

5. NET FEE AND COMMISSION INCOME

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Fee and commission income		
— Advisory fees	33,218	137,388
— Settlement and clearing fees	65,495	29,434
— Wealth management service fees	3,936	19,515
— Agency service fees	16,613	18,516
— Syndicated loan service fees	45,751	59,547
— Bank card service fees	3,361	3,992
— Others	1,034	499
	<u>169,408</u>	<u>268,891</u>
Fee and commission expense		
— Settlement and clearing fees	(79,180)	(25,008)
— Others	(17,526)	(13,333)
	<u>(96,706)</u>	<u>(38,341)</u>
	<u><u>72,702</u></u>	<u><u>230,550</u></u>

Most contracts with customers have original expected duration of less than one year and therefore information about their remaining performance obligations is not disclosed.

6. NET TRADING GAINS

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Changes in fair value of financial assets at fair value through profit or loss (“FVTPL”)		
— Unlisted equity investments	(125,999)	(69,874)
— Listed equity investments	(14,152)	(164,932)
— Other debt instruments	7,244	(164,932)
Investment income from financial assets at FVTPL (Note)	119,333	315,617
Net gains on disposal of financial assets at FVTPL		
— Unlisted equity investments	3,905	29,750
— Other debt instruments	10,628	3,212
	<u>959</u>	<u>149,773</u>

Note:

The investment income from financial assets at FVTPL includes interest income from financial assets at FVTPL of approximately RMB119,333,000 for the year ended 31 December 2021 (2020: approximately RMB351,617,000).

7. NET GAINS ARISING FROM INVESTMENT SECURITIES

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Net gains on disposal of financial assets measured at amortised cost	6,143	9,029
Net gains on disposal of financial assets at FVTOCI	80,203	31,080
Net revaluation losses reclassified from other comprehensive income upon disposal	960	6,345
	<u>87,306</u>	<u>46,454</u>

8. OTHER OPERATING INCOME/(EXPENSE), NET

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants (Note)	49,986	29,315
Gain on disposal of property and equipment	22,672	3,523
(Loss)/gain on early termination of lease agreements	(351)	11,915
Other operating expense	(69,194)	(55,767)
	<u>3,113</u>	<u>(11,014)</u>

Note:

Government grants recognised as other income are awarded to the Group by the PRC government as incentives primarily to encourage the development of the Group and the contribution to the local economic development. The government grants are one-off with no specific condition attached.

9. OPERATING EXPENSES

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs (including directors' and supervisors' emoluments)		
— Salaries and bonuses	1,373,157	1,218,542
— Staff welfares	115,737	106,229
— Social insurance	295,574	143,365
— Housing allowances	111,335	99,512
— Labour union and staff education expenses	28,670	24,507
	<u>1,924,473</u>	<u>1,592,155</u>
Premises and equipment expenses		
— Depreciation of property and equipment	291,200	367,072
— Amortisation of long-term deferred expenses	33,103	32,123
— Rental and property management expenses	56,364	47,709
— Depreciation of right-of-use assets	168,658	194,894
	<u>549,325</u>	<u>641,798</u>
Other tax and surcharges	90,221	83,511
Other general and administrative expenses (Note)	509,862	426,268
	<u>3,073,881</u>	<u>2,743,732</u>

Note:

Auditor's remuneration for the year ended 31 December 2021 was RMB2,170,000 (2020: RMB3,160,000).

10. IMPAIRMENT LOSSES ON ASSETS, NET OF REVERSALS

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Loans and advances to customers	1,232,012	863,571
Other receivables and repossessed assets	10,157	47,546
Property and equipment	184	—
Debt securities financial assets at FVTOCI	—	(5,935)
Deposits with bank and other financial institutions	1,682	(425)
Placements with banks and other financial institutions	(506)	(207)
Provision for credit commitments and financial guarantees	17,093	43,146
Financial assets measured at amortised costs	308,757	358,911
	<u>1,569,379</u>	<u>1,306,607</u>

11. INCOME TAX EXPENSE

Income tax:

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
— Mainland China Enterprise Income Tax	682,607	548,765
Under provision in prior years:		
— Mainland China Enterprise Income Tax	34,984	2,059
Deferred tax		
— Current year	(260,034)	(209,472)
	<u>457,557</u>	<u>341,352</u>

Under 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%. During the year ended 31 December 2021, certain branches with operations in a subsidiary, Lingshui Huimin Village Bank Co., Ltd. (“陵水惠民村鎮銀行股份有限公司”) obtained approvals from tax authorities to adopt the preferential income tax rate of 15%.

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:

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year attributable to owners of the Bank	<u>1,129,398</u>	<u>1,104,416</u>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	<u>4,612,901</u>	(restated) <u>4,612,901</u>

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the years ended 31 December 2021 and 2020.

The weighted average number of ordinary shares in issue during the year ended 31 December 2021 has been adjusted retrospectively taking into account the capitalisation issue of 219,661,972 ordinary shares (2020: 209,201,878 ordinary shares) as if the capitalisation issue had been effective on 1 January 2020 (2020: 1 January 2019).

13. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
In Mainland China		
— Banks	1,498,500	—
— Other financial institutions	—	1,102,000
	<u>1,498,500</u>	<u>1,102,000</u>

(b) Analysed by type of security held

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Debt securities		
— Government	1,158,500	1,102,000
— Other financial institutions	340,000	—
	<u>1,498,500</u>	<u>1,102,000</u>

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Listed equity investments measured at FVTPL	61,057	—
Unlisted equity investments measured at FVTPL (Notes (a))	1,044,407	1,178,502
Other debt instruments (Notes (b))	1,446,750	2,021,707
	<u>2,552,214</u>	<u>3,200,209</u>

Notes:

- (a) Unlisted equity investments measured at FVTPL

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC.

- (b) Other debt instruments

Other debt securities mainly represented 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

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Gross loans and advances to customers		
Corporate loans and advances		
— Loans	126,768,501	103,553,361
— Finance lease loans	3,473,367	2,077,835
	<u>130,241,868</u>	<u>105,631,196</u>
Personal loans and advances		
— Personal business loans	19,967,028	17,954,210
— Personal consumption loans	2,850,866	2,656,048
— Credit card overdrafts	20,565	21,491
— Residential and commercial mortgage loans	3,756,415	3,813,526
	<u>26,594,874</u>	<u>24,445,275</u>
Discounted bills	<u>13,447</u>	<u>—</u>
	<u>156,850,189</u>	<u>130,076,471</u>
Less: Provision for impairment losses		
— Individually assessed	(801,044)	(1,240,419)
— Collectively assessed	(3,827,010)	(2,261,500)
	<u>(4,628,054)</u>	<u>(3,501,919)</u>
	<u><u>152,222,135</u></u>	<u><u>126,574,552</u></u>

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Debt securities issued by the following institutions in Mainland China		
— Government	4,427,040	1,939,178
— Banks and other financial institutions	401,393	323,033
— Corporations	109,576	110,508
	<u>4,938,009</u>	<u>2,372,719</u>
Unlisted equity investments designated at FVTOCI	<u>178,450</u>	<u>153,392</u>
	<u>178,450</u>	<u>153,392</u>
	<u>5,116,459</u>	<u>2,526,111</u>
Analysed as:		
Listed outside Hong Kong	4,938,009	2,372,719
Unlisted outside Hong Kong	178,450	153,392
	<u>5,116,459</u>	<u>2,526,111</u>

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

Debt securities included in FVTOCI are traded on the China Interbank Bond Market and are included in “Listed outside Hong Kong”.

At 31 December 2020, parts of financial assets at FVTOCI were pledged as security for repurchase agreement.

17. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Debt securities issued by the following institutions in Mainland China		
— Government	7,772,322	6,330,653
— Banks and other financial institutions	1,021,221	1,836,265
— Corporations	430,845	431,388
— Interbank certificates	487,191	—
	<u>9,711,579</u>	<u>8,598,306</u>
Trust plans	7,927,149	9,822,250
Asset management plans	6,128,945	6,625,571
Investment funds	—	720,906
	<u>14,056,094</u>	<u>17,168,727</u>
	23,767,673	25,767,033
Less: Provision for impairment losses (Note a)	<u>(953,522)</u>	<u>(994,351)</u>
	<u>22,814,151</u>	<u>24,772,682</u>
Analysed as:		
Listed outside Hong Kong	9,711,030	8,566,462
Unlisted outside Hong Kong	13,103,121	16,206,220
	<u>22,814,151</u>	<u>24,772,682</u>

18. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
In Mainland China		
— Banks	<u>—</u>	<u>2,654,900</u>

(b) Analysed by collateral

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Debt securities	<u>—</u>	<u>2,654,900</u>

19. DEBT SECURITIES ISSUED

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Fixed rate subordinated debts/tier-two capital bonds issued	3,495,092	2,396,807
Interbank deposits	2,715,986	5,107,719
	<u>6,211,078</u>	<u>7,504,526</u>

20. DIVIDENDS

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

Notes:

- (a) Pursuant to the resolution of the annual general 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 RMB658,985,918 during the year ended 31 December 2021.
- (b) Pursuant to the resolution of the annual general 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 RMB753,126,764 during the year ended 31 December 2020.

Subsequent to the end of the reporting period, the Board of the Bank does not recommend any distribution of final dividend for the year ended December 31, 2021, which shall be subject to approval by the shareholders in the forthcoming general meeting on 17 June 2022.

21. 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.

Segment results, assets and liabilities

	Year ended 31 December 2021				
	Corporate banking	Retail banking	Treasury operations	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating income					
External net interest income/ (expense)	7,341,541	(2,411,216)	1,246,130	(86)	6,176,369
Internal net interest (expense)/ income	(3,624,247)	4,899,294	(1,275,047)	—	—
Net interest income	3,717,294	2,488,078	(28,917)	(86)	6,176,369
Net fee and commission income	59,430	7,630	5,642	—	72,702
Net trading gains	—	—	959	—	959
Dividend income	—	—	—	56,961	56,961
Net gains arising from investment securities	—	—	87,306	—	87,306
Loss on deemed partial disposal of an associate	—	—	—	(46,452)	(46,452)
Net exchange gains	—	—	—	11,336	11,336
Other operating expense, net	—	—	—	3,113	3,113
Operating income	3,776,724	2,495,708	64,990	24,872	6,362,294
Operating expenses	(1,682,465)	(1,295,268)	(83,623)	(12,525)	(3,073,881)
Impairment losses on assets, net of reversals	(1,254,550)	5,445	(309,933)	(10,341)	(1,569,379)
Operating profit/(loss)	839,709	1,205,885	(328,566)	2,006	1,719,034
Share of profits of associates	—	—	—	28,521	28,521
Profit/(loss) before tax	839,709	1,205,885	(328,566)	30,527	1,747,555
Segment assets	135,823,918	21,556,575	72,818,085	2,937,167	233,135,745
Deferred tax assets	—	—	—	1,004,495	1,004,495
Total assets	135,823,918	21,556,575	72,818,085	3,941,662	234,140,240
Segment liabilities	(114,793,217)	(86,360,333)	(14,904,839)	(306,355)	(216,364,744)
Dividend payable	—	—	—	(484)	(484)
Total liabilities	(114,793,217)	(86,360,333)	(14,904,839)	(306,839)	(216,365,228)
Other segment information					
— Depreciation and amortisation	278,485	200,349	11,528	2,599	492,961
— Capital expenditure	169,246	154,997	5,405	1,011	330,659

Segment results, assets and liabilities (Continued)

	Year ended 31 December 2020				
	Corporate banking	Retail banking	Treasury operations	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating income					
External net interest income/ (expense)	5,328,005	(1,135,293)	907,461	(1,743)	5,098,430
Internal net interest (expense)/ income	(1,216,953)	1,761,020	(544,067)	—	—
Net interest income	4,111,052	625,727	363,394	(1,743)	5,098,430
Net fee and commission income	187,257	16,256	27,037	—	230,550
Net trading gains	—	—	149,773	—	149,773
Dividend income	—	—	—	59,422	59,422
Net gains arising from investment securities	—	—	46,454	—	46,454
Loss on deemed partial disposals of an associate	—	—	—	(37,092)	(37,092)
Net exchange gains	—	—	—	10,241	10,241
Other operating expense, net	—	—	—	(11,014)	(11,014)
Operating income	4,298,309	641,983	586,658	19,814	5,546,764
Operating expenses	(1,985,062)	(470,718)	(208,011)	(79,941)	(2,743,732)
Impairment losses on assets, net of reversals	(696,891)	(209,826)	(352,344)	(47,546)	(1,306,607)
Operating profit/(loss)	1,616,356	(38,561)	26,303	(107,673)	1,496,425
Share of profits of associates	—	—	—	44,590	44,590
Profit/(loss) before tax	<u>1,616,356</u>	<u>(38,561)</u>	<u>26,303</u>	<u>(63,083)</u>	<u>1,541,015</u>
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>
Other segment information					
— Depreciation and amortisation	455,948	86,246	42,068	9,827	594,089
— Capital expenditure	182,129	97,474	27,030	3,707	310,340

22. COMMITMENTS

(a) Credit commitments

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

The Group provides letters of guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. The amounts disclosed in respect of unused credit card commitments are under the assumption that the amounts will be fully advanced.

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Acceptances	2,553,865	1,524,543
Letters of guarantees	2,849,538	2,991,216
Letters of credit	18,891	13,137
Unused credit card commitments	161,143	161,309
	<u>5,583,437</u>	<u>4,690,205</u>

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

(b) Capital commitments

At 31 December 2021 and 2020, the Group's authorised capital commitments are as follows:

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of property and equipment		
— Contracted for but not provided	<u>3,205</u>	<u>1,447</u>

7. PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement has been published on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jtnsh.com). The 2021 Annual Report of the Bank prepared in accordance with the IFRSs will be published on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the 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
March 30, 2022

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, Mr. Fong Wai Kuk Dennis, Ms. Han Lirong, Ms. Jin Xiaotong and Mr. Sun Jiafu as independent non-executive Directors.

* *Jilin Jiutai Rural Commercial Bank Corporation Limited 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.*